

SUPERINTENDENT TRAVIS WILSON
11/17/2010
RECORDING SECRETARY NOTE
FOR IDENTIFICATION

The State's financial position continues to deteriorate-

Backlog of unpaid state obligations continues to outpace incoming revenues. (Ex 20 mil. daily revenue v. 25 mil. daily health care expenses)

The lapse period for paying last year's bills has been extended from August to December.

6.4 billion in FY 2011 revenues will be used to pay last year's bills.

Meanwhile, the state has accumulated 3.5 billion in FY '11 general fund obligations.

The structural imbalance in the current budget combined with higher debt service creates the very real possibility that the current structural deficit of 13 billion reaches 15 billion by the time the FY 2012 budget is crafted early next year.

If lawmakers extend the current lapse period from December into next year, fiscal chaos will ensue and the ability of the state to maintain a reasonable support of educational and social service will be severely jeopardized.

If revenues continue to decline unsatisfied vendors or payees could be forced to seek legal remedies to obtain payments in amounts unprecedented in the state's history.

What this means for public schools in Illinois-

Federal dollars which were used to supplant state aid the past two years are no longer available.

Schools are still due mandated categorical (mcat) payments from March of FY '10. Essentially, we have received two instead of four mcat payments the past two years. (8 month backlog)

Mcat payments for this year are expected to be a single payment instead of four.

Governor Quinn is expected to cut 1 billion from education next year (FY '12)

Loss of EAV in collar counties would require more state aid payments to the north.

Major competition for schools in the state budget-

Unfunded state pensions 80 billion, 3.7 billion for last year's obligation still not met, while the pension obligation for this year 4+ billion.

Health care/Medicaid/social services.

Debt service payments

Comptroller's Quarterly

DANIEL W. HYNES, COMPTROLLER

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STATE BILL BACKLOG CONTINUES TO GROW

The state's financial position continues to deteriorate as the backlog of unpaid state obligations continues to outpace incoming revenues. With \$4.7 billion in fiscal year 2010 payables on June 30 to start the new fiscal year and \$1.7 billion in additional fiscal year 2010 payments presented during the lapse period, over \$6.4 billion in fiscal year 2011 revenues will be used to pay last year's bills. This amount represents almost 23% of total fiscal year 2010 General Funds base revenues. Meanwhile the state has accumulated over \$3.5 billion in fiscal year 2011 General Funds obligations, further exacerbating problems for state vendors and providers of state services as payment delays reach historic levels.

Even with short-term borrowing of \$1.3 billion in July to assist with the payment of fiscal year 2010 bills, the cash flow position improved only temporarily. At the end of September, the backlog of unpaid bills and transfers from the General Funds in the Comptroller's Office (IOC) stood at \$5.510 billion compared to payables last year at this time of \$2.913 billion. The state currently has unpaid invoices dating from last March with a likelihood of continuing prolonged delays.

The chart of adjusted General Revenue Fund (GRF) balances shows the balance on September 30, 2010 to be a negative \$4.931 billion even after the July short-term borrowing. At this time last year, the adjusted GRF balance was \$2.801 billion. As noted earlier, the General Funds expenditures lapse period obligations for fiscal year 2010 exceeded \$6.4 billion, a lapse period record. As of the end of September, \$2.0 billion of fiscal year 2010 vouchers remain unpaid, although the state has until December 31, 2010 to pay off these liabilities as allowed by Public Act 96-958.

Base expenditures decreased 0.9% due to an increase in payables. Transfers out are up primarily due to the beginning of repayment for pension bonds issued last year. Also, while transfers were being delayed in the first quarter last year due to cash flow problems, the same conditions have delayed the completion of many remaining fiscal year 2010 transfers until the first quarter of this fiscal year.

Base revenues are up an unimpressive \$3 million through the end of September. The timing of deposits and transfers appears to have played a role in some the revenue sources. It should be noted that \$263 million in inter-fund borrowing as authorized by Public Act 96-958 was initiated in the first quarter.

