

STATE OF ILLINOIS
95th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
TWENTIETH SPECIAL SESSION & COMM. OF THE WHOLE

1st Legislative Day

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Speaker Madigan: "The House shall come to order. The Members shall be in their chairs. We ask the Members and our guests in the gallery to turn off laptop computers, cell phones and pagers. And we ask our guests in the gallery to rise and join us for the invocation and the Pledge of Allegiance. We shall be led in prayer today by Lee Crawford, the pastor of the Cathedral of Praise Christian Center in Springfield."

Pastor Crawford: "Let us pray. Most gracious and most kind God, who art the author and the finisher of our faith. You are the giver and the sustainer of our lives. Father, we pray that this day You would bestow Your most precious blessings upon this august Body. I pray that You will bless the Leader of this House, as well as bless all the Members of this House. I pray today, God, that they would be of a spirit of compromise, a spirit of unity. That they may walk in the spirit of truth, in the spirit of integrity and in the spirit of strength. We do pray and ask this in Your Son's name, Amen."

Speaker Madigan: "We shall be led in the Pledge of Allegiance by Representative Howard."

Howard - et al: "I pledge allegiance to the flag of the United States of America and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all."

Speaker Madigan: "Roll Call for Attendance. Mr. Hannig."

Hannig: "Yes, thank you, Mr. Speaker, Members of the House. Let the record reflect that the following Democratic

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Members are excused today: Representative Arroyo, Representative Berrios, Representative Collins, our Majority Leader Representative Currie, Representative Will Davis, Representative Mendoza, and Representative Yarbrough."

Speaker Madigan: "Mr. Bost."

Bost: "Thank you, Mr. Speaker. Let the record reflect that Representative Cole, Mathias, Jerry Mitchell, Watson, Lindner, Pihos, Sommer, Reis, and Durkin are excused today on the Republican side of the aisle."

Speaker Madigan: "Mr. Bost."

Bost: "Thank you, Mr. Speaker. We'd also like to add Representative Dunn to that excused."

Speaker Madigan: "The Clerk shall take the record. There being 99 Members responding to the Attendance Roll Call, there is a quorum present. Mr. Clerk, read the Governor's Proclamation."

Clerk Mahoney:

"WHEREAS, the Illinois Constitution requires the General Assembly, by law, to make appropriations for all expenditure of public funds for each fiscal year for the operation of State government, departments, authorities, and public agencies, among other things;

WHEREAS, Article VIII, Section 2(b) of the Illinois Constitution of 1970 requires the General Assembly to pass a balanced budget in which appropriations for the fiscal year do not exceed funds estimated to be available during that year;

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WHEREAS, the General Assembly passed four appropriations bills for the expenditure of public funds for Fiscal Year 2009;

WHEREAS, the appropriations passed by the General Assembly for Fiscal Year 2009 exceed funds estimated to be available during that year and thus render the budget passed by the General Assembly unbalanced by approximately \$2 billion, in clear violation of Article VIII, Section 2(b) of the Illinois Constitution;

WHEREAS, the Illinois Senate has passed several funding solutions, including a capital Bill and a fund transfer bill, among other things, that if enacted could support a balanced budget;

WHEREAS, the capital Bill which has overwhelmingly passed the Senate not only provides additional funding solutions to support a balanced budget, but also spurs the economy by creating approximately 600,000 jobs across Illinois;

WHEREAS, the leadership of the House of Representatives refused to present any of the funding solutions passed by the Illinois Senate to the House for a vote of the body prior to adjourning on May 31, 2008;

WHEREAS, during debate on the House floor on May 29, 2008, several representatives acknowledged that the spending measures that the House was considering (and ultimately passed) lacked supporting revenues;

WHEREAS, on the day the appropriation bills were passed by the Illinois House of Representatives, numerous

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representatives questioned the constitutionality of knowingly passing a budget that was grossly unbalanced; WHEREAS, it was emphatically noted on the House floor that intentionally passing an unbalanced budget under the premise that it would be balanced by the Governor did not comport with the General Assembly's constitutional duty to pass a balanced budget;

WHEREAS, on June 24, 2008, I called upon the House of Representatives to pass the funding solutions already passed by the Illinois Senate by July 9, 2008, in order to bring the budget into balance;

WHEREAS, the leadership of the House of Representatives has refused to call the House into session to deal with the grossly unbalanced budget passed;

WHEREAS, according to the Comptroller, a budget must be in place prior to July 9, 2008, in order to prevent the interruption of the operations of State government; and

WHEREAS, unless the General Assembly passes revenue generating measures to support a balanced budget, I will have no choice but to make significant cuts to State services and sponsored programs, thereby causing great harm to the citizens of this State, which could be avoided;

THEREFORE, pursuant to Article IV, Section 5(b) of the Illinois constitution of 1970, I hereby call and convene the 95th General Assembly, in duly constituted quorums capable of conducting business, in a special session to commence on July 9, 2008, at 1:00 p.m., to consider any measures, including but not limited to Senate Bill 790,

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House Bills 6339, 2651, 4723, 1496, and 5618, which would provide the necessary revenue to support the appropriations contained in House Bill 5701, and Senate Bills 1102, 1115, and 1129. Signed by Rod R. Blagojevich, Governor of the State of Illinois."

Speaker Madigan: "Mr. Clerk, do you have introduction of Resolutions?"

Clerk Mahoney: "Introduction of Twentieth Special Session House Resolution #1 and introduction of Twentieth Special Session House Resolution #2."

Speaker Madigan: "The Chair recognizes Mr. Lang."

Lang: "Thank you, Mr. Speaker. I move for the immediate consideration and suspension of applicable House Rules for the adoption of 20th Special Session House Resolutions 1 and 2."

Speaker Madigan: "You've all heard the Gentleman's Motion. Those in favor say 'aye'; those opposed say 'no'. The 'ayes' have it. The Motion is adopted. The Chair recognizes Representative Lang."

Lang: "Would the Clerk please read Twentieth Special Reso... Senate... Sorry, Twentieth Special Session House Resolutions 1 and 2."

Speaker Madigan: "Mr. Clerk."

Clerk Mahoney: "Twentieth Special Session House Resolution #1.

RESOLVED, that the Rules of the House of Representatives of the Ninety-Fifth General Assembly be adopted as the Rules of this Twentieth Special Session, so far as the same may be applicable, and that the Committees of the House of

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Representatives of the Ninety-Fifth General Assembly, including the House Journal Review Committee and their membership, shall constitute the Committees of the House during this Twentieth Special Session. Twentieth Special Session House Resolution #2. RESOLVED, that the Clerk inform the Senate that a majority of the House of Representatives has assembled, pursuant to the proclamation of the Governor, convening a Twentieth Special Session of the General Assembly, and are now ready for the transaction of business."

Speaker Madigan: "Mr. Lang."

Lang: "Mr. Speaker, I now move that the House of Representatives... well, I move for the adoption of the Resolutions."

Speaker Madigan: "You all heard the Gentleman's Motion. Those in favor say 'aye'; those opposed say 'no'. The 'ayes' have it. The Resolutions are adopted. The Chair recognizes Representative Lang."

Lang: "Mr. Speaker, I move that the House of Representatives now resolve itself into a Committee of the Whole for the purpose of a subject matter hearing on the following Bills: House Bill 6339, 2651, 4723, 1496, 5618, and Senate Bills 788 and 790, in accordance with guidelines established by the Speaker."

Speaker Madigan: "You've heard the Gentleman's Motion. Those in favor say 'aye'; those opposed say 'no'. The 'ayes' have it. The Motion is adopted. And the House hereby resolves into a Committee of the Whole and we'll proceed

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under the agenda referenced by the Gentleman's Motion. Is there leave for the Attendance Roll Call to be used for the purpose of establishing a quorum in the committee? Leave is granted and a quorum is established. Representative Gary Hannig is appointed as the Chair of the Committee of the Whole and is recognized for the purpose of conducting the hearing. Before we proceed to the Committee of the Whole, if the Members could please give their attention to Representative McAuliffe. Please give your attention to Representative McAuliffe."

McAuliffe: "Thank you, Mr. Speaker. Last week another great Chicago police officer, Patrolman Richard M. Francis was gunned down. He leaves behind not only his colleagues and fellow police officers across the state but a loving wife, Deborah and two daughters, Bianca and Amanda. I would ask the Body, please keep Chicago Patrolman Richard M. Francis and all other police officers throughout the state in our mind and in our prayers. Thank you."

Speaker Madigan: "The Chair recognizes Mr. Hannig."

COMMITTEE OF THE WHOLE

Chairman Hannig: "So the Committee of the Whole will... will convene. I'm advised that the first guests are on their way here and while we're waiting for them, let me just briefly talk about our ground rules for the afternoon. For each of the panels that we have we will have 20 minutes of testimony. So that's going to be 20 minutes for each panel; 28 minutes of questions and answers for each panel will follow; and, we'll divide that further into 14 minutes

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for each caucus. So both sides should give their questions to a chair along with the time that you'll need so that we can keep track of the time. We're on a tight schedule, so we're going to be strict on the time from here at the podium. I might point out that the Governor's Office has made the choices of which proponent should speak on each item that we will be discussing today. Both proponents and opponents will be given an equal amount of time. And if there are individuals who are not able speak due to the time constraints, we'll be more than happy to take written testimony and make sure that that testimony becomes part of the permanent record. Representative Phelps, are you seeking recognition?"

Phelps: "Thank you, Mr. Speaker, point of personal privilege."

Chairman Hannig: "State your point."

Phelps: "Thank you, Mr. Speaker and Ladies and Gentlemen of the House. I would just like to ask all my colleagues to keep Bill Foster and his family in your prayers. His bout with cancer has turned to the worse and so I just want to ask for your prayer for him and his family. As you know, he's the director, legislative director of the township officials and a good friend to all of us, so keep him in your prayers. Thank you."

Chairman Hannig: "Our opening panel is going to deal with the issue of capital appropriations, and as soon as they arrive we'll allow them to begin testimony. Representative Cross, you're recognized."

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Cross: "Representative, thank you. I would like to make some opening comments, but I don't want to get out of order."

Chairman Hannig: "Why don't you go ahead and proceed while we're waiting for them to be seated."

Cross: "Well, I see they're walking up and I appreciate their appearing here. I want to just acknowledge, initially, the hard work of Glenn Poshard, as well as Denny Hastert, who spent a good bit of time over the last few months, I think you all know, traveling the state asking and listening as to the needs of capital for the State of Illinois. And I thank them because we have, I think as a state and perhaps even we have fallen, into this trap ourselves at times and I apologize, of always finding out what's wrong with... and pointing out what's wrong with something. And it's pretty easy in this process to tear something down. It's pretty easy in this process to criticize. It's pretty easy in this process to be negative. And when two (2) individuals, and really for that matter a number of individuals, come along and actually put something together and spend a lot of time on it, that deserves a lot of credit. I think today is set up, unfortunately, to tear this down. And I don't think that's... serves anybody in this state in a good way. We are going to hear, I suspect, excuse after excuse on why we shouldn't be for capital. And I... I don't want to raise the level of rhetoric, but we've heard from people that have called us and said, you know, I really am for capital, but I've been told if I'm for capital or if I don't say it this way or I don't speak this way, I'm going

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to pay for that later. That doesn't do anybody any good. It doesn't do the State of Illinois any good. The bottom line is, we have a huge need right now for capital in the State of Illinois, and no plan is ever going to be perfect. I recall Illinois First a number of years ago passing but not without a lot of pain and without a lot of struggle, but there was a commitment by all to actually get that done in spite of the hurdles. I don't like everything in the Poshard/Hastert plan, with all due respect to my friend Glenn Poshard and to my friend Denny Hastert, but it's the only viable alternative on the table right now. I haven't seen any plans offered by those that are voicing the most opposition or not letting plans move forward. I'm willing to look at something else. I happen to be looking at the plan that's before us now because it's all that's anybody... that anyone's put out before us. I guess I should stand corrected, the Senate has sent us two (2) different Bills, so I give them credit. But for those of you that want to spend the day criticizing, and you have every right to do that, I would suggest that perhaps you ought to offer your own plan, because so many around here say they're for capital, but yet they offer no alternative and they say no. I think everybody in this building knows the needs are real. The needs are real around the state, not just in the Chicago area, but downstate as well. The loss of billions of federal dollars is very real. And as this economy gets into a position or a state, as bad as it is and I think many believe it could get worse, there's an opportunity to

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provide literally hundreds of thousands of jobs. It's amazing to me that the U.S. Congress that doesn't have a real good track record of coming together, at least over the last couple of years, actually came together with an economic stimulus package. Might not have been perfect, you might have done it a different way, but Republicans and Democrats in the Senate and the House and from the White House came together and passed an economic stimulus package. I've had the opportunity over the last few months to spend some time in places I'm normally not visiting; union halls. Of course, other places. And there are a lot of people in this state hurting because they're not working. And I could be talking to somebody in a union, I could be talking to somebody in management who's lost their job, but the reality is unemployment in this state is rising. People are losing their homes, they can't afford gas, they can't afford their electric and gas bills, they can't afford food. And the number of people losing their jobs and out of work is growing. It's not going the opposite way. And while we want to sit down here and fight and point fingers, that doesn't put bread on somebody's table, that doesn't take care of the mortgage payment, that doesn't take care of the credit card bill at Shell or BP, that doesn't take care of the kid's cost to go to college. This is an opportunity to do it. So, if you've got a better plan, bring it to us. Bring it to Glenn and bring it to Denny. I can tell you for the record, we've made this clear, we're not for an income tax hike. That's not a

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real option. But there are other alternatives out there and we're willing to look at them. I hear people say it's too big. Well, I think you'll hear from Glenn Poshard that when he went around the state the needs were in the range of over sixty billion dollars (\$60,000,000,000) and they cut this almost in half. And when we sit down and when you on the other side get very engaged in this idea and this Bill and start talking about the needs around your respective districts, you will see that the needs climb to sixty billion dollars (\$60,000,000,000) and that they're very real and that it's not just filling up a bag of pork or however you want to describe it. They're for roads, they're for mass transit, they're for universities, they're for state facilities, they're for hospitals, they're for DD facilities, very real needs of very real people not just 'pork'. So when you sit over there or testify today and say, oh, it's too big, keep in mind that when you sit down and you're really engaged to try to put together a significantly lower Bill in volume or in amount of money is going to be very difficult to do. One of the other excuses that you will hear today is we don't trust people in the administration. Fair comment, we all agree with that. But I would submit to all the people in this room that this Bill, put together by Glenn Poshard and Denny Hastert, has more safeguards than we have ever seen in a capital Bill in the history of this state, whether it was Illinois First or whether it was Build Illinois. The list of safeguards, is pretty long, from lockboxes to bond authorization

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limitations to MOUs, to three-fifths votes on things. It's very, very extensive. It's very sincere and it gives us safeguards. And we're never going to have complete safeguards, but it gives us safeguards unlike we've ever seen, ever seen in the history of this state. At the end of the day this isn't about personalities in this building, this is about men and women that live in this state who have families, who have kids, who have mortgage payments, who have car payments, who have obligations financially that they're not meeting. This is a way to help those people to give them real jobs. Seven hundred thousand (700,000) jobs will be produced by this Bill. Is it perfect? No. But it is a great effort at a huge problem, an issue that we've neglected for almost 10 years. And I would hope that while we go through today, and I don't believe that today is real. I'm sorry to say that. I think most of us know that. But I hope some day soon, if it's not today, it may be tomorrow, might be next week, that we get serious about this and we pass a jobs Bill for the people of the State of Illinois. Thank you, Mr. Chairman."

Chairman Hannig: "Thank you, Representative Cross. We're now going to begin with the first panel. You'll have 20 minutes in total. So I'll let you allocate that amongst the gentlemen at the table as you wish. I'll advise you from time to time how much... how many minutes remain so that maybe you have an idea. And the only other thing that we would ask at this point is that when it's your turn to

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speak for the first time and every time, that you give your name so that the people who do the transcriptions can make sure that they have the right words put to the right person. Okay? That's all that we ask and we'll begin then with President Poshard. Would you like to introduce yourself and begin your remarks and I'll start the timer."

Glenn Poshard: "Yes, thank you, Mr. Chairman, Ladies and Gentlemen of the House. My name is Glenn Poshard. I'm President of Southern Illinois University. I'd like to talk to you a little bit about the process that was undertaken here to bring this Bill together. Speaker Hastert and I received a call from the Governor some months ago asking if we would participate in helping to develop a capital Bill. We both told the Governor that we would only do this under two (2) conditions: one, that we be totally independent and autonomous in pursuing this endeavor; and, two (2), that he and the other Leaders would have to indicate that they wanted a capital Bill. He agreed to that. We proceeded to ask the Leaders and the Governor if they wanted the Bill and they were affirmative in their response. We then proceeded to do a planning document that would outline the process for developing this Bill. The needs assessment was the first thing that we undertook. We went all over this state and had meetings in over thirty (30) locations to listen to the citizens of this state. And we met with tens of other special interest groups, such as transportation, education, open spaces group, transit groups and so on, aside from those public meetings. We put

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together an honest needs assessment based upon what we heard from the public and what we heard from people who had a specific interest in this Bill. We were then charged with recogni... with recommending the size and contents of the Bill. We took the Senate Bill which had already passed, the twenty-five billion dollars (\$25,000,000,000), and used that as one scenario. We developed a thirty billion (30,000,000,000) and a thirty-five billion dollar (\$35,000,000,000) scenario to go along with that. Then we took the needs assessment that we had. We began to meet with the appropriation staffs, with the Leaders, to look at the resources for funding this proposed Bill. We went through every potential resource stream for which the state has an obligation and we said if a majority of the caucuses do not agree to this resource stream we would take this off the table, it would not be considered. We then ended up with basically three (3) things that the majority of caucuses would agree upon in terms of considering funding of this Bill: the lease of the Illinois Lottery, the gaming portion that we just described taken from a House Bill that was already in place to which we added another riverboat and a motor fuel tax transfer of hundred and fifty million dollars (\$150,000,000) a year from the Road Transfer Fund. Those became our sources of funding upon which the majority of the caucuses agree. We had Leaders' meetings every Thursday to go over the progress that Speaker Hastert and I had received on this Bill and to talk about, to receive back, recommendations from each of the Leaders and their

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folks on how we might make this better or what their input needed to be. We met every week with the appropriation staffs of all four (4) caucuses, with OMB, with COGFA to make sure that we were on the right track with these funding resources. We then sat down after we got a consensus agreement on the funding resources and began to put those resources together with the determination of needs that had taken place around the state. We adjusted the revenue from those resources, the projected revenue, to the needs and out of that process, came the capital Bill that we eventually put together. We drafted a Bill for consideration of the... each of the caucuses. We brought that to the Leaders' meetings and we, in the meantime, had an economic impact statement drawn up to basically tell the effects of this Bill on the economy of the State of Illinois. Once we did that and we had that in mind, then Speaker Hastert and I sat down, we looked at the priority needs that we had gathered from around the state and we looked at the potential revenue sources that accrued to us in our process and we put the two (2) together and we came up with a Bill that approximated about thirty-one billion dollars (\$31,000,000,000). That Bill was then brought back to the Leaders. We had lengthy discussions with the Leaders about that Bill and asked them to take it back to the caucuses for vetting as we had asked to... each week the Leaders to vet the process and the recommendations before their caucuses. Dr. Sharma, who is here today, who is an economist who did the economic impact statement that said

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this Bill would create about five hundred and thirty-five thousand full-time jobs and benefits for the State of Illinois. We... we drafted this Bill very openly, very inclusively, very thoroughly, we did a needs assessment. We determined the revenue sources about which the majority of the caucuses agreed. We applied those revenues to the needs assessment and this is the Bill we came up with. Later we added about three billion dollars (\$3,000,000,000) for people who wanted more money for open spaces, more money for public transit, and some money put into economic development in low-income cities around the state. That was the process. That was end product. That's what we submitted back to the Assembly. It passed the Senate and then came to the House and that's where we are today. Thank you, Mr. Chairman."

Chairman Hannig: "We've used about 6 minutes, so there are 14 minutes left for this panel. Who would like to speak next on behalf? Okay. Why don't you identify yourself and then proceed."

Michael Carrigan: "Good afternoon, Members of the House, I'm Michael Carrigan. I'm the president of the Illinois AFL-CIO representing over nine hundred thousand (900,000) union members in this state. I'm here today..."

Chairman Hannig: "Excuse me. Before we start, why don't we get some order. Could we have some order? If you wish to have a conversation, could you retire to the rear of the chamber, but for those of us who want to listen to these

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gentlemen, let's give them the order that they deserve.
So, proceed."

Michael Carrigan: "I'll repeat. I'm Michael Carrigan, president of the Illinois AFL-CIO, representing over nine hundred thousand (900,000) working women and men of labor in this great state. I'm here today to say again and I repeat, again, what labor has been working and saying up and down this state for the past year and a half, Illinois needs a capital program. We need jobs. It's been nine (9) very long years since Illinois had a major capital building program. We're suffering the consequences. Our members aren't working. Our roads are crumbling. Our bridges are becoming unsafe. Our public school buildings are old and inefficient. Commuters and mass transit riders are feeling the effects of outdated trains and buses. Our freight rail traffic is seriously congested and it delays passenger rail which, by the way, is up 20 percent in ridership. Our economy in Illinois is suffering. Labor has been a major part of the Illinois Works Program. We've attended the listening sessions all across the state. We listened to concerned community members. Average citizens ask why State Government can't or won't pass a capital Bill that will bring economic stimulus to their part of the state and bring jobs. President Poshard and Speaker Hastert deserve our thanks. They put together a plan that will put Illinois to work. I know many of you, personally and I repeat that. I know many of you, personally. I know how hard you work for the state and I know how hard you work in

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your districts. But, respectfully, I say to you, not passing a capital plan is not meeting the needs of the people of your district or this state. Our infrastructure is vital to our economy. Our public schools are vital to the future of our children. Our workers need jobs and they need them now. And our federal funds, the earmarks, are at risk. You have the power. I repeat. You have the power to pass this legislation. You have the power and the opportunity to put Illinois to work. The Illinois AFL-CIO supports the legislation and the funding for it. We ask you to pass a capital construction plan now. Thank you."

Chairman Hannig: "So, why don't we have our next speaker begin. We have a little more than right at 11 minutes left. So, proceed. Give us your name and proceed."

Tod Faerber: Thank you. My name is Tod Faerber. I'm the president of the Illinois Road and Transportation Builders Association. On behalf of our four hundred (400) member companies, I want to thank you for this opportunity. We are the engineers and contractors who design, build, and construct the roads, bridges, airports, rail structures, and mass transit systems throughout the state. We are the voice of transportation in Illinois. Working together with the AGC, our union partners, we are proud to be part of Transportation for Illinois Coalition. We are interested in infrastructure investment. We recognize the needs and the need for a robust capital plan. It was through our association that I was invited to participate in the Illinois Works Coalition. It was an honor and a privilege

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to work with Speaker Hastert and President Poshard and the other committee members. I want to thank our Leaders, Representative Currie, Representative Cross, Leader Watson, and President Jones, for their work along with that of the Governor for allowing me to be a small part of the process. It's years of underfunding and neglect, congestion and heavy roads... heavy traffic on our roads combined with the escalating costs of labor and material and we're getting less and less for our transportation dollar. We cannot continue to put BAND-AIDS on the problems. It was not long ago we were reading about the bridge collapse in Minnesota. Our bridge conditions are rated 30th in the nation among all of the states in terms of the number of deficient bridges. Not long ago we read about potholes and crumbling roads. Seventy-five percent of our state highways are... are more than 40 years old and are at the end of their design life. Our existing highway system is deteriorating rapidly and IDOT projects that by the end of 2013 more than 20 percent of our roads will be in unacceptable condition. It was working with the coalition and the four Leaders and the Governor that we concluded that the needs are great and the time is now to address those needs. Thank you."

Chairman Hannig: "So I am advised that Vicki Crawford on the Republican side and Lisa Dugan on the Democratic side are taking the names of those who wish to ask questions when we finish this... this part. We've got about 9 minutes left and why don't we proceed down the list. Who would like to

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speak next? Why don't you introduce yourself for the record and proceed."

Tom Villanova: "Good afternoon, my name is Tom Villanova. I'm the president of the Chicago and Cook County Building Trades. I have the privilege of representing one hundred thousand (100,000) construction workers in Chicago and Cook County. Our members are out of work. They need the jobs that will be created by a capital building program. I have attended the listening sessions up and down the state from Chicago to Carbondale. I can tell you that the citizens of the State of Illinois want a capital Bill in all parts of the state. This legislation has passed the Senate overwhelmingly with bipartisan support. It is time to bring it to a vote in the House. Seventy-five percent of Illinois highways are now more than 40 years old. And in Chicago we are working hard to bring the 2016 Olympics to our city and our state. The biggest negative against us by the selection committee was the crumbling infrastructure and public transportation. Without a capital Bill being passed, we are losing another construction season. And with building costs increasing 10 percent a year, taxpayer money is essentially being wasted. We are also at risk of losing nine billion (9,000,000,000) in matching federal funds, funds that we are competing for with other nations and other states. This Bill is not just for union members. We have a moral obligation to every citizen in the State of Illinois to pass a capital Bill now. Thank you."

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Howard Peters: "Good afternoon. I'm Howard Peters of the Illinois Hospital Association, here on behalf of hospitals all across the State of Illinois, more than two hundred (200) of them. And, Mr. Speaker, I thank you and I thank the Members of this chamber for the opportunity to speak about an important and critical needed capital program, including the Hospital Capital Investment Program which is embodied in House Bill 5618. Illinois hospitals, Mr. Speaker, face a tremendous challenge in raising the financial capital needed to maintain, renew, and upgrade their physical plants, equipment, and technology. Capital is critical to hospitals to comply with life safety codes and other requirements, to expand and improve operations in order to remain viable, efficient and up to date. Illinois hospitals are older. The medium average age of Illinois hospitals are older than the national average, as well as older than the surrounding states in Illinois. New technology is needed to improve the quality and efficiency of care delivery including: improved CT scanners, MRI technology, electronic health records, and computerized physician order entry system. Renovated facilities are essential to improve quality, patient safety, access and efficiency. It's also important to note, Mr. Speaker, that hospitals across this state on average do half their business on behalf of government payers, Medicare and Medicaid. Both of which pay less than it actually costs to deliver the care, and Medicaid, as you know, often pays much too slowly. Hospitals are being paid five, six, and

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months and longer, which by the way, hampers their access to capital and causes the financial community to see them as high risk. So, Mr. Speaker, the state has a vested interest in ensuring the health and well being of its citizens by making sure that they have access to the latest health-saving medical technology and facilities. A strong and vibrant health care delivery system is also essential to a strong and healthy Illinois economy. Regular investments in hospital facility equipment, and technology is needed to maintain and improve the state's health care infrastructure, but many hospitals find it difficult and have limited ability to make these investments. House Bill 5618, the Illinois Hospital Capital Investment Program is an important opportunity to create a public/private partnership to invest in the up... updated hospital facilities, new equipment, and modern technology that is essential to maintaining and improving access to high quality health care to all of the residents across Illinois. And so I respectfully urge the House to pass a state capital program including House Bill 5618, the Hospital Capital Investment Program. Thank you, Mr. Speaker and Members of this chamber for your consideration."

Chairman Hannig: "Thank you, Gentlemen. Now we're going to have questions from the Members. Representative Black is recognized for 4 minutes. Representative Black."

Black: "Thank you very much, Representative Hannig. It's hard for me to say good morning in 4 minutes. Let me direct a

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question to Mr. Carrigan, if I might. Our infrastructure is crumbling. There's no doubt of that. I have a road that's been blocked off in my district for more than 4 months because of a deteriorating storm sewer underground. The cost is estimated to be twenty thousand dollars (\$20,000) split between the county of Vermilion, the township of Danville and IDOT, and nobody has any money. And you touched on the infrastructure and I think we all know that. And I appreciate your comments and Mr. Villanova's comments. The human infrastructure is hurting as well. When people aren't working, the human infrastructure crumbles. What is the unemployment rate today, if you can tell me, among the building trades people who normally at this time of the year would be out working?"

Tom Villanova: "It varies from region to region within the state, but it's pretty easy to say 15 to 20 percent within the buildings and trades are unemployed. And when they don't work, Representative, it doesn't matter if it's Danville or Carbondale or Peoria, they're not consumers in their communities and those tax dollars don't go into those government bodies."

Black: "I share your concern and it is very high in my district, as you can well imagine. Let me ask Mr. Villanova or anybody who can answer this question. Is there a date certain at which the Federal Government will say, I'm sorry, but the federal tax dollars we were sending back

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to you will now be redistributed to other states? We hear a lot of rumors. It's... it's..."

Tom Villanova: "President Poshard is looking through his notes, but the situation is, within the Transportation Fund there's other states competing for those dollars."

Black: "Absolutely."

Tom Villanova: And when you've got six (6) or other seven (7) states prepared to ask for their match, then they get their dollars if they're ready. So, then, Illinois gets it behind them. Now I'm not trying to be facetious, but you can get to the point where we're ready, but we're going to get IOUs instead of dollars."

Glenn Poshard: "Mr. Black, if I... Representative Black, if I may respond to... just briefly. I'm quoting here from a statement by Congressman John Olver who chairs the House Appropriation Subcommittee on Transportation. This was a June 20, 2008 statement. 'As my colleagues know, both OMB and CBO estimate the highway account within the Highway Trust Fund will go broke in fiscal year 2009, with between a \$1.4 billion (\$1,400,000,000) and \$3.3 billion (\$3,300,000,000) deficit. The Mass Transit Account is not fairing much better and will also become insolvent by the year... fiscal year 2012.' That's the Chairman of the United States House of Representatives Subcommittee on Transportation."

