STATE OF ILLINOIS
82ND GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE

20th Legislative Day   March 28, 1981

Speaker Ryan: "The House will come to order and the Members will please be in their seats. The Chaplain for the day is Father Paynic from the Cathedral of the Emmaculate Conception Church here in Springfield. Father."

Father Paynic: "Let us pray. Eternal God, Creator of all things, Lord and Shepherd of all peoples, we worship You. Every community in heaven and earth has a source in You, and You have found our nation of the gifts of Your creation and Your common bond of home and language, of blood and character. You have fashioned us into one American people. You, Yourself have placed in our hearts the love of our fellow citizens in our homeland. Through your kind providence, lead our people that they may fulfill this purpose for Your glory, for themselves and the spiritual advancement to men everywhere. Amen."

Speaker Ryan: "...Pledge will be led by Representative Kornowicz."

Kornowicz 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 Ryan: "Roll call for attendance. Thanks, Father, very much. Introduction and First Reading of House Bills."

Clerk Leone: "House Bill 772, Hoxsey, a Bill for an Act to amend Sections of the Township Zoning Act, First Reading of the Bill. House Bill 773, Hoxsey, a Bill for an Act to amend Sections of the Illinois Municipal Code, First Reading of the Bill. House Bill 774, Telscer-Mautino, a Bill for an Act making a continuing appropriation to the Board of Trustees of the University of Illinois, First Reading of the Bill. House Bill 775, Telscer-Mautino, a Bill for an Act in relationship to real estate research and education fund, First Reading of the Bill. House Bill 776, Telscer-Mautino, a Bill for an Act to amend Sections of the Real Estate Brokers and Salesmen License Act, First Reading of the Bill. House Bill 777, Rigney-Swanstrom-Mulcahey, a Bill for an Act to amend Sections of the Environmental Protection Act, First Reading of the Bill. House Bill 778, Rigney-Swantrom-Mulcahey, a Bill for an Act to amend Sections of an Act concerning public utilities, First Reading of the Bill. House Bill 779, Stuffle-Wikoff, a Bill for an Act to amend Sections of the Illinois Pension Code, First Reading of the Bill. House Bill 780, Leinenweber et al, a Bill for an Act to establish a uniform information practice code and amends various Acts herein named, First Reading of the Bill. House Bill 781, Lechowicz et al, a Bill for an Act to add Sectionsto the Illinois Insurance Code, First Reading of the Bill. House Bill 782, VanDuyne-Davis-Leinenweber, a Bill for an Act to amend Sections of an Act relating to alcoholic liquors, First Reading of the Bill. House Bill 783, Bowman, a Bill for an Act making appropriations to the Illinois Census Advisory Commission, First Reading of the Bill. House Bill 784, Bowman-Margaret Smith-Stewart, a Bill for an Act in relationship to federal census data and creating the Illinois Census Advisory Commission, First Reading of the Bill. House Bill 785, Christensen-VanDuyne, a Bill for an Act to amend Sections of an Act in relationship to county zoning, First Reading of the Bill. House Bill 786, Macdonald-R.J. Meyer-et al, a Bill for an Act to amend Sections of the Illinois Pension Code, First Reading of the Bill. House Bill 787, Woodyard-Robbins-Stuffle, a Bill for an Act in relationship to diseases, First Reading of the Bill. House Bill 788, Terzich, a Bill for an Act making appropriations to the Illinois Public Employees Pensions

Laws Commission, First Reading of the Bill. House Bill 789, Keane-et al, a Bill for an Act to amend Sections of the Pharmacy Practice Act, First Reading of the Bill. House Bill 790, Bowman-Braun, a Bill for an Act to amend Sections of the Illinois Pension Code, First Reading of the Bill. House Bill 791, Braun-Bowman, a Bill for an Act to amend Sections of an Act in relationship to state monies, First Reading of the Bill. House Bill 792, Braun,...Laurino, a Bill for an Act to abolish the secrecy of benefitial interests in land trusts, First Reading of the Bill. House Bill 793, Braun_Laurino, a Bill for an Act to amend Sections of an Act to revise the law in relationship to landlord and tenant, First Reading of the Bill. House Bill 794, Stuffle-Schraeder-et al, a Bill for an Act to amend Sections of the Illinois Pension Code, First Reading of the Bill. House Bill 795, Stuffle-Margaret Smith-et al, a Bill for an Act to amend Sections of the Illinois Pension Code, First Reading of the Bill. House Bill 796, Steczo-et al, a Bill for an Act to add Sections to the Illinois School Code, First Reading of the Bill. House Bill 797, Stanley-et al, a Bill for an Act to amend Sections of the School Code, First Reading of the Bill. House Bill 798, Hannig-Watson, a Bill for an Act to add Sections to the Local Mass Transit District Act, First Reading of the Bill. House Bill 799, Steczo-et al, a Bill for an Act to amend Sections of the School Code, First Reading of the Bill. House Bill 800, Ronan-et al, a Bill for an Act to amend Sections of the Bingo License and Tax Act, First Reading of the Bill. House Bill 801, Flinn-C.M. Stiehl, a Bill for an Act to amend Sections of an Act relating to the composition of elections of county boards and certain counties, First Reading of the Bill. House Bill 802, Ralph Dunn-E.G. Steele-Neff-Rea, a Bill for an

Act to amend Sections of an Act relating to alcoholic liquors, First Reading of the Bill. House Bill 803, Bianco-Peters-Topinka, a Bill for an Act to amend Sections of an Act to regulate the practice of dental surgery, First Reading of the Bill. House Bill 804, Macdonald-Chapman-et al, a Bill for an Act to amend Sections of the Illinois Pension Code, First Reding of the Bill. House Bill 805, Peters-et al, a Bill for an Act making appropriations to the Secretary of State, First Reading of the Bill. House Bill 806, Braun, a Bill for an Act to prohibit self help eviction proceedings, First Reading of the Bill. House Bill 807, Schuneman-Schraeder, a Bill for an Act to repeal an Act providing for the protection and safety of persons in and about construction, repairing, alteration, or removal of buildings, bridges, and so forth, First Reading of the Bill. House Bill 808, Darrow-Mautino-Leverenz, a Bill for an Act to amend Sections of the Illinois Vehicle Code, First Reading of the Bill. House Bill 809, Bradley, a Bill for an Act to amend Sections of the Illinois Income Tax Act, First Reading of the Bill. House Bill 810, Matijevich-et al, a Bill for an Act to amend Sections of the Revenue Act, First Reading of the Bill. House Bill 811, Matijevich-Steczo-Currie, a Bill for an Act to add Sections to the Illinois Public Aid Code, First Reading of the Bill. House Bill 812, Wikoff, a Bill for an Act to amend Sections of an Act to create the State University Civil Service System, First Reading of the Bill. House Bill 813, Preston-et al, a Bill for an Act to amend Sections of the Illinois Pension Code, First Reading of the Bill. House Bill 814, Ralph Dunn-Mulcahey, a Bill for an Act to add Sections to the School Code, First Reading of the Bill. House Bill 815, Pullen, a Bill for an Act to amend Sections of the Illinois Health Facilities Planning

Act, First Reading of the Bill. House Bill 816, Sam McGrew, a Bill for an Act to amend the Unemployment Insurance Act, First Reading of the Bill. House Bill 817, Donovan, a Bill for an Act to amend Sections of the Illinois Vehicle Code, First Reading of the Bill. House Bill 818, Bowman-Collins, a Bill for an Act to add Sections to the Election Code, First Reading of the Bill. House Bil 819, E.G. Steele-et al, a Bill for an Act to amend Sections of an Act to revise the law in relationship to class, First Reading of the Bill. House Bill 820, C.L. McCormick, a Bill for an Act to add Sections to the Revenue Act, First Reading of the Bill. House Bill 821, Reilly, a Bill for an Act to amend Sections of the Illinois Administrative Procedure Act, First Reading of the Bill. House Bill 822, McPike, a Bill for an Act to demonstrate additional successors to the office of the Governor upon inability of the Governor to act or upon his unavailability, First Reading of the Bill. House Bill 823, C.L. McCormick-et al, a Bill for an Act concerning financial institutions in Illinois, First Reading of the Bill. House Bill 824, John Dunn-et al, a Bill for an Act to amend Sections of the Probate Act, First Reading of the Bill. House Bill 825, Pierce-Levin, a Bill for an Act to amend Sections of the School Code, First Reading of the Bill. House Bill 826, Dick Kelly, a Bill for an Act to amend Sections of the Illinois Emergency Services and Disaster Agency Act, First Reading of the Bill. House Bill 827, Giglio-et al, a Bill for an Act making appropriations to the Comptroller, First Reading of the Bill. House Bill 828, Cullerton, a Bill for an Act to amend Sections of the Criminal Code, First Reading of the Bill. House Bill 829, Stanley-Klemm-et al, a Bill for an Act to create the Suburban Transportation Authority, First Reading of the Bill. House Bill 830, J.J.

Wolf-Matijevich, a Bill for an Act making appropriations for certain continuing Boards and Commissions, First Reading of the Bill. House Bill 831, Hudson-et al, a Bill for an Act to amend Sections of an Act in relationship to terms, conditions, and provisions of contractable employment, First Reading of the Bill. House Bill 832, Younge, a Bill for an Act to make an appropriation to the Illinois Industrial Development Authority, First Reading of the Bill. House Bill 833, Younge, a Bill for an Act to add Sections to the Illinois Insurance Code, First Reading of the Bill. House Bill 834, Dick Kelly, a Bill for an Act to add Sections to the Illinois Administrative Procedures Act, First Reading of the Bill. House Bill 835, Mautino, a Bill for an Act to amend Sections of the Illinois Horseracing Act, First Reading of the Bill. House Bill 836, Vinson, a Bill for an Act to add Sections to the Secretary of State Merit Employment Code, First Reading of the Bill. House Bill 837, Oblinger-et al, a Bill for an Act relating to the abuse, neglect, and exploitation of aged and disabled adults, First Reading of the Bill. House Bill 838, McClain-et al, a Bill for an Act to amend Sections to the School Code, First Reading of the Bill. House Bill 839, Karpiel, a Bill for an Act to amend Sections of the Illinois Pension Code, First Reading of the Bill. House Bill 840, ...a Bill for an Act in relationship to supplying schools, First Reading of the Bill. House Bill 841, Bowman-Davis, a Bill for an Act relating to functions of the office of State Fire Marshal, First Reading of the Bill. House Bill 842, Rigney-et al, a Bill for an Act to create the Illinois Agriculture Development Corporation, First Reading of the Bill."

Speaker Ryan: "The Gentleman from Marion, Representative Friedrich, for what purpose do you arise?"

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Friedrich: "Mr. Speaker, I would like to request a recess for a Republican conference in room 114 immediately."

Speaker Ryan: "About 15 minutes or..."

Friedrich: "Right."

Speaker Ryan: "Republican Conference in room 114. Do the Democrats want a Conference? You want breakfast? The House will stand in recess until the hour of 9:35. Republicans have a conference in 114. ...Seek recognition, Representative Leverenz?"

Leverenz: "Thank you, Mr. Speaker. What is the program today?"

Speaker Ryan: "Well, the hour of 9:00 having arrived, we...well, I better bring the House into Session. The House will come back into Session. The Members will be in their seats. And we'll now...oh, take the roll call, Mr. Clerk. The House will now resolve itself into a Committee. A quorum is present. 141 people being present there is a quorum in the House. The House will now resolve itself into a Committee of the Whole with Representative Neff in the chair."

Chairman Neff: "The Committee of the Whole will now come to order and we're now continuing on the House Bill 737, 738, 739, 740, 741, 742, and 743. The first...if there is any Members here...or witnesses that wish to appear as a witness will they make sure it is known to the...the Committee Clerk, and if you haven't signed a witness slip, I would appreciate you doing so. Mr. James Johnston, come to the podium and...Mr. Johnston is a senior economist for the Standard Oil Company in Chicago. Mr. Johnston. Pardon me. Let's have a little order now. We have a very important witness here, and we have many of you folks that have been sitting there patiently want to hear this Gentleman."

Rauscher: "In view of the busy schedule you're on I will keep my remarks very brief. My name is Bob Rauscher. I am Vice President for Aamco Oil with marketing responsibility for the central region located in Chicago. Our region includes the State of Illinois. My company has deep roots in the State of Illinois. Our corporate headquarters are located in this state, and the growth of our petroleum business for nearly a century has been closely linked with the growth and prosperity of Illinois. Over the years our company and its independent dealers and jobbers have collected hundreds of millions of dollars in motor fuel taxes from Illinois motorists and turned them over to the State Road and Bridge Fund. We've done so, obviously, because that is required by state law. But equally we have done so because we believe that motor fuel taxes represent and fair equitable basis for maintaining and building our highway network. We believe our viewpoint is shared by Illinois motorists, most of whom are also Illinois taxpayers and voters. You've been asked to pass a five percent gross receipts tax on all petroleum products. This tax would irrevocably link the state financing of Illinois highways with the financing of a mass transit system. I would like to share with you some of the reasons why my company does not believe such a law is in the best interests of Illinois. Perhaps the most prevalent misconception regarding the proposed tax is...is that Illinois consumers would pay only about 10%..."

Chairman Neff: "Pardon me, Sir. Is there a comment?"

Conti: "Mr. Chairman, I am here this morning because I want to hear what is going on and why this man opposes or is a proponent or opponent. Now if those that aren't interested in listening to what the man has to say, I wish they would hold their meetings outside so that I can hear what is going on. I've got an important Bill next week to vote on."

Chairman Neff: "Your point is well taken. Let's have a little order. If we have to have meetings let's move to the back of the room because there is many Members sitting here patiently and want to hear what this Gentleman has to say."

Raucher: "Thank you. The most prominent misconception regarding the prrposed tax is that Illinois consumers will pay only about one half of the tax because the remainder can by deducted by the petroleum marketers from their federal income tax. Unfortunately, this is not true. Re...we respectfully submit that the Governor's advisors are incorrectly confusing pre-tax revenues and cost data with after taxed net income data. If a profitable firm, which is what we hope to remain, incurs an added cost of one dollar due to the new tax or for any other reason the immediate impact will be a reduction of one dollar in pre-tax revenues. On an after tax basis, however, its net income will be reduced 54¢ and its federal income tax will drop 46¢. The catch, however, is that if the firm seeks to recoup the cost in the market place, it cannot merely raise its price 54¢ because this new revenue is also subject to federal income tax. Hence, the firm must raise its market price a full dollar to recover the dollar in costs. Just as there is no such thing as a free lunch, there is no such thing as a half price sale on state taxes. The consumer, as always, pays the entire freight. Another popular misconception which I would like to address is that Illinois Petroleum Marketers could, either through legislative mandate or on a voluntary basis, absorb all or part of the gross receipt tax at five percent. Neither approach is realistic. State laws passed in New York or Connecticut originally contain provisions prohibiting petroleum marketers in these states from passing through to consumers the cost of this tax. This approach was subsequently declared unconstitutional in each instance. As for the voluntary approach, it is also unrealistic. Applied to gross sales, five percent exceeds the profits made by most businesses in Illinois. The refining marketing segment of the petroleum industry earns about one cent a gallon after tax in normal times. The gross receipts tax that we have considered here has proposed to add about six cents per gallon to the price of all petroleum products if applied equally to all products. Clearly any petroleum marketer that attempted to absorb even a small part of such a tax would soon be out of business. It is impossible to predict with complete accuracy the immediate impact of a gross receipts tax, what it would be on each of the markets in the state recognizing market conditions. What we can say with certainty is that over time, the people will bear the burden of this tax in the form of higher prices, higher unemployment, reduced sales, and the export of Illinois business to other states. Assuming as we must, that the total cost of the proposed tax is passed through to all consumers of petroleum products. It is clear that the industrial and business sectors of Illinois are going to be affected. Judging from a sampling of Aamco oil sales to business customers the principle industries affected will be railroads, air lines, trucking, and wholesale and retail trade. It should be noted that most of these industries are already burdened by low and in some cases declining profit margins. The additional burden of significantly higher fuel costs could well be the factor that could cause some of these firms to make the difficult choice between fleeing the State of Illinois or facing insolvency. I have not yet mentioned the problems which higher petroleum costs create for the farmers of Illinois. My company has been closely tied to this business over time, and we're very much aware of their plight. The cost today of fuel, petroleum derived fertilizer, pesticides and other products represents an increasingly significant part of the total expenditures in the farm community. And while farm fuels are exempt from Illinois' seven and a half cent a gallon road tax, they would be particularly vulnerable to the five percent gross receipts tax. Obviously Aamco Oil has invested interest in the tax that has been proposed. Now I don't want to suggest otherwise. As I have noted, an equal pass-through of the tax to all petroleum products we sell in Illinois would raise the price by about six cents on each product...on each gallon. We believe it is quite probable, however, that the tax could fall disproportionately on certain products. As a limiting case, if there were no pass-through on any product except gasoline, the price would be increased by about 12¢ a gallon. Likely, there will be some pass-through on other products such as home heating, oil, and industrial fuel. But gasoline, nevertheless, may have to increase by more than the six cents. You need look no further than the declining state of the Illinois Bridge and Road Fund to be aware that the motoring public is in no mood to 'continance' significantly higher prices for gasoline. As a direct result of higher gasoline prices, consumers have already significantly changed their buying habits. Gasoline sales are running about 13% below 1978 levels. As perhaps you are aware, my company has been forced to moth ball its refinery at Wood River, Illinois and at least one other company has announced plans of closing an Illinois refinery. These operations represent jobs for Illinois residents and tax revenue for the state. The potentially large gasoline price increase will create serious problems for dealers and jobbers, particularly those located near the borders of neighboring states. This was detailed very well yesterday by one of the visiting jobbers. There is tax differential now. This tax would widen that differential obviously taking business from our state to adjoining states. As my company views the basic problem, it is one of seeking to raise a large sum of money from a small base by virtue of tax imposed on a single industry. Spreading this large revenue need over a larger base would make the rate smaller and therefore less disruptive to Illinois economy. We have never nor do we now argue against the necessary inposition of motor fuel taxes in support of adequate roads and highways. Additionally we recognize the importance of a viable mass transportation system to the City of Chicago, its businesses, and persons residing in outlying communities. Certainly there are subjects worthy of the best solutions that this Body can bring forth. We do, however, urge that you consider most carefully all the negative implications involved with the imposition of a tax on petroleum products to satisfy the financial requirements of a mass transit system that serves so few of the states constitutents. That concludes my remarks, and I would like to introduce along with me, Jim Johnston, a senior economist with my firm, and we would be happy to discuss any of your questions."

Chairman Neff: "Mr. Johnston, would you...you have some remarks you'd like to make? Robert Meyer...Cook County...the Gentleman from Cook."

Meyer: "Is the mic on? Yes. Mr. Chairman, I would like to ask the witness, has the oil company computed the dollars and cents that would be coming to the State of Illinois with this five percent tax in comparison to the dollars and cents figure that has been shown in this Bill, and have they projected it for the next four or five years such as the Bill indicates? How do your figures stack up to those figures?"

Rauscher: "I don't believe we've had an opportunity to make a direct comparison because we really haven't had the projections for the future from the state's projections. We have estimated that this Bill would impact our company in the range of $78,000,000. While that compares the overall total presently and in the future, I can't comment at this point in time...we need the opportunity to do that."

Meyer: "Well, seeing...alright, seeing that the package that was passed about a year and a half ago was to be a...long-term funding and it lasted a year and a half, this package that we have now is to be a long-term funding, and I would like some figures from the oil companies to indicate that the figures we have are accurate or that we're going to wind up in another two years back here at the state trying to come in with another long-term package. Or if this indeed is passed, will this...do what it is supposed to do? Give us long-term finding for mass transit."

Rauscher: "Certainly I don't propose that we would analyze the...efficiency expenses of the transit system. That's really not in our level of expertise. We do have expertise in analyzing demand trends, the effect and the projected effect of inflation upon the product cost, and that we can do a very good job of analyzation."

Meyer: "Thank you."

Chairman Neff: "Mr...The Gentleman from Cook, Mr. Leverenz."

Leverenz: "Thank you, Mr. Chairman. Could the Gentleman walk through the point he made on pre-tax versus after-taxprofits...pre-tax revenues versus after-tax profits, and that you are stating that you cannot just pass half of the tax through."

Rauscher: "I think it really, in essence, centers around the fact that when you raise a price to recover all or a part of the amount of money you are looking for that also is subject to federal income tax. And the way I said it...if a firm...profitable firm that is incurs an added cost of $1 the immendiate impact would reduce our revenues by a dollar. Now on an after-tax basis, that takes our net income down by 54¢. Also our federal income tax then drops then by 46¢. The problem comes that when you try to recoup the cost in the market place you can't just merely raise it 54¢ because that also is more revenue which would be subjected to federal income tax. So as a result you've got to raise the amount, at least the amount of the tax to net out on a break even basis. You've also got the factor, then, of other taxes impacting upon that increased revenues. You literally also have a fact that as that tax and realization goes up volumes tend to decline."

Leverenz: "So the Governor then is putting the tax in the wrong place. Is that correct?"

Rauscher: "We believe that perhaps some of the analyst that took a look at it didn't truly understand the impact."

Leverenz: "What do...do you have any recommendations for...an alternative tax?"

Rauscher: "I think as I said in here in the statement we have historically been acceptable to...reasonable justified increases and...gasoline tax funds for highway usage. We believe that mass transit funds should be secured from a broader based effort lying upon the people and businesses who enjoy those benefits. And our company does that. We certainly would be willing to pay our fair share. We think it is unrealistic to place the entire burden on the petroleum industry."

Leverenz: "What would your feelings be...a percent gas tax versus a flat amount?"

Rauscher: "We prefer flat amount cents per gallon gasoline tax."

Leverenz: "To raise the same amount of revenue do you have an estimate of what that flat amount would be?"

Rauscher: "In the statement, to raise the same amount of revenue of the total package it is estimated in our case to be around 12¢ a gallon."

Leverenz: "What would...would you have any opinion or feelings that we would not...put it on the oil companies, but we might have an import tax on coal?"

Rauscher: "Perhaps I would let Mr. Johnston comment on the import tax on coal."

Chairman Neff: "Mr. Johnston."

Johnston: "Thank you..."

Chairman Neff: "Mr. Johnston for Standard Oil Company also."

Johnston: "Thank you, Mr. Chairman. Just a thought or two about import taxes on coal. What I think you will find that is equivalent to is raising a tax on the utilities that use coal, and I think that it might not be...successful in the sense that...what would happen is that you might see a diversion of coal especially needed during very cold weather and emergency times to other locations."

Leverenz: "Then we would perhaps burn a little of our own, right?"

Johnston: "It certainly would have that effect, but you have to understand that not all coal is the same with respect to meeting air quality standards, and some utilities might not be in a position to switch exclusively to coal from Illinois if indeed most of that coal is high sulfur coal."

Leverenz: "Thank you, Mr. Johnston. Mr. Rauscher, you said that this might or it proabably would add to industry leaving the State of Illinois. To what degree would you see the business climate in Illinois decline?"

Rauscher: "I think it certainly would be interpreted as a very clear signal to present business in the state as well as businesses considering coming to the State of Illinois. I think the Gentleman from United Airlines yesterday very clearly outlined the impact that such a tax would have upon their operations. And within many business sectors individual companies have the prerogative to decide where they will conduct their business. This tax, for example, we talk about truckers. They may find themselves in the position that they have to charge their Illinois customers more for their services. I think its...I can't qualify it from a numeric standpoint. I think what we're talking about is an environment, an attitude, and direct impact upon a great number of small customers and businesses...not only small, small and large businesses."

Leverenz: "Thank you."

Johnston: "May I offer an additional thought on that. Keep in mind that the nature of the gross receipts tax is to levy the tax price on one group for the benefit of another group. And that has to send a message to all healthy industries that are either presently in Illinois, contemplating expansion in Illinois,or possibly coming to Illinois to locate their operations and increase employment of Illinois citizens. It is an inescapable fact that when you tax healthy activities and subsidize sick activities, you're going to have fewer healthy ones and more sick ones."

Leverenz: "Thank you."

Chairman Neff: "The Gentleman from Cook, Mr. Conti."

Conti: "Yes, Mr. Rauscher, I think I heard what you said that you...this tax definitely will...is this an estimate on your part or will it definitely cost...reflect about a six cent increase at the gas pump?"

Rauscher: "That...I believe that this tax will reflect in that type of a..."

Conti: "You believe or you have...you believe or do you have any actual figures? Just what was it?"

Rauscher: "I think the thing we've got to bear in mind is that prices in our industry are determined by the competitive pressures of supply and demand. This tax when you compare it to the overall earnings level of our industry is of such magnitude that I believe it will be passed on through to the street. Yes. I guess I would give you the example of our experience in Connecticut where that tax has effectively resulted in an increase on the...of the same amount as the price on the street."

Conti: "Now it is true that the main object of this Bill is for mass transportation but also the crumbling highways downstate and in the State of Illinois, don't you think that the oil refineries have some responsibility to the state in which they are doing business to make sure that as long as this is a combination package that they participate in the cost of building these highways?"

Rauscher: "Yes we do. As I stated, we believe..."

Conti: "What do you think would be a fair tax for your industry?"

Rauscher: "I think I would have to look back to you and ask that this Legislative Body determine the appropriate level of funds that are needed for the highway system and the commensurate cents per gallon gasoline tax to suppport that makes sense. I think that you are in the position to determine the absolute level of expenditures required. We cannot do that."