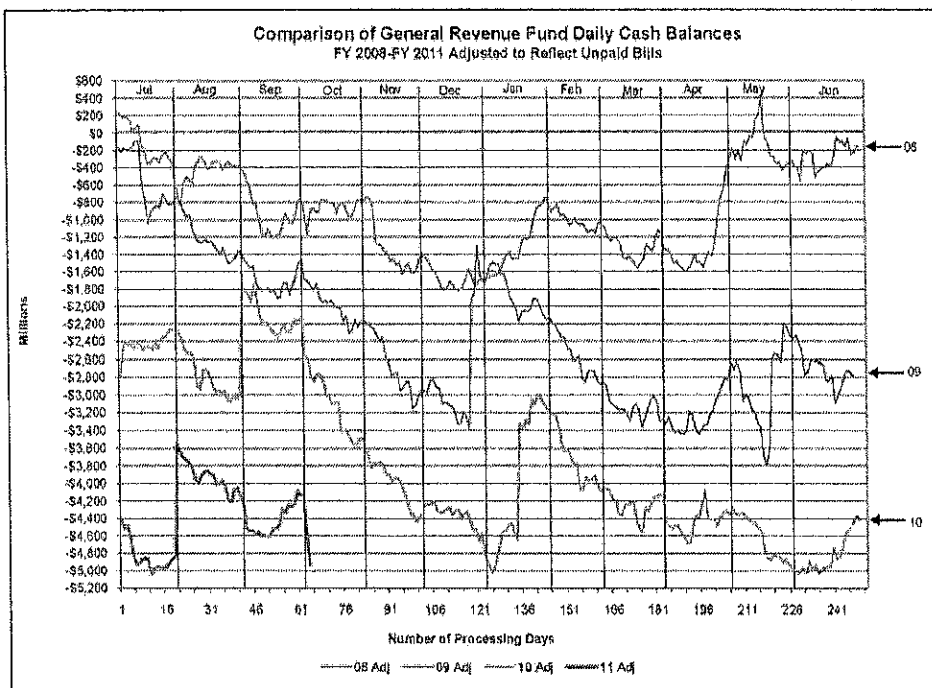
Base Revenues

Income tax revenue was one area of growth in

total revenues for the first quarter. Individual income tax receipts through three months increased \$49 million or 2.6% while corporate income tax receipts grew \$24 million or 10.0%. The increase in individual income tax receipts was due in part to a change in the percent allocated to the Refund Fund. Including the amount allocated to the Refund Fund, individual income taxes were up only 1.5%.

The economy remains sluggish as sales tax revenues are down \$1 million or 0.1%. It appears that the sales tax holiday in August for back to school items may have accelerated some spending from September, but its overall impact on tax collections is unclear as of now.

All other receipts are up \$27 million or 3.8%. Inheritance taxes are up \$34 million but will start to decline since there is no longer a federal inheritance tax collected. Public utility tax



receipts increased \$14 million which may be due to the timing of deposits.

Transfers in are up \$35 million. This is due in part to the \$80 million transferred from the Hospital Provider Fund compared to \$26.7 million at this time last year. Transfers from the Capital Projects Fund are up as those transfers did not begin until December last year. While Lottery Fund transfers increased, riverboat gambling transfers decreased \$20 million.

Federal revenues are down \$131 million or 8.2%. This is due to reduced federal stimulus (ARRA) monies and a decline in reimbursable spending.

Base Expenditures

Through September, base General Funds spending has declined 0.9%. For the month of September base spending was up \$157 million. August spending compared to last year was down \$1.343 billion and July was up \$1.118 billion primarily due to the timing of short-term borrowing in the fiscal years.

Short-term borrowing of \$1.3 billion in July 2010 was utilized to enable the State to get some of last fiscal year's bills paid. With \$4.712 billion in payables carried into lapse period from the previous year on top of another \$1.699 billion presented for payment from fiscal year 2010's appropriations in lapse period, nearly \$6.4 billion of fiscal year 2011 revenues will be utilized for fiscal year 2010 bills.

Through three months of fiscal year 2011, the Department of Human Services had the largest drop in vouchers presented for payment among the major agencies of \$135 million or 11.3%. State Board of Education was down \$38 million or 2.6%. Healthcare and Family Services was down \$86 million or 4.0%, while large agencies Aging (down \$25 million), State Police (down \$5 million) as well as Children and Family Services (down \$3 million) also had spending decreases.

