

December 10, 2008

Illinois' GO Rating Placed On CreditWatch Negative

GROUP
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CHICAGO (Standard & Poor's) Dec. 10, 2008—Standard & Poor's Ratings Services today placed Illinois' 'AA' general obligation (GO) bond rating on CreditWatch with negative implications.

"The CreditWatch placement reflects our opinion of the state's growing budgetary shortfall, now projected at \$2.0 billion for the current fiscal year, and our concern that the legal charges now facing the governor and his chief of staff may challenge the state to respond to this fiscal situation on a timely basis," said credit analyst John Kenward.

On December 9, 2008 the governor and his chief of staff were arrested by the Federal Bureau of Investigation and charged with conspiracy to commit mail and wire fraud and solicitation of bribery. We understand that a number of state officials and legislators have called for the governor's resignation or impeachment, which we believe does not bode well for future cooperation between the governor's office and the legislature.

In our opinion, the state's 'AA' GO rating reflects:

- A deep and diverse economy anchored by the city of Chicago and its suburbs;
 - Income levels that are above the nation's averages; and
 - The ability of the state through legislative action to access substantial amounts of cash for operations on deposit in other funds.
- Offsetting factors, in our opinion, are the state's:
- Large GAAP general fund deficit, which deepened in fiscal 2007 by

\$858.2 million to negative \$3.83 billion, or negative 12.5% of expenditures and net transfers, in fiscal 2006 from negative \$2.33 billion (negative 8.8%) at the end of fiscal 2006; however, we believe the state's general fund deficit on a GAAP basis is substantially and negatively affected by two accounting choices and the state's recognition of \$1.20 billion of expenditures associated with Medicaid GO certificates issued in September 2007 that will be reversed in fiscal 2008 with the recognition of \$1.33 billion of revenues;

- Large unfunded actuarial accrued liability for its five pensions that stood at \$54.38 billion (54% funded) at the end of fiscal 2008 after having been reduced by \$7.3 billion with proceeds from the 2003 pension obligation bonds (which brought the pension funding level up from 48%) coupled with a large \$24.2 billion unfunded actuarial accrued liability for its other post employment benefits (OPEB) attributed to two of the pension systems; and

- Fairly high debt burden.

In November 2008, the state announced that, due to the weakening economy, projected general funds revenues for fiscal 2009 will come in \$1.02 billion under July 2008 estimates, mainly due to an anticipated \$800 million drop in income and sales taxes. With \$655 million of unaddressed budgetary shortfalls and \$336 million of reduced federal Medicaid reimbursements due to delayed expenditures, the state projects that the total budget shortfall for 2009 is currently \$2.01 billion. In response, the governor in November asked the legislature for enhanced authority to reduce appropriations. An emergency budget act was consequently introduced into the legislature and is currently under consideration. In addition, a bill to allow the state to transfer more cash from special funds was also introduced. To address a growing cash shortfall, the state issued \$1.4 billion of short-term GO certificates in December 2008 that are expected to be paid before the end of the fiscal year, its first cash flow notes for general purposes since 2003.

For fiscal 2008, general funds revenues and transfers totaled \$29.66 billion, which exceeded the amount received in 2007 by \$1.0 billion (3.6% increase). Individual income tax receipts rose \$912 million, or 9.7%, over 2007. Sales taxes, however, rose only \$79 million or 1.1% from 2007. Revenues were not enough to cover budgeted expenditures, however, and the state's general funds cash fell \$501 million to \$141 million at the end of fiscal 2008. Amounts on deposit in the budget stabilization fund remained unchanged from 2007 at \$276 million. Year-end accounts payable increased to \$975 million from \$776 million at the end of 2007, an amount which remains below 2003's \$1.41 billion.

Including \$9.95 billion of GO outstanding pension obligation bonds issued in May 2003, the state's outstanding GO debt totals \$19.12 billion, giving the state a per capita bonded GO debt burden of about \$1,510. Including \$2.1 billion of Build Illinois sales tax bonds and other tax-backed and moral obligation bonds, total per capita bonded debt rises to what we consider a high \$1,930. Debt amortization excluding the pension obligation bonds is slightly above average, with 57% of GO bonds maturing over the next 10 years and 93% scheduled to mature within 20 years. The state's 30-year pension bonds were structured to reflect the amortization schedule of the underlying unfunded accrued actuarial liability that the bond proceeds were used to reduce. The current rate of debt issuance has decreased by more than one-half

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since fiscal 2004, reflecting statutory and policy restrictions and the implementation of the state's debt affordability model.

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

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US Department of Homeland security revokes Ill. Gov. Blagojevich's federal security clearance

By CARYN ROUSSEAU

Associated Press Writer

12:56 AM CST, January 3, 2009

CHICAGO (AP) — The U.S. Department of Homeland Security has revoked embattled Gov. Rod Blagojevich's access to classified federal security information, officials said Friday.

The move withdraws the governor's access to classified information, although Blagojevich spokesman Lucio Guerrero said other individuals within state and local government have access and the head of the Illinois Emergency Management Agency has usually been the main contact in emergencies.

The revocation was "pretty standard procedure," Guerrero said, adding that such emergencies are rare.



"It hasn't come up — I don't think it's something that comes up often," he said.

IEMA received a memo about Homeland Security's decision on Dec. 9, the day Blagojevich was arrested, said spokeswoman Patti Thompson. The memo was brief and did not include a reason for the action.

"It doesn't change day-to-day operations very much at all," she said. "Several other people both with Homeland Security and law enforcement are receiving that type of information on a regular basis."

Amy Kudwa, spokeswoman for the Department of Homeland Security in Washington, D.C., confirmed the revocation but declined to comment further on circumstances surrounding the decision.

Blagojevich did not normally receive briefings on homeland security matters, Thompson said. He would only be informed of high-profile cases, she said, citing examples such as a 2006 plot to blow up the Sears Tower and, the same year, plans to bomb planes flying between the U.S. and London.

The federal charges against Blagojevich include allegations that he tried to sell President-elect Barack Obama's Senate seat for money or a high-paying job. That triggered calls for his resignation and the beginning of impeachment proceedings in the Illinois Legislature.

