



The General Assembly finally passed a budget after two years of the State going without. The legislation that provided this budget, SB 6, provides general operating budgets for state agencies and universities, albeit at rates generally lower than historical amounts. The budget reduces pension funding from what is otherwise lawfully required and fails to repay past debts. Ultimately both Democrats and Republicans accuse the budget of being the other sides' doing, but the budget was passed primarily by Democrats with some Republican support. The legislation was not supported by the Governor or the Republican leadership in the General Assembly.

Part of the budget package included SB 9, which increased income tax rates for individuals and businesses in Illinois.

The income tax rate for individuals went from 3.75% to 4.95% and the corporate rate went from 5.25% to 7%. This bill was also opposed by Republican leadership, including the Governor, but like the budget did receive some Republican support both in initial passage and the ultimate override of the Governor's veto.

One major impetus to the passage of the budget was the bond rating agency's impending downgrade of Illinois' bond rating to non-investment grade, or junk status. At this point, it seems likely that the state could keep this downgrade from happening, although the bond houses seemed hardly excited about a budget that failed to take steps to pay down previous debt and was based in large part on arbitrary reductions in payments to reduce the unfunded liability of the state's massive pension obligation.

Politically, the passage of the budget and revenue package, its veto by the Governor and the ultimate override of the veto by the General Assembly has not changed the face of the dysfunction in Illinois, but it has potentially ramped it up. There are less than 16 months until the election for governor is conducted in Illinois. Due in large part to self-funding by very wealthy candidates, there has been an unprecedented amount of early political campaigning. This issue of a tax increase has fed into this campaigning. Governor Rauner, in the wake of legislative defeat of his veto, has changed most of his policy and legislative staff. Many individuals who were not terminated have departed voluntarily as the Governor's office is now seen as hostile to more moderate republicans.

The Governor's messaging is likely to remain very anti-Madigan as it has been for the last two years; however, it is generally perceived that the Governor will spend more time reaching out to the more conservative portion of the Republican base who are vocally outraged over the tax hike. Likewise, democrats, even those in relatively safe legislative districts, have generally been very apologetic to their constituency who are less than accepting of a substantial tax increase.

Regardless, many people in Springfield feel that hard feelings over the budget and revenue increase will likely shut state government down for the next 16 months as there is little sense of trust between the parties left. There have been rumors that even fairly mundane business, such as the approval of Governor appointees and agency rules could come to a halt. Time will tell, but individuals should not expect many changes in the Illinois political landscape after this resolution to one aspect of the ongoing stalemate