The only increased spending occurred for Higher Education which was up \$344 million or 74.9% (including vouchers presented for the State Universities Retirement System) and Teachers Retirement System which was up \$67 million or 12.1%. Transfers out for the first three months of fiscal year 2011 increased by \$778 million or 126.5% when compared to

last year. There were two reasons for the increase in transfers out. First, debt service transfers increased over \$400 million primarily due to the payment schedule for the pension bonds issued in January 2010. Second, last year the state was compelled to delay transfers to other funds, while this year some of the backlogged fiscal year 2010 transfers are being paid.

What Lies Ahead

At the end of the first quarter, Illinois had \$5.5 billion in payables outstanding from the General Funds. Of this amount, a little over \$2.0 billion were remaining fiscal year 2010 liabilities. In anticipation of this condition, the General Assembly extended the normal lapse period from the end of August to the end of December 2010. At this point the state must continue to prioritize, when possible, the payment of fiscal year 2010 obligations over those of fiscal year 2011 before spending authority for fiscal year 2010 expires.

To eliminate the fiscal year 2010 debt by December 31st, three anticipated revenue enhancements provided for in the fiscal year 2011 budget agreement must come to fruition. Foremost is the approximately \$1.2 billion expected from the tobacco securitization initiative this fall. Secondly, additional revenues from inter-fund borrowing must be received as \$1 billion was budgeted from new inter-fund borrowing authority and only \$263 million was transferred in the first quarter. Finally, additional revenues from the tax amnesty program need to be realized. Originally the program was expected to generate \$200 million but that estimate has since been reduced. A significant failure of any of these sources will place remaining fiscal year 2010 obligations in jeopardy. This would create a scenario in which unsatisfied payees could be forced to seek legal and judicial remedies to obtain payments in amounts unprecedented in the state's history.

The economic performance of revenues remain weak as the increase in individual income taxes is due in part to the change in the percentage allocated to the Refund Fund and sales taxes have shown no growth as consumers continue to show little confidence in the economy. A strong rebound in economy driven revenue sources cannot be counted upon.

Spending pressures will continue in the second quarter. The higher debt service transfers due to last year's pension bonds will continue through December. Ongoing Medicaid payments tied to federal stimulus requirements, General State Aid for education and payrolls will continue to use most of the remaining revenues. Medicaid payments generating federal stimulus revenues were shifted to the Healthcare Provider Relief Fund from GRF at the end of September, but it will not be able to provide as much support in the second quarter. Any failure in revenues, particularly in November, could also place these required payments in jeopardy.

As long as fiscal year 2010 payments remain a priority, current year spending will continue to be backlogged and absent any other changes, payment delays will be extended from the historic levels seen recently. This will lead to more providers facing financial hardship and further threaten both the level and quality of services provided to Illinois citizens.

Barring any major changes, cash flow difficulties will continue throughout the remainder of fiscal year 2011. With the repayment of the July short-term borrowing in the spring in addition to normal spending obligations, there is a strong possibility that the backlog of payables on June 30, 2011 could greatly exceed the backlog at the start of this fiscal year. The level of fiscal year 2011 obligations unaddressed at the end of June could total as much as \$8 billion or significantly more if the over \$3.7 billion in fiscal year 2011 General Funds pension commitments remain unaddressed. The structural imbalance in the current budget, combined with higher debt service costs and the loss of federal stimulus revenues, creates the very real possibility that the Governor and General Assembly will face a working deficit of \$15 billion or more when the fiscal year 2012 budget is crafted early next year. This deficit would represent more than half of the current General Funds budget. The ability of the state to maintain any reasonable level of education and social service funding — and just as importantly, to pay for those services on a timely basis — will be severely jeopardized. The state fiscal year, already extended an additional four months this year, will likely have to be even more prolonged next year, creating chaotic fiscal conditions as the situation snowballs. ■

GENERAL FUNDS TRANSACTIONS
(Dollars in Millions)