Black: "And I appreciate that. And it's my understanding that the Governor of California, the Governor of Florida and the Governor of New York have already publicly said, if

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Illinois drops the ball, we are waiting in line to pick up the money. Mr. Peters, let me ask you a question about the Capital Investment Program, if I could. Can, and this is confusing to some people, can we spend grant dollars, capital dollars and give them to individual hospitals under House Bill 5618? Have you checked that out with bond counsel?"

Howard Peters: "Yes, we have, Representative. And the state most certainly can because these hospitals provide so much of their care on behalf of government payers and particularly Medicaid, and the hospitals will be providing matching funds for these grants. And so, this is something that would be good for the communities that these hospitals exist in and serve."

Black: "And there is a safeguard. To get those grants there's a competitive proc..."

Chairman Hannig: "Representative, your time has expired. Why don't we let you ask the last question."

Black: "Thank you."

Chairman Hannig: "And then we'll finish."

Black: "And your association will work with the Department of Commerce and Economic Opportunity as a safeguard to make sure those grants go to hospitals in need. And I just happen to have one in my district, as you well know, you've been in my district."

Howard Peters: "That's exactly right, Representative."

Black: "Thank you very much. Mr. Chairman, may I make some concluding remarks very briefly?"

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Chairman Hannig: "Briefly, Representative."

Black: "With your permission. Ladies and Gentlemen of the House, I stand here today and I wish we had more time and I thank you gentlemen for being here. President Poshard, I certainly thank you for the work you've done. Let me just say on behalf of the House Republicans, and I don't want to turn this into a partisan circuit, but to Mr. Villanova and Mr. Carrigan, I'm ready to vote today on a capital program. It isn't everything I want. The revenue stream isn't the way I would write it if I was asked to add Amendments to it, but it's the only game in town and time is running out. I... I live on the Indiana border and I can tell you that Indiana is robbing us of jobs, plants, and manufacturing facilities because they are able to say our roads are in better shape, our sewers are in better shape, our water systems are in better shape, we will run natural gas and electricity where you need it and we are not able to do the same thing. So I would hope at the end of the day we are given an opportunity to vote on this, and with all respect to my colleagues on the other side of the aisle, Democrats, it's time to vote. We're ready with you at the end of the day to vote on a capital infrastructure program and a human infrastructure program. We can't afford to wait any longer. I know where the blame lies. I think... I think I know where the blame lies. Enough excuses, enough of this kind of time constraints. I'm ready to vote. You should be ready to vote. We know what we need to do. Let's do it today."

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Chairman Hannig: "Representative Lou Lang, you're recognized for 3 minutes."

Lang: "Thank you, Mr. Chairman. First, let me say to those who believe that someone that would ask questions about this Bill is somehow un-American or disinterested in putting people to work or taking care of the infrastructure of Illinois, I think, are changing the story. The fact is all 177 Legislators in both chambers are for a capital Bill. The real question is, are we for this capital Bill? And so, with that in mind, let me ask Professor Poshard... President Poshard, why this capital Bill as opposed to something else we can negotiate?"

Glenn Poshard: "There was no capital Bill on the horizon that we knew of when the Governor asked us except the Bill that had passed the Senate already which had stalled here. So there was nothing on the table. The Speaker and I created a process which was very thorough in assessing the priority needs of this state and using the only revenue streams that a majority of the caucuses would give us to apply toward this Bill and to come up with a thirty-one billion dollar (\$31,000,000,000) Bill that we felt reflected the honest needs of people from all over the state. There was nothing else on the table at the time."

Lang: "Were you in my district at any time to assess the needs in my district, Sir?"

Glenn Poshard: "I don't if we were there particularly, but we were in regional meetings all over the state with various members of the coalition."

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Lang: "There have been two (2) issues outlined most often by Members of this side of the aisle of concern with these Bills. First, the issue of having a lump sum in the budget that's so large and it's so in the control of the Governor that we don't trust, to have projects list... not listed item, by item, by item that we can't be sure what is going to be paid for without consultation with the Members. And, second, the issue of even if it's in the budget, how do we know the money will be spent because ultimately under our Constitution the Governor is in... can charge... in charge of spending? So how do we deal with these joint issues of lump sums and no guarantees that the dollars will be expended?"

Glenn Poshard: "Thank you, Representative, I appreciate that question. It was debated very thoroughly during the entire length of this... these deliberations. If it wasn't taken back to your caucus, I can't be responsible for that. The fact of the matter is, on the same day that you disapproved this capital Bill saying that it had lump sums appropriation to the Department of Transportation, which was left to the discretion of the Governor, you approved a Bill ten (10) times larger than this, the state budget Bill that day that had very few line items in it that was all appropriated in lump sums that the Governor had total discretion over. So, you know, the argument here is inconsistent about why one Bill and not the other. The other thing is, we put, after deliberations for two (2) months, into this Bill, we put the most severe restrictions

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on the Executive Branch of this state that we can find out in the history of this Assembly. Let me go over those very quickly. Created a lockbox for Illinois Works funds which restrict the use of the funds to only the Illinois Works Capital Program and requiring a three-fifths vote in the House and Senate to change any purpose used for revenue; mandated fairness in spending on road projects across the state so that no IDOT district can be out of balance with other districts in the state; limited the initial bonding authority to only a fraction of the funds that would be needed, so that if the Bill isn't being carried out the way it's stated in the Bill, you can cut it off at any time, right here; establish... or executed written memorandums of understanding tied to the State Laws; instituting the Auditor General's oversight of expenditures every two (2) years; requiring equal funding for discretionary projects between all of the Legislative Leaders and the Governor; and, providing quarterly reports required and weekly reports to all of the Leaders of the General Assembly to make sure that it's being carried out appropriately. That's an incredible amount of restrictions on the Executive authority of this state to make sure that this Bill does what it's supposed to do."

Glenn Hannig: "Representative, your time is expired. Would you bring your remarks to a close?"

Lang: "Thank you. I just want to throw in one more quick question. Relative to this lockbox issue, that might guarantee that the money can't be moved from one line item

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to another, but how does that guarantee the Governor will write the check and build that particular project?"

President Poshard: "Representative, I can only say to you that we discussed this thoroughly with the caucuses. We looked at this time, after time, after time. We looked at line iteming. The other thing that you mentioned was line iteming the projects in the Bill, you know. We did the best we could in putting together the fairest restrictions on the Executive Branch that we could. To give you a 100 percent guarantee, we did these things as the best way we could get to that guarantee."

Lang: "Well, unfortunately, three (3) of the four (4) caucuses think it's a pretty good idea, but one does not. Thank you, Sir."

Glenn Poshard: "Okay. Thank you, Sir."

Chairman Hannig: "Representative Tracy, you're recognized for 3 minutes."

Tracy: "Thank you, Mr. Speaker. Gentlemen, thank you for being here on this very important topic. Could you give me an idea of what the average salary is for one of the workers that would be picked to work under this program? Just a range."

Michael Carrigan: "And this would be a very rough range, but... and it depends on what area of the state you're in. But an hourly wage could be thirty dollars (\$30) an hour."

Tracy: "So this is considered a very good paying income for an Illinois resident, wouldn't you agree?"

Michael Carrigan: "Absolu... yes."

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Tracy: "And do you have any idea how soon this plan could be implemented if we were to pass this legislation?"

Michael Carrigan: "I believe that once the sale of the lottery takes place, once the bonding is done, you're talking probably four (4) to six (6) months."

Tracy: "So, roughly, probably we'd get this underway if all that fell into place by surely the end of the year or at the first..."

Michael Carrigan: "We're still talking late into this year or early next year. But there are some projects that are ready to go and given that if these Bills pass, they could... they could begin. So it could begin sooner."

Tracy: "Thank you. And Mr... President Poshard, I understand that you and Congressman Hastert traveled this entire length of the State of Illinois and I'm assuming that you did this driving the roads."

Glenn Poshard: "Yes, Ma'am, we did."

Tracy: "And did you observe a lot of weather-related damage in the light to the roads over the severe winter?"

Glenn Poshard: "The roads are terrible all over the state. Public transit is lacking in funds, which is going to have to make up for some of that in the future."

Tracy: "And is it your determination with Congressman Hastert that this is a fair and equitable distribution for projects throughout the state, divided equally between the different areas of the state?"

Glenn Poshard: "Yes, we do. We had requests for twice the amount of money for this Bill. What we did was sit down

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and look at the priority needs of each region of the state as they were articulated to us by the various groups with whom we met. And we believe that we did a good job in recognizing and vetting this before the caucuses. The priorities, the priorities, not just the wants of each region of the state."

Tracy: "And did you and Congressman Hastert have a concern of public safety in regards to the condition of the roads and the bridges in this state?"

Glenn Poshard: "Absolutely. And this was expressed very vocally by the Department of Transportation which assesses these road conditions on a constant basis."

Tracy: "And is it your plan that the schools that have been waiting for construction because of the overflow since 2002 would be honored and those be built on a first priority?"

Glenn Poshard: "They absolutely will be honored. Those schools are listed by the Illinois State Board of Education. They will be honored in this... in this Bill, should this Bill pass."

Chairman Hannig: "Representative, your time is expired. Would you bring your remarks to a close?"

Tracy: "Yes. And there was one other thing. I represent west central Illinois and we have a Quincy Port Authority that was not included in this, and I didn't know if there's any way that something of that nature could be included. It's been a tri-state plan. There is no other port between Alton and the Quad Cities and is there any possibility that

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something like that could be included in a capital program?"

Glenn Poshard: "Representative, I don't know. I would have to check with the Department of Transportation, probably the water resources division and see. I'm just not..."

Tracy: "Okay. Well, I would appreciate it very much if we could look into it if this were to come to pass. And in closing I would just say that I'm a relatively newcomer and since 2006 when I joined the General Assembly I can't say that this House chamber has done much positive or admirable work that we can show for it for posterity. But I must say that granted, as Representative Black has said, I would not choose perhaps the revenue that is there, but we do believe that is absolutely the only way that we can get a capital plan through this Assembly in relatively short order. And it's a viable plan. And I think it would be a positive note and actually we would be doing something for the people of Illinois and putting their best interests at heart and at the forefront when I can say that in the last two (2) years I haven't seen the public interest served as well as it should be. So, I thank you gentlemen for coming to us."

Glenn Poshard: "Thank you."

Chairman Hannig: "Representative Dugan, you're recognized for 3 minutes."

Dugan: "Thank you, Mr. Chairman. Mr. Poshard or President Poshard, I just want to go back to... because one of the concerns and I think I've made this very well known is the

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issue of line iteming and itemizing projects. Do you know how... there are some projects that are itemized in this capital Bill, correct?"

Glenn Poshard: "Yes."

Dugan: "Okay and is there... so it can be done. I mean some of my people in my district, especially a lot of my labor people, have been under the impression that we can't line item this capital Bill, therefore, assuring Representatives in all districts that there actually are projects that that money in the lockbox is supposed to be used for."

Glenn Poshard: "Sure."

Dugan: "So, I guess my question is, as you did this, why did we only line item certain projects?"

Glenn Poshard: "We vetted this issue very thoroughly among the caucuses. And what we... what the Bill represents is the precedent that has been set in all previous Bills. Projects that go through the Capital Development Board have normally been delineated in previous Bills and those are delineated in this Bill. Transportation projects which go into the thousands of projects throughout the entire state have never been delineated in a Bill except for a very few small projects that were delineated in the Illinois FIRST Bill. The reason for that is simply this, and we went upon the basis of our conversations with the Department of Transportation. Let's say you have a one hundred and twenty million dollar (\$120,000,000) project in your district... a hundred million dollar (\$100,000,000) project in your district. That project comes in, in the final

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analysis at a hundred and twenty million dollars (\$120,000,000). Where do you then go in the budget to get that additional twenty million dollars (\$20,000,000) to finish that project? Are you going to take it away from another project? Do you have to wait to... for a supplemental appropriation? That ties the hands of the contractors who come in to try to build. On the other hand, what if it comes in at ninety million dollars (\$90,000,000)? Do you get to keep the other ten million dollars (\$10,000,000) in your district, because that money was appropriated to your district? People don't... people don't want to get into those kinds of problems. That's why the flexibility to complete the projects have been left with the Department of Transportation for years. And Mr. Faerber might want to weigh in on that."

Dugan: "Okay. And again, because I only have a couple of minutes and I certainly appreciate that, President Poshard. I guess my concern is because we keep hearing that needs assessments were done. Now, you were in my district and did a needs assessment and very clearly were told about some of the needs that are actually human needs, needs were running water and sewer to a community. And yet those needs are nowhere addressed in the capital budget, so I guess I'm..."

Glenn Poshard: "Ma'am, if I may respond..."

Chairman Hannig: "Can you bring your remarks to a close, Representative?"

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Dugan: "So, again, I just want to say and I'm certainly in support of the capital Bill, but I also have concerns about the priorities that have been set by this capital Bill without taking into account the other needs of communities. Thank you."

Chairman Hannig: "Representative Myers, you have 3 minutes."

Myers: "Thank you, Mr. Speaker. President Poshard, first of all I want to thank you for all the work that you've put into this capital Bill, you and Speaker Hastert, both. But I have a question specifically of a specific nature that I think you might be very well aware of and that is the capital needs of higher education. Do you have any idea of what the capital needs along with deferred maintenance is for higher education?"

Glenn Poshard: "There have been several buildings that have been on the State Board of Higher Education's list for a number of years waiting construction money. They have been planned. The A&D has been completed. No money to build them. So that's a part of this appropriation, about six hundred million dollars (\$600,000,000) of it. But the thing that is even more difficult for higher education to take is the fact that we don't receive deferred maintenance money. We haven't for years, to keep up the present buildings that we have. In our system at Southern Illinois University, we have documented over four hundred million dollars (\$400,000,000) of deferred maintenance projects that are unmet today. Simply... simply... simple projects; electrical feeders, roofs, et cetera, et cetera.

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University of Illinois's system has eight hundred million dollars (\$800,000,000). So when you go throughout the state you see public higher education lacking in appropriate infrastructure money and we're transferring the cost for that on to the backs of the students in the way of additional fees which the middle- and low-income families have to pay and it's pricing their kids out of a college education."

Myers: "So would you agree that the longer we go without a capital Bill those projects that have been on a list for some time, to be built with a capital Bill, continue to escalate in cost and those projects that don't get funded on the deferred maintenance continue to grow. And so what was a twenty-five billion dollar (\$25,000,000,000) capital Bill a year ago then became thirty-one and now close to thirty-four billion (34,000,000,000) just kind of scratches the surface of all of those needs, at least in higher education. Would you agree?"

President Poshard: "I do agree, Sir."

Myers: "Thank you. One other project that I want to inform the chamber of that I think is very important, as we talk about highway infrastructure. There is an approximately twenty-mile stretch of road in my particular district that is becoming a very unsafe road, and I think the road builders at the table would certainly concur that we need to do something about this. I'm specifically referring to Highway 34 that comes across the bridge at Burlington, Iowa and then goes to Monmouth where it connects to another

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four-lane stretch. We have a lot of truck traffic coming out of Iowa now. The four lanes in Iowa are feeding into this one four-lane bridge coming across the river into a two-lane stretch of road. We have seen a dramatic increase in the number of accidents on that stretch of highway. We have seen..."

Chairman Hannig: "Representative, your time has expired. Would you bring your remarks to a close?"

Myers: "Thank you, Mr. Speaker, I will. We have seen an increase in the fatalities on that road because of the increased amount of traffic. And just one more thing, as we look at just recently when Interstate 80 was closed for a certain stretch of highway as it was going across the Mississippi River because of the recent flooding. A lot of that traffic diverted down to Burlington and across the road... across the bridge... across the river there. And it was almost like nonstop traffic on a two-lane highway. In this particular capital Bill there are... there are funding allotments for two (2) sections of that particular road. It is vital to that part of the state. It is vital to the state's economy as a whole that we continue to improve this freight corridor for the safety of our people that are traveling that road. And I would urge everybody in this chamber to give serious thought to passing a capital Bill soon."

Chairman Hannig: "Representative John Bradley, you're recognized for 2 minutes."

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Bradley, J.: "Thank you. I think we can all stipulate that the state needs a capital Bill. I think we can all stipulate that we appreciate the efforts of President Poshard and Speaker Hastert. When I had a meeting recently there was an indication from the Governor's Office that there had been several MOUs or memorandums of understanding executed by various caucuses. And it was also my understanding that the Governor's Office would provide those executed memorandums of understanding to me or others that had asked for that. I have not received those executed memorandums of understanding. It's my understanding they were executed by Senate Republicans, Senate Democrats and House Republicans. Are those MOUs going to be made available and what do we need to do to get those?"

Glenn Poshard: "It's my understanding, Representative Bradley, that a form of the MOU was sent to you for your possible perusal.

Bradley, J: "It was a blank form. And my understanding was they would actually send me the executed MOUs that'd been executed by Members of the Legislature with the administration. I'm correct in understanding that there were MOUs executed by Members of the caucuses with the administration, correct?"

Glenn Poshard: "Of course. There were MOUs executed with Members who came to... through the process of the vetting through the various caucuses. There were Members who came and received MOUs from the different caucuses on projects in their own districts."

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Bradley, J.: "Are those MOUs going to be made available voluntarily, the executed MOUs?"

President Poshard: "I have no problem with it, Representative Bradley. I don't know what the procedure would be for other Members sharing their MOUs with you, but I think they should. It's public money, it's public information."

Bradley, J.: "Has there been a request made to the administration by yourself or Speaker Hastert to reveal those MOUs or allow those to be made public?"

Glenn Poshard: "No, because no one has asked us to make those public."

Bradley, J.: "Well, I guess I'm making that request now because I'm not getting that information from the Governor's Office. So I'm asking you as a longtime friend to help all of us get that information and provide those MOUs to the public so we can see where these commitments..."

Glenn Poshard: "I'd be happy to do that."

Chairman Hannig: "Representative, your time is expired. Okay. Representative Kosel, you're recognized for 2 minutes."

Kosel: "Thank you. There was some earlier numbers stated about the number of people unemployed. I believe Mr. Carrigan stated that between 15 and 20 percent unemployment. Is that the same number for our roads, people who work on roads or is that a larger number?"

Michael Carrigan: "I gave you what I estimated to be an average, but that would be vertical construction. When you get into roads and you looked at that sector itself, it would be higher."

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Kosel: "It would be much higher. I will tell you that almost daily I talk with people in my district about the lack of jobs, about the implications that they are having on our communities, about the implications that are happening to the families and the children. It has dramatically changed within the last couple of years. The employment... the unemployment that is happening in this state is not only affecting those families, but it's affecting the safety of the State of Illinois. Those jobs that are in this Bill are going to provide safety for children in school. Elbow room for children in schools; very, very desperately needed school construction projects; very desperately needed road projects that you've heard of over and over and over here. I have several roads in my district, Route 30, 159th Street that have been totally developed from country to suburban and they are still functioning on two-lane gravel edged roads. My district was very blessed to have 355 come through it. A lot of jobs happened with 355. Almost makes the pain of not having a capital Bill for nine (9) years even worse now, because those people aren't working anymore. Three fifty-five is a wonderful success. It is pouring additional people into the community down those roads with two(2) lanes, one in each direction and gravel edges. We see..."

Chairman Hannig: "Representative, your time is expired. Bring your remarks to a close, please."

Kosel: "Thank you. We see lineups of miles and miles and miles. This is affecting our families. This is affecting

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the quality of life in Illinois. There is no reason why anyone in this chamber should not be calling for a vote on this subject. Pass the capital Bill. Pass it now."

Chairman Hannig: "Representative Flowers. Representative Flowers, recognized for 2 minutes. Lady's not in her chair. Representative Riley, you're recognized for 2 minutes and we'll come back to Mary in a little bit. Representative Riley."

Riley: "Thank you, Mr. Chairman. All of you have done a great job. President Poshard, fantastic job under a lot of pressure. And all of you have been great advocates, not only for this program but for your own individual areas. But let me just say this, and I think we need to stop playing with numbers. I've heard everything from five hundred thousand (500,000) jobs up to seven hundred thousand (700,000) jobs, and it's probably figured out by formula, but those jobs are... it's a certain number and we ought to sort of establish what that is. But here's the bigger issue. We're talking about putting a lot of people to work. I was speaking in one of the poorer areas of my district, Harvey, Illinois, which is a labor surplus area and there's quite a few of them. Why in this great big Bill, five hundred thousand (500,000), six hundred thousand (600,000), seven hundred thousand (700,000) jobs, whatever it is, why isn't there a human capital development component? Why isn't there a workforce development component so we can employ some people who heretofore didn't even have the skills? That's what people in Harvey,

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Illinois and I suspect other areas like that are crying out for. The other thing they're crying out for, they're afraid that jobs will not be... and programs will not be targeted to their areas. It's one thing to say that the moneys will be restricted to the capital program. It's another thing to say that other areas won't be left out on the cutting room floor. Can you address those issues?"

Glenn Poshard: "Representative Riley, I appreciate the concern, Sir. Within this Bill, in the economic development portion of the Bill, part of that deals with job training. There was an additional million... one million dollars (\$1,000,000) put into this Bill at the request of people who came in and said, we believe there is a special need in higher poverty areas of this state for small business development, for job training, for other kinds of things that effect the very thing of which you speak. That one billion dollars (\$1,000,000,000) was added to the Bill. And I know people thought, okay, that's controversial. But the fact of the matter is, any community in this state that has above 3 percent above the state average of poverty can apply for funds through the Illinois Finance Authority, that are a part of this Bill, to effect the kinds of things of which you speak."

Chairman Hannig: "Representative Flowers, you have 2 minutes."

Flowers: "Thank you, Mr. Speaker. Mr. Poshard, I've heard you say on numerous of occasions how you and Speaker Hastert have traveled to various regions across the state. And for some reason it appears to me that the south side and the

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west side of the City of Chicago happen not to be in any region that's part of the state, because those two (2) areas of the State of Illinois is still decimated. Now, under previous administrations: under Governor Thompson, under Governor Edgar and under Governor Ryan, there was a certain expectation level that I had in regards to jobs creation in those communities and other blighted areas across this state. But under this administration, Sir, I had a different expectation. I expected that the poor areas of this state will finally see the leveling of the playing field accro... as far as jobs, as far as economic development. I thought we would stop incarcerating people and putting them out of jobs or having them working for less than minimum wage jobs into real viable jobs because everybody knows that when the economy goes down, the crime goes up. And the economy, Sir, has been down in those communities for a very, very, very long time. So whom did you speak to in those two (2) areas, and tell me how would this Bill of the five billion... of the one billion dollar (\$1,000,000,000) that you just talked about. Is that for the entire state, because we have problems in our communities, Sir, that has not been addressed and this Bill does not address it. I understand the reason why the other speakers would be interested because you are..."

Chairman Hannig: "Representative, your time is expired. Was that directed to anyone of the gentlemen at the..."

Flowers: "I just want to say, Mr. Speaker, thank you very much. I do understand the reason why the rest of you gentlemen

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would be interested because you are creating jobs for people that are trained to do those jobs. We need something tangible, Sir. We need something to bring these other communities up to par with the rest of the state and this capital Bill happens not to do that because we will still be looking at a budget that's even... a budget hole that's even bigger next Session. Thank you."

Chairman Hannig: "Thank you, Representative."

Glenn Poshard: "Representative..."

Chairman Hannig: "Representative Sacia, you're recognized for two minutes."

Sacia: "Thank you, Mr. Chairman. This question will be directed at Mr. Carrigan. But I'd like to start by thanking the Governor personally, because I think this is the first time in my six (6) years here, coming at the same time the Governor came, where I have truly, 100 percent backed the man when he chose two (2) of the most highly respected gentlemen in this state, one a Democrat and one a Republican to travel this state and come up with a very, very viable plan. Mr. Carrigan, my question of you, Sir, when you spoke, and you have a very powerful position and one that not often Republicans totally are onboard with or often were perceived with not siding with organized labor. You stated that we have the power, we can bring it to a vote. Regretfully, Sir, we do not. You have the power, much more power than us, to ask the Speaker of this House to allow us to have an unencumbered vote; Members of the other side of the aisle, not be passed in any way other

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than to vote their conscience, we'll pass this capital Bill, Sir. We can pass this, but we need your help to ask the Speaker to allow us to have vote on it. As a rank and file Representative I don't believe I can make that happen, with as much respect as I have for this great Speaker. I have heard it said many times that there are those who are opposed to this because gaming is morally wrong. I heard Mr. Poshard say many times over that there is no appetite in this state for an increase in taxes. And I would submit to this Body and to anyone who is listening, it is morally wrong to let the cities, our highways, our bridges and our schools continue to crumble when we have such a great opportun..."

Chairman Hannig: "Your time is expired, Representative. That concludes the first portion, the first panel in our discussion today of the Committee of the Whole. So I'd like to thank the gentlemen for their time in making their presentation, as well as the answers that they gave to the Members. So, thank you, gentlemen. And now we'll move to the opponents of the capital appropriation Bills and we'll have them here in just a moment. So, why don't... gentlemen we're running just a little bit behind, why don't you be seated. Could we have some order in the chamber. And you have a total of 20 minutes, although I'd stress that you need not use it all. I think both you gentlemen can make your points in less than that. So, why don't you announce yourself and then proceed with your initial statements and

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then we'll go to questions and answers. Okay? So, please begin."

Doug Whitley: "Good afternoon, Ladies and Gentlemen, Members of the House of Representatives. My name is Doug Whitley. I am president and CEO of the Illinois Chamber of Commerce. I appreciate the opportunity to speak before the Members of the House of Representatives concerning capital funding for Illinois's transportation systems. I especially wish to observe for you how important these Committees of the Whole hearings are because in recent years the breakdown of the legislative process has greatly diluted... greatly reduced and in my opinion practically eliminated the opportunities for timely, thoughtful, knowledgeable and deliberati... deliberative analysis or input by an informed public. This has been particularly true where the most significant budget, tax, and public policy measures are concerned, like this thirty-five billion dollar (\$35,000,000,000) capital Bill. I believe that bad laws are being proposed and passed by the Illinois General Assembly in large part due to an unwillingness to seek input, a desire to stifle critique, as well as intimidating and ostracizing those who would dissent or propose constructive and collaborative solutions. Take it or leave it politics is not conducive to constructive lawmaking. The highly politicized environment and the brash, expedient rush to judgment that frequently permeates this Legislature when important Bills are being thrust upon the Members and the public must cease. The right of every Member of this Body to have the

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benefit of thoughtful, deliberative, and informed decision-making must be respected if the fundamental tenets of democracy are honored. Every citizen, taxpayer, and community should have an equal right to public services regardless of whom they choose to elect to represent them. A crumbling, pothole-laden asphalt pavement, an unsafe, slow-zoned L-track, a leaky school building roof or an unsafe correctional facility are inanimate government obligations.."

Chairman Hannig: "Would we give the gentleman some order, please. I'd ask those who wish to have conversations to just retire to the rear of the chamber where you can speak as much as you want, but if you want to listen to the testimony we need you to sit in your seat and pay attention. So proceed, gentlemen."

