

President Cullerton

Speaker Madigan

Leader Radogno

Leader Durkin

Lieutenant Governor Sanguinetti

Attorney General Madigan

Secretary White

Comptroller Munger

Treasurer Frerichs,

Members of the General Assembly,

Thank you for your service.

To our distinguished guests, and to the media, thank you for attending today.

To the members of our National Guard, our service men and women, and our veterans - thank you on behalf of a most grateful state.

A unit of our Guard will soon deploy to Afghanistan. Let's keep them in our prayers.

To our fire fighters, first responders, corrections officers, and all those who keep us safe and protect us – thank you.

To our state troopers and all our local police officers from our smallest towns to our biggest city: THANK YOU.

The Illinois State Police do so many wonderful things to build relationships between our police and our communities.

From midnight basketball leagues, to citizen police

academies, to statewide Holiday toy drives, our state police officers are giving back.

Among many of their community initiatives, Illinois State Police officers participate annually at the American Legion Youth Camp, and they sponsor the Team Illinois Youth Police Camp in Metro East, which they hope to replicate in the Chicago area this year.

I want to recognize Master Sergeant John Merrifield, who leads the Illinois Youth Police Camp, and is with us today. Thank you again to all our officers for your service and your sacrifice.

This past year, we've seen major storms, deadly tornados and, recently, record flooding. In every instance, our emergency management team has been there with timely assistance, working hand-in-hand with the impacted communities and local officials. I am constantly in awe of the way our communities come together in times of trouble. This spirit of Illinois is what inspires me every day.

James Joseph, our IEMA director, is with us today: For the work you and all our first responders and emergency personnel do, please accept our deepest appreciation.

Today we are gathered to discuss our great state of Illinois: our opportunities, our challenges, our goals for the future. We were all elected to do a job. Our job is to improve the quality of life for ALL the people of Illinois.

That means more economic opportunity, to increase real incomes for all families: higher pay and lower cost of living for everyone.

The KEY to that is excellent education and vocational training, combined with multiple career opportunities made available by companies competing to hire workers.

Illinois is a wonderful place. Our people, our work ethic, our sense of community, our dedication to helping each other, our commitment to giving back, are absolutely extraordinary. It's what makes our state a great place to live.

We have the hardest working people in America; we have the best strategic location of any state. The most fertile fields and best agriculture. We are the transportation hub of America. We have the commercial capital of the Midwest – the heart of America - in Chicago.

We were the manufacturing center of America, and we had much of the best infrastructure in the country.

We have the ability to lead the nation in growth and opportunity.

And yet, jobs and people are leaving our state. And we watch other states emerge from the Great Recession, while our employment and growth stagnates. We have fewer jobs today than we had at the turn of this century. Our average working family is making less than they were 8 years ago.

We are virtually tied for the highest property taxes in America, and we have far more layers of government and mountains of debt at every level.

Unfortunately, Illinois' economy has been split in two, one part with modest growth, the other in decline. There are areas within 90 minutes of O'Hare Airport that compete with other expensive mega-cities around the world. Thanks to access to global transportation infrastructure, first class universities, and world class cultural amenities, white-collar communities in the Chicago area have mostly been able to overcome the financial mismanagement that is now strangling Chicago and Cook County.

But it's difficult in the rest of the state: Harvey, Blue Island, Kankakee, Rockford, East Moline, Peoria, Decatur, Danville, Mt. Vernon, and Marion. Those communities have to compete with other states like Indiana, Wisconsin, Iowa, Tennessee, Texas and South Carolina. And too often, we've been losing.

In recent years, we've lost more than 300,000 manufacturing jobs.

Many of you have argued that we shouldn't try to compete with other states, because that would be a race to the bottom.

Well, the numbers prove otherwise.

Factory workers in Indiana, Wisconsin, Iowa, Tennessee,

and South Carolina, when you adjust for the cost of living, now make more than workers in Illinois. That's unacceptable!

Factory workers in Texas are now making more than Illinois folks, even without adjusting for the cost of living.

