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LEGISLATIVE REPORT

BOMA/SUBURBAN CHICAGO

April 12, 2019

The House and Senate were in Session this week with both chambers adjourning Friday. The General Assembly will be taking a two-week break to allow for lawmakers to spend time working in their districts. Both chambers are set to return Tuesday, April 30.

It was a busy week as April 12 was the deadline for bills to be approved by the originating chamber, so Senate Bills needed to be approved by the full Senate and vice versa for House Bills. While the deadline is more rigid in the House than the Senate, it essentially means that bills not advanced to the opposite chamber this week are dead, however, exceptions can and are granted under special conditions.

"Fair Tax" Proposal Update

On Wednesday, the Senate moved forward with a proposal to eliminate the State's flat-tax mandate in the Illinois constitution and replace with a graduated income tax. The proposal was approved by the Senate Executive Committee along party lines, 12-5. This proposal does include the taxing rates but rather the language to be amended in the constitution.

From the Governor's office:

Governor JB Pritzker and leading members of the General Assembly announced a major step forward for the fair income tax, as lawmakers introduced language to amend the state's Constitution, which currently requires that all taxpayers pay the same rate, regardless of their income. Governor Pritzker's proposed fair income tax would address the state's multi-billion-dollar budget deficit by raising taxes only on those making more than $250,000, who represent only 3% of taxpayers.

The amendment would revise the state's Constitution as follows:

Current

A tax on or measured by income shall be at a non-graduated rate. At any one time there may be no more than one such tax imposed by the State for State purposes on individuals and one such tax so imposed on corporations. In any such tax imposed upon corporations the rate shall not exceed the rate imposed on individuals by more than a ratio of 8 to 5.

Proposed

The General Assembly shall provide by law for the rate or rates of any tax on or measured by income imposed by the state. In any such tax imposed upon corporations the highest rate shall not exceed the highest rate imposed on individuals by more than a ratio of 8 to 5.

As the constitutional amendment moves forward, Governor Pritzker's administration is simultaneously continuing negotiations with the General Assembly over the tax rates, which would ensure that only those making more than $250,000 a year – only 3% of residents – would pay more in taxes. Additionally, the governor has proposed increasing the property tax credit by 20% and creating a child tax credit targeted to working families.

The administration expects that rates will be finalized with lawmakers this legislative session so that Illinoisans can understand how the rates would affect their family before voting on the constitutional amendment. More information is available at www.illinois.gov/FairTaxCalculator.

ADDED TO BILL REPORT THIS WEEK

- **HB 2961**
- **SB1379**

UPCOMING DATES

- April 12 – Third Reading Deadline for Bills in Originating Chamber
- April 14 thru 27 – House & Senate Spring Break
- May 10 – House & Senate Bills Opposite Chamber Out of Committee Deadline
- May 24 – Third Reading Deadline for Bills in Opposite Chamber

AG RAOUL FILES LAWSUIT AGAINST PURDUE PHARMA

Press Release

Attorney General Kwame Raoul filed a lawsuit against Purdue Pharma L.P. and Purdue Pharma Inc. (Purdue) over its deceptive marketing practices designed to significantly increase prescriptions issued for opioids.

Raoul's lawsuit was filed in Cook County Circuit Court against Purdue, an opioid pharmaceutical manufacturer based in Connecticut. According to Raoul's lawsuit, Purdue carried out an aggressive and misleading marketing effort to increase prescriptions of opioid painkillers even as communities throughout Illinois and across the country faced an opioid addiction epidemic.

According to Raoul, between 2008 and 2017, Purdue dispatched sales representatives to Illinois hundreds of thousands of times. Raoul alleged Purdue also funded third-party publications under the guise of educational materials to promote opioids and downplay their risks, using terms like "pseudo addiction." Sales representatives informed doctors and patients that the risks could be controlled. Despite knowing that its opioid painkillers were dangerous and being misused and diverted, Purdue allegedly targeted doctors with addicted patients and whose patients were diverting drugs for unlawful use. Raoul alleged that Purdue's tactics tripled prescriptions of its opioids in Illinois.

Raoul's lawsuit asks the court to prohibit Purdue's deceptive conduct in order to ensure it does not happen again in the future, and to assess penalties against Purdue. Raoul is also asking the

court to require Purdue to give up revenues made as a result of the conduct, and pay to help remediate the problem.
Chicago Tribune

Illinois is late to the game suing Purdue, which last month agreed to a $207 million settlement with the state of Oklahoma, the largest settlement following a deluge of almost 2,000 lawsuits against Purdue regarding opioids that threaten to bankrupt the company.

The lawsuit “contains factual errors and gross distortions and misrepresentations based on highly selective excerpting of language from tens of millions of documents,” Purdue spokesman Robert Josephson said in an emailed statement. “The complaint is merely designed to publicly vilify Purdue. The company vigorously denies the allegations in the complaint and it will continue to defend themselves against these misleading and damaging allegations.”

The statement didn’t detail what in the lawsuit was in error.

PRITZKER SIGNS LAW BARRING LOCAL RIGHT-TO-WORK ZONES

State Journal-Register

Gov. J.B Pritzker on Friday signed legislation barring local governments from establishing local right-to-work zones.