Doug Whitley: "Thank you, Mr. Speaker. And cannot be allowed to be fixed or ignored based on partisanship. For several years now, I have been one of the most outspoken and active advocates of increased capital funding for our state's transportation networks. I wish to emphatically affirm that the Illinois Chamber supports the passage of a major multi-billion dollar capital funding program. The long ignored building and maintenance needs of the state are well documented. Reasonable and rational business owners and managers find it unimaginable that the stewards of the people's investments have consciously ignored and deferred building and maintenance obligations for nearly a decade. In the private sector, capital planning is a routine

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component of the annual budget process. They also find the diversions of highway trust funds to nontransportation and nonconstruction purposes highly objectionable. They know that deferred maintenance only adds to ultimate cost. In the face of a sluggish economy, a substantial investment in public works is the right kind of job stimulus that will yield positive economic returns for workers, the communities, and the state. The General Assembly needs to move forward with infrastructure investments in earnest. I also wish to emphatically reaffirm that the Illinois Chamber of Commerce has endorsed the plans to lease the state's lottery and to expand gambling in our state to help finance the pending capital proposal. Capital spending cannot be increased or additional bond obligations incurred without acknowledging new revenue must be raised to fund the initiatives. New revenue is required because existing sources offer little or no annual growth. Inflation in construction materials and commodity prices has greatly eroded the buying power of current revenue. The state's road and bridge construction program is shrinking. With the exception of the Illinois Toll Highway Authority, which is not dependent upon state highway funds, there is practically no major road construction underway in Illinois. The limited funds remaining in the Road Fund for annual program needs are directed primarily at bridge repair and basic maintenance. Record gasoline prices have encouraged more and more people to turn to public transportation. But the state's capital funding zeroed out

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since Fiscal Year 2004, transit systems cannot even keep pace with basic maintenance needs. The system's aged infrastructure is not only an embarrassment, it is unsafe. Ultimately... ultimately, it requires motorists to lose their lives due to a bridge collapse in Minnesota, the threat of CTA shutdowns and multiple pleadings by our congressional delegation over concerns for the risk of lost federal funds to elevate this subject to priority status. On two (2) occasions the Illinois Senate has sent the House of Representatives proposals that represent a good start, providing significant funding increases. However, those Bills have been flawed. Some of the funding details are highly problematic and I could not in good conscience advise you to vote for the Bills that have been presented to you. I am grateful, indeed relieved, that House Bill 15... 5618 and 6339 stalled so that you might entertain additional opinions and will sub... and subsequently take the opportunity to make critical improvements. To have a substantial transportation program you should consider four (4) points: Restore the integrity of the Road Fund as the source of highway funding. Increase formula funding to units of local governments for road and bridge repair. Provide an equitable formula for allocating funds among IDOT's downstate highway districts and create a dedicated infrastructure fund, similar to the Road Fund, for the transit projects and the completion of the CREATE initiatives. Despite its sizeable funding increases for transportation, the latest Illinois Works proposal has

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several substantive issues that should be reconsidered, including: Number one, new bonds, but no new revenue for the Road Fund; number two, creation of a single fund for all Illinois Works capital; and, number three, no formula funding for increased local roads. Let me start with point one. State user fee revenue for the Road Fund for IDOT peaked in 2002 and is currently about a hundred million dollars (\$100,000,000) less than it was in that year, six (6) years ago. State funds invested in highway capital have dropped from \$1.3 billion (1,300,000,000) in 2002 to less than five hundred million (500,000,000) in 2008. Despite these facts, the new capital proposal in its current form adds not one cent to the Road Fund. Rather, it proposes four billion dollars (\$4,000,000,000) in new highway bonds to be paid for out of the current Road Fund revenues. This is not feasible unless you cut IDOT's Fiscal Year 2009-2014 five-year highway program by seven hundred million dollars (\$700,000,000) as Governor Blagojevich proposed earlier this spring, or if you choose to bond IDOT maintenance operations like pothole patching and snowplowing. Bonding operations is like taking a mortgage to pay for having the grass cut this summer. Payments would last far longer than the benefits received from the bonded activity. This is not a rational approach and should be neither condoned nor pursued. Creating a single fund for all Illinois Works capital is not in the best interest of transportation projects. None of the new capital funding, not even the proceeds from the bonds paid

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out of the Road Fund, goes into a dedicated fund for transportation capital, not for roads and bridges, not for public transit. Further, proceeds from the new highway bonds would be blended into all-encompassing Illinois Works capital fund, rather than set aside in a dedicated highway account. The net effect will be to use highway user fee revenue to service debt on nonhighway projects. This is certainly a likely consequence in year one when gambling receipts will be slow to arrive. The long-term impact could be limiting on transportation projects, for without a dedicated fund, multi-year transportation projects would compete with the expediency of a popular short-term education or water project. It could be severe as IDOT has traditionally been able to plan, manage, and make commitments to projects over multi-year periods. This multi-year cycle has allowed IDOT to move projects more smoothly from planning through construction, avoiding expensive starts and stops due to funding uncertainties, the very factor that will occur in this proposal. It has allowed IDOT to cash flow its construction program, which adds more projects to the program. It has proven to be an efficient and cost-effective management process that would be jeopardized in the project competitive construct set forth in the pending Bill. Developing a highway project from planning through engineering and environmental approvals, land acquisition, utility adjustments, contract plans, and finally construction is a complex process which can take years. To make this process work in an orderly

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and cost-efficient way, Illinois and most other states have established a separate Road Fund, with a dedicated revenue stream that is ongoing, stable and predictable. But rather than strengthen the Illinois's Road Fund, the current capital proposal starts to disassemble it. To ensure a sustainable highway capital program, we urge you to restore the integrity of the Road Fund. Cease diversions from the Road Fund and, if not infused with new or increased dedicated user fees, establish a new transfer from the General Revenue Fund that provides an adequate, predictable, ongoing revenue stream for the Road Fund. Presumably, this would be a guaranteed portion of the new revenues attributed to expanded gambling. Point two: increase funding formula for local roads and bridges. About 55 percent of the state motor fuel tax currently is distributed to counties, municipalities, and road districts through a statutory formula. The motor fuel tax is a flat gallonage tax driven by the number of gallons sold and not by the price of gasoline. MFT revenues slow... grow slowly, less than 2 percent a year since 2000 and future revenues are likely to dip due to lower gas consumption in the face of record gas prices. Maintenance costs for local roads since 2000 have grown by 75 percent and that's resulted in a 35 percent drop in MFT purchasing power for locals. The current capital proposal does not address the cost revenue squeeze faced by local governments. It designates a significant amount, 1.25 billion (1,250,000,000), for a two-year grant program to local governments. However, a

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grant program there is no guarantee that all or even most local governments will share in that funding. It provides no formula funding increase for basic roads and bridges. The proposal provides no permanent assistance for the 35 percent reduction in MFT purchasing power experienced by local governments. As with Road Funds... state funds, local roads require ongoing, stable and predictable revenue. To address those local needs, the revenue streams transferred to the Road Fund must be large enough to fund an increase in formula funds for local roads and bridges. A short-term grant program is not an acceptable alternative to a substantial annual increase in funds to a guaranteed distribution formula for local governments. Point three, I'm skipping. Point four; create a dedicated infrastructure fund. Finally, we urge you to create a separate fund, with an ongoing revenue transfer for transit capital projects. Just like highway projects, transit projects can take four (4) years to move... more years to move from planning to construction and would benefit greatly from a predictable, ongoing dedicated revenue stream. Further, a dedicated infrastructure fund could finance more projects for fewer dollars through an approximate mix of pay-as-you-go and bonded projects. An ongoing dedicated revenue stream could end the inefficient feast or famine cycles under which state funding has gone from robust to zero, once bonds were depleted. Rather, a modest pay-as-you-go projects could continue, even after the bonds were gone, and that would ensure some funding for

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system maintenance. Finally, this fund should cover the state's one hundred million dollar (\$100,000,000) annual share of cost attributed to CREATE, the multi-year freight and transit corridor projects underway in Cook County to address bottlenecks, commuter inconvenience, air quality, grade separations and speed. In summary, and if I could have your attention, please. Illinois's capital needs are sizeable and well-documented. The Transportation for Illinois Coalition that I cochair has previously provided you with recommendations for minimum levels of funds required to adequately support the various needs of the state's transportation systems. Those recommendations remain valid. I appreciate the hard work that has brought us to this point. The pending capital plan has much to commend it, but it still has critical improvements to be made. Finally, I would observe that for all of the important contribution that Illinois FIRST public works program of nearly a decade ago brought to the state the overriding legacy of the twelve billion dollar (\$12,000,000,000) program that has stayed in the media and the public's mind was the insertion of questionable pork projects that still haunt us to this day. Perhaps it is that legacy that has contributed to the fact that it has taken us nearly a decade to bring forth a new capital Bill. Sadly, a decade of pent-up expectations also raises the haunting specter of another round of questionable expenditures based solely on greed and political opportunity. I suggest to you that by trying to satisfy

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too many interests this Bill has become too big to pass the reality test. The pending capital program is three (3) times larger than that approved by Illinois FIRST. The mere fact that House Bill 5618 was hijacked at the eleventh hour and emerged with an additional unspecified bloat in excess of a billion dollars (\$1,000,000,000) should have set off alarms. Even though construction-related companies that are Illinois Chamber members are starving for work and many face collapse. And even though tens of thousands of union workers are starving for work and even though communities throughout our state are desperate for projects, this is not an acceptable excuse to put on blinders and abandon the public interest for government accountability. Initially, the capital proposal was pursued to deal with Illinois's long-neglected capital needs. But now we hear the capital plan is essential to satisfying the shortcomings of the operating budget. This is wrongheaded thinking. A capital Bill should not be used to bail out operating budget issues. Given the state's ongoing dance with scandal and questionable spending practices, I caution you to be more deliberate and patient with the possibility of passing a Bill that perhaps represents an even bigger legacy of poor lawmaking that could adversely impact future General Assemblies when the next capital Bill comes along, whenever that might be. But, personally, I think it should come sooner than later. Indeed, I think you should start on it immediately. And I leave you with a suggestion and a recommendation that this

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General Assembly resolve to begin a new approach to capital funding by taking on only a portion of the capital needs planning each year or every other year. Take up transportation one year, education the next, state facilities the following year, economic development and such in subsequent years. I recommend the General Assembly move towards a program similar to that which is used in the United States Congress where every four (4) to five (5) years the members know which topic will be up for review and reauthorization. The obvious lesson that should be trying to satisfy... the obvious lesson should be that trying to satisfy all of the state's many capital needs once every decade is a poor substitute for informed, open, deliberative, and collaborative process that seeks solutions for the best interests of all citizens in all regions of the state. And I thank you for this opportunity to present my concerns, my observations, and my suggestions for better lawmaking."

Chairman Hannig: "So that concludes the 20 minutes that's allotted to this panel. Would you like to... could you be brief?"

Greg Baise: "I'll be brief. I always am glad to have Doug around. Mr. Speaker, Mr. Chairman, Members of the General Assembly, thank you for this opportunity and I will be brief. For some background, I come to this position today, this... I formerly served as the Secretary of Transportation under Governor Jim Thompson. And 19 years ago, at the end of June, we passed a gas tax, a capital Bill, and so I come

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to this perspective understanding a little bit of what it takes to put together a transportation program. In my current capacity I represent the IMA, an association of member companies across this state that are concerned about roads, bridges, highway, and air to both move people, products, and supplies. However, recently, the IMA Board of Directors examined this capital program in some great detail and voted unanimously to oppose the current infrastructure program as it currently exists today. Before I start on the details, let me be clear about the sheer size of this program as Doug accurately outlined. Nearly a decade ago Illinois FIRST was twelve billion dollars (\$12,000,000,000). This has risen to nearly thirty-six billion dollars (\$36,000,000,000). Many of you criticized that program at that time, the Illinois FIRST program, for some of the projects that fell into that particular program. I'm certain that criticisms will start to arise if this program is passed in its current form. This current program started at eighteen billion dollars (\$18,000,000,000) last year. At the start of this year Governor Blagojevich introduced a twenty-five billion dollar (\$25,000,000,000) program. Speaker Hastert, President Poshard, went around the state and it has grown to thirty-six billion dollars (\$36,000,000,000). Almost two hundred million dollars (\$200,000,000) a day for each day this General Assembly was in Session this year. But beyond the sheer size of this program, the real problem lies with the underpinning and unstable sources of revenue

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at a time when the state faces a fiscal crisis. At a time when Illinois has a multi-billion dollar budget hole and billion dollars of unpaid bills, my board of directors thought it was unwise for this General Assembly to go on the record for another thirty-four, thirty-five or thirty-six billion dollars (\$34,000,000,000; \$35,000,000,000; \$36,000,000,000). The plan proposed to expand gaming, where I disagree with my colleague, Mr. Whitley, to fund part of this program we believe is troubling. This year gaming revenue is down 17 percent. Some say it can be attributed to poor weather, some say it can be associated with a troubled economy, others say a statewide smoking ban may have an input. The facts are it is down. Secondly, the proposal speaks... seeks to lease the Illinois State Lottery for 50 years. A state asset that our board thought was unwise to make that decision. And, finally, Illinois Works relies on using higher tax revenue generated from motor fuel taxes and increased sales taxes on gasoline. Obviously, the higher gas prices have generated hundreds of millions of dollars for state coffers and these dollars should be used for transportation. However, because of the billion dollars that have been diverted from the Road Fund for general operating costs, this sudden switch of these funds will blow another hole in the state budget. And at a time when the state is facing a fiscal crisis, owing billions of dollars to health care providers, facing the worst-funded pension system in the United States, our board felt it defies common sense to pass a massive public works

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program that contains billions of dollars in unallocated lump sum spending. Does anyone in this state or in this room truly believe that having huge sums of cash deposited into nebulous accounts with no guidelines, no matter what the previous panel said, makes good public policy. Illinois's next public works program should be fully transparent, something that the State Chamber and the Manufacturers' Association argued with Governor Ryan about in how the Illinois FIRST Program should have been presented ten (10) years ago. We're not certain that this program has that. In 1999, Illinois FIRST Programs totaled twelve billion dollars (\$12,000,000,000) to fund those countless projects across the state, some of which are ongoing today. It was three (3) times as large as the last... this program is three times as large as that last program. Because of the ongoing financial problems, the slowing economy that plagues Illinois and the nation, the state's new infrastructure program should be smaller, should be smarter, it should work immediately to access federal matching funds at the national level and address only the most pressing needs. Illinois cannot afford a new program as it is currently constructed and we urge this Body, as Doug did, to reconvene its efforts and go about the business of building a better and smarter program, something we're sure that you can do. Thank you."

Chairman Hannig: "Thank you. And Representative Black, you're recognized for 4 minutes."

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Black: "Thank you very much, Mr. Chairman. Mr. Whitley, I appreciate you and Mr. Baise being here. I am somewhat incredulous by some of your statements and I won't have the time to go into all of them, but let me ask you one question. Do you have a specific legislative proposal that you plan to introduce to change the local funding formula?"

Doug Whitley: "Yes, we can do that."

Black: "I would like to see that because I... while I share some of your concerns, I've never been able to figure out how we do that. It's based now on vehicle registration, which isn't always fair. Others have said it should be based on the number of people, the unemployment rate, et cetera, et cetera, et cetera. All of those are very difficult to do as you well know. I was also troubled by the fact that in the last few years I have, and I'm not the only one, I have introduced legislation and others have as well, to cease and desist the transfer of Road Fund money to operational expenses. I don't recall and during some of those times I don't believe you were the president of the Chamber, but the Chamber or the IMA ever testified in favor of those Bills as I recall."

Doug Whitley: "We have been opposed to diversions of money from the Road Fund from day one."

Black: "Well, I understand that."

Doug Whitley: "And aggressively have defended the Road Fund and the integrity of the Road Fund and will continue to do so."

Black: "I didn't mean to imply that you didn't, but on those specific Bills you weren't in that... you or your

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representatives were not in that committee. And I'll give you an example. Two (2) years ago I sponsored a Bill that said, look, if we're going to pay sales tax on gasoline, one of only ten (10) states that does, it's a user fee. The legislation simply said that over a period of three (3) years on a percentage of... on a percentage basis, so that we wouldn't blow a major hole in the budget, that money would eventually have to go into the Road Fund. That's over six hundred million dollars (\$600,000,000) this year and could require... and could retire a significant amount of bonds in and of itself. And again, while the Revenue Committee wasn't kind to my concept, the groups that I would normally expect to help, weren't there. So it isn't that some of us haven't tried to do what you've... what you have illuminated today. It's often that when we do that we look around for reinforcements and they're not there. I mean, I don't know whether you base that on the fact that, look, it isn't going to go anywhere or whatever. But I don't totally disagree with the, you know, I don't think you can just do away with the sales tax on gasoline, although I certainly wouldn't shed a tear if it went away, but it should go into the Road Fund. But it takes legislation and it takes a coalition to get it done. So if I do that again I hope you'll be by my side at the table, 'cause it's very lonely at the Revenue Committee on occasion as I'm sure you know. The last question and either you or Mr. Baise could answer, and I think you've given certainly your reasons for opposing and unlike my good friend on the other side of

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aisle earlier who said I was implying that you were un-American if you didn't agree. I don't know where he came up with that. He must... he must have a guilty conscience or something. I would never imply that. Maybe he was feeling a little shaky. Dissent and debate is healthy to the process. But I guess before we leave here today or tomorrow, do you have a specific plan that we could see, read, and maybe perhaps later on amend, to do what we... I think all we... I don't think you and I disagree or Mr. Baise and I disagree. We need a capital plan. If this one isn't one you can support, will you be able to give us specifics... specificity on how we could devise an Amendment to this plan or a plan..."

Chairman Hannig: "Representative, your time has expired. Would one of the Gentlemen briefly answer his question and then we'll proceed. We're already..."

Doug Whitley: "My testimony has been... is available in writing and distributed to all Members of the General Assembly. There are specific recommendations in my testimony that I believe should be adopted to improve the transportation component of the capital plan. And I devoted my remarks solely to the transportation component of the capital plan. And if you would adopt all of those proposals, as I think you should, we would have a healthier transportation system in the state. The whole issue that I started my remarks on and I sincerely believe is fundamental, is that the Legislature is not allowing enough public input on these big measures. They're being run through without good

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public input and I hope the legislative process would begin to change so you can have that kind of input on these proposals. These last 24-hour, 48-hour kind of thirty billion dollar (\$30,000,000,000) Bills does not make good law."

Chairman Hannig: "Representative Winters, you're recognized for 3 minutes."

Winters: "Thank you, Mr. Chairman, I apologize, I thought you were calling someone from the other side. My first comment, actually, would... would play off, Doug, your comment for the need for public input. And I do commend the Speaker for allowing us this opportunity, but it's very unfortunate that the state seems to make policies by putting together capital plans very late when the actual language that we see is in the last week of Session when we're trying to pass a very bad budget, which is probably tomorrow's topic, I wish we had had the language a little bit further ahead of time so that we could fine-tune it so that Amendments could have been offered. So I do appreciate the opportunity today, but I think it's, unfortunately, untimely. My major point is that the enemy of the good is the perfect. You hold up the idea of the perfect program that everybody can agree on and unfortunately looking for a perfect program, if you're looking for it in the statehouse in Springfield, you're going to have a long wait because this is not typically the... the venue where you will find perfect programs. We have what I feel is a good program. There are... sure, there

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are fine edges that should be filed off, rubbed off, sanded off, so that we can make it better, but to simply delay for another year because it's not perfect to me is not the right thing. If we could look back in history, we saw another government faced with a crisis with high unemployment, with businesses failing, with families not able to feed themselves in the Great Depression. And one of the answers that FDR had was a Works Progress Administration, where they went out and borrowed huge sums of money. The funding for that was uncertain but it did put people back together. The Grand Coulee Dam, the Hoover Dam, the Tennessee Valley Authority, highway construction; many of our state parks were done with the help of untrained labor through the Civilian Conservation Corps. We put people to work by borrowing the money. Now much of what we're doing here is to try to find ways that if we do borrow the money how do we responsibly pay it back. And, Mr. Baise, I believe part of your testimony was that the gaming revenue has in the last year gone down significantly, and that that therefore, calls into question the ability of the gaming industry to sustain the payment back of the debt that we will incur through Illinois Works. Well, I think looking at a one-year or even a six-month decline..."

Chairman Hannig: "Representative, your time has expired. Would you bring your remarks to a close?"

Winters: "That was the quickest three (3) minutes I've ever seen."

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Chairman Hannig: "Yeah."

Winters: "We are, in fact, trying to match other states around us. The gaming revenue is down because of the smoking laws. We can capture much of that revenue because we'll be attracting it back from Wisconsin, Indiana, Missouri and Iowa gamers. And I think that we do have in front of us a reasonable way to pay it back. I have much more extended comments that I would love to put on the record but acknowledging your time limits, I do appreciate the opportunity. Thank you."

Chairman Hannig: "And you can put your remarks into the record, Representative, if you want to. Did either gentleman want to briefly respond?"

Greg Baise: "Well, briefly, briefly, Representative Winters, I would respectfully disagree that gaming is an underpinning for an infrastructure program. The first time that we would be doing that isn't an appropriate way to fund it. Illinois FIRST with Governor Ryan was... the bulk of that was a license plate fee, user fee related. The 1989 program had a gas tax six cent (\$.06) increase, user fee related. So I believe that the history around the country and here in Illinois has not to rely on this kind of scheme, shaky scheme, to do that. And that's why we were opposed."

Chairman Hannig: "Representative Mitchell, Bill Mitchell, you're recognized for three (3) minutes."

Mitchell, B.: "Thank you, Mr. Chairman. I've been sitting here for the last, what is it, an hour or so and I certainly appreciate Mr. Whitley and Mr. Baise's testimony, however

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much I differ with them. In my neck of the woods, in central Illinois, I have seven (7) counties. And if you travel the state, you know the roads are crumbling. And the people that send me here, they're just tired of excuses why we can't get something as elementary as roads, bridges, and schools done. We can think of a zillion excuses. I mean, I represent Republicans, Democrats, and people who have no political affiliation. They're just tired of the politics here in Springfield. They're well aware last fall when the Chicago Transit Authority was going to come to a screeching halt, this place took notice. We stopped everything and we addressed the problems of the CTA. So the people that I represent call me and say, how come, Mitchell, is this place stopped for the CTA, but it doesn't stop for downstate roads? And I say I have no idea, I can't predict what Springfield's going to do now. The other side of the aisle they finally discovered they can't, 'trust this Governor.' Less than two (2) years ago the Speaker of the House was the cochairman of the committee to reelect the Governor. Everyone on that side of the aisle, except for one Member as I recall, campaigned for the Governor's reelection. Now, all of a sudden, they can't trust the Governor. Now, I was in a little town in my district last week called Niantic, tiny little town. The guy stopped me at a picnic and he said, he's an operating engineer, he says I'm going to be laid off, Mitchell. What are you going to do to get us some road work? Well, I said, I'm coming back to Springfield this week and talk

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about the need. The Democratic Party controls this state. The experiment in all-Democrat rule has failed. It's time to get some action and that we get some results for the people of the State of Illinois. The reins of government's in your hands, folks. Margaret Thatcher once said, she said 'oppositions don't win, governments lose.' This experiment in all-Chicago Democrat government has failed and you deserve to lose. Thank you."

Chairman Hannig: "Representative Lou Lang, you're recognized for 14 minutes."

Lang: "Really. Thank you. Well then, first let me... let me say that I'm really... I'm really unhappy about the comment of the last speaker. Not that he isn't entitled to make them, I just don't think this is the appropriate forum for a political speech, but be that as it may... so maybe I'll just let them do that for 11 of the 13 minutes. So, gentlemen, let me see if I understand a couple of things here. So, you would agree with all Members of the General Assembly that we need a capital Bill, correct?"

Greg Baise: "Yes."

Doug Whitley: "Yes."

Lang: "All right, that was an easy answer. That didn't kill off 13 minutes either. And my guess is then, in listening to you, I surmise that your concern is about (a) the process and (b) about how we fund these programs, is that also correct?"

Greg Baise: "And breadth. And breadth of the program. I'm not..."

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Lang: "Explain what you mean, Mr. Baise."

Greg Baise: "Well, I just think thirty-six billion dollars (\$36,000,000,000) when we're talking about a cap... this infrastructure program. The way it was growing, I was outside the hallway here listening to the earlier testimony when one of the Representatives raised, I think, Representative Tracy, raised about the Port Authority, and I thought for sure at least it was going to be added to the program. You hadn't got to your two hundred million (200,000,000) for the day. It was so easy. And I was surprised that the Speaker said, well, we don't know, we'll have to go back. It seemed that this program was trying to satisfy all needs from around the state to say, let's be able to throw everything together so we can get this segment, this segment and this segment, instead of what I think should be a more directed approach of the professionals in this State Government, whether they be at DOT, or Capital Development Board in bringing forth the list of projects in a priority manner for you to be able to decide whether you could fund them or not. So that's where I'd go into where I think it was way too much thrown into the bag, too much and is relying on too shaky a fun... of a basis of finances to support it."

Lang: "It actually sounds to me not so much like they threw everything into the Bill that everybody needed, but everything into the Bill that everybody wanted, which is a completely different thing. I... would you agree?"

Greg Baise: "Semantics, but, yes."

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Lang: "Yeah. Additionally, the addition of these items to the Bill, in fact, I recall hearing President Poshard say last time we were in Springfield, that in fact, the actual capital need of Illinois was something like sixty billion dollars (\$60,000,000,000), isn't that right?"

Doug Whitley: "I also heard that number."

Lang: "Now, based on your testimony, Mr. Whitley, you would suggest that we take a measured approach to this. You indicated that you think we should do it the way Congress does, which is assess a particular kind of need every so often and then overlap them and rotate them so we have a continual discussion of our capital needs. Would that be a good summary of what you said?"

Doug Whitley: "I think that would be much more preferable than this once a decade approach that we're currently engaged in."

Lang: "Now, of course, one of the reasons we don't do it quite as often as we would like is we can't quite pony up the courage down here to do the revenue streams necessary to pay for these things. You may recall that when we passed this last when Governor Ryan was Governor, he and we heaped user fees on a lot of people. Mr. Baise, I heard you mention that you thought the user fees were preferable to gaming. Can you describe why?"

Greg Baise: "I believe it's in a relationship to the highway needs of the state. I think when you go home tomorrow or fill up your automobile tonight, remember that twelve (\$.12) to thirteen cents (\$.13) of the nineteen cents

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(\$.19) of the gas tax is going to go to someplace else, not toward that highway or that intersection that you're going to go through, to be able to pay for that. I think that whether it be gas tax, whether it be taking the sales tax as was discussed by Representative Black on the gasoline and move it back into it's rightful area, is what Doug talked about in his testimony in making sure that the dedicated fund of the Motor Fuel Tax Fund is there, is a much more preferable way for the highway, bridge, and transit related activity in this Bill."

Lang: "Well, it's one thing to say that people using the roads ought to... we ought to be using those user fees, those gas taxes, et cetera, to fund this program. But what would you do with the transit riders, would you add a surcharge for transit riders on the CTA, Pace or Metra, to help fund the capital program?"

Greg Baise: "Well, you've dealt with the term or short-term problems of the region. The region has taken upon itself to pay for a portion of that infrastructure needs. And I think that the discussion historically in this Body has been the relationship between highway, bridges, and transit go hand-in-hand in its funding mechanism, and Illinois FIRST and the Thompson program did do that."

Lang: "Well, all right, but then this goes on to let's talk about schools. Who's going to... what user fee is going to help build schools or libraries or civic centers or any of those other things that are contemplated by a capital Bill, whether it's this one or any capital Bill?"

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Doug Whitley: "In my opinion, I think the state must be very selective about getting into the business of trying to build for every school district and every library and every municipality in the state. I don't believe that there's enough money to do that. I think that such proposals should be limited. In the old days, not so long ago, it was a tornado or a fire or a earthquake or some kind of natural disaster that would require the state to come in and help with local government needs. I think you must be selective about what you do going forward."

Lang: "So my understanding is that neither of your organizations have come out against gaming, you just don't think it ought to be used to fund the capital Bill, is that correct?"

Doug Whitley: "The Illinois Chamber has not come out against the gaming program. We actually find it an acceptable way to get revenue. Is it the right or the best way to fund capital? Probably not, but it is an acceptable way. The Manufacturers' Association has a different view."

Greg Baise: "We're opposed to using the gaming revenues as the underpinning of this program."

Lang: "All right. But you're not opposed to gaming per se?"

Greg Baise: "No. No. We're..."

Lang: "Go ahead. I'm sorry."

Greg Baise: "No, it's all right."

Lang: "So, what revenue streams and you don't have to be any more specific than bullet points, what revenue streams would either of you suggest to fund a capital Bill?"

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Doug Whitley: "My..."

Lang: "Go ahead."

Doug Whitley: "Almost all of my remarks were really focused at trying to protect the integrity of transportation funds, whether it be the Road Fund, or as I recommend, a brand new fund for transit and I believe the General Assembly ought to be directing a revenue stream to finance a Transit Fund. I would suggest to you that that revenue stream could very well be a portion of whatever gaming money that you choose to allocate. It ultimately comes down to a percentage of allocations from the state's General Funds that you're willing support for public transit needs. Just as it is designating motor fuel taxes or license fees or registration fees or sales taxes on fuel or whatever, to financing the transportation funds. My biggest concern about the proposal that's been presented is that I believe we will rue the day when we put all capital programs under the one fund because the competitive nature of those dollars, I believe, will work against stable, predictable, reliable, multi-year kinds of programs that are fundamental to transportation projects, be it transit or highways. Likewise, in the case of local... local roads, you simply need to allocate a percentage of the formula. It's an arbitrary number to say this is what we have to put behind local road financing."

Lang: "Relative to the plan before us, you've both commented at least a little bit on using gaming and using motor fuel money to help fund a capital Bill. But unless I missed it,

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I didn't hear either of you comment on the sale of the lottery as a vehicle for creating dollars to fund a capital Bill. Would any of you like to venture an opinion?"

Greg Baise: "My remarks that I condensed did speak to that and since you raised the question, the idea of the sale of the lottery as a long-term asset for the state, our board looks at that and felt that that was not an appropriate way to go in selling that asset. When you look at what the long-term return of about sixty billion dollars (\$60,000,000,000) over the same time period of the lease and we'd be getting less than half of that kind of return back to the state, we didn't think was a good deal."

Lang: "Did your board take a formal position on that issue?"

Greg Baise: "Yes, we were opposed to that. We..."

Lang: "Mr. Whitley."

Doug Whitley: "The Illinois Chamber Board took the opposite position. We are prepared to try something new which is the leasing of the lottery. With receipts, we believe that the private sector might actually run a better, more effective lottery than the State of Illinois has done."

Lang: "Thank you. Mr. Chairman, I'm prepared to yield back to you the balance of my time. Thank you, gentlemen."

Chairman Hannig: "Thank you, Representative. And Representative Tryon, you're recognized for 4 minutes."

Tryon: "Thank you, Mr. Speaker. Thank you, Mr. Whitley, Mr. Baise for being here. I think we've spent a lot of the last three (3) years since I've been here working together on most things and I do recognize the challenge you have

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and appreciate the challenge you have in representing every business across the state and every manufacturing facility across the state. But I represent businesses and manufacturing facilities in McHenry County and they have been very clear to me about their desire for capital. In fact, our chamber, our EDC and... our EDC which has many manufacturers from our county in it, chartered a bus to come down here last year to lobby for roads. So, it's very important. And so, while I appreciate that difficulty, you have to appreciate the difficulty I have in representing my county because in McHenry County the road and transportation needs are tremendous. We... we're the fastest growing county for ten (10) consecutive years in the State of Illinois. And during that time while we hoped that Illinois FIRST would deliver projects that were needed for transportation in McHenry County, it did not. It was supposed to fund a hundred and fifty million dollars (\$150,000,000) of road projects for capacity improvements. None of those materialized. And that's the problem, I think, with any capital Bill. While you say the revenue isn't predictable, I say the revenue on any revenue source isn't predictable. In fact, I think the major reason we're in this financial crisis we've been in for the last six (6) years is because many of the revenue streams that the state had budgeted didn't materialize. So, I don't see gaming being less uncertain than sales taxes or income taxes in the case of a recession or many other revenue sources. I think it has to be something that we have to manage.

