

MORRILL AND ASSOCIATES

A PROFESSIONAL CORPORATION

203 NORTH LASALLE STREET

15TH FLOOR

CHICAGO, ILLINOIS 60601

TELEPHONE (312) 606-8770

FACSIMILE (312) 606-2817

WWW.SMORRILL.COM

SPRINGFIELD OFFICE

433 WEST EDWARDS STREET

SPRINGFIELD, ILLINOIS 62704

TELEPHONE (217) 789-5411

FACSIMILE (217) 789-5413

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

CLIENT REPORT FOR 2006 END OF SESSION

The 94th Illinois General Assembly concluded its 2006 spring session late on May 4, almost a full month past the April 7th scheduled adjournment deadline.

The end of the 2006 spring session mimicked the end of the 2005 spring session in that the three Democrat leaders crafted a budget agreement without Republican input and passed the budget without Republican support.

The second year of each General Assembly is typically reserved for budget and emergency items. Often, however, many more items are considered than just budgetary and emergency items. This year was no exception. While the legislature did consider a wide variety of issues this spring, it also exhibited a dramatically lower volume of introduced bills and passed legislation than both the 2005 spring session and the 2004 spring session (the second year of the 93rd General Assembly). This spring, 2,766 bills were introduced (1,704 House bills and 1,062 Senate bills). The General Assembly passed 353 bills to the Governor. Comparatively, 6,209 bills were introduced (4,085 House bills and 2,124 Senate bills) and 715 measures were passed during the 2005 spring session. During the second year of the 93rd General Assembly (2004), 4,798 bills were introduced (3,499 House bills and 1,299 Senate bills), with 414 passing to the Governor.

This end-of-session report highlights legislative activities from the now-concluded 2006 regular session that may be of *general interest*, as well as such activities that are of *specific interest* to you.

I. GENERAL OVERVIEW OF SESSION

The start of the 2006 spring session kicked off the second year of the 94th General Assembly. The session schedule began on January 11th and was unique in that it packed a heavy number of session days into a shorter period of time, with adjournment scheduled for April 7th – six weeks earlier than usual. Accordingly, each legislative deadline was moved up, allowing fewer weeks to accomplish movement of legislation to meet those deadlines.

The partisan makeup of the General Assembly remained the same this session. In the Senate, Democrats hold a 32-27 majority, and in the House, Democrats hold a 65-53 majority. All 118 House seats and 39 of 59 Senate seats are up for election in the November 2006 general election.

The 2006 spring session adjourned May 4, nearly a full month past the scheduled adjournment deadline, but still over three weeks prior to the constitutionally imposed adjournment deadline of May 31. Under the Illinois Constitution, to become effective prior to June 1 of the next calendar year, a bill must pass before June 1 of the previous year unless it is passed by a three-fifths majority of both chambers (71 votes in the House and 36 votes in the Senate). With the General Assembly passing the budget before the deadline of May 31, the minority caucuses – House Republicans and Senate Republicans – were not necessary to pass the Fiscal Year 2007 (“FY07”) budget.

A. THE BUDGET

The Illinois General Assembly passed a final budget package for FY07 of just under \$56 billion, with \$45.8 billion in operational expenses and the rest for capital construction and maintenance programs.

The General Assembly did not pass a capital appropriations bill. Democrats in the Senate and House put forth separate capital appropriations bills that failed to gain enough support to pass due to lack of Republican votes. Republicans objected because those bills did not have a defined revenue source identified to retire the bonds that would be issued and because Republicans were not consulted on the projects to be funded by the capital program. The Illinois Constitution requires a 3/5 majority on legislation that would increase state debt through the issuance of bonds – meaning Republican votes were necessary in both chambers for a capital bill to pass.

For the first time in Governor Blagojevich’s tenure, the budget process began without an income deficit for regular operating expenses. There was no deficit due to a

two-year pension “holiday” passed in the spring of 2005, giving the state an extra \$1.2 billion in Fiscal Year 2006 (“FY06”) and \$1.1 billion for FY07.