Blagojevich denies any wrongdoing and has rejected calls to resign.

Associated Press Writer Rupa Shenoy contributed to this report.

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Alexi Giannoulas

ILLINOIS STATE TREASURER

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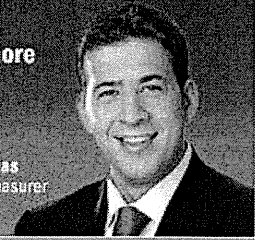
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Alexi Giannoulas
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State loses over \$20 million in bond sale

Governor's arrest shows cost of corruption

December 16, 2008

The legal problems surrounding Gov. Rod Blagojevich have already cost the state more than \$20 million, Illinois State Treasurer Alexi Giannoulas said today.

The state was forced to delay its plan to borrow \$1.4 billion last Thursday as a result of the governor's arrest and missed the chance to sell short-term bonds at reduced interest rates.

News of the governor's legal situation, a rating downgrade and market volatility drove up the interest rate by several percentage points on the bonds sold today.

"The cost of corruption is real," Giannoulas said. "It's clear that the governor's problems are impacting the state in a variety of ways, including financially, at a time when we can least afford it."

The bonds had to be issued today so state vendors – including health care and social service providers and state police – could get paid by the end of the year, Giannoulas said. Some of these providers haven't received a payment from the state since May.

JPMorgan Chase placed bids at a blended interest rate of almost 4.2 percent – more than four times the average of a Bloomberg short-term index – after *Moody's Investors Service* downgraded the state's bond rating. The coupon rate ended up at 4.5 percent.

Moody's "MIG 2" grade makes the securities less palatable for bidders. As a result, the state will pay approximately \$26.6 million in interest to borrow \$1.4 billion.

If the sale had taken place last week as scheduled, Giannoulas estimated the state would have only paid about 1 percent or less to borrow \$1.4 billion, or a total of only \$5.8 million.

Joseph Lynagh, who manages tax-exempt securities at T. Rowe Price Group Inc. in Baltimore, told Bloomberg before the sale: "It doesn't get a MIG 1 and therefore doesn't become something that all money funds would want to own in their portfolios. We're not going to care on the deal."

Federal agents on Dec. 9 arrested Gov. Blagojevich and his chief of staff, John Harris, on charges they conspired to commit mail and wire fraud and solicitation of bribery. The criminal complaint against the two

alleges a series of pay-to-play schemes to benefit the governor and that the governor sought to sell one of the state's U.S. Senate seats to the highest bidder.

The short-term borrowing plan was delayed after the arrest because of concerns that the scandal would stall approval of the closing documents.

Giannoulas, Hynes and Madigan must approve various provisions of bond sales. As of last week, Giannoulas and Hynes had OK'd the deal. Madigan's office finalized disclosure language regarding the federal investigation late Monday.

"We cannot afford to be distracted by the investigation," Giannoulas said. "The state's business must continue and medical and public safety providers must receive the money they earned and what the state owes them.

"Bond buyers should know that the state is not going out of business," Giannoulas added. "We have a capable Lieutenant Governor who can provide an orderly succession and legislators working to balance our budget. The only person who should be hampered by the corruption scandal is the Governor himself."

Fitch Ratings yesterday lowered its credit grade on \$19.1 billion of Illinois general obligation bonds one rank to AA-, the fourth highest of 10 investment-grade ratings. Although this may have had an indirect impact on the short-term borrowing plan, it will certainly affect future long-term borrowing and further damage Illinois' reputation and financial situation.

Within a day of the Governor's arrest, *Standard & Poor's* put the state on "negative CreditWatch" fearing that the federal investigation could hurt the state's ability to address its \$2 billion deficit in a timely manner. As a result of the negative CreditWatch status, S&P will re-evaluate the quality of Illinois' debt obligations and likely deem our bonds higher risk. A drop in Illinois' credit rating will prompt investors who buy our bonds to demand higher interest rates. Illinois is only one of two states currently placed on a negative CreditWatch.

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Guv's arrest costs state \$20M in bond sale

By Lorene Yue
Dec. 16, 2008

(Crain's) — Gov. Rod Blagojevich's federal corruption charges drove up the state's cost to sell bonds Tuesday by more than \$20 million.

The \$1.4-billion bond sale, which had been set for last Thursday, was delayed by Mr. Blagojevich's arrest two days earlier. The governor and his former chief of staff were charged in federal court with trying to sell President-elect Barack Obama's Senate seat, among other alleged shakedowns.

Those charges led to a drop in the state's credit and debt ratings, forcing the bonds to be sold at a higher interest rate, said Illinois Treasurer Alexi Giannoulias.

Mr. Giannoulias estimated that the \$26.6 million in interest the state is paying on the bonds would have been \$5.8 million had the sale gone through last week, before the scandal damaged Illinois credit rating.

The blended interest rate on the deal — about 4% — is double what the state paid for \$1.2 billion in short-term borrowing in April and five times the current yield on short-term Treasury notes. It also is four times the average yield of top-rated six-month municipal notes, according to a Bloomberg index.

Moody's Investors Service lowered its rating on the \$1.4 billion sale, Fitch Ratings downgraded the state's overall bond rating and Standard & Poor's placed Illinois on its negative Credit Watch list the day after Mr. Blagojevich was arrested.

The state sold the bonds to raise cash it needs for vendors who have not been paid since May, Mr. Giannoulias said.

The delay was necessary to address any legal language issues related to Mr. Blagojevich's charges. That language deals with the charges as well as Illinois Attorney General Lisa Madigan's petition to the state Supreme Court to temporarily remove the governor from office, as well as the Illinois House's vote to launch an impeachment inquiry, according to a document provided by Ms. Madigan's office.

(Steven R. Strahler and Reuters contributed to this report.)

The heat is on

As Obama, all Democratic U.S. senators and state officials urged him to quit, Blagojevich went back to work

By Rick Pearson
and Monique Garcia
TRIBUNE REPORTERS

President-elect Barack Obama and Democrats in the U.S. Senate ratcheted up pressure on disgraced Gov. Rod Blagojevich to resign Wednesday while federal agents fanned out to investigate the details of the Illinois chief executive's alleged shakedown schemes.

