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The following is a general overview of the legislative activity occurring during the Illinois General Assembly's 2001 veto session. Reports also include detailed information about legislative activities of direct interest to each client.

CLIENT REPORT FOR 2001 VETO SESSION

The 2001 veto session concluded on Thursday, November 29, with most action centered on addressing an estimated \$500 million state budget deficit. The 92nd General Assembly will reconvene to begin its spring legislative session on January 9, 2002. This veto session was significant for the important measures that passed and the ones that did not. 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. State of Illinois Budget Deficit

Due to higher-than-anticipated expenses and lower-than-projected revenues resulting from the weak economy, the state is experiencing its worst financial crisis since the early 1990s. During the veto session, it became clear that the Governor and legislative leaders would need to find a way to cut at least \$500 million dollars from the current fiscal year's budget. Meanwhile, Comptroller Dan Hynes released the \$226

million balance in the state's Rainy Day Fund to help the state pay bills on time. The state reportedly had a backlog of over \$500 million in bills since the end of October.

Governor Ryan worked throughout the veto session with legislative leaders to broker a budget agreement. With little progress by the second week of veto session, the Governor began announcing a series of cuts including: unpaid "furlough" days for state employees, capital project cuts and delays, closing of certain state facilities, and deep cuts in Medicaid reimbursements to hospitals (copies of the Governor's press releases on these cuts are included for your reference). Despite a flurry of last minute activity, including the passage through Senate Executive Committee of legislation allowing the Governor to make a more equitable distribution of Medicaid cuts, the General Assembly adjourned without taking action to reduce the budget deficit. The possibility remains that the Governor could call the General Assembly back in special session during the month of December to address this issue.

B. Anti-Terrorism Legislation

Domestic terrorism legislation designed to give state and local law enforcement officials additional tools to combat potential terrorist activities in Illinois passed both houses by large margins during the fall veto session. The legislation, initiated by Attorney General Jim Ryan, provides law enforcement authorities with expanded investigatory powers in regards to eavesdropping, wiretapping and search warrants and contains provisions allowing officials to freeze financial assets and take greater action on money laundering connected with terrorist acts. The legislation also increases the penalty for boarding an aircraft with a weapon.

In a separate action, the legislature also acted to provide increased appropriations for anti-terrorism expenses. Among the items included were funds to improve crime laboratories, to purchase stockpiles of bio-terrorism drugs and to buy equipment for police and fire departments. A plan to raise additional money to fight terrorism by holding a special seven-day lottery the last week in May advanced out of the Senate, but was not considered in the House.

C. Other Items Of Note

During the veto session, the legislature also created a short-term fix to keep the state retired teacher health insurance program functioning past 2003. These measures included: increased state payments, increased retiree premium payments and increased payments by school districts.

II. COMMENTS

The fall veto session ended without many major legislative initiatives being passed. The House and Senate have both released their spring 2002 legislative session calendars and will return to Springfield for the second year of the 92nd General Assembly on Wednesday, January 9, 2002. The schedule reflects two legislative realities: (i) the desire for members to return to their newly redrawn districts before the March primary; and (ii) the tradition that the second year of each General Assembly be reserved for budgetary and emergency measures.