	September		Change	Three Months		Change	
	2009	2010		FY 2010	FY 2011	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 198	\$ 116	\$ (82)	\$ 280	\$ 130	\$ (150)	(53.6) %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 737	\$ 736	\$ (1)	\$ 1,899	\$ 1,948	\$ 49	2.6 %
Corporate	184	203	19	241	265	24	10.0
Total, Income Taxes	921	939	18	2,140	2,213	73	3.4
Sales Taxes	529	527	(2)	1,607	1,606	(1)	(0.1)
Other Sources:							
Public Utility Taxes	84	107	23	251	265	14	5.6
Cigarette Taxes	29	30	1	88	88	0	0.0
Inheritance Tax (gross)	17	36	19	56	90	34	60.7
Liquor Gallonage Taxes	25	13	(12)	55	42	(13)	(23.6)
Insurance Tax and Fees	62	69	7	86	85	(1)	(1.2)
Corporation Franchise Tax and Fees	21	30	9	49	58	9	18.4
Investment Income	4	2	(2)	11	3	(8)	(72.7)
Cook County IGT	0	0	0	0	0	0	0.0
Other	21	30	9	106	98	(8)	(7.5)
Total, Other Sources	263	317	54	702	729	27	3.8
Total, Cash Receipts	\$ 1,713	\$ 1,783	\$ 70	\$ 4,449	\$ 4,548	\$ 99	2.2 %
Transfers In:							
Lottery Fund	\$ 51	\$ 53	\$ 2	\$ 128	\$ 135	\$ 7	5.5 %
State Gaming Fund	25	20	(5)	100	80	(20)	(20.0)
Other Funds	21	57	36	174	222	48	27.6
Total, Transfers In	\$ 97	\$ 130	\$ 33	\$ 402	\$ 437	\$ 35	8.7 %
Total, State Sources	\$ 1,810	\$ 1,913	\$ 103	\$ 4,851	\$ 4,985	\$ 134	2.8 %
Federal Sources	\$ 618	\$ 511	\$ (107)	\$ 1,593	\$ 1,462	\$ (131)	(8.2) %
Total, Base Revenues	\$ 2,428	\$ 2,424	\$ (4)	\$ 6,444	\$ 6,447	\$ 3	0.0 %
Short-Term Borrowing	0	0	0	1,250	1,300	50	4.0
Interfund Borrowing	0	202	0	0	263	263	0.0
Transfer from Budget Stabilization Fund	0	0	0	276	0	(276)	(100.0)
Total, Revenues	\$ 2,428	\$ 2,626	\$ (4)	\$ 7,970	\$ 8,010	\$ 40	0.5 %
Expenditures:							
By Agency:							
Healthcare and Family Services	\$ 856	\$ 447	\$ (409)	\$ 2,139	\$ 2,053	\$ (86)	(4.0) %
State Board of Education	956	913	(43)	1,479	1,441	(38)	(2.6)
Human Services	427	395	(32)	1,197	1,062	(135)	(11.3)
Teachers Retirement	184	510	326	554	621	67	12.1
Higher Education	183	484	301	459	803	344	74.9
Corrections	116	103	(13)	321	320	(1)	(0.3)
Children and Family Services	118	83	(35)	297	294	(3)	(1.0)
Aging	48	48	0	162	137	(25)	(15.4)
State Police	19	18	(1)	69	64	(5)	(7.2)
All Other	317	184	(133)	611	611	0	0.0
Total	\$ 3,224	\$ 3,185	\$ (39)	\$ 7,288	\$ 7,406	\$ 118	1.6 %
Regular Transfers Out	335	488	153	615	1,393	778	126.5
Prior Year Adjustments	(3)	(2)	1	(2)	(3)	(1)	50.0
Vouchers Payable Adjustment	(1,137)	(1,095)	42	142	(822)	(964)	N/A
Total, Base Expenditures	\$ 2,419	\$ 2,576	\$ 157	\$ 8,043	\$ 7,974	\$ (69)	(0.9) %
Transfers to Repay Short-Term Borrowing	0	0	0	0	0	0	0.0
Total, Expenditures	2,419	2,576	157	8,043	7,974	(69)	(0.9)
AVAILABLE CASH BALANCE, ENDING	\$ 207	\$ 166	\$ (41)	\$ 207	\$ 166	\$ (41)	(19.8) %