That's outrageous! We should be kicking Texas' tail!

But the numbers don't lie. We are losing the race for good paying jobs.

And as jobs have moved to other states, we have a smaller tax base and less money to invest in education, infrastructure and quality of life here.

Instead of letting Indiana and Texas take our workers, let's go compete and take their jobs!

Illinois' existing policies were meant to help working people and the middle class, but are now having just the opposite effect.

To see more people employed at high pay, we need to stop crushing employers. To create good jobs, we need more job creators.

I understand that union leaders and trial lawyers are putting pressure on you to keep the status quo-- but if we don't offer a competitive environment for businesses, pretty soon the unions won't have any more jobs to unionize and the trial lawyers won't have any more businesses to sue.

All I'm asking for is a return to balance in this state -- 'cause

right now, we don't have competitive balance and jobs are leaving.

To bring good jobs to Illinois, we have to make Illinois a place where it is good to do business. We must fix our workers comp system, labor regulations, liability costs, and property taxes that make us uncompetitive, and push job creators out.

The cost of worker's comp is the biggest factor driving our job losses. If we simply aligned our workers' comp costs with those of a state like Massachusetts – which is hardly a bastion of conservatism – we can save state and local taxpayers over \$300 million per year, while protecting those who suffer workplace injuries, and grow more careers at higher wages.

Let's get it done!

One of the most critical ways to lower our cost of living and compete for more good jobs is to reduce our property tax burden. We have the second-highest property taxes in the country. They are crushing homeowners and small business owners from one end of the state to the other.

In many cases, people are paying more in property taxes over the course of living in their home than the original purchase price. That is ridiculous. The government should not be making more off a home than its owner!

Last year, Lieutenant Governor Evelyn Sanguinetti led a bipartisan

task force that identified 27 ways to streamline and reduce costs on local governments. It is a groundbreaking report and a roadmap for reform – thank you Evelyn, for your leadership.

Now, I know some items in the report are easier to pass than others, so let's pass the easier ones first. We don't have to pass them all day one. We DO need to get started on consolidation and mandate reduction right now. The families of Illinois are tired of waiting!

To create true long term property tax relief for our taxpayers, we've got to give local governments a way to control costs.

Some have said local control is impossible, and yet many in this Chamber have embraced it before, voting repeatedly to give Chicago more control in its contracting and collective bargaining rules.

We should not force other mayors and school boards to come to Springfield to beg for more control.

Let's give local control now, so homeowners can afford their houses and our communities can compete for jobs with neighboring states that have far lower property tax burdens.

Reducing our tax burden is not only about taxpayers and their property taxes – it's also about citizens and their government.

Like it or not, there's a serious deficit in public trust when it

comes to government in Illinois.

Citizens don't trust their government, and businesses don't either.

We pay for this trust deficit in lost economic growth – victims of a widely held perception that everything in Illinois is lobbyist tested, special interest approved.

We need to regain public trust. We need to restore employer confidence that Illinois is a safe place to do business, so they will invest more here, growing more high paying jobs, and expanding our tax base.

That starts with fundamental changes – term limits and redistricting reform.

The people of Illinois deserve the chance to vote on term limits. The state Supreme Court made it clear that it takes legislative action to put term limits on the ballot. This is the year to make that happen.

I was told last year that the legislature only takes up Constitutional issues in years when we hold statewide elections...

...well, I look forward to a vote on term limits this session!

President Obama has come out strongly in favor of both term limits and redistricting reform.

Just two weeks ago at his State of the Union Address, President Obama pressed for non-partisan redistricting reform, saying “We have to end the practice of drawing

our...districts so that politicians can pick their voters, and not the other way around.”

I agree, and the people of Illinois agree.

The only reasons not to do this are pure partisan politics, and a desire to cling to power.

The vast majority of all Illinois voters, both Democrats and Republicans, are in overwhelming support of both term limits and redistricting reform.

The time for excuses and blame is over. The time for action is now. Let’s get it done.

