

Illinois prepares new attack on pensions as budget impasse enters eighth month

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2 February 2016

As Illinois enters its eighth month without a budget, Democratic Senate President John Cullerton has indicated that he and billionaire Republican Governor Bruce Rauner are close to a deal on a bill that would cut pensions for state workers. Such a bill would likely be a prelude to a comprehensive austerity budget deal, which would include massive cuts to higher education and social services.

Since July 1, the state has operated without a budget, with spending in most areas of state government continuing to be funded only due to various court orders and consent decrees, which have mandated that the state continue funding those operations at the same level as the previous fiscal year's budget.

However, funding for a variety of programs has been entirely suspended. State universities and community colleges have received none of their state appropriations for the current year, leaving many of them in imminent financial distress, while low-income students have not received any of their tuition grants, preventing many from enrolling in classes.

In addition, a variety of social service providers have been hit hard by a combination of a lack of funding for various programs, as well as extreme delays in payments in other cases. It is estimated the state has over \$9 billion in unpaid bills, and is operating with what amounts to a deficit of over \$4.6 billion. It is likely any funding that had previously gone to now-shuttered providers will just be eliminated completely once a budget deal is concluded.

On January 22, Lutheran Social Services of Illinois announced it would be shutting down 30 programs, eliminating more than 750 jobs, or 43 percent of its workforce, due to not receiving an expected \$6 million in funding. The elimination of the programs will affect 4,700 people. Among the programs cut were those for senior citizens, including home care, programs for at-risk youth, former prisoners and families, veterans, and disabled adults over the age of 18. Two alcohol and drug treatment residential facilities will also cease providing inpatient alcohol and drug rehabilitation.

Another provider, Haymarket Center, is closing a detoxification program that served 903 people in the last fiscal year.

Children's Home + Aid, a service provider for the Comprehensive Community-Based Youth Services (CCBYS) program announced it will suspend programs for runaways and at-risk youth in Englewood and West Englewood. This will affect around 70 youths, many of whom will be pulled into the overburdened foster care system where overwhelmed caseworkers will be far less responsive to their needs.

Andrea Durbin, CEO of Illinois Collaboration on Youth, a network of providers of services to youth, said, "This is the first of many program suspensions we are forecasting around the state."

The Illinois Area Agencies on Aging additionally released numbers on the amount of elderly people who will be hit by the cuts in state funding. Altogether they estimate services will be impacted for 145,441 elderly people, with 1,621 forced into nursing homes due to lack of funding for other options. Furthermore, 13,400 retirees will be locked out of senior centers and 6,525 will have recreational activities eliminated.

The budget impasse has continued since June, when the Democrats in the state legislature sent Rauner a budget that authorized spending \$4 billion more than it projected in revenue. This followed their rejection of Rauner's initial proposal, which included a \$2.2 billion deficit, but imposed more vicious cuts than those they themselves had proposed. Because the Illinois governor possesses both line item and amendatory veto powers, the Democrats were basically inviting Rauner to take their plan and bring it closer to his. This would have allowed Democrats to avoid openly voting for Rauner's budget and would achieve the savage cuts that both parties desire.

Instead, Rauner vetoed the spending bill in its entirety, insisting that any approval of a spending bill would have to be tied to approval of his "Turnaround Agenda," a variety of anti-worker legislation. The most notable measures include

cuts to workers compensation, restrictions on lawsuits against corporations, restrictions on collective bargaining, the establishment of “right-to-work” zones, the elimination of prevailing wage requirements on construction projects, and freezes on the property tax rates levied by local government entities such as cities, school districts, public libraries, and community colleges. Rauner has also proposed term limits and legislative redistricting reform, issues unpalatable to both Democrats and Republicans and precisely the sorts of empty proposals that will be sacrificed when they finally come to an agreement.

Though Democrats have approved restrictions and cuts on collective bargaining and workers compensation at various times, there is a resistance among many of the Democrats to making such deep and sweeping changes all at once, for fear of both inflaming mass opposition among the working class and crippling the unions, which they rely on to control working class anger. While Rauner fancies himself as governing in the mold of Scott Walker in Wisconsin, the Democrats are worried that they will be unable to contain the situation if something like the 2011 Madison protests were to arise.

It is in this context that Cullerton and Rauner have been working out a deal on pension cuts, in preparation for a deal on the budget that would give Rauner much of his agenda.

Since last year, when the Illinois Supreme Court struck down legislation cutting pensions, politicians from both parties, including Chicago Mayor Rahm Emanuel, have claimed that required pension payments are eating into funds providing state services, and using this excuse as a basis for savage cuts in an effort to bully the population into turning against public workers and their pensions.

The legislation that was struck down was passed by the Democrat-controlled General Assembly and signed by former Democratic Governor Pat Quinn. In its ruling the court cited the Illinois Constitution, which says that pensions “shall not be diminished or impaired.” At the time, the plan was to argue that the state’s reserve “police powers” gave it the right to ignore the constitution in the case of a fiscal emergency. The General Assembly bill had largely been the proposal forwarded by Democratic House Speaker Michael Madigan, the father of the Illinois Attorney General, Lisa Madigan, who made the “police powers” argument in front of the court. However, there was a competing bill to cut pensions proposed by Cullerton that was also supported by a coalition of unions calling itself We Are One Illinois.

From the beginning, Cullerton had insisted that Madigan’s pension legislation was unconstitutional, because it reduced pensions without giving workers anything in return. Basing himself on a somewhat dubious legal theory of “consideration,” Cullerton proposed giving retired workers a

choice between diminished pension benefits or the state-subsidized health care they receive.

Following the Supreme Court decision, Cullerton is now ready to revive a version of his old legislation to make a deal with Rauner. The new version of the bill would cut the annual adjustment of Tier 1 pensions from 3 percent compounded to either: (1) the lesser of 3 percent or half of the Consumer Price Index compounded, or (2) 3 percent, not compounded. According to Cullerton this would pass muster based on his reading of the Supreme Court decision. However, in reading the plain language of the footnote in the Supreme Court decision, it is doubtful that this plan actually offers workers true “consideration,” since both options still amount to cuts. However, the political situation—and the ramped up pressure from the banks, bondholders and credit rating agencies—might lead the court to be disposed to rule differently.

During a press conference Cullerton answered a question, saying, “Yes, I talked to the Governor today and we are going to make sure we are on the same page. We will get a pension reform bill drafted to make sure we both understand what’s in it. I think we have an agreement. There are some tweaks to be made by the lawyers and then the question is going to be how we pass it. And, we will work together with Senator Radogno. All these pension bills that have passed in the past are very bi-partisan and controversial; so we expect that the unions will probably not be supportive, so that will make it more difficult to pass, but we are going to be on the same page.”

On Friday, President Barack Obama announced he would be visiting the Illinois General Assembly to give a speech on February 10 in an attempt to mediate a deal between Rauner and Democratic Party leaders. It is likely this move was prompted by Rahm Emanuel, the mayor of Chicago and Obama’s former chief of staff. While the budget impasse has proved to be useful in maneuvering the mayor closer to the unions, it has been destabilizing to city finances and programs. Workers should beware: any resolution of the budget deal will involve massive cuts to education and social programs on which millions rely.



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