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Certainly, when you look at just the needs in McHenry County being primarily transportation for our businesses, we also have the highest property taxes in the State of Illinois and my county, largely due to the fact that we have to run referendums to build schools. And many of the schools are... that are yet to be built, and some have already been built, that would get some of this money. That would, again, offset some of our taxes for... for our local businesses as well as our local residents. But when I look around the state and I look just here in Springfield, Illinois to one of the largest road contracting firms in the State of Illinois, who three (3) years ago had eleven hundred (1,100) employees and now has less than six hundred (600) employees. Those are real jobs for downstate Illinois. Those are real jobs for upstate Illinois. Just in the road building industry alone, in the suburban area there's a thousand (1000)less employees in the region that I represent. So, it's serious that we have a capital Bill now. And I look at gaming as a valid way to be expanding our revenue sources without tax increases. Certainly, I appreciate your position on that, but capital in McHenry County, just so you know it, is probably the number one thing that people have on their mind; number two, taxes; and number three, job security. This actually provides something for all of those number one concerns. But if we come back to, you know, some of the concerns that I heard you both mention. I guess, Greg, what I'm wanting to know, is if we look at the sale of the lottery, I agree

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with you. I don't think we should sell the lottery, but bringing in an equity partner, I actually was intrigued by that. I think that works. I think we have the worst performing lottery in the country. This is a way for us to turn that around. Are you opposed to any kind of equity interest in the lottery versus an outright sale?"

Greg Baise: "No, my concern is on the fact that we don't think in the long-term; it's a good return on the value of what it is. That was our basis of being opposed to it as a funding mechanism in that regard. So, that..."

Chairman Hannig: "Okay. So..."

Greg Baise: "You know, the argument is whether it's... the sale of the lottery is not the issue here. The sale of or doing other items to pay for this. The real question is, is its size. Do you trust this administration to be able to implement it? Do you trust this second floor to really get it done? The reason that you had to go out and get two (2) respected individuals like Hastert and Poshard is because of the inability of this administration to get anything done. It's not a political measure that I'm going to make this comment, it is reality. In the past, when Governors were going to decide how to do a capital Bill, they would have been working with this side of the aisle; they would have been working with this side of the aisle. Everyone would have known what kind of projects would ultimately have been done. There would have been a funding mechanism that probably, politically, wouldn't have been very well accepted around the state, and a coordinated Roll Call

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would have probably been put together to pass that program. Instead, we have the sham idea of the sale of the lottery; we have the sham ideas that go into make this going forward because there's no trust left on this floor for what's going on, on the second floor. McHenry County deserves better. All the other 101 counties deserve better than this kind of hodgepodge plan put together."

Chairman Hannig: "Okay. So, Representative, your time is expired. So let me... That concludes this panel of the questioning in the Committee of the Whole, so let me thank both gentlemen for being here today in Springfield and testifying. We certainly appreciate your efforts and your thoughts. And now we're going to go to the gaming part of the Committee of the Whole and Representative Lou Lang will preside."

Chairman Lang: "Just for the record, we're about 13 minutes behind schedule. We'll do our best to catch up for the Members. Can we bring out the next panel, please, as quickly as possible. May we have some order in the chamber, please. Let's try to make up some time. This panel has 20 minutes, 20 minutes and you can allocate it any way you want, gentlemen. President Poshard is not in the room. I presume he's returning. Please leave him some time. And as you speak... as you speak, please introduce yourselves so we all know who's speaking. Let's start on the left side of the panel. Please proceed."

Wes Cook: "Hello, my name is Wes Cook, I'm from southern Illinois, I'm business manager of the operating engineers

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and I'm here to support the gaming expansion Bill. I'm speaking only of gaming expansion because it doesn't hurt. We have gaming in southern Illinois, as it is now. We have the boat down in Metropolis, Illinois. And we have no work. If this will cause work for our people, I'm a hundred percent for it. With the gaming expansion Bill we can have Illinois Works and we can have the budget. With the budget, we've got to put our people to work. We right now have no one at all working in southern Illinois. Actually, the August letting for southern Illinois has two (2) asphalt jobs in it for less than a mile. That is no work. We need the Bill to pass; we need to work for our people in southern Illinois. Thank you, Sir."

Chairman Lang: "That's the best testimony of the day. Next."

Dwight Welch: "Hi, I'm Mayor Dwight Welch of Country Club Hills. I'm here to talk about expansion of gaming in the State of Illinois and, hopefully, the saving of gaming in the State of Illinois. I had a real troubling call last night. You know, gaming is about jobs, economic development. Some people would argue that it's not, but the truth is it has been the case in Illinois. You only have to point to Joliet and see what's come out of the expansion of gaming in Joliet to understand how well a community can do. This morning, about 6:00, I got a call that a young man that I helped mentor as a child, fifth and sixth grade basketball coach, was shot and killed at 31st Street in the City of Chicago. And he was killed because he had no job, no opportunity. Now, was I supposed to

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provide that as a mayor? Yes, that was my job and I failed. I tried to hire him, I tried to locate things for him to do, but I couldn't do that. And one of his friends was shot along with him. And that's really troubling to me, when a young man who's got a brilliant future ahead of him can't get a job. And our particular area is the poorest area in the State of Illinois. Some of you come from areas that are economically deprived also, but what we can do in Country Club Hills in the south suburbs is create a massive expansion for a destination point and stay competitive. Casino... Casino Bill would do this. And here's the other thing I want to talk about, I've talked about it to the chairman of the Casino Commission that you all should listen to. And I know you got a lot to listen to today, but here's something that's important. We're already falling behind in Illinois on casino gaming. We're still operating in 1990. I don't know how many of you game or go on boats in Illinois, but I certainly do. I just got back from Vegas. The first time I've ever been there. And I can tell you we're way behind the eight ball there. Four Winds, Four Winds in Michigan has just opened up thirty-five (35) miles over the border... 35 minutes over the border from Illinois. Thirty-five minutes away; it's a land-based casino that's got everything and it's drawing the gamers away from Illinois already. We've got to get out of this idea of boats and barges and start building land-based casinos that make sense. We've got to stop making our gamers, which are gray-haired grandmas with oxygen, having

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to walk or ride on a cart almost a half a mile to a dock that doesn't have a boat going out anymore. We've got to get realistic. We've got to create jobs. We can create good construction jobs, we can link the hotels just like they are at the Four... Four Winds in Michigan City or we can continue to just fail as a state. Indiana's going to get the revenue; it's going to continue to get the revenue. Michigan's going to get the revenue because they're going to be competitive where we're not. We've got to wake up, smell the coffee and get it done. And the only way we're going to get this done is do a good thorough analysis of our current casino operations. I talked to casino hosts, I've talked to casino managers, I've talked to waitresses, I've talked to bartenders, I've talked to the guys that run the slots. These are all Illinois citizens. They have all gotten jobs in Illinois that they wouldn't have had if that boat hadn't exist. But here's the catchall. There are hotels that come with them, hotels. There are stores, there's money that's being generated. Joliet has got a new NASCAR track. If you haven't been there, it's tremendous. Joliet wouldn't have that track today if it didn't have that boat. Joliet's got a new baseball stadium. It wouldn't have that today if it didn't have that boat. But we need to take the next evolution and we need to move forward in our casino legislation. Stop talking about boats, stop talking about dry-docked barges and start talking about real expansion and creation of real hard-core locations that can service the public. And by the way,

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your gray-haired panthers and I'm one of them, I'm almost 60 now, are going to those casinos in numbers. And I always tell my kids, I'm not going to leave you all my money, I'll leave you some it. But these guys are going and they're enjoying their lives. We need to start observing that, expand the casino operations and I'm all for the tracks expanding. The tracks are entitled to additional machines, also. I don't think it'll will hurt Illinois. There has not been any increase in crime in these locations and as for the opponents, all I can tell you is they're not there, they don't go on a boat, they don't see what happens. And I can tell you this, as a voter in the State of Illinois, people are voting with their feet right now and they're leaving the state and going elsewhere for this. We can create jobs, we can fund our schools. Another 30 percent of the money that will be generated out of this new casino Bill will be going to schools. There is so much that can happen in Illinois, and by the way, don't leave the money on the table. I was here in 2000, I was here in 2001. I talked to my mayor colleague on the panel. I started in '86, he started in '85, looking to expand casino gaming in Illinois. We've got to do it right or we're not going to be competitive and you might as well not do it at all at that point. But we need the money. We need to create better roads, better schools, better lives for our kids. So Patrick Ivy, and I'll end it with that, Patrick Ivy died last night of two (2) gunshot wounds on a city street in Chicago, on 31st

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Street. And if I had had the ability to present him a job, which was my responsibility, not yours, but you could help me do this, he might not have died last night. Thank you for your... listening."

Eddie Read: "My name is Eddie Read. I am the chairman of Chicago Black United Communities. We are an advocacy organization located in Chicago. The question here is not... whether or not there should be gaming or casinos, the question is, whether or not there should be expansion. And so I'm here today to support that there should be expansion. When I travel to Hammond, Indiana, to buy my gas because of the lower gas prices, I find a large number of people from Illinois going to the casinos in Hammond, Indiana. I see many of my friends and neighbors with Illinois plates on the way to the casinos in Hammond, Indiana. Certainly, the money, the revenue, that could be generated can be used for jobs, can be used in order to support things like the capital Bill and to put people to work. Certainly from the inner city of Chicago people are already gambling. This is not about a moral question of whether or not we can legislate morality, because we can't, but it is about can we use a tool of revenue to be able to have it work effectively to generate jobs and to generate work for some of the members of our community. When you go to the betting parlors you find a large number of people in those parlors, so why not expand this into a facility that would have the type of amenities, would have the type of class facilities, that people would be able to go to and

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use. Recently, I was in St. Louis Lumière where they have the Four Seasons Hotel attached to the casino there. It is a first-class facility. And suddenly, with the number of tourists that come into Chicago for various conventions and events, like the Taste of Chicago, we certainly would have the opportunity to increase and generate revenue since we are already in the gaming business in Illinois. My final point would be, the other thing that I noticed in Hammond, Indiana, just recently, they're building brand new streets and brand new roads and I wonder, just by chance, all of that may not have come from gasoline tax, it may be just a possibility that some of those new streets and some of those new roads came from gaming. So, we have an opportunity here to put people to work. We have an opportunity here to expand in a sophisticated and a class way what people are already doing."

Dick Hyde: "Okay. Thank you very much. My name is Dick Hyde and I'm the mayor of Waukegan, Illinois. I'm here to support the gaming expansion of which I started in 1985 and it fell on deaf ears, but we kept plugging. I'm a person who never gives up. I happen to be an athlete. I coach football, wrestling, and baseball. I'm in the Waukegan Sports Hall of Fame, the Bradley University Hall of Fame, the Illinois Athletic Directors Hall of Fame, the Illinois Coaches... Wrestling Coaches Hall of Fame. So, I know what it is to win and I know what it is to lose. We are located approximately forty (40) miles north of Chicago, right on Lake Michigan. The closest casino to Waukegan or to

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Illinois in our area is Potawatomi in Milwaukee, which I have never been to. Sixty-two percent of the cars in a Potawatomi parking lot are from Illinois. That's the money that we're losing. We are approximately seventy (70) to seventy-five (75) miles away from Elgin, Joliet, and Aurora, so there'll be no scabbing on a boat that's in Waukegan, taking away from those other places. Waukegan is the third-poorest community... city. I don't care about the areas. There's a lot of poor areas, but Waukegan is the third-poorest city in the State of Illinois. Waukegan's unemployment rate is 8.4 percent, 47.7 percent higher than the rest of the Lake County. And in Lake County there's a little over seven hundred twenty thousand (720,000) people. The unemployment rate in Waukegan has consistently been over 50 percent higher than anything in Lake County. In Waukegan's history, we have approximately sixty-one (61) Afro-American and Hispanic families and they have been hit hard, not only by the gas, but by the economy. Waukegan's Afro-American unemployment numbered nearly 10 percent compared to the statewide rate of 6.3 percent. Overall, nearly three thousand (3,000) Afro-Americans and Hispanics in Waukegan are unemployed. That's including... the unemployment in Waukegan is approximately seven thousand three hundred (7,300) people. We have ninety-two thousand four hundred (92,400) people in Waukegan that was in 19... 2000. So right about now, we're well over one hundred thousand (100,000) people. Waukegan and the neighboring communities of North Chicago, Zion, Beach Park, Round Lake,

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those are the people that are going to prosper from our gaming boat if we get one, if we're fortunate enough and if you vote it in. We are going to give to those people 40 percent of the income from the boats and it's going to go to their school districts, not to the cities so they can add it to their salaries, but to the school districts so that they can add maybe to their salaries. When in these communities that I just named, the teachers in those communities make any where from fifteen thousand (15,000) to twenty-five thousand dollars (\$25,000) a year less than any other community in Lake County. Of course, they have some nice communities in Lake County, too. The 2000 census reported that 13.7 percent of the Waukegan populations were living below the poverty level, 13.7 percent below the poverty level. A well planned, high quality, family entertainment center that incorporates riverboat gaming can be a catalyst for Waukegan's economic development and a complete redevelopment of the downtown and our lakefront areas. Waukegan was a great industrial city at one-time. It was the third largest city, industrial city on Lake Michigan, other than Chicago and Milwaukee. The riverboat gaming complex will stimulate other developments along the Waukegan lakefront and in the community of Lake County. In 2002 we had the Urban Land Development Committee come to Waukegan and make a plan for us. That plan would cover three and a half miles of shoreline on Lake Michigan, right on the lake. There's approximately fourteen hundred (1400) acres and a lot of it, because it was all industrial at

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one-time, it is contaminated, that has to be cleaned up. General Motors, EJ&E Railroad and North Shore Gas just cleaned up thirty (30) acres for us at no cost to the tune of twenty-six million dollars (\$26,000,000) for them. They have a plant in there that's going to process the ground water which is thirty (30) feet deep. That plant inside of another building cost them ten million dollars (\$10,000,000). This plant, hopefully, will be done in about four (4) or five (5) years. They started the 15th of June. As a result of the Urban Land Institute, which came to Waukegan in February of '02, the City of Waukegan enlisted an architect from Chicago, one of the best and the largest in the nation, Skidmore, Owings & Merrill. We instituted them; they came and gave us a plan which we have incorporated in the city in August the 25th of '02. And that was greatly helpful. The SOM plans calls for four thousand (4,000) new homes and a combine of one million (1,000,000) square feet of new rental property and this will be on the lakefront. The SOM plan also calls for the redevelopment of the existing, underutilized, partially-contaminated site on the Lakehurst... on the lakefront newest public amenity, the one thousand-plus (1,000-plus) acre public park which will be right on Lake Michigan. Preliminary feedback from the private sector has informed the City of Waukegan that significant public subsidies are needed to invest the private sector to participating in our \$1.2 billion (1,200,000,000) project. A preliminary evaluation of Waukegan's current financial capabilities,

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constrained by the difficult county conditions related above, demonstrates that the City of Waukegan would have an extremely difficult time financing the upfront infrastructure and environmental remediation that needs to be going along the lakefront; the economic benefit of a casino to Waukegan, both in terms of the future municipal development and revenues to boost our local economies in the Waukegan and the surrounding areas. Now the areas that we're talking about are seven hundred and thirty thousand (730,000) people. That's quite a few. The transformation of the Waukegan local economy from an underutilized industrial base to a vibrant, healthy, service-based economy in a step of Waukegan, Illinois. People don't realize that the factories that we lost on the lakefront, thirty-five thousand (35,000) jobs were lost. No economy has come back, no industrial has come back. The industry that is there now and there are two (2) vibrant factories that are there that do work, have never, ever helped the City of Waukegan in repairing the roads or the bridges that they have damaged and ruined. Not one penny. And they keep saying, well, we're there for 50 years, look what we did for Waukegan. You haven't done anything, nothing at all. The core of Waukegan's plan is to share the tax revenue with the similarly distressed neighborhoods of which I told you, Zion, Park City, Beach Park, North Chicago. You've all heard, I think, of Round Lake, Illinois. About three (3) years ago the state took over the school district because they didn't have any money.

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And they are still on a state watch list today. I mentioned before that 40 percent of the money from the income of the boat that Waukegan will get will go to these surrounding neighborhoods and to their school districts. We will also give our own school district two million dollars (\$2,000,000) per year. In 2000-2001 the schools spent one hundred and twenty-three million dollars (\$123,000,000) but the income in that same period, 2000-2001, was one hundred and four million dollars (\$104,000,000). That left them with a nineteen million dollars (\$19,000,000) deficit. In a time up 'til now they paid back about ten. They have had a balanced budget in the last three (3) or four (4) years, but they are still nine million dollars (\$9,000,000) in the hole. The remaining 60 percent will go for the infrastructure of Waukegan, nothing for the salaries."

Chairman Lang: "Mayor Hyde, the time for presentations has expired. If you could complete your comments we'll go on to questions."

Dick Hyde: "Okay, I'll go right to the summary. All right, I'll go right to the summary. The State of Illinois is struggling through one of the worst financial crisis in recent history. It has been forced to reduce spending on major important programs and those cuts have affected hundred of thousands of residents. Waukegan represents a most emphatic way, embodiment of the very thought and spirit of the Illinois Gaming Act. And I'll close by saying the Illinois Gaming Act was instituted to help the

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countries (sic-counties) and the cities that need it the most. And in the last Gaming Board meeting we had four (4) years ago, they said that Waukegan needed it worse than anybody else. Thank you."

Chairman Lang: "Thank you, gentlemen. We'll move on to questioning. Let me first note that neither President Poshard nor anyone from the administration is here for this panel while they were expected to be. First, I will yield myself 5 minutes. Are you going to testify, Mr. Hamer? All right. So, I yield myself 5 minutes. And so, gentlemen, you all testified as to need for a gaming Bill. As you all know I'm very supportive of a gaming Bill as many people are in this chamber, let... but I heard nothing from any of you as to why this gaming Bill. Can any of you explain why it should be this gaming Bill, as opposed to some other gaming Bill? For instance, House Bill 4194, anyone?"

Dick Hyde: "All right, now in this gaming Bill there's a request for three (3) casinos... licenses; one for in the middle of Chicago, one on the south side of Chicago, and one on the north suburbs. And those are the areas right now, Mr. Speaker, that I think deserve it and need it more than anyone else..."

Chairman Lang: "Mr..."

Dick Hyde: "...and can give the state more money."

Chairman Lang: "Mr. Mayor, I hate to differ with you but there's nothing in any of the gaming Bills that are out on

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the floor or on the table that have site-specific riverboats."

Dick Hyde: "That's right. That's right."

Chairman Lang: "Right. So, let me ask the question again. Does anybody at the table have any reason why they're for this gaming Bill as opposed to House Bill 4194 or any other gaming proposal that's on the table?"

Eddie Read: "Mr. Speaker, I had the opportunity to look at this. I haven't had the opportunity to look at the others. I've found that this is something that I could support. If I were to look at the others and saw that then maybe so, but I support this particular Bill. That's why I'm here."

Chairman Lang: "And so would it be..."

Eddie Read: "I support exactly what's in it."

Chairman Lang: "...would it... go ahead, Mayor Welch."

Dwight Welch: "I support it because it gives an opportunity for the gaming to be spread out evenly. It helps horseracing and it expands casino gaming to where it should be and where it needs to go. And the other Bills just really don't have those elements as clearly defined. That's the way I saw it from reading the Bills."

Chairman Lang: "Well, I would beg to differ with you, relative to House Bill 4194, but let me move on. One of the main differences between this Bill and House Bill 4194 is the fee that the City of Chicago would pay for the privilege of having gaming."

Dwight Welch: "Yes, that is right."

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Chairman Lang: "And in the prior Bill, in 4194, the city would pay two hundred million dollars (\$200,000,000) for the privilege of being the state's partner. In this Bill they would pay five hundred million dollars (\$500,000,000) for the privilege of being the state's partner. So let me ask the two (2) mayors here who very much want gaming in their communities, would you be willing to pay the state five hundred million dollars (\$500,000,000) for the privilege of having a riverboat in your community?"

Dwight Welch: "We have to look at the economics of it. We bid in 2001 two hundred and seventy-five million (275,000,000). It's based on the number of positions and games, but I would say that we'll be in the ballpark. I don't want to tell you what our bid will be because I'd leak it out and then other people would be bidding. But I think that that's a fair estimation of what it should be and I think Chicago should be paying just like the rest of us."

Chairman Lang: "That would be a private developer in your community, would it not, Sir? It wouldn't be owned by the city."

Dwight Welch: "Exactly."

Chairman Lang: "What if the city, Country Club Hills was going to own a riverboat, would you pay the state two hundred and seventy-five million dollars (\$275,000,000) for the privilege?"

Dwight Welch: "I don't know if I could bond for that, but if I could find the money I'd try and do it."

Chairman Lang: "Yeah, all right. Mayor."

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Dick Hyde: "All right, Mr. Speaker, when you mentioned five hundred million dollars (\$500,000,000). Let me give you a scenario. Four (4) years ago Waukegan bid on a casino for a license that five (5) years prior to that cost fifty thousand dollars (\$50,000). We bid five hundred and twenty million dollars (520,000,000)."

Chairman Lang: "You did or a private developer did, Sir?"

Dick Hyde: "The leading bidder... pardon."

Chairman Lang: "A private developer bid that, not the City of Waukegan."

Dick Hyde: "No, they didn't. The people representing us bid five hundred and twenty million (520,000,000)."

Chairman Lang: "Correct. But it was not the City of Waukegan."

Dick Hyde: "Oh, no, no, no."

Chairman Lang: "That's correct."

Dick Hyde: "There is no city..."

Chairman Lang: "So the question is, would the City of Waukegan pay five hundred million dollars (\$500,000,000) for the privilege of having a riverboat?"

Dick Hyde: "That we'd have to take up with the city council."

Chairman Lang: "I see. Do you think they'd vote for that?"

Dick Hyde: "No."

Chairman Lang: "All right. Let me..."

Dick Hyde: "That's a ridiculous figure."

Chairman Lang: "Let me ask about this. Let me ask the mayors this question. The gaming Bill that you support requires that when the Governor gets his hands on the money he can decide how the capital dollars are spent in the Chicago

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Public School System. Would you agree to allow the mayor... the Governor of the State of Illinois to decide how the capital dollars are expended in Country Club Hills or Waukegan?"

Dick Hyde: "Pardon, I can't understand your question."

Chairman Lang: "Mayor Welch."

Dwight Welch: "I can answer. I think the Governor at times is put in the position of defense on a lot of things and I think at this point we have no Bill out there, and a Bill that will give some kind of money for our schools, whether it's run by the Governor, by the House, by the Senate, I think it needs to be done. The time has come. We're in trouble in our schools in Illinois."

Chairman Lang: "And you... it'd be perfectly All right with you if the Governor of the State of Illinois decided what schools were built in Country Club Hills, not the local school board?"

Dwight Welch: "You know, the local school board has nothing to say about it now. I don't know if you know that, but our local school boards have no money, and we're talking about money here that is not available anywhere in this state. My schools are all suffering and I've got thousands of kids, we can't get a Bill through, we can't get things... The only place we turn to is to this Body and to the Governor of the State of Illinois."

Eddie Read: "Mr. Speaker (sic-Chairman), I have a question."

Chairman Lang: "Excuse me. Excuse me."

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Eddie Read: "Mr. Speaker, at what point do we get to where we are able to deal with the issues of the situations, the conditions in the State of Illinois that affect our citizens and the quality of life and not just keep dealing with this personality game?"

Chairman Lang: "Well, I... that's not a good time to answer it but I will anyway. This is not about a personality game. We... there are many people, including myself, Sir, who support a very substantial gaming Bill. The question is who's going to have control over that gaming Bill? Representative Hassert is recognized for 5 minutes."

Hassert: "Thank you, Mr. Speaker, just a... just a clarification. The former speaker, I think he had a gaming Bill and he didn't call it on the floor. So I guess that would be my first question, if we're talking about why are we supporting this Bill, because the other Bill never came up for a vote on the House Floor, as I remember. And, secondly, I think we have to get back to... this... this Bill has been worked on that we're seeing for a long time prior to dealing with the RTA, the CTA crisis. This was part of the equation that both Representative Lang, Representative Molaro, Representative Saviano, myself, Representative Cross, and Speaker Madigan spent a lot of time discussing this Bill. So, I... first of all, I think we're looking at a Bill that's been... has had a lot of edit. The second part of this Bill there's a new... enactment of a new gaming board that will definitely take it to the next level as far as scrutiny. And I think as we are sitting here there's a lot

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of Members on our side of the aisle that were really not big proponents of gaming. But in looking at the needs for a capital Bill program and looking at only limited ways to fund it, a lot of people decided that they'd rather support gaming than the alternatives. And they're willing to do so because of the needs of the state: a job creation package, a Bill that would fix our roads, our bridges and what not. And I realize these gentlemen sitting up here and I would assume there's a few others, Representative Black, Representative Winters, they all have communities that would love to see a gaming facility within their areas and also the racetracks and whatnot. I am from an area that has a couple boats and I've seen the benefits, so I can concur with what the gentlemen have just said. Their wishes for their communities are well worthwhile. So I see us today as that this is a type of a Bill that we have an opportunity. If there's something else out there, I would suggest that somebody should have moved that forward at the time. We're going to miss another construction season, so if we don't do something now, we're just going... this is just going to fall on deaf ears. So, I strongly encourage you. This might not be a perfect Bill, but you know, we had many opportunities to change this and a lot of people choose not to deal with it. So, I just... in a pinch there I commend the people who are up at the table, but I really think if there's a better alternative, please bring it about. Let's quit... you know, let's just quit messing

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around with this thing and let's get on with passing a capital Bill. Thank you."

Chairman Lang: Representative Molaro is up next for 5 minutes, but before we go there I just want to point out that this is, as the former speaker mentioned, not a negotiated Bill. This is not a Bill that the House Democrats agreed to. Mr. Molaro."

Molaro: "Thank you, Mr. Chairman. I'm hopefully taking a minute or two and Mr. Chairman, I know you're busy but I might... Lou, I might want to save a minute or two to the opponents. So and the only reason I'm doing that is because I wanted to ask Mr. Poshard a few questions, but apparently he's not here. And I know..."

Chairman Lang: "We're going to give you more time for the opponents, so you can take your whole 5 minutes, Sir."

Molaro: "Well, yeah, but I don't know if Mr. Poshard's coming back. I see Director Hamer. Maybe he's here as an opponent. Maybe that's when you're going to come up. You oppose it as the... but... So I don't know when he's going to do it. Just... I just want to say something to the panel. First of all, I agree with all four of you, everything you said made a world of sense. Mayor Welch, no one's worked harder than you have for your community to get this forward and I know Waukegan's been looking for this for years. South suburbs, how can we not have a boat in the south suburbs? It's absurd that all these people go right over the skyway. That makes no sense. However, I think you do know that this Bill is not site-specific, so we have no

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idea if it's gonna go to south suburbs or Waukegan. We have no clue. Second of all, as you do know they talk about riverboats in here. They didn't take away the water for the nine (9) existing boats. So, I guess, here's the question I want to ask you real quick. Now, I'm hoping it's a 'yes' and you don't have to testify. There are things in there, obviously, eight (8) or nine (9) majors things that myself, Lou Lang, and Republicans have worked on that I think is going to be in any gaming Bill; expansion, more riverboats, opportunities for your suburbs, south suburbs, slots at racetracks, all kinds of great things. But there's also a few things that need to be in here. So here's what I have to ask you. If we keep what you fellas, you four (4), like in the Bill, but we would have a Bill maybe in two (2) weeks, two (2) months, three (3) months, whatever it may be, sooner rather than later, right, that helps out Chicago, that helps the racetracks, 'cause there's things in here that were promised for the racetracks that weren't delivered. They want to charge existing riverboats fifty thousand (50,000) which I think is an exorbitant amount. If we were to come up with a new Bill that has everything that you want, but helps the existing riverboats, helps Chicago, helps the racetracks even more, you wouldn't be against that Bill, right?"

Eddie Read: "No."

Molaro: "You would also be for that Bill and it helps the south suburbs and it helps Waukegan, you wouldn't have a problem with that, correct?"

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Dwight Welch: "I'm Mayor Welch. I wouldn't have a problem as long as you move forward."

Molaro: "Yeah, as long as we move forward."

Dwight Welch: "We've been doing this... we've been doing this dance a long time."

Molaro: "Well, sooner rather than later. So, the only thing I would do and I don't know if the Speaker's still here or Chairman Lang, we're here on House Bill 2651. There certainly are problems with 2651, some, you know, major drafting errors and all this other stuff. However, that being said, I still think that because there were 32 or 33 Senators that voted for it, I did file a Motion to Concur again and I would hope and almost dema... well, demand, whatever that means. I can't really demand anything. But I would just hope that we do call that Motion to Concur that if there were 32 Senators, 33 Senators that actually voted on the Bill and it's here in this chamber, that I hope we get to a point that we could vote on that particular Bill so this way we could have a frank discussion on what we need or don't need because I'm agreeing with what you just said. We have to move forward and we have to move forward sooner rather than later. We can't wait another year and a half to do this. But I do like the idea that you would all be in agreement that if you have no objection to making changes so we can help Chicago, help the racetracks, and help existing casinos. Well, as the Chairman."

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Eddie Read: "Well, let me just say, Representative, I didn't... it's kind of hard for me to deal with a hypothetical situation."

Molaro: "Sure. Right."

Eddie Read: "So, I'm remaining in support of where I am, anything else would have to be looked at. But we certainly are here in support of what we have had the opportunity to review."

Molaro: "Okay."

Dick Hyde: "Mr... Mr. Representative, when you talk about supporting a Bill, I don't particularly care what the Bill says, as long as it's done. We've talked too much too long, since 1985, and I think we have citizens throughout the state that need jobs desperately that are living below minimum wage. That's what I'm looking for this Bill to help our community with."