Change is hard. Reform is difficult. But we can’t just raise taxes again. We know that doesn’t work. While the 2011 tax hike was in place, our credit rating was downgraded five times, we barely made a dent in our bill backlog, state support for schools was cut, our unfunded pension liabilities went up \$28 billion, and our economic growth fell to almost half the national average. Raising taxes without improving our ability to compete will not help the people of Illinois, and in fact, it will make things worse.

While all of us are continuing to negotiate over reforms to grow jobs and lower taxes, our administration is not waiting to take action. We are moving ahead to make government more effective, and provide our taxpayers with major long term savings. Let’s review some of our actions.

Over the past year:

We eliminated more than half a billion in state spending through department action, and began the process of getting out from under our 80 consent decrees that have accumulated from decades of mismanagement.

We reformed the EDGE program to eliminate “special” deals, and now only provide credits for job creation.

We banned the revolving door of state officials turning lobbyist to make money off the programs they designed.

We began a comprehensive review of Illinois police procedures, and other states’ best practices, for handling use of deadly force between officers and community residents.

We began the process to sell the Thompson Center.

We implemented fraud reduction efforts that prevented \$188 million in improper unemployment insurance claims.

Under Director Felicia Norwood, we took action at HFS that will net state taxpayers more than \$250 million, improving redetermination and rightsizing the entities providing care coordination.

Thanks to the leadership of Director George Sheldon, DCFS is producing better outcomes for children while saving taxpayer money, by moving more children from shelters to foster homes.

These efforts by Directors Sheldon and Norwood are only the beginning, of a complete transformation of the way we

provide health and human services here in Illinois.

Historically, the state has spent most of its resources—tens of billions of dollars—on a broken patchwork of reactive, expensive, and ineffective interventions.

After decades of such uncoordinated spending, Illinois residents are sicker and no better educated, while some of our most vulnerable communities suffer from unconscionable levels of unemployment, violence and incarceration.

Our transformation puts a strong new focus on prevention and public health; pays for value and outcomes rather than volume and services; makes evidence-based and data driven decisions; and moves individuals from institutions to community care, to keep them more closely connected with their families and communities.

I know many of you have been working on these issues for years, and I ask for your support. Together, we can finally bring Illinois up to par with the best run states, helping make us far more compassionate without dramatically increasing costs, and, in some cases, reducing costs.

One of our biggest taxpayer protection initiatives is to take on the compensation costs of our state government. Most of our state employees are terrific, hardworking public servants. They deserve to be well paid, and receive higher compensation in the future. But it should be based in part

upon higher productivity, and shared benefits in taxpayer savings, rather than just seniority.

Unfortunately, the compensation demands being made by AFSCME leaders are out-of-touch with reality. Adjusted for the cost of living, we already have the highest paid state employees in America. Undeterred and unashamed, AFSCME is demanding \$3 billion more in overall compensation. That \$3 billion should go into our schools and human services, not into government bureaucracy.

Our state employees are paid almost 30% more than Illinois taxpayers are in their own jobs for the same work. That is just not fair – and it's time we restore balance between taxpayers and state government.

It's not just the eye-popping price tag on these easy-to-see costs that's hurting us, taxpayers are also losing from the hidden costs of work rules buried in previous contracts.

Because of these work rules, state government has seen AFSCME file grievances against volunteer campground hosts for educating visitors about a state park; against volunteers at a Veterans home who answered calls in the reception area; against a supervisor who pitched in to eliminate a backlog of tax returns. That's not right.

And unfair work rules have allowed state workers to manipulate overtime policies to boost their pay, costing taxpayers tens of millions.

We've paid \$22 million in overtime for the 15-minute roll call that occurs at the beginning of shifts. Our former Auditor General also highlighted, as ripe for abuse, the practice of so-called shift-swapping, where workers use sick time for a regular shift, but then get paid overtime to work a later shift that same day.