A day after his arrest on charges he orchestrated a wide-ranging pay-to-play operation to enrich himself, Blagojevich sought to portray an air of normalcy by going to work on his 52nd birthday. But his decision to make a rare visit to his office at the Thompson Center downtown left him dodging media crowds that swarmed the street outside his North Side home.

With his chief of staff also charged in the scheme, Blagojevich found his grip on state government slipping further with the resignation of a top aide who was referenced in the criminal complaint. Despite repeated hints that he would make a statement Wednesday, Blagojevich remained quiet. He slipped out of work and past waiting reporters with the help of a ruse set up by his security detail.

The reverberations from the burgeoning scandal increased in Washington. U.S. Rep. Jesse Jackson Jr. hastily called a news conference to deal with revelations that he was the unnamed Senate Candidate 5 mentioned by federal prosecutors as one of the hopefuls Blagojevich allegedly sought to squeeze in a plot to sell the Senate seat vacated by Obama.

Jackson denied engaging in any pay-to-play politics and said he had never directed emissaries to get involved in any such negotiations with Blagojevich.

The presidential transition office for Obama, who elevated Chicago's political stature with his White House victory last month only to see it quickly deflated by the charges outlined against Blagojevich, issued a statement urging the governor to leave office.

"The president-elect agrees with Lt. Gov. [Patrick] Quinn and many others that under the current circumstances it is difficult for the governor to effectively do his job and serve the people of Illinois," the statement said, adding Obama believed Blagojevich should resign.

But Obama stopped short of endorsing the concept being pushed by leading state lawmakers that would strip Blagojevich of his sole authority to fill the Senate vacancy and authorize a special election for voters

to choose Obama's successor.

"The president-elect believes that the General Assembly should consider the issue and put in place a process to select a new senator that will have the trust and confidence of the people of Illinois," Obama's office said.

Obama's call for Blagojevich to resign was the president-elect's strongest statement to date after allegations that the already deeply unpopular governor was looking to use the Senate vacancy to profit politically and personally. On Tuesday, the day of Blagojevich's arrest, Obama said he was "saddened and sobered" by the arrest but said only that he had no contact with the governor and "was not aware of what was happening."

Prosecutors said recordings showed Blagojevich wanted to shake down the president-elect for a Cabinet post, an ambassadorship or a high-paid position in a union-backed group in exchange for naming an Obama-favored successor.

There was no sign that Blagojevich would move quickly to resign, or that he would announce what had been his impending decision on Obama's replacement. The 50 members of the Senate Democratic Caucus, led by Majority Leader Harry Reid, wrote Blagojevich and urged him to resign and not name a successor to Obama, "for the good of the Senate and our nation." If he does, they threatened to use their power to refuse to allow a Blagojevich appointee to take the seat. The letter was also signed by the No. 2 member in Democratic leadership, Sen. Dick Durbin of Illinois.

"We write to insist that you step down as governor of Illinois and under no circumstance make an appointment to fill the vacant Illinois Senate seat," the letter said. "In light of your arrest yesterday on alleged federal corruption charges related to that Senate seat, any appointment by you would raise serious questions."

As the Democratic senators joined a chorus in calling for Blagojevich's ouster, the FBI acknowledged it had begun to move forward to investigate weeks of recorded conversations involving Blagojevich.

U.S. Atty. Patrick Fitzgerald had said after Blagojevich's arrest that he wanted investigators to "track out the different schemes and conspiracies to find out which ones were carried out or not and who might be involved in that or not."

Those who said they had been contacted or had already been interviewed by agents in the federal probe ranged from Jackson, the Illinois congressman, to Sam Zell, the chief executive and chairman of Tribune Co.

Zell acknowledged in a televised interview on CNBC that the federal agents have contacted him. He would not provide further details.

The federal affidavit details an alleged attempt by Blagojevich to link state support for financing a purchase of Wrigley Field to the removal of Chicago Tribune editorial writers the governor thought were hostile to him.

The Tribune Co. owns the Chicago Tribune and Wrigley Field.

Zell declined repeated requests from the Chicago Tribune for an interview. Gary Weitman, a Tribune Co. spokesman, said the company was sticking to a statement issued after Blagojevich's arrest, in which the company said the conduct of its executives and financial advisers on the Wrigley Field deal was "appropriate at all times."

Officials of a major labor union in Chicago joined the long list of local power brokers who say they are cooperating with the federal probe of state government corruption but deny any wrongdoing.

A spokesman for the politically influential Illinois State Council of the Service Employees International Union told the Tribune that union officials, including State Council President Tom Balanoff, are "fully cooperating" with the U.S. attorney's office.

"We have no reason to believe SEIU or any SEIU official was involved in any misconduct," spokesman Jerry Morrison said.

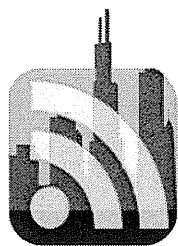
Court documents in the case refer to an unidentified "SEIU official" who had a secretly recorded conversation with the governor Nov. 12. According to the court records, Blagojevich received the SEIU official as an "emissary" on behalf of Valerie Jarrett, Obama's one-time preference for his Senate replacement.

One of the Blagojevich aides referenced but not named in the criminal complaint resigned Wednesday. Sources said Deputy Gov. Bob Greenlee is the aide referred to by investigators as "Deputy Governor A," who was involved in conversations with Blagojevich that allegedly involved the Tribune, Wrigley Field and the Senate successor.

Prosecutors did not allege that individual committed wrongdoing. Greenlee has retained a defense attorney, David Stetler, who said his client's resignation "was a decision he made as part of his belief that he needs to do the right thing."

Tribune reporters Todd Lighty, Robert Becker and Jeff Coen contributed to this report.

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BREAKING NEWS

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Lt. Gov. Quinn urges Blagojevich to 'step aside'

December 9, 2008 at 1:12 PM | Comments (2)

Illinois Lt. Gov. Pat Quinn today called on Gov. Rod Blagojevich to step aside, at least temporarily, because the governor is "seriously impeded from carrying out his oath of office."