Conti: "For whatever it is worth, I don't know how others feel about it, but I heard you say that you already closed one plant. Most of us are under the impression that you're closing your plants because you're trying to avoid a gas war strike and that your profits are plentiful. It is just the gas war strikes that you're trying to prevent and that is why you're holding back and closing down a few of your refineries. Now all the rest of the oil companies ought to get up here and testify. If they'd stay away from about....about closing their plants because this tax is confiscatory, I think you're going to loss whatever impact you might make on this Body because we don't entirely agree with you that you're closing down because of the profit and loss margins."

Rauscher: "Let me explain that just a moment. I think that is worthy of comment. The refining system in the country is running at around a 70% level. They run most efficiently at a much higher percentage level. Our refinery at Wood River required a sweet type crude which is becoming in shorter and shorter supply. We will run the same amount of product with Wood River or without. Our overall level of the balance of our refineries will improve, and we will have a more efficient operation which does reduce our costs. So it is not anything to do with restraining supplies or anything like that. There is plenty of capacity to more than meet the demands of our...of our customers. And I think that is an important distinction to bear in mind."

Chairman Neff: "Tha Lady from...DuPage, Mrs. Karpiel."

Karpiel: "Thank you, Chairman. I would just like to ask the witness his opinion if you think that it is justifiable to tax the Chicago residents and businesses to pay for their Chicago transit system?"

Rauscher: "Was that the question?"

Karpiel: "Yes, Sir."

Rauscher: "I think more broadly...I think the people who should carry the burden are the people who have the benefits. Yes, I think the people in Chicago should share a great portion of that expense."

Kapriel: "A great portion?"

Rauscher: "Or the...the expense..."

Karpiel: "Conversely, do you think that it is equitable and fair to tax the rest of the state, particularly the suburbs, to pay for that system?"

Rauscher: "If they are receiving benefits such as I say our company does. Many of our employees work in the suburbs and travel to downtown. They use the public transportation system. So I think it boils down to locking those cost responsibilities into those segments of the society and the public that secure benefits from them. We certainly believe we should bear our share."

Karpiel: "Thank you."

Chairman Neff: "The Gentleman from Marion, Mr. Friedrich."

Friedrich: "Thank you, Mr. Chairman. The question I have is, I think, one that you people have research people. I am sure you've screened these Bills for all the angles, what would keep me or a farmer from a metropolis or Quincy or some other town that was reasonably close to the state line from going across the state line and buying products under this...that are taxed under this Bill and buying them. I don't...I can't find anything that says you can't do that."

Rauscher: "On a basis of our analysis I don't think there is anything that would prevent that. I believe that would occur."

Friedrich: "Well, I don't...there's no doubt about it that it is going to occur if there is no prohibition. I didn't find any. I can't even find anything that keeps you from going across the state line with a truck and bring back my diesel from a farm tractor either."

Rauscher: "I haven't seen anything either."

Friedrich: "Well, I think I'm going to set up a few stores around the state line...across the line. Thank you."

Chairman Neff: "The Gentleman from Adams, Mr. Mays."

Mays: "Yes, Mr. Rauscher, I am kind of interested in the experience the other two states that you mentioned, has had with this no pass through provision on the oil companies. What specifically has happened in the other two states where this provision has been passed?"

Rauscher: "I am not very close to that situation. As I understand it both of the provisions were challenged in court and on constitutional grounds were found to be defective. My understanding that the State of Connecticut the tax is being assessed and paid and passed to the customer. The State of Illinois it is not being assessed, paid, or collected. New York, I'm sorry."

Mays: "Alright, basically in a court case, and it would be safe to assume that there would be litigation following...if such a provision was passed in Illinois."

Rauscher: "I would assume that that is a likely possibility."

Mays: "Alright, in a court case, what would happen to those revenues that would be collected. Would they be collected during the entire litigation process and then held in escrow or something or what?"

Rauscher: "Not being an attorney, I can't give you a decent answer to that. I really don't know."

Mays: "Alright, thank you very much."

Chairman Neff: "The Lady from LaSalle, Mrs. Hoxsey."

Hoxsey: "Yes, I wonder since the other utility companies, I understand, are already taxed a five percent tax and you philisophically have indicated that you believe the cost of a program should come from the people that benefit from that program, do you feel that the petroleum industry is...should be exempt from the same tax that the other utility companies pay?"

Rauscher: "We...already 'adjoin' a very high level of tax, sales tax throughout the state, and I don't think it is a direct comparision between us and the utility."

Hoxsey: "The gas companies for example?"

Johnston: "The utility companies have a five percent tax on their sales, but so does the petroleum industry in the United States. Not only is it five percent, but it is higher in some parts of the state. What you're talking about is not making a situation equivalent between the two sectors of the energy industry by adding a five percent tax. Essentially what you're doing is that you're going to add an additional five percent tax on top of the five percent sales tax. Things as they stand now are roughly in balance as far as the taxing on the two segments of the industry. The extra five percent gross receipts tax would essentially double the burden on the petroleum part."

Hoxsey: "Alright, you also indicated, Sir, that you would prefer to see a motor fuel tax increase rather than this five percent gross receipt tax, but you've also indicated that either one of them would be passed on to the consumer. Why is the...why is the five percent gross receipts tax such a much bigger detrement to you than the motor fuel tax if you're going to pass it on to the consumer?"

Rauscher: "I think a major piece of our concern is the combined package of highway and mass transit. A basic point of ours is that we believe gasoline tax finds should be used for highway maintenance and improvements...that the determination should be made of the adequate appropriate level of highways funds that should be funded by a cents per gallon gasoline tax. It...again reinforces having the people who share the benefit carry the load whereas you get back to th gross receipts tax, singles out one industry, much broader intent, and also much broader effect."

Hoxsey: "In other words, it doesn't really make any difference to your company. You're talking about how the money is spent. I'm talking about it as a source of revenue and what it does to your company. Now is there any difference whether it is a motor fuel tax or whether it is a gross receipt tax as far as your business is concerned? You're going to pass it it on to the consumer, you say. I want to know why the gross receipts tax is that much bigger a detrement to you if you're going to pass it on to the consumer."

Johnston: "Please understand that our company reacts to market conditions, and the principle market condition that we're subject to is the reaction of our consumers. It is difficult to be an instrument in trying to tax one group for the benefit of the other. That ends up creating a negative reaction on the part of consumers, and their negative reaction is transmitted to us. So it makes those parts of our business which are not related to the highway fund or to mass transit unhealthy, to say the least, and already we have a very narrow profitability margin on those segments of our business that exist in Illinois. I think you have to be very cautious when you try to force consumers to behave in a way that they do not behave...do not want to behave. We, as a company, have learned that lesson very often. We have to respond to what our customers...how our customers behave, and we're anticipating that our customers are going to act very differently toward a gross receipts tax compared with a tax like an increase in the motor fuel tax which is directly related to the benefits that are being received."

Hoxsey: "Thank you."

Chairman Neff: "The Gentleman from DuPage, Mr. Hudson."

Hudson: "Thank you...thank you, Mr. Chairman. Mr. Rauscher, earlier on in your testimony here you said something that I considered to be a verity, and that is if we tax healthy entities to support sick ones we're going to have fewer healthy ones or something to that effect....I think that is fairly close. I happen to agree with that 100%. Now would you tell me what you're talking about here in regards to what you consider to be the unhealthy entities in this case?"

Rauscher: "My colleague, Mr. Johnston, made that comment in his regard."

Johnston: "Allow me to speak as an economist who has specialized in studying both public finance and industrial organization which includes transportation subjects. I guess what I have in the back of my mind about which of the beneficiaries of this tax revenue that I would characterize as unhealthy is the mass transit system in Chicago. The CTA's financial statics are very revealing. The costs increases on an annual basis. Since the last bail out in 1978, are growing at 16%. The revenues by contrast are growing at about half of that rate...exact...almost roughly equal to, perhaps a little above, the rate of general inflation. So we have a problem with the transit system where the costs are increasing at twice the rate that revenues are increasing. The solution to that problem is to control the costs, not to increase the revenues. Increasing the revenues will relax the discipline on that unhealthy activity that is being carried on."

Hudson: "Thank you. Do you have...just moving on as a corollary to that, a suggestion as to why you feel these costs are...are constantly spiraling?"

Johnston: "Speaking now as an individual just as an economist, every economic entity where costs are increasing faster than the revenues, has as a root cause of that some parts of the system that are operating at a loss and perhaps presumably there are some parts of the system that are viable from an economic perspective. The tasks that must be addressed is to separate the uneconomic parts from the viable parts. Ordinarily in an industry that competes in the free market without taxpayers' subsidy, it is the market influences that force that entity to discipline itself and to separate the uneconomic parts from the economic parts. What I worry about just as an individual taxpayer is that I don't see effective discipline in the plan proposed by the Governor that will truly bring about a separation of the uneconomic parts of the transit system from the economic parts."

Hudson: "Thank you."

Chairman Neff: "The Gentleman from Lake, Mr. Matijevich."

Matijevich: "Mr. Chairman, I just thought of a solution to the whole crisis we're in, Mr. Witness. We've got a Lady up sitting near the front there that introduced a Bill to sell the RTA to the highest bidder, and you mentioned your corporate interests in the State of Illinois, and I don't know of anybody else who can afford to buy the RTA than Standard Oil, and you...that would help you, too. You'd have a tax shelter. All of us could go home, but she is right up there in front. Why don't you talk to her about it, and then we can all go home."

Rauscher: "I think we've learned overtime that we better stay to our area of expertise, and that is the petroleum business."

Chairman Neff: "The Gentleman from Will, Mr. Davis."

Davis: "Well, thank you, Mr. Chairman. Mr. Rauscher, if this is repetitive, stop me immediately, but I want to address the idea of a discrimination in this tax. Have your constitutional legal staff of any of the oil companies that are involved in combatting the inposition of this tax discussed the idea or examined the constitutionality under the Illinois Constitution referring to Article 9 Section 2 about the disriminatory nature of this tax, and what is their or your opinon?"

Rauscher: "I am not aware of the considerations. I don't know if our company has. Perhaps one of the later witnesses can better respond to that. I really can't answer that for you."

Davis: "Is there someone here that will respond? I see a nodded head. I would withdraw the question."

Chairman Neff: "The Gentleman from Sangamon, Mr. Kane."

Kane: "Yes, some questions to Mr. Johnston. You were suggesting that if the price went up on gasoline or petroleum products that there would be a reduction in purchases of the product because of negative consumer reaction, and I am wondering if you would tell us what the...in light of the increases in gasoline and other petroleum product prices over the last several years what Standard Oil has found out in terms of what the price elasticity of petroleum products are particularly gasoline?"

Johnston: "Price elasticity is a concept that relates to a change in consumption given a particular change in price. If you're talking about the entire market for gasoline, there are two elasticities to keep in mind, one is the short-run elasticity and the other is the long-run elasticity. For the long-run...let's take the short-run elasticity. If people are caught by surprise by a price increase they have fewer opportunities to change their consumption patterns. So the reduction in consumption is very small. For..."

Kane: "....Figure it will be..."

Johnston: "Something like a 10% increase in price you would have on the order of a one percent reduction in consumption. In the long-run, the numbers are a little different. In the long-run the change, say a 10% increase in prce would yield a three percent decrease in consumption. However, understand the qualification I said at the outset. This refers to the whole market. Elasticities are affected by the presence of substitutes. We're talking in this case about a tax that is imposed on one geographic area. There are lots of substitutes in other geographic areas, for example, which do not carry the price increase. So you would expect a much more elastic response, change in consumption, in Illinois for a given increase in price. And an important thing...an important implication of that reduction in sales associated with a modest, perhaps, even increase in price in Illinois, would be to see the Illinois tax revenues...other tax revenues like the motor fuel tax decline. And it seems to me in all of our revenue projections for this Bill you not only have to look at the revenues which will be raised by this Bill appropriately calculated, but you must also take into account the declining tax revenues from other taxes like the motor fuel tax, like the state income tax, like the personal income tax, especially for workers that might be left unemployed."

Kane: "How could you have much substitution, say on the purchase of gasoline? I mean, how far is someone going to drive to pay one cent less per a gallon of gaoline to fill up a 16 gallon tank?"

Johnston: "You're right in the sense that those people that are close to the borders with other states are the ones most likely to drive to other jurisdictions and to buy their products at the lower price. Let me add that not everyone that purchases gasoline and other refined products are those who would buy 10 or 20 gallons at a time. There are quite a lot of very large purchasers. Businesses, even the small business, if it is a taxi system or whatever, they are large purchasers. So the impact, the presence of substitutes is more available for large purchasers than it is small purchasers. So in a sense this tax is very regressive. It benefits essentially the large purchasers are...can take advantage...can incur the higher cost of going across the state line compared with very small purchasers."

Kane: "Well, doesn't the...doesn't the Bill as extracted impact on the point of sale in the State of Illinois so that if a large purchaser purchased out of state they would still have to pay the tax?"

Johnston: "Only if he resold that. If indeed he purchased that for his own consumption it is not clear to me that he would have to pay the tax in Illinois."

Kane: "What has been the percentage increase in the price of petroleum products in the last several years?"

Johnston: "In order to answer that question you have to try and take out the effects of the changing value of the dollar."

Kane: "You know, since we are in this economy and we're dealing with prices here why not just the percentage increase in say gasoline energy costs here in Illinois. What has been that percentage increase?"

Johnston: "In what period..."

Kane: "Annual over the last two years, three years?"

Johnston: "Okay, the last two and a half years we're talking about a period during which time we've had an Iranian revolution, reducing supplies, and a war between Iran and Iraq which also reduced supplies. The prices during that period from...the middle of 1978 to the middle of 1980, as I remember, the prices increased in the United States about 60¢ a gallon."

Kane: "What...what is that percentage annual?"

Johnston: "It is hard to do that calculation in your head because you've got to calculate the ratio and raise it to the one half power. I don't do that gracefully on my feet."

Kane: "Approximately...what, 40% a year?"

Johnston: "Let's say 40% over that two year period."

Kane: "Not if it started...what is it now? It is 100% over a two year period if prices are now $1.30. If it increased 60¢...60¢ on top of 70¢, that is about what, 90% divided by two years is about 40-45% a year? Approximately..."

Johnston: "That...we're in the ballpark, yes."

Kane: "Okay. You suggested that the CTA should control costs because costs are going up faster than revenues. One of the major costs of the CTA, of course, is petroleum. Would you tell us how you would suggest that the CTA should go about controlling petroleum prices to itself when those prices have gone up at 40-45% a year and their total costs have only gone up 16%? I would think that that is a fairly decent record if their taking one of their major costs that is going up at 45% and you're complaining that their total costs have gone up 16% and that they should control those costs. Could you suggest to us how the CTA should control the petroleum costs to itself?"

Johnston: "Am I just limited to answering that question or can I expand it?"

Kane: "We'll go on to other questions if you'll answer that one first."

Johnston: "It seems to me what you have to keep in mind is that while fuel costs have been increasing, fuel costs are not a major part of the CTA's cost structure. 80% of their costs are labor costs. In addition to that what you have to understand that the CTA and the RTA are not the only ones that use fuel and incur higher fuel costs. For example, to commute to work. People in their individual automobiles driving have sustained more of an increase and their costs of operation than the transit system. Now there is a very important point in that. The point is that it should have made the mass transit system more competitive in an environment in which the costs of using a substitute for the mass transit has gone up more. Now I have to ask myself as just an economist if the CTA cannot control its competitive situation with respect to other modes of transportation in the best of times for it, then how can it do it during normal times?"

Kane: "Well, you're saying that total costs have gone up 16%, labor costs are 80% of the total costs, the inflation rate during that period of time has been what? 12%. So that if the salaries just maintain the cost of living and then the fuel costs went up 40-45% it doesn't seem to leave much room for the CTA to control costs any further. If one assumes that the labor force on the CTA is somehow optimal...that...you....that you have a real problem here. I mean, what are you suggesting when you say that the CTA should control costs?"

Jonston: "...That's an interesting assumption...As I said before, the revenues from the CTA are also increasing, and revenues are increasing a little bit faster than the rate of inflation since the last bail out. So you are seeing the CTA revenues keeping pace with inflation so if all of the costs in the CTA were increasing with the rate of inflation, the general rate of inflation in the economy, then you should see them not be in trouble given that their revenues are incresing at pretty much the same rate. Now that is the rate of increase in revenues before the recent fair increase. So I think that you've got to have a pretty pessimistic outlook for the future for CTA given that you might not see the cost of competing most transportation increasing as fast. And again, I think the ultimate..."

Kane: "What would you suggest, then, should be the reasonable pricing structure for a declining cost industry?"

Johnston: "I tend to prefer, as does Adam Smith, the free market..."

Kane: "When was the last time we had a free market?"

Johnston: "It is true there is a monopoly supplier of transit services in almost every area, and it would probably result in greater market discipline if transit systems did not enjoy a monopoly."

Rauscher: "We didn't really come here as experts on the CTA. From the testimony we heard yesterday, there is a lot more expertise in this Body as well as the witnesses that you talked with yesterday than we are. We don't profess to be experts on CTA operations."

Chairman Neff: "Thank you...The Gentleman from Cook, Mr. Huskey."

Huskey: "Thank you, Mr. Chairman. Mr. Johnston, what percentage of your petroleum products actually goes to highway use and what percentage...could you break that down? I have another question yet after that."

Johnston: "I would estimate very roughly like 60 to 70 percent."

Huskey: "60 to 70% of your products for highway use?"

Johnston: "I believe that is close."

Huskey: "I wanted to ask Mr. Johnston, he being a corporate giant, what would he think of a private enterprise, and how much better operation could we get from the CTA if it were to be turned over to private enterprise to run?"

Johnston: "Well, I don't know about turning it over to private enterprise, but before in the history of transit systems in Chicago and in other cities what you saw existing before the streetcar monopolies were established was the existence of the jitney form of transportation. In some places in the United States, especially Washington, D. C., those jitneys in effect exist. Taxi cabs in Washington are permitted to pick up more than one fare, and in the mornings taxis run along the bus routes and pick up passengers going into the city and in the evening they follow the same bus routes going out back into the suburbs. So if I were to make a prediction of what would happen, for example, if you were to eliminate the barrier to private individuals being able to supply transit services, I would predict probably again, the rise of the jitney service."

Chairman Neff: "The Lady from Cook, Mrs. Braun."

Braun: "Thank you very much. Mr. Witness, I am a little confused by some of the testimony you gave in response to Representative Kane's question. Specifically, if I understood you correctly, you mentioned that your profits were exceeding inflation, your profits had gone up at a rate that was in excess of the inflation rate...you did not say that?"

Johnston: "No, ma'am..."

Braun: "Is it true?"

Johnston: "I was talking about the CTA and revenues."

Braun: "I know...I am just...I am asking about an earlier response you...well, alright, let me ask you that question. Have your profits kept pace with, been below, or above the rate of inflation in the last fiscal year?"

Johnston: "Our margin on sales for 1980 in just the United States for domestic operations was in the neighborhood of 4.1%. That was down from the previous year from...in the neighborhood of...it seems to me it was a little less than 6%."

Braun: "Yeah, I would like to know what percentage...what the increase was...or the percentage increase...the profits...profits not marginal..."

Johnston: "Quoting profits as a percented sales automatically adjusts for inflation because you have the effects of inflation in the numerator and the effects of inflation in the denominator, and they can't..."

Braun: "Well, that applies across the board for everybody though in calculation. I would just like to have a clear understanding if your statement is that the companies of the oil companies that you are...if the...what the profits of the oil companies that you are testifying on behalf of were above or below the rate of inflation last year."

Johnston: "Well, they declined in real terms. They...they declined in nominal terms as well. So whether or not you adjust them for inflation you see that they've declined. In 1980 for the whole year an average number for refining transportation and marketing in the domestic United States was on the order of one cent a gallon profit. That has declined now such that that same segment of the business is much below one cent a gallon."

Braun: "I am really mystified. I am not an economist. I am just a housewife, and I am looking here at Standard of Indiana, and it looks like your net earnings are 1 billion...1.9 billion dollars for fiscal '81. That is from the Oil and Gas Journal March 2, 1981."

Johnston: "That is 1980."

Braun: "1980, sorry."

Johnston: "Yes, and that is gross...profits after taxes,...and it is on the order of 4.1% of sales."

Braun: "1.9 billion...net earnings...You indicated that somehow or another the CTA had the responsibility to control costs, but I believe you conceded in your statement that a major element of those costs were...their oil purchases or their gasoline purchases. Right? You did not concede that?"

Johnston: "I think I said it was...I implied that it was a minority part of their costs."

Braun: "A minority part of their costs,..."

Johnston: "Yes."

Braun: "But the costs in that area have risen in excess, have they not, of the costs in other areas such as labor?"

Johnston: "In order for the mathematics to work out I would have to agree with that. Yes."

Braun: "Yes, that is what I thought. Well, then in a way...in a effort to control costs, then would you suggest a reasonable response...a reasonable response by the oil companies might be to keep their cost increases to the CTA in line with the cost increases of afforded labor?"

Johnston: "The cost increases that come through in the market places cannot be determined by the seller. The cost increases are a result of...reductions in supply of petroleum world wide. I mentioned two incidents that have happened in the last two years. ...The Iranian revolution and the Iran-Iraq war."

Braun: "...Well, except...Certainly, but the Iranian revolution didn't give rise to net earnings of a billion nine or did they give rise to the margin of profit that you...to the increase in profits that you experience from one year to the next. I mean, that is a determination that is made internally by...by the sellers its used to turn."

Johnston: "Profits in terms of cents per gallon went down. So would you think it would be fair to the CTA to essentially pay us more to keep us in the same profit position?"

Braun: "I am sorry, Sir. I was distracted. I'm sorry, what was...no further questions."

Chairman Neff: "The Gentleman from Cook, Mr. Stanley."

Stanley: "Thank you, Chairman. What are the estimates that the five percent tax is going to raise in Illinois? What are your hard numbers, and I am addressing this to the economist by the way."

Johnston: "I'm sorry, we have not had a time to study that question, and it is a very important question, and it should be studied not only with respect to what tax revenues this particular tax might raise, net of the reduction in consumption that would occur with it, but also you should calculate what is the tax revenue reductions from other tax sources. I am sorry I haven't been able to do that, but you'll have to understand that we haven't had the details of the plan long enough in order to do those very detailed calculations."

Stanley: "Do you have just a ballpark feeling? You must at least have that."

Johnston: "I...I don't think it would be useful for me to speculate on that. I have not done the arithmetic, and I just would be hard pressed to give you a useful answer in that regard. Please allow me to do the calculation and the analysis and let me get back to you with that estimate."

Chairman Neff: "The fine patient Gentleman from DeWitt, Mr. Vinson."

Vinson: "Thank you, Mr. Chairman, Ladies and Gentlemen of the Committee, Mr. Johnston, and Mr. Rauscher, I believe it is. Now as I understand the essence of your presentation, it is that the healthy ought not subsidize the sick, that users should pay for the...benefits that are conferred upon them and not other people. Is that a fair summary? It is?"

Rauscher: "You know, that is part of the thrust of what we're talking about. Yes."

Vinson: "Would you adjust the...are you Mr. Johnston?"

Rauscher: "No, I am Rauscher?"

Vinson: "You're Rauscher."

Raucsher: "Johnston is the economist."

Vinson: "Would you adjust that microphone on your left so that it is aimed a little more directly? Thank you. What is...how does...does Standard have refineries in Illinois?"

Rauscher: "Yes, we do."

Vinson: "Where are those refineries located?"

Rauscher: "Wood River."

Vinson: "Where else?"

Rauscher: "That is the only refinery we have in Illinois."

Vinson: "That is the only one?"

Rauscher: "Yes, Sir."

Vinson: "How do you get petroleum to your Wood River refinery?"

Rauscher: "By pipeline."

Vinson: "Now, when you make the argument that the healthy ought not subsidize the sick, I assume you're saying that Standard ought not subsidize the CTA."

Rauscher: "I think Mr. Johnston was talking in an economic context when he was talking about that. It is economic theory. He wasn't trying to make an accusation or a direct comparison to the CTA."

Vinson: "Well, I don't understand what else it might mean."

Johnston: "I think we've tried to describe that Standard Oil is not going to bear the full burden of this tax. The tax is going to be born eventually by the consumers. Perhaps eventually isn't very far in the future."

Vinson: "Partially or wholly?"

Johnston: "So...the burden of the tax partially affirms...people pay taxes, not firms. So the people will end up with the full burden of that tax, and when I mean you shouldn't tax healthy activities to subsidize sick ones I am talking about essentially the people that are healthy now not having to bear the burden of taking care of other industries that have not disciplined themselves to separate the uneconomic parts from the economic parts."

Vinson: "I thought that is probably what you would suggest. Now, at some point in history this economy moved to a mode of transportation where gasoline, fuel oil, whatever was used to power engines along highways. How were those highways built?"

Johnston: "I am not fully acquainted with the history, but I think it is probably possible that some of..."

Vinson: "Well, don't you think government built those highways?"

Johnston: "Government may have done most of them, but I think that probably some roads have been built by individuals..."

Vinson: "Now wouldn't you suggest that at some point in that process government taxed buggy makers and people who sold oats to fuel the horses in order to build those highways in order to subsidize Standard Oil?"

Johnston: "Well...certainly the buggy makers were using the roads because their products were on the roads, and I think it is probably an appropriate connection to...who are the beneficiaries of the roads to see that they were probably taxed. Now I don't know the exact history, but it would not be inappropriate in earlier times if buggies were the main users of the roads for them to sustain the tax."