The budget process began on Thursday, January 18, when the Governor delivered his annual State of the State speech. In the 40-minute speech, the Governor highlighted the accomplishments of his 3-year old administration and outlined a series of new initiatives that he would later propose as part of his FY07 budget plan. Those new initiatives were:

Capital Construction Program. The Governor offered a \$3.2 billion road and school construction program estimated to cost the State roughly \$280 million per year. That program included:

Road Building & Repair. The Governor’s proposal would build or rebuild 100 miles of streets and highways statewide and create an estimated 140,000 jobs. The program would also be used as the State match for federal transportation funds approved in the Congressional transportation appropriation bill. Announced projects included:

- Expanding Route 51 in Decatur;
- Widening I-55 from Weber Road to Illinois 126 in Joliet;
- Widening Illinois Route 13 from Marion to Carterville;
- Building Technology Boulevard in Peoria;
- Improving Route 2 in Rockford;
- Improving Route 5 in Moline;
- Starting work on the Mississippi River Bridge; and
- Making Route 336 a gateway from Chicago to Kansas City.

Improving Mass Transit. The mass transit component of the Governor’s proposed capital construction plan would have created an estimated 85,000 jobs. Proposed projects would allow Chicago to connect between CTA and Metra lines, the Chicago suburbs to upgrade their train stations, and communities including Danville, Mattoon, Rockford and Champaign to get new buses.

Build Schools. The Governor proposed a \$500 million school construction program that would create an estimated 7,000 jobs, while updating old and overcrowded classrooms as well as those in disrepair. The proposed capital program would also aim to create more classroom space, reduce class sizes and give students more modernized facilities to learn in. The Governor, the week before his State of the State speech, had proposed retiring the \$500 million in school construction bonds by implementing keno gaming in bars and taverns across the State.

Health Care. The Governor outlined two major health care initiatives. Those were:

Veterans Health Care. The Governor proposed creation of a new program, Veterans Care, to provide health coverage for low-income veterans who lack insurance and who do not live within driving distance of a VA hospital. Veterans Care is estimated to cost the State \$10 million annually.

Mercury Emissions. The Governor presented a plan for new administrative rules to reduce mercury emissions from power plants by 90% by June 30, 2009.

Tax Law. The Governor announced two high profile tax changes.

College Tuition Credit. The Governor proposed an annual tax credit of \$1,000 for every student who attends a public or private college in Illinois and who maintains a “B” average. The credit is expected to cost the State \$90 million annually.

Fuel Efficiency Rebate. In an effort to protect the environment and provide consumers relief from high gas prices, the Governor proposed a program, estimated to cost \$7.5 million annually, to provide a \$500 tax rebate to consumers who buy cars that run on E-85 or biodiesel fuel and get fuel efficiency of greater than 35 miles per gallon on highways or 25 miles per gallon in cities.

Public Safety. Two public safety programs were announced during the speech.

Ban on Assault Weapons. The Governor called for the legislature to pass a ban on assault weapons and .50 caliber rifles. In 2004, a federal law banning those weapons expired.

Methamphetamine Treatment Units. Governor Blagojevich called for the creation of two specialized methamphetamine treatment facilities: one at the Southwestern Illinois Corrections Center; and one at the Sheridan Correctional Center. It was anticipated that it would cost \$1.9 million to set up the facilities and \$18 million annually to operate those facilities.

Nearly one month later, on Wednesday, February 15, the Governor presented his proposed FY07 budget to a joint session of the General Assembly. The proposal contained approximately \$45.4 billion in operating expenses and \$9.95 billion in capital construction and maintenance programs.

The Governor’s proposed spending plan included \$1.4 billion in new State spending for FY07, a 4.2% increase from FY06. Included in that new spending are the following initiatives:

Education.

\$45 million for a new Preschool for All program to make preschool available to three- and four-year-olds in Illinois.

\$400 million in additional spending for K-12 education. That includes:

- \$100 million for the Chicago Public Schools.
- \$10 million for \$50,000 grants to schools with average class sizes in kindergarten through third grade of more than 20 students, to pay for teacher salaries and benefits to reduce the size of kindergarten through third grade classrooms.

\$90 million for a \$1,000 tax credit for every student who attends a public or private college in Illinois and maintains a “B” average.

\$40 million in additional funding for higher education, including an \$8 million increase in Monetary Award Program grants, \$18 million to universities to attract and retain faculty, and a \$7 million increase in community college grants.

Health Care.

\$45 million for a full-year of the All Kids program, passed by the General Assembly in November 2005, which provides health insurance to uninsured Illinois children.

\$10 million for a new Veterans Care program to provide health care for veterans whose income is below the poverty level and reside at least 50 miles away from a veteran’s hospital.