GENERAL REVENUE FUND TRANSACTIONS
(Dollars in Millions)

	September		Change	Three Months		Change	
	2009	2010		FY 2010	FY 2011	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 9	\$ 3	\$ (6)	\$ 4	\$ 20	\$ 16	400.0 %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 683	\$ 682	\$ (1)	\$ 1,760	\$ 1,806	\$ 46	2.6 %
Corporate	171	189	18	223	246	23	10.3
Total, Income Taxes	854	871	17	1,983	2,052	69	3.5
Sales Taxes	395	394	(1)	1,201	1,201	0	0.0
Other Sources:							
Public Utility Taxes	76	96	20	224	237	13	5.8
Cigarette Taxes	15	22	7	45	59	14	31.1
Inheritance Tax (gross)	17	36	19	56	90	34	60.7
Liquor Gallonage Taxes	25	13	(12)	55	42	(13)	(23.6)
Insurance Tax and Fees	62	69	7	86	85	(1)	(1.2)
Corporation Franchise Tax and Fees	21	30	9	49	58	9	18.4
Investment Income	4	2	(2)	11	3	(8)	(72.7)
Cook County IGT	0	0	0	0	0	0	0.0
Other	21	30	9	106	97	(9)	(8.5)
Total, Other Sources	241	298	57	632	671	39	6.2
Total, Cash Receipts	\$ 1,490	\$ 1,563	\$ 73	\$ 3,816	\$ 3,924	\$ 108	2.8 %
Transfers In	21	57	36	174	222	48	27.6
Total, State Sources	\$ 1,511	\$ 1,620	\$ 109	\$ 3,990	\$ 4,146	\$ 156	3.9 %
Federal Sources	\$ 618	\$ 511	\$ (107)	\$ 1,593	\$ 1,462	\$ (131)	(8.2) %
Total, Base Revenues	\$ 2,129	\$ 2,131	\$ 2	\$ 5,583	\$ 5,608	\$ 25	0.4 %
Short Term Borrowing	0	0	0	1,250	1,300	50	4.0
Interfund Borrowing	0	202	202	0	263	263	0.0
Transfer from Budget Stabilization Fund	0	0	0	276	0	(276)	(100.0)
Total, Revenues	\$ 2,129	\$ 2,333	\$ 204	\$ 7,109	\$ 7,171	\$ 62	0.9 %
Expenditures:							
By Agency							
Healthcare and Family Services	\$ 856	\$ 447	(409)	\$ 2,139	2,053	(86)	(4.0)
State Board of Education	640	498	(142)	934	609	(325)	(34.8)
Human Services	427	395	(32)	1,197	1,062	(135)	(11.3)
Higher Education	183	467	284	410	752	342	83.4
Corrections	116	103	(13)	321	320	(1)	(0.3)
Children and Family Services	118	83	(35)	297	294	(3)	(1.0)
Aging	48	48	0	162	137	(25)	(15.4)
State Police	19	18	(1)	69	64	(5)	(7.2)
All Other	317	187	(130)	612	617	5	0.8
Total	\$ 2,724	\$ 2,246	\$ (478)	\$ 6,141	\$ 5,908	\$ (233)	(3.8) %
Regular Transfers Out	441	627	186	721	1,590	869	120.5
Prior Year Adjustments	(2)	(3)	(1)	(3)	(4)	(1)	33.3
Vouchers Payable Adjustment	(1,137)	(591)	546	142	(360)	(502)	N/A
Total, Base Expenditures	\$ 2,026	\$ 2,279	\$ 253	\$ 7,001	\$ 7,134	\$ 133	1.9 %
Transfers to Repay Short-Term Borrowing	0	0	0	0	0	0	0.0
Total, Expenditures	2,026	2,279	253	7,001	7,134	133	1.9
AVAILABLE CASH BALANCE, ENDING	\$ 112	\$ 57	\$ (55)	\$ 112	\$ 57	\$ (55)	(49.1) %

LEGISLATIVE SESSION UPDATE 11/16/10

BUDGET UPDATE

March (Fy 10) MCAT payment is still outstanding except for the Sp. Ed Personnel payment for \$91,356M the comptroller released the night of March 21.