Vinson: "And so at some point in this history...we had government taxing buggy makers in order to subsidize Standard Oil and to let Standard Oil develop an automobile industry, the rubber industry, and so forth, and create that whole network."

Johnston: "I don't think we ever received a subsidy in that regard. We had motor fuel taxes for a very long period, and Standard Oil is not in the business of manufacturing vehicles."

Vinson: "I'm sorry."

Johnston: "Standard Oil is not in the business of manufacturing vehicles."

Vinson: "No, but don't you think there is some connection between your profitability and the automobile industry's profitability?"

Johnston: "I sure hope that is not true."

Vinson: "In other words, you think you could sell gasoline without people selling cars?"

Johnston: "You know, at that level it's certainly...certainly true, but I think that the problems that the automobile industry has is, I think, due to a different origin than the inability to sell cars."

Vinson: "In the long run, what are Standard Oil's estimates on available petroleum supplies? When are we going to..."

Johnston: "Sir, we will sell you virtually anything you want right now in almost any quantities because we have..."

Vinson: "I said in the long run."

Johnston: "I think the projections that we make into the future combining the conservation that is taking place also the rate of discoveries that are occuring domestically in the United States and in other places in the world, especially the non-OPEC world, is that we're moderately optimistic in the future if there are not further disturbances in the Middle East which will reduce supplies."

Vinson: "Well, do you think we're going to be able to run an economy based on the automobile in the year 2000?"

Johnston: "I think the automobile is going to be different. A larger fraction of the automobiles on the road will be using diesel fuel. We'll probably see the beginnings of electric automobiles on the roads during those times. But rapid dramatic changes in society that are very basic probably require a much longer time frame than just to the turn of the century."

Vinson: "2020?"

Johnston: "The farther in the future you make me look, the cloudier my crystal ball becomes. I find it very difficult to estimate that far in advance."

Vinson: "You don't think that we're going to have to gradually go through a process of moving more towards mass transportation?"

Johnston: "I think, if the recent trends are any indication, that you can expect mass transportation to substitute to any large degree for the private vehicle. What we're seeing, for example, even in urban areas where mass transit exists, by and large mass transit outside of urban areas is even less viable economically, but even in those areas, urban areas, we see a decline in the usage of mass transit. In a study done by the Bureau of the Census in 1975 compared with ridership in 1970 there was a 4% decline in mass transit usage during that period even though it occurred before and after that period...was the Arab oil boycott when prices for operating your private automobile went up sharply. So..."

Vinson: "And you think that is a desirable public trend?"

Johnston: "Economists are not terribly good at estimating what is desirable..."

Vinson: "Well, let's ask Mr. Rauscher what Standard Oil's judgment is."

Rauscher: "We're not opposed to mass transit, don't mean to imply that."

Vinson: "You think...is Standard Oil's point of view in favor of or opposed to the concept that we've got to move toward mass transit to solve transportation problems in coming years?"

Rauscher: "I would say we're supportive of mass transit."

Vinson: "Now when you say you're supportive of mass transit, is it your intention to support that in practical fashions?"

Rauscher: "Within the bounds of our benefit. We will pay our share. No, I think..."

Vinson: "Okay, let me ask you this question. You oppose this particular tax concept. Now there is another tax concept that some people have talked about for financing the CTA, and that particular concept would have property in the Loop or something larger than the Loop tax to pay the deficit. What is Standard Oil's position on that?"

Rauscher: "I didn't understand the last part of your phrase."

Vinson: "That concept would have property in the Loop area that is most benefitted from mass transit from the CTA pay the deficit. What is STandard Oil's position on that?"

Rauscher: "I really prefer not to take a specific position on that alternative. We have not had a chance to look at it. You are in a better position to consider that. What it appears to me superficially that it does come closer, you know, with the beneficiaries paying the bill. But I...as far as the corporation taking a position on that Bill, I am not familiar with the concept enough, you know, to really do that with finality."

Vinson: "Thank you."

Chairman Neff: "The Gentleman from Cook, Mr. Bowman."

Bowman: "Thank you, Mr. Speaker, Ladies and Gentlemen...and excuse me, Mr. Chairman, and honored witnesses. I would like to ask the witnesses, over here...on your right..."

Rauscher: "Pardon me."

Bowman: "I'd like to ask the witnesses, I suppose this is most appropriate to ask of Mr. Johnston, if the price of gasoline is equal to the marginal cost of its production? That was a question."

Rauscher: "Yes, sir."

Bowman: "It is equal to the marginal cost of production."

Rauscher: "And, you know, and not just production. Production is a very specific word, but include transportation, refining, and marketing and all of the other costs that are in the train, not all of which we operate in. For example, the retail part of it we don't. So if you're looking at the final price and the final market, by definition, the price is equal to marginal costs otherwise you'd have people producing more."

Bowman: "Well, it's not equal by definition of course. There are implications if it's one way or the other. Then that... Is the cost, the marginal cost of production in your model there equal to the same as the marginal social cost or are they different? You know, because..."

Rauscher: "I would have to allow that they might be different to the extent that property rights are not well defined and some side effects."

Bowman: "Okay. Kind of what I'm getting at... Excuse me. Most of my questions are Mr. Johnson's. I might as well keep the microphone. What I'm getting at is there had been a number of studies including energy future and others that suggest that the price of gasoline right now is not the optimum price. I presume you're familiar with the studies and I would appreciate your comment on it. Do you think the price is an optimum price at the present time?"

Rauscher: "I think it's a market determined price and I...."

Bowman: "I know... Wait a minute. Excuse me. They are two different things. It is indeed a market determined price. It's always a market determined price. Question is, is it optimum?"

Rauscher: "I'm going to get to that distinction. It's a market determined price that indeed reflects a lot of accomodations to extranalities, to the spill over effects, and we've had a lot of legislation and a lot of regulation, and indeed those regulations ostensibly go some ways toward correcting the extranality problem. If you allow for that, as the affect of those regulations and if you do not have additional thoughts about how effeciency would be further improved, I would have to argue that the market clearing price now is probably within a very close connection to the, quote, optimal price."

Bowman: "Okay. But it hasn't always been that way? It sounds like you were implying that."

Rauscher: "It's very hard to know that because it's very hard to calculate the effect of extranalities in literally millions of markets, geographically and for a very long list of different products that have different uses."

Bowman: "Okay. Well, I wanted to shift to another line of questioning. I would just simply suggest that I believe the same kind of problem that you're facing in responding to my line of questions is the same kind of problem that this General Assembly is facing when we discuss the extranalities of living in large metropolitan areas and the kinds of transportation systems that need to be developed and financed; to the extent that there are, perhaps, extranalilties I think we might be able to justify public subsidies. I presume it was the extranalities that you were referring to that justified the rather substantial public subsidy through the oil depletion allowance, and the United States Government has subsidized the oil industry to a very large extent and I would presume you would argue that that is appropriate."

Rauscher: "No, I would argue that it's a subsidy. I think there's a different arguement, but that's a different subject. I don't think germaine to this tax."

Bowman: "Okay."

Rauscher: "I would like to point out, however; that if indeed you have a mass transit system that precludes individuals from going into that business, then indeed you may have too small a transportation system because you're excluding private individuals from getting into the business."

Bowman; "Well, I would certainly... If Standard Oil Company would like to use some of its profits to develop a private transportation system in the Chicago area, I would be delighted."

Rauscher: "No, I think what studies have been made about the effect of deregulation and I'm thinking now of a black economist colleague of mine, Walter Williams, has indicated that the principle beneficiary of removing restrictions to entering the transit business would be minority groups and it would cause a large increase in minority group entreprenuersa and increase minority group employment."

Bowman: "Okay. Let me just... a couple quick questions. I think the CTA also benefits the minority groups too, by the way. But, let me just ask a couple of quick questions and now I'm not sure which one of you gentleman are really most appropriately should address this. Take the last four years, what has been the increase in Standard Oil's employment base? How many people do you employ now versus four years ago or five years ago? I mean more than just one year."

Rauscher: "I can't give you an accurate answer to that to the entire corporation. I can deal with Amoco Oil and our number of employees has actually dropped."

Bowman: "Has actually dropped. What has your payroll change been in terms of dollars?"

Rauscher: "I do not know."

Bowman: "If this isn't prying into your affairs, I would appreciate it if you could give me some percentages in writing at some future date."

Rauscher: "Okay. Fine."

Bowman: "Would that be possible?"

Rauscher: "Sure. I just don't have it on top of my head."

Bowman: "Say take a four or five year period and compare the employment change to the gross payroll change. I'd appreciate that. Lastly, what were your earnings per share this year versus four years ago? I presume you remember that."

Rauscher: "No, I do not remember that, not specifically. I would have to look it up and we can certainly provide that to you. That's public information."

Bowman: "Yes. Thank you. Thank you, very much. I'm glad to hear that the price is equal to marginal cost. I, too, am an economist and I'll be happy to tell my class that the next time we meet."

Chairman Neff: "I'd like to make this announcement. We're getting lots of duplication questions here. We've had these gentlemen up here for approximately an hour and a half. We have several more witnesses. Now, if you folks want to stay here, that's alright. I'm not trying to shut anybody off because I know we have a very important set of Bills here but we are asking so many duplication questions. I'd like to avoid that. If we'll listen to the questions been asked and not come back with the same questions, because otherwise we're going to be here all day again. And I know you folks don't want to be here and I certainly. But I will be here as long as anybody is here, but if we'll hold our questioning down and not particular make duplication questions. Listen to the questions that are being asked and not turn around and ask the same question again which we've had a lot of that yesterday and some this morning. Thank you. Yes."

Mulcahey: "Mr. Chairman, exactly how many more witnesses do we have? Do you have any idea what..."

Chairman Neff: "Representative Mulcahey, right now it looks like we have six more and that's the reason why we have to move along. We can't spend a hour and a half, two hours with each witness."

Mulcahey: "I understand that. I just wanted to get some idea."

Chairman Neff: "Thank you. The Gentleman from Cook who has waited patiently and is a very patient man for the last hour and at this time we'll hear from Mr. Krska."

Krska: "Thank you, Mr. Chairman. Representative Vinson did question the witnesses to some extent as I wanted to do, so I won't belabor the point. I am interested in this question, Mr. Rauscher, but could you tell me how many people you employ, Standard Oil of Indiana, employs that work in your corporate headquarters in the Loop roughly?"

Rauscher: "I do not know with any degree of accuracy."

Krska: "You also have tenants in that building I would assume?"

Rauscher: "Yes we do."

Krska: "Do you provide your employees free parking or subsidized parking?"

Rauscher: "No, we do not."

Krska: "There's certainly a large number of them then rely on mass transit and that's already been established too."

Rauscher: "I pointed that out."

Krska: "Representative Vinson asked the question, it's the one that I was going to ask about your position on this dollar per one hundred dollar assessed valuation on the urban mass transportation district based really on the same economic principle, the benefit principle that you have twice explained to us. You seem to think that that's not a bad idea anyway, although you don't, at this moment, want to take a position for your company. Is that correct?"

Rauscher: "That's correct."

Krska: "I just would suggest to you that for those of us thinking about alternatives to the gross receipts tax, it is helpful for Standard Oil of Indiana to speak out on alternatives such as this one. And although you can't do it at this time, I certainly would appreciate it if you could come back to the Illinois General Assembly as we consider these matters and give us your reaction to that it. It sounds to me like that does fall right in line with the same kind of benefit principle that you have already agreed to."

Rauscher: "It sounds to me also on a superficial basis, you know, preliminary."

Krska: "Thank you."

Chairman Neff: "The Gentleman from Cook, Mr. Griffin."

Griffin: "I hope I'm not duplicating any earlier questions. I just wanted to make sure we understood your thoughts on alternative forms of taxation that could compensate for the loss we might have if we don't go the route the Governor is now proposing. In other words, what would give us what we need to meet the problems of the state, the transit and downstate roads apart from the current Governor's proposal?"

Rauscher: "I don't stand here to try to profess the exact specific answer to that. I think we took a position that identify the needs for roads, fund that with a cents per gallon gasoline tax and then a broader based method of raising finances for the mass transit system."

Griffin: "Okay, one other question, there is some talk that the oil companies have been singled out because they are, in the public mind, unpopular. A lot of questions today reflected concerns about profits and an area that I'm not sure has been brought out, but I'd like to hear from you about is the question of environmental impact of the oil industry. A couple of sub-questions on that first, what strides...what progress has been made to minimize the effects of oil products or petroleum products on air pollution and, in the long run, do you see the oil industry diversifying into other areas which may have... may not have adverse impacts on the environment that might make support of the oil companies at this point in your hope a more palitible thing for environmentalists?"

Rauscher: "We attempt to be a good citizen as a corporation as well as individuals. We commit large amounts of money, many millions of dollars to satisfy EPA regulations, particular emphasis on oil refining facilities. Requirements are strict and we adhere to those. I didn't quite understand the direction of your last question. Do you see us diversifying into other areas? I think we believe our strength is in the petroleum area. We've tended to concentrate our efforts there. I don't think we'll find ourselves straying far from the energy technology field that we're the strongest in. Certainly not, I don't think, to create an image that would be probably counter-productive to everyone."

Griffin: "Are you now doing and researching development in your technology things which will address problems of environmental impact?"

Rauscher: "We have a very extensive 'R' and 'D' effort which considers all aspects of our operation. Processes better ways to do almost everything. It's got to be a consideration."

Griffin: "Thank you very much, Mr. Rauscher."

Chairman Neff: "Thank you, Mr. Rauscher and Mr. Johnston. We appreciate your spending your time with us, and I think you've enlightened us on some of the questions that we had."

Rauscher: "Thank you for the opportunity of being here."

Chairman Neff: "Mr. Anthony, Nelson Anthony, attorney, Mobile Oil Corporation is appearing as an opponent to this series of House Bills. Mr. Anthony."

Anthony: "Thank you, Mr. Chairman. Good morning. My name's Nelson Anthony and I'm the regional attorney for Mobil Oil Corporation. We've got our offices in Schaumberg, Illinois. Mobile Oil is opposed to the gross receipts tax. That won't surprise a whole lot of you but we are opposed to it. Mobile has very significant and substantial investments in the State of Illinois. We employ with our affiliated companies some 17 thousand people in this state. We've got a major refinery. We've got major operations through Montgomery Ward and 'Containa Corp' in the retail end of the business. We have major chemical operations here. We have a very large stake in the State of Illinois. We are very deeply concerned about the anti-business climate that is represented by this discriminatory and unfair tax. The gross receipts tax, as I'm sure you all know, blatantly discriminates against oil companies as an industry and against their customers. When I say it discriminates against our customers, I'm not just talking about the consumers who fill their cars with our gasoline. I'm talking about distributors, I'm talking about 600, I'm sorry, almost 900 dollars... 900 small businesses, service stations. I'm talking about the businesses and industries who use our products. This Bill would require those businesses, those consumers to pay exactly double what everybody else pays in terms of sales tax. Why is it that the consumer of oil industry products will be taxed at a 10% sales tax rate when everybody else in this state pays about 5%? That is the impact of this Bill. The administration knows it. Everybody here knows it. Why do our customers and our customers only have to fund a billion dollar program by paying twice what very other customer or purchaser has to pay in this state? Doesn't make any sense to me. If the administration had asked to increase the sales tax generally, then you might have something before you, but what they're trying to do in this Bill is raise the same money off the backs of just one segment of the State of Illinois so that everybody else can get a free ride on their backs. If, in fact, this takes place, you can be sure that the real victims will not be the oil companies, it will be the State of Illinois. States very much like companies are very much in competition with each other. They compete for the business of business which brings jobs and sales and investments and savings and taxes into this state. I know you all know that already in this country there exists a slow migration of business to the Sun Belt states because those states are providing incentives for business investment. If a Bill like this passes in the State of Illinois, you're going to accelerate the migration. You're going to drive sales and business and jobs and investment out of this state. Now that's not a threat. We have, Mobile has, such a big stake in this state that we're here to stay. We're not talking about moving our own businesses out of here. But there is no way that industry in general can ignore the anti-business fervor that this Bill represents. You can't start singling out specific industries for this kind of discrimination and let everybody else beginning to wonder when their turn will come. You must bear that in mind because it has a critical impact upon the business climate in this state. In addition to the penalty that will be paid by the businesses who depend upon Mobile and who use Mobile products, there are a whole bunch of businesses that are on the borders of this state who will be put at a completely competitive disadvantage. All of the service stations, all of the stores that depend on petroleum products that do business on the border will have to compete with the businesses on the other side of the border where the same products will be cheaper. And don't think for a moment that today, with inflation being what it is and the cost of living being what it is, that consumers will hesitate for a minute to do their shopping across that border. Those sales will be lost to the state, they'll be lost to the businesses of Illinois. Makes no sense to put them in that position and there is no way that they can avoid being in that position if this Bill is enacted into law. In the District of Columbia, last year they passed a 20% tax on gasoline. I'm sorry, a 6%, 6% variable tax on gasoline. Within a few months they had almost put their service station businesses out of business. Sales dropped precipitously, tax revenues declined accordingly and they were forced to repeal the tax. We should learn from the lessons of the competitive market where those lessons exist. This is a regressive and a punitive tax. This is not a tax on profit, it is a tax on gross receipts. Any of you who know people in the business, distributors, service station dealers, people who run drug stores, whatever know that there is a big difference between gross receipts and profits. This tax will be imposed upon these businesses whether or not they are making a profit and will even be imposed if they are in a loss position. The end result will be to drive more businesses out of business. In todays market, the biggest single factor in the gasoline business is on a cents per gallon profit basis. You are paying most of that price for your product in terms of costs. The basic cost of the product, the cost of getting it to market is the bigget part of the cost that you pay. The businesses who resell these products to you measure their profit in pennies and if they are put at a competitive disadvantage those pennies are not going to be there. We've talked somewhat this morning about the Governor's statement that only 2.3 cents or so of this tax will be passed along. That's a bunch of hocus-pocus economics. That's not the way it works. We've heard several illistrations to show you why this is not true. Mobile will pass along, will recover the full 5% tax in its invoices to every Illinois customer. We must do that if we are to break even. This is exactly what we are doing in the State of Connecticut which is one of the only states in the country that has a 2% gross receipts tax. Every invoice in the State of Connecticut carries that 2% add on charge that identifies it for what it is. The reason we have to do this, I'm going to try to illustrate it one more time. I'm not an economist, I don't profess to be, but I'm going to try to give you an example that I think explains how it works to me. We get a dollar of extra cost, the thinking goes. We get a... let's say it's a 50% tax rate because that makes it easier to understand. Taken into account that 50 cent tax break, we add 50 cents to the price of our product. Okay? We sell that product so now we have that 50 cent back. Right? Absolutely wrong. Because on that 50 cents we have marked up, we once again have to pay state and federal taxes. We only net 25 cents if we try to do it that way. That's why we must pass through dollar for dollar. We must recover dollar for dollar this tax increase. Don't be fooled by hocus-pocus economics because it doesn't exist. Costs must be passed on in full if you are to recover them in full. That's the only way you can break even. We believe, and you surely must recognize that this is nothing more than a charade, it's a nice political ploy because nobody likes the oil companies. It's like that character on Sesame Street. These days it's not easy being green and we oil company people are about as green as you get. Therefore; if we stick it to the oil companies and we stick it to their customers and we stick it to the businesses that depend on them, nobody is going to mind. Nobody is going to mind if we double the penalty that people who depend on these companies have to pay. So what if they pay 10% while everybody else pays 5%. So what if the farmers have to pay more for what they need. 'Don't worry', the administration tells you, 'This will be passed on'. You really believe that? Talk to somebody who uses this. Ask them what they're going to do with it. I can tell you what the companies are going to do with it. I can tell you certainly what Mobile will do with it. We're going to stick it right on our invoice. What happens to our customer? The reasoning then follows, 'Well, look fellows, if you're going to pass it along, why are you griping so hard about the tax?'. I'll tell you why. If you put our customers out of business, sooner or later you're going to put us out of business. We depend on these customers. We need these businesses. That's where we sell our products and make our money. If you destroy them, we won't have them. And sooner or later, just as sure as you and I are sitting here, we will have a problem. Not only do we get a black eye, but you hit us in the pocket book in the long run. We believe that the proposed tax is unconstitutional. We don't think you can tax our people at 10%, let everybody else walk around with a 5% tax and do it legally. And we will litigate the tax if it is in fact put on the books. I can't say that that's going to change a single vote in this chamber or effect your decision, but it's a fact. And I would be less than candid with you if I didn't publicly state our position. Finally, Mobile Oil Corporation recognizes that you've got a problem. You've got two problems. You're not sitting here today because you've got a road building problem. That's not the reason you're here. You have a very serious mass transit problem. In order to solve that problem, the administration thinks, it has to sell you a package. That's why you're here. But whatever those reasons, we know you've got a problem. We know the roads need repaired. We know that mass transit has to be served. We are not opposed, we are not opposed to reasonable, broadly based, user related tax increases that will do the job you need. But be fair about it. Do it right. Don't try the hocus-pocus flim-flam that is being attempted by this Bill. Thank you very much for your attention and the time to address and I'll be happy to take questions."

Kulas: "Mr. Anthony, I'd like to ask you just one question. I've heard a lot about profit margins, about rate of returns. I'm not an economist so a lot of this is maybe a little bit over my head. But I've heard that oil comany executives donated over a half a million dollars to the remodeling of the White House. My one question is, what do you think the oil companies committment should be to mass transportation besides providing us with fuel?"

Anthony: "My answer to that is the oil companies like any other industry in this state are contributing based on fairly apportioned broad based tax burdens that apply to everybody. I don't think the oil companies have any more of a unique obligation than any other business. And I think it's time we stop looking at the oil industry as some sort of social pariah that has unique obligations, Representative. We're willing to carry our fair part of the burdens this state faces because we live here and work here just the same as you do."

Chairman Neff: "The Lady from Cook, Mrs. Braun."

Braun: "Thank you very much. To the witness, you're representing

Mobile Oil Company?"

Anthony: "Yes, ma'am."

Braun: "And you had, according to again this report out of the Oil and Gas Journal, your company last year had capital and exploration expenditures of about 4 billion dollars. Is that correct?"

Anthony: "I believe it was... well yes, it's 4.7 billion. Something like that."

Braun: "Four billion...Okay. And then you... if you add to those capital and exploration expenditures the amounts for tax payments, for labor costs and other related expenditures of running your business, you arrive with your net earnings. Is that correct?"

Anthony: "Our exploration capital and other expenses always run far in excess of our net earnings. That happens every year. Has happened every year for the last five years."

Braun: "Right. But after you subtract for your... from the prices the income and revenue that you have from your pricing structure for capital, exploration expenditures, labor, taxes and the like, you come up with net earnings."

Anthony: "I don't think that's the way it works, ma'am, but I'll have to back off. I'm not an economist, but I don't believe that's the way it works at all."

Braun: "Okay. And isn't it a fact, sir, that last year Mobile had net earnings of three billion... two billion, eight hundred and nineteen hundred million... Is that right? Is that the way you read it? The numbers are too big for me to..."

Anthony: "Yes, ma'am. Thank goodness we made money and you don't have to bail us out like you have to bail out some other companies that are in the red."

Braun: "Well, with two billion, eight hundred and nineteen million... hundred million, whatever. With that I would ask you, Sir, whether or not you, the company you represent would be willing to limit net earnings or profits to the amount of inflation, the rate of inflation or limit it to the amount of an increase given to workers under any labor contract."

Anthony: "Let me answer it this way, ma'am."

Braun: "Because that's after exploration and development investment and all those other things."

Anthony: "I said I didn't think that was true. But let me answer it this way. I'm not an economist, but my economists do tell me that with the money we are making which comes down, by the way in the United States to 4.8 cents a gallon. When you multiply it by a lot of gallons, it comes up to a lot of money. With the money we are making, and thank God we are making it, it will not be enough to finance the exploration and production activity to bring the oil to this country to keep it running. Now I know that sounds funny but let me go just a little futher if I may. The cost of finding oil today is enormous and if we don't find it, you're not going to have any. We spent on one deep sea drilling rig last year almost two billion dollars. If we don't have the money to do the job, you won't have the products to keep this country running. We need those..."

Chairman Neff: "Pardon me. Pardon me, sir. Representative Leinenweber."

Leinenweber: "Mr. Chairman, we're considering a package of Bills here and this Gentleman was... came here to tell us whether the Bills are good or bad or indifferent from his point of view and now we're getting into a dialogue on the oil company, their profit structure, what they're going to use their money for, whether they ought to limit their income. I don't think there's anything on any of these Bill that calls for either a limitation or a guarantee to oil companies of any return. I think we ought to stay to the subject both of the questions and the answers."

Chairman Neff: "Your point is well-taken. Mr. Anthony, if you will confine your remarks to the Bills we're discussing."

Anthony: "Thank you, Mr. Chairman. Thank you, Representative."

Braun: "Mr. Witness, under the circumstances I have no further questions."

Anthony: "Thank you, ma'am."

Chairman Neff: "I have some new questions. Mr. Vinson, and I know you won't duplicate your questions so make sure they are something that we haven't heard."

Vinson: "Yes, sir. Does Mobile have a refinery in Illinois?"

Anthony: "Yes we do. We have a major refinery in Joliet, Illinois."

Vinson: "Where do you get your crude oil from?"

Anthony: "God, I wish I knew the answer to that."