"I think that should certainly be considered by the governor today. I think he knows what he needs to do for the people," Quinn said at a news conference.

Quinn would become acting governor if Blagojevich were to step aside under the Illinois Constitution.

Quinn cited the state constitution as providing a temporary step-aside option for Blagojevich.

Politicians from both political parties are calling for Blagojevich to resign. Failing that, they say, impeachment proceedings should begin in the Illinois House.

He advised the General Assembly to quickly pass legislation taking away the power from Blagojevich to appoint a U.S. Senate successor to President-elect Barack Obama. If Blagojevich were to veto that bill, the legislature should override the veto, he said.

It would take at least three days to pass such legislation, Quinn said.

He said he thought he could do a good job is called upon to serve as governor.

He added he had not talked to Blagojevich since 2007.


Asked who is in charge of the state, Quinn paused and said, "Well, the governor is still the governor as of this moment."

Quinn defended Blagojevich against corruption allegations during the 2006 campaign when serving as the governor's running mate. A federal investigation into the Blagojevich administration already was swirling at that time.

Blagojevich faces a 1:30 p.m federal court hearing after being arrested by FBI agents at his North Side home early this morning

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December 9, 2008

**STATEMENT CALLING FOR RESIGNATION OF
GOVERNOR BLAGOJEVICH**

Today, our worst fears have been realized. Once again, the people of Illinois have learned that a Governor has engaged in a shockingly flagrant scheme to sell his power and authority to the highest bidder.

The conduct is especially outrageous and truly demonstrates a new level of corruption given that Governor Blagojevich has been the subject of ongoing criminal investigations for years.

Yet, undaunted by these investigations, Governor Blagojevich decided to undertake schemes to sell the U.S. Senate seat, to sell his signature on legislation, and to interfere in financing deals — all in an effort to obtain personal and political benefits.

Public officials are elected to serve the people of this state and to uphold the trust of the people who have elected them.

It is absolutely clear that the Governor is incapable of governing.

At a time when our state faces tremendous challenges, Governor Blagojevich cannot faithfully exercise the powers of his office.

Governor Blagojevich should immediately resign and allow Lt. Governor Quinn to succeed him.

As the state's chief legal officer, I want to assure the People of Illinois that I am working quickly to move forward on the next legal steps should the Governor refuse to resign. I am already working with the legislative leaders to make sure that the work of this State continues without interruption.

I am thankful for the extraordinary work of the U.S. Attorney's Office and the FBI. And I echo their call for everyone with information about these allegations to come forward and offer their assistance to the U.S. Attorney's Office.

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Jesse White

SECRETARY OF STATE

NEWS

For Immediate Release:

December 15, 2008

For Information Contact:

Dave Druker: 312-814-1506

Henry Haupt: 217-782-5984

Statement from Illinois Secretary of State Jesse White Urging Governor to Resign Immediately

It was my honor this morning to preside over Illinois' Electoral College meeting. This is a truly historic day for Illinois with our state casting its 21 electoral votes to Barack Obama as President and Joe Biden as Vice President.

Unfortunately, due to events last week the state's integrity has been tarnished. When I inherited the office of the Secretary of State ten years ago, the office was under a cloud of controversy. It too had been tarnished. My number one priority was to restore the integrity of the office and end the culture of corruption that existed. And we did that.

Today, I am once again urging Governor Rod Blagojevich to step aside or resign immediately. This is the first step for our state to move forward to regain its integrity.

December 9, 2008

Scott Burnham
(312) 814-2997
sburnham@treasurer.state.il.us

Statement from Illinois State Treasurer Alexi Giannoulias

On the federal indictment corruption charges against Gov. Rod Blagojevich

This is a sad day for Illinois government and for the people of our great state. Governor Blagojevich's actions alleged in the complaint show a complete disregard for Illinois residents who elected him to lead. Today's indictment further demonstrates that we need to reform a deeply flawed system where political money is traded for favors and government is clearly for sale. The governor has failed in his responsibilities and should resign immediately.

NEWS

DANIEL W. HYNES
COMPTROLLER

www.ioc.state.il.us

... From the office of State Comptroller Daniel W. Hynes

FOR IMMEDIATE RELEASE

Tuesday, December 9, 2008

FOR MORE INFORMATION

Alan Henry, 312-814-5707

Carol Knowles, 217-782-2478

HYNES CALLS ON GOVERNOR BLAGOJEVICH TO RESIGN

Chicago – Illinois Comptroller Dan Hynes today released the following statement concerning the arrest of Governor Blagojevich on federal corruption charges:

“For the well being of Illinois, Governor Blagojevich must resign immediately. While this investigation is still ongoing, our state cannot afford to remain engulfed in this unfolding scandal. Our government’s ability to deal on a daily basis with the fiscal and economic crises we currently face demands leadership and integrity. Our governor cannot provide either, and he needs to do what’s right for the people of Illinois.

“On a personal note, I am immensely saddened and angered by these developments. This is perhaps the most embarrassing moment in the history of Illinois government, and a stain that will not be easily removed.”



By Jesse White

I would like to outline my reason for rejecting and refusing to co-sign the Governor's appointment proclamation to fill Illinois' vacant U.S. Senate seat.

First and foremost, I wish to emphasize that my actions are not a reflection on former Illinois Attorney General Roland Burris, for whom I have great respect. I have known Mr. Burris for over 20 years, and I feel honored to call him my friend. In fact, had this appointment been made under different circumstances, by a governor not plagued by scandal and wrongdoing, I would have gladly certified the appointment of Mr. Burris to fill Illinois' vacant U.S. Senate seat.

Quite simply, the cloud of controversy surrounding the Governor prohibits me from accepting a document that certifies any appointment made by Rod Blagojevich for the vacant U.S. Senate seat from Illinois. Such an appointment, regardless of the merits of the appointee, would be tainted by scandal, and our state deserves better.