Those pending include:

Sp Ed Transportation	3/29/2010	\$72,603,349.67
Reg/Vocational Transportation	3/29/2010	\$81,090,283.89
Sp Ed Funding for Children Requiring Services	3/29/2010	\$59,159,924.90
Special Education Private Facilities	3/29/2010	\$23,447,181.25
Sp Ed Regular Term Orphanage Individual	3/29/2010	\$7,442,766.09
Regular Orphans and Foster Children	3/29/2010	\$2,038,594.19

TOTAL \$245,782,099.99

Current Backlog:

FY 10 ISBE \$619.4 million

FY 10 Total Backlog \$1.717 Billion

Oldest Vendor Day – March 29, 2010

FY 11 ISBE \$561.0 million

FY 11 Total Backlog \$3,569 Billion

Total Backlog \$5,286 Billion

ISBE vouchered the first FY 11 MCAT payment in September.

All FY 11 MCATS are currently being paid at 100% except for Regular/Vocational Transportation which is being reimbursed at 74%. Please note that the FY 11 MCATS are not final as corrections are being processed between now and the end of November. In December ISBE will finalize the file, calculate final proration and load the last three payments for the fiscal year.

General Assembly extended lapse period spending to December 31, 2010. Comptroller goal is to release all FY 10 obligations by the end of the calendar year. FY 11 payments with the exception of GSA (which we have continued to receive on time bill will be behind FY 10 obligations.) It is possible that the G.A. will have to go back in and extend the lapse period spending for FY 10 even further.

The budget process will be very difficult again for FY 12, especially as we are still dealing with unpaid vouchers for FY 10 and 11.

ISBE is hearing that the Governor is planning on cutting \$1B from education next year.

ISBE's priority will be continuing to maintain the Foundation Level at \$6,119.

In the State Supt.'s weekly message he wanted to remind you that the unspent funds from state grants do not carryover like federal grants from year to year. The FY 10 project grant period expired either June 30 or Aug. 31, 2010 and you are not supposed to obligate funds past that date. State FY 10 funds cannot be spent in FY 11.

Currently, about 300 LEA's have a total of approximately \$4.5 M in unspent grant funding in which the project period has ended. Technically, the agency should be asking LEA's to return that funding, however, given the backlog of bills the state owes to districts that seems unfair. IASA will be working with ISBE to see if there is some legislative fix for districts that would allow them to keep these funds. We will keep you updated on our efforts.

PENSIONS (Two issues)

A controversial \$4.1 billion pension borrowing proposal is still on hold after the Illinois Senate returned to the Capitol on Nov. 4 – two days after the election – to take up a plan to pay the state's pension obligations by borrowing money.

A Senate committee heard discussion on the borrowing proposal, but Senate President John Cullerton had to withdraw the proposal before a committee vote due to the lack of votes for passage out of committee.

The state has not made any of its required contributions this year. The lack of payments has triggered a sell-off of assets by the pension systems.

The legislation (SB 3514) would give Gov. Pat Quinn the power to sell up to \$4.1 billion in bonds to finance this year's state share of the pension contribution.

The General Assembly adjourned in May without the Senate voting on the measure. It had squeaked through the House, but there weren't enough votes in the Senate. The legislation requires a 3/5ths vote to pass. At the time, Republicans and Democrats alike were concerned about the effects of voting for more borrowing before the election.

You can expect this to resurface when they come back for Veto session on the 16th.

PENSION REFORM STILL ON THE AGENDA

Many editorials have been written throughout the State in regard to the current pension systems being too costly. Even though Speaker Madigan and President Cullerton last session bulldozed a massive pension reform bill – which creates a two-tier system for new hires only – through the legislature the consensus among the general public is that it's still not enough and that our state-funded pension system remains too costly for the state.

Given the fact that the State Comptroller has indicated that the state could face up to a \$15 billion budget next year it is highly likely that we will see further legislative changes in the future to the pension system.