Molaro: "Now, the last thing..."

Chairman Lang: "Mayor Welch has a response."

Molaro: "Oh, I'm sorry."

Dwight Welch: "I just want to say very quickly. I said it earlier and I'll say it one more time, there are things you need to do to that Bill. You need to get us up to speed and competitive with other states in this country. We're not there. If we're going to continue to build boats on barges, it doesn't make any sense. We need to go land-based, we need to go to the next level so that our citizens, the customers, the clients, the people that pay the taxes in Illinois, that shop these boats can go from a

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hotel right into the boat, can go from a restaurant right into the boat. The state of the technology here in Illinois does not exist and it should be fixed in that Bill now."

Chairman Lang: "Mr. Molaro, your time is expired. Your microphone is off, Sir."

Molaro: "Oh, Mr. Chairman, just one question. I did have some questions to ask to whether or not with some of the changes that I've talked to the President of the Senate... Senators, Mr. Poshard, the Governor's Office, I don't know if Mr. Poshard or Brian Hamer, if he wants to, is there someone that can answer from the Governor's Office when those changes that everybody knows has to come, even some of the drafting errors that the Senators agree are in there, when will the... Mr. Poshard or Mr. Hamer, whoever, when are they going to be able to make those changes to the Bills because they know as the Bill is written, it's just not right? Is there anybody who could answer those questions?"

Chairman Lang: "I don't know, but as you do know, Mr. Molaro, this is a House Bill in the House. We can't amend it, so we would have to start over with a Bill. Representative Black, for 4 minutes."

Black: "Thank you very much, Mr. Chairman. Gentlemen, I don't want to get into a discussion with you about the woe is me factor. I represent a community that is in economic distress, but it's downstate. Probably the only community in the state that passed a city council resolution with two (2) dissenting votes, twelve (12) voting positive that they

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wanted a riverboat. They commissioned a study that clearly shows that they're marketing 85 percent of their customer base to Indiana; Lafayette, Indiana; Indianapolis, Indiana; Bloomington, Indiana and to a lesser extent, Terra Haute, Indiana. They've testified before the Gaming Committee on at least three (3) occasions. We've talked and negotiated with everybody that we could talk to and negotiate with, but in the final Bill that we have before us even though it isn't site specific, it certainly would appear that a downstate community is really not in the mix. And I think that's a weakness in this Bill and it's a weakness in the whole process. The original Act was largely created, as you will recall, for communities in economic distress. My community has lost about fifteen thousand (15,000) manufacturing jobs since 1995. We've lost General Motors, we've lost General Electric, we've lost Hyster Lift Trucks and the list could go on. So, given the fact that I happen to represent a community that's been very active in seeking the process, I assume all of you and I don't think this is the final format that the Bill will be in, but that you would be willing to see to it that those communities who meet the original definition would all receive, I don't know that you can have equal consideration, but that they would all feel as if they've had consideration. I think that's extremely important because if you're going to bring downstate votes to a gaming Bill, there has to be some direct benefit. I know they'll will be indirect benefits,

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but there has to be some direct benefits to some people downstate."

Wes Cook: "Sir, I think that if we do pass the gaming Bill it is part of a package. We have a boat in Metropolis right now. The revenue in the first quarter in Metropolis was down 40 percent."

Black: "I understand that."

Wes Cook: "Now there's a reason that it's down 40 percent, because our workers in southern Illinois do not have a job to go to the boat. The people that's going to the boat down in Metropolis, Illinois, is from Paducah, Kentucky, they're from over around Missouri and Indiana. These are the people that's holding that boat together right now with the revenue down 40 percent in the first quarter. Our people don't have jobs down there. We've got to pass a capital budget to get our people work in southern Illinois. When we enjoy the work down there, we will go back to the boat. I mean, that's what it's all about. We will put the money back in the coffers."

Black: "Yeah, I'm in total agreement with you. We need a capital package and it's one of the reasons that we've been so deliberate in Danville, we will not cannibalize from the Metropolis boat, we won't cannibalize East Peoria, we won't cannibalize any northern boat. We're 110 to 120 miles much... we're further than that from Metropolis and the City of Danville of thirty-five (35,000) couldn't support a boat, but the marketing... We're only two (2) miles from the Indiana border and that's why we've marketed to Indiana. I

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couldn't agree with you more. If the capital Bill comes first and if we can get a capital Bill and put people downstate back to work, then a downstate boat... And I've been to Metropolis and I've seen what you've been able to do with those profits and quite frankly we're envious. And that's why we hope a downstate community, if there's to be three (3), if there's to be four (4)..."

Chairman Lang: "Mr. Black, I will yield you an additional minute, if you wish?"

Black: "Thank you very much, Mr. Chairman. All we're after, we're not going to get into a match with Waukegan and say, well, we're poorer than you are. What in the world good would that do? It's, you know, it's just... neither one of us should have to be here saying, or any of us should be here saying, well, we represent a community in economic distress. I would much rather be here and say, I represent a strong, vibrant community and we used to be a very strong and vibrant economy when we had that manufacturing base. But I'm certainly not going to withhold my vote simply because maybe the three (3) boats are up north. I just hope that all of us can work together to make sure that communities are equally considered, that we get a capital Bill. I think gaming can retire a significant number of dollar amount of bonds. But we... Metropolis and Danville are very similar. We need a capital Bill. We need to put people to work. We need to improve highways. I was at the Terra Haute boat not long ago or French Lick. You can't get..."

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Chairman Lang: "Please finish, Mr. Black. Thank you."

Black: I think what the mayor was talking about, one of the reasons the French Lick, Indiana, casino has not met, in my opinion, has not met its goals is that you have to want to go to French Lick, Indiana, to get there. They just don't have the highways and the infrastructure and I think your point is well-taken about the capital Bill would make this Bill more palatable and I hope we can continue to work on it and I thank all of you for being here."

Chairman Lang: "Thank you. Representative Mary Flowers for 1 minute. Representative Flowers for 52 seconds. One minute."

Flowers: "Excuse me. Mr. Cook, I don't think I understood. You said something about the boats downstate. Would you repeat what you said?"

Wes Cook: "Yes, I was talking to him about the Metropolis boat. The first quarter of this year..."

Flowers: "No, I think you said something about the people need jobs."

Wes Cook: "Yes."

Flowers: "Okay."

Wes Cook: "Yes. This is all... the gaming is part of the cap... the capital budget..."

Flowers: "Uh huh."

Wes Cook: "...package. We need the package, we need the budget, we need the work. I'm saying that the people that go to the boat down there, we're off 40 percent. That's 40 percent of the people of Illinois. It isn't..."

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Flowers: "So we need to create jobs for people downstate so they can go to the boats."

Wes Cook: "Well, it's... whether they go to the boat or not it's all... it's all part of the money back in the coffers. That's what I'm saying, we are not going now. You don't see people from Illinois on those boats. I've been down there, I know. I also... I deal with the mayor. We have the City of Metropolis under contract, so..."

Flowers: "How much of the boat money that we will be..."

Chairman Lang: "Representative Flowers, I only promised you one minute, but I'll give you 30 seconds to wrap up your comments."

Flowers: "How much money will the boat, the people that actually own the boats, how much will they get, because for the people to give the moneys to the boat owners is not really benefiting that community."

Wes Cook: "Oh, yes, Ma'am, it is. Like I said, I negotiate the contract for the City of Metropolis. Every alley down there is paved with asphalt. Yes, money comes back in. They have 100 percent insurance packages, as a matter of fact, in retirement. That's the only town I know in the State of Illinois that guarantees you 100 percent insurance when you retire. The only..."

Chairman Lang: "Representative, your time has expired. The next... the final speaker on this... for this panel is Representative John Bradley for 4 minutes."

Bradley, J.: "Thank you. First of all I want to welcome my friend, Wes Cook. We don't agree on this issue but I

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appreciate his comments and what he does for his members and..."

Wes Cook: "And I appreciate you."

Bradley, J.: "Thank you, Wes. I would like to ask some specific questions of Brian Hamer, the director of Revenue, if that'd be appropriate. I think sometimes people think that when we talk about gambling that this is simply a moral issue. And the fact of the matter is, is that we set the economic policy and the fiscal policy of the state. And as I'm sure we'll see with the opponents that are coming up, economically and fiscally the policy of gambling to fund state services is just a bad bet. But anyway, specifically, Director Hamer, it's my understanding that the current proposal would make the State of Illinois a larger gambling state than New Jersey. Is that correct?"

Brian Hamer: "I can't speaker to that, Representative, I'm sorry."

Bradley, J.: "Well, currently, we have ten thousand (10,000) positions in the state and this would create thirteen thousand (13,500) new positions."

Brian Hamer: "That's correct, yes."

Bradley, J.: "So we would more than double the total positions in the state?"

Brian Hamer: "That's what the legislation will do."

Bradley, J.: "And this would not be simply limited to the City of Chicago, there would be additional positions created throughout the state, not only at existing casinos but also at horseracing tracks, et cetera, right?"

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Brian Hamer: "Correct."

Bradley, J.: "Correct?"

Brian Hamer: "Correct, yes."

Bradley, J.: "And we would also, under this piece of legislation, you'd also be able to gamble on your cell phone."

Brian Hamer: "I think you're... you're referring..."

Bradley, J.: "If you could get a little closer..."

Brian Hamer: "I think you're referring to automated deposit wagering..."

Bradley, J.: "Yeah."

Brian Hamer: "...which is currently lawful in a number of states, not here in Illinois, and that opportunity would be legalized here in Illinois."

Bradley, J.: "Now, adjusted gross receipts, that's the actual money that the riverboats generate, and that's actually based upon losses of people that go to the riverboats, right?"

Brian Hamer: "That essentially reflects the difference between their gross revenues and their payout of winnings."

Bradley, J.: "Okay. And that's based upon losses of people that gamble. The adjusted gross receipts is the actual like profit of the riverboats?"

Brian Hamer: "Correct."

Bradley, J.: "Okay. Do we know... do you have an estimate as to what the adjusted gross receipts would be if this plan were enacted?"

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Brian Hamer: "We do have those estimates. I don't have them with me."

Bradley, J.: "If you could provide those. I'd heard one estimate of somewhere... the estimate was somewhere around five billion dollars (\$5,000,000,000), four point nine billion dollars (\$4,900,000,000) of adjusted gross receipts and we currently get one point nine billion dollars (\$1,900,000,000) of adjusted gross receipts. So this would be an additional three billion dollars (\$3,000,000,000) of gross receipts? Is that..."

Brian Hamer: "It could be as high as those figures, yes."

Bradley, J.: "Does that take into account the... the downturn in the gambling revenues that all states are seeing? And that... for instance, the Rockefeller Institute recently published a study which showed that nationally gambling revenues were down 18, 20 percent?"

Brian Hamer: "These numbers reflect revenues over time, so they're not a snapshot. We're not talking about the revenues as of today, but over the course of years."

Bradley, J.: "My concern would be that if our projections, the state's projections, are not correct and this were enacted and there is a shortfall in terms of the actual receipts that are supposed to fund state services, how would we fill that hole?"

Brian Hamer: "Well, I think that's a risk that we take on with whatever we do. Policy members... makers need to prepare the finest revenue estimates they can and we do so in a sophisticated manner. When it comes to an undertaking like

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this, there will also be third parties, investment bankers and such that will look at the numbers."

Bradley, J.: "This is harder to predict... this is harder to predict, though, than other revenue sources, right? To try to predict what this is going to be in the future."

Brian Hamer: "Well, each revenue source has its own challenge and in this case we have the opportunity to assess the revenues off of gaming boats here in Illinois as well as gaming facilities around the country. So there is a great deal of information and data that we bring to the table when we're preparing the estimates."

Chairman Lang: "Representative, your time has expired. Can I ask you to make your next points with the next panel on gaming or do you need to do it now, Sir?"

Bradley, J.: "Yeah, I can in the next... that's fine."

Chairman Lang: "Thank you very much. This panel, we appreciate your attendance. Thank you for being here. We're going to shoo you right out of here and bring on the next. We're going to ask you all to move up expeditiously. Some, for instance, Reverend Grey has an eight-page piece of paper that he's promised not to read, so that's a good start. And we're going to try to catch up on some time here, so if I could ask the witnesses to sit down, present themselves as quickly as possible so we can get on to the questioning. As a reminder, the entire panel has 20 minutes to present its position and we'll start at the far left side of the table. Please proceed. Press down the button. Please press down the button. There we go."

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John Kindt: "The issues in summary format are the relevant conclusions of the U.S. National Gambling Impact Study Commission sponsored by U.S. Senator Paul Simon: limits on the numbers... limits on the numbers of casinos and slot machines; the untouchable's standards; new crime caused by increased gambling, up 8 percent per year; and new taxpayer costs caused by increased legalized gambling. First, the U.S. National Gambling Impact Study Commission sponsored by Senators Paul Simon and Richard Lugar included first, there should be a moratorium on the expansion of any type of gambling anywhere in the United States. Secondly, states should cease and roll back, that is recriminalize existing electronic gambling devices, slot machines, where convenient to the public. Third, states should not introduce slot machines to racetracks to try and revitalize them. Proposals for expanded gambling consistently fail valid economic analysis by academics. Illinois has 6.3 million (6,300,000) current jobs. Casinos provide only eight thousand six hundred (8,600) of those. The July Chicago magazine doesn't even include gambling in its list of top jobs in tough times. As explained by Nobel Prize Laureate in Economics, Paul Samuelson, basic economic principles dictate that casino-style gambling cannibalizes the consumer economy. These business economic principles have been exemplified by Utah and its Governor Mike Leavitt for several years. He has advertised his state as a non-gambling state. He attributes the state's generally nation-leading statistics in new job creation and personal

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income growth to being a nongambling state. Illinois has lost fifty-four thousand seven fifty-four thousand and seven hundred (54,700) or 21 percent of its high-tech jobs between 2000 and 2005. Each slot machine per year takes a hundred thousand dollars (\$100,000) which translates into three hundred thousand dollars (\$300,000) in lost consumer spending out of the economy. That translates into one lost job per slot machine. The current gambling proposal creates new social costs of about two billion dollars (\$2,000,000,000) for increased gambling revenues of only about two hundred and thirty-five million (235,000,000) because of the tax cuts casinos have enjoyed starting this year. After hearing these points made by experts in 2005, the House State Government Administrative Committee favorably reported House Bill 1920 to recriminalize the casinos in Illinois. The Illinois House voted 67 to 42 in favor of that Bill. The untouchable standard states that new crime is caused by increased gambling, up 8 percent per year. In their thirty-five-mile and fifty-mile feeder markets, the presence of casino style gambling has been directly linked to crime increases of 8 percent per year. Legislative hearings also need to be held on the fairness, that is, the fairness of the electronic gambling devices and slot machines. Fortune 500 companies are not naïve. They avoid casino gambling and slots jurisdictions just like they avoid high crime areas. Since 1994 it has been well established that like drug addiction, the socio-economic costs of gambling are at least three dollars (\$3)

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for every one dollar (\$1) in benefits. These scenarios have encouraged states to advance legislation to recriminalize casinos; for example, in Nebraska which has bulldozed down gambling facilities and changed them into high-tech and educational facilities. The U.S. Congress has also taken note of these developments. Thank you, Mr. Chairman and thank you for your kind attention."

Chairman Lang: Thank you. Please proceed, Mr. Volpe."

Paul Volpe: "Thank you very much. Good afternoon, Mr. Speaker... Mr. Chairman, Members of the House. I am Paul Volpe, I'm the Chief Financial Officer for the City of Chicago. And I do appreciate the opportunity to come before you today to discuss an idea that Mayor Richard M. Daley believes can greatly benefit the City of Chicago, the metropolitan region and the entire State of Illinois and that's gaming in Chicago. With me today is Cid Froelich of Shefsky & Froelich, counsel to the city. As you know, Mayor Daley has consistently supported a publicly-owned, land-based casino for Chicago, as it will create thousands of new jobs to stimulate the local economy, will help Chicago to remain a leading convention and tourism destination and it will provide much needed new revenue for the state and city. This new revenue would enable the city to invest in new capital projects that will benefit Chicago residents and create additional jobs for Chicago's working families. While we strongly support a casino for Chicago, we are here today to specifically address House Bill 2651, as amended by the Senate. And I must tell you that we have a

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substantive issue with the five hundred million dollar (\$500,000,000) license fee that is proposed in that Bill. As we've said in the past, we believe even one dollars (\$1) is too much to pay for a license fee of a publicly-owned casino when it comes to meeting our goal of funding a much needed capital program for the city. That's because every dollar paid for a license fee is less funding available to build and improve schools and parks, museums, and other critical neighborhood infrastructure. We have consistently been on the record about the existence and size of a license fee. In fact, on May 31, the city testified at the House Gaming Committee against this same Bill because of the size of this license fee. On January 8, I personally testified at the House Gaming Committee in favor of House Bill 4194. And on October 17 of last year I testified at the House Gaming Committee against House Bill 2035, which included an eight hundred million dollar (\$800,000,000) license fee. We have always said that we strongly support a casino for Chicago, but we need to ensure it's economically viable. And our previous analyses have indicated that the city cannot adequately ensure a profitable Chicago casino while bearing the costs associated with a five hundred million dollar (\$500,000,000) license fee. And those previous analyses were based on an optimistic assumption that a Chicago casino would produce one billion dollars (\$1,000,000,000) in adjusted gross receipts, or AGR. However, gaming attendance and revenues in the last six (6) months tell us

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that one billion dollars (\$1,000,000,000) in AGR for a Chicago casino is no longer optimistic, but may in fact be unrealistic, at least for the immediately foreseeable future. As you know, according to the General Assembly's Commission on Government Forecasting and Accountability's May monthly report, the AGR for all Illinois casinos fell 12.2 percent from November of '07 through April of 2008, and admissions fell 4.1 percent during that same time. The report cites several likely factors contributing to the sharp decline in revenues including the economy, spiked motor fuel prices, and the harsh winter weather conditions. It also points to the statewide smoking ban that was effective on January 1st of this year. Statewide AGR dropped 16.9 percent in the first five (5) months of 2008 as compared to 2007, and June 2008 figures indicate AGR will be 20.7 percent below June of 2007 levels. In the Chicago region specifically, there was a 4... there was a drop of 18.8 percent in the four (4) Chicago area riverboats in the first four (4) months of 2008 as compared to 2007, including an 18.7 percent drop at Elgin, the boat most often mentioned as an example of what to expect from a Chicago casino. And furthermore, when we take a broader look at the gaming industry, we find the drop in casino attendance and revenues is not limited to Illinois. In fact, a July 1 Wall Street Journal article titled Debt-Laden Casinos Squeezed by Slowdown, and I do have copies for... that we can distribute if you wish, paints a discouraging outlook for gaming across the country. And

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I'd like to highlight several points that the Wall Street Journal makes in this article. And I quote, 'The gambling slowdown that began early this year is taking a serious toll on Las Vegas, with banks, investors, and private equity funds growing as tight-fisted as the consumers who are gambling less in the slumping economy. Once considered a recession-proof... to be recession-proof, casinos are proving to be highly vulnerable to the economic downturn and boom-time frenzy of grand expansion plans and private equity buyouts has left casinos laden with debt. Now, Wall Street is treating many gambling companies like a roll of the dice, with debt default or bankruptcy proceedings looming as possibilities for some companies as cash flow shrinks. Gary Loveman, who's the chief executive of Harrah's Entertainment, referring to the economic challenges that are facing the entire industry, says that this is the toughest environment that we have faced. Then the article goes on to say that, 'The credit squeeze is bad news for companies in the midst of multibillion dollar developments in need of more cash. Analysts say an extended economic downturn threatens to hurt the industry for years to come.' And Keith Foley from Moody's has said recently that, 'The casino industry is in the midst of what could be the most severe downturn ever.' Now these reports paint a gloomy outlook for gaming. And while we could not support a substantial license fee six (6) months ago, we certainly cannot do so now given these market conditions. Now, in addition, we remain even more concerned about the

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competition created by this Bill that could further dilute the AGR of a Chicago casino. Similarly, we are more concerned about the provisions of the legislation that impose term limits on the management contract, as well as the license. But recognizing and respecting your time, I have chosen to focus on the major issue we have with the Bill as it stands today. So, in closing, Mr. Speaker and Members of the House, I reiterate that we strongly support a publicly owned, land-based casino in Chicago. We know a successful Chicago casino will allow us to invest in building and improving schools and parks and museums, police and fire stations, libraries, and other critical city infrastructure. But we want to ensure that a Chicago casino can be economically successful, and as it is proposed in this Bill, we just don't think that's possible. So thank you for allowing me to speak before you today. I'm happy to answer any questions at the end. Thank you."

Chairman Lang: "Thank you. Mr. Swoik."

Tom Swoik: "Good afternoon. I'm Tom Swoik, the Executive Director of the Illinois Casino Gaming Association. I represent the nine (9) operating casinos in the State of Illinois and I'd like to thank you for the opportunity to comment on this Bill. The casino industry members I represent have reached consensus that they are opposed to this Bill. We have significant issues with the language in its present form. We obviously are not opposed to the existing casinos receiving more positions if the market supports being able to utilize those positions. The

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language related traditional positions require significant capital expenditures to purchase the positions, forty thousand dollars (\$40,000) each to begin with, and facility add-ons to the house... to house the positions and then there's a reconciliation payment in four (4) years that negates the potential positive impact for purchasing the positions in the first place. At a time when our revenues are decreasing, it does not make sense to expend... to expand by purchasing additional positions. In fact, individually, my members have stated they will not purchase any because there is no economic value in doing so. The financial implications created by the taxes and fees outlined not only does not make sense from a business perspective for the industry, but it is not in the best interests of the state. Secondly, my members believe the addition of three new casinos and slots at tracks significantly raises the number of gaming positions in the Chicago market. At best, it will greatly affect the market share of the existing casinos and at worst, lead to over saturation of the market. If over saturation occurs, this market may not effectively support any type of expansion. Additionally, the St. Louis market will add another venue of slots at Fairmount, while Pinnacle has opened over a billion dollar operation directly across the river from the Casino Queen. Finally, I'd like to hit on a point that I've heard several people comment. This Bill does not give the casinos relief from the smoking ban. We have testified in the past that the ban has had a negative effect on the revenues generated

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at casinos. Thus far, from January through June of this year, our revenues are down 17.5 percent on a statewide basis. Therefore, local tax payments and tax payments to the state are also down, but put that into perspective. Illinois, from January through June, the four (4) northern Illinois boats the revenues are down 18.6 percent. The northern Indiana boats that are in direct competition, revenues are down 7.3 percent. They have the same weather, the same economic conditions that we have. Iowa, from January through May, because their June figures are not available yet, revenues are up 2.6 percent, while our casino right across the river in Rock Island is down 13.9 percent. Missouri numbers aren't quite as bad, but they're a little misleading. Missouri is showing a 9.8 percent decrease through May, while Illinois in that area is showing a 13.5. However, the Casino Queen opened a new facility last August and from last August to last December their revenues went up 25 percent. They weren't open January through July and those are the numbers we're comparing, so when those numbers hit the marketplace in August and September, I think we'll see an additional 20, 25 percent decrease there. We continue to believe that these negative impacts on revenues will also stifle job creation, potential expansion, and the value of any new licenses, including the tenth license, as being negotiated now. As I said, while the Bill authorizes additional positions, I'm sure you'll understand that from a business perspective it will be very difficult for my members to

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consider any type of expansion. Thank you for the opportunity to discuss this with you today."

Chairman Lang: "Thank you, Mr. Swoik. Ms. Bedell."

Anita Bedell: "My name is Anita Bedell, Executive Director of Illinois Church Action on Alcohol and Addiction Problems. And this Bill is 484 pages long and what is amazing to me is this Bill was introduced in the dead of the night, amended and passed in the Senate less than 24 hours. Now, how can people... how can Legislators know what's in this Bill and still vote for it? So we ask that, first of all, that the Bill is read by Legislators and not just taking people's words for what might or might not be in there. That has caused problems many times when they've had gambling Bills. Another part is... is the high concentration of people in Cook County and affordable public transportation that make gambling casinos even more accessible to people in Illinois. With the high price of gas, you know, people... if you have a high concentration of people, they can just get on a bus, they can get on the L and they can start gambling. And the... this gambling expansion Bill will greatly impact the poor, the minorities, and the addicted, the very people the state should be helping and protecting. Another disappointment, is our Governor signed a pledge in 2002 when he was first running for office, and in his pledge he said he would oppose expanded... expanding the number of riverboat casinos, expanding the number of positions at current casinos, land-based casinos, telephone wagering at racetracks, slot

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machines at racetracks. All of these are in this Bill. Some of you have also signed our pledges that oppose the same things, so we would just ask that you would keep your word and honor your pledge to the voters that you would oppose these expansions that are in this Bill. In Illinois, at the riverboat casinos, 88 percent of the revenue comes from slot machines. So when you are going to more than double the amount of slot machines in Illinois, you are going to have many more people who are going to be gambling. The... we've heard this time and time again that there's already racing at the casinos and gambling at the casinos, so this is not an expansion. That is absolutely not true. You're introducing a new form of gambling at the casinos. Slot players do not gamble on horses, so you will turn these racetracks into five (5) land-based casinos. The casino-style gambling is more accessible to local residents and the gambling industry themselves have said that they've estimated the vast majority of slot machine revenue comes from revenues... residents who live within a twenty-five-mile radius. So these are local people, people in Illinois who are going to become addicted, who are going to lose money at the casinos gambling and become addicted. And some of them will lose their families, they will lose their jobs, some of them will go to prison, law-abiding citizens. Just today in the paper in Bloomington there's a huge article about a lawyer who embezzled over a million dollars (\$1,000,000) from his clients, robbed his daughter's college fund so that he could continue to

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gamble. These stories are becoming more and more common. I'm sure almost all of you have heard of at least one person with a gambling problem who's been devastated by casinos and slot machine gambling, and this Bill would just greatly increase that. The Bill also has account deposit wagering which legalizes gambling on the Internet for horseracing. Eighteen-year-olds can gamble on the Internet for horseracing if you pass this Bill. It's a very dangerous precedence (sic-precedent). It makes gambling more accessible, more addictive, especially for young people, and there are no safeguards to prevent children, underage youth, or addicted gamblers from gambling in this medium. There's also electronic poker. This is a new form of gambling. And the problem is they have a hundred positions that don't count against all the other positions at casinos and racetracks. The people who are lobbying for electronic poker have already said that is not enough positions, so they will want much more. And, again, it's the speed, it's the addiction. They also have gambling at county fairs on horseracing. Currently, they have horseracing at the fairs, but they don't have gambling because of the cost of renting the systems, but this would allow grants to county fairs so that they could have wagering on horseracing. There's a land-based casino in Chicago, they also have Illinois Casino Development Authority. Both of these authorities in Chicago and for the State of Illinois can use eminent domain to condemn public property and declare it for public use for a casino.

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Why on earth should people give up their homes just so the City of Chicago or the State of Illinois can have a casino. This is wrong to take people's property away and then use it to gamble. I believe the state should live within their means and learn to balance their budget without more gambling. Gambling has never worked to solve the budget problems. I was here in 1999 when this chamber voted on the gambling Bill and many of you are still waiting on promises to your school districts and other places that were promised funding from Illinois..."

Chairman Lang: "Ms. Bedell, the time for this panel has expired. I'm goi... if I can ask you to bring your remarks to your close and then I will give a courtesy to Reverend Grey to allot him two extra minutes. Do you have anything... do you want to conclude, Ma'am?"

Anita Bedell: "No."

Chairman Lang: "All right. Reverend Grey, we'll indulge you with 2 minutes."

Tom Grey: "Oh, that's generous of you, Representative Lang. This Bill has such a stench to it that the smell of it went all the way out to Spokane, Washington where I now live. Fifteen (15) years I've looked at gambling expansion in Illinois and let me tell you that this was a back room deal, that they never read the paper. I mean, where else would you get Tom Swoik, the City of Chicago that wants one, Anita Bedell and Tom Grey who doesn't think we ought to do anymore gambling, up at a panel's telling you that what you're being dealt is a bad deal for the citizens of

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Illinois. Let's reiterate why it's a bad deal. They don't read the Wall Street Journal. Anyone in the back room should have figured it out. Now's not the time to double down or triple the amount of gambling when your own existing gambling is getting hammered with people not willing to lose their money any longer. Hello, out there. This is not money that grows on trees. They're just saying I can't gamble anymore to support. That's one thing. Second thing is, Penn National, which is one of the companies that owns 33 percent of the gambling in Illinois and 50 percent in Cook County, its stock has dropped from 68 to 27. It was being offered 6.4 billion from a private equity firm that pulled the deal and paid 1.4 billion to walk away from the deal 'cause it was so bad. And you tell me that you're going to do what Governor Blagojevich, Senator Jones, Senator Watson, and Repre... House Minority Leader Cross want you do is double and a half the times of gambling. Final question, and I've got 2 minutes and I've always wanted to ask this. You who expand gambling and vote, you don't have to tell me, but do you gamble? Do you do your fair share? Because Rockefeller just came out with a study last week, it says Illinois is the second leading gambling state in the nation, 6.3 percent of the money goes to your General Fund budget."

Chairman Lang: "Reverend Grey, your time has expired. Please conclude."

Tom Grey: "The question I have is if citizens gamble one hundred thirteen dollars (\$113) average per, are you going

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to gamble and are you going to pay your share so the concrete, the roads, the bridges are all provided? Because if you're going to ask the gamblers to fund a capital improvement plan and you aren't willing to put the money in the machines, then how are you, in good conscience, can stand up and triple something that is already a losing proposition?"

