



# LEGISLATIVE REPORT

**BOMA/SUBURBAN CHICAGO**

June 3, 2019

The Illinois General Assembly has adjourned *sine die* for the Spring Session. It took a couple of extra days, but the General Assembly wrapped up Sunday evening following the approval of many items on Governor Pritzker's agenda.

Legislators successfully negotiated a balanced Fiscal Year 2020 budget that received bipartisan support, approved a ballot referendum to allow voters to decide if the state should keep the current flat tax or change to a graduated income tax, legalized recreational cannabis use, increased the minimum wage, overhauled the state's Medicaid managed care program and approved a major expansion to gaming in the state.

A rundown on the major bills can be found below. The General Assembly returns to Springfield October 28, 2019 for Veto Session.

## ADDED TO BILL REPORT THIS WEEK

➤ **None**

## UPCOMING DATES

➤ October 28 – Veto Session

## CAPITAL PLAN APPROVED

Ten Years after Illinois last passed a capital infrastructure bill, the General Assembly approved a \$45 billion infrastructure plan that will fund billions of dollars of backlogged road and bridge projects as well as vertical projects as schools, state higher education facilities and other state-owned buildings.

The plan passed with bipartisan majorities and includes:

- \$33.2 billion for transportation, including roads and bridges
- \$3.5 billion for education infrastructure projects
- \$4.3 billion for state facilities
- \$1.2 billion for environmental conservation projects
- \$420 million for broadband expansion
- \$465 million for health care and human services facilities

The transportation infrastructure plan is supported by the following revenues:

- \$.19 cents increase to the gas tax. the tax is also being indexed to inflation and will increase as the cost of living increases. This is to ensure the state doesn't again go

decades without raising the tax while watching its purchasing power for construction projects steadily erode.

- \$1 increase to the cigarette tax
- Increase to the electric vehicle registration by \$250 and \$50 for all other vehicles
- Increase of 15 percent tax on e-cigarettes

The vertical construction portion of the package is funded by:

- \$150 million from an increase in video gaming terminals
- \$10 million from sports wagering
- \$500 million from upfront license fees from casino and sports betting
- \$30 million from a tax on parking garages and lots
- \$68 million from an increase on the real estate transfer tax on commercial properties
- \$45 million from removing the sales tax exemption on traded-in property valued above \$10,000

## FISCAL YEAR 2020 BUDGET

Before adjourning Friday evening, the House and Senate approved a Fiscal Year 2020 budget that provides approximately \$40.1 billion in General Funds expenditures as well as \$66.5 billion in Other State Funds including operations and capital, for a total of \$107 billion in appropriations.

### **Supplemental**

The budget contains \$601 million in supplemental appropriations for the previous Fiscal Year 19 budget, including \$309 million for public employee back pay withheld under the Rauner administration, \$7 million to alternative schools and \$70 million for one-time costs associated with collective bargaining step increases.

### **State Board of Education**

The budget includes \$12.5 billion for the Illinois State Board of Education (ISBE), a \$498 million increase as compared to the FY 19 budget.

Evidence Based Funding (EBF) replaced the General State Aid (GSA) school funding formula in the 100<sup>th</sup> General Assembly. As a result, bilingual education and several mandated categorical appropriations were consolidated into the school funding formula for the first time in FY 18. The EBF formula includes a base funding minimum to ensure that each district receives no less than it did the previous year. Additional funding above the base funding minimum is distributed using a tier-based system that prioritizes school districts that are farthest from adequacy. The new funding system established a minimum funding level of \$350 million in new EBF each year.

The FY 20 budget has an increase of \$375 million to EBF, which exceeds the statutory minimum for EBF. This allows \$300 million to be distributed through Tier funding and \$50 million for the Property Tax Relief Grant. It allows an additional \$25 million to flow through the tiers.

For FY 20, \$153 million is appropriated for private special education, a \$17 million increase as compared to FY 19.

### **Agriculture**

Adds a new \$500,000 appropriation for administration for the Industrial Hemp Program and a new \$1.6 million appropriation for administration of the Recreational Cannabis Program. Retains funding for Soil and Water Conservation Districts and Cooperative Extension. Adds a new \$300,000 line for Crop Insurance rebate initiative.

### **Higher Education**

The Illinois Community College Board (ICCB) received a 9% increase for FY 20, with a 13% increase to base operating, 5% increase to City Colleges of Chicago, and equalization grants.

ICCB also receives a new appropriation of \$23.8 million for costs associated with bridge programs and competitive grant programs for student support services.

The MAP grant program also receives an additional \$50 million as compared to FY 19.

