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The following is a general overview of the legislative activity occurring during the Illinois General Assembly's 2004 veto session. Reports also include detailed information about legislative activities of direct interest to each client.

CLIENT REPORT FOR 2004 VETO SESSION

The 2004 veto session consisted of session days on November 8, 9, 10 (when vetoed and amendatorily vetoed House Bills were considered in the House, and vetoed and amendatorily vetoed Senate Bills were considered in the Senate), and November 16, 17, and 18 (when vetoes overridden, or accepted in the case of an amendatory veto in the original chamber, were considered in the other chamber).

The 2004 veto session concluded on time, with little substantive non-veto action passing both chambers. The General Assembly considered the relatively modest number of gubernatorial vetoes as well as a significant number of non-veto related issues. This letter presents a brief report on: (1) the major issues of general interest which occurred during the veto session; and (2) issues of specific interest to you.

I. SIGNIFICANT ISSUES

A. *The State Budget*

The state has faced massive budget deficits for each of the past three state fiscal years (FY03, FY04 and FY05). In late July, the legislature passed a FY05 budget package of approximately \$45.5 billion, ending a record overtime session. Absent from the FY05 budget agreement was an estimated \$10-12 billion in capital appropriations that typically accompanies any complete state budget. The Governor and four legislative leaders agreed to sit down prior to the veto session and discuss the parameters for the capital appropriations budget; however, while a single meeting occurred during the week prior to veto session (and none during the veto session), no agreement was reached on moving a capital appropriations budget during the veto session.

The Senate did consider and pass a \$1.1 billion supplemental appropriation bill. That legislation, included: \$5.6 million for capitol security; \$16.5 million to pay death benefits to the survivors of Illinois soldiers killed in Afghanistan and Iraq; \$1.8 million for school district consolidation costs that were inadvertently left out of the FY05 budget; and \$1 billion to extend the appropriation authority for the hospital assessment program that was enacted as part of the FY05 budget. The supplemental was agreed to by the Governor and the Senate Democrats (which kept Senate Republicans informed), but was not considered by the House. The House did pass out the \$5.6 million for capitol security on a separate bill; however, the Senate did not consider that legislation.

The General Assembly returns to session for three additional session days in the current 93rd General Assembly in January. During those days, January 10, 11 and 12, it is expected that the capital budget and supplemental appropriation bills will be discussed.

B. Veto and Amendatory Vetoes

There are three types of vetoes in Illinois: (a) total vetoes, where the Governor disapproves a bill in its entirety; (b) amendatory vetoes, where the Governor makes changes to the bill that, in turn, must be approved by the General Assembly; and (c) line item or reduction vetoes, where the Governor disapproves or reduces certain line items in an appropriation bill, with the non-vetoed portions taking effect as law without further action by the General Assembly.

The General Assembly may override a total or amendatory veto by a three-fifths vote in each chamber (71 votes in the House and 36 votes in the Senate), or it simply may kill the vetoed bill by refusing to pass any motion on the veto. Amendatory vetoes may be accepted by a majority vote in each chamber. A line item or reduction veto takes effect if not restored by the General Assembly. Unlike other vetoes, the General Assembly may restore a line item or reduction veto by a simple majority in both chambers.

This year, the Governor vetoed 31 bills, down dramatically from the 115 bills he vetoed from the 2003 spring session. Of those vetoes, 24 were total vetoes and 7 were amendatory vetoes. There were no item or reduction vetoes. The legislature overrode eight total vetoes and one amendatory veto. Three amendatory vetoes were accepted, with those bills becoming law with the Governor's recommended changes. The three amendatory vetoes that were not accepted or overridden are now dead, as are the total vetoes not overridden. Only one override attempt failed. Legislation to effectively override local community regulations for mobile home parks was overridden by the House by an 80-34-1 roll call, but fell six votes short in the Senate.

C. Gaming

Each legislative session, proposals to alter or expand gaming in Illinois are proposed. With continuing difficult economic times facing the state, gaming as a revenue generator was a hot topic. A proposal, revived from the spring session, to add three new

casinos in Illinois, including a city-owned casino in Chicago and likely casinos in Rockford and in the South suburbs of Chicago, did not advance. A broad coalition of business groups worked with the City to push for passage; nevertheless, no specific language was introduced during the two-week fall session. This issue will be discussed again in January.

D. Medial Malpractice Reform

Perhaps the single-most talked about issue during the spring and in many fall campaigns, medical malpractice reform was not considered during the fall session. The issue was the subject of millions of dollars in spending in a state Supreme Court race (won by Republican Lloyd Karmeier over Democrat Gordon Maag) and in many legislative districts, particularly in Southern Illinois. In late September, Governor Blagojevich appointed former Cook County Chief Judge Donald O'Connell to preside over negotiations on the issue. No compromise was reached.

