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The following is a general overview of the legislative activity occurring during the Illinois General Assembly's 2005 veto session. Reports also include detailed information about legislative activities of direct interest to each client.

CLIENT REPORT FOR 2005 VETO SESSION

The 2005 veto session consisted of session days on October 25, 26, 27 (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 2, 3, 4 (when vetoes overridden, or accepted in the case of an amendatory veto in the original chamber, were considered in the other chamber).

The 2005 veto session concluded on time, with 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. *Vetoes 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 39 bills, down dramatically from the 115 bills he vetoed from the 2003 spring session, but near par with his 31 vetoes from the 2004 spring session. Of those vetoes, 30 were total vetoes and nine were amendatory vetoes. There were no item or reduction vetoes. The legislature overrode eight total vetoes and six amendatory vetoes. No amendatory vetoes were accepted. Those amendatory vetoes that were not accepted or overridden are now dead, as are the total vetoes not overridden.

B. All Kids Program

Prior to the veto session, Governor Blagojevich announced a proposal to allow middle class families who earn too much for Medicaid or the KidCare program to purchase health insurance for their children, with premiums and co-payments based upon income. The program will be funded by a shift of 1.7 million Medicaid and KidCare enrollees from the present fee-for-service structure into a managed care system. The amendment creating the program was filed on October 25th and adopted that afternoon by the Senate Executive Committee on a 7-4-0 roll call. It passed the Senate on Wednesday, October 26 on a 32-23-2 vote and moved through the House Appropriations-Human Services Committee 10-1-0 that same night. On Thursday afternoon, October 27, the measure passed the House 79-28-9. The Governor signed the legislation on November 15.

C. Gaming

Each legislative session, proposals to alter or expand gaming in Illinois are proposed. The House advanced a proposal out of committee and the full House that would repeal the authorization for riverboat gaming as of July 1, 2007. The Senate did not consider the legislation. The House also held a subject matter hearing on the need for providing additional gaming revenue to horse racing facilities.

D. Ethics Reforms

A major government reform proposal was introduced, advancing through House committee the first week, to implement changes in four areas: (i) pension board reforms; (ii) procurement reforms; (iii) ethics reform; and (iv) naming rights. The legislation was not considered by the full House. A summary of the provisions of that legislation follow.

Pension Board Reforms (applicable to both state and local pension systems): prohibits contingency fee lobbying of pension systems; requires pension system trustees to file statements of economic interest; strengthens Gift Ban Act

provisions to prohibit all gifts to pension fund employees from prohibited sources; prohibits conflicts of interest and self-dealing investments; requires competitive procurement of investment advisor services; and requires disclosure of investment advisor fees and commissions.

Procurement Reforms: requires increased justification for the existing “best interest of State” exemption; imposes higher standards for emergency purchases; requires bidders to exist as a legal entity at the time of bidding; requires publication of contractor ownership interests in the Procurement Bulletin; requires notice to the Procurement Policy Board of contract renewals; extends the sunset on the Procurement Policy Board’s review of real estate lease renewals; and requires requests for conflict of interest waivers to be made prior to a conflict.

Ethics Reforms: clarifies the prohibited political activities provision and the public service announcement provision; provides detailed guidelines on permissible gifts regarding educational missions; creates a “No Gift List” for state officials and employees; clarifies jurisdiction over Ethics Commissions and Inspectors General employees; clarifies ethics training responsibilities for the Ethics Commissions and Inspectors General and establishes ultimate jurisdictional authority; tightens the state revolving door policy on procurement activities of relatives of current employees; increases standard for the conflict of interest waiver in relation to the revolving door policies; clarifies that the State Ethics Act controls over future collective bargaining agreements; and provides for ethics officers for the Ethics Commissions and Inspectors General.

Naming Rights: gives the Executive Ethics Commission oversight of naming and sponsorship rights licenses for public entities; requires open, competitive naming and sponsorship rights valued at over \$25,000; allows universities and other state agencies to avoid competitive bidding on personal gifts by donors; prohibits the award of naming or sponsorship rights at designated State facilities; and ensures protection of blind vendors’ statutory preferences.

E. State Department of Juvenile Justice

Legislation passed both chambers that creates a new State of Illinois Department of Juvenile Justice from the present Division of Juvenile Justice within the Illinois Department of Corrections.

F. Affordable Energy & Heating

An initiative to provide assistance for affordable energy and heating failed to pass both chambers. That bill would: (i) establish a pilot program to ensure the availability and affordability of electric service to businesses that are considering closing, downsizing, or relocating outside of Illinois or businesses that wish to locate to Illinois; (ii) provide that approved business under the pilot program would receive an income tax credit equal to the certified amount of that business’s energy expenses, not to exceed

\$1,000,000 in any one year; (iii) eliminate the State's portion of the tax on energy-efficient products during the 2006 calendar year; and (iv) provide that the Director of Healthcare and Family Services shall transfer to the Supplemental Low Income Energy Assistance Fund the amount of money equaling the proportion of residential taxes paid by regulated gas utilities pursuant to the Gas Revenue Tax Act and the Gas Use Tax Act for households that received assistance from the Low Income Home Energy Assistance Program during the 12 months ending June 30, 2005.

II. CONCLUDING COMMENTS

The House and Senate have both released their spring 2006 legislative session calendars. The second year of the 94th General Assembly will begin on January 11, 2006 and is scheduled to adjourn on April 7, 2006 – the earliest scheduled adjournment date in recent memory.

Enclosed with the hard copy of this report, please find the calendar for the upcoming 2006 spring session of the 94th General Assembly. You may also view the spring session schedule at our website (<http://www.smorrill.com/>) by clicking on “Legislative Calendar.” As always, please contact us if you have any questions or concerns.

Very truly yours,

Morrill and Associates, P.C.