Vinson; "How do you take it to the refinery?"

Anthony: "The crude used to come partially from Canada, partially from domestic sources, partially from imported. I honestly cannot tell you where it comes from now."

Leinenweber: "Mr. Chairman."

Chairman Neff: "Yes. Pardon me."

Leinenweber: "This is all very interesting about where the Gentleman gets his crude oil. They do have a refinery in my legislative district which a very modern one which we're very proud of, but that's not in the Bill. I think we ought to keep the questions and the comments to the Bill."

Chairman Neff: "Mr. Vinson, please confine yourself to the Bill."

Vinson; "Do you ever make use of the Inland Waterway?"

Anthony: "Yes, Representative, I believe we do."

Vinson: "Do you believe you pay your fair share in doing that?"

Anthony: "I have to say and I have no direct knowledge, but I have to say that we're paying whatever they charge."

Vinson; "Don't you think general tax revenues may subsidize that?"

Anthony: "God, I hope not. I'm not very big on subsidy operations. I know we need them..."

Vinson: "I know you're not in your testimony. But I'll supply you with the information. You do, in fact, get a subsidy from the government on the Inland Waterway. No further questions."

Anthony: "Representative, I believe that the subsidy on that particular Inland Waterway is a peculiar situation. It's a waterway that's not paying for itself and I believe that..."

Vinson: "Just like the CTA, Sir."

Anthony: "I hope their not comparable, but unfortunately, they probably are. That's another boondoggle."

Chairman Neff: "Thank you. If there isn't any further questions, Mr. Anthony, for appearing before us. We appreciate you taking time to come back with us this morning."

Anthony: "Thank you, Mr. Chairman. Thank you."

Chairman Neff: "We have Gus Alexander(sic), Mayor of Carey. Mayor Alexakos. I'm sorry, I didn't think I got your name right. Would you pronounce it, please?"

Alexakos: "Mr. Speaker, Members of the House of Representatives, my name is Gus Alexakos and I happen to be the Mayor of Carey. The RTA claims they need a hundred million dollars for their budget. Let me tell you about how the citizens of Carey feel about the RTA. We've been denied the use of bus transportation in our town even though it goes about a half a mile around us. In other words, they bypass us. Our village is about 6600 people. I operate my village on a balanced budget. We don't have any so-called bail out programs for Carey. For some of those who are not familiar with Carey, Carey was the only village and the first village in the entire country to beat the United States EPA on the barium standard. The barium standard with water. Getting back to the RTA transportation, I testified about a month and a half ago against the fare increases and the train curtailment back in Johnsburg. I believe the citizens of Carey are sick aabout hearing being taxed, time and time again, and about the bail out programs. People have to live within their budgets. Municipalities have to live within their budgets. They should too. We, in Carey, are against the RTA but we're stuck. The buses do run in McHenry County and most of them are 72 passenger buses. It'll be another 20 years before we fill up those buses. I do not support he Governor's program the way it stands now. Thank you for listening."

Chairman Neff: "Thank you, Mayor. We appreciate this and appreciate having you as company. The next Gentleman is Richard Walsh, Illinois State AF of L CIO. Mr. Walsh. The next witness that will last appear is one of our own Members, Roger Stanley, as a State Representative. Roger wants to tell us something that we haven't heard."

Stanley: "Thank you, very much..."

Chairman Neff: "Mr. ...pardon me. Mr. Friedrich."

Friedrich: "Could we insist this witness be sworn?"

Chairman Neff: "We shall do so. Continue, Roger."

Stanley: "Thank you, Chairman. I think there's one concensus in this Body and in these deliberations that have taken place in the last three or four weeks. That is that the RTA has been a failure and I think, whether we're talking from the Governor's Office, on the Democratic side of the aisle or the Republican side of the aisle. What I'd briefly like to address myself to is a program that is unique in the sense that it offers suburban Cook County an opt out and that's the creation of a suburban transportation authority. In its original deliberations regarding the RTA in 1973 there was serious discussion given to the idea of a suburban transportation corporation. More specifically, House Bill 829 would create a suburban transportation corporation taking in suburban Cook County in the five collar counties. There would be eleven members, six coming from suburban Cook appointed by the Cook County Commissioners from the suburban areas and five from the collar counties, one from each county being appointed by that county's chief executive. The same funding would be left in tact. Suburban Cook County would pay 1% sales tax and one quarter of a percent in the collar counties. This concept or the idea of coordinating transportation in suburban areas I think is necessary, and I think, in terms of other legislation that's been introduced such as by Representative O'Brien or Senator D'Arco, indicate that the CTA very much would like to be a separate entity. Under the suburban transportation authority it would have the power for purchase of service agreements, contracts in a number of other specific powers regarding transportation planning. It would have a suburban advisory board. The funding, I think, is a very attractive point. That this plan offers for the suburban areas and the collar counties a program with no new taxes for mass transit. This is a positive approach. I understand that the CTA is going to need additional funding and how do they get that? That is the question. But I think if we look at Cook County, it's larger than 39 other states today. The RTA region is larger than 42 other states. Keep in mind suburban Cook County is the largest city in the state in terms of numbers of people today. The difference is between the city and the suburban areas, I think, are drastic regarding transportation. We need more paratransit, we need more buses along high density routes, and the 'GRID' system in the City of Chicago has been established and they address theirselves to a whole series of different problems. That's why I'm here today asking you to consider the idea of the creation of a suburban transportation corporation. Thank you, very much."

Chairman Neff: "Thank you, Representative. Richard Walsh, Legislative Director of the Illinois State AFL CIO."

Walsh: "Thank you, Mr. Chairman."

Chairman Neff: "Mr. Walsh."

Walsh: "Thank you, Mr. Chairman and Members of this Committee on the Whole. I'm Richard Walsh and I am Legislative Director for the Illinois State AFL CIO. Our state AFL CIO represents the skilled construction trades members who build this states highways and bridges and who have, at this point, one of the highest unemployment rates in the country. Our membership also includes mass transit and railroad workers who make public transit work in our major metropolitan areas. And our membership includes those hundreds of thousands of workers who both need the mass transit system to get to work and the highway system to get to work and whose employers and the general employment levels in this state depend upon a viable mass transit and a viable and well-funded highway program in Illinois. As many have indicated to you, we have a serious problem here in Illinois in the underfunding of both of those programs, the problem of rising costs and decreasing revenues. The recession has had a significant effect on reduced revenues in the state, to the state and the fixed gas tax has not brought in sufficient funds, indeed is bringing in less funds even though the cost of gasoline is rising in almost astronomical figures. Federal funding cut backs have led to even further problems in our highway and mass transit programs. This year alone, as Secretary Kramer testified, 327 million dollars less will be provided for highway funding in Illinois than was anticipated. Reagan's economic recovery program will virtually eliminate monies going to mass transit systems and commuter railroads by 1985. Inflation has had also a significant effect and given again high unempoyement, high interest rates, severe budget cuts, and severe tax proposals or tax cutting proposals porvided by the Reagan presidency inflation could well be even higher in the next and upcoming years. We need, obviously, some additional sources of revenue for our highway and mass transit programs. And just as we, as you well know, have not opposed in the past wage increases whether they be for Legislators, for labor union members, or for those at the bottom end of the pay scale in our minimum wage proposals so we do not oppose increased taxes when they are necessary and important to this states economy. We think the proposals, the 5% gross receipts proposal is indeed necessary and is a good idea. We think it is a fair tax. Oil companies have been highly profitable. Decontrol and the price setting mechanism that allows foreign cartel to set the price of both imported and domestic oil has left the oil companies with significant amounts of revenues that will clearly aid or could aid in our highway and mass transit programs. The tax is broad based, covers most sectors of our economy, it is non-discriminatory in that it does not discriminate against either areas of the state or individuals sectors of the economy or individual taxpayers. It grows with the size of the economy as opposed to the fixed gas tax and hopefully, the complete cost of that tax will not necessarily be passed through to the consumers in the State of Illinois. So we think this proposal is a good idea and we encourage your support of that proposal. We do, however; have some problems with certain provisions in House Bill 743. In particular, the provision in Section 4.11 of that Act would virtually make it impossible or certainly very difficult presently protected collective bargaining process that exists as a result of the change in set up of the RTA. The arbitration provision imposes upon the arbitrator a virtually impossible task, and I submit to you, that it probably will be unlikely or impossible to find an arbitrator who is going to be able to make recommendations concerning specific fare and service levels in a way that arbitrators are not used to making decisions. They are not experts in mass transit, and I think that that process and that provision will make, again, the collective bargaining process virtually impossible. In essence, you're setting up a third body so that when our unions negotiate a contract they will negotiate it not just once, but even twice with the second having veto authority over what was actually negotiated across the table. I encourage you also to put in the provision that anti-pass through proposal in the Amendment. While it was said in some testimony that at least one lower court found that unconstitutional, I submit that the Illinois courts could make even a better judgement on that than some other lower court in another state. And, lastly, I think there ought to be some formula for the allocation of the funds between mass transit and road programs so that it does not just become a permanent squabble every year that you are presented with it to making choices between our mass transit system and our road building program. With those comments, I will be ready to answer any questions if there are any and I thank you for the opportunity to testify before you today."

Chairman Neff: "Thank you. We do have a couple of questions.

Mr... The Gentleman from Marion, Mr. Friedrich."

Friedrich: "Mr. Speaker, he answered my question. Thank you."

Chairman Neff: "The Gentleman from Coles, Mr. Stuffle."

Stuffle: "Yes, Mr. Chairman. Mr. Walsh, if we found ourselves in the position of having failed to pass the pass through provision that you intend to support, would you still be of the opinion that this type of taxation system is preferable to a direct user fee one?"

Walsh: "Yes, I think we would because it has a much broader base than just the user fee and our economy across the state and virtually every taxpayer and every employer in this state, whether he is a predominant user or not, gets the benefit of a mass transit and highway program and ought to be able or ought to be willing to pay their fair share of that kind of funding."

Stuffle: "Do you think it's fair to the farm community of this situation were it were to occur to bear the burden that they will have to bear given the great amount of use that they have of the particular types of products that would be taxed under this scheme and given the fact that this scheme is not user based?"

Walsh: "I think that Secretary Kramer's remarks on that issue were correct. That farmers also are a significant beneficiary of our highway program in this state and that the benefits that would come from increased funding of that program far outweigh the additional costs that may have to be born by those individual farmers."

Stuffle: "If there is no program to specifically allocate the money, would you still be in support of the program having said that you thought there ought to be such an allocation distribution formula?"

Walsh: "That's a difficult question to answer. I think it is much preferable to have a fixed allocation for everybody so that there will be a clear indication as to what kinds of monies would be available in subsequent years for the road program and bridge program and so the very budget provisions and the budget making provisions which are incorporated in the TFA as it's known so that those mass transit systems will also have a better indication of what monies might be available in subsequent years so that they can adequately budget as required by the provisions of Senate Bill... House Bill 743."

Stuffle: "Mr. Chairman, one last short question of the witness. You've indicated your opposition to the provisions of Section 4.11, the new language of House Bill 743 which I think is page 66 of the Bill, 65. Do you also oppose those provisions regarding opting out and opting back in that are found in Sections 222 and 223 and would you support an Amendment to strike those provisions in both, in all three Sections as opposed to just 4.11?"

Walsh: "If I did not mention the opt out provisions, I'm sorry. I thought that I did."

Stuffle: "I didn't hear that and I wanted to make it clear, but I thought that was your position."

Walsh: "The opt out provisions in 2.22, in essence, would wipe out the labor protection measures which were incorporated in that law in 1972 for those areas that opt out and we think at least, that if there is opt out potential, that the labor protection measures currently in that law ought to also be incorporated in a provision covering those who have opted out."

Stuffle: "Do you believe that this Bill as constituted now is viable to 13C of the urban mass transportation Act as it regards job protections in this field as Chairman Barnes said yesterday?"

Walsh: "I don't think I can answer that question."

Stuffle: "Thank you."

Chairman Steele: "The Gentleman from McLean, Representative Ropp."

Ropp: "Mr. Chairman, just one question and I appreciate the fact that you mentioned this is a broad based tax and I wanted to get your clarification as to the approximation of considering three percent of the population will be paying approximately 15% of the total tax. Would you consider that a fair, broad base? And I have reference to the agricultural community."

Walsh: "What percent of the economy of the State of Illinois is agricultural?"

Ropp: "It's a sizable amount, but I guess three percent of the people, in terms..."

Walsh: "Is it more than three percent?"

Ropp: "Not much more than three percent of the people in the state are farmers will be paying under this current proposal 15% of the total tax according to the figures that I have received. Is that a fair and equitable approach? Would you consider?"

Walsh: "I would still like to know what percentage of the economy of Illinois is in the agriculture area. What percentage of the gross national product and agricultural profits is agriculture as compared to the rest of the sectors of our economy."

Ropp: "Well, if you talk about agricultural profit, you're talking about, not necessarily... You may be talking about lots of dollars in terms of gross, but in terms of net, it's pretty darn thin, currently. And this is one of the things... This is adding to the lessening of the net profit as a result of this without the ability to pass it on through as now happens in nearly every other kind of business in the State of Illinois. And, I just wanted you to be aware of that fact, that it is a rather inconsistent and unequitable amount of tax."

Chairman Steele "Representative Ropp, I assume that was a statement rather than a question. The Lady from LaSalle, Mrs. Breslin."

Breslin: "Mr. Walsh, you have not indicated a position on the fact that this tax affects home heating fuel. What is your position on that issue?"

Walsh: "Well, again, obviously that has... If there is not a... I think we would probably share, without having thought of it before hand, Senator Morris's suggestions on the... former Senator Morris's suggestions on that particular issue. "

Breslin: "You would favor an exemption for home heating fuel. Is that correct?"

Walsh: "I guess I don't want to take a position, absolute and definite position at this point and time. If the choice is that as against some other tax proposal like a sales tax which I think has more of a detrimental effect on consumers, then I might say that we'd support it even without that exemption. If the option is something that we consider worse."

Breslin: "Thank you."

Chairman Steele: "Thank you, Mr. Walsh. I don't see any other lights flashing. I thank you for your testimony this morning."

Walsh: "Thank you, Mr. Chairman and Members of this Committee."

Chairman Steele: "The Representative from McLean, Representative Ropp, why do you rise?"

Ropp: "Mr. Speaker(sic) and Members of the House, I rise for the point of an introduction, please."

Chairman Steele: "Proceed."

Ropp: "It's my pleasure today, Members of the House and Mr. Speaker(sic), to introduce to you a group of 100 young

4-H'ers from the central part of the State of Illinois who are visiting Springfield and touring the Capitol and actually taking part in the legislative process over in the Senate today in a program of good government through the 4-H program. They're in the rear of the gallery and may I introduce them to you and would you kindly give them a very warm welcome."

Chairman Steele: "Our next to last witness will be Doctor Mandeville, the Bureau of the Budget. Doctor Mandeville."

Mandeville: "I think most of what I might have said has been said and restated many times. So let me just make a couple of general comments and then open it to any questions you may have. I have heard some comment about the growth of the state budget as compared with the growth of the federal budget. Why can't you just take a little bit here and there and make it up? Maybe just a couple of figures. The federal budget, if all of the Reagan cuts go through, will go from about 650 billion to 695 billion. That's an increase of almost 7%. The state budget, all funds, all appropriated funds, will go from about 12.1 billion in spending to about 12.5. That's an increase of 3.6 %. Conclusion is that the state budget proposed for '82 is tighter than the federal budget proposed for '82 if all the Reagan cuts get through. With that brief opening remark, and I can give you the actual statistics on that if you'd like to see them, I'd like to open into questions."

Chairman Neff: "Are there any questions of Dr. Mandeville? The Gentleman from Will, Mr. Leinenweber."

Leinenweber: "Doctor, I've had... I have one question. There has been some discussion by the proponents of the gross receipts tax that there would be an offset by virtue of the federal... of the deductibility of the tax paid by the oil companies on their Federal Income Tax return. There's also been the charge that that is phony, that that's not true, that the only instance of that would be true is if the oil companies were entitled to a credit for payment of the sales tax, that inasmuch as it is a deductible item that anything pass through would be subject to the same rate of tax that the... that would be deducted so that the total offset so that the entire.... That if the oil companies wanted to maintain the same profit margin, they would have to pass through the entire 5%. Would you comment on that please?"

Mandeville: "Right. I think that one thing is clear. If the oil companies wish to they can pass through the entire amount which, in no case under current prices would exceed five cents a gallon. The current price is roughly 40, 42 dollars a barrel on the average of all the petroleum products we're talking about here. And there's 42 gallons to a barrel. So it's roughly a dollar a gallon so a five cent tax could not pass through more than five cents."

Leinenweber: "The question though was there would be no... If they wish to maintain the same profit margin, the entire 5% would have to be passed through though. Is that right?"

Mandeville: "I think that is correct. If they wish to retain the same before tax profit and the same after tax profit, the only way to accomplish that would be to pass the entire amount of the new tax through. However, that in my mind would be tantamount to taking a profit on the tax. That is permissible, yes."

Leinenweber: "They could raise that... They'd raise 5% without. That's permissable also."

Mandeville: "Yes, it is."

Leinenweber: "But... Thank you."

Mandeville: "If I, maybe just add one more benchmark. If they were to pass through 50% of the new tax to the consumer, then they in the Federal Government would each have absorbed about roughly 20 to 25% of the total tax and the consumers would absorb 50%, or say two and a halfs cents per gallon."

Chairman Neff: "The Gentleman from DeWitt, Mr. Vinson. And, Mr. Vinson, I do have to be kind to him and give him a little extra time for he keeps me in pipe tobacco."

Vinson: "Thank you, Mr. Chairman. I will continue to do that. I think there's some important...some important statistics here. Do you have copies of the charts that I asked you to prepare yesterday, Mr. Mandeville?"

Mandeville: "Yes, I do."

Vinson: "Now, yesterday in the course of testimony and in the course of the various handouts that were passed out on the floor, we saw one handout from the oil distributors which suggested that Illinois had the highest tax already in the nation. And they suggested that on the basis of adding together the gas tax and the sales tax. Now, have you seen that data?'

Mandeville: "Yes, I have."

Vinson: "Now, as I look at Illinois, and I wish you would take a look at these charts at the same time. Illinois has 7 1/2% gas tax. Is that correct?"

Mandeville: "That's a 7 1/2 cent, it should be."

Vinson: "Seven and a half cent... And it has a four percent sales tax."

Mandeville: "Right."

Vinson: "Now, would you compare that to Indiana?"

Mandeville: "Alright, Indiana has a eight and a half cent tax per gallon plus a four percent sales tax. So they're... if any, higher than us."

Vinson: "Illinois has a penny lower gas tax right now than Indiana."

Mandeville: "That's correct. And, Representative Vinson, I might add that the data I'm using comes from the Commerce Clearing House as of January of this year, and there may have been some tax increases since then, but as of a couple of months ago, this data was valid."

Vinson: "Okay. Now, let's look at Iowa. That's another state that borders Illinois which might get increased usage if we raise our tax. Their gas stations might be at an advantage. But, now let's look at that. What's the story on Iowa?"

Mandeville: "Okay, Iowa currently has a 10 cent per gallon tax plus a three percent sales tax. So they are higher than Illinois by roughly 2 cents."

Vinson: "So, Iowa has a higher gas tax than Illinois right now."

Mandeville: "Yes, they do."

Vinson: "Okay. Now, let's look at Kentucky."

Mandeville: "Alright. Kentucky has a nine cent per gallon tax plus a five percent sales tax."

Vinson: "So what's the situation between Kentucky and Illinois right now?"

Mandeville: "They would be about two and a half cents per gallon higher than we are."

Vinson: " Okay, now let's look at Wisconsin."

Mandeville: "Wisconsin has a nine cent per gallon tax plus a four percent sales tax, so they would be about a penny and a half per gallon higher than we are."

Vinson: "You mean Wisconsin would be higher than us, too?"

Mandeville: "Yes, they are."

Vinson: "So Iowa would be higher than us. Wisconsin would be higher than us. Indiana would be higher than us. And Kentucky would be higher than us."

Mandeville: "Yes."

Vinson: "Well, now that's a striking situation when you add those things together. Now are the...is there reason to think that we can run a transportation system in Illinois cheaper than those states immediately around us, Mr. Director?"

Mandeville: "I'm not sure that I'm qualified to answer that, but off-hand I'd say no that our terrains are comparable, and we probably have many more miles of highway than the surrounding states you've mentioned."

Vinson: "Now I asked you also to prepare another chart, Mr. Director. A chart that might outline for me so that I would be sure to understand whether or not I was imposing too high a tax on the collar county area. And that tax took into account, that compared the tax currently paid in the RTA tax on DuPage County with the tax that this would impose on the RTA... on DuPage County. Now as I read this chart, and you might want to go into some depth in explaining the assumptions, but as I read this particular chart, the RTA's present tax, the one quarter percent sales tax in DuPage County, that generates a tax impact for an average family of $24.65. Is that correct?"

Mandeville: "Right."

Vinson: "Okay now, let's assume that that tax were abated, that DuPage County withdrew from the RTA as the provisions of this Bill permit, and that the new gross receipts tax were imposed. What would the cost of that new gross receipts tax be in the event that there is a full pass through as the oil companies suggest?"

Mandeville: "Okay, first of all, let me qualify the answer by saying that this is based on the latest data we have from the U.S. Commerce Department who estimates the average income for a DuPage County family of four is about $19,600. We then took the parts of that gross income that is not take-home pay and then subtracted from that figure the amount of the take-home pay that is not subject to the sales tax. Going through those calculations, you come up with the $24.65. In a similar way, if you look to the gross receipts tax and you assume about 12,000 miles per year and about 19 gallons... 19 miles per gallon, you would come up with a total increase per year for that family of about $31.00 over what they now pay if all the... if all the tax is passed through."

Vinson; "If all the tax is passed through?"

Mandeville: "Right."

Vinson: "Now, if the oil companies avail themselves of their deduction on the Federal Income Tax, what would happen then?"

Mandeville: "Well, for example, if, in response to Representative Leinenweber a minute ago, if the oil companies were to pass through only half of the tax then the increase per year would be about $19 for this same family from the gross receipts tax."

Vinson: "Okay now, what that... Now, correct me if I'm wrong, but it would seem to me that what that says is that if DuPage County abates that tax and if the oil companies behave in normal profit maximizing fashion that then this measure, this package of Bills, would represent a five dollar tax abatement for DuPage County per person. Is that correct, sir?"

Mandeville: "I think, as you presented it, yes I would just add perhaps one caveat. It is not clear from the data we've been able to gather whether or not it is profit maximizing, but it is clear that if the oil companies want to maximize sales, that is a quantity of petroleum products sold, they cannot pass the entire amount through given the elasticity of the gasoline."

Vinson: "So, what this might be more properly characterized as for the collar counties is a tax relief measure rather than a tax imposition measure. Is that correct, Sir?"

Mandeville: "Given the conditions you lay down, it would cost less."

Vinson: "Thank you. Would you cause distribution of these two charts?"

Mandeville: "Sure."

Vinson: "Thank you."

Mandeville: "Could I just make one comment on the first line of questioning you had? The documents handed out by the Illinois Petroleum Marketer Association yesterday failed to include one very important element of the tax in all other states, and that's the sales tax. They just left it out. There's obviously a sales tax in the other states in many of them the same as there is in Illinois."

Vinson; "But they did calculate it in for Illinois."

Mandeville: "They did it for Illinois, but not for the other states."

Vinson: "That's interesting. Thank you."

Chairman Neff: "The Gentleman from DuPage, Mr. Daniels."

Daniels: "Well, Director, I'm a little interested in your discussion because I want to make sure that I understand your clarification of what a tax relief program for the collar counties will be so that when I go home and talk to my people back home I can make sure that I sell this tax relief program to the people of DuPage County in the proper fashion. Because, of course, we're interested in that, and we've heard the comments from the people on the other side of the aisle that this is, in fact, a tax increase and of course we believe the Governor's program and your representation that is now, as you are telling us, is a tax relief. So, if I might run through this with you since you're the Director of B.O.B., and I'm just a Legislator and trying to do my job in representing my people I want to make sure I have all the facts straight. The present tax liability under the RTA system, as you tell us, is for the average family in DuPage County $24.65. Correct?"

Mandeville: "Correct."

Daniels: "Now, given the assumption that there's a total pass through of the 5% oil tax, that would be a $31.00 liability. Is that correct, Sir?"

Mandeville: "That's correct."

Daniels: "But, you say that there shouldn't be a total pass through. It should only be partial. Consequently, it should be a $19.00 impact. Is that correct, Sir?"

Mandeville: "I'm saying it need not be total. I'm not saying it will not be. I don't know."

Daniels: "Okay. But in the same token we got all the fancy lawyers out of Chicago, everybody telling us right now that we can't force the oil companies not to pass this through completely. Is that correct?"

Mandeville: "That's correct. You cannot force them to."

Daniels: "So if we listen to the fancy lawyers in Chicago, then for me I might want to conclude in my own mind that to be safe with my people back home I might want to tell them, 'Well ladies and gentlemen of DuPage County, where as you pay an average of $24.65 presently, you may be in fact paying $31.00, but if the oil companies don't pass it through, then you may be paying $19.00 so you either have a tax increase or a tax decrease'. Is that correct, Sir?"

Mandeville: "The $19 would assume a half pass through. If they pass nothing through, the savings would be larger."

Daniels: "So I've got to be very careful back home to make sure that I advise them properly that we've got an increase or a decrease depending upon what those bad people in the oil companies do. Right, Sir?"