### **Healthcare & Family Services (HFS)**

HFS' total budget is \$25 billion and represents a 4% increase over its FY 19 appropriation. HFS's GRF allocation is \$7.2 billion – a 9% decrease under its FY 19 appropriation. This decrease in GRF does not represent a reduction in services or Medicaid liability, but is made up for by increased spending from the Healthcare Provider Relief Fund due to revenues expended from the MCO assessment, which is expected to bring in over \$1 billion in revenue.

Medicaid Liability is expected to grow in this budget. The following rate increases are accounted for and agreed to in this budget:

- Nursing Home rate increases for understaffed nursing homes;
- Providing for Supportive Living Facility Rate Increases relinking to Nursing Home rates;
- Providing rate increases for Children's Community-Based Healthcare Centers for children with medically complex needs; and
- Funding for clearinghouse to provide for MCO transparency and accountability.

### **Human Services**

DHS's all funds is \$6.9 billion which represents a 6% increase over the FY 19 appropriation for the agency. DHS' GRF allocation is \$4.2 billion, which represents a 9% increase over the agency's FY 19 GRF appropriation.

#### **Substance Abuse Disorder Programs**

Provides a \$4 million increase for all addiction treatment services.

#### **Mental Health**

Increases mental health supportive housing by \$6 million to increase access to community-based housing and to address minimum wage pressures for caseworkers and increases community mental health services funding by \$4.2 million.

### **Juvenile Justice**

Includes an increase of \$4.7 million (3.9% increase) over FY 19. This increase is entirely attributable to the *RJ v Jones* consent decree which has caused DJJ to increase its headcount, contractual services and Aftercare program.

### **State Police**

Includes an increase of \$28.7 million (4.4%) over FY 19. The increase will fund operational maintenance of a growing headcount. A majority of the remaining increase is attributed to funding for 2 cadet classes, the new Firearm Dealer License Certification Program (\$5 million) and training to police recreational adult-use marijuana.

## **GAMING EXPANSION**

As part of the funding for capital infrastructure, Governor Pritzker and lawmakers agreed to a major expansion of gaming in the state. The legislation will add six new casinos; Chicago, Waukegan, the south suburbs, Williamson County, Rockford and Danville.

The Chicago casino will be allowed to have up to 4,000 gambling positions – three times more than any other casino in the state. The money from the Chicago casino will be split in thirds among the city, state and private owner.

Video gambling machines are approved for larger truck stops and slot machines for O’Hare and Midway airports.

For sports betting, licenses will go to all existing and newly authorized casinos as well as horse racetracks and sports venues with license fees ranging from \$3.2 to \$10 million.

## **STATE OVERHAULS MEDICAID MANAGED CARE**

### *Chicago Business*

The Illinois House has unanimously passed a bipartisan reform package that aims to improve a number of health care programs in the state, including its often griped about Medicaid managed care program.

Under the program, the state pays private insurers a set amount per member per month rather than paying for each medical service provided. It aims to improve people's health and control costs by ensuring all care is appropriate and high quality. But hospitals say it's costing them money, as medical claims denied for administrative reasons cause significant reimbursement delays.

S.B. 1321 aims to improve aspects of the program that seem to be causing hospitals the most grief, including requiring insurers to pay complete claims within 30 days or face a penalty. The bill now moves to the Senate.

It also requires the Department of Healthcare & Family Services, the agency that oversees Medicaid, to maintain a provider complaint portal, through which doctors can submit unresolved disputes with insurers. Hospitals have long requested more oversight from the agency.

Hospitals—especially safety nets that treat large numbers of Medicaid patients—say their issues with Medicaid managed care have amplified since January 2018, when the program expanded from just 30 counties to all 102 in the state. Providers contend, however, that limiting the number of participating insurers to six has helped some.

The Illinois Association of Medicaid Health Plans, which represents the six Medicaid managed care insurers operating in the state, has been working closely with Healthcare & Family Services to develop standardized guides to help lower claim denial rates.

In the interest of transparency, Healthcare & Family Services would be required to calculate and publish each Medicaid managed care insurer's medical loss ratio, the percentage of premium dollars used to pay claims and improve quality.

The bill also aims to improve the medical redetermination process, which reviews eligibility for the state's nearly 3 million Medicaid beneficiaries.

Lapses in coverage are hard on patients, especially those managing chronic conditions, and health systems don't get reimbursed for medical services when claims are denied by health plans.

Illinois Health & Hospital Association spokesman Danny Chun says the group commends legislators, as well as Healthcare & Family Services, for "listening to providers and their concerns, and crafting a managed care reform package that lays the foundation to address every high priority issue identified by our members."

