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Legislature gives cool reaction to Governor's budget plan

Governor Rod Blagojevich's formal budget presentation before yesterday's joint session of the Illinois General Assembly was met with a cool reception from legislative players on both sides of the aisle. The plan, which was short on detail, was assailed as being forged on too many questionable revenue sources.

Blagojevich highlighted two major tax relief initiatives in his speech: a \$300 per child income tax credit (with the same income restrictions as the recently passed federal plan), and a one-time 20 percent cut in corporate income taxes for corporations that paid tax in 2007 and maintain current employment levels. Bear in mind, however, that the business tax relief will not accrue to businesses *not* paying *corporate income tax*, including subchapter S firms, partnerships, sole proprietorships, and the like. Nor will it reach corporations who did not pay taxes due to a lack of profits or income loss carry-forwards.

The Governor again wheeled out a plan to impose a 3 percent payroll tax on businesses that do not spend the equivalent of 4 percent of payroll on health care for employees. That would cost those businesses \$1 billion a year that would be applied toward expanding health insurance for the uninsured. That plan was rejected by the Illinois House a year ago. And he also relies on a yet-to-be-announced set of "loophole closings" in the tax code for businesses.

The Governor urged lawmakers to approve a \$25 billion capital plan (\$11 billion would be the state share) for schools, roads and bridges, and economic development, funded in part from selling 80 percent of the State Lottery. Other revenue sources for various components of the spending plan include the issuance of pension obligation bonds (similar to a plan approved in 2003), sweeping existing dedicated funds, and securitization of existing revenue streams, including the tobacco settlement funds.

In short, legislators lamented the fact that the budget relies too heavily on one-time, shaky revenue sources and short-changes future budget decisions by consuming those longer-term revenue streams all at once today.

It could be another long spring in the state Capitol.

Illinois bill introductions skirt beverage industry issues

Unlike the trend in many other states this year, Illinois lawmakers have, for the most part, not taken any aim at soft drink bottlers and sellers as they lay forth their respective legislative agendas for the spring. Last Friday marked the final day for Representatives and Senators to file new bills. So far, there is little controversy facing our industry at this early juncture in the spring session. But, there are several months (at least!) ahead, and the process can always result in new proposals popping up in the form of amendments and executive actions. The IBA will remain vigilant knowing full well that we cannot rest easily until the final gavel sounds.

State school board ponders nutrition rule changes

Members of the Illinois State Board of Education may soon be looking at yet another round of changes to the state's school food and nutrition rules. Following adoption just a year and a half ago of a comprehensive set of rules placing restrictions on soft drinks sold in elementary schools, a new group has floated further changes to the plan. The "Illinois Wellness Task Force," directed by federal law to recommend serving rules, last year floated a more restrictive plan than the one adopted by the state board in 2006. The staff at the state board, however, has made changes to those recommendations before airing them before the members of the state board.

The new recommendations, as amended by the state board staff, compare very closely with the voluntary guidelines approved by the American Beverage Association. In addition, the latest version of the rules does *not* apply to high schools. One quirk in the new proposal, however, requires juice served to K-5 students be limited to 4 ounce serving sizes. Currently no one produces juice products in that size.

While we are still reviewing the impact of the changes, they do not appear to make any radical departure from those already in effect. The state board could take the matter up at its March meeting.

Paper shuffling in Chicago bottled water tax suit

Most of the activity in the lawsuit filed by the bottled water industry against Chicago's new 5 cent bottled water tax has revolved around papers being filed and refiled by lawyers for both sides. The "discovery" process continues before much substantive action in the courtroom. The American Beverage Association is one of four plaintiffs in the lawsuit. The IBA will keep you apprised of progress in the legal action as warranted.