Mandeville: "If they pass the entire amount through there, they would be paying more from this calculation."

Daniels: "Okay. So we ought to make sure we point that out to our people. But you know there's one fact that I forgot. What do we do about the suburban transit system and our bus lines and how do we pay for those? Because if we opt out of this horrible thing, the RTA, which has been, you know, ridden with the CTA problems in the City of Chicago and draining our dollars in the suburban collar county areas, but if we opt out and we get rid of it, how do we run our buses without that quarter cent tax or without a tax? And, my gosh, you know what concerns me more than anything else? That if we do that we put another tax on the people of DuPage County and no longer is it $19 or the $31, but in fact it's more money than that. Isn't that true, Sir?"

Mandeville: "If you impose another tax on the citizens of DuPage, yes."

Vinson: "Yes, if we want to run our suburban bus lines. Is that correct, Sir?"

Mandeville: "If you impose another tax to do that, obviously, the tax load goes up."

Vinson: "Alright. Can you tell me then as the Director of B.O.B., how I can run and tell my people back home how to run the suburban bus lines without a tax?"

Mandeville: "I can't do that. I'm just a technician. We work with our hands."

Vinson: "Okay."

Mandeville: "You're a Legislator running for office, so..."

Vinson: "To summarize very quickly, what I want to do is tell my people back home the facts and figures we went through, but if we decide to opt out and run the suburban bus lines, we can't put a tax on it. It's got to be 100% fare box cost. Because if we put a tax on it, it's going to go a lot higher than what we're being told. And, my gosh, we may have a tax increase there."

Mandeville: "Could I comment on that?"

Vinson: "We're here to learn and if I'm wrong, I want to know right now."

Mandeville: "Okay. One thing from the figures that we've looked at so far, the amount of revenue required to run a collar county bus company would turn out to be less than the quarter cent sales tax, the receipts from that tax so there is a differential there. It wouldn't be the whole amount."

Vinson: "What then would be the approximate dollar amount because see I'm working on the $31 which is a $7 tax increase versus the $19 which is a $5 tax decrease. So if we have to run our bus lines about how much money are we talking about? Ten dollars?"

Mandeville: "Representative Daniels, I can get you the figure. I don't have it now."

Vinson: "I think those of us in the collar county areas would like to know that. Thank you."

Chairman Neff:H"The Gentleman from Will, Mr. Leinenweber."

Leinenweber: "Yes, Mr. Director, you made a couple of comments which I don't think I was listening too closely. You mentioned two figures, $19 a year and $31 a year. Was this the... What were those two figures?"

Mandeville: "Okay, that is based on the statistics that defined an average family...how far they drive in a year and how many miles per gallons they get."

Leinenweber: "Alright, the 31..."

Mandeville: "The 31 would be a full pass through of the gross receipts tax and the 19 would be half pass through."

Leinenweber: "But that would not take into consideration the possible pass through of a gross receipts tax on non-automobile related oil products. Is that correct?"

Mandeville: "This would be gasoline only I'm talking about here."

Leinenweber: "Alright, do you have any figures related to the total, either half pass through or full pass through on the average suburban family or collar county family on all oil based products?"

Mandeville: "I do not here at the moment, but...maybe it would be..."

Leinenweber: "It would be naturally more, isn't that correct?"

Mandeville: "It would be..."

Leinenweber: "Depending on your lifestyle I suppose."

Mandeville: "It would be more, but if it would help I could give you the break down of the percentage contribution in each of the major commodities unless that's already been done..."

Leinenweber: "Well, the point I'm trying to make is that your figures of $31 a year or $19 a year only relate to gas and oil products. For example, in Will County where I come from Mobile Oil manufactures for Macdonald's Hamburgers styrofoam cups for their hamburgers. Now, if Macdonald continued to purchase their styrofoam hamburger cups from that particular Mobile plant, they would pay either if it was either two and a half percent more or five percent more depending on whether it was a half or total pass through. Is that correct?"

Mandeville: "I think it would depend on where the petroleum product was produced. It would not apply to the styrofoam..."

Leinenweber: "Let me ask you this. Would... As I understand it, the styrofoam product that is created by Mobile in Frankfort, Illinois, would that be subject to the gross receipts tax if Macdonald purchased the styrofoam cups FOB Frankfort, Illinois?"

Mandeville: "My understanding, and Tom Johnston can probably better answer that, but my understanding is that if they purchased a finished product, it would not be subject to this tax."

Leinenweber: "Well, who would then... where would the tax be assessed if there would be any..."

Mandeville: "The tax would be applied at the point and in the location if it's in Illinois that the petroleum, the basic petroleum product that ultimately resulted in the cup where that first entered the State of Illinois."

Leinenweber: "Well, as I understand it that's in Frankfort. It comes into Frankfort, Illinois to their plant and then they pour it into... I've been out there and looked at it and they pour it into machinery and eventually it comes out in a, what we've grown to know as a panker green, depending on what kind of hamburger or cheese sandwich we're getting. But the point I'm trying to make if that was subject to the tax, then the people who buy Macdonald's hamburgers would probably eventually have to pay a slightly higher price. This would... so the only point I'm trying to make is the ultimate cost to a collar county or a suburban consumer based upon the gross receipts tax in all probability would be substantially higher than the eight, or $19, or $31 a year. Isn't that correct?"

Mandeville: "Your point is correct. If the... If the product is taxed, then the amount would be passed through. In the case of a styrofoam cup, I have no idea what they cost, but if they cost two cents and you take say even one twentieth of that, you don't have very much. It wouldn't be noticable, but if you're point is that there are other products that it will be subject to the tax that a suburban family are likely to pay. That's a valid point."

Leinenweber: "Well, if my... If I go to the grocery store, and I buy produce or some product that was manufactured with Illinois corn and a farmer had to pay an additional two and a half or five depending on the amount of the pass through for his fertilizer, then that would go into the cost of the product that I'd buy. Now I understand that it would be relatively minimul, but when we look at the entire array of products which rely or are manufactured with or as a result of include oil, it seems to me we're pretty, pretty wide ranging tax here, and it could have a serious impact on the cost of living for say my constituents."

Mandeville: "I would like to make one comment on the clear distinction between the farm income picture and the oil company. Farming is probably one of the few pure competition industries we have left in the country, at least in this state. Farmers don't set the price of their product. I own a farm. Last year, I produced like 169 bushels of corn per acre. This year I produced 119 bushels. I've made 20% more per acre this year than last year. We don't set the price. The price is determined by other factors. So if an additional expense is incurred by the farmer, that may ultimately cause the price of the product to go up. But certainly the farmer does not decide that. He can't automatically raise the price of the bushel of corn or beans because the new tax, whereas an oil company can. Furthermore, it is very clear that if the farmer is making any net profit at all that that is a clear pass through. It's no longer a question in the case of the individual family income."

Leinenweber: "Let me just say that based upon that analysis then, the oil companies are better off than the farmers under this program."

Mandeville: "I doubt if anyone would doubt that in this room... from any consideration perhaps."

Chairman Neff: "The Lady from DuPage, your light doesn't seem to be on, but do you want to speak? I'm sorry, your light went off up here. The Lady from DuPage, Mrs. Fawell."

Fawell: "Thank you. Sir, I have been recently talking to a few accountants about this pass through thing. The way it was explained to me was that if a company makes $100,000 profit and they are in the 50% tax bracket, 50% of that or $50,000 will go the Federal Government. Is that correct?"

Mandeville: "Yes, the exactly numbers are any corporation who has taxable income in excess of 100,000. That increment over 100,000 is taxed at a maximum rate of 46%."

Fawell: "Okay, and we can assume that oil companies are in that tax bracket. I assume."

Mandeville: "I would think so, yes."

Fawell: "Alright, now, if they only pass through 50% of that tax, they will in other words only collect $50,000, and then they are taxed on that, right?"

Mandeville: "If they pass through half of it, they can only claim..."

Fawell: "Collect 50%. They can only collect $50,000."

Mandeville: "Yes. Maybe..."

Fawell: "Is that right?"

Mandeville: "Yes. I think that's right. Let me say it this way and see if I'm understanding you. If they pass through half of the new tax, the consumer will pay half of the tax and the oil company and the Federal Government will split the other half."

Fawell: "Or, in other words, the oil company will lose an additional $25,000 under that system."

Mandeville: "I'm not sure I followed all your numbers, but they..."

Fawell: "Alright, if there is a 100,000... If they collect $100,000 they pay 50, right and they make a profit of 50, right?"

Mandeville: "Roughly."

Pawell: "Alright, I'm just using round figures. If they collect $50,000 instead of a $100,000, they still have to pay out $25,000 so they've lost $25,000."

Mandeville: "Yes, they pay less federal tax, but they also do not make as much net income. That's correct."

Pawell: "That's right. Okay. So, in other words, what we are asking the oil companies to do if we expect them to not to pass through the entire tax is to lose approximately a quarter of their profit."

Mandeville: "We are asking them not to make a profit on the new tax, yes."

Pawell: "Yes, alright. So, in other words, you honestly and truthfully believe that any oil company that has got any good accountant is going to allow then to do this?"

Mandeville: "I think they need both an accountant and an economist. The economist would probably tell them that they cannot pass through the entire amount if they want to maximize sales. And I think that's fairly clear unless you assume that you will buy a gallon of gas regardless of the price."

Pawell: "We, in DuPage County, are going to buy the gallon of gas regardless because we have no mass transit system. And in order to get from one place to another we must, we must, in the collar counties, buy the gas. Unfortunately, that's not true in Cook County."

Mandeville: "Okay. I would agree that you will buy gas. My point was that the amount of gas you buy may go down somewhat. If the price gets high enough, you will carpool or not take a Sunday drive or whatever you do in the automobile."

Pawell: "That has already been done in DuPage County. I know of no one who takes Sunday drives for the simple reason the gas is too high now."

Mandeville: "Okay. We may be getting to a... to too low a level in the terms of the micro-economics but what I'm saying in general is that as the price of gas goes up there will be a decrease in consumption, and that's been shown over the last... since 1973, since the first energy crisis. The amount of gasoline consumed in Illinois and elsewhere has gone down."

Fawell: "What I am telling you, Sir, is that this has already been taken into account by everybody that I know of that lives in the collar counties. We are down as far as we can go. We have to buy groceries, we have to go back and forth to our jobs and the only way we can do it, because we do not have mass transportation in the collar counties, is by car. How many miles are you estimating the average person drives in DuPage County with your figures?"

Mandeville: "12,000."

Fawell: "You are very, very low. Very low. I would judge the average car in DuPage County travels at least 20."

Mandeville: "Okay. I may be, but I'm using figures supplied from folks who collect those kinds of statistics. They may be wrong."

Chairman Neff: "Thank you. Dr. Mandeville, I just want to have a little short question for you. You stated your operation on your farm, and I'd like to visit with you sometime because your profits are so much bigger than mine that there's something I'm doing wrong. I want to visit with you on that, but it'll be outside of the Legislature."

Mandeville: "Well, Representative Neff, I didn't say what my profits were. I simply said they went up 20%."

Chairman Neff: "That sounds awful good to me. Yes, is your light on? I'm sorry. The Gentleman from Bond, Mr. Slape."

Slape: "Thank you, Mr. Chairman. I would like to ask the Director, in the Governor's address to the General Assembly the other day he alluded to a $200,000,000 financial bridge that would be built as an interim financing program, and I would like to know in the legislation that we have proposed here, if there's some kind of a set-off or some kind of program to recover that $200,000,000?"

Mandeville: "Yes. The $200,000,000 is needed because of the probable delay in the actual receipt of the gross receipts tax. That's why it's needed, for cash flow. The security, the prime security for the $200,000,000 will be, in fact, the gross receipts tax. In the event the gross receipts tax is not upheld, for some reason, then the security will be the sales tax that the state now collects for the six county region and sends back to the RTA."

Slape: "Okay, is it my understanding then that the state is going to make a loan or how will this... What will be the mechanics of this?"

Mandeville: "Okay. There will not be a loan. The state may, in fact through the Treasurer, purchase as an investment, as an alternate investment decision part of the $200,000,000. I don't know precisely how much if any... what the split will be. The private community, perhaps the banks or others, will purchase probably some of the $200,000,000, but in any case, whether it's the state or private, it will be an investment on their part secured by both the gross receipts tax; and if that fails, the $300,000,000 or so they now receive in sales tax per year."

Slape: "So, in other words, the $200,000,000 that we're talking about in this financial bridge will be negotiated through a different procedure than the legislation we have before us today, and there is no mechanics in the legislation now to recover any financing, right?"

Mandeville: "No, that's incorrect. The mechanics are clearly there in terms of how the... in terms of the fact that it will be an investment decision and not a loan by the state. And secondly, the actual wording of the debt instrument has been left to the Board as it was last fall in the $75,000,000."

Slape: "Could you tell me which piece of legislation that's found in? Some one says it's 743, is that correct?"

Mandeville: "743 is correct."

Slape: "But then you're telling the General Assembly that this is not a gift to the Rapid Transit Board or the new board or anything."

Mandeville: "No, it is in no way a grant or a loan and if I could just draw a comparison between the, let's say in 1973 this General Assembly or a different General Assembly appropriated from the states General Fund $34,000,000 that ultimately became a loan to the RTA when the RTA was created. In 1980, last year, this General Assembly authorized the RTA to borrow money from the state and from the private banks. Those are entirely two different things. In the first case it's a loan. The state is out $34,000,000 until that money is repaid. In the second case, it's an investment decision by the Treasurer or by a private bank."

Slape: "Okay. Do you have any figures available on that money we authorized last in the last General Assembly, how much of that was state funds?"

Mandeville: "Yes. Of the $75,000,000 that you authorized the RTA to borrow, 37,500,000 was purchased by the banks and 37,500,000 by Jerry Cosentino."

Slape: "Has that turned out to be a good investment for the state?"

Mandeville: "I haven't looked at the specific interest rates that he got, but knowing Jerry, I suspect he did alright. And they have repaid the bank loan completely, and I believe next week the second installment of a six installment payment will come back to the state."

Slape: "Will that be our final installment?"

Mandeville: "No, the second one of six. It'll go through the next five months, counting March... counting April 1."

Slape: "Thank you, very much."

Chairman Neff: "The... Yes, Representative Mautino."

Mautino: "Thank you, Mr. Chairman. Dr. Mandeville, I heard you make a statement earlier to Representative Slape that it would be an investment policy of the State of Illinois and the independent institutions, financial institutions to purchase the $200,000,000 worth of bonds. Would you think it's a good investment policy for any state agency or any private investing firm to invest in those bonds basically of a corporation that has a deficit picture over the last 18 months and is currently unable to pay its obligations to the tune of $54,000,000? Do you think that's a good investment for a financial institution in the state to make?"

Mandeville: "I think it is if the long-term financing solution is included in the same set of Bills."

Mautino: "That is not my question, Doctor. My question is, for the $200,000,000 investment, not the long-term provision because of they're independent Bills, do you think it is a good investment for the state and the independent financial agencies to make that type of an investment to a corporation that is basically broke and has no way to repay that money as of the time this Bill would be passed?"

Mandeville: "I can't envision the set of circumstances you've outlined, so I cannot answer the question in that way. Both of the Bills will be passed at the same time is the assumption. I have talked to the banking community. I've talked to the bond council community. If, in fact, the gross receipts tax and the authority of the RTA or the Interim Board to borrow become law at the same time, yes, it is a good investment."

Mautino: "But Doctor, that is not the posture of the Bills before us. 743 does not implement the gross tax. 743 implements the bridging funding. Please answer the question as presented. Will... Is it a good investment for a state agency of private enterprise to invest in those bonds, if in fact, that's the only Bill that passes? Is that a good investment?"

Mandeville: "I think if 743 is the only Bill that passes and nothing else pases, you would have trouble selling the notes."

Mautino: "Thank you."

Chairman Neff: "The Gentleman from Wayne, Mr. Robbins."

Robbins: "I have a question. By having to pay the petroleum tax for a manufacturer, won't this help drive the... help drive manufacturers to use petroleum products out of the state?"

Mandeville: "I don't think so. I guess everything has to be put in prospective, but it seems to me as far more important to have a good, solid, viable transportation system. The degree of importance of having a good transportation system, in my mind, far outweighs a relative... relatively small increase that this tax will cause on manufacturers."

Robbins: "Well, we're losing manufacturers rather fast, and I guess we are way behind on our road system, but it's better than some of the other states. You do know that we are losing a gasoline manufacturing plant at Wood River?"

Mandeville: "I was not aware of that."

Robbins: "Well, it's either Aamco or Exxon is closing that factory down. Have you seen the Illinois Farm Bureau agricultural fact sheet?"

Mandeville: "I have looked at it. I have not studied it in depth."

Robbins: "Okay, anhydrous fertilizer produced in the State of Illinois would or would not be subject to this tax?"

Mandeville: "I will attempt to answer this in general, but Tom Johnson who will perhaps follow me to the podium can answer it better, but I believe that is a product of natural gas and will not be taxed by this gross receipts tax."

Robbins: "The over $300,000,000 that they've taken out of the State of Illinois as the windfall profits tax on the major companies is costing the average consumer in the State of Illinois over 50¢ a gallon on that. Were you aware of those facts?"

Mandeville: "Yes, I was.... Representative Robbins, I believe Director Johnson can go into much more detail on those topics when he gets up here."

Chairman Neff: "The Gentleman from Knox, Representative McMaster."

McMaster: "Thank you, Mr. Chairman. Will the witness yield to a question?"

Mandeville: "Yes."

McMaster: "Director Mandeville, or Doctor Mandeville, you made the statement, I believe earlier on, that the collar counties would probably save money with the passage of this legislation, did you not?"

Mandeville: "Sir, what I was doing was responding to a very specific set of questions from Representative Vinson given all of the assumptions which are implied in those questions. The answer is yes. They would pay less under the new tax than the old one."

McMaster: "Obviously, this program is going to cost somebody in the State of Illinois money, and if it isn't going to cost the collar counties, is it going to cost downstate more money, more taxes."

Mandeville: "It is going to... The situation in the collar county in particular is that there is a reduction proposed assuming that they choose to opt out. I think, as Representative Daniels correctly pointed out, that if they choose not to opt out..."

McMaster: "You're beggering the answer, Doctor Mandeville."

Mandeville: "Well, but..."

McMaster: "You are making an assumption that if they opt out it will save them money."

Mandeville: "If they opt out they will save money."

McMaster: "You still have not answered the question I asked you. What is it going to cost downstate? Are we going to pay more or are we not?"

Mandeville: "You will pay more than you pay now, if that's the question, yes."

McMaster: "This is what you were saying."

Mandeville: "But you will not pay as much more as the six county RTA region."

McMaster: "Yes, but you're just saying they're going to pay less."

Mandeville: "No. I didn't say that."

McMaster: "You said that if they opt out they will pay less."

Mandeville: "Representative McMaster, what I said is that in response to a very specific set of assumptions, a condition was derived where they would pay less."

McMaster: "But whatever the specific assumptions, downstate is going to pay more."

Mandeville: "Downstate will pay more in the aggregate, the six county..."

McMaster: "Than we have in the past."

Mandeville: "Yes, and the aggregate, the six county RTA region will pay more, and they will pay more than downstate."

McMaster: "If they don't opt out."

Mandeville: "No, whether they opt out or not they will pay more in the new tax. And maybe it's important to put it in prospective. Across two years, the gross receipts tax will yield in excess of $1.000,000,000. The quarter cent tax in the five collar counties generates about $25,000,000."

McMaster: "Alright. I want your assurance that, well I guess you can't assure me that we're going to pay less because you have said we're going to pay more, and certainly the individual homeowner downstate who heats, most of us with oil or LP, will be paying more, will they not?"

Mandeville: "The tax will apply to them, yes."

McMaster: "Yes. The people in agriculture will be paying more, will they not?"

Mandeville: "They will."

McMaster: "Alright this is my problem with the legislation, Doctor Mandeville, and why I do not feel that I can support it because I feel that most of us in agriculture are not that heavy of users of the highways, that we are going to be paying more on our diesel fuel. We are going to be paying more on our pesticides, and herbicides, and fertilizers and, for that reason, I think it makes our share more percentage-wise than it does the other people in the State of Illinois, and I just cannot support it because of that type of people I represent and the district I represent. Thank you, Doctor Mandeville."

Mandeville: "Could I comment on that, Representative McMasters? I think you obviously have to make the call when it comes time to vote which way you're going to go, but I think it becomes a question of whether or not you believe the highway transportation system in the state is adequate the way it is or whether it's more important to correct that problem, if you perceive one, than it is to have a farm family pay roughly 50 cents—60 cents more per acre due to this gross receipts tax. That's the call you'll have to make."

McMaster: "You are, of course, assuming a different figure than a lot of people in the agricultural business figured, Doctor Mandeville, and I would like to say also that you are talking about if we do not pass this program there will be no asistance to our highways or care of mass transit in the northeastern part of the state. My contention is this; there are other methods of raising the money to do this than by a 5% gross receipts tax. This is my contention, and I think you will have to admit that there are other ways."

Mandeville: "Sure. There are other ways to reach your revenue."

McMaster: "Thank you, Doctor Mandeville."

Mandeville: "On the figures of the Agriculture Association, Tom Johnson can address that in detail. Some of the assumptions that they made were just incorrect, and I think they would agree today they were incorrect."

McMaster: "Well, I think any of us could make figures and make figures say anything we want them to. I understand that."

Mandeville: "But my point is that I think we and they may be in more of an agreement now than we were when they first handed it out."

McMaster: "Thank you, Doctor."

Chairman Neff: "Next witness, the Lady from DuPage, Mrs. Karpiel."

Karpiel: "Thank you, Mr. Chairman. Director, I forgot my light was on. I really think that my colleagues from DuPage, Representative Daniels and Fawell, covered most of what I had to say. I think though that I would hesitate to start giving out the news to DuPage County and other collar counties that they are going to have a tax decrease under this plan. That is simply not going to be so. If the oil companies do not ... do, in fact, pass this entire increase it's going to be $31 you suggest are based on 12,000 miles driving per year. First of all, as Representative Fawell pointed out, there is no way that we in DuPage and even those...even less in some of the other collar counties that are more rural drive only 12,000 miles a year in our cars. It costs $11 for some of my constituents that live in Bartlett to travel to their place of employment. Eleven dollars per day, and I'd like to know who else in the state, you know, pays that kind of fare box cost. The reason it costs that much is because everybody in DuPage and the collar counties does not work along or work where rail line can get them to. And we do not have CTA buses two blocks from our home. As a matter of fact, we have no buses in my area of the state at all. And also, I just wanted to add that if you're taking $31 or 19 and you add it to the 24 that the quarter percent would impose assuming we would go into our own transit district, and then you add the cost of another car which most of us have to have two cars, you have got a fantastically high increase in taxes, and I would hate to see this Assembly or anybody give out information to the press or have it look like we're getting a decrease because that is not going to be so."

Mandeville: "Okay. On the data that was discussed earlier, that was in request to a response from Representative Vinson."

Karpiel: "I realize that and I... Mr. Vinson is not here right now, but I would like to thank him for his concern for trying to have the people in my area feel that they are getting a tax decrease, but I really don't want them to be under that misapprehension."

Chairman Neff: "The Gentleman from Adams, Mr. Mays."

Mays: "Thank you, Mr. Chairman. Director Mandeville, I listened with great interest to your comparison of our gas tax structure with those of the other states around us aside from the most glaring omission of a very large state to the west of us, Missouri. I had a specific question about some of these other states. In particular, you mentioned that there's a three percent sales tax imposed in Iowa. I'm well aware of a sales tax on general merchandise, but is there, in fact, a sales tax imposed on gasoline at the pump?"

Mandeville: "According to the data that I was given this morning from the Commerce Clearing House as of January of '81, there is a three percent sales tax on gasoline."

Mays: "On gasoline?"

Mandeville: "I can double check that, but..."

Mays: "I would very much appreciate that because I want to be sure that we're comparing apples to apples when we're asked to vote on any king of package in the coming days. Thank you very much, Mr. Director."

Chairman Neff: "The Gentleman from Will, Mr. Davis. Representative Winchester."

Winchester: "Director Mandeville, in talking with most of the downstate Legislators and alot of them on both sides of the aisle, the suburban guys and so on, there's just not very many votes for this concept, particularly a tax on gross receipts. As a possible alternative, would the ad valorem tax with a license plate fee increase with the taxes on cigarettes and liquor, would that generate an equal amount of dollars, or more dollars, or less dollars for a good stable road program, mass transit program in the State of Illinois.?"

Mandeville: "You could construct a revenue package with an ad valorem increase large enough and a license tax increase large enough to get the same revenue, but it would be fairly large in both cases."

Winchester: "In your opinion, do you feel that that would be more acceptable now in light of this proposal coming to light, the newspapers tearing it apart, constituents, lobby groups and so on are flooding us with mail telling us that this is bad idea and one major lobby group representing farmers saying that they could support an ad valorem tax now? Do you think that maybe we're wasting our time here and we ought to start looking in that direction?"

Mandeville: "I don't know if you're asking me a political or an economic question."

Winchester: "You're a politician too, Bob. Come on."

Mandeville: "If you're asking it from a political view point, I don't know. You folks would have to answer that. Which is easier to pass? I think from a concept or a... the better tax is clearly in my mind a 5% gross receipts tax. It does give the, both the individual small farmer, small business man and the large oil companies the opportunity to export some of the tax to the feds. Under the, let's say an ad valorem tax, that is no longer deductible, no longer itemizable on your federal income tax return. So there's no opportunity to pass that through if you were to raise the gas tax."