Chairman Lang: "I'd like to thank this panel for its comments. I'm going to yield myself 4 minutes, but I won't use all 4. My questions are to Mr. Volpe. Mr. Volpe, is it... is it your position that the city was prepared to sign off on a payment of two hundred million dollars (\$200,000,000) as outlined in House Bill 4194?"

Paul Volpe: "On January 8, I did testify in support of that, but I would offer to you that we would have to really reconsider that at this time, given the almost 20 percent decline in AGR across Illinois this year."

Chairman Lang: "All right. Now the Bill contemplates that in essence the City of Chicago, you partner with the State of Illinois, is that correct, because of the tax rate?"

Paul Volpe: "That's a fair way to characterize it..."

Chairman Lang: "Right and..."

Paul Volpe: "...the tax rate is what it is, yes."

Chairman Lang: "...did the Bill talk about the state putting half a million dollars in as well... a half a billion dollars in or just the city?"

Paul Volpe: "To my knowledge, just the city."

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Chairman Lang: "Right. Doesn't sound like much of a partnership. Let me ask you this. The Bill talks about the Governor having total control over the Capital Construction Funds for the Chicago Board of Education. Is there any other city in this state or in this country that you know where the Governor decides for a local school district how and when, where, they should spend their capital dollars?"

Paul Volpe: "I don't profess to be an expert on that. I don't know that that's the case, but I could tell you in Chicago that would be... we could not support that. We think the Chicago Public Schools should make those decisions."

Chairman Lang: "And so you would believe in local control for the Chicago Public Schools just like every other community believes in local control for their schools. Is that correct?"

Paul Volpe: "That's absolutely correct."

Chairman Lang: "One additional area I want to explore quickly. In this Bill, there's a section about what they call distressed communities. Are you familiar with that section?"

Paul Volpe: "Somewhat, yes."

Chairman Lang: "Now, as I understand the zip codes I read, those zip codes include Lincoln Park and the Gold Coast area. Would those be distressed communities as any land under the... definition the city uses?"

Paul Volpe: "Not in any definition I would use, no."

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Chairman Lang: "Thank you. The next question, I'll yield the rest of my time and Representative Eddy is recognized for 5 minutes."

Eddy: "Thank you, Mr. Chairman. My questions are also for Mr. Volpe. Is there a scenario, an amount under which the City of Chicago would support a license fee?"

Paul Volpe: "Today, as I sit before you, I would have to tell you that we really need to reconsider that. It's true that in January we did... we did testify in support of a Bill that contained a two hundred million dollar (\$200,000,000) fee. I would have to tell you today, looking at the numbers, it doesn't seem that the economics, if you take away 20 percent of AGR, would be successful or profitable. With that so, right now, today, I would have to tell you again, one dollar (\$1) is too much."

Eddy: "So, if legislation passed that provided a two hundred million dollar (\$200,000,000) fee for the City of Chicago to own the rights to the casino, and all of... all of the other concerns you have related to the Bill were addressed, for example, Representative Lang's comments regarding the lack of control of the school construction, are you saying the City of Chicago would not be interested in a casino license for two hundred million dollars (\$200,000,000), they'd say no thank you?"

Paul Volpe: "We wouldn't say no, thank you. What we would say is that today we would not be able to accept that offer. We would have to really, in light of what's happened, and it's been very quick. I mean, let's be honest, 20 percent

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decline over a six-month period is something that should really give you cause for pause. And what, you know, the other thing is I would offer that we will have to issue bonds. I mean, you know, go into debt to be able to build this casino and pay for any license fee. And so the credit markets being the way they are today and looking at this 20 percent rapid decline, I think would be of concern as well. So we'd really have to study that a little bit more before I could give you a fair answer."

Eddy: "Well, there are other scenarios that are possible. For example, a host agreement, for someone else to manage that and to pay that fee, is that a more acceptable proposal so that the licensing fee would be paid by the host?"

Paul Volpe: "Well, in my mind, I mean, I just want to be clear. I mean we would insist on public ownership. I mean it's the only way the mayor has been able to support a casino thus far. In terms of a host fee, I mean, a dollar from a host or a dollar from the city is a dollar from the city. I mean, nobody's just putting money down there without in some way recovering it. So, if they were to pay some kind of up-front fee, frankly, that would just work its way through in a higher management fee. So, I mean, that's been our position all along."

Eddy: "Okay. So... but there is... there is an opportunity to negotiate a fee for that at some point. You're not absolutely opposed to paying that fee, it's the number needs to be determined in a manner that might be acceptable if all other parts of the legislation, including those

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concerns related for example to construction, might also be cleared up."

Paul Volpe: "There are a number of issues with this Bill. And again, in the spirit of time, we're not addressing each one of them. But in terms of the license fee, what I can tell you is that five hundred million (500,000,000) will never work and that in order for us to get to a number that would work, if we could all get comfortable that the casino would be profitable, then the city would certainly support it. I just... as I sit here before you today, don't know what that number would be."

Eddy: "Well, and in the interest of time and to your point, my final question had to do with what specifically it would take for the City of Chicago to remove their opposition. And you mentioned there are a number of issues related to this. I would like to, if I could request it, I'm on the Gaming Committee as well, a specific list of exactly what your objections are and what would constitute the removal of the opposition by the City of Chicago from this piece of legislation or any similar legislation related to gaming to support capital construction."

Paul Volpe: "Glad to get that to you."

Eddy: "Okay, thank you."

Paul Volpe: "Thank you."

Eddy: "Mr. Chairman, thank you."

Chairman Lang: "...Representative Molaro for 4 minutes."

Molaro: "Well, this was probably asked, but I'll just be real quick. To the four (4) on my right, obviously, the two (2)

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on my left, this won't have much to do with... or the three (3) in the middle, I should say. There are some changes that will be made that can make you for a gaming Bill and you are for a gaming Bill. I'll waive the rest of my time, thank you."

Chairman Lang: "Representative Molaro waives the rest of his time. Representative Winters for 5 minutes."

Winters: "Thank you, Mr. Speaker. I appreciate that extra minute as what I'm going to do is not directly ask questions of this panel, but I wanted to enter into the record the viewpoint of Tom Oakley, the editor of the Quincy Herald-Whig who was as... who asked today to give testimony before the House and was not afforded a spot on the agenda. So with that, I'd like to read an editorial that was published after the end of Session. 'Illinois is in desperate need of a capital construction plan. Last enacted a plan in 1999 and those funds, some twelve billion dollars (\$12,000,000,000) were exhausted by 2003. Millions of dollars worth of critical highway projects have since been proposed, but have not been started. As a result, Illinois residents and businesses have paid a steep price in lost opportunities for job and prosperity. Now the state's Leaders have a historic chance not only to reverse that tide but to dramatically accelerate the prospects for economic development in all corners of the state. The key to this promising new era lies with implementing the thirty-four billion dollar (\$34,000,000,000) capital plan developed by the bipartisan Illinois Works Coalition. That

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plan will not only recapture the ground that has been lost, it will transform the economy and the future of all of Illinois. The coalition hosted more than thirty (30) community meetings throughout the state, conferred with the Legislative Leaders to identify the needs that should be addressed and how the work could be financed. The Governor endorsed the plan, the Senate overwhelmingly approved the legislation, but the efforts stalled in the House where one of the Bills died in committee, another was tabled when it came to the floor. Many of those who spoke at a rally in Quincy last week criticized House Speaker Mike Madigan for his opposition to the legislation and urged him to take steps that will enable the proposal to be revived today. He should by all means do so. Madigan's not the only Legislator who has reservations and I would add myself, parenthetically, in that about various aspects of the proposal. However, he is one of the... only one of the four (4) Legislative Leaders who remain opposed to the plan completely. Other leaders and most Legislators have put aside their reservations because they recognize the overall merits of the proposal and the absolute need to enact a capital construction plan this year. This proposal would no doubt become law if Madigan were to lend his support and he is urged to do so by this editorial board. Concerns have ranged from methods of financing, which involve leasing the lottery and expanding gambling, to whether the Governor can be trusted to spend the money for the purposes specified. Nor does a Bill even at thirty-four billion

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(34,000,000,000) meet all the capital needs of the state. Former Congressman Poshard acknowledges that shortfall, underscoring the importance of approving a capital plan this year before that list of needs grows even longer. Still, the plan represents a major and much needed step forward. Statewide, the plan is estimated to create 500... over five hundred thousand (500,000) full-time jobs with a payroll of twenty-eight billion dollars (\$28,000,000,000), promote forty-nine billion (49,000,000,000) in economic activity and generate nearly three billion dollars (\$3,000,000,000) in state and local tax revenues. Simply put, the Illinois Works Coalition, the process it followed and the legislation it produced have provided an unparalleled opportunity for progress. Not simply growth, but growth on a scale that can scarce be imagined. Speaker Madigan must ensure the House Members are given another opportunity to vote on this important package. The reasons for doing so are clear. Construction costs are going up at least 10 percent annually, pushed upward by the sharp and continuing surge in oil prices. Every day that action is delayed diminishes the amount of work that can be completed or makes a price tag for that same work much higher and more difficult to finance. Illinois may lose nine billion dollars (\$9,000,000,000) in federal matching funds if it fails to approve a capital construction plan this year. Not only will that adversely affect the amount of work that can be done, it will make it difficult to secure matching funds in the next Federal Transportation Bill which is

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expected to be in place by 2010. The scope of the Illinois Works proposal is impressively and necessarily far-reaching, given the long delay since the last capital construction plan was enacted. Several provisions ensure the money will be spent as intended, including a lock box account for all Illinois Works revenue, weekly oversight meetings involving all four legislative caucuses and quarterly progress reports. Illinois desperately needs a capital construction plan. There's no doubt needing these jobs that a major work program will create and sustain, particularly in this period of significant economic stress. There's no doubt Illinois Works is a way forward. Everything that can be done must be done to ensure this vital legislation moves forward. And I thank you for your time."

Chairman Lang: "Thank you, Mr. Winters. Next, Representative John Bradley for 3 minutes. Representative John Bradley. All right. We'll move on and if he returns we'll give him his 3 minutes. Representative McAuliffe for 4 minutes."

McAuliffe: "Thank you. I'm going to speak to... for the Teamsters Joint Council 25 who also didn't have the opportunity to speak today. The capital program in terms of the sheer scope of the program in number of jobs at stake, the potential impact on their members and their family is the single most important legislative issue they have ever faced. No other issue approaches a capital program in terms of what it means to their members. While they represent over a hundred thousand (100,000) members at

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twenty-two (22) locals in the Chicago Metropolitan area, of the twenty-two (22) locals, seven (7) have a significant portion of their membership whose families are dependent on their employment in the construction industry. These locals represent approximately ten-thousand (10,000) workers who are desperately depending on the capital construction program. Of the ten-thousand (10,000) members, approximately twenty-five hundred (2,500) are currently unemployed. Overall, Teamsters comprise nearly 15 percent of the workforce in the construction industry, primarily in transportation of materials to, from, and on job sites and across the country. The lack of available work has limited their members to do little work that they are unable to meet requirements for health coverage. Twenty-nine hundred (2,900) of their members will not have health coverage this winter. Many of their members are unable to find other employment during the off-season. Some locals have close to a third of their members unemployed for the first three (3) months of the season. Those members will be unable to replace those lost wages and benefits for the rest of the year. Like everyone else, these workers have families who rely on their support. Without a capital plan their members' families suffer. These concerns are not limited to local locals, they're limited to these locals. These concerns are shared by all our freight drivers who haul construction-related materials across the country. Not only are they affected by the declining construction industry, these men and women make

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their living driving on these roads and bridges that are unsafe and in gross despair (sic-disrepair). This not only puts their members at risk, but has a significant impact on the trucking industry as a whole which is facing rising fuel costs and dressing... increasing wear and tear on their vehicles caused by the road conditions. These concerns are shared by all of the hundred thousand (100,000) members of their families... members and their families who are concerned about their viability of their pension with so many people out of work who send their children to crumbling schools, who can't afford college tuition, drive on unsafe bridges, and roads every day. This issue is not limited to the construction industry, it affects all of us. Nine (9) years without a capital Bill is way too long with the state... with the roads and bridges crumbling in disrepair;, colleges and universities being forced to raise tuition to pay for repairs and communities having to raise taxes to make necessary infrastructure improvements. Thank you."

Chairman Lang: "Thank you, Representative. Representative Howard for 2 minutes."

Howard: "Yes, thank you very much, Mr. Chairman. Thanks to all of you for being here this evening. Mr. Volpe, it's on you again. The presentation that you've made, the things that you describe certainly does not mean a win-win situation for Chicago. Five hundred million dollars (\$500,000,000) did not mean that we're going to be able to do anything for... to benefit our city. You say now you can't even deal

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with two hundred million dollars (\$200,000,000) because of the conditions, the financial conditions of the times. Was information that you used to base... to develop your presentation ever shared with the Governor's Office?"

Paul Volpe: "About the decline in revenues across Illinois?"

Howard: "Well, I'm talking about..."

Paul Volpe: "I mean I got it from a General Assembly report. You know, a report produced by the General Assembly as well as the Wall Street Journal article that I referenced. So, I mean, it's... I think they're aware."

Howard: "Okay. I guess my question is, you're speaking for the City of Chicago, am I correct?"

Paul Volpe: "I am, yes."

Howard: "Okay. And if someone wanted to know something about this issue, they would ask you, would they not?"

Paul Volpe: "They could, yes. Yes."

Howard: "So I am asking you, were you ever asked? Were you ever asked by the Governor and anybody who had a part in developing this legislation, this particular proposition, whether or not it was a good proposition and whether or not it was something that would be in the best interests of the City of Chicago?"

Paul Volpe: "I have not had those conversations, no."

Howard: "Okay. So, someone else would perhaps have been asked about this? I'm just wondering..."

Paul Volpe: "It's possible. I guess I just want to make sure that I answer you with a fact which is I have not had that conversation with anybody and it's not..."

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Howard: "Okay. But... but you understand my concern."

Paul Volpe: "I do. I do."

Howard: "I appreciate it."

Paul Volpe: "Thank you."

Howard: "Thank you."

Chairman Lang: "Thank you. The final speaker on this Bill is Representative John Bradley for 3 minutes. I will give him 3 minutes and 15 seconds 'cause he's trotting back to his desk. You're on, Representative."

Bradley, J.: "Nice to see you here today. Professor Kindt, there was a study a couple of years ago when we worked on our proposal to outlaw riverboat gambling. This showed, I think, 85 percent of riverboat gambling was done by Illinois residents. Is that still the preeminent report on this?"

John Kindt: "Yes, Representative. Good to see you again. I believe that those numbers are still close to the numbers today."

Bradley, J.: "And it's not ever been refuted by any kind of scientific study, the study that we did or we had available to us then?"

John Kindt: "To the best of my knowledge, no. Those numbers might go up or down a little bit, but if you look at it on an Illinois basis those would be what we would anticipate seeing."

Bradley, J.: "Okay. And just so people understand when we talk about adjusted gross receipts with regards to gambling; what we're really talking about are losses, because the

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state doesn't receive one penny from legalized gambling unless someone, 85 percent of which is people from Illinois, goes on a riverboat loses money."

John Kindt: "Right. The money is basically coming out of Illinois residents. And as I indicated in my paper, there's a multiplier effect of the loss of three dollars (\$3) for every one dollar (\$1) that they spend in the casino."

Bradley, J.: "And that's not even taking into account the social costs associated with..."

John Kindt: "No, the social costs are added on top of that and again, referencing Senator Paul Simon's National Gambling Impact Study Commission, they called for a moratorium on the expansion of any type of gambling anywhere in the United States and the recriminalization of slot machines..."

Bradley, J.: "Right."

John Kindt: "...where convenient to the public. That's why."

Bradley, J.: "Okay, thank you. Reverend Grey, you travel all over the country and the statistics that I keep seeing is that riverboat gambling revenue is down everywhere. Are those statistics accurate based upon what you're seeing?"

Tom Grey: "Yeah, there are nineteen (19) states that have casino gambling. Twelve (12) of them have declined. So you're dealing with a product across the nation that is the roses... the bloom is off the rose and the thorns are being felt. In Constance Howard... Let me tell you, if I can, that due diligence, the Governor's Office never called the regulatory body to ask them if they doubled the amount of

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gambling would there need to be more regulators put on, so that the gambling that's regulated now would be.. you would be able to make sure that the outfit didn't infiltrate. Why would not the Governor, if he were going to triple something, go to the regulatory body and say here's what the cost is going to be, or in terms of treatment costs."

Bradley, J.: "Right. Reverend, is it..."

Tom Grey: "Massachusetts gave fifty million dollars (\$50,000,000) to take care of the victims and they couldn't get the deal passed. There's not a dime in this Bill that says what you're going to do with the victims of gambling. So please do, as a House, your due diligence. Pick it apart and make them give you the full tab."

Chairman Lang: "Representative, your time is expired. I will extend you for 1 minute if you talk fast."

Bradley, J.: "Reverend, is it true then that when revenue gambling revenues are off they don't produce as much as what people estimate they will? One of two (2) things are going to happen: they're either going to try to do more gambling or else they're going to cut the services upon which the gambling is based."

Tom Grey: "That's what your lottery did. You had one drawing, now you got Pick 3, Pick 4; you've got so many games. If you juice the product, you've got to put more casinos in."

Bradley, J.: "Thank you."

Chairman Lang: "Since the Representative's walked away I guess he yields his 32 seconds. I'd like to thank this panel. We've completed your testimony. Thank you for being here

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today to all of you. That completes all of the testimony on the issue of gaming for today. The next panels will deal with the lease of the lottery. Representative John Bradley in the Chair."

Chairman Bradley, J.: "Thank you. Thank you, Representative Lang. I think I have to turn this microphone up, guys. Thank you, Rep... I'm not as loud as Lou. Thank you, Representative Lang. The first panel will be lease of the lottery panel one, proponents of House Bill 1496. President Glen Poshard, Illinois Works; Lois Scott, Scott Balice Strategies; Sean Stott, Laborers' International Union of North American, Midwest Region; John Ma, Goldman Sachs; Jodie Winnett; Alex Rorke; and Carlos Pineiro. I ask you to come forward, please. Please come forward and would the first person begin with testimony. We have 20 minutes; I'll try to remind you at 10 minutes. Also for clarification when you testify, if you could please because these are kind of fluid, if you would state your name and the group you're with at the beginning of your testimony. Mr. Stott, if you want to go ahead and start while we're getting the rest of the panel seated. Oh, you have an order, okay. Okay, you're going first? Okay. Okay, would the first speaker begin because we're running behind schedule. And I apologize for being curt, but... Identify yourself and please begin your testimony. There's 20 minutes on this panel."

Jodie Winnett: "Good afternoon. My name is Jodie Winnett, I'm the Acting Superintendent of the Illinois Lottery and I am

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here this afternoon with a panel of advisors to continue a discussion that began two (2) years ago on a proposal to lease the Illinois Lottery to a private operator. Today that proposal... again, lease the lottery to a private operator while main...the state maintaining a 20 percent revenue stake in the lottery's future."

Chairman J. Bradley: "If you could be closer to the microphone, please."

Jodie Winnett: "Very good. And again, the proposal that we're here to discuss with you today would lease the Illinois Lottery to a private operator. The state would remain... would retain regulatory oversight over the lottery as well as a 20 percent revenue stake in the lottery's future. What we are here to discuss with you is that there is a very real opportunity to realize a significant revenue infusion, capital infusion, to the state that the state can then use for other important public interests. And the capital plan, as been proposed, can return significant economic benefits to Illinois. The proposal that we're here to discuss with you today also secures the current contribution to the Common School Fund. The proposal also transfers risk of maintaining the state's obligation to education by transferring the operational risk and the revenue risk to a private operator. What you have today is a very small part of a large agency which is part of an even larger government running a two billion dollar (\$2,000,000,000) entertainment retail business. Governments are a lot better at regulating businesses than

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they are at running them. You have the Illinois Lottery competing in really two (2) very, very competitive spaces, increasingly competitive spaces; that is the gaming space and the retailer space. In the gaming space lottery is putting its products against those of Harrah's and of youbet.com. In the retailing space we are competing for counter space and signage space with Coke and Budweiser. And we recognize that the lottery, under government operation, simply can't direct the capital that it needs to compete or be nimble enough to change its operational model for the retail demands of the 21st and 22nd century. So again, what we're going to talk about today is... are those three things. First of all, that the opportunity for revenue realization is real. That we can secure the state's contribution to the Common School Fund through this proposal and finally, that this is a much... as much about transferring risk for that oblig... to secure that obligation to a private operator and that the state has a model for this sort of arrangement and that's the Gaming Board. And the legislation would structure the state's oversight of the lottery under a private operator very much like it does the Gaming Board. And the state has a very good track record of maintaining good business practices and safety and security of the public in our gaming operations. So that is what we are here to discuss with you today and I'm going to turn it over to Lois..."

Chairman Bradley, J.: "All right, 16 minutes remain. Next speaker."

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Lois Scott: "Thank you. My name is Lois Scott. I serve as president and cofounder of Scott Balice Strategies, a Chicago-based woman-owned financial advisory firm that works with government entities throughout the United States on large, complex financial strategy assignments. In that capacity, we've worked on over fifteen (15) public/private partnerships similar to that being considered by the State of Illinois for the Illinois Lottery transaction. Our work has included the Chicago Skyway transaction, the sale of parking garages by the Chicago Park District, the Pennsylvania Turnpike and other transactions. We've represented governments considering the sale of... sale or long-term lease of assets. We have worked with potential buyers of such assets and we have also been retained as a special valuation advisor on various transactions. Recently, we've been retained by the United States Government to advise the U.S. Government on whether public/private partnerships are good and how to expect value for public infrastructure from such structures. The transaction... the proposal that you're considering has been a structure that has been used widely for a variety of assets and the financial markets and rating agencies have responded favorably. In fact, the Chicago Skyway lease was a contributing factor to the highest ratings the City of Chicago has ever achieved. Scott Balice Strategies retained in 2006, that's two (2) years ago, to evaluate strategies for enhancing the value of the Illinois Lottery. Since that time, I've personally served as project manager

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for the state on the potential lease of a concession agreement for the lottery. I have met with many of you individually and heard your concerns and listened to your feedback and worked very hard, and this administration's worked very hard to incorporate many of those ideas and much of that feedback into the proposal you are now considering. Just as background, I have been involved in the public finance business for 25 years and have worked on projects with a total valuation of fifty billion dollars (\$50,000,000,000). I've also served as a White House fellow and was chair of the Management Committee for the Export/Import Bank of the United States from 1998 to 1999. The proposal and the transaction that you are considering would be for the state to undertake a competitive bidding process to transfer its right to operate the lottery as it is currently constituted. No change in gaming mix, as it is currently constituted, to a private party. It does not grant the concessionaire any new rights of expansion of gaming in the state. The term of that agreement would be for a period of fifty (50) years with one five-year renewal. The concessionaire will have the right to operate the lottery, subject to the terms of three (3) key legal agreements that protect the interests and the public policy concerns of the state. The first would be the authorizing law that you would enact that establishes the legal framework for oversight of the concession and the regulatory structure for the concession. The second would be a concession agreement which sets forth the business

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terms of the transaction. And third, the operating agreement which sets forth the standards and the operating standards to which the concessionaire must be held. The concessionaire will have the right to decide on the game mix, the payout ratios within constraints of the law, special promotions, et cetera, all subject to control and review by the Lottery Control Board and in compliance with the legal agreements I just mentioned. I'd like to make four (4) key points for you in your deliberations. The first is that the state can protect its legitimate and important interests for public policy matters. And that is done through the three (3) legal agreements: the management and concession agreement, operating agreement, and the legislation. The second point I'd like to make... excuse me. Back on the first point, those interests include and have been provided for include MBEWB interests, protecting employee interests, approving marketing and operating standards, providing for a minimum value, protecting the upside interests of the state, providing for remedies if the concessionaire... the concessionaire does not observe the standards of the agreement, and avoiding further concentration of gaming in low-income communities. The second point I'd like to raise is that it is possible to replace the six hundred million dollars (\$600,000,000) for... that is presently going for education through the creation of the Education Trust Fund. Lottery revenues that are now used for education would be replaced by a combination of revenue sharing on the lottery. Twenty percent of the

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lottery gross revenues, net of prize payouts would remain with the state and funding from the Education Trust Fund. The Education Trust Fund would be capitalized with three to four billion dollars (\$3,000,000,000-\$4,000,000,000) of proceeds from the sale of the lot... from the long-term lease of the lottery. The fund would be invested in highly rated securities rated Aa3/AA- or better. Moneys would be withdrawn from the fund over time to ensure that state continually receives a minimum of six hundred million dollars (\$600,000,000) together with the 20 percent share of the revenues net of prize payouts. The next point I'd like to raise is a legislative one. Excuse me. I've already spoken about the legislation. About achieving the valuation targets. There is now consensus on where the valuation of the Illinois Lottery can be. That has been verified by COGFA in their independent review. We have retained Christiansen Capital Advisors to do a revenue forecast and... which is the guts of a valuation review. So, that... a building consensus about the ability and the value of what the Illinois Lottery could achieve in the marketplace. I think the market was validated by the Pennsylvania Turnpike transaction which was priced in early June for \$12.8 billion (\$12,800,000,000) which demonstrates that the market can indeed do an eight-figure transaction. And, finally, the current structure of the lottery as it is presently constituted as Jodie mentioned, is not without its own risks. I think we cannot overstate the risks that the state does face in having a significant funding source

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for education being funded by the lottery. If we go back over the past decades the growth rate in the lottery has been less than 1 percent over time. Compare that to the growth in your operating budget costs. If you fund education with an asset which is at risk, you as State Legislators will have to find alternative funding sources if it does not perform."

Chairman Bradley, J.: "Ten minutes remaining."

Lois Scott: "Thank you. Nationwide lotteries are increasing the function of the size of mega jackpots, and Internet gaming and other forms of gaming significantly threaten the ability of the lottery, of traditional lottery systems across the country. Thank you. I'm going to turn it over to Alex Rorke from UBS."

Chairman Bradley, J.: "Could Representative Scully come to the Speaker's podium, please."

Carlos Pineiro: Good afternoon, my name is Carlos Pineiro. I'm a vice president of Goldman, Sachs & Company in the public sector and infrastructure group in the Chicago office. We believe that there is nationally and in the State of Illinois there is significant interest, investor interest, in public/private partnerships in the state in particular with respect to the Illinois Lottery. We believe that there is a wide range of investors that would be interested in a transaction related to the lottery such as private equity investors, infrastructure funds, as well as strategic investors. Investors have actually done the due diligence in the State of Illinois and the lottery and they

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have looked at the asset and we believe that there remains a significant interest in looking at this asset. One of the benefits of doing a transaction of this nature and that cannot be overstated, and we believe that the City of Chicago as a matter of fact is an example, is a vivid example of that with respect to the Chicago Skyway, is the fact that there's a lot of value with the first mover advantage of being the first lottery out there to enter into a concession agreement or a public/private partnership. A consortium we believe investing in the Illinois Lottery would have a very strong platform to develop their business and potentially into other states grow their business and that in itself, would represent a lot of value to the State of Illinois. We... some of us and many of us have actually met with a number of you and we believe that we've received a lot of feedback and we have decided... we have incorporated all of that feedback into the structure that we are proposing today. And we believe that this accommodates and incorporates all of those requests. We'd be happy to answer any questions. I'll turn it over to Alex Rorke from UBS now."

Alex Rorke: "Hi, I'm Alex Rorke, a managing director in the Chicago Office of UBS. And if I could just for a second ask you to realize that we've had the opportunity to meet with many Members of this chamber over the last two (2) years to discuss the potential concessions of the lottery and to learn from you about what you really saw as the most important interests of the State of Illinois while putting

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together this concession. And we believe that the proposal that's before you actually does incorporate your interests in such a way that we can actually align what a potential concessionaire would want to do with the concerns that you have for the benefit of the state. At the moment, there is an extraordinary opportunity here which allows you to transfer, which really become a rather risky asset which is the lottery, to transfer its operation for a time to a concession to the private sector. I know that the lottery has been an important part of the way all of you had looked at things like funding education with the state, but please realize that over its history it has only grown revenue by roughly 1 percent a year. And I'd like for you to compare that with thinking about if you're able to initiate the capital projects program that you're thinking about for the state, the growth potential and the good for the State of Illinois and the capital projects is vastly more than growth of 1 percent a year. So we think that what you actually have here is a moment that really is important as an opportunity to the State of Illinois. My colleagues and I have had the chance to meet with potential concessionaires from across the planet. These folks have been involved with working with major governments in Australia, in Europe, U.K., et cetera, and they really do believe that they can bring value to the state and to their shareholders by working with you on putting together the concession."