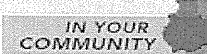
Weeks ago I publicly stated that the Governor should step aside or resign immediately for the good of the state. I stand by this statement and again call for him to step aside or resign so we as a state can move forward and address the many important issues we face today.

Jesse White is Illinois Secretary of State.

#

UNITED STATES SENATOR
DICK DURBIN *Illinois*
ASSISTANT MAJORITY LEADER

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SEARCH

DURBIN RELEASES LETTER CALLING ON BLAGOJEVICH TO RESIGN

Wednesday, December 10, 2008

[WASHINGTON, D.C.] -- U.S. Senator Dick Durbin today released a letter to embattled Illinois Governor Rod Blagojevich calling on him to step down and refrain from appointing anyone to the U.S. Senate.

In the letter Durbin asks the Governor to "search your heart and summon the strength to put your state and your nation above any personal considerations."

Text of the letter appears below:

December 10, 2008

Governor Rod Blagojevich
Office of the Governor
207 State House
Springfield, IL 62706

Dear Governor Blagojevich:

I am writing to ask you to step down as Governor of Illinois. Beyond guilt or innocence, the charges against you raise serious questions about your ability to carry out your duties as chief executive of our state.

I also ask you not to appoint the next United States Senator from Illinois. Because of the nature of the charges against you, no matter whom you were to select, that individual would be under a cloud of suspicion. That would not serve our state, our nation, or the United States Senate.

Legislative efforts to impeach you or remove your ability to appoint the replacement for the United States Senate have been initiated but those options could take some time accomplish. I urge you to choose the path that will be the most beneficial for the people of Illinois and the nation, and resign immediately.

At this moment, I am the only United State Senator from Illinois and within weeks we will begin the next Congress facing unprecedented challenges. Illinois should not be underrepresented in the Senate during this critical time in our history.

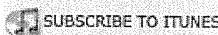
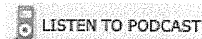
I urge you to search your heart and summon the strength to put your state and your nation above any personal considerations.

Sincerely,
Richard J. Durbin

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DURBIN'S PODCAST

Senator Durbin discussed the recent Medicare legislation that prevents a 10% cut in payments to doctors and the President's threatened veto.



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Roland Burris is turned away at Senate

By Mike Dorning and Mark Silva

Washington Bureau

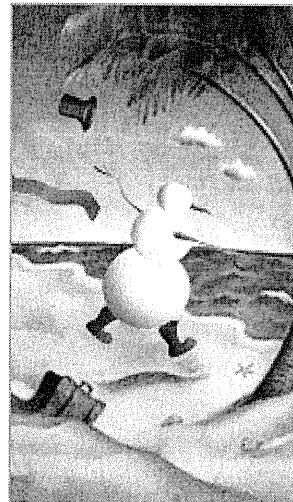
January 6, 2009

WASHINGTON

Roland Burris of Illinois, rejected in his bid to take a disputed new seat in the Senate on Tuesday morning, averted any public showdown by quietly accepting the refusal of his credentials inside the secretary of the Senate's office on the third floor of the Capitol.

But Burris and his attorney vowed a legal challenge of the Senate's refusal to acknowledge the appointment to the open seat of President-elect Barack Obama.

Senate leaders insist the appointment is tainted because Illinois Gov. Rod Blagojevich, who has tapped Burris for the seat, is accused by federal authorities of attempting to sell the appointment. Burris is not implicated in that alleged scheme.



Quick,
make a
run for it.
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Away from the Capitol grounds where his entry to the Senate had been refused, Burris was left to his own by Capitol police who had escorted him into the building and out.

"My name is Roland Burris, the junior Senator from the State of Illinois," Burris told reporters as he stood in the rain in a park. "I was advised that my credentials were not in order."

The former attorney general of Illinois said he would take legal action, challenging the Senate's refusal, but averted any showdown at the door of the Senate chambers. "I am not seeking to have any kind of confrontation," Burris added.

Timothy W. Wright, a lawyer for Burris, said: "We have presented our credentials to the secretary of the Senate ... Our credentials were rejected by the secretary ... We were not allowed to proceed to the floor." He vowed to fight the case.

Presenting his credentials in a third-floor Capitol room where he could not be seen by the media, Burris was on a floor where press photography is prohibited.

There would be no visual image of the Senate's rejection of the disputed appointee from Illinois, whom Senate leaders refused to seat because of the "cloud" they say surrounds the Illinois governor who

appointed him.

But Burris—appearing calm, and accepting no questions—left the secretary's office at 10:50 a.m. EST escorted by the sergeant at arms, ushering him to an elevator as Capitol police barred photographers from snapping pictures.

Terrance Gainer, the sergeant-at-arms who would be charged with blocking Burris at the Senate chambers door if necessary, escorted him into the office. The secretary's office is one floor above the entrance to the Senate chambers.

Burris arrived outside the Capitol at 10:25 a.m. EST, nearing the Capitol steps surrounded by a scrum of TV cameras and boom mikes and reporters, with Capitol police making way for him.

Wearing an overcoat against the rain on a cloudy and drizzly day, the man attempting to sign in as the new junior senator from Illinois was met by Terrance Gainer, the Senate sergeant at arms, wearing a raincoat.

They are old friends—Gainer was director of the Illinois state police when Burris was attorney general. And the sergeant served as a ready and friendly escort.

Gainer ushered Burris to a security line inside the Capitol.

"I am the senator," Burris had insisted before this day.

The Senate secretary has declared that Burris does not qualify for the seat because the secretary of state of Illinois, Jesse White, has refused to certify the governor's appointment. This provides senators with the procedural grounds on which to deny Burris access—though their motivation is clearly political, not legal.

Burris vows a legal challenge.

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DAILY HERALD
12-12-08

Treasurer: Scandal could put state in financial trouble

By JUSTIN KMITCH
jkmitch@dailyherald.com

Considered by some to be a candidate for the state's vacant Senate seat, Treasurer Alexi Giannoulias said Thursday he hasn't had time to think about it.

Giannoulias, a Democrat, said he's been busy sorting through the state's financial woes following Tuesday's arrest of Gov. Rod Blagojevich.