We need to install common-sense into our union contracts! One of the most critical actions we can take to save taxpayers' billions of dollars, while offering state workers a fair deal that protects their retirement, is to enact Constitutional pension reform.

Nearly everyone in this Chamber today understands the need for it. We have the worst unfunded pension liability in the nation and because of that nearly one in four dollars we spend in the state budget goes towards making pension payments. Over the last 10 years, we've gone from contributing \$1.4 billion per year to a scheduled \$7.6 billion payment this year.

Over the summer, our administration developed a pension plan that would provide more than \$2 billion in relief to cities, counties, universities and school districts, in addition to the state. And while it remains my hope that the General Assembly is interested in providing more comprehensive help to every community, we cannot wait any longer to help the state.

So as a first step toward bipartisan compromise, President Cullerton and I have agreed to support his pension proposal that will save \$1 billion/year from four of the state pension plans.

I have instructed Administration attorneys to work with the Senate President's staff to finalize language as soon as possible. When they do, I urge both chambers to pass it without delay.

One of the biggest impediments holding back our efforts to lower taxpayer costs, and improve services, is our antiquated information technology system.

We are a model of inefficiency and ineffectiveness.

Right now, Illinois ranks among the three highest spending states on IT, but we are one of the worst states for digital services delivered to the public.

Too many of our agencies' systems can't communicate with each other, they are vulnerable to cyberattacks, and are extremely expensive to maintain.

Illinois state government needs a digital revolution, and this week I created a secretary-level position to see this mission through.

The Department of Innovation and Technology will allow us to consolidate, modernize and streamline our IT systems, to better serve taxpayers and businesses, while fostering innovation among employees.

Current state CIO, Hardik Bhatt, with us today, will lead our transformation to improve service and productivity, and allow Illinois to be more proactive in the quickly changing world of IT.

It is not just in IT where we need to make Illinois government faster and more responsive. Our Department of Commerce and Economic Opportunity is hampered by redtape, and a slow bureaucracy that make business development and job recruitment more difficult.

Other states have moved to public-private partnerships to boost economic development efforts, while Illinois has stood still. Last year, we introduced legislation to create a P3. But it stalled in the legislature. This year, we will move forward with a revised version that will laser focus on sales, marketing and customer service, to increase our competitiveness for job creation and investment.

This morning the Illinois Business and Economic Development Corporation filed articles of incorporation with the Secretary of State, the first step towards bringing our economic development efforts into the 21st century. In the days ahead, I will be signing an Executive Order to formally establish our collaboration.

To save taxpayers money, we must also change the way we buy our goods and services.

In order to counter the procurement system abuses of prior

governors, the General Assembly passed the 2009 procurement reform law.

Unfortunately, that law is creating far more problems than those it was designed to correct.

The law more than tripled the time it takes to complete an RFP process, taking the process from 2-3 months to 9-12 months.

The solution is comprehensive procurement reform – both legislative and administrative – that maintains necessary ethics and transparency safeguards, streamlines bureaucracy, offers greater flexibility to agencies, and follows best practices from other states.

Done properly, we believe this can save Illinois taxpayers more than \$500 million per year. We look forward to working with the legislature to get it done.

Now, let's talk about one of the most significant transformations underway in our Administration.

Last year we created a bipartisan commission, led by our Director of Public Safety, Rodger Heaton, to propose reforms to our criminal justice system.

The Commission earlier this month recommended 14 reforms that can help us achieve our goal of SAFELY reducing the State's prison population by 25 percent by 2025.

They recommended we enhance rehabilitation programming

in our corrections system, and implement risk/needs assessments and evidence-based programs, that target underlying issues that contribute to criminal behavior, particularly cognitive behavioral therapy, and substance abuse treatment.

These and other reforms will lead to fewer victims of crimes, a better pathway back for ex-offenders, and safer communities for all.

State Senators Michael Connelly, Karen McConaughay, Michael Noland, and Kwame Raoul, and Representatives John Cabello, Scott Drury, Elgie Sims, and Brian Stewart, served on the Criminal Justice Reform Commission. Thank you all for your hard work on this critical issue. With your help, let's pass your recommendations into law this year.