Pritzker told reporters at a news conference that the act makes it “abundantly clear” that the state has turned a new page.

Former Gov. Bruce Rauner in 2017 had vetoed a bill that would have prevented local governments from establishing right-to-work zones. The House fell one vote short of overriding Rauner’s veto.

“Right to work was an idea cooked up to lower wages, slash benefits and hurt our working families,” Pritzker said. “Right to work has always meant right to work for less money.”

COMPTROLLER SUSPENDS $5.7 MILLION IN PAYMENTS TO MORNEAU SHEPELL

Associated Press

Illinois Comptroller Susana Mendoza has suspended $5.7 million in payments on an online state-employee health insurance program, a project so botched it also prompted her to begin ordering performance reports for all large state technology contracts.

Mendoza told The Associated Press she will review the contract with Georgia-based Morneau Shepell before deciding on payment. She plans a Monday announcement on that and the new requirement that state agencies complete annual reports for the public on the progress of their information technology deals exceeding $5 million.

A state audit last week found that the previous administration’s contract with Morneau Shepell for a custom-benefit portal that was supposed to save the state $500 million a year was so sloppily executed that the program, which auditors determined could have been done in house, is costing taxpayers $10 million extra a year and still isn't delivering the services promised. […]

The Democrat's Monday announcement will detail her "IT Milestone Report" for contracts over $5 million, which will be made public. Not only will it require updates on the purchased work's progress, but agencies will have to confirm that everyone involved in contract decision-making has completed required paperwork disclosing potential conflicts of interest. And if a contract doesn't include a provision for ensuring minority- and women-owned business participation in the work, the agency must explain why.

Press Release

MyBenefits shifted state program administration from CMS offices in Springfield to a Morneau Shepell call center in Atlanta where the Canadian company created between 100 and 115 new jobs.

Following its rollout, MyBenefits users soon reported wrongful termination of health insurance for new retirees; unexplained changes in life insurance policies; difficulty accessing flex spending accounts; difficulty receiving claims reimbursements; and payroll errors.

Mendoza's office will now suspend over $5.7 million in payments to the vendor pending further review. Next steps regarding outstanding payments to the company are to be determined, Comptroller Mendoza said.

"What happens next is going to be a balancing act. Taxpayers must be represented and employees and retirees need continuity when it comes to their benefits, especially health care. Should the contract be renegotiated or invalidated? Do we bring these functions back in house? What's clear is Morneau Shepell failed to meet performance standards, and they owe it to the State of Illinois and the nearly 500,000 MyBenefits users to make this situation right as soon as possible," Comptroller Mendoza said.

Mendoza's office will also implement new contract reporting standards for Information Technology vendor agreements over $5 million. State agencies will be required to provide certifications that all conflict of interest disclosures have been submitted by state employees. If minority contracting goals aren't included in a contract, agencies will have to explain why they have been omitted.

Most significantly, the Comptroller will implement an Information Technology Milestone report that, for the first time, will require state agencies to publish progress and performance updates on ongoing IT initiatives.

Comptroller Mendoza said both state agencies and the IT vendor community need to work quickly to restore confidence and integrity to the contract procurement and performance process.

"Over the last four years, the state has expended hundreds of millions of taxpayer dollars on IT projects, like MyBenefits, with little or nothing to show for it. Its past time to bring more transparency and accountability to a function that ultimately costs the state over $1.5 billion each year," Mendoza said.

PRITZKER'S BUDGET WOULD SHORT PENSIONS BY $1.1 BILLION NEXT FISCAL YEAR

Amanda Kass

The State of Illinois' pension contributions would be about $1.1 billion less in state fiscal year 2020 than required under current law, according to my analysis of Governor J.B. Pritzker's introduced budget, as shown in the chart below.

$ Billions	**FY2020 Current Law** *All Funds*	**FY2020 Pritzker Proposal** *All Funds*	**Difference**
TRS	$4.81	$4.24	($0.57)
SURS	$1.86	$1.63	($0.23)
SERS	$2.29	$2.01	($0.28)
GARS	$0.03	$0.02	($0.01)
JRS	$0.14	$0.13	($0.01)
Total	**$9.13**	**$8.03**	**($1.10)**

The table above compares what Illinois is required to pay to each of the five pension systems in FY2020 under current law versus the contributions that are in Governor Pritzker's budget proposal for FY2020. To be extra clear, I'm not comparing the actuarial recommended contributions with current law (actuarial recommendation is based on 100% target in 20-30 years; Illinois law is 90% target by 2045).

How is that $1.1 billion decrease accomplished? The details in the budget proposal are a bit think, but they involve a number of pension related changes. The two main items are extending the repayment timeline past 2045 to 2052, and making an already existing pension acceleration program permanent. (The acceleration program is for Tier-1 members, and is currently temporary.)

I'm not entirely sure how the estimates for any of the items in the Governor's proposal were determined, assumptions used, or what savings from the acceleration program have materialized thus far. This post isn't meant to wade into those proposals, or really even explain them. Instead, it's just meant to provide a quick comparison of the proposed 2020 payments to what's required under current law.