"I haven't really thought about it to be honest with you," he said during an appearance at Aurora University. "I've been focused on trying to do my job and trying to rebuild the public's trust in us as elected officials."

The charges of mail fraud and corruption against Blagojevich, he said, already have begun to damage the state's already-shaky financial situation.

The most pressing issue, he

said, is the further delay of billions of dollars in payments to state schools and hospitals, many of which have tapped into reserve accounts to make up for payments that already are between three and six months late.

"Today we were supposed to begin the bidding on \$1.4 billion in short-term borrowing to help hospitals and schools, but we just found out this morning that has been put on hold because it had Gov. Blagojevich's name on it," Giannoulias said.

"We're still waiting for more details," he said. "I've signed off on it. The comptroller's office is already fully prepared to send the checks out, especially to the hospitals that are

dying for this money."

The state's bond rating also is in jeopardy as a result of Tuesday's arrest.

"We're learning that there's a possibility that because of what took place on Tuesday the state's bond rating will be lowered," he said. "That is horrifying news in what is already a very difficult bond market."

Aside from the state's troubles, Giannoulias, 32, said Blagojevich's arrest also hit him hard personally and will likely affect his ability to recruit "the next generation of public servants."

"On a personal level, my emotions were all over the place. There was anger, shock, disappointment, embarrassment," he said.

"The unbelievable degree of insolence and brazenness and arrogance in what took place was astonishing to me on a personal level."

Arrest cripples governor's ability to get job done, observers say

By **ADRIANA COLINDRES**
GateHouse News Service

Posted Dec 10, 2008 @ 07:30 PM

Last update Dec 11, 2008 @ 12:02 AM

SPRINGFIELD — Despite mounting legal troubles, Gov. Rod Blagojevich still has a number of state government matters on his plate.

But his ability to govern has been crippled because of his arrest Tuesday on federal corruption charges, several political observers say.

"He's governor, and he can sign bills and issue executive orders," said Kent Redfield, a retired political science professor at the University of Illinois at Springfield. "But anything he does is going to be looked at through the prism of his legal troubles.

"Nothing he does will be taken on its merits. It will all be: How does this fit into the governor's legal problems?"

Rep. Aaron Schock, R-Peoria, said, "I don't think anything he does will be fruitful at this point."

A Blagojevich spokesman didn't respond Wednesday to a question about how his arrest might affect day-to-day state government. But on Tuesday, his press office issued a statement saying the allegations against him would "do nothing to impact the services, duties or function of the state."

One of the items of governmental business still pending before Blagojevich is what to do about nine bills that lawmakers passed in November and await his signature or veto.

The bills cover a wide range of subjects. One would extend the life of a tax-increment financing district in Hoffman Estates. Another would require insurance companies to cover diagnosing and treating autism in children up to age 21. A third would require the state's most lucrative casinos, all near Chicago, to channel a portion of their profits to the horse racing industry.

Blagojevich also is pursuing the closure of a state prison in Pontiac and the transfer of the Illinois Department of Transportation's traffic safety division to southern Illinois, despite objections from a bipartisan panel of lawmakers.

Neither of those plans has been executed. The prison closure, previously planned for the end of this month, is on hold because of an ongoing legal battle.

Sen. Dan Rutherford, R-Chenoa, an opponent of the Pontiac prison closure, on Wednesday said that in light of the governor's arrest, the Illinois Department of Corrections director should display "true leadership" and suspend the plan to close the prison.

Corrections Director Roger Walker Jr. responded with a prepared statement saying that Illinois' financial challenges haven't changed and that the plan to close the prison is "better for the operations and efficiency of the agency."

State Treasurer Alexi Giannoulias said he hasn't observed any difference in state government's operations since the governor's arrest.

"From our office's perspective, not much has changed," he said. "We're still investing the state's money. Not much has changed at all."

Also on Wednesday, Deputy Gov. Bob Greenlee turned in his resignation, Blagojevich spokesman Lucio Guerrero said. Guerrero said Greenlee didn't give a reason for resigning.

Greenlee's departure comes a day after the arrests of Blagojevich and his chief of staff, John Harris, and the release of an affidavit spelling out federal prosecutors' corruption allegations against the pair.

The affidavit mentions "Deputy Governor A" several times, though never by name. But on at least five occasions, the affidavit refers to Deputy Governor A as "he" or "him." One section of the affidavit describes a Nov. 3 conversation between Blagojevich and Deputy Governor A, in which they talked about a Chicago Tribune editorial.

A Blagojevich spokesman wouldn't confirm whether Greenlee is Deputy Governor A. Greenlee told The Associated Press that he'd "been instructed" not to speak about his resignation.

Blagojevich has three deputy governors - two men and a woman. In addition to Greenlee, who became a deputy governor in June, the other deputy governors are Louanner Peters, who has held the post since December 2006, and Dean Martinez, who was promoted to the job Dec. 1.

Adriana Colindres can be reached at (217) 782-6292 or adriana.colindres@sj-r.com. Ryan Keith contributed to this story.

Governor's woes beginning to take toll on state government

December 12, 2008 - Pantagraph

By Kurt Erickson

Pantagraph
12/12/08
(1082)

SPRINGFIELD -- Signs emerged Thursday that the bombshell corruption charges against Gov. Rod Blagojevich are beginning to affect the operation of state government.

The Standard & Poor's credit rating agency put the state on a credit watch at the same time officials were in the midst of borrowing up to \$1.4 billion to help pay a massive backlog of bills.

In a statement, S & P credit analyst John Kenward said the legal charges against Blagojevich "may challenge the state to respond to this fiscal situation on a timely basis."

Any change in the state's credit rating could result in higher borrowing costs, which eventually affect taxpayers.

"If the state were downgraded, it would mean the state would have to pay significantly more," said Sara Wojcicki, spokeswoman for Illinois Treasurer Alexi Giannoulas.

The treasurer's office estimates a worst-case downgrade could cost taxpayers an extra \$2.3 million if \$1.4 billion were borrowed for six months.

The credit warning sparked Lt. Gov. Pat Quinn to call for a quick resolution to the governor's situation. The governor-in-waiting either wants Blagojevich to resign or for the General Assembly to impeach him.