Winchester: "One of the reasons that we're here today on Saturday, and maybe tomorrow, and on Monday is because of the problems with mass transit in the five county area of the CTA, the RTA and so on. Is there a way that we can provide some temporary relief to their operations to prohibit them from having to shut down their operation so that we would have more time than what we've got allotted to us now to try to work out a good transportation program?"

Mandeville: "I think we have presented a good transportation program. I think it is clearly the wrong to go..."

Winchester: "Wait a minute, Bob. Let me interrupt you. I'm asking for time. Most of us don't agree with you. Is there another mechanism that just takes the transit side of it and help with their problems to extend it for another month or so to give us more time to work out a better. We disagree with your program as we see it now...many of us."

Mandeville: "I do not think the proper approach, in my opinion, would be to give the authority to borrow again without adequate security or collateral. That was done by this Body and signed into law by the Governor last year to the tune of $75,000,000. I do not see that as a reasonable approach at this point."

Winchester: "Okay. Thank you."

Chairman Neff: "The Gentleman from Whiteside, Mr. Schuneman."

Schuneman: "Yes, thank you, Mr. Chairman. Director, I want to preface my remarks or my questions by saying this to you, that I have the greatest confidence in your personal integrity and your professional integrity, and I value your counsel on matters of this kind. We're here dealing with what has been discribed as a mass transit crisis. Frankly, in my own mind, I consider it to be one in a series of crisis' that we're going to be faced with over the period of the coming years. I don't, by any stretch of the imagination, think that the Governor's plan or any other plan that we're looking at today is going to be any kind of a long term solution to the mass transit problem in Illinois. It seems based on the experience of other states and other communities that mass transit is simply more expensive than what anybody's been willing to pay for up to this point. So that's where I'm coming from, but I want to ask you to what extent do you have confidence that the Governor's proposal reflects any long term solution for the mass transit funding in Illinois?"

Mandeville: "Representative Schuneman, we've labored with many, many alternatives to try to address that very question. It's my belief that the program proposed and specifically the gross receipts tax the way it is structured offers the best hope of any set or combination of multiple taxes that we've looked at to address that very question across the long run. None of us can say with certainty what two, three, four years from now will bring, but the gross pattern, the broad base, the reasonable estimates that yield from this tax all seem to point to a more permanent solution than anything that's been suggested or addressed in the last many years. I think this is our best hope to do it."

Schuneman: "Okay. You see this as the best hope, not necessarily... as I hear your remarks I get the impression you haven't the greatest of confidence that this represents certain solutions either."

Mandeville: "No, I think it will clearly solve the problem as the legislation is now structured."

Schuneman: "One other point. I heard Representative Vinson query you earlier upon the total taxes paid by motorists here in Illinois, that is the flat tax plus the sales tax, and as late as last year I had our staff furnish me with some of those numbers and as I recall, the numbers at that time indicated that Illinois was on the high side as respects to the various states in the United States. Do you have those numbers for all the major states? I'm thinking of California, New York, Ohio, and the surrounding... and the states surrounding Illinois."

Mandeville: "Yes, I have them for all 50 states and..."

Schuneman: "Are you going to furnish those to us, Sir? I'm not asking you to recite them now."

Mandeville: "Sure. I am and I'm just glancing down here. If you take the gasoline tax alone, Illinois comes out in the lower end. There are some that are lower, maybe a half a dozen or a dozen states. But I will provide the data."

Schuneman: "Right. But it's not fair to take the gas tax alone, obviously. We have to consider the sales tax be sure it goes into the road fund. The other point that I wanted to make to you, I heard you mention the tax in Indiana as being a flat tax plus a sales tax. I happened to be passing through Indiana within the last year when the newspapers will filled with reports of an ad valorem tax, gas tax having passed in Indiana. Did that measure fail? I understood there was a 10 or an 11% ad valorem tax substituted for the taxes that you mentioned in the State of Indiana. If so, Indiana is going to be much higher than you indicated."

Mandeville: "I will double check it, but there's been a lot of talk and in the latest publication I saw there were some 30 or 40 states considering either an increase in the consumption tax or movement to or increasing an ad valorem tax. But the January '81 data indicates that Indiana is still on a cents per gallon tax of 8 1/2 cents."

Schuneman: "But you will furnish those figures to us."

Mandeville: "I will double check them and then furnish them to this Body."

Schuneman: "Thank you."

Chairman Neff: "The Gentleman from Coles, Mr. Stuffle."

Stuffle: "Yes, Mr. Chairman, Director Mandeville. I feel as this we've been here before. To ask you the same question that I did to some extent on the proposal that bridged the problem in the Chicago school system. First of all, before pursuing that, we did, yesterday, have testimony and were given data from the Petroleum Marketer's Association regarding those tax burdens on the other states, and I belive that their data indicated that Illinois and Indiana were compared with the various types of taxes including the sales tax were within the percentage of a cent of each other but that Missouri and Wisconsin we had a significantly higher burden when all of the direct type taxes including sales were considered. Did I hear you say that there was a three percent tax in Missouri on... sales tax on gas?"

Mandeville: "Missouri has a seven cent tax."

Stuffle: "Is that the motor fuel?"

Mandeville: "That's the motor fuel tax."

Stuffle: "Sales."

Mandeville: "And sales is indicated here at three and one-eighth percent."

Stuffle: "The reason I raised that as I recall having looked at that data this morning in the office, and their data indicated there was no sales tax in Missouri. I'm not contradicting you, I just think we ought to pay a little closer look as you indicated to Representative Vinson and Schuneman that I think our figures may differ because I think some people may be using different data. But aside from that, let me ask you on the $200,000,000 bridge. I wish it were 200. Clearly, in the Bill for the Chicago school system which you and I discussed here in a similar situation as I indicated, in that bridge note situation first call on the proceeds, the revenue, involved was to pay that debt. Now you indicated to Representative Slape, mechanics were in this program to repay the $200,000,000, to pay the principles involved. Tell me this, is there a direct first call on proceeds for that purpose in this Bill as there was in that program in the Chicagio school system? I don't find that in the Bill specifically written as I look at that."

Mandeville: "As I recall, the remaining debt hold the Treasurer of the $37,500,000 will be repaid from the..."

Stuffle: "On this $200,000,000, what I'm saying is this $200,000,000, is the language in this Bill consistent with the type of language it provided for a first call situation on the revenue in the Chicago school system. Is that similar situation in the mechanics of this Bill? If it is, I don't see that."

Mandeville: "I think it's very close, but there's quite a difference between this situation here. The RTA does not have anywhere near the amount of outstanding debts that the Chicago School Board had."

Stuffle: "My concern is about the use of that money to repay the note."

Mandeville: "Okay, the use of the money it would be first of all, the remaining roughly $30,000,000-$31,000,000 of the $37,500,000 loan not yet repaid as of today would be paid out of the proceeds of this tax. There is only one other outstanding loan of borrowing, and that's about maybe $30,000,000 for a bond issue some years ago. Quite different than the Board of Education. So the proceeds would be used to retire outstanding debt as well as to take the outstanding payables down to a managable level and then the pay operations until the gross receipts tax comes in."

Stuffle: "As I read the Bill that involves itself with the $200,000,000, there does not have to be competitive bidding in the sale of that paper."

Mandeville: "I think that is wise in this case."

Stuffle: "Do you think that is the cause of the risky nature of this whole issue?"

Mandeville: "I don't think you want to go competitive on a interim financing of this nature. You did not go competitive in the case of the Board of Education, and I think there are times when a negotiated sale is preferrable to an open public bid. I think this is one of those times."

Stuffle: "Could you delve into that a bit since you've said, I think, that this situation isn't as bad a one in terms of debt, as the Chicago school system. To argue that on one hand, I wonder if it's consistent to argue that there ought to be a negotiated sale without a bid in this case."

Mandeville: "Well, to have a public bid, to put it out for bids and to have one or more syndicates of banks bid on it, you would probably have to go to Wall Street to get a rating on this particular issue. I'm not sure they could secure a rating. I'm guessing now, and I think I would like to think about it more before I make that very firm."

Stuffle: "My understanding is that the provision in the Bill for the interest rate is the same or similar to what we had in that and the same as the Bill that we passed on this floor by an Amendment that I put on the other Bill which was a limit as to a certain percentage or a certain flat interest rate or a percentage of the prime. Is that the same language?"

Mandeville: "Yes, I think we are governed by the general law that says there can be I think it's 70% of prime or 9%."

Stuffle: "9%. That was our Amendment."

Mandeville: "Or 70% of prime. Yes."

Stuffle: "This specific Bill though, if we were to pass the usary ceiling lift that's in some of the Bills that are alive on this floor in the Senate, have you structured this Bill in such a way that it would not be affected by that lifting of the ceiling if that were to occur in the other Bills?"

Mandeville: "It would depend, of course, on what the lifting of the ceiling applied to, but..."

Stuffle: "The way that some of our people here have it, it would probably, by the time they're done, apply to everything."

Mandeville: "If it applies to everything, it might impact it. I'd have to look at the particular Bill, but I suspect that the general Bill governing these kinds of local governments would apply."

Stuffle: "So we're talking potentially. If the sales were being made today, probably a situation where the interest limit on this sale could be somewhere in the neighborhood..."

Mandeville: "About 11%."

Stuffle: "11%? Now, that's based upon a prime of what?"

Mandeville: "About 17."

Stuffle: "So, 70% of that would be 11..."

Mandeville: "12%, whatever..."

Stuffle: "12%."

Mandeville: "...That comes out to be."

Stuffle: "Okay. This is a premature question. I know you're going to say this because you did the last time I asked it. But, we both know that there's a very... Generally, in a situation like that, there's some knowledge of whether or not there are people out there in the market community who are interested in this sort of an issue. Now, have you any indications that there would or would not be a problem with making this issue at 12%?"

Mandeville: "I think the higher the interest, the more buyers you have."

Stuffle: "I know, but that's not my questions."

Mandeville: "I think clearly you could sell this at 12%, yes."

Stuffle: "Okay, thank you."

Mandeville: "This is tax exempt."

Stuffle: "That makes it quite a deal admittedly at 12%. Maybe I should ask you, do you think it's too high to put it at 70%, the prime?"

Mandeville: "I think you will. No, I think that is a limit. I think you... No, I think 70% of prime is probably reasonable because there will be a time when that is less than 9%."

Stuffle: "Not now."

Mandeville: "We might not see it, but it's..."

Stuffle: "You hope."

Chairman Neff: "The Gentleman from Sangamon, Mr. Kane. Pardon me, I do want to announce that we have two more witnesses to appear before us, and I know many of you folks are wanting to know just how long we're going to be here, and I know some of you have appointments and have to leave, and hopefully we can move right along. I'm sorry, Representative Kane to interrupt you, but you go right ahead."

Kane: "Director Mandeville, just one or two very brief questions. How did you arrive at the revenue projections, or do you have a paper that outlines how you got to that?"

Mandeville: "Yes."

Kane: "Could you provide that to us and then we won't have to answer... you won't have to answer the question."

Mandeville: "Right."

Kane: "Do you have it with you?"

Mandeville: "Yes."

Kane: "Could I come down and get a copy?"

Mandeville: "Steve, I think, has a copy. The man to your right."

Kane: "You're assuming only a 14% increase each year?"

Mandeville: "It varies. We're looking at the... We're looking at two things in deriving the yield, of course, and one is the price increase, the other is the consumption decrease, and the two tend to offset in terms of revenues. And we're using face and data resources both."

Kane: "How do you arrive at the Illinois share of the market, I guess would be a...?"

Mandeville: "The Illinois share? This is based on Department of Energy data of the petroleum products consumed by state in the most recent year we could get, and I'm not absolutely sure what year that is, but I could find it out."

Kane: "Okay, those are basically the questions I had. One other question is, is this tax you're putting on petroleum products on the first sale into Illinois?"

Mandeville: "Yes."

Kane: "For resale or what happens if the first sale is for final consumption?"

Mandeville: "It is taxed."

Kane: "It is still taxed."

Mandeville: "If it fits under definition of the items to be taxed, and if you have that handout, I think on about the fourth page there's a breakdown..."

Kane: "There's only three pages to this."

Mandeville: "Okay then."

Kane: "I would like your longer version."

Mandeville: "Yes, there's one other one that shows the kinds of commodities that will be taxed and the point at which they will be taxed."

Kane: "Okay. The representative of Standard Oil said that a large purchaser could purchase out of state for final consumption and avoid the tax. Is that true or not?"

Mandeville: "I think that if the point of sale is made out of state that there would be no tax."

Kane: "So, a large trucking firm who would purchase out of state and truck petroleum products into the state and avoid the tax..."

Mandeville: "With only one caviat that perhaps Director Johnson could answer. And whether or not they might be subject to the use tax when they bring it back in, but I'm not sure."

Kane: "Well now there wouldn't be a use...Is there a use tax involved in this?"

Mandeville: "No. Not in this case. Okay. I'm sorry."

Kane: "I guess what I'm saying is..."

Mandeville: "I think you are right. What you said."

Kane: "There would be no tax."

Mandeville: "It's my understanding there would be no tax if purchased out of state."

Kane: "That's what I'm talking about, delivered in state."

Mandeville: "No, no, no. That's not what I think you said."

Kane: "Say a large trucking firm."

Mandeville: "Yes."

Kane: "Okay? Goes out and buys petroleum products to..."

Mandeville: "In St. Louis."

Kane: "St. Louis to ..."

Mandeville: "And brings them back for consumption here."

Kane: "To fuel their trucks."

Mandeville: "They then themselves are going to consume them."

Kane: "Right. Is it taxed or not?"

Mandeville: "No tax."

Kane: "There's no tax."

Mandeville: "No sale in Illinois."

Kane: "The further along the line of manufacturer production that comes into the state, the higher the tax or the larger the proportion of the final sales tax will be the..."

Mandeville: "That's correct although the point in the production chain is identified, the commodities that will be taxed."

Kane: "Okay, but the further along in that chain that that product enters the state..."

Mandeville: "The closer to the point of retail sale the higher the yield, yes....The higher the tax paid."

Kane: "You're going to be discriminating against what? Manufacturer in state or out of state?"

Mandeville: "I think it depends on the circumstance, but if you... if you.."

Kane: "No, are you benefitting fabrication in the state, manufacture in the state or outside of the state?"

Mandeville: "Of the basic petroleum product or some ultimate retail product?"

Kane: "Or whatever."

Mandeville: "Well, if it's an ultimate retail product, that manufacturer, as I understand the law, is not taxed. If it is the refinery that produces the petroleum product that in fact is subject to the tax, then the man who does that in Illinois is taxed. The man who does it in Indiana is not taxed."

Kane: "This tax, would it discriminate against a refinery in Wood River or a refinery in St. Louis? Or would an oil company benefit to have a refinery in St. Louis rather than in Wood River with this kind of a tax?"

Mandeville: "I think it depends on where the product goes in terms of the first point of sale of that product."

Kane: "If the product is... If the final product is consumed in Illinois, okay...the product of the refinery is consumed in Illinois, does it benefit the oil company to have a refinery in Wood River and refine it in Illinois or to have a refinery in St. Louis and refine it is Missouri and then ship it?"

Mandeville: "Well, I don't think in that situation it would make no difference. It would be a 'wash'. And the reason it would is that the point of sale as you've best identified the circumstances would be in Illinois, and therefore; it would be taxable in both cases."

Kane: "Taxable in both cases at a different rate though because it's on the amount of the sale on the first sale, not the final sale. It's on the first sale in Illinois, so there's a discriminating..."

Mandeville: "Yeah, right...If you had two identical situations where the same product is sold at a certain point then it should be indifferent. It should be the same."

Chairman Neff: "Pardon me, Representative Kane. Your leadership has just informed me that I had to move on or else they was going to all walk out and we don't want them to do that, so if..."

Kane: "I don't mind if my leadership walks out."

Mandeville: "I would be happy to discuss this in more detail, Representative Kane, if you'd like."

Kane: "Yes, because at one point you have a refined product which is obviously a higher price than an unrefined product and I think that the tax is different."

Chairman Neff: "I appreciate, Dr. Mandeville, you being with us. Now we have with us a very important Gentleman, the Director of Revenue, Mr. Johnson. And, Mr. Johnson, we're happy to have you with us and, we'll not try to detain you too long, but I know you'll be here as long as necessary."

Johnson: "Thank you very much, Mr. Chairman. I'd like to open my remarks by addressing three specific subjects which apparently have been a dramatic concern to the Members in the questions they have asked previous witnesses. First, what is gross receipts? Second, what is the definition, under the Act, of petroleum products? And three, or third, what impact does this tax have on the agricultural community? Specifically, gross receipts are defined by the Act to mean the consideration received by any person or firm from the first sale of petroleum products to wholesale or retail dealers in this state for marketing and distribution or to a user in this state. It's important to know what the definition of petroleum products is. Petroleum products are defined as those products which result from the refining by an industrial plant, products which processes crude oil feedstock and manufacturers' refined petroleum products. So, for example, if there is a production of a product that is not a direct derivative of the refining process of crude oil feestock, and let me give you an example of Lasso Herbicide. If Lasso is manfuactured in the State of Louisiana and, in part, the products that go into the manufacture of that chemical, is a petroleum product. There is no tax liability incurred on that product because when it enters the State of Illinois and sold into the State of Illinois it is not a petroleum product as defined by this Act because it is not a direct product from the processing of crude oil feedstock. There has been another manufacturing product process incurred since the time it was a petroleum product as defined by this Act. So there would be no tax ability of any of the ingredients of Lasso that is manufactured in the State of Louisiana and later sold into the State of Illinois. If the product was manufactured in the State of Illinois, there would be an impact to the extent that petroleum products were used in that manufacturing process. Three areas of concern to the farming community, basically, in the cost estimates involved in the farming community's liability under this tax, three specific product areas have been referenced. One, diesel and gasoline fuel and LP gas fuel. That... those products are products of the refining process and would be subject to tax when they are sold into the State of Illinois for the first time. In the area of petroleum based fertilizers, the main components of petoleum based fertilizers or what some have called petroleum based fertilizers are ammonia, pot ash, and phosphates. Ammonia is derived from natural gas. Natural gas is not a petroleum product under the definition of this Act. Natural gas does not go through the refining process of crude oil feedstocks and, therefore; would not be taxable. In the area of pesticides, herbicides, insecticides to a large extent those products are manufactured outside of the State of Illinois and the products... or the petroleum base within those products are changed into pesticides, herbicides, and insecticides outside of the State of Illinois. So there would be no incurrence of liability to the extent those products are manufactured outside of Illinois. It is our estimate that based on the approximate $230,000,000 that is spent annually on pesticides, herbicides, and insecticides in the farming community. This new tax program would add approximately $1,000,000 to that cost. So, to the extent that it was estimated that the farming community could bare up to $55,000,000 additional liability under this tax program. $26,000,000 of that $55,000,000 was identified as cost of pesticides and petroleum based fertilizers. In large part, the majority of that liability would not be incurred. Hopeful that I have provided some insight into this liability, and I'd be glad to answer any questions that any Members would have."

Chairman Neff: "Director, you just made a statement here, and there's some conflicting reports and what will be taxable to the farmer and what not, but I wonder if you can stand on what the statement you made. I think...I question some of that about insecticides and herbicides that are sold in Illinois that might be made out. I think there could be a tax on them because I read these Bills and I hope you're correct in that statement."

Johnson: "Well, let me clarify again, the tax is imposed on gross receipts on the first sale of petroleum products in the State of Illinois. Petroleum products in the State of Illinois as defined by this Act, are those products which result from refining crude oil feedstock. In the case of herbicides, pesticides, and insecticides, they are not, or they are not produced from the refining of crude oil feedstocks as defined under this Act. There is a further process in the manufacture of those items, of those chemical items for farming, and to the extent that that further process occurs outside the State of Illinois there would be no liability incurred in any of the input to those products."

Chairman Neff: "The Lady from LaSalle, Mrs. Hoxsey."

Hoxsey: "Director, I would greatly appreciate a copy of the information that you have just submitted to us, and I would venture to guess that every Member of this General Assembly would appreciate a copy of what you've just submitted to us."

Johnson: "I would be glad to, Representative."

Chairman Neff: "Mr. Bower."

Bower: "Director Johnson."

Johnson: "Yes."

Bower: "Do you have any idea what the extent of the agricultural chemicals that are sold in Illinois are manufactured in Illinois?"

Johnson: "There are 18 manufacturing plants in the State of Illinois that produce agricultural chemicals."

Bower: "So, based upon...okay."

Johnson: "The total sales of all those 18 companies represents approximately $55,000,000 a year. It is my understanding, the retail price of all agricultural chemicals used in the State of Illinois by the farming community amounts to approximately $230,000,000. If you look at those comparisons then, $53,000,000 worth of product produced in the state compared to $230,000,000 used, you'd come to about approximately 20% of the total usage in the State of

Illinois. Now, I believe that is high because I believe some of those companies that produce that $53,000,000 worth of sales sell to customers outside of the State of Illinois. So, at the maximum 20% of all chemicals would be taxable and manufactured in the State of Illinois, and I believe it's less."

Bower: "Okay. So, based upon what you've said, farm chemicals that are purchased from manufacturers outside the State of Illinois would not be subject to the tax, but those purchased inside the State of Illinois would be subject to tax."

Johnson: "No, those products that are purchased, that were manufactured in the State of Illinois to the extent that petroleum was included in their input to create the product, there would be some taxability passed through that product. To the extent that it was not manufactured in the State of Illinois, but sold into the State of Illinois, the final product, there would be no tax liability incurred in that process at all."

Bower: "So, actually, it would be cheaper for a farmer to purchase those products from an out of state manufacturer."

Johnson: "I don't think you can say that unequivocally because certainly manufacturers in other states incur tax liabilities of different taxes than those imposed by the State of Illinois. So you would have to look at the overall tax structure which causes costs to increase or decrease in the state in which that product was manufactured."

Bower: "And, of course, the price in another state might be higher for other reasons, but strictly on this tax, it would be the 5% tax would be reflected in the in-state purchase, but not in the out of state purchase."

Johnson: "For that which is manufactured in the State of

Illinois. That would be correct."

Bower: "So, actually, we are discouraging the manufacturer of these products and the sale in the State of Illinois by, and in effect, hurting our own business climate."

Johnson: "I disagree. I cannot agree with that general statement because you have to look at what other incentives there are in the State of Illinois to manufacturer any product in the State of Illinois. For example, the transportation system that we have may be an incentive to put a manufacturing plant here in Illinois versus in Louisiana, Texas, or someplace else. You cannot look at this one cost and say that is the only one which will have a consideration as to where a product is manufactured."

Bower: "Thank you."

Chairman Neff: "The Lady from Champaign, Mrs. Satterthwaite."

Satterthwaite: "Director, I think my inquiry was...was very much along the same line, but another point in that same vein of thought, would it not be a disincentive for a new manufacturing plant to locate within the State of Illinois knowing that they were going to have this tax versus putting their plant somewhere in Missouri or Indiana? Again, all other things being equal, this program in itself would provide some disincentive for industrial location here, would it not?"

Johnson: "Well, I will not come to that conclusion because there are not... all things are not equal."

Satterthwaite: "I grant you that."

Johnson: "Every state has a different tax structure and has different labor markets, has different transportation systems, have different assets that provide..."

Satterthwaite: "I grant you that it would need to be a series of things on balance, but I'm saying if all other things were equal, then this tax in itself would be a disincentive for locating within the State of Illinois."

Johnson: "You can come to that conclusion, but I am not willing to say that. For example, the central locality of the State of Illinois and what that does for the ability to transfer your product that you manufacture in the State of Illinois, that asset certainly could outweigh those disincentives, and I believe..."

Satterthwaite: "I would doubt that the central location would vary much from Missouri to Illinois for instance. And that's the kind of comparison I'm trying to make is with the bordering state and whether or not this would be a factor. It might not be the deciding factor, but it would be an additional factor that was a disincentive for a new industry using petroleum products to locate with in the state, would it not?"

Johnson: "That could possibly be a fact, but I'll give you one example. The fertilizer industry that we're talking about and why there is not a tremendous, not the fertilizer, but the chemical industry, farm chemical industry is generally located in the states of Louisiana and Texas and the reason for that is they're very close to the raw materials that they need to produce that product. That is the great advantage of locating in those states. And if you look at each different industry and each different manufacturing process, there are assets that have to be measured industry by industry to determine where the locational benefits are of any state for that specific industry and those specific products."

Satterthwaite: "But we have apparently captured roughly 20% of those manufacturing concerns according to your figures. That 20% of $55,000,000 sales that you just quoted which is roughly 20% of the total of those products consumed in the state."

Johnson: "No, only 20% of those products consumed in the state are manufactured in the state. What those figures... produce that end result, so what we're saying is 80% of the product, ag. chemical products, consumed in this state are imported from other states. The reason they're imported from other states are varied. Most likely, because the manufacturing plants of those products want to be closer to their raw materials and so, therefore; have located their industrial plants to manufacture those products closest to those raw materials. So you have to look at that industry and ask why it located where it did. You'll go to another industry, and there will be a whole different set of reasons why that industry located wherever it located."

Satterthwaite: "I grant that you have been correct in what you have said, but I still maintain that this would be an additional disincentive for a new plant to open in Illinois manufacturing any products that had petroleum products in their process of manufacturing. The fact that we do have something like 20% of it now might, in fact, diminish under adverse conditions within our state, and my point is simply that this would be considered an adverse condition for a new plant."