\$7.8 million for the Department of Aging to develop a single point of entry source for senior citizens.

\$2 million through a Department of Aging/Housing Development Authority partnership for funding of one-time home modifications that will help seniors stay in their homes longer and for emergency rental payments, first month’s deposits and utility bills for seniors transitioning back from nursing homes into communities.

Programs to address Illinois’ nursing shortage including: (i) a Center for Nursing at the Illinois Department of Financial and Professional Regulation; (ii) \$1.3 million for additional nursing scholarships; (iii) \$1.5 million in grants to nursing schools to increase the number of graduating nurses; (iv) allowing merit, as well

as financial need, to be considered for nursing scholarships; and (v) a future loan forgiveness program for nurses to become nursing educators.

\$20 million in grants from the Illinois Regenerative Medicine Institute to award grants to research facilities for the development of treatment and cures using stem cell research.

Public Safety.

\$3 million to begin training 100 new Illinois State Police cadets.

\$1.8 million for planning and design of the Prairie State DNA Institute to improve training and retention of forensic scientists through university training programs and \$500,000 for scholarships for students in those programs.

\$1.9 million for a specialized prison and treatment facility for methamphetamine addicts at the Southwestern Illinois Correctional Center.

Job Creation.

\$20 million in targeted grants through the River Edge Tax Credit program to developers who agree to redevelop Brownfield parcels along Illinois rivers.

Modifying the Illinois Film Tax Credit to a flat 20 percent on total qualified Illinois production spending and making the tax effective for multiple years (presently the legislature must re-approve the tax credit each year).

\$1.6 million to create a new system to capture applicant data through the Illinois Department of Financial and Professional Regulation to speed licensing for Illinois professionals.

Other Initiatives.

Consolidate the State's 9 payroll systems, 38 human resource systems, 104 fiscal systems, 95 call centers and 100 "800" numbers to streamline duplication and eliminate 2,000 jobs over the next five to seven years.

Contribute additional funds to Illinois' pension funds through: (i) using the proceeds of the sale of the tenth casino license for pension contributions; (ii) creating incentives for state employees to work longer; (iii) using the proceeds from the sale of surplus State property for pension contributions; and (iv) identifying new sources of revenue for pensions.

Hiring of an additional 1100 State workers, including 200 for the Department of Corrections, while offering a severance plan to 300 current State workers.

\$7.5 million to provide a \$500 tax rebate to consumers who buy cars that run on E-85 or biodiesel fuel and get fuel efficiency of greater than 35 miles per gallon on highways or 25 miles per gallon in cities.

\$16.5 million additional to the Department of Natural Resources for enhancements at parks and natural areas as well as \$1 million for a statewide water supply survey.

The Governor also proposed a \$3.2 billion road and school construction program that was estimated to cost the State roughly \$280 million per year. That program was summarized in the description above of the Governor's State of the State Address.

To balance the Governor's budget and proposed spending priorities, the Governor's proposed FY07 budget included the following revenue plan:

\$870 million from natural growth in existing taxes.

\$45 million from a 1.1-cent-per-gallon tax on fuel stored in Illinois but used out of state.

\$48 million by expanding the computer software tax to all software bought off the shelf by Illinois businesses.

\$10 million from changing the way business losses are audited by the State.

\$25 million from ending a tax credit for landfills that produce electricity.

\$10 million from a tax on profits from companies with offshore operations.

\$10 million from increasing the tax on cigars and smokeless tobacco.

\$100 million from selling the student loan portfolio currently held and managed by the State.

\$140 million to the General Revenue Fund from special purpose state funds.

\$45 million in savings to pay for the All Kids program by implementing a primary care case management model for participants in the state's Family Care, Medicaid and All Kids healthcare programs and a disease management program for those suffering chronic illnesses such as asthma, diabetes, or heart disease.

\$20 million from the tobacco settlement fund for the stem cell grants.

\$1.1 billion from the second year of a two-year pension holiday program passed by the General Assembly and signed by the Governor during the 2005 spring session.

In late February and throughout March, the Senate and House Appropriations Committees began hearings on the substance of the proposed budget. The Governor was mostly absent from Springfield on legislative session days, resulting in a long lapse before any budget negotiating sessions began between the Governor and Democrat legislative leaders. From early in the session, it was clear that the coalition formed late in the 2005 session between Governor Rod Blagojevich (D-Chicago), Senate President Emil Jones (D-Chicago) and House Speaker Michael Madigan (D-Chicago) would continue. The Republican leaders, Senate Minority Leader Frank Watson (R-Greenville) and House Republican Leader Tom Cross (R-Oswego), were not included in any budget negotiations.