"Hopefully, matters can be resolved in the next few days that will erase any doubt on the part of the credit agencies," Quinn said. "It's always bad to have your credit rating reduced."

Blagojevich has not signaled he's ready to resign, despite wiretap evidence that he tried to sell Illinois' vacant Senate seat for personal gain.

The governor went to his state office in Chicago Thursday, but has kept a low profile in the wake of his arrest and court hearing Tuesday. A spokesman did not respond to requests for information Thursday.

In a press conference in Springfield, Quinn said he has no potential frontrunners for the Senate seat, which became vacant with Barack Obama's election as president.

"I don't want to get into anything because I think it's premature and hypothetical," Quinn said.

Quinn did not provide a blueprint for how he would choose a successor, but ruled out naming himself to the seat.

He said he hasn't been approached by any wannabe senators looking to curry favor with the man who may become the state's 41st chief executive.

Although Quinn has long been a proponent of giving voters a voice in state policy issues through referendums, he downplayed attempts by lawmakers to schedule a special election as a way to keep Blagojevich from appointing someone to the Senate seat.

That drew an angry rebuke from state Sen. Christine Radogno, a Lemont Republican who is set to become Senate minority leader in January.

"It is ludicrous to talk about anyone appointing the next United States Senator," Radogno said. "This decision absolutely must be made by the voters of Illinois."

The House and Senate return Monday to discuss legislation that would strip Blagojevich of his power to appoint.

State Rep. Dan Brady, a member of the House Elections and Campaign Reform Committee, said he hopes lawmakers can get a plan in place for a special election to take place Feb. 24 – the same day municipal primary elections are scheduled.

Pantagraph
12/12/08
(2 of 2)

"The way this process has been poisoned, the people need to be given a voice," said the Bloomington Republican.

Rather than focus on setting up a special election, Quinn said state lawmakers should immediately launch impeachment proceedings against Blagojevich if he doesn't resign before the General Assembly returns to Springfield Monday.

If lawmakers don't take action, Quinn said he backs Attorney General Lisa Madigan's idea of going to court and challenging the governor's fitness to serve.

kurt.erickson@lee.net

Scandal turns Illinois into a ... STATE OF TURMOIL

Post Dispatch
12/14/08

Political, legal and financial action is stalled.

BY KEVIN MCDERMOTT • ST. LOUIS POST-DISPATCH

SPRINGFIELD, ILL. • Illinois was already a state in crisis, plagued by a gaping budget hole, plunging revenues, unpaid bills, crumbling roads and a generally dysfunctional government.

And that was before its governor was led from his Chicago home in handcuffs to face federal corruption charges.

For Illinoisans, the consequences of Gov. Rod Blagojevich's arrest Tuesday morning could go far beyond the humiliation of national media alerts and late-night comedians' jokes. Already, the political, legal and financial fallout from the scandal is hitting Springfield in real ways:

- Short-term borrowing has been put on hold — at a time when the state's unpaid bills are piling up — because of investor uncertainty over who, if anyone, will be running Illinois state government in the coming weeks and months.
- Pending legislation with significant implications sits unsigned, as legal experts ponder whether

Blagojevich should even have the authority to approve new laws while he awaits trial for allegedly seeking to profit from them.

- A long-sought, much-needed statewide infrastructure program, gridlocked when Blagojevich was merely suspected of corruption, is likely to be on hold indefinitely now that he's been formally charged but is refusing to resign.
- President-elect Barack Obama's vacant U.S. Senate seat, the subject of the most startling allegations against Blagojevich, could remain empty now for months as Illinois leaders debate how to fill it, leaving the state with a diminished voice in Washington.

The political friction that Blagojevich was known for causing as governor has intensified now that he is a criminal defendant. There is widespread agreement in Springfield that he needs to be stripped of power, but political jockeying over how to do it. Democratic legislative leaders, the Republican minority, the lieutenant governor and the state Supreme Court all are considering potentially conflicting plans of attack.

"We're paralyzed at the state level," declared Attorney General Lisa Madigan, as she announced one of those attack plans Friday: a motion to the state Supreme Court to have Blagojevich removed, on the argument that he can no longer carry out the basic functions of his office.

The second-term Democratic governor was arrested and paraded through a federal courtroom in a tracksuit Tuesday on felony charges of conspiracy to commit mail and wire fraud and solicitation of bribery. He was given a January court date and released on a signature bond.

Federal investigators working with wiretaps say they have Blagojevich, in his own voice, plotting to use his official powers of appointment to the vacant U.S. Senate seat to extract money or other personal gain from prospective candidates, or from the incoming Obama administration.

He also is accused of trying to squeeze campaign contributions from a children's hospital by threatening its state funding; trying to get money from a horseracing industry source by threatening not to sign a horseracing subsidy bill; and trying to get critical Chicago Tribune editorial writers fired by offering a state business deal to the newspaper's owners.

Madigan, the attorney general, noted Friday that those allegations tainted several key aspects of the governor's job. She argued that, guilty or not, he can't function in office if the state has to wait for a potentially drawn-out criminal trial before its governor can get back to signing legislation, dispersing state funds and making appointments.

Madigan cited "the urgency for us to have a governor who can legitimately and effectively exercise the duties of that office."

"We think it is very clear that he is incapable of serving."

The most immediate and dramatic impact of the scandal came on Thursday, when state officials had to postpone a planned sale of \$1.4 billion in government bonds to help the cash-strapped state pay its bills. Madigan said she couldn't provide the required certification to investors that there was no pending legal action that could affect the state's ability to repay.

Meanwhile, Standard & Poor's, the bond rating service, has put the state's credit on negative "credit watch," which could ultimately drop its credit rating.

"The legal charges now facing the governor ... may challenge the state to respond to this fiscal situation on a timely basis," S&P credit analyst John Kenward said in a statement. A potential impeachment attempt against Blagojevich, the statement predicted, "does not bode well for future cooperation between the governor's office and the Legislature."

