# NIUAA Legislative Report

## 2/29/24

Fellow NIUAA members,

On Feb 21, Gov. Pritzker gave his annual State of the State and budget address to the General Assembly.  I share with you the brief except below of his comments relative to our pensions, as reported by the *Chicago Tribune* on Feb 22 (emphasis added):

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“There should never be an instance where an insurance company employee can deny coverage for something as serious as open heart surgery,” Pritzker said.  In his sixth budget proposal, Pritzker also laid out a l**ong-term plan to manage the state’s massive pension debt by increasing the funding target to 100% from 90% and extending the payment deadline by three years, to 2048. The change would not affect the state’s pension payment for the coming year, totaling $10.1 billion from general funds, or roughly 19% of the operating budget.**

Acknowledging his spending plan represents the beginning of negotiations with the Democratic-controlled legislature, Pritzker said his proposal “is balanced, and it builds upon all of the progress we have made,**paying our pensions in full**, investing more in our public schools, social service agencies and health care while addressing the immediate and unique needs of the coming fiscal year.”

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For clarity, let me note that the extension of the pension payment deadline to 2048 is based on what many of you know as the pension "Ramp" that began under Gov Edgar.  This "ramp" was "backloaded," meaning the state intentionally contributed too little money to the pension systems in the early years and faces rapidly increasing annual payments as the deadline approaches.  Whether the governor's proposal is truly feasible is unclear, but the intent is appropriate.

In addition, the *Chicago Tribune* reported the following regarding funding for higher education:

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"The governor’s plan includes another $45 million to address the state’s teacher shortage and a**n increase of more than $30 million in support for state colleges and universities. The higher education increase would amount to a 2% across-the-board hike.**

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Both budget items contain positive news for current and retired NIU employees.

Jim Lockard
NIUAA Legislative Committee Chair

## 3/4/24

Fellow NIUAA Members,

In addition to the previous message concerning some specific items in the Governor's Fy25 budget proposal, you may also be interested in comments about the proposal from the Center for Tax and Budget Accountability, led by Ralph Martire.  CTBA has been a vocal supporter of improved budgeting for the state, based on its repeated analyses of the budget that show a "historical structural deficit" in the General Fund that hinders the state's ability to meet its obligations, among them the funding of education at all levels and the public pension systems.  (This deficit is explained more fully in the response.)

Among the positive points of interest in the CTBA analysis, I found the following to be especially noteworthy:

1. In FY2019, as Pritzker entered the governor's office, he inherited a backlog of unpaid bills amounting to nearly $8 billion!  The backlog is projected to be less than $500 million by the end of FY25.  While hardly insignificant, the progress is impressive.
2. Because most bills are being paid on time, the overdue payment interest has dropped from approximately $1 billion in FY18 (under Gov Rauner) to $23 million in FY23.  Interest costs have also dropped because of 9 credit ratings upgrades for the state in the last 5 years.
3. The state was able to prepay $700 million to the pension systems.

Of course, many fiscal issues remain regarding the state's finances.  Perhaps most significant is the end of the various federal "relief programs" that originated in the covid pandemic, which put nearly $5 billion into state coffers.  Gov Pritzker has proposed several tax increases to help offset that loss of funds, but they will be supported by some (including CTBA) and opposed by others, so their prospects in the General Assembly are uncertain.

The CTBA response also provides some assessment of the proposal to reach a 100% funding level for the pension systems and addresses the inadequacies of Tier 2.  If you are interested in more detail, please let me know and I will forward the email from CTBA that I drew from for the above information.  I have not been able to find the report online.

Jim Lockard

NIUAA Legislative Committee Chair