Finally, let's talk about the single most important thing we do together as a community, and that is educate our young people. I know each of you in this Chamber share my passion to make Illinois schools the best in the nation. I'm excited to work together to make that a reality.

We in Illinois are blessed with wonderful teachers. I want to thank the thousands of educators across our state for the excellent work they do each and every day for our sons and daughters.

The key to rising family incomes, more high paying jobs, and a better life for everyone in Illinois, is to have a high

quality, fully-integrated education system from cradle to career, from early education, to K-12 public schools, to outstanding community colleges and universities, all the way to coordinated job training and technical training later in life.

To drive that result, we are committed to eliminating wasteful bureaucracy, putting more money into our classrooms, freeing up our teachers to teach, and holding our schools truly accountable for results.

We have ten long-term goals. This legislative session we will begin to:

1. Work closely with President Cullerton to significantly increase state support for education, focusing our additional resources more on low income and rural school districts so we can provide high quality classrooms in every community, without taking money away from any other districts.
2. Provide proper funding for early childhood education while setting rigorous benchmarks for program performance, so we can continue to be national leaders in this important work.
3. Give school districts more flexibility when it comes to bargaining, contracting, and bidding, to save taxpayers money, while enabling districts to pay higher teacher salaries.
4. Empower our universities and community colleges to reduce their administrative costs, work rules, pension

liabilities and unfunded mandates, and then offer additional financial support to those schools that show real progress in putting more resources in the classroom.

5. Support more partnerships between high schools, community colleges, and local employers so that our young people who are not going to university, can receive the training to step into good paying careers beginning in their teenage years.

6. Develop a comprehensive, consistent, objective student growth measure, not necessarily based on the PARCC system, so we can track our students' progress in each grade towards college or career, holding our schools accountable for results while eliminating unnecessary testing and bureaucratic mandates.

7. Support programs that create more quality school choice options for low income children stuck in failing schools.

8. Create new quality schools of choice for our disconnected youth as a way to get them back in school.

9. Consolidate the majority of our councils and task forces under the P20 and Early Learning Councils, in order to decrease bureaucracy, increase high-quality outcomes for our learners, and improve the coordination of these working groups.

10. Create a Cabinet on Children and Youth so we can better align our health and human services with our cradle to

career education initiatives, in order to provide higher quality, fully integrated services for our young people.

This education agenda is bold and transformative. Change is difficult. But by working together, we can make it a reality.

The people of Illinois deserve nothing less than the best education system in America.

All of us in this Chamber had a difficult year together in 2015, as we debated a budget with structural reform. But it is not too late for this General Assembly to make historic progress for the people of Illinois.

We came together to solve a budget crisis early in 2015. We came together to improve our Unemployment Insurance system, benefiting employers and workers alike. We came together to pass historic criminal justice reforms and much needed police reforms.

If each of us commits to serious negotiation based on mutual respect for our co-equal branches of government, there's not a doubt in my mind we can come together to pass a balanced budget alongside reforms. If we work together, Illinois can be both compassionate and competitive.

I am convinced there is a way we can blend the economic growth of states like Texas, with the heart and compassion of states like Massachusetts. In fact, in deep-blue Massachusetts, Democrats passed collective bargaining

reform for local governments, to save their taxpayers hundreds of millions of dollars. They figured out how to make worker's compensation costs half of ours. And they put in rigorous student growth measures, based only partially on PARCC, to hold their schools accountable for results.

Our job in this Capitol is to improve the lives of all the people of Illinois, through more economic opportunity, better educational opportunity, and more value for their hard-earned tax dollars. To achieve a grand compromise, we must cast partisanship and ideology aside. We must break from the politics of the past and do what is right for the long term future of our state. I'm ready – and it's my genuine hope that you are too. Let's continue this journey together. Illinois can't wait any longer.

Thank you. God bless you. God bless the United States of America, and God bless our great State of Illinois.

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