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Sean Stott: "Mr. Speaker, Leader Cross, Chairman Bradley, Members of the House, my name is Sean Stott. I'm the Director of Governmental Affairs for the ten-state Midwest Region of the Laborers' International Union of North America. I'm here on behalf of our vice president and regional manager, John F. Penn, who is out of state on previously scheduled union business, as well as our twenty-five thousand (25,000) members in Illinois. While that membership has been growing, regrettably that growth has not been in the construction sector. Between 2001 and 2003, laborers downstate worked an average total of 10.5 million (10,500,000) hours per year. That same group in each of the last four (4) years has experienced an average reduction in work hours of nearly 17 percent. But for a sizeable increase in privately funded construction projects, that reduction would have been far greater. Where has this reduction taken place? Public infrastructure. Most of the 1.5 million (1,500,000) hour average reduction over the last four (4) years is due to less work on things like roads, bridges and sewers; things that state or local governments generally build. But it's not like there isn't a need for infrastructure improvements. One advocacy group places the state's transportation needs at \$12.3 billion dollars (\$12,300,000,000) per year. In the two (2)... in their 2007 capital needs assessment survey, the Capital Development Board and the State Board of Education estimated K-12 school construction needs at \$8.2 billion dollars

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(\$8,200,000,000). The Board of Higher Education has a project list of eight hundred and two million dollars (\$802,000,000) for Illinois public universities and community colleges. Clearly, Illinois's construction needs are great. Given those needs, the state must get to work on meeting them because delay costs money. Cost inflation on construction materials skyrocketed over the last four (4) years, increasing at twice the rate of the Consumer Price Index. Some segments of the industry that the state contracts for have risen even faster. Inflation in road construction over the last four (4) years is triple the CPI. The bottom line; each month that blueprints stay in drawers and workers and machines sit idle means every school, every university building, every road project gets more and more expensive to construct. That is why the laborers of the midwest region support the lottery concession proposal to fund a capital program. It allows the state and local governments to begin construction on more projects before cost inflations further increase prices. Of critical importance for the members of our union, the lottery concession provides the best option to put people to work sooner rather than later. It allows contractors to be paid in a more seamless fashion because the state will not have to wait until additional bonds are sold, thus avoiding unnecessary delays. The reserve of cash from the concession also creates greater certainty that projects will move forward and lessen the need for jockeying by various units of government for receipt of

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more limited bond proceeds. And most importantly, the lottery concession also maximizes the state's construction dollar because a large portion of the construction program will be interest free, thus costing the state less than traditional bonded construction programs. At current rates, the cost of building seven billion dollars (\$7,000,000,000) in projects with bonds is actually \$17.5 billion dollars (\$17,500,000,000) after interest payments. Therefore, the state under the lottery concession saves \$10.5 billion (10,500,000,000). One cannot truthfully say that they support a capital program without supporting a funding source to pay for it. Given the state's overwhelming construction needs, given the state's comparatively limited resources, given the fact that it saves taxpayers \$10.5 billion (\$10,500,000,000) and given the fact that it is the funding mechanism that can put people to work the most quickly at a time when the economy is stumbling, the lottery concession makes sense and is deserving of support not only from the laborers' union, but of the Members of the House of Representatives as well."

Chairman J. Bradley: "All right. Thank you very much, Mr. Stott. Thank you, all of you. We're going to proceed to questions, Representative Franks with 4 minutes."

Franks: "Thank you, Mr. Chairman. I had the pleasure of chairing the Committee of the Whole last year on July 5. It's déjà vu all over again. I guess I'm going to ask the panel, the members of the panel, those of you that aren't

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precluded from purchasing. How many of you buy lottery tickets?

Lois Scott: "I'm pre... we are all precluded."

Franks: "Are you all prohibited?"

Lois Scott: "We are all prohibited by working on the..."

Unknown: "I am not and I do not."

Franks: "Okay. Last year the vote lost. I think it was 7 to 97. This year it's been retooled and there won't be an entire sale of the lottery, but you're saying there should be a lease of the lottery for some period of time. I believe it's fifty (50) years."

Lois Scott: "Correct."

Franks: "How much is the asset worth today?"

Lois Scott: "It's... that's a more complicated question. I'm not trying to be evasive, but when you are looking at the privatization or lease sale, it's... you're not bidding on the value of an asset, you're valuing a contract. So each term in that contract has a value. COGFA has set the..."

Franks: "I don't want to look at the lease for now. I want to look at the val... I look at each deal so it should stand on its own."

Lois Scott: "COGFA..."

Franks: "So I'd like to know what my asset's worth."

Lois Scott: "COGFA has looked at the numbers and they believe it is worth approximately ten billion dollars (\$10,000,000,000)."

Franks: "Only ten billion (10,000,000,000)?"

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Lois Scott: "I believe that's the number that COGFA has come up with."

Franks: "Because I've seen estimates as high as thirty billion dollars (\$30,000,000,000) for this asset where they've talked about the lease that may generate seven billion dollars (\$7,000,000,000). How much do you expect the lease..."

Lois Scott: "I hope they're one of the bidders."

Franks: "How much do you expect the lease to generate?"

Lois Scott: "The legislation in front of you calls for minimum value of the asset of ten billion (\$10,000,000,000)."

Franks: "Okay. Now, I remember when we were talking before there are other entities or other states that run lotteries and they seem to have a much higher per capita return than the State of Illinois. I'll use Georgia as an example, where their per capita return is more than twice that of Illinois. Is that a fair statement?"

Lois Scott: "Yes, other states have different games that are authorized. Some states have game keno, some states have video lottery terminals, and in that state there are no casinos. So in the State of Illinois, the total gross wager in casinos is about twenty-five billion dollars (\$25,000,000,000). The gross wager in lottery is about two billion (2,000,000,000). So the hope of these private parties would be not just to expand the use of lotteries, but to transfer the gaming dollar away from some other competitive things, more towards the lottery."

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Franks: "Well, couldn't we do that in-house? I mean, if we would run this more efficiently or more businesslike like the other states do, where we have a higher per capita return. Right now aren't we generating approximately six hundred million dollars (\$600,000,000) a year?"

Lois Scott: "Yes, approximately that amount."

Franks: "Couldn't we, if we would double the per capita return like a Georgia, wouldn't we have a \$1.2 billion (\$1,200,000,000) return?"

Lois Scott: "I don't know if that could be achieved under the current configuration? I mean, governments are not..."

Franks: "Well, can't we change the configuration. I mean, how hard it would be... how hard would it be to change the configuration in order to have a better return?"

Lois Scott: "I think quite high. I'll let Jodie Winnett who runs the lottery answer that, but I would say that governments are not good at operating retail operations. When you're seeing states with a higher per capita, it is as much about the game mix and the type of marketing that they're doing in those states. So those are issues that most governments are not prepared to deal with."

Franks: "But other governments are doing better than us, aren't they?"

Lois Scott: "Yes, but in the state of Massachusetts, for example, the gross wager on lottery is dramatically higher so that is something there. And they offer different games. Other states have video lottery terminals, effectively slot machines which are authorized for

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operation by the lottery. Those are very, very effective. Keno is authorized in many states and that dramatically enters into the per capita wager in lottery. So if.. those are the type of decisions that you would have to make as a Legislator, whether you want to advance those notions."

Franks: "But a private person who would..."

Lois Scott: "I'll let Jodie answer the private operation issues."

Chairman Bradley, J.: "All right. Your time is up. We've got to move on, sorry, chairman. Okay. Representative Beaubien, 4 minutes."

Beaubien: "Thank you, Mr. Speaker."

Chairman Bradley, J.: "Representative Scully to the podium, please."

Beaubien: "I'm just going to make some opening remarks. Our economy needs to get back on track and we need to bring in good-paying jobs. Enactment of a comprehensive infrastructure improvement program can help with both and also ensure our roads and bridges are in good repair to keep our families safe. Under a reasonable scenario, leasing of the lottery can be done responsibly. And I want to repeat that. I believe that under a reasonable scenario, leasing of the lottery can be done responsibly. Now, I'm going to talk about some of the points that people had objections to certain items that I think have been cleared up under House Bill 1496. Over the past three (3) years we've seen a number of proposals to privatize the Illinois Lottery. House Bill 1496 is a different proposal

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than was put before us in the past. The lease of the lottery cannot be done for less than ten billion dollars (\$10,000,000,000). That's a provision. If we don't get ten billion dollars (\$10,000,000,000) we don't do it. The state would retain 20 percent ownership. Any agreement over eleven billion (11,000,000,000) the excess would be earmarked for the Pension Stabilization Fund. Upon approval of the concession agreement the state would receive five million dollars (\$5,000,000) and the rest within two (2) years. The immediate infusion of cash will help commence an economic turnaround for our state. One of the major items of importance to our caucus is that school funding from the lottery proceeds is now protected. If the lottery is leased for ten billion (10,000,000,000) or more, three to four billion (3,000,000,000-4,000,000,000) of that would be deposited in a trust fund for our schools and 20 percent of the gross profits, state's gross profits less payouts, would be directed to the Common School Fund. This Bill requires a three-fifths majority to change the purpose of the Illinois Trust Fund or any changes in revenues directed to the fund. Another major change of importance to us is the inclusion of ethics safeguards that would protect conflicts of interest and institute bans for board members, employees and among other things. These provisions were offered by the House Republican Members. 1496 also creates a seven-member lottery control board. This board will have investigative and subpoena power and be responsible for monitoring the lottery operations,

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ticket vendors, and operators... operators' use of advertising, marketing and auditing financial information. It is important to note that the concessionaire agreement can be canceled if the concessionaire or an executive employee is found guilty of any criminal offense related to misconduct of business. So this is a vastly different Bill than we've been talking about over the last few years and has many of the objections that our Members have had have been addressed. This is an issue we're not all going to agree on, but it is worthy of our consideration. Thank you."

Chairman Bradley, J.: "Thank you very much. Representative Lang is recognized for 2 minutes. Representative Lang for 2 minutes."

Lang: "Good afternoon. Some of you are expert in economics and investments and all that stuff, far more than I. So somebody tell me why we give up a sixty billion dollar (\$60,000,000,000) asset for ten billion dollars (\$10,000,000,000)?"

Lois Scott: "Could you elaborate on how you're coming up with your sixty billion dollar (\$60,000,000,000) number, please?"

Lang: "Well, over a period of time, during the period of time we would lease it, my understanding is we would get about sixty billion dollars (\$60,000,000,000) from the lottery."

Lois Scott: "On... and how would you calculate that?"

Lang: "Well, I'm the one asking the questions. I don't know how I would calculate it, that's the..."

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Lois Scott: "I guess the question would be..."

Lang: "If my number's wrong, give me the right number."

Lois Scott: "Well, what happens if Internet gaming is authorized and lottery revenues go to zero, Sir?"

Lang: "I'm sorry."

Lois Scott: "what happens if Inter..."

Lang: "Mr. Chairman, I can't hear a thing in here."

Lois Scott: "What happens to the value of that lot..."

Lang: "One more time."

Lois Scott: "What happens to the value of that lottery asset if Internet gaming is authorized or new forms of gaming eliminate lottery revenues?"

Lang: "Well, that's an interesting question. But let's take what we have. What we have is a lottery that is worth X today and X tomorrow and X next year and X next year over a period of time. So what is the... what is the total value of the lottery to the State of Illinois and through all the years that we would lease it?"

Lois Scott: "The current amount that goes to the state is about six hundred million dollars (\$600,000,000). The growth rate as been about 1 percent. That's not keeping up with inflation. So the value of the lottery would be dependent on competitive factors for gaming, on the discount rate that you choose to use, and what other types of gaming comes into compete with this."

Lang: "And how long is this lease contemplated for?"

Lois Scott: "Fifty (50) years with one five-year renewal."

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Lang: "All right. So even at your six hundred million dollar (\$600,000,000) figure, we're talking about thirty million dollars (\$30,000,000) over that period of time, is that correct?"

Lois Scott: "Yes, it... only if we assumed that there will be no changes in how gaming is done worldwide, yes."

Lang: "Right."

Chairman Bradley, J.: "Okay, time's up. We have to move on to the next speaker. Representative Fortner, they said you have 7 minutes, but if you get done in less you'll get extra credit."

Fortner: "I always like having extra credit as part of my coursework that I give the students. I'd like to start with a question I think for Mr. Rorke. You had characterized that the growth of the lottery revenue has been about 1 percent per year, is that right?"

Alex Rorke: "Over a good length of time, yes."

Fortner: "I think certainly over about twenty 20 years was the numbers I saw."

Alex Rorke: "Yes."

Fortner: "That's an average. Do we have any information from other states or other states that have used either a fully private or a semi-private model for operating their lottery, what kind of growth they have able to achieve?"

Alex Rorke: "Within the U.S. overall, once you get mature, 'cause you could have some place just starts it up, but of course you'll have a faster growth rate and then it levels out, this is pretty clear across the country. Jodie could

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give you more detail, but roughly speaking, that's what's happened. In the U.K. and in Greece, when they ended up having private sector involvement with running it, they had a much faster growth rate."

Fortner: "What type of percent would you estimate that at?"

Alex Rorke: "Allow me to correct this figure, at least 6 percent, something along that line and feel anybody else here..."

Lois Scott: "Can I add one more point and that might address Representative Lang's issue, as well. When North Carolina initiated a lottery, the compet... the state next door is Virginia. Virginia's lottery revenues went down 15 percent in that year. So I think that might also be a data point of interest about what's happening nationally."

Fortner: "Also, one other question, I just want to make sure that we're clear on the current proposal that we have before us. That is, if the estimate of what we would lease this asset for would return us ten billion (10,000,000,000). If no bid comes in at ten billion (10,000,000,000), as I understand it, then there is... we don't go forward, is that correct?"

Lois Scott: "That's absolutely correct, yes."

Fortner: "So that's a... so, we were able to guarantee we will get ten billion (10,000,000,000) or we're going to leave it the way it is."

Lois Scott: "That's correct."

Alex Scott: "Or ten billion (10,000,000,000) or more."

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Fortner: "Ten billion (10,000,000,000) or more." Alex Scott:
"Right. Yes."

Fortner: "Certainly we could get more. There is some other changes I'd also like to address. I know that there were discussions in the latter part of May. There was Amendments put on before this House Bill came back to us and one of the points that I had raised in discussion is, I think it's been addressed, but I just again want to make sure that we're clear on this point and that is certainly when I and others looked at the numbers there was an explicit requirement that the money had to be used, that is saying the Education Trust Fund as a sinking fund that would diminish over the first twenty-five (25) years, to essentially would get to zero. As I understand the new language, that is no longer a requirement of the model, it is now able to be reinvested if there's enough return from the concession that would allow it to build up as an endowment. Is that correct?"

Lois Scott: "Yes."

Fortner: "'Cause that certainly addressed what I saw as a real serious numeric weakness that I think really improves the package in a great deal by being able to reinvest like an endowment that it potentially you then have some value in that fund that you can also continue to take some as well as reinvest some, moving some into the Common School Fund. The other question that also came up during those discussions, I think, has also been addressed in the Bill as finally amended and sent back to us, had to do with the...

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the interest on the seven billion (7,000,000,000) that would be used for the Illinois Works projects. Initially, there was nothing that was said about that interest. Certainly, that seven billion (7,000,000,000) is not all spent in year one. As I understand it, now there is the ability, certainly not a mandate, but there is the ability to also capture some of that interest and use that perhaps particularly in the first few years of the Education Trust Fund where the return on the investments may not have been well established yet to augment that fund with some of the residual interest that was left over from the unspent projects in the Illinois Works Fund from the seven billion (7,000,000,000). Is that also correct that that was one of the changes? That was certainly something that I thought I saw that was... changed."

Lois Scott: "I believe that was a proposal. I have not seen that physically in the written portion, but, yes..."

Fortner: "Right. What I understood is that there was now a discretionary power given to use that interest for the benefit of the other fund."

Lois Scott: "I don't have that document right in front of me. I apologize for that, but I do believe that was..."

Fortner: "That certainly was my understanding. The remaining point that I wanted to ask about and that is there are some questions about the value of the lottery as a whole. If we had wanted to sell it, as was discussed a year ago, we were looking at a different model then, with a sale rather than a lease. Now, since this is a lease, whether we ended up

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continuing to operate it as a state or whether we were going to lease it for fifty (50) years or more and then have it return to the state, is there any reason to expect that the value of the asset once at the end of that time period would be any different, whether or not the state continued to operated it or whether or not a private sector entity operate it under the terms of the concession?"

Lois Scott: "I should think the value might be greater because the private sector could have invested in the technology systems which and the gaming mix and things like that which become the property of the state at the end of the lease."

Fortner: "But certainly no reason to think it would be less..."

Lois Scott: "Not that I can think of."

Fortner: "...because certainly I think there's been a misconception that as if we were selling it one might imagine if I had to ask what kind of asset would be able to return over six hundred million (600,000,000) a year on a continuous basis you might well get a number like twenty-five to thirty billion dollar (\$25,000,000,000-\$30,000,000,000) fixed asset you would have to hold to get that kind of return. And I think people look at that number and say, oh, we're giving that away. But I would contend we get that back plus, if in fact, we're able to not have to spend down all of the initial three to four billion (3,000,000,000-4,000,000,000), but allow that to build up. If we really can project that long-term the numbers that I see, if we took it forward as if it were, say, like the way we invest for the pensions, where we know

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we're going to hold an asset for a long stretch, that we could reinvest some and we might well find that at the end of the lease not only would we have returned more for the Common School Fund, but we'd also be holding a trust fund that might have between sixteen and twenty-one billion (16,000,000,000 and 21,000,000,000) just by reinvesting about 3 percent or so per year over a fifty- to sixty-year period, you can get sixteen to twenty billion (16,000,000,000 to 20,000,000,000). And I think that would be a huge additional asset that we don't think about, that I think is a real benefit with going that way. Thank you."

Lois Scott: "That's an excellent point, thank you."

Chairman Bradley, J.: "I have a quick question for the three (3) people to my right. Scott Balice, Goldman Sachs, and UBS, will you all be receiving a fee if this transaction goes through?"

Lois Scott: "No, I will not. I am paid solely based on my time and hours invested in the project. I am not paid one penny more if the transaction occurs or does not occur, Sir."

Chairman Bradley, J.: "You're being paid by the state on an hourly basis?"

Lois Scott: "Yes, that's right."

Chairman Bradley, J.: "Okay. What about..."

Carlos Pineiro: "We at... our compensation is actually based on a success fee. If the transaction does happen, we do get paid a fee; otherwise, we don't."

Chairman Bradley, J.: "Is it like contingent percentage?"

Carlos Pineiro: "It is a contingent percentage, correct."

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Chairman Bradley J.: "Okay. What about UBS?"

Alex Rorke: "It's the same arrangement and we al..."

Chairman Bradley J.: "Can you speak up? Thanks."

Alex Rorke: "Yes, Sir. It's the same arrangement and we also have participation with minority women-owned firms also."

Chairman Bradley, J.: "Okay. All right. The next question will be with Representative McCarty... McCarthy. Two (2) minutes."

McCarthy: "I'll take it, Chairman Bradley. I have a quick question and then I'd like to relinquish 1 minute to Representative Nekritz. Anyone on the panel can answer this. But do you think it would be allowable if we changed the legislation to make the minimum twelve billion dollar (\$12,000,000,000) investment so that we could put more money into the Education Trust Fund right up-front? Changing no other thing in the proposal, if we made the minimum twelve billion (12,000,000,000), do you still think this would be a viable proposal?"

Glenn Poshard: "Representative McCarthy, may I respond to that just briefly?"

McCarthy: "Please."

Glenn Poshard: "First of all, I apologize for not being here when we begun. My board of trustees meeting is going on across town at the medical campus and I just couldn't be here but... Representative Hastert and I confined our role in this with respect to the lottery to ascertaining that the lottery would bring at least, a lease of the lottery would bring at least 80 percent, ten billion dollars

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(\$10,000,000,000). Now when we first involved ourselves in this, OMB was making that statement and we said upon which basis are you making the statement that it should bring ten billion dollars (\$10,000,000,000)? They informed us that they had done a very complete study with an outside firm, but it had proprietary material in it so they couldn't share it with anyone. We said that's not good enough. We're not going to go forward with this on the basis that you have information no one else has. So we insisted, the Speaker and I insisted that COGFA be brought into this process to sit down with OMB and go over all of this material so that there had to be some agreement on going forward with this leasing arrangement and that it would bring at least ten billion dollars (\$10,000,000,000). COGFA came back later..."

Chairman Bradley, J.: "Time's up."

Glenn Poshard: "...with OMB and they agreed that it would bring at least ten billion dollars (\$10,000,000,000) in this lease. And that's the basis upon which we... went farther. It might bring more, but we don't know that for sure."

Chairman Bradley, J.: "Representative Pritchard, you're recognized for 3 minutes."

Pritchard: "Thank you, Mr. Speaker. Ladies and Gentleman, Representative from McHenry County raised a number of points about the fact that this issue had raised some concerns the last time we looked at it and reforms and changes have been made. I would just like to underscore the points that these speakers have already made, that the

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concessionaire agreement can be for no less than ten billion dollars (\$10,000,000,000), that dollars are paid up-front, that there is a requirement that the concessionaire split the funding 70 percent for capital and 30 percent for education. The Treasurer has requirements that they accrue the highest rates of interest, that there is a cap on the school... there is no cap on the School Fund and that there is a three-fifths vote required to make changes in the Illinois Trust Fund agreement. There is lots of protections in this provision now, and I think it's an issue that we ought to give very serious consideration. Much discussion has been made this evening on the ten billion dollars (\$10,000,000,000) and that the asset, the base asset, may have more value than that over time. Can any of you comment on the time value of money and how ten billion dollars (\$10,000,000,000) may equate very appropriately to something around thirty billion dollars (\$30,000,000,000)?"

Lois Scott: "I'd be happy to take a start at that. Obviously, if you have a choice between receiving a dollar today or receiving a dollar (\$1) in 50 years I think most people here would prefer the dollar (\$1) today. The way mathematically and from a finance perspective, the way that is calculated is based on the discount rate or the interest rate assumed. If you were to receive six hundred million dollars (\$600,000,000) a year over a period of thirty (30) years, the value of that would be somewhere about five... five to six billion dollars (\$5,000,000,000 to

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\$6,000,000,000), depending on the discount rate. So that I think is a major difference."

Pritchard: "So actually it's a higher value than what you're projecting here?"

Lois Scott: "Very possibly."

Pritchard: "Ladies and Gentlemen, in this discussion it's a little bit like summer baseball or playing golf, the principle is to keep your eye on the ball. The ball that we're dealing with in this whole issue deals with putting people to work, improving the capital infrastructure of our state and I encourage you not to lose sight of that ball. We heard in an earlier panel how many of our workers in this state are struggling with the current economic climate that has slowed down the construction trades as one segment of our economy and where thousands of people are without work right now, which affects their ability to buy health care insurance if they don't have income. It affects their ability to live and buy food and send their kids to college. We need to put people to work. The ball here deals with creating seven hundred thousand (700,000) new jobs, of stimulating our economy and I would encourage you to..."

Chair Bradley, J.: "Okay, time's up. I apologize. Representative Elaine Nekritz, one minute."

Nekritz: "Thank you, Mr. Chairman. Mr. Rorke, you had mentioned that the lottery is growing at 1 percent a year and that this would... that if we did this lease that there would be returns far in excess of that. Do you have any

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idea for us what that ex... what that estimated return might be?"

Alex Rorke: "There are various assumptions and projections. There's no way you can guarantee it, but you could assume that with private sector..."

Nekritz: "I can't hear you."

Alex Rorke: "I'm sorry, can you hear me now?"

Nekritz: "Yeah, that's better."

Alex Rorke: "You would assume with private sector, hopefully you could hit something like I say 6 percent growth rate or something along that line, but nobody can know for sure. But I think the other side is when folks are looking at thinking they're giving up six hundred million (600,000,000) over fifty (50) years, there is no guarantee, given the competitive pressures on the lottery right now and for the entertainment dollar, that you're going to get that six hundred million (600,000,000) every year with the way its currently being run. And everybody in this room knows that there is competition for the entertainment and consumer dollar that's out there."

Nekritz: "Okay. Great. Thank you."

Chairman Bradley J.: "Thank you very much. Our last question, Monique Davis for 1 minute."

Davis, M.: "Thank you, Mr. Speaker. I'm going to go really quick because a minute goes real fast. I'll ask Ms. Scott, I really appreciate all of you coming. I appreciate it, but Ms. Scott, do you have any future earnings coming from the sale of the lottery? Will you..."

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Lois Scott: "Not one penny."

Davis, M.: "You would not benefit personally if the lottery is sold?"

Lois Scott: "No, I would not benefit personally."

Davis, M.: "Would any of you..."

Lois Scott: "My average hourly rate last year, paid by the State of Illinois, was thirty-seven dollars and fifty cents (\$37.50) for working on this project."

Davis, M.: "Well, that's all. Okay. Let me just say this. I see the selling or leasing of the lottery the way a farmer would sell or lease his or her hen house. You've got hens, they're producing eggs, they're constantly producing eggs, but you decide I'm going to sell off the hen house. I'm going to accept just the six hundred million (600,000,000), but somebody else can make all of the bigger profit from my hen house. Now, the lottery is the hen house of the State of Illinois."

Chairman Bradley, J.: "Okay. Any one answer the question? Sean."

Sean Stott: "Representative Davis, I'd like to answer a question that you pos... your first question. I don't know about the financial arrangements that the people to my right have, but from the sale of... a partial concession of the lottery I can tell you who will be paid and that will be hundreds of thousands of construction workers who'll be put to work building roads, building schools, improving our universities. Those are people who will be paid by this lottery concession."

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Chairman Bradley, J.: "All right. We need to move on."

Davis, M.: "My question..."

Chairman Bradley, J.: "Yeah."

Davis, M.: "...be any African-Americans? I mean, I've been up and down the Edens all the way to Springfield, close to St. Louis and I haven't seen a black face yet on that expressway."

Sean Stott: "Representative..."

Davis, M.: "Not even litter pickers."

Sean Stott: "There... we have quite a few members of color in our union and this would give them even more an opportunity to join."

Davis, M.: "Thank you."

Sean Stott: "Thank you."

Chairman Bradley, J.: "Representative Miller, 1 minute."

Miller: "Thank you. Two (2) quick questions. One is is that maybe I missed this in regards to the profitability to a private entity is... depends on lesser payouts and targeting and opening up the markets."

Chairman Bradley, J.: "Anyone want to answer that?"

Lois Scott: "I think the primary drivers are their ability to respond more aggressively to the market changes. The hope is that... or the plan is that they spend less of their time and attention in low-income communities and try and seek out the higher income gamblers that are now in casinos and other forms of gaming."

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Miller: "And so... let me get that straight. So then you would be targeting instead of lower-income communities, more affluent areas..."

Lois Scott: "Well, I think there was a..."

Miller: "...so we expect a big billboard in Highland Park?"

Lois Scott: "There's a perception that lotteries nationwide have really saturated low-income communities and to a grow... the growth cannot occur where there's no money. Growth has to occur where there is money. So moving into a higher income mix, it would be part of the marketing plan for any bidder that we expect to bid."

Chairman Bradley, J.: "Oaky, time's up. Well we have to move on. Thank you very much. I thank and excuse the panel at this time and call to the podium the next panel which would be Lease of the Lottery II, opponents of House Bill 1496. Meet David Eldridge, Legislative Director, Taxpayers' Federation of Illinois; Ralph Martire, Executive Director, Center for Tax and Budget Accountability; Michael Jones, Director of Independent Lottery Research. Thank you very much. And whenever someone gets to the podium, feel free to jump right in. Okay. Feel free to begin. You have 20 minutes."

David Eldridge: David Eldridge, Legislative Director, Taxpayers' Federation of Illinois. Mr. Speaker, Mr. Chairman, Members of the House, thank you for the opportunity to speak today regarding the lottery. As many of you know, the Taxpayers' Federation is a long-standing tax and fiscal spending watchdog group here in Springfield.

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One of the things we do is look at different matters that come before the Legislature and review them. We've reviewed this lottery proposal in detail and have come to the conclusion that it's something we must oppose. Our opposition is generally based on three (3) or four (4) grounds, many of which that we've prepared to the Revenue Committee in the past, but I'll briefly go over them this evening. First, we believe that a capital program should be subject to a permanent revenue stream, and the main concern here is by spending or selling off or leasing off this particular asset that the lottery... where are we going to get another revenue stream in the future? When another capital program's needed in five (5) or ten (10) years. We'll be looking for something else to sell off. We should find a permanent stream to pay these asset... pay for this type of programming. Secondly, and I'll be brief 'cause I know Mr. Martire wants to get into this issue in detail, is that we're dealing with a fifty- to sixty- year lease and we're presuming growth, but how do we know that this is the absolute growth that's available? How do we know we're getting the most out of this revenue stream, out of this lease, when we have no idea what things are actually going to be like in thirty-five (35) or forty (40) years? Third, we believe there is a conflict of interest here. Under this proposal there will be an 80 percent concession to a business, they'll pay at least ten billion dollars (\$10,000,000,000) for that concession and at the same time the state will still maintain a 20 percent interest for the

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citizens of the State of Illinois. It's very possible, in fact likely, that the interests of the business will be much different than those of the citizens. And it's a general presumption in many cases dealing with concession contracts that the business, particularly when it's con.. making a concession contract for a monopoly-type asset, it's going to presume that it's going to get to maintain that monopoly when it takes over. That could very well be against the interests of the citizens of Illinois. And finally, the current investments are six hundred million (600,000,000) is what we get generally as a revenue stream for education under the lottery. The Bill presumes that there will be a continuing approp of six hundred million (600,000,000) and it's basing that six hundred million (600,000,000) off of investments that would be made off of the three billion doll... three billion dollars (\$3,000,000,000) of the ten billion dollar (\$10,000,000,000) profit. If those investments don't go well and particularly in a bad investment market like we have today, we'll then still owe that six hundred million (600,000,000), but we won't have the asset that provides that money and we'll then have created a possible another hole in the budget to pay that six hundred million dollars (\$600,000,000). And I'll answer any questions whenever we get done with the other testimony. Thank you."

Chairman Bradley, J.: "Thank you. Proceed."