## **AFSCME & GOVERNOR STRIKE DEAL ON NEW CONTRACT**

AFSCME Council 31, the state's largest public employee union, and the Governor Pritzker's administration reached a tentative agreement on a new contract. Contract negotiations stalled under the previous administration. From the Governor and AFSCME:

"With this tentative agreement, Illinois has turned another important page from years of brutal ideological warfare," said Governor JB Pritzker. "Instead, this agreement respects the valuable contributions our workers make to the state and treats all our taxpayers fairly, thanks to months of negotiations that were constructive and frank. This agreement will be accommodated in the budget that the General Assembly will vote on today, and even more importantly, it is consistent with my long-term plans to stabilize Illinois' finances."

"This agreement reflects a fresh start for public service workers in state government," AFSCME Council 31 Executive Director Roberta Lynch said. "For four years, union members did their jobs and served their communities despite Bruce Rauner's chaos, hostility and constant attacks. In the Pritzker administration, AFSCME members have an employer who understands the importance of their work, respects their rights and is a constructive partner in the collective bargaining process."

## MARIJUANA BILL PASSES HOUSE, GOES TO GOVERNOR

*State Journal-Register*

By a vote of 66-47, the Illinois House gave final legislative approval Friday to a bill that would legalize possession of recreational marijuana for people 21 and older, and Gov. J.B. Pritzker said he will sign the measure into law so it can take effect Jan. 1.

“This is the beginning of the end of the war on drugs,” state Rep. Kelly Cassidy, D-Chicago, sponsor of House Bill 1438, said before the House followed the Senate this week to position Illinois as the 11th state to legalize possession and sale of recreational cannabis.

Cheers and applause erupted after the vote, which followed 3½ hours of often-emotional testimony from supporters and opponents of HB 1438 on issues of race, economics and a lack of conclusive data on marijuana legalization’s impact in other states.

The bill would allow Illinois residents to possess up to 30 grams of marijuana flower, or about 1 ounce. The bill would allow possession of up to five grams of tetrahydrocannabinol, or THC, in concentrated form, and no more than 500 milligrams of THC in a marijuana-infused product. Non-residents could legally possess half of those amounts.

Recent changes in the 610-page bill would allow home grows of marijuana plants only by patients in the state’s 6-year-old medical-marijuana pilot program. Five plants per household would be the limit.

Supporters of the bill argued that legalization of cannabis sales and adult possession and use of small amounts of marijuana would create a safer product and reduce black-market sales. They said communities would have the power to prohibit dispensaries and other cannabis businesses within their borders while also having the authority to allow lounges where cannabis could be consumed.

Supporters said money would be generated by license fees and marijuana taxes to help pay down the state’s backlog of bills and boost funding for social-service programs, law enforcement and education to ensure underage pot use doesn’t increase.

Proponents said Illinois would go much farther than any other state when it comes to instituting “social equity” for black and Hispanic people who for decades have been arrested and convicted of cannabis-related offenses at disproportionately high rates.

The bill creates a streamlined system for reversing potentially hundreds of thousands of convictions and erasing records for certain marijuana-related convictions not connected with violent crime.

The governor has indicated he would use his constitutionally granted pardon powers to assist in the expungement of previous convictions involving less than 30 grams of marijuana.

The bill creates a clearer path for others convicted of marijuana-related crimes — those involving more than 30 grams and up to 500 grams of marijuana — to seek vacation of convictions and expungements through state’s attorneys and judges.

To give blacks and other minorities more of a chance to start up their own cannabis businesses and land competitively awarded cannabis sales and production licenses, the bill would create low-interest loans and advantages for minority applicants in the state’s license-application process.

Opponents of the bill questioned whether its provisions would actually work to diversify the overwhelmingly white ranks of cannabis business owners. Instead, they said the legislation would lead to more impaired-driving crashes, injuries and deaths and more underage use of cannabis.

Opponents predicted rises in crimes of violence, educational failure, mental illnesses, addiction and increased numbers of people disqualified from jobs through drug tests.

License fees for companies that want to sell, grow and otherwise take part in the recreational-marijuana market would raise an estimated \$170 million for state government in the fiscal year beginning July 1.

Fees and taxes generated by the new legal industry would funnel an estimated \$350 million to \$700 million for the state and local governments each year after the system is fully operational in several years.

The bill sets aside 25 percent of cannabis-related tax revenues for grant programs to assist communities and neighborhoods affected by what bill supporters called the nation's failed war on drugs. Rep. Jehan Gordon-Booth, D-Peoria, one of the bill's co-sponsors, said Illinois would be a model for the nation in righting wrongs associated with that war.

Only three Republicans voted for the bill while six Democrats voted against it. One Democrat and one Republican voted "present."

Blood tests conducted in hospitals can be used in court to document assumed impairment based on the presence of the euphoria-inducing chemical THC in cannabis. But those tests usually aren't available to police unless a driver is involved in a car crash resulting in injury or death.