One of the major issues that continues to be problematic is the state's unfunded liability to the state pension funds (over \$80 billion). This year alone the payment owed to the pension systems by the state was \$3.7 billion. Next year the payment will be even higher. The problem is not going away on its own!

A suggested idea coming from Sen. Radogno the Republican Leader in the Senate is that the pension ramp needs to be revamped. As it stands now it's much too aggressive for the state to continue to afford making those payments.

Other Ideas that have been suggested:

A changed in the cola's for current pensioners.

Tax pension benefits above a certain amount (\$75,000 or \$100,000)

Include new police and firefighters in the new two-tier pension system

Raise premiums for retiree health insurance

The civic Committee wants to reduce benefits for existing employees (reforming the pension prospectively, protecting all rights which retirees or employees already have earned.) A controversial idea that many argue violates the State Constitution.

VETO SESSION ISSUES

Veto session dates are November 16 thru 18 and Nov. 29, 30 and December 1.

OVERRIDE OF AMENDATORY VETO ON FOIA EXEMPTION FOR EVALUATIONS OF PUBLIC EMPLOYEES

HB 5154 (Chapa Latvia) amended the Personnel Record Review Act to provide that disclosure of performance evaluations of public employees (including school districts) under the FOIA shall be prohibited.

The Governor issued an amendatory veto recommending that only the performance evaluation of State and local law enforcement personnel (instead of all public employees) be prohibited from FOIA.

We will be working with the IFT and IEA to override this amendatory veto.

The Voucher bill that was introduced in the Spring Session could very likely be brought back for Veto session.

INCOME TAX HIKE

Quinn is already out there talking about his plans to push an income tax proposal of 1% from 3 to 4% which would generate about \$3 billion. He said the increase, which he calls a "surcharge" would go toward education and property tax relief.

Meanwhile Speaker Madigan is dropping a big hint about what Gov. Quinn will have to do to get an income tax hike through the Legislature: **Use the proceeds strictly to pay bills, rather than fund new spending.**

Quinn says the recent election serves as a mandate for a tax hike.

Mr. Madigan replied that talk of a mandate is overblown.

"If (the governor) has a mandate, it's not a real strong mandate," Madigan said.

Madigan went on to say the way "is not only an increase in the tax for education funding," as Quinn most recently has proposed. Rather, "my suggestion: Illinois has a severe budget deficit problem. The immediate need is bad. And the need is to pay the bills."

It is predicted that it will take "three to five years to work out of our problem," The state's cumulative budget hole is about \$14 billion, according to the State Comptroller's office.

And that means a one percent point income tax hike that includes property tax relief doesn't do a whole lot to balance the state's budget. It won't be nearly enough.

The matter could come up later this month or, more likely, in the Legislature's rump session in January.

Senate President Cullerton, has made it clear the House will have to act first. "We already passed a bill out of the Senate and it's over in the House." Cullerton is referring to HB 174, which would hike the individual tax rate to 5 percent and couple it with property tax relief. The measure passed the Senate with just Democratic votes in May, 2009, but has never been approved by the House.

Madigan has insisted that Republicans must be part of a tax hike vote. So far there is no indication from the other side that they will vote for it.

Madigan has also expressed support for raising the state motor fuel tax. He was the chief co-sponsor of HB 1 last year, which would've increase the motor fuel tax by 8 cents per gallon. The money would have been used for capital projects and to bail out mass transit.

Another issue on the table is a gambling package that could raise \$1 billion annually for the state. Senate Democrats intend to push legislation authorizing casinos in Chicago, an undetermined south suburban location, north suburban Park City and Downstate Danville. The expansion plan also would allow slot machines at 6 Illinois racetracks and expand the number of gambling machines now in use at existing casino.

Of course the Governor is not so keen on this and his push to raise the income tax by 1% should take priority.

Madigan told House members last week they will be in session eight days in early January that previously weren't scheduled. During the regular veto session in November, bills with immediate effective dates require a three-fifths super-majority to pass. But starting January 1st until the new Legislature's inauguration on January 12th, bills with immediate effective dates will only require a simple majority.