Johnson: "But by doing nothing also, you know, that might create adverse ... and adverse situation why other plants or why other manufacturing concerns may not locate in Illinios in the future as well."

Chairman Neff: "The Lady from Sangamon, Mrs. Oblinger."

Oblinger: "Yes, if I'm correct, last year our biggest concern, Sir, was making a good business climate in Illinois. Therefore, we go to workman's comp. and unemployment comp., and now we come along and it makes it less attractive here only now we include a whole bunch more, and I want to know why. Before it was the manufacturing plants we were worried about, now we're going to effect the small businesses on the state borders according to a number of people here. Now we're going to effect the farmers. We're going to drive off some more. I know a whole bunch of us, we're just going to sell you all the land because we can't have a pass through. How do you expect us to even live? On one hand we're yelling, 'We got to do things to keep business here', and on the other hand we're saying, 'But let's do this and drive them out'. How do we explain that to people?"

Johnson: "This whole program is designed to finance the transportation program in the State of Illinois. It is considered vital to maintain that transportation system in Illinois..."

Oblinger: "Right."

Johnson: "... for the health of our business climate and the health, economic health of our constituents. That is why a tax program has been proposed to support those governmental services. In any tax program developed to support those services which will support our business climate will have an impact in some manner. This tax program has certain impacts, other tax programs have impacts as well. What you have to do is be able to measure which one is the most appropriate."

Oblinger: "I would agree with you if it was on transportation, if it's on gas and gasoline products to drive transportation methods, that wouldn't be so bad. But what does home heating, pesticides and anhydrous ammonia and drying grain got to do with transportation is beyond me. Thank you."

Chairman Neff: "The Gentleman from Wayne, Mr. Robbins."

Robbins: "Tom, I'm kind of confused on understanding petroleum products. In Wayne County, we manufacture pipeline gas from the gas which comes from the oil wells in the county.

Now, you are taxing propane and butane. Is that correct?"

Johnson: "Yes, it is."

Robbins: "Do you know that propane and butane are a derivative of the natural gas manufacturing process?"

Johnson: "In the area of natural gas,... In the area of natural gases, LPG, for example, is a product of the refining process, and it is so because basically, as I understand it, natural gases come out of oil wells, and they come out of gas fields. What is called wet natural gases must be further refined and are defined as petroleum products, and that produces liquid petroleum gases. Dry natural gas comes out of gas fields rather than oil wells. Dry natural gas does not go through the refining process and, therefore; would not be subject to this tax, because it is not the refining. It is not a product which is a result of the refining process of crude oil feedstocks."

Robbins: "Okay, in other words, it makes a difference on if the gas is produced in Illinois or if it is produced in Oklahoma."

Johnson: "It...Once you have determined that the product is a petroleum product as defined by that Act, it doesn't make any difference where it is produced as long as the first sale of that product is into the State of Illinois it would be taxable. If you produced it or refined it in the State of Illinois, such as in Wood River, but sold it into the State of Iowa it would not be subject to taxation. But if it was sold for the first time into the State of Illinois, it would be taxable after it is refined."

Robbins: "In other words, the natural gas that is produced in my county and sold in Chicago is subject to the tax?"

Johnson: "If it is not refined, if it is not a product of the refining process, it is not taxable under this program. The natural gas, the dry gas. If it is sold to Northern

Illinois Gas for purposes of natural gas, and therefore put in... sent to the homes for home heating, it is not a product of the refining process and is not subject to this tax, but it is subject to the natural gas gross receipts tax."

Robbins: "I understood what you said, but do you understand what I said?"

Johnson: "I'm not sure."

Robbins: "The gas that is produced in Wayne County first has the sulfur removed, then it has the propane and butane removed, and then it is put into 'Propane' Gas Company and goes to Chicago. Now is that natural gas..is..."

Johnson: "That's a product that goes through the refining process and will be taxed..."

Robbins: "Go through a refining process in the State of Illinois and is sold in the State of Illinois, is it subject to the tax?"

Johnson: "It is."

Robbins: "In other words, natural gas can be subject to the tax if it's produced in Illinois and not subject to the tax if it is produced in Texas, and there is...there is..."

Johnson: "If it is those natural gases which require refining."

Robbins: "The only natural gas we have in Illinois requires refining, and they are setting up to build a new plant in my district. Now can they build that plant and sell this gas instead of flaring it to people that need the energy and not have to be subject to tax?"

Johnson: "If it is sold into the State of Illinois, it would be subject to the tax. Now this is the natural gases which have to go through a refining process. But the majority of them, those that come right out of the gas fields, what is considered and defined as dry gases are not subject to the refining process and would not be subject to the tax no matter, even when they're sold into Illinois, whether they came from Eastern Illinois or whether they came from Texas."

Robbins: "Well, that's a question I have been trying to kind of get through for awhile. In other words, we're better off just to go ahead and flare the gas or pay the tax. Now, I really get worried whenever a little town of Enfield, south of us, had a manufacturing plant because of workman's compensation and unemployment insurance moved to Evansville, Indiana about two months ago and last night or the night before I watched the news, and they were folding kites in Decatur which they won't be folding another year and of course I haven't decided those kites, whether the park to fly as according to this Bill would be subject to tax or not, but the company's moving out ahead of time because it is a refined plastic. Now, if you make plastic containers, this is a petroleum product. It is bought, and the 5% would apply on the petroleum product to make the plastic containers?"

Johnson: "If you manufactured a product in the State of Illinois which was a plastic product and it in part, one of the ingredients of it of the manufacture of that product was petroleum products that were a result of the refining process to the extent that that product; let's say it represented to the 10% of the cost of manufacturing that product, then you could expect an impact on the cost of that product of about 1/2 of one percent."

Robbins: "Then the plants that we have that are making components which are almost totally plastic, the new plants set up in Flora, Illinois will have to pass a 5% cost of this plastic on to..."

Johnson: "Let me give you an example. Let's say it costs $100 to produce 100 plastic cups and included in that $100 cost to the plant was a $5 or $10 cost of oil, refined oil products, going into that plastic, the impact on that $100 cost would approximately be an increased cost of 50 cents, because only 10% of the cost of producing that product was based on the cost of the refined product that went into the manufacture of that product."

Robbins: "So any kind of plastic that is produced in the State of Illinois willbe subject to that tax, even..."

Johnson: "It will not be subject to that tax only to the extent that a petroleum product was included and how much that petroleum product cost represented of the entire cost of that product."

Robbins: "Well, I understand what you're saying, but what I..."

Johnson: "If the cost is $100, it's not going to increase the cost by $5 or 5%. It's only going to increase the cost to the extent that petroleum product costs are included in that $100 cost of the entire product."

Robbins: "Okay, thank you."

Chairman Neff: "Thank you. The Gentleman from Edgar, Mr. Woodyard, do you have a..."

Woodyard: "Yes. Thank you, Mr. Chairman. Tom, a couple of questions, and I apologize that I didn't hear all of your testimony, but I do want some clarifications on a couple of things on the interstate or out of state production particularly in the agricultural chemical area. An example, one of the largest used soy bean herbicides is Treflan which is manufactured primarily at the Ely Oil Plant at Clinton, Indiana. Alright, when Treflan is shipped into Illinois, will there be a 5% tax on that person buying from the manufacturer of Treflan?"

Johnson: "There will be no tax imposed because a product that is sold into the State of Illinois is not a petroleum product as defined by this Act because there's been a further processing of the refined product into another product. So, in that case, where the manufacturer of that product is located out of the State of Illinois, there is no tax liability on that product."

Woodyard: "Okay. Tom, will the Department of Revenue primarily be in the interpretive agency that will do the interpretation of what is taxed and what is not taxed or will that fall upon your particular agency?"

Johnson: "The Department of Revenue will be the.. is the revenue...Department charged with the administration of this tax and we would be responsible for issuing rules and regulations concerning this tax and the tax ability of products."

Woodyard: "Yes. Okay. We've had a lot of comment. I don't know that I've even really gotten a very clear answer, and it certainly is the one big item that impacts agriculture, is anhydrous ammonia. Have we or do you have a feeling at this particular time on that particular product because in the Farm Bureau figures that we have seen, an awful large portion of that certainly has to be in the anhydrous ammonia area."

Johnson: "Yes, I understand approximately $15,000,000 of the estimated cost was in that category. That product is not a product that is made from a petroleum product as defined by that Act. It's my understanding that that product is produced from natural gas. Natural gas is not taxable under this petroleum products tax Act."

Woodyard: "I think that's where I'm blowing it, because we have two evidently rather separate categories of what will and will not be taxed under the natural gas area, and produced in state or pipelined in or whatever. And we have a plant in not my district but a district very close to me in...Tuscola, Illinois which produces large quantities of propane. They're sitting on top of panhandles pipeline and they actually produce propane and butane from natural gas and pump that underground under tremendous pressures and then draw it out when they need it, and I'm not real clear what the difference is between producing or why there would be the tax maybe on that product and maybe not on another product produced from natural gas that might be on that same pipeline."

Johnson: "Well, natural gas... To the extent that it's natural gas, and it's gas that is coming from a gas field and does not go through a refining process no matter what ultimately is produced from that product. Whether it goes into a home for heating that home or whether it goes to the production of anhydrous ammonia, it would not be subject to taxation because the product was not produced as a result of the refining process."

Woodyard: "Do you have any idea of the approximate percentage figures of the differentiation of the two categories of propane that would be derived from that? And this is a personal question. I use about 20 thousand gallons of propane a year just to dry grain with."

Johnson: "Propane... Propane is all produced from the refining process as defined under this Act so that would all be taxable, but to the intent..."

Woodyard; "All propane would be."

Johnson: "But anhydrous ammonia, it is my understanding, is produced from natural gases which do not go through the refining process and, therefore; would not be taxable."

Woodyard: "Well, I really can't respond to that, but it's going to be difficult for me to talk to people and say that one product produced from natural gas is going to be taxed and another product produced from natural gas is not going to be taxed."

Johnson: "Natural gas. Okay, let me clarify this. The terminology is what I..."

Woodyard: "The dry and the wet. I'm not familiar with that."

Johnson: "Natural gas is, as you and I know it, are natural gases that would not be subject to the tax. The natural gases that we're talking about, this wet stuff, it's really comes out, in large part, from oil wells and comes out with crude oil as well. That is natural gas which has to go through the refining process and produces other products as I understand it. The natural gases which are used for the production of anhydrous ammonia which is what I think we're talking about here is derived from products that do not go through that refining process and that's where you get into this wet and dry gases."

Woodyard: "Right. Okay. I'll shut this off, but thank you, very much for responding to these, and I hope that you will, if this package in this form should happen to pass, that you would be amendable to your interpretations of what is and what isn't taxable."

Johnson: "I will be."

Chairman Neff: "The Gentleman from Marion, Mr. Friedrich."

Friedrich: "Yes, thank you. Director, three quick questions. How many people do you think, additional people do you think you'll have to add to the Department of Revenue to determine what percentage of a plastic cup is oil?"

Johnson: "We won't have to determine for example how much of a plastic cup is oil because all we're interested in is the sale of a refinery product, not the plastic cups. I think in relationship to other taxes that we administer we're talking about much, many fewer taxpayers than most taxes and I think that the administrative costs would be reflected."

Friedrich: "Now, you said a while ago that if I picked up a product in Missouri that had used oil in it, that would not have the tax load on it. Is that right? If I pick up a manufactured product that had already been made in Missouri, then that's not subject to this tax?"

Johnson: "That is correct."

Friedrich: "So, that would be an incentive then for anyone that's going to make anything using oil products to get the hell out of Illinois, wouldn't it?"

Johnson: "Again, I said many times that you have to look at all the incentives and disincentives to manufacture any product in Illinois or in any other state of the country, and you have to measure those and look at each industry and see what their major decision points are in locating a manufacturing plant."

Chairman Neff: "The Gentleman from Cook, Mr. Bowman."

Bowman: "Thank you, Mr. Chairman. I'd like.. I have just a couple of questions if they have already been answered before, please just tell me and I will go on to another point. I do not wish to be repetitive though. I'm looking now at House Bill 741, right? Do you happen to have a copy of that in front of you? It would be helpful if you did."

Johnson: "Yes."

Bowman: "I am now looking at page two in the definitions of... Well, let's begin with petroleum products. Okay. It says, 'Petroleum products include any product which results form refining by any industrial plant regardless of capacity'. I'm not sure why you have that in there, 'which processes crude oil feedstocks', I'm not sure why you have that in there either, 'and manufactures refined petroleum products'. First of all, I think that's bad, regardless of what the questions I've already raised. It strikes me as very, very bad grammar and quite confusing to say petroleum products includes any product... and manufactures refined petroleum products. I think a lot of questions could be raised about the definition, and why not just adopt a simple definition, petroleum products includes any product and any refined petroleum product, period?"

Johnson: "Well, I think you get into the problems of determining refining what. You can refine products which are generally considered petroleum products by some by refining something other than crude oil, and that's where we get into the problem of making...trying to narrow the definition of what is petroleum products as was intended by this tax."

Bowman: "Okay, then taking your response...based on your response, I would recommend that the ..the phrase at the end of the paragraph, 'and manufactures refined petroleum products' be deleted. Cause I think everything is said up to that point and that phrase could...I think clouds the definition."

Johnson: "Be glad to look at that."

Bowman: "Okay. Take a look at that. Next thing, sale, right under that, the definition of sale?"

Johnson: "Yes."

Bowman: "It says, 'sale, in addition to the common meaning'. Well the problem is that there is no common meaning. There's a legal meaning. And we have a number of...In fact, we do not have a sales tax in this state as such. We have four different kinds of taxes which collectively we refer to euphemistically as sales...as the sales tax. I think it would be better to define sale with respect to some existing Statute which we use as a base for taxation."

Johnson: "We'll look at that as well, Representative."

Bowman: "Well, okay. I would appreciate it if you would. I think that would be appropriate. Okay, let me see. I thought there was one other question. And, well, okay, I think you should go back and take a look at those definitions because I would hate to have the thing tied up, not only tied up in a court of law, but perhaps knocking some things out inadvertantly. Oh, wait a minute. I think I remember the other problem. This is one last one, and then I'll be done. Let's see, gross receipts, now we're in Section 2, page 1, gross receipts means, 'the consideration received by any person from the first sale of petroleum products to wholesale or retail dealers in this state for marketing and distribution or to a user'. Now, my question is, really the first part sounds like it is an occupation tax. The second part, the phrase, 'or to user', sounds like it is a use tax. And I think again since we don't have a sales tax in this State we have a combination of occupation and use taxes that that could cause some difficulty, and it needs to be clarified."

Johnson: "The meaning of that 'user' in the state is in those cases where a manufacturer such as Shell Oil would sell directly to an ultimate user rather than to a retailer, because they are such a large consumer of the petroleum products that that would be taxable."

Bowman: "Well, okay. I understand what you're saying, and I...that's exactly what I was thinking when I read that. However, I would point out to the people who are being inconsiderate on the other side that I've only asked two questions in the entire day and a half, and this is only my second time on my feet. He probably belongs on the other side. No, I would just like to urge that you clarify because we do have occupation and use taxes and not sales taxes and I'm afraid that that would create some legal difficulties in interpretation."

Chairman Neff: "Thank you. The Gentleman from Madison, Mr. McPike."

McPike: "Well, thank you. Thank you, Mr. Chairman. Tom, we have had two crisis since I've been here for transportation, and the Governor puts this forth as a solution for a long-term...as a long-term solution for mass transit and for the road program. He has given us projections for revenues for FY '82, and I presume that you have worked with these projections."

Johnson: "The Department of Revenue did not work, Representative, with those projections directly. We do not have specific expertise in consumption of oil products. Department of Transportation and the Bureau of the Budget worked together as I understand it on those revenue projections."

McPike: "Okay. I would.. Mr. Chairman, I would hold my questions for Secretary. He'll be up next?"

Chairman Neff: "Thank you. He will be next."

McPike: "Well, I'd like to ask him questions on these projections."

Chairman Neff: "Thank you, Director, for appearing before us this morning. Secretary of Transportation, Mr. Kramer. As I told the Secretary, he's a very popular person here. This is the third time I've had him up, and, Mr. Secretary, they appreciate you coming back. I think there's a few questions they'd like to ask you yet." Secretary Kramer: "Mr. Chairman, I appreciate the opportunity to come back and I'll keep the answers short. Any questions?"

Chairman Neff: "Some of you folks that wanted to ask Secretary Kramer some questions?"

Secretary Kramer: "No? Thank you."

Chairman Neff: "Yes. The Gentleman from Cook, Mr. Levin. I'll get to you."

Levin: "I would just like to ask the Secretary one question. In House Bill 743 which is the rewrite of the RTA Act, there is a change that is made to the existing procedures. Under the existing procedure of the RTA Act the Bureau of the

Budget makes revenue projections. House Bill 743 would change that to the Director of Transportation. And these are projections that would be given to the TFA. Why that change?"

Secretary Kramer: "Cause the amount that the Transportation Finance Authority would get would be subject to annual appropriations by this Body and that appropriation would be included in the Department of Tranportation's budget. Therefore, it seemed appropriate since the appropriation was to the Department of Transportation from the General Assembly, that DOT provide the projection."

Levin: "Now, previously, what projections were being...er..what projections under the existing law are being provided by the Bureau of the Budget to the RTA?"

Secretary Kramer: "Those are sales tax revenues only and in that instance it was more appropriate for the Bureau of the Budget to do it since they make overall statewide sales tax projections and for them it was a simple matter of breaking out the Cook County and collar county component of the sales tax. It seemed administratively less burdensome for the Bureau of the Budget to do that and hence, the existing Act called for the projections to come from BOB. This, of course, is quite different in that it's subject to annual appropriation."

Levin: "But aren't there still revenue projections involved before you even get to the appropriation projects in terms of...process in terms of how much money has been collected under this tax?"

Secretary Kramer: "Yes. And we would of course draw on the resources of the Bureau of the Budget and the Department of Revenue in that. But the key thing in determining how much the TFA gets, what's its share of the gross receipts tax is, is annual appropriation and, the amount that is actually allocated in the DOT budget."

Levin: "Well, isn't that a function that could be done by a variety of different agencies including the Legislature itself?"

Secretary Kramer: "Sure. And ultimately of course it will be by the Legislature itself. That's,..."

Chairman Neff: "The Gentleman from Madison, Mr. McPike."

McPike: "Thank you, Mr. Chairman. Mr. Secretary, we have projections from the Governor's Office or from your staff of receipts in FY '82 of 400 million, receipts in FY '83 of 623 million."

Secretary Kramer: "Right."

McPike: "I also heard mentioned either from the Governor or someone on your staff of an average of 850 million per year in the following four fiscal years. Would you break that down for me and give me your projection for FY '84 gross revenues, FY '85, '86 and '87?"

Secretary Kramer: "Representative McPike, I will have to get that to you. I don't have it off the top of my head. But we will get those to you, Representative."

McPike: "Would you also tell me how you arrived at those projections? My interest is that the cost of oil has gone up in the last 8 years, maybe 1,000 or 1200 percent. I'm curious as to know what kind of projections you used for the next five years for the price of oil. So, if you could supply those to me I would appreciate it."

Secretary Kramer: "I would be delighted to do so, Representative."

McPike: "Thank you.."

Secretary Kramer: "Would you like me to do so now or to you directly?"

McPike: "If you them now great. I'd like to see your projections more than I would the reasoning, but I would like to have them both."

Secretary Kramer: "Okay. Well let me..let me give you...give you the methodology and then get the subsequent numbers to you year by year. We took the US Department of Energy's rather detailed reports on energy consumption and petroleum prices in Illinois that are extremely detailed. And then took Chase Econometric's projections as to what the price increase would be by the specific petroleum commodity."

McPike: "Okay. Thank you. Now I would just like to have the year to year breakdown then."

Secretary Kramer: "Alright."

McPike: "Thank you."

Chairman Neff: "The Gentleman from Hardin, Representative Winchester."

Winchester: "Secretary Kramer, in my District a lot of people are opposed to this Bill primarily because I think there's some confusion or not properly reading the newspapers who have been reporting most of what we've been doing here and they've been talking mostly in the area of mass transit. And, people are saying, 'My God, I didn't realize we were paying this much money toward Chicago mass transit programs'. But isn't it true that two years ago under the legislation that I sponsored for the Governor and for George Ryan that we eliminated the two thirty-seconds which is the part that the downstaters would have been paying that would have been going towards the funding of mass transit?"

Secretary Kramer: "That's correct, Representative Winchester."

Winchester: "So downstaters are not paying any money towards mass transit in Chicago at this time?"

Secretary Kramer: "At all. And under this program they would not be either because more money would be raised in the Chicago metropolitan area than is being earmarked under this program for mass transit."

Winchester: "That is a...It's a big misunderstanding in my part of the state."

Secretary Kramer: "And it's very important that people in southern Illinois and all over the State of Illinois know that this program is our last best hope for a strong road program. Without this program, we will not be able to make the level of investment needed to maintain the fine highway system that exists now in southern Illinois, much less to build the new highways that are so desperately needed for economic development in that region."

Winchester: "Last week, the Governor did not call this a strong program or a great program. He called it a program that would just get us by as far as maintaining those roads that need to maintained in southern Illinois to keep from falling apart. He did not call it as the ultimate..the ultimate problem for solving all of our future transportation needs, John. But.."

Secretary Kramer: "And it's not.."

Winchester: "..Okay...The difference..."

Secretary Kramer: "..What it does...It's a substantial improvement over where we stand now. But it is not a program which raises sufficient revenue to fix every bad road. But it will help substantially."

Winchester: "In all honesty, John, maybe because of misunderstanding on the people...on the parts of constituents or..and Legislators or just generally maybe because it's bad legislation, I don't know, but what...I asked this question of Dr. Mandeville. If it's a consensus of the downstaters and the suburban votes and the collar counties and both sides of the aisle that we're not going to go along with a program like this, but most everybody seems to think that we need a road program. We understand the transportation problems that we have in the state. We understand that the transit problems that we have in the state, something has to be done about it. Would..Would reconsideration on our part of an ad valorem tax in the area of 8 to 10 percent, increases in license fees, cigarette, liquor taxes, would that...if we were to pass something of that nature out of this House and out of the Senate to the Governor, would that help solve your problems? Or give you as good a program or an equal program as what this legislation would give you?"

Secretary Kramer: "No. The..In order to raise as much revenue even in the first year, as this program raises, the General Assembly would have to consider something on the order of a ten percent ad valorem gas tax, a six dollar a year increase in license plate fees for each of the next four years, 120 percent increase in the liquor tax and a shift ad valorem and a nickle a pack increase in cigarettes. That's just to raise about the same amount of revenue in the first year. After the first year, because the rate of revenue growth from the cigarette and liquor tax is very small and because the license plate fees would not be increasing at the same rate as inflation, the program would fall far behind in subsequent years. In addition, as Dr. Mandeville pointed out, that tax would fall much more heavily on Illinois consumers and Illinois businesses than this one does, which is why the administration is proposing this program as opposed to the four tax program, namely the gas tax, license plate fees, cigarette and liquor tax that have been discussed earlier."

Winchester: "Well, it appears that of course the users would be paying for that type of tax, the ad valoreum tax, and I kind of think that that's probably the fairest, fairest type of taxes, that the users would be assessed. And I'm noticing a change in minds of a lot of special interest groups that before were either taking no position or taking a negative position towards the ad valorem tax and as a result of this legislation coming before us and they're seeing this as the worst possible type of legislation, support for the other type of program is being generated and I'm sorry to hear that you feel that that wouldn't give us an adequate road program. Because that may be just what this Body all of a sudden may decide that we might want to do. What is going to happen to the ..to the bistate and downstate public transportations under this program? Is it... I notice one area it says, one piece of legislation says that it will be abolished and another I suppose will...legislation says it will be included in the Illinois Transit Fund. I don't understand, John. Do you want to explain that for me?"

Secretary Kramer: "Sure. The downstate transit assistance programs are currently fragmented. They currently have to draw on..on General Revenue Funds for their sole source of support. And many of the downstate Transit Districts are currently being plagued simultaneously by higher fuel costs and the threat of loss of federal funds. So this program is, by providing additional revenue through the gross receipts tax, gives the downstate transit programs a real shot in the arm as well as Chicago area transit programs. Representative Winchester, I did not mean to imply that ..that increased revenue for highways from alternative sources wouldn't give us any road program. It just wouldn't... it wouldn't provide the kind of road program, which in my judgment, the people of Illinois need and deserve."

Winchester: "But an ad valorem type program would give us a continuation of dollars or increased dollars every year hereafter versus what the flat tax that we have now would. It would give you some relief.."

Secretary Kramer: "That's certainly true..."

Winchester: "...As far as your maintenance programs are concerned. Has..Has anyone on your staff prepared a list of the projects that would be proposed for maintenance, widening and resurfacing, bridge repair, if a program like this was passed for each of the highway Districts in the state? If this type of program or any other type of program was passed, is there a list available that we'd see...we could see?"

Secretary Kramer: "We are in the process of developing that now. Our district engineers have been asked to submit their priorities and to evaluate each ..each project in order of priority and need. We anticipate that that could be available very soon. Obviously I would be available to meet with any Member of the General Assembly that wishes to discuss ..."