Ralph Martire: "Hello, my name is Ralph Martire. I'm Executive Director of the Bipartisan Center for Tax and Budget

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Accountability. We are honored to be asked to come here and testify today. Thank you, Mr. Chairman. We have a couple of concerns about the lottery proposal that make it impossible for my organization to support it. First of all, I want to say that we concur completely with the testimony of David Eldridge and the position of the Taxpayers' Federation on all the points he raised to date. And second, we also have a concern that if, in fact, the idea is to maximize the sales of the lottery by privatizing it, there's really only one avenue you can go to in the private sector to maximize this asset, and that is to low- and moderate-income families. And I can only point to the couple of studies we've been able to locate that have looked at the individuals who purchase lottery tickets and according to the Century Foundation, and I should note the Century Foundation believes that our national and state economic policies ought to be governed by a mix of capital markets and moderate government action. The Century Foundation has found that, in the Massachusetts Lottery, out of the four hundred (400) hundred winners they had last year, none earned fifty thousand dollars (\$50,000) a year or more. Not a one. And they believe that that is indicative of the income group of individuals that purchase lottery tickets. It is a highly regressive revenue source, and if it's going to be maximized, you could assume that the marketing will not be targeting affluent individuals, it'll be targeting low- and middle-income families. That's problematic in a state like Illinois where 80 percent of

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our income earners over the last twenty (20) years have seen their incomes either flat or declining. Second, the proposed replacement revenue for the State of Illinois's Common School Fund we also find to be somewhat questionable. We point out that revenue growth to that fund from the lottery has averaged fifteen million dollars (\$15,000,000) a year just since the year 2000. There is absolutely no indication that the revenues at the six hundred million dollar (\$600,000,000) level that are going to be put into replace the current common school funding that comes from the lottery will grow at such a rate, that's a 2.2 percent rate. In fact, we have no assurance that it'll grow at all. At best, it seems like the projections are that amount will remain flat. If it remains flat, then after inflation, as you all know and as you struggle to balance budgets, it'll actually create a structural imbalance. And finally, we really want to emphasize that you should have a recurring revenue source to fund a capital program. The Center for Tax and Budget Accountability strongly supports this state making new investments in infrastructure and fixing and maintaining its existing infrastructure. We think this is an essential thing for the State of Illinois to do, but we also think we ought to do it the appropriate way by designing a revenue source that is recurring and that is tax based and is broadly spread across our society. Thank you."

Chairman Bradley, J.: "Thank you very much. The last speaker is recognized for 5 minutes."

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Michael Jones: "Hi, I'm Michael Jones. I'm the Director of Independent Lottery Research. Hi, I'm Michael Jones. I used to run the lottery back in the '80s. And as I was listening to the previous testimony and the answers to Representative Franks's questions, I thought to myself, what if Jim Thompson had decided to attempt to lease the lottery to a private concessionaire in 1981? The infrastructure funds would look at this and see a decline of lottery sales for four (4) years in a row, it's not worth very much. What if he had tried to lease the lottery in 1985? A billion dollar (\$1,000,000,000) sales increase in three and a half years. A billion dollar (\$1,000,000,000) sales increase with existing games in three and a half years, how much would the lottery have been worth then? So that's the crux of the discussion that I want to do today. I am not an opponent of the idea of having a private company run a lottery if we decide as a... as the citizens of Illinois that we want to have a private company run the lottery because we can't do it effectively. When Governor Blagojevich introduced the idea, the plan, I thought what a great thing, it's going to make people actually look at the lottery performance and people haven't looked at the lottery performance in a long time. And what they found when they looked at it was not a particularly pretty picture, either in Illinois or in other states. Lottery sales, stagnant; lottery profits as a percentage of sales, down dramatically. And who is playing the lottery? Well, my company, Independent Lottery Research, has done

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some significant research in Illinois on this subject and the picture is exactly what some critics of the lottery thought, a preponderance of sales depending on a small group of citizens, a small group of ethnic citizens. Amazing statistics, something like... be 14 percent of the population which is African American, represents 49 percent of all lottery sales. Hispanics represent an enormous amount of lottery sales. What you have in Illinois, as in many states, is general approval of the lottery somewhere in the neighborhood of the upper 75, 76 percent of all of the adults in Illinois think the lottery is a good idea. But you only have 8 to 12 percent of the adults in the State of Illinois playing the lottery. And that group of people who play the lottery are gamblers, they like to gamble and they are affected by other forms of gambling as they are introduced. So many of the responses you heard from the previous panel about we can only expect this kind of growth, we can only imagine this kind of growth. And indeed, these infrastructure funds who are bidding on our lottery are almost doing us a favor because the sky is falling and our lottery is not going to be worth very much in ten (10) years. I'm very bullish about the future of the Illinois Lottery. I'm very bullish about sales for the Illinois Lottery. My company was involved in bidding, putting a bid in for the Illinois Lottery. We did not spend one second of our time thinking about how to expand sales among our existing player base. We thought about why is it that the great majority of the citizens of Illinois

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have never played the lottery. Who here could imagine that over 57 percent of all of the adults in the State of Illinois have never, ever played Mega Millions, even when the prize is three hundred million dollars (\$300,000,000)? That's a shocking thing. The second part of the... what I do object to is the language of H Bill... of the House Bill that we're considering: (A) Splitting profits with a concessionaire at 20 percent to the state, 80 percent to the concessionaire has a significant effect on what people think about the lottery and what players will do with the lottery. The higher the percentage that goes to the concessionaire the lower potential play of existing player-ship; statistics on the order of 60 percent of all current players deciding to play less, if 80 percent of the funds go to the winning concessionaire. Now, I've discussed this with the very effective and learned members of the Governor's administration and they said, well, why would we care, we got our money up-front? Well, all of you know that there are over eight thousand (8,000) lottery retailers in the State of Illinois. If we put together a concession agreement which affects play, by the very nature of the concession and sales go down, those eight thousand (8,000) retailers and their employees will not blame the concessionaire, they'll blame the Legislature, I think. So, those are my comments on the Bill. The Amendments to the Bill that the Senate added are things that no company, private company, would do unless forced. It will dramatically affect the potential price that they would

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pay. It will dramatically affect the potential profit that the state might share with the private concessionaire. I mean, Amendments like a commission to approving every contract the concessionaire enters into of fifty thousand dollars (\$50,000) or more. This is a private company who's supposed to run the lottery more efficiently. They've already given you at least ten billion dollars (\$10,000,000,000) up-front. Mandating that the private concessionaire has to do special games could disrupt their marketing plan, could disrupt their marketing efforts, could affect their bottom line, could affect their return. So I urge you to think about this... the Bill, the Amendments to the Bill. Think about a... two (2) scenarios: one in which you do sell the lottery for a specified amount of time, but you share profits equally..."

Chairman Bradley, J.: "Time's up."

Michael Jones: "...with the private concessionaire, and second, perhaps hiring a private company to run the lottery for a percentage of sales. Thank you very much."

Chairman Bradley, J.: "Thank you very much. Representative Lang for 2 minutes."

Lang: "Thank you very much, Mr. Chairman. To all of you, thank you for being here. It's been a long day. Did any of you hear the questions I asked to the previous panel about the prudence of selling a long-term asset that we could get thirty or forty or fifty million dollar... billion dollars (\$30,000,000,000 or \$40,000,000,000 or \$50,000,000,000) from over a long period of time for ten billion

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(10,000,000,000) today? Do you have any comments on that, any of you?"

Ralph Martire: "You know every one of those types of transactions, Representative, are something you should evaluate on the transaction's face. So operating a lottery is probably not a core function of government and so maybe this is one of the assets you could actually look at. But that said, I think the numbers that you point out are legitimate ones. It doesn't appear clear that the proposed return on investment is one that makes up for the long-term loss of the value of the asset in this case. And then we also have some concerns, Representative Lang, about that six hundred million dollars (\$600,000,000) going into schools which does hit a cliff at some point and which underfunds even the current level of lottery transfers to the Common School Fund. So, I think there's a number of issues on the value of this asset, what we are receiving for it, that make the current proposal questionable."

Lang: "It was pointed out to me earlier by one of the Legislators and he's correct, that the present value of this asset, if it's six hundred million dollars (\$600,000,000) a year, that it might be that getting nine or ten billion dollars (\$9,000,000,000 or \$10,000,000,000) today, if invested at a normal interest rate, would be a better thing to do than to worry about the vagaries of what's going to happen to the lottery over the years. But my understanding is that would only make sense if we're actually investing the money. Here we're spending the

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money and would you agree that there's a huge difference?
Anybody?"

Ralph Martire: "Yes, you're not creating a new revenue
generating asset with it."

Lang: "Right, so to... well, all right. Thank you very much."

Chairman Bradley, J.: "Thank you. Representative Fortner,
you've asked for 7 minutes again."

Fortner: "I'll see if I can manage this time as well as I did
last."

Chairman Bradley, J.: "My clock doesn't go that high, so we'll
just put 5 on the board and see how it goes."

Fortner: "Thank you very much. I'm going to start by talking
about one of the questions I raised with the other panel,
which is that over the last roughly twenty (20) years, the
growth of the dollar amount we've been receiving from the
Illinois Lottery has been about a 1 percent per year
average. The way that looks to me, that looks to me like
an asset that is actually losing value compared with
inflation. If it's... if we only growing at 1 percent per
year over the last twenty (20) years, the real value of
that asset in some sense has probably been declining.
Would anyone disagree with that assessment?"

Michael Jones: "Representative, that is absolutely the way
funds look at this. They look at what really has happened.
But that 1 percent growth comes from a failure of
imagination in marketing. The lottery is basically been
doing the same thing for twenty (20) years and has not
attempted to broaden the base. If you look again at the

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four-year period when sales went up a billion dollars (\$1,000,000,000), why did they and why have they not gone up since?"

Fortner: "And I would agree with that and I guess one of the things that I look at in this proposal is if we, the state, have failed to have the imagination that you suggest that perhaps bringing in another party. Now you've suggested actually just bringing it in directly, but what we have before us is at least a model that brings another party to provide that imagination. Now, at 1 percent per year, if I project that forward, if I assume that nothing much changes, that we don't find the imagination within the state, I would calculate over a fifty-year span the total amount of money that would be going into the Common School Fund would be about forty-three billion dollars (\$43,000,000,000) just by taking that and growing it 1 percent per year. When I look at... Now, they started with numbers like around 6 percent. Now, that sounds awfully optimistic to me, but let me be a little more conservative and just say were around 3 percent that maybe you can get someone and I think you've kind of suggested that in the '80s if I'd picked a number like 3 percent that probably wouldn't be way out of line on a per annum basis to grow the fund. Also, one of the things that I think was really important were some of the very recent changes to the plan before it came back to the House. And one of the important changes was it allowed that the Education Trust Fund portion could be managed in such a way to grow that asset.

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That was not originally the case in the Bill as it originally started out in the Senate, but it is the case as it now comes back to us today. And when I look at that and I take a number like 3 percent and we start with something like a little over three billion dollars (\$3,000,000,000), it's certainly true you'll have to draw some down, but if there's a knowledge that you're going to invest for a long-term, is there any reason that I couldn't expect that the state might try to invest in the same way invest our other long-term products like we do for the pensions, where we can get a reasonably good return on investment? Does anyone... is there any reason to expect that we could not get that on that part that we put into the trust fund?"

David Eldridge: "I think that's a reasonable assessment, Representative, but the question would be whether or not the right investments are being made and then how much maturity is involved..."

Fortner: "Sure."

David Eldridge: "...whether we're getting the same return that we are getting on pensions and..."

Fortner: "Well, let me just..."

Ralph Martire: "Representative, one other caution about that. You are going to have to draw down on the asset base in this one and so..."

Fortner: "In the early years, until the concession builds itself up."

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Ralph Martire: "And it's unclear how much you'll have to draw it down and so that may dramatically change your asset base for the long-term investment portfolio."

Fortner: "Well, if I make an assumption that the growth is at 3 percent per year, which seems like a not unreasonable maybe... certainly not the 6 percent that was suggested. I cut that in half to 3 percent. I do a... you know, do some draw down, perhaps augmented in the early years when we have access to the interest on the seven billion (7,000,000,000) over the multiple years that that has to come down. What I find is that at the end of this... a same fifty-year period to compare; one, you would have generated about 44 to 45 billion (44,000,000,000 to 45,000,000,000) for the Common School Fund. So that's basically a wash. However, there would also be something approaching twenty billion dollars (\$20,000,000,000), twenty billion dollars (\$20,000,000,000) of additional asset sitting in this Education Trust Fund, because once I got past, say, roughly the first ten (10) to fifteen (15) years where there'd be some draw down, but really, the draw down would be even shorter because once you start building up enough interest because you've established your long-term revenue streams, which is what we do with the pensions, then what I see is that after the first seven (7) to ten (10) years, you're not drawing down any more... any more principle out of that fund. It might even be less. It really depends on the market conditions. But certainly a ten (10) to fifteen (15) year out of the fifty (50) is probably about the

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maximum range. So what I see and I guess what I would think to me makes some fiscal sense to look at, is why wouldn't we want to consider a plan that generates at least as much revenue to the Common School Fund, based on more reasonable assessments perhaps than what the administration proposes, but I think certainly consistent with Mr. Jones's experience when he was at the lottery but has the additional benefit that you're building this nest egg that you could use for additional... for additional transfers to the Common School Fund. You could use it if you had additional other capital school-related expenses which we certainly know have come up from time to time. But there's this additional twenty billion dollars (\$20,000,000,000). It seems like we're twenty billion (20,000,000,000) ahead since at the end of the lease regardless of what the current value of the asset is as an asset for sale, we've got that back at the end of the lease whether we operated or whether we lease it, we've got that thing back at the end. And I guess I'd like to get everyone's reaction to why that's not something that makes some fiscal sense to consider."

David Eldridge: "In its base it makes fiscal sense, Representative, but the assumptions you're making still involve a great deal of risk. And right now..."

Fortner: "Well... hold on. When you say a great deal of risk, I'm not sure where the risk is. I'm assuming that I've got lots of long-term data on how we've done it with long-term assets like the pension. We have experience with kind of

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other long-term numbers of what we might get with the more imaginative use of how to build the lottery, and I don't think... I don't think I'm having to pick numbers that are particularly risky. Is there some variability by a half a percent, 1 percent either way? Sure, I wouldn't quibble on that, but that doesn't substantially change my results."

Chairman Bradley, J.: "Okay, your time is up, Representative, I'm sorry. We have to move on. Representative Molaro says he wants 1 minute, above my objection."

Molaro: "Thank you. Thank you. You are my seatmate. You'd have to put up with me if you objected. So I want to thank... Here's what I want to ask you or any of the three (3). Let's forget for a second the lottery Bill that's before us, just for a hot second. So I kind of want to talk about what the Representative just mentioned. Here's the way I look at it. Let's assume we owned a business that right now... what are we getting from the lottery? What comes to the state coffers, six, seven hundred million (600,000,000-700,000,000), in that area? Okay. So now forget whether it goes to the School Fund. That's... Forget all that stuff. The point still remains that from that asset we're getting six, seven hundred million (600,000,000-700,000,000), whatever it may be, right? And it's very difficult to guess what it's going to be in four (4) or five (5) years, right? Could be eight hundred (800,000,000), it could be five hundred (500,000,000), we really don't know. If we add the advent of casino gaming

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and add expansion of gaming besides the racetracks it may even be less, we really don't know, correct?"

Michael Jones: "But you could find out."

Molaro: "Pardon?"

Michael Jones: "I mean, you could find out. I mean, know one has done any research to find out how big the lottery could be or how much it could be worth. It should only being looked at in terms of historicals; what's it done in the last ten (10) years."

Chairman Bradley, J.: "Okay, we've got to move on. Representative Froehlich for 2 minutes."

Froehlich: "Yeah, Mr. Jones, do I understand correctly you think that a long-term lease could make sense; however, you'd like to see a couple of changes in the proposal, is that correct?"

Michael Jones: "I think the template, how the state does this, how the revenue is shared. When we talk about lottery profits you have to remember that's all players' losses. That's people losing money. So what they feel about where their money is going has a big impact on whether they play or not. So I'm discussing the template. It originally was a 100 percent to the private company, now it's 28. I always thought that a 50/50 split made the most sense and when we researched it 66 percent of current players said, I'm going to play less if it goes to the, you know, private company, 50 percent if it's 50/50. If it's a management company just getting a percentage of the sales, only 20

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percent said they'd play less. So, it has an impact on people's desire to buy tickets."

Froehlich: "Is that because they want to help education, they're willing to buy it if they think they're helping the school kids?"

Michael Jones: "Well, again, the two (2) major motivations for buying a lottery ticket and I must always say that this is a retail business, so it's hard to ima... you know, to project what's going to happen or to win money, a lot of money, and because most people lose, you have to feel that your losses are going to help something you believe in. Giving you... earlier today somebody was referring to the Georgia Lottery. One of the reasons the Georgia Lottery is so successful is that all the money goes to scholarships for people who get a 3.0 average or above in high school or Headstart. So everybody in the State of Georgia knows someone who directly benefits from someone's lottery losses. Here in Illinois it's always been kind of, you know, Common School Fund, General Revenue Fund. There's no direct one-to-one."

Froehlich: "Okay. So you say it should be recast in terms of a 50/50, lease just 50 percent and keep 50 percent, and then it might be more viable."

Michael Jones: "That protects the state on two (2) sides. Number one, you get a substantial amount of money up-front. Who knows?"

Chairman Bradley, J.: "Okay."

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Michael Jones: "When the Governor says ten billion dollars (\$10,000,000,000) he's basing it on historicals, he's basing it on infrastructure funds. If nothing else, you guys should mandate that someone does a forensic analysis of what the lottery could be. You heard from the previous panel what it is..."

Chairman Bradley J.: "I've got to move on to the next..."

Michael Jones: "Thank you."

Chairman Bradley, J.: "...question, thank you. Representative Black, you're recognized for 37 seconds."

Black: "Thank you very much."

Chairman Bradley J.: "Five minutes."

Black: "Gentlemen, I've been here when we changed the lottery and the profit went to the Common School Fund. Ten percent of the people in Illinois believe that, as you well know. The perception is something that every Legislator deals with. I still have people tell me the lottery was supposed to fund education in its entirety. When the lottery was passed, education wasn't even mentioned, but it's a tax they don't have to pay so they want it. I guess what disturbs me and if I heard you correctly, Mr. Jones, what we have is an underperforming asset that isn't managed very well, correct?"

Michael Jones: "Correct."

Black: "And I... in all due respect to the people who run the lottery, I downloaded an article the other day that the most popular scratch-off game in several states is now a game, and I don't know what the rules are, I know there's

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an upper limit, free gasoline for the rest of your life. They can't print the tickets fast enough. What do we hear in Illinois? Nothing. Nothing about that. So if it is an underperforming asset, then what do you think it will bring on the market?"

Michael Jones: "Well, again, I was involved in bidding the Illinois Lottery lease. We thought that we would break the rules and share 50 percent of the revenue with the state and we were kicked out, and we were well north of four billion dollars (\$4,000,000,000) up-front, plus sharing revenue. Now, again, I think that if you remember Senator Cullerton's Internet Lottery Test Bill from a couple of years ago, he asked us to do some research. If you just allowed the sale of Mega Millions tickets on the Internet to adults and you can control this, you know, through credit cards, that's another six hundred million dollars (\$600,000,000) in profit to the State of Illinois. Now if I'm a private company looking at that and I say to myself, you're going to sell the lottery to me, I'm absolutely going to look at the potential proceeds not only from games like you just said, where you can win free gas for life or an iPod or whatever else, but also new forms of technology. That's why I really urge you to always have the state be a player in the game, because you can't predict these, you know, new things that will bring new players in."

Black: "What reasonable regulations do you think the state, any of you, could put on the sale or lease of a lottery as to their marketing, advertising? They're going to bring more

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sophistication, I assume, to this business and can the state tell them you can't market this way, you can't go into this neighborhood or would they say, look, a whole lot of regulation and restriction, we're not going to bid?"

Michael Jones: "Well, I would just say that I think that the state should absolutely have a code of conduct. I mean there should be a code. And if you take the U.K., United Kingdom, as an example, where you have a private licensee, a private company that runs it, the commission that oversees it is a rather loose, has loose rules, mostly to protect the player. Other than to protect the player from fraud, from nonrandomness, from sweetheart deals, it kind of lets the private company run itself. And let me just add, that most lotteries in the United States now do the things that you fear. They do market to people that are already playing. They do market to people who can't really afford to play. A private company... When we were doing our analysis of what to bid for Illinois, you will not make money, you will not increase sales, you will not increase profit to share with the state by licensing currency exchanges. That market is already playing. They are playing and playing and playing. You will increase sales and profits if you market to young adults who never play the lottery but who would love to win an iPod, let's say."

Black: "Well, I... Let me try to follow up on what something Representative Fortner was talking about. Now he's a physicist and I'm not, but how can I look people in the face and say with a sale or lease, there's a lockbox that

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will still put six hundred and fifty (\$650,000,000), six hundred and seventy (\$670,000,000), six hundred and eighty million dollars (\$680,000,000) a year in the Common School Fund and how long could I promise them that that would happen?"

Michael Jones: "That's a political question, Sir. I'm not a politician, nor a physicist."

Black: "I remember you, Mr. Jones, you're a pretty good politician as I recall. Well, David, what do you think? I mean..."

David Eldridge: "I don't think you can, Representative. First of all, as I was trying to speak with Representative Fortner before the time ran out, right now there's a 1 percent growth every year. The Governor's Office is presuming over 6 percent and Representative pointed out 3 percent. Well, that's still a 300 percent increase right away and over what you're making now. And if you take that into account over the stream of time, it's a fifty-year lease, we have no idea what the revenues are going to be in 45... five (5) years as amen... to forty-five (45). So, I think we're taking into account some risk and some assumptions here that may not be valid."

Black: "Well, I appreciate your time and your comments, thank you very much."

Chairman Bradley J.: "Thank you very much, Representative. Representative Dunkin, 1 minute."

Dunkin: "Thank you, Mr. Speaker. This is for any one of the members of the panel. We have very limited choices here

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today, at least. What's the best case scenario for us in light of the economic times in order to sell this thing or not to sell it? But primarily to capture the most invest... the biggest private equity or capital investment for us to get the best and the biggest bang for the buck with this? I mean, it's been on the table since I've been here, the sale or the lease of the lottery. Since you disagree in part to some of the measure, but when is it the best time to do anything, especially in light of what the City of Chicago recently accomplished about a year or so ago with the sale of the Skyway?"

Michael Jones: "Again, Representative, a skyway is an infrastructure and how many cars are going to pass through a toll road. This is a retail business. My advice to you is; number one, find out what the lottery's possibilities are. Don't just use historicals or comparisons to other states. And then I would urge you to really think about revenue sharing, not the 20/80, but something where the state gets more money because where the money goes is so important and I would publish the study. I would publish the percentages. I would publish the general rules that the concessionaire has to operate under, and put that out to bid. And I wouldn't be surprised if you get more than ten billion dollars (\$10,000,000,000) up front even at 50/50."

Chairman Bradley J.: "Representative Roger Eddy for 2 minutes."

Eddy: "Thank you. Gentlemen, if I could, for all three (3) of you, get an answer to a very simple question. If you were to set a floor, not if you were in favor of the sale or

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not, if you were to set a floor for the value of this asset, would it be ten billion (10,000,000,000) as a minimum? Would you value this differently than COGFA? Putting aside the fact that... I mean... what... what... do you have a determination as to what that minimum threshold should be for the sale as compared to what COGFA has...?"

David Eldridge: "First of all, Representative, I don't know that I would val... make my decisions on evaluations solely on the numbers. I'd be looking at all of the aspects to make sure this is a proper program. I'd also be looking to make sure that the education funding... First thing I'd be doing is making sure the six hundred million (600,000,000) is preserved. As we said last year when the lottery Bill was defeated on the floor, we said we're not getting the six-fifty (650,000,000) and you have to presume..."

Eddy: "I appreciate all that, but you're missing the question. Is there an amount different than ten billion (10,000,000,000) that you would recommend for the sale of this asset if we were to sell it, based on an analysis different than COGFA? And if you don't know the number that's fine. I'm interested; I don't have a lot of time, so..."

Michael Jones: "I would absolutely say that looking at the numbers that the state provided the potential vendors, those numbers are extremely low. But when you're starting to write a check for ten billion dollars (\$10,000,000,000) or five billion dollars (\$5,000,000,000), all of these things I've already talked about come into your

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calculation. Mainly, length of lease, are you sharing revenue and what are the rules and regulations. So if you went through those Amendments, the Amendment on approving lottery contracts of fifty thousand dollars (\$50,000) or more, you'd knock a hundred million dollars (\$100,000,000) off of what you'd pay up-front because you just couldn't operate as a business like that."

Eddy: "Okay. But is ten billion (10,000,000,000) an accurate COGFA number based on this Bill as it's written?"

Michael Jones: "I don't think so."

Eddy: "Okay. Thank you."

Chairman Bradley J.: "Okay. Thank you very much. Representative Osterman, 1 minute, final questioner of the day."

Osterman: "I got a long question, though, a very simple question for Mr. Martire and Mr. Eldridge. Both of you have indicated that you have concerns about this funding source in regards to a capital Bill and have both indicated that you want a long-term revenue stream. All of us in this Body have indicated the need for a capital Bill, so if not this, can you give us recommendations on options that you would seek for a long-term funding source for a capital Bill?"

Ralph Martire: "Yeah, I'll answer first, Representative, and thank you for asking me. And obviously, my organization played a role as technical advisor to the drafting of Senate Bill 2288 which includes a couple of tax enhancements as well as targeted tax relief to low- and

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middle-income families. And part of what we do with the revenue enhancements is fund a capital improvement program at the exact same level as that that the Governor is supporting, but we fund it with a recurring revenue source leaving this asset in the ownership of the state for the state to then use to augment it's revenue. So, I think... I think Illinois at some juncture and probably, Representative, some juncture soon, has to reevaluate its entire fiscal system because it simply doesn't match the modern economy and really doesn't afford Legislators the opportunity to make appropriate investments in things like infrastructure or education."

Osterman: "All right."

Chairman Bradley J.: "I... Okay. Thank you very much and thank you, Representative, for your question. What..."

Osterman: "Mr. Eldridge, would love to answer that question for all of us as well, so I want to give him that opportunity, if you'd be so kind."

Chairman Bradley J.: "If he can do it in 10 seconds, he's got it."

David Eldridge: "Our position has been for quite some time just as that of the civic committee that there can be an income tax increase if there are pensions and health care reforms put in place when that income tax increase is implemented."

Chairman Bradley J.: "Okay. Thank you very much, Gentlemen. I'd like to thank and excuse this panel and thank the Members of the General Assembly for their hard work today and I'll turn this over to Speaker Hannig."

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Speaker Hannig: "Representative Lang is recognized for a Motion. I think Representative Lang moves that the Committee of Whole rise. All in favor of the Motion say 'aye'; opposed 'nay'. The 'ayes' have it. The Motion is adopted. **The Committee of the Whole does now rise.** And so now we're back into the regular (sic-Twentieth) Special Session. And Mr. Clerk, are there any Committee Reports?"

Clerk Mahoney: "Rules Report. Representative Barbara Flynn Currie, Chairperson from the Committee on Rules, to which the following legislative measures and/or joint action Motions were referred, action taken on July 9, 2008, reported the same back with the following recommendations: 'approved for floor consideration and referred to the Order of Concurrence' is House Bill 2651; on the Order of a Concurrence a Motion to Concur with Senate Amendments 1, 2, 3, 4, and 5 and 6 is 'recommends be adopted' on House Bill 2651."

Speaker Hannig: "Okay. And now allowing perfunctory time for the Clerk, Representative Lang would move that the Twentieth Special Session of the House of Representatives adjourn until tomorrow at the hour of 9 a.m. All in favor say... 9 a.m. All in favor say 'aye'; opposed 'nay'. The 'ayes' have it. And the twenty... the Twentieth Special Session... Excuse me. The twenty-first... Okay. So, the Twentieth is adjourned and now, in case you haven't heard, we're going to do the Twenty-first. But, Representative Black, did you have a question?"

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Black: "Well, thank you for recognizing me, Mr. Speaker, after the fact. But I believe in the proclamation issued by the Governor, didn't he call us in at 10:30 tomorrow morning, 10:00, 10:30?"

Speaker Hannig: "For a different Special Session, he called us in at 10:00 a.m. I think at that time we will then call that... call the House into Session for that Special Session."

Black: "Okay, well, I just... I don't want another lawsuit."

Speaker Hannig: "Okay."

Black: "Leave me out of this. I'm going to come here when the Governor... What'd the Governor say, 10:00? Fine. Don't we have to show up at 10:00? We've already been sued once and I... Who won that suit by the way? I can't keep up with all these lawsuits? Did we win or did he win or did the public win? Oh, God forbid the public would ever win. So we're coming in at 9:00..."

Speaker Hannig: "We're going to come in at 9:00 and we're going to resume the Committee of the Whole. At the appropriate time when the Governor's Proclamation advises us to be here, which I believe is 10:00."

Black: "Oh, and so then we'll go into Special Session..."

Speaker Hannig: "We'll go into the Special Session for that."

Black: "So, we'll meet the letter of the law and the Committee of the Whole. Is that spelled with a 'W' or does it start with an 'H'? Depends on how one looks at it I suppose, right? So in other words, we'll be here at 9:00 in the morning."

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Speaker Hannig: "That's the plan."

Black: "Representative Hannig, out of my undying respect and admiration for you, I will be here at 8:45, and if you're here I will buy you a cup of coffee."

Speaker Hannig: "Well, I'll be here for that."

Black: "If Representative Lou Lang is here, he can buy both of us a cup of coffee."

Clerk Mahoney: "The House Twentieth Special Session Perfunctory Session will come to order. Committee Reports. Representative Burke, Chairperson from Committee on Executive to which the following measures were referred, action taken on July 9, 2008, reported the same back with the following recommendations: 'do pass as amended Short Debate' is Senate Bill 790. Senate Bills-Second Reading. Senate Bill 790, offered by Representative Hannig, a Bill for an Act concerning finance. Second Reading of this Senate Bill. There being no further business, the Twentieth Special Session Perfunctory Session will stand adjourned."