The negotiation process began in earnest very late in the legislative session. While budget representatives, the so-called “budgeteers,” had been meeting for over a month, the first budget meeting between the Governor, President and Speaker took place in late March – only weeks before the scheduled adjournment on April 7. In anticipation of such a late start, both the Senate and House Democratic caucuses prepared their own budgets.

By the time the April 7 scheduled adjournment date came and passed, there was continued disagreement between the three Democratic leaders on the amount of new spending that should be included in the FY07 budget. Proposals ranged from the Governor’s proposed budget on the high end to a no-growth budget on the other end.

With the budget discussions showing little progress and member vacations scheduled, both the House and Senate adjourned early the second week in April. The House returned for session days each of the next two weeks, with nearly 20 legislators not present on some of those days, while the Senate left Springfield to return the first week of May. Budget discussions continued, sometimes sparingly, between the Governor, President and Speaker during that time between scheduled adjournment and the first week of May.

Early the first week of May, a tentative budget deal was reached. Unlike 2005, the Governor was able to maintain many of the new spending programs proposed in his Budget Address, as well as \$1.4 billion in increased spending. The budget deal was made possible partly by an outreach program initiated by Speaker Madigan where many individual legislators were asked to outline their requests for the budget – many of whom will receive one of those requests (including passage of other pending bills, grant money for their districts, and other programmatic items) as part of the budget deal agreed to by the Democratic leadership. It is quite unusual for rank-and-file legislators to be involved in the budget discussions in this manner.

On Monday, May 1, the amendment detailing the FY07 spending plan was filed. The following day, both the Senate and House began holding subject matter hearings on the proposed FY07 budget. Late that day, amendments containing most of the rest of the budget package were released and advanced out of House committee.

The spending plan passed the House on Wednesday, May 3 after more than four hours of debate. The House also passed many of the remaining budget bills that day. The Senate began consideration of the budget on the 3rd, hearing many of the budget-related bills in committee. The full Senate was unable to consider the budget Wednesday evening after the four Senate Latino Caucus members indicated they would not vote for the budget because it did not contain enough funding for education and neighborhood security. Negotiations, sometimes heated, throughout the day on Thursday brought forth an agreement that allowed the original budget deal to proceed.

Around 5:00 p.m. on Thursday, the House adjourned for the spring. Shortly thereafter, the Senate convened from a recess and began moving the budget bills for final passage. Passage of the budget, and ancillary items, concluded just past 10:00 p.m. on Thursday, May 4, allowing the legislature to adjourn.

Below please find a summary of the major items included in the FY07 budget.

THE SPENDING PLAN

Among the spending priorities of the budget are:

Education.

\$45 million to begin rolling out a new Preschool for All program to make preschool available to three- and four-year-olds in Illinois.

An additional \$415 million for elementary and secondary schools, including:

- A \$170 increase in the per pupil spending amount from \$5,164 to \$5,334 per pupil;
- \$116.7 million for the Chicago public schools;
- An additional \$2 million for art and foreign language education grant programs;
- An additional \$11.9 million for After School Programs;
- \$4.5 million increase for bilingual education;
- \$1.5 million boost for the Grow Your Own Teachers program;
- \$5 million for school security;
- \$3 million for the Children's Mental Health Partnership;
- \$2 million for the Teacher Mentoring Pilot Project; and
- \$1 million for bullying prevention.

\$10 million for a pilot program to reduce elementary and secondary education class sizes.

\$34.4 million to offer new Monetary Assistance Program (“MAP”) grants, dubbed MAP+, to sophomores, juniors or seniors whose families have an adjusted gross income of less than \$200,000 per year.

\$26.84 million additional for the existing MAP grant program. Funding for the expanded MAP grant and MAP+ programs are contingent on the sale of some or all of the State’s existing student loan portfolio to a private vendor.

Tuition waivers for members of the Illinois Naval Militia.

Health Care.

\$45 million for a full-year of the All Kids program, passed by the General Assembly in November 2005, which provides health insurance to uninsured Illinois children.

\$10 million for a new Veterans Care program to provide health care for veterans whose income is below the poverty level and reside at least 50 miles away from a veteran’s hospital.