Winchester: "Well, I think a lot of the downstaters would like to see what additional projects, what new projects would be put into the, you know, in your proposed plans for widening and resurfacing or new construction so we'd have something to tell our constituents back home that we're going to be getting."

Secretary Kramer: "I'd be pleased to do that."

Winchester: "Do we still have diversions, John? Or have we pretty well eliminated the diversions from the road fall...road fund program?"

Secretary Kramer: "Well, as you..as you will recall, Representative Winchester, under the legislation that you sponsored two years ago, diversions were to be phased out on a four year schedule. We have eliminated over half of the diversions now. The Governor's budget for next year calls for phasing out those diversions which were scheduled in the legislation that you sponsored in Fiscal Year '83. So we are well on the way toward eliminating road fund diversions."

Winchester: "Just one last question. Under the..Under the...In this legislation it states that 75 percent of the money collected would go into the road fund and 25 percent would be put into the motor fuel tax distribution fund with roughly 60 percent being divided back to the counties, townships, various municipalities. Do you have any dollar breakdown, John, of what that's going to be yet? I don't know if you can or not..."

Secretary Kramer: "..Yes. You want it by municipality.."

Winchester: "My concern is that..."

Secretary Kramer: "...Or just the total amounts for all counties, all townships and all municipalities?"

Winchester: "Well my, you know, the road superintendents are calling my office. They're concerned that this is not going to be enough money and I'm inclined to think that they might be right, because, of the 60 percent it's based on population and most of it's going to go back to the northern part of the state and some of the downstate areas aren't going to get that much money."

Secretary Kramer: "Representative Winchester, the current formula takes into account miles of township roads..."

Winchester: "It's not based on population? It's based on miles of road?"

Secretary Kramer: "It depends on whether you're talking about a county, a township or a municipality. The population is a factor in the formula. Number of registered vehicles is a factor in the formula. Miles of township roads is a factor in the formula. So, while it is true that the population element of the formula tends to favor the more heavily populated areas, the miles of township road tends to favor the more rural areas. Under this program the local governments in Illinois would realize a 25 percent increase in state assistance for road repair. I realize that's not all of what they want. But it is a significant gain over where they are now, just as the amount that's proposed for highways is not everything the people would like to see on the state highway system. It is aimed basically at replacing the money the state has lost due to federal aid funding cuts and due to reduced gasoline consumption. The same principle has been applied to local governments and they're getting roughly the same benefit."

Winchester: "Thank you, John."

Secretary Kramer: "Thank you."

Chairman Neff: "The Lady from DuPage, Mrs. Fawell."

Fawell: "I just I have two questions. Number 1, and perhaps you don't even know the answers. Do you know the average salary of a bus driver in the CTA system?"

Secretary Kramer: "I believe it's $28 thousand with overtime."

Fawell: "Does that include ...Does that include the fringe benefits?"

Secretary Kramer: "I think it does, but Representative, let me get back to you. I believe that's... I believe that includes direct monetary benefits, overtime and so on. I don't believe it includes whatever health benefits may be in their contracts."

Fawell: "I was told that by the time the fringe benefits were entered into it comes to closer to the 37,500."

Secretary Kramer: "I doubt that's correct. But let us get the precise number to you."

Chairman Neff: "Thank you. Representative Daniels from DuPage."

Daniels: "Thank you, Mr. Chairman. Mr. Kramer, it's always nice to see you."

Secretary Kramer: "Nice to see you."

Daniels: "Just have a few questions. District 1 is generally called the northern part of Illinois for the highway program. Is that correct, Sir?"

Secretary Kramer: "It's the northeastern six counties."

Daniels: "Okay. So, generally Cook County and the collar counties."

Secretary Kramer: "That's right."

Daniels: "What percentage of the funding mechanism or dollars for the highway program are collected from District 1?"

Secretary Kramer: "District 1 typically gets about 29 to 30 percent of the state dollars, in federal funds are included..."

Daniels: "Let's just deal with state dollars."

Secretary Kramer: "Okay."

Daniels: "That's what they receive? About 29 percent?"

Secretary Kramer: "That's right."

Daniels: "And how much state dollars are collected from that area, from that six collar area?"

Secretary Kramer: "In terms of..."

Daniels: "Percentage wise."

Secretary Kramer: "Your ..under this proposal or currently?"

Daniels: "Currently."

Secretary Kramer: "Currently it's probably about 60 percent."

Daniels: "So about 60 percent ..."

Secretary Kramer: "Roughly."

Daniels: "...Of the total state dollars for your road program are collected from District 1, is that correct? And in return they get 29 percent? Is that correct?"

Secretary Kramer: "That is what it is currently for the road program. If you include the transit program, and look at the total transportation program..."

Daniels: "Well, no. No. Wait, wait, wait..."

Secretary Kramer: "....The six county area ...about what it pays in..."

Daniels: "Let me interrupt you...I'm trying to understand two tiers here because we have two separate things. One is roads and the other one is mass transportation."

Secretary Kramer: "That's correct."

Daniels: "I just...remember now...We don't deal with this subject everyday like you do and I'm just trying to understand."

Secretary Kramer: "I understand."

Daniels: "Sixty percent is collected from District 1 and they receive 29 percent in return. Is that correct, Sir?"

Secretary Kramer: "Approximately, yes."

Daniels: "So massive dollars, as a matter of fact, millions of dollars go from District 1 to the rest of the State of Illinois for their road program. Is that correct, Sir?"

Secretary Kramer: "That's correct."

Daniels: "Alright. Now, so that we have the right dialogue, now tell me what you're going to say when you talk about mass transportation, how that's added in that."

Secretary Kramer: "Under the program which the ...which the Governor has proposed..."

Daniels: "This is the one that we're discussing now."

Secretary Kramer: "The one that you're discussing now, approximately $238 million from the gross receipts tax would be collected in the six county area in fiscal year '82 and approximately $203..it's $203 million would be returned to the six county area in the form of state support for highways and for public transportation."

Daniels: "Alright. That would be..."

Secretary Kramer: "That $203 million, 113 million is for public transportation and 90 million is for highway projects. In Fiscal year '83, I can give you those numbers if you want them."

Daniels: "So what you're telling me is that the program you divised then is about what percentage then will be returned to District 1 for roads of the amount collected?"

Secretary Kramer: "Approximately the same percentages as it is now, about 29 percent."

Daniels: "Let me just tell you some of the concerns of us just in common without talking about the program in specifics because I understand we have some...approximately 160 Amendments that are going to address the legislation that the Governor has introduced. But generally speaking, those of us from our area, in the collar county area, are very concerned about the fact that constantly, because you have chosen and traditionally have chosen to tie-in mass transportation and highway and roads, those of us from our area, have to battle the RTA battle every single year and consequently our road program is set back on the back burner. Now, it is true in 1979 that you came in with a very aggressive road program and it followed through as best as you could in meeting the demands and the needs of the people in the State of Illinois and their highway system. But it is equally true, Sir, that because you do tie this in, in a joint program of mass transit and highways, that when we end up fighting to keep the CTA alive because the system is so inefficiently, inappropriately ridden with difficult operations that drain the taxpayers of the State of Illinois, that we're constantly fighting to keep our mass transit system alive and our highway system then is something that we cannot address as the downstaters might be able to address when they talk about roads. And, Sir, as a general observation, I think that our roads need greater attention in Northern Illinois where there is absolutely no question about it, the mass populations come from. So, I would hope that in dealing with this program that we are in fact able in coming years to separate mass transportation which needs such attention as feeder railroad commuter lines, which need better bus systems than we have been able to in the past and that I'm frankly fearful just on an observation basis right now, that your current program will not meet the needs of the people of northern Illinois."

Secretary Kramer: "Representative, let me quarrel a bit with your observation."

Daniels: "Please do."

Secretary Kramer: "The observation that you make would be correct if we were not proposing at the same time as we are suggesting increased financial assistance for public transportation, to also reform its management structure and to bring meaningful financial discipline to the operations of the transit systems in northeastern Illinois, including the CTA. Your observations would also be true if we were not proposing as we have for the last several years to deal with some of the more pressing highway problems of northeastern Illinois and specifically of DuPage County. Under ...Even with the federal aid reductions that we've taken, and the declines in state gas tax and license plate fee revenue, I believe we have made more progress over the last two years in addressing DuPage County and other collar county highway problems that have been made in the preceding ten years. Projects like Ogden Avenue, Route 34 and others are now underway. The challenge before us is to maintain the momentum that has been established on those projects as well as badly needed projects downstate. This program allows us to do that as well as dealing with the massive problems confronting the management and running of the transit systems as well as their legitimate financial needs."

Daniels: "I would have a tendency to agree with you much more on your comments if, in fact, the suburban areas had some say in your TFA or in the operation of the commuter rails. Because, for instance, Sir, there is nothing in your program that can stop a cutback in services through the commuter rail areas and the suburban areas and suburban DuPage, for instance, you could reduce the service level there and increase the farebox and the collar counties have no say over that system. Is that correct?"

Secretary Kramer: "Mr. Chairman...Representative Daniels, no, that's not correct. We are proposing that the Transit Finance Authority have a strong Chairman and that that Chairman represent regional interests, including collar county interests."

Daniels: "But it doesn't...That's not true, Sir. Because the TFA does not go in unless they decide to stay in into the collar counties."

Secretary Kramer: "No, Representative Daniels. The TFA contracts with the commuter rail roads for service. As part of those purchase of service contracts, the Finance Authority with its strong Chairman representing regional interests, will negotiate out..fare and service levels."

Daniels: "You tell me, the Representative from the collar county areas that served on a TFA, where's the guarantee?"

Secretary Kramer: "Again, Representative Daniels, the program as proposed by the Governor does call for a strong Chairman to be appointed by him to represent regional interests, including collar county interests."

Daniels: "You didn't as...You didn't answer the question. Where is the guarantee that we have that the Chairman of the TFA will represent the collar county areas? He doesn't have to come from that area. As a matter of fact, I suggest to you that he'll come from the city of Chicago. And even though..."

Secretary Kramer: "...The explicit Statutory requirement is that the Chairman represent regional interests which include collar county interests, Representative Daniels."

Daniels: "What your...Yes. Except for, there is no explicit requirement...Would you support a requirement that he come from the collar county?"

Secretary Kramer: "Representative Daniels, I think that the collar county interests are best served by the Chairman being the most effective person in that role wherever he comes from. If there is a collar...If there is an individual living in the collar counties who would be better than anyone else to serve as Chairman, I'm sure the Governor would appoint him."

Daniels: "Can the Chairman come from downstate?"

Secretary Kramer: "No. He has to live within the six county area."

Daniels: "But there is no guarantee that the TFA could not require that the farebox in DuPage County on the commuter rails be increased. Is there not, Sir? I mean, they could do that, could they not?"

Secretary Kramer: "No. While that is theoretically possible, it's extraordinarily unlikely for two reasons. One is that if ..if the TFA attempted to do that the probable impact of that would be that people that live close in in DuPage County or the other collar counties would simply commute into Cook County. The distances aren't particularly great if you live..."

Daniels: "In what way? How are the commuters..."

Secretary Kramer: "If you live in..."

Daniels: "...By car?.."

Secretary Kramer: "If you live in Barrington..."

Daniels: "...Commute by car you mean?"

Secretary Kramer: "Or by feeder bus. You just go to the...You'd go to the nearest station in Cook County if the TFA had acted (sic) a differential fare which favored Cook County at the expense of the collar counties. So as a practical matter, it would make no economic sense for the TFA to do that. Secondly, I believe you have in the Chairman, in the requirement that he represent regional interests a very important safeguard that is affective and important in this area and in others."

Daniels: "Would you support an Amendment that would give some authority like advise and consent from the Senate for the selection of the Chairman of the TFA?"

Secretary Kramer: "We would have to evaluate that Amendment. I don't personally have any objection to that in principle."

Daniels: "Okay. Thank you."

Secretary Kramer: "Thank you."

Chairman Neff: "Thank you, Mr. Secretary. We certainly appreciate you spending yesterday...yesterday a good part of the day with us and this morning waiting for us and we do appreciate it. We may not always agree with all of your things, but I know your intentions is right."

Secretary Kramer: "Thank you very much, Mr. Chairman and Ladies and Gentlemen of the House."

Chairman Neff: "Now, Representative Daniels?"

Daniels: "Mr. Chairman, Representative Catania just pointed out to me an error that I made in our discussion and I'd like to correct myself. I was constantly using a reference to a male Chairman and Mr. Chairman, I might suggest to Secretary Kramer that he could also consider a female. So, Representative Catania, I stand corrected and that might be a good job for you. You'd be very good as the TFA Chairman (sic)."

Chairman Neff: "Thank you. At ease for just about five seconds and we'll move on. The Leader (sic) of the House, Representative Telcser, is now recognized."

Telcser: "Thanks, Clarence."

Chairman Neff: "Majority Leader.."

Telcser: "The Speaker notwithstanding. Mr. Chairman and Members of the Committee, I now move that the Committee of the Whole arise and report House Bills 737 through 743."

Chairman Neff: "Minority Leader, Representative Madigan."

Madigan: "Mr. Chairman, a question of the Sponsor. Mr. Sponsor, Mr. Majority Leader, would you explain to the Membership what is entailed with your Motion? The question on my mind is, what recommendation is carried with this Motion relative to the Bill?"

Telcser: "The Rules state that pursuant to the adoption of a Motion that the Committee of the Whole would arise, Bills would be reported out. There's nothing in the Rules stating that the recommendation would be affirmative or negative and what I'm simply suggesting is that implicit in the Motion for the Committee of the Whole to arise, is the reporting requirement that the Committee of the Whole has now heard the Bills and the Bills should appear on the Calendar without a recommendation either way."

Madigan: "Mr. Chairman..."

Chairman Neff: "Yes, Representative Madigan."

Madigan: "Yes. Mr. Chairman, my position relative to this series of Bills has been that I feel that the gross receipts tax is an acceptable form of taxation to finance transportation in the state, but that I seriously object to the structural changes proposed by the Bills for the Regional Transportation Authority in northeastern Illinois. I fully intend to offer or to support Amendments to these Bills regarding structural changes at the RTA. If I had been afforded an opportunity in Committee to offer those

Amendments, I would have done so. But in light of the hearing of these Bills in a Committee of the Whole, where the Rules do not provide for the offering of Amendments, I have not yet had my opportunity to offer Amendments to these Bills for the purpose of structural changes in the RTA. Under our Rules, my only opportunity to offer Amendments to these Bills will occur on the Order of Second Reading. Because of that reason and because of the fact that under the Rules this Motion, which we are now considering, does not carry either a positive nor a negative recommendation, I plan to support the Gentleman's Motion that the Committee of the Whole do arise and that the Bills be placed on the Order of Second Reading."

Chairman Neff: "Thank you and I'm sure you will be afforded that opportunity to present any Amendments and I'm sure several Members have Amendments for this series of Bills. Representative Matijevich."

Matijevich: "Point of Order. I understand always that an arising as a Committee of the Whole means you've finished your work. And I don't think there ought to be a Motion to arise until you've completed your work. In putting them both in one Motion, I think, jeopardizes the whole thing because there ought to be I think first a Motion to report without recommendation the Bill or series of Bills. And then after that Motion, whatever happens to it, then there be a Motion to arise. I think you jeopardize the Bills if you do it that way if you don't separate the two and anybody can ask for a division, but I'd rather see the maker of the Motion do it right rather than put myself in the position of saying I asked for a division. Look like I'm trying to jeopardize something..agreements somebody may have made. That's not what I'm trying to do. I'd just like to see the maker of the Motion do it right."

Telcser: "Mr. Chairman and Members of the Committee, frankly in my own mind I really don't see the difference between both points being made in the same Motion or making one Motion immediately subsequent to the other. However, if it puts the Gentleman's mind at ease, I'd be delighted to divide the question. Always happy to accommodate the Gentleman from Lake, who I know is very concerned about problems of transportation. So what was your...What was your request, Sir? To first, make a Motion to report the Bills? Is that what you wish? Mr. Chairman, I now move that the Committee of the Whole report the Bills without recommendation to appear on the Calendar on the Order of Second Reading, First Legislative Day, pursuant to the provisions of Rule 31, I believe, 'C', or, 'D'."

Chairman Neff: "Representative Madigan?"

Madigan: "I'm sorry, Mr. Telcser. I didn't hear the last part of your Motion."

Telcser: "What I simply moved was that ..move that the Committee of the Whole report the Bills without recommendation, pursuant to the provisions of Rule 31-D and that they appear on the Calendar on the order of Second Reading, First Legislative Day."

Madigan: "Thank you. I plan to support that Motion."

Chairman Neff: "Representative Madigan?"

Madigan: "I..Thank you, Mr. Chairman.."

Chairman Neff: "McClain. Too many 'Macs' here."

McClain: "It's only my first statement. Mr. Chairman, would the Gentleman yield to a question, Mr. Telcser?"

Chairman Neff: "Pardon?"

McClain: "Would Mr. Telcser...Art, my understanding from LRB is there are easily over 200 Amendment requests by the Membership on these Bills. Would it be the intent of the Speaker and the Majority Party for those Bills to be heard?

All requests from...that are being made to LRB, for all those Amendments to be heard by our Body? Or are you going to cut it off at midnight on Monday night?"

Telcser: "Well, Mike, your question gets a little bit ahead of us. But what our hope is and we talked to the Leadership on your side of the aisle, is after the Committee of the Whole arises to hold a perfunctory Session tomorrow at which time the Bills would appear on a Calendar on the Order of Second Reading, First Legislative Day. We would adjourn today, come back Monday at 3:00 o'clock, at which time the Bills would appear on Second Reading, Second Legislative Day and on Monday afternoon begin to take up business of Second Readings regarding these Bills. Do it again on Tuesday as long as we can stay in Session. Because of President Reagan's visit, we're going to have some disruption in terms of the amount of time we can spend on the floor Tuesday. The President's visit on Wednesday will take up some floor time. Then, of course, we'll have Thursday and we'll have to play it be ear. All of us know that it's the nature of the business that the best plans we make sometimes have to altered or changed. But that is the program at the present time."

McClain: "But my question still is that it's not your intention to cut the Membership off from offering their Amendments?"

Telcser: "No, it's not."

McClain: "Okay."

Chairman Neff: "Representative Breslin."

Breslin: "Directed to Representative Telcser to clarify the Motion. If we vote 'aye' on the Motion and...well, rather, with regard to Motion, if we are opposed to the Bill in its present form and do not want it to come to the floor of the House in its present form, we should be voting 'no'. Isn't that correct? If we don't want the House to consider this

Bill?"

Telcser: "In my view...Representative, in my view and everyone has to look at their own conscience regarding this vote or any other vote. My own view, what we are simply saying is that the Bills were heard in the Committee of the Whole, and now they're going up to the Calendar. I don't believe that this vote says that you are for the Bills or against the Bills. It simply says that we've heard the Bills in the Committee of the Whole."

Breslin: "But it is a vote on the Bill and just as if we had voted on it in a standing Committee, if we do not want the Bill reported to the floor, we should be voting 'no'. Is that correct?"

Telcser: "No. Not from my view. Now if it's your..if it's your feeling that the Bills should remain in the Committee of the Whole for one reason or another, then you should be voting 'no'. But you're not voting pursuant to a Motion to adopt or 'do pass' or 'do not pass' or 'do amend'. You're simply ...You're simply saying in my opinion that you've heard enough of the Bills. They've been in the Committee of the Whole long enough. You've now let them go up to the Order of Second Reading, at which time you may want to vote Amendments up or down. If you want to vote 'no' and keep it in the Committee of the Whole, then that would be your decision in my view."

Chairman Neff: "Opposed for the same side? Motion carried. All those in favor vote 'aye' and those opposed vote 'no'. Have all voted who wish? Have all voted who wish to vote? Just take a simple Majority. The Clerk will take the record. I'm sorry. On this question there's 74 'yes' votes, 20 'no' votes and 2 voting 'present'. Mr. Slape."

Slape: "Do we have leave to put this on the Consent Calendar?"

Chairman Neff: "I don't believe we can get that today. The

Motion is now carried and the Bills are reported out. Representative Telcser."

Telcser: "Mr. Speaker and Members of the Committee, I now move that the Committee of the Whole arise."

Chairman Neff: "You've heard the Motion made by the Gentleman. All in favor of this Motion signify by saying 'aye'. Opposed, same sign. Motion carried. The Gentleman from Sangamon, Representative Kane."

Kane: "A question of Mr. Telcser?"

Chairman Neff: "Yes, I'm sure he will accept the question."

Kane: "Art, is it ...is it your intention to move the Calendar in perfunctory Session tomorrow?"

Telcser: "It's our hope that at tomorrow's perfunctory Session we could have a Calendar printed so that these Bills could appear on Second Reading, First Legislative Day so when we come back Monday they will be automatically on Second Reading, Second Legislative Day."

Kane: "Is this the first time that a Calendar has been moved in perfunctory Session?"

Telcser: "I really don't know, Representative. I don't know. Has it? It may be. It may not. I don't know."

Kane: "I'm just wondering if you're going to make this a practice in the rest of the Session? Because I think this is a departure from past practice."

Telcser: "You may be right. I don't know."

Clerk Leone: "The Speaker is in the Chair."

Chairman Neff: "At this time, the Speaker will be in the Chair."

Speaker Ryan: "Thanks very much, Representative Neff, for your hard outstanding work over the past two days. My thanks to the Members of the House and to the witnesses that have appeared here for the last two days. Representative Braun, for what purpose do you arise?"

Braun: "Mr. Speaker, I have an inquiry."

Speaker Ryan: "Proceed."

Braun: "With regard to the Amendments being prepared in the Legislative Reference Bureau, I understand that there are several hundred...there are a lot of them, if not a couple hundred Amendments. And if that's the case and if this is going to be moved on First Legislative Day in perfunctory Session, do the Members have any assurance that their requested Amendments will be returned for filing in the appropriate time in order to be heard on Tuesday?"

Speaker Ryan: "Yes. I understand that the Reference Bureau has several completed...I guess about a hundred that they're ready to bring up, that are done. They've got another 50 or 60 that they're going to stay over the rest of the weekend to complete and it's my intention to let everybody to have an opportunity to have their Amendments heard unless it gets to the point where it's dilatory or we're running downstairs getting Amendments drafted just to keep the Bill. But, I guaranteed Representative Madigan that we would hear Amendments on Monday night, Tuesday, Wednesday if necessary, even Thursday, if we have to to give everybody a chance to have their Amendment adopted."

Braun: "One..One last issue, Mr. Speaker, which is, I think, relevant to the taking up of this important transportation package on Tuesday, will we at any time in advance of taking up these Bills, have an opportunity to address the issue of Rules upon which this Assembly is to operate?"

Speaker Ryan: "Well, that's not the question before us right now when we're concerned about the transportation package.."

Braun: "Well..."

Speaker Ryan: "...Representative Madigan, for what purpose do you arise?"

Braun: "Mr..."

Speaker Ryan: "Representative Braun."

Braun: "My..my. Thank you, Mr. Speaker. The issue of Rules it seems to me is a critical one at this point. We are operating without Rules. Representative Madigan's Motion has been..."

Speaker Ryan: "Well, Representative, we're not operating without Rules. We are operating under the Rules of the previous Session and have been since we came into Session."

Braun: "Yes, Sir. And since this is the most critical issue that this Session will undertake, my question is, will we have an opportunity to address permanent Rules for this Legislative Session in advance of taking up these critical transportation Bills?"

Speaker Ryan: "No. That's not my intention at this time."

Braun: "Thank you, Sir."

Speaker Ryan: "Representative Bowman."

Bowman: "Thank you, Mr. Speaker. The Lady I think properly reminds us that we are operating under temporary Rules and under those Rules, the deadline for filing Bills of any sort is April 6th. Is that not correct, Mr. Speaker?"

Speaker Ryan: "What was your question?"

Bowman: "Under the temporary Rules, that we are now operating, the deadline for filing Introduction of Bills is April 6th. Is that not correct?"

Speaker Ryan: "I believe it was March 15th."

Bowman: "..I know. I think..."

Speaker Ryan: "You had to have them in the Reference Bureau by then..."

Bowman: "I was going to say, under the temporary Rules, if any request that was delivered to the Reference Bureau by March 15th then is exempt from the Introduction deadline. And may be introduced at any time. But if the request was not received by the Reference Bureau by March 15th, then there's no exemption and April 6th is then the deadline.

Is that not correct?"

Speaker Ryan: "Yes."

Bowman: "Okay. I think..."

Speaker Ryan: "Representative Madigan."

Madigan: "When..."

Speaker Ryan: "You want to shut off your Leader, Representative Jones? Do you want to speak ahead of the Minority Leader?"

Jones: "I'm not like you, Mr. Speaker. I wouldn't shut off the Leader. But I just wanted to recognize some 70 members from the New Home Baptist Church from the 21st Legislative District, represented by ... Representatives Turner, Henry and Griffin and they're here, Mr. Speaker, to watch Democracy in action on Saturday."

Speaker Ryan: "Well, I can't recognize you for that purpose. It's against the Rules, Representative Jones. Representative Madigan."

Madigan: "Mr. Speaker, there is some concern that we may be establishing a precedent for the reading of Bills on the Order of Second Reading, First Legislative Day in a perfunctory Session. It has not been our practice and it is my understanding that there is no provision in the Rules for that practice. However, many of us realize that these are extraordinary circumstances in light of the impending transportation crisis in northeastern Illinois. Therefore, I would suggest, given the background of today's work and also of our work next week, and at the same time recognizing the concern of many of our Members that we amend