It is unclear whether the state House and Senate will take up the impeachment issue when they return to Springfield in emergency session Monday. The stated purpose of the session is to strip the governor's office of its Senate appointment powers and instead hold a special election — an issue which, in itself, is

driving new political conflicts.

Democratic Lt. Gov. Patrick Quinn argued on Thursday against eliminating those appointment powers, an about-face from his decades-long advocacy of populism. Quinn even hinted that, if he ascends quickly enough to the governor's office, he might go ahead and appoint a new senator even as his fellow Democrats in the Legislature move to take that power away.

That drew sharp rebuke from Sen. Christine Radogno of Lemont, the incoming Illinois Senate Republican leader. Her party would have a chance to wrest back Obama's Democratic Senate seat if it's thrown open to a special election instead of appointed by a Democratic governor.

"There is no way that an appointment process can be free from the stench of this corrupt administration," Radogno said in a statement — which ignored the fact that the lieutenant governor is nominated separately from the governor in Illinois, and that Blagojevich and Quinn are bitter rivals.

As those and other political maneuvers play out in the shadow of the scandal, lobbyists for or against pending legislation are positioning themselves as well.

Blagojevich's alleged plot to trade gambling legislation for campaign funds, for example, prompted an anti-gambling activist to argue that the state should postpone any action on a proposed new casino in the Chicago area. "At this time, it is imperative that trust in government be restored before making such an important decision about gambling," activist Anita Bedell said in a statement.

In the days after his arrest, Blagojevich repeatedly ran a gantlet of television cameras to go to his Chicago office, presenting an image of a normal work schedule. As if to drive home that point, he signed into law a bill Friday to provide expanded insurance coverage for autistic children.

Herald & Review
12-18-08

Blagojevich's selfishness is costing state

December 18, 2008 – Herald & Review

By the H&R Editorial Staff

It appears Gov. Rod Blagojevich isn't going to resign soon, illustrating once again that the governor places his personal agenda ahead of the state.

A special House committee was supposed to begin discussing the possible impeachment of the governor, who was arrested on federal corruption and fraud charges more than a week ago. But that committee hit two speed bumps, one small and one large.

The supposedly small speed bump is a concern by U.S. Attorney Patrick Fitzgerald that the impeachment committee not "trample" on the federal case. That's a valid concern and one the committee and the U.S. Attorney's Office should be able to agree on easily. Early indications, in fact, are that the impeachment panel might focus on other issues than Blagojevich's alleged criminal behavior. There have been indications that the panel wants to look at the governor's tendency to set up programs without legislative approval and allegations that his office refuses to release documents that are public.

The second speed bump could be a lot larger. Blagojevich's attorney, Edward Genson, appeared before the impeachment committee Wednesday and was combative, to say the least. He said some members of the panel should resign from the committee because of statements they have made, and he said the state should pay for Blagojevich's legal counsel during the impeachment hearings. Genson, who also has represented pop star R. Kelly and newspaper magnate Conrad Black, may be trying to prolong the hearings.

Blagojevich has said he won't resign at this point and claims the federal charges against him are false. On Tuesday, he signed several bills, another indication he plans to ride out this ordeal.

It's hard to determine why Blagojevich is hanging on to an office when practically everyone else in the state wants him to leave. It may have to do with money or just a stubborn streak that has him convinced he's right and the rest of the world is wrong.

But there is no disputing that as long as Blagojevich sits in the governor's seat and is under the cloud of federal charges, it will be difficult for the state to operate. Illinois Treasurer Alexi Giannoulias said the delay in issuing short-term bonds caused by Blagojevich's arrest and the concern it caused among rating agencies most likely cost the state an extra \$20 million. "The cost of corruption is real," he said.

In addition, the state is facing a budget crisis of historic proportions, and it needs to be prepared in case a federal economic stimulus package includes money for construction projects around the state. There also is the day-to-day business of the state that must be addressed.

It's hard to imagine the General Assembly and governor's office, already the definition of dysfunctional, working better with the governor facing federal charges.

The best thing for Illinois, of course, is for Blagojevich to resign. But Illinois citizens have known for a long time that the governor is not driven by what is best for the state.

Sun Times
12/18/08

Tollway chief quits after less than a month

BY LISA DONOVAN
Staff Reporter
ldonovan@suntimes.com

Jeffrey S. Dailey, executive director of the Illinois Toll Highway Authority, abruptly resigned Wednesday from the post he took less than a month ago.

Dailey, whose career in-

cludes a three-year stint as chief engineer for the tollway, could not be reached for comment. In a statement, he expressed "disappointment in leaving" but said he wants "to pursue other engineering and transportation planning opportunities."

Dailey's predecessor, Brian McPartlin, who quit in October, came under scrutiny for pursuing a job with a con-

tractor that received \$39 million in tollway contracts. He didn't take the job.

Meanwhile, federal prosecutors allege that Gov. Blagojevich told an adviser he was willing to commit additional state money to a \$1.8 billion state tollway project but was waiting to see whether a highway contractor would cough up \$500,000 to his campaign. *Comment at suntimes.com.*

www.chicagotribune.com/news/local/chi-blagojevich-counsel-resigns-dec31,0,6173438.story

chicagotribune.com

William Quinlan, Gov. Rod Blagojevich's general counsel, resigns Tuesday

Quinlan plans to return to private practice

Tribune staff report

December 31, 2008

William J. Quinlan, general counsel to Gov. Rod Blagojevich for the last four years, resigned Tuesday to return to private practice.

"We should not let recent events diminish the pride in our accomplishments or the commitment to public service with which we approach our job each day," Quinlan wrote in a letter to his co-workers in the governor's legal office.

The resignation comes three weeks after FBI agents arrested Blagojevich at his North Side home on political corruption charges. Among them was an allegation that Blagojevich tried to sell the U.S. Senate seat vacated by President-elect Barack Obama to benefit himself and his family.

Quinlan is the latest high-level Blagojevich administration official to leave. John Harris, Blagojevich's co-defendant, resigned as chief of staff.

Deputy Gov. Bob Greenlee and Jeff Dailey, the new executive director of the Illinois State Toll Highway Authority, also have resigned.

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