E. Election Code Changes

Pursuant to recent changes in federal law, legislation passed for the creation and maintenance of a centralized statewide voter registration list housed within the State Board of Elections. Additionally, legislation was passed to require each election authority in the state to establish a period for in-person voter registration that runs from the close of regular voter registration until the 14th day before a primary or election.

F. Affordable Housing

Legislation, forms of which have been advanced for the past two years, to create a rental housing support program failed to secure final passage. The program provides for grants from the Illinois Housing Development Authority (“IHDA”) to local administering agencies to provide subsidies for landlords to charge rent affordable for low-income tenants, while also providing for grants from IHDA to developers of affordable rental housing. The program was to be paid for through an \$11 surcharge on the recordation of any real estate-related document with county recorders. Of the \$11, \$1 goes to the county’s general revenue fund, \$1 pays for administration of the program, and \$9 is deposited into a fund to pay for the IHDA grants.

G. Stem Cell Research

Legislation introduced in 2003 was revived following the November elections and the high-profile passage of similar legislation in California. The Stem Cell Research Act would provide that it is the policy of the State of Illinois that research involving the derivation and use of human embryonic stem cells, human embryonic germ cells, and human adult stem cells from any source shall be permitted and that such research shall be reviewed by an approved institutional review board. The bill provides that individuals receiving fertility treatment shall have the option to choose among the available means of disposing of any human embryos remaining following the fertility treatment. Prohibits

the purchase or sale of embryonic or cadaveric fetal tissue for research purposes and provides criminal penalties. Provides for liability in procuring, furnishing, donating, processing, distributing, or using embryonic or cadaveric fetal tissue for research purposes. On the final day of veto session, this bill fell two votes short of passage in the Senate. The House passed the bill in March 2003 by a vote of 60-56-1.

H. Human Rights Act

A conference committee was appointed on legislation that amends the Human Rights Act to prohibit discrimination based on sexual orientation. Members in the Senate worked to round up votes, but the bill was never called for a vote. The measure had previously passed the House on a different bill.

I. Workers Compensation Act

A bill agreed to by the Illinois Manufacturers Association, Illinois Retail Merchants Association, Illinois Trial Lawyers Association and AFL-CIO to increase workers compensation benefits, increase penalties on employers and create medical savings for employers and workers failed to advance during the fall veto session. Many business and construction groups, among others, opposed the measure and sought changes to the bill. The City of Chicago, Illinois State Medical Society and Illinois Hospital Association also opposed the measure. The sponsor of the bill worked diligently throughout the veto session to craft possible changes to appease some of the opponents; however, no new language was ultimately filed. This issue will likely be revisited in January.

J. Employer Health Plans

Legislation supported by the Illinois State Chamber of Commerce to allow employers to offer health insurance policies that do not cover all state-mandated health benefits, while allowing access to coverage for those mandated benefits for employees that desire those coverages, did not advance.

K. CTA Funding

The Chicago Transit Authority (“CTA”) is seeking more than \$80 million to aid the agency in a major budget shortfall that threatens to result in service cuts, a fare hike, or both. While a bill to revise the RTA funding formula never advanced during the veto session, a House committee asked the CTA to consider a 6-month budget rather than a 12-month budget. This would buy the CTA time in anticipation of possible future legislative action.

II. FALL ELECTION SUMMARY

The start of the 2005 spring legislative session in January will bring minor change in the composition of the legislature. On November, 2, every Illinois state representative and one-third of Illinois state senators were up for re-election. Statewide constitutional officers are not up for election until 2006.

In the Senate, 22-year incumbent Pat Welch (D-Peru) lost his re-election bid to Gary Dahl (R-Peru). In the House, Aaron Schock (R-Peoria) defeated eight-year incumbent Ricca Slone (D-Peoria), Michelle Chavez (D-Cicero) defeated first term Representative Frank Aguilar (R-Cicero), and David Reis (R-Effingham) defeated first term Representative Bill Grunloh (D-Effingham).

Additional changes will occur with two state senators winning bids for other offices and resigning their seats. Kwame Raoul (D-Chicago) has been selected to take Barack Obama's (D-Chicago) seat following Obama's successful campaign for U.S. Senate. Senator Larry Walsh (D-Joliet) also resigned during the veto session following his selection by the voters as the new Chief Executive for Will County. Walsh's seat has yet to be filled.

When the 94th General Assembly is inaugurated on January 12, 2005, Democrats will hold a 65-53 majority in the House and a 32-27 majority in the Senate.

III. CONCLUDING COMMENTS

The House and Senate have both released their spring 2005 legislative session calendars. The 93rd General Assembly will conclude with session days on January 10, 11 and 12. Those session days are expected to be very active.

The 94th General Assembly will be inaugurated on January 12, with adjournment scheduled for May 27.

Enclosed please find the calendar for the upcoming 2005 spring session of the 94th General Assembly. As always, please contact us if you have any questions or concerns.

Very truly yours,

Morrill and Associates, P.C.

Attachment