\$7.8 million for the Department of Aging to develop a single point of entry source for senior citizens.

\$2 million through a Department of Aging/Housing Development Authority partnership for funding of one-time home modifications that will help seniors stay in their homes longer and for emergency rental payments, first month’s deposits and utility bills for seniors transitioning back from nursing homes into communities.

\$10 million to increase the Asset Limit for state assistance to seniors to \$17,500 from \$12,500, and to provide additional emergency home response and respite services for seniors living at home.

Programs to address Illinois’ nursing shortage including: (i) a Center for Nursing at the Illinois Department of Financial and Professional Regulation; (ii) \$1.3 million for additional nursing scholarships; and (iii) \$1.5 million in grants to nursing schools to increase the number of graduating nurses.

\$3.6 million in new funding to increase eligibility for breast and cervical cancer screenings to women with incomes up to 250% of the federal poverty level.

\$5 million to increase children's mental health services.

\$3 million for programs to combat HIV/AIDS among African Americans.

Public Safety.

\$3 million to begin training 100 new Illinois State Police cadets.

\$8.4 million to purchase 300 new police cars.

\$1.8 million for planning and design of the Prairie State DNA Institute to improve training and retention of forensic scientists through university training programs and \$500,000 for scholarships for students in those programs.

\$1.9 million for a specialized prison and treatment facility for methamphetamine addicts at the Southwestern Illinois Correctional Center.

\$5.7 million to increase state programming support of parolee reentry.

\$6.7 million to open a portion of the Thomson Correctional Center on September 1 to house minimum-security inmates.

An increase in prison guard headcount of 230 employees, approximately one-third of which will be hired at the Thomson Correctional Center.

An additional \$4.25 million for the CEASEFIRE program through the Department of Corrections.

Other Initiatives.

Tax credits for employers that hire released convicted felons and for employers that hire returning veterans.

An expansion and extension of the Illinois Film Tax Credit.

Funding for a pilot program of targeted grants through the River Edge Tax Credit program in Aurora, Rockford, and East St. Louis to redevelop Brownfield parcels along rivers.

\$1.6 million to create a new system to capture applicant data through the Illinois Department of Financial and Professional Regulation to speed licensing for Illinois professionals.

\$20 million for investments in alternative fuel and renewable biodiesel and ethanol facilities and \$5 million for research into renewable fuels at Southern Illinois and Western Illinois universities.

\$29 million to preserve open space, including: (i) \$15 million for the purchase of hunting lands; (ii) \$12 million for increased grants from the Open Space Land Acquisition and Development Program (“OSLAD”); and (iii) \$2 million to conduct a Natural Areas Inventory.

\$12.1 million for Amtrak to add additional train routes.

\$6.4 million to improve minority participation in pre-apprentice and apprenticeship programs and an additional \$10 million for local and regional workforce training and community development activities.

Consolidate the State’s 9 payroll systems, 38 human resource systems, 104 fiscal systems, 95 call centers and 100 “800” numbers to streamline duplication and eliminate 2,000 jobs over the next five to seven years.

\$230 million in federal Medicaid funds to reduce the payment cycle for pharmacists, hospitals and nursing homes leveraged by the mandated transfer of \$250 million in fund transfers held by the Treasurer. \$88.3 million each goes to the Drug Rebate, Hospital Provider and Long-Term Care Funds.

\$1 million to increase broadband internet access in rural areas.

A \$2.06 million increase in the General Assembly’s budget.

An additional \$8.1 million for the Department of Agriculture, including \$1.6 million for security of anhydrous ammonia – a fertilizer used to make methamphetamine.

An additional \$5.2 million for the Low Income Home Energy Assistance Program, paid for by transferring funds from the Gas Revenue Tax.

THE REVENUE PLAN

In order provide funding for \$45.8 billion in operational expenses, and particularly \$1.4 billion in new spending in FY07, the following revenue enhancements were passed:

An extra \$1.1 billion for state expenditures in FY07 from the second year of a two-year pension “holiday” passed during the 2005 regular session.

Nearly \$900 million from natural growth in existing taxes.

\$10 million from changing the way business losses are audited by the State.

A \$1.9 million decrease in funding for the Illinois Community College Board.

\$25 million from ending a tax credit for landfills that produce electricity.

Legislative mandated transfer of over \$250 million in fund transfers previously authorized by the General Assembly, but withheld by the State Treasurer over Constitutional concerns.

\$70 million from selling the student loan portfolio, or portions thereof, currently held and managed by the State.

\$157 million to the General Revenue Fund from special purpose state funds.

B. MEASURES THAT PASSED

In this second year of the 94th General Assembly, fewer issues were considered than in 2005. The second year of a General Assembly is traditionally reserved for budget and emergency items. While a broader range of items than just budget and emergency issues were considered, far fewer bills were considered in the 2006 spring session than during the 2005 regular legislative session. Among the noteworthy items that passed both the Senate and House are:

Legislation amending the Clean Indoor Air Act to expand to county boards authority to ban smoking indoors. A bill prohibiting smoking in college dormitories was approved, while legislation banning smoking in public places statewide was considered, but not passed.

New requirements for hospitals to issue itemized, easier-to-read bills and regulations on when past-due bills can be submitted for collection.

New safeguards, under the Safe Homes Act, to protect tenants under the threat of domestic or sexual violence.

Restrictions on protests outside funerals.

Affordable housing legislation, creating the Comprehensive Housing Planning Act, mandating that the State prepare and be guided by an annual comprehensive

housing plan that is consistent with affirmative fair housing provisions, which specifically addresses certain underserved populations, and identifies all State funding sources for housing.

Clarifying legislation to allow that Midway Airport, its city-owned parking garages and garbage disposal would remain tax exempt should the City of Chicago seek to privatize all or part of the airport.

A measure adding veterans to the list of groups protected under the Illinois Human Rights Act.

A major initiative aimed at increasing mine safety in Illinois which includes: installation of life cords at mines, self-contained self-rescue devices, rescue chambers and the establishment of a mine safety technology task force to look into new ways to keep miners safe. The bill also mandates stricter guidelines for equipping and staffing of Illinois' mine rescue stations.

A modest election reform bill that requires, among other items: (i) all grace period, absentee, early voting and provisional ballots to be counted at a centralized location; (ii) disclosure of political organization names in robocalls and prevents caller ID from being blocked; (iii) municipalities to open up public buildings for early voting; (iv) and gives more rights to mail-in absentee voters when their ballots are rejected.

Altered statutory language mandating that photographic or video evidence to catch automobile speeders cannot be used unless a law enforcement officer is present at the scene and witnesses the event.

A transfer of certain riverboat tax receipts from those riverboats to the Illinois horse racing industry.

Regulations mandating that all cigarettes sold in Illinois are self-extinguishing.

A mandate that every dwelling unit be equipped with at least one carbon monoxide alarm within 15 feet of every room used for sleeping purposes.

New requirements for nuclear power plants regarding reporting and detection of unpermitted releases.

Much publicized legislation that would narrow municipalities' current power in taking private property through eminent domain.

An increase from 25 to 50 hours the number of hours Illinois parents must drive with their children before those young drivers can earn their full license.

An initiative of Attorney General Lisa Madigan to create the Mortgage Rescue Fraud Act to stop mortgage rescue companies from taking advantage of people who are about to lose their homes.

C. *MEASURES THAT DID NOT PASS*

While many noteworthy measures passed, a number of important items were considered, but did not pass both houses. Those include:

Authorizing language to create the Eastern Will County Airport Development District to manage development of the Third Chicago Airport at Peotone.

A prohibition on fees and expiration dates on gift cards sold in Illinois after July 1, 2007.

A resolution that was necessary to pass to block legislative, executive and some judicial pay increases.

New mandates on hospitals to devote at least 8 percent of their operating costs to providing free or discounted care.

An introduced bill allowing for the medical use of marijuana.

Legislation allowing pharmacists to refuse to fill prescriptions for emergency contraceptives.

Ethics reform legislation filed in the Senate that addressed: statements of economic interests; ultimate jurisdictional authorities; ethics training; ethics officers; the revolving door prohibition; public service announcements; collective bargaining; lobbying; emergency procurements; holdover leases; contract disclosures; lease renewals; State contract conflicts of interests; bond issuances; and investment advisers, fiduciaries, and prohibited activities relating to pension funds, retirement systems, and the Illinois State Board of Investment.

Compromise legislation between the Illinois wine industry, beer distributors, and wine and spirit distributors that would outline standards for sale of wine via the internet.

Legislation extending the rate freeze on Illinois residential electricity rates.

A statewide ban on assault weapons in Illinois.

A proposal to mandate that 10 percent of Illinois fuel be E-85 ethanol by 2008.

A bill expanding the alternative homestead exemption for homeowners whose assessed valuation increased by more than 7% in each year during the three-year assessment cycle.

An initiative sought by the Lieutenant Governor to provide Illinois 7th graders and their teachers with laptop computers.

A massive governmental ethics and campaign reform proposal presented by the Governor in 2005, but not pushed this spring, that would, among other items: cap individual (\$2,000), state party (\$5,000), and PAC (\$5,000) contributions per election; ban corporate and union contributions; mandate disclosure of more detailed information about public office holders' financial holdings and conflicts of interest; bar former lawmakers and state employees from lobbying for a year; prohibit law, consulting and lobbying firms that have contracts with the state from providing income to members of the legislature, state employees and board appointees; and prohibit family members of state employees from lobbying the state or serving in paid positions on state boards or commissions.

A new school aid formula. An additional \$415 million in funding was provided to elementary and secondary school districts and the per-pupil foundation level increased from \$5,164 to \$5,334 per pupil.

II. GOVERNOR'S ACTION ON BILLS

Under the Illinois Constitution, the General Assembly has 30 days in which to present a bill to the Governor after final passage. The Governor has 60 days after receipt of a bill in which to act – inaction beyond the 60-day period results in the bill automatically becoming law.

Typically, the Governor assigns a “bill review team” to analyze any measure that reaches his desk. The review team usually consists of one representative from each of the following areas of the Governor's office: Legislative Affairs, Office of Management and Budget, Policy Staff, Press Staff and Legal Office. Affected administrative agencies typically are also represented.

Due to the early scheduled adjournment date and the late actual adjournment, many legislative measures that passed both houses have already been sent to the Governor's desk. 259 of the 353 passed bills have already been sent to the Governor's

desk and are on the 60-day clock. Twenty-nine of those bills have already been signed by the Governor, while one bill has been vetoed.

III. VETO SESSION

The 2006 veto session has been scheduled for November 1 (a perfunctory session day when veto messages are simply read into the House and Senate records); November 14, 15 and 16 (when vetoed and amendatorily vetoed House Bills are considered in the House and vetoed and amendatorily vetoed Senate Bills are considered in the Senate); and November 28, 29 and 30 (when vetoes overridden, or accepted in the case of an amendatory veto in the original chamber, are considered in the other chamber).

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, 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 reduction veto takes effect if not restored by the General Assembly. The General Assembly may restore a line-item reduction by a simple majority in both chambers.

With the veto session following the 2006 general election, many believe a major capital appropriations bill may be considered at that time.

IV. 2006 GENERAL ELECTION

The 2006 General Election will be held on Tuesday, November 7. All of Illinois' Constitutional Offices are up for election, as are all 118 Illinois House seats and 39 of the 59 Illinois Senate seats.

Constitutional officer incumbents running for re-election include: Governor Rod Blagojevich (D-Chicago) running against State Treasurer Judy Baar Topinka (R-

Riverside); Lt. Governor Pat Quinn (D-Chicago) facing off with DuPage County State's Attorney Joe Birkett (R-Wheaton); Secretary of State Jesse White (D-Chicago) taking on State Senator Dan Rutherford (R-Chenoa); Attorney General Lisa Madigan (D-Chicago) against Stewart Umholtz (R-Pekin); and Comptroller Dan Hynes (D-Chicago) versus State Senator Carol Pankau (R-Itasca). The candidates for the State Treasurer's office vacated by Judy Baar Topinka are State Senator Christine Radogno (R-Lemont) and Alexander Giannoulis (D-Chicago). State Senator James Meeks (D-Chicago) is considering constructing a third-party candidate slate for each Constitutional office, with Senator Meeks heading the ticket as a candidate for Governor.

In both the House and Senate, Republicans will be looking to make gains on the Democrat majorities, while Democrats will look to increase those majorities. In the Senate, Democrats hold a 32-27 majority, and in the House, Democrats hold a 65-53 majority.

V. CONCLUSION

It has been our privilege to serve you in Springfield this past session, and we hope the foregoing is useful in summarizing the 2006 legislative activities of interest. Should you have any questions or concerns, or if you require copies of bills or other legislative materials, please do not hesitate to call.

Very truly yours,

MORRILL AND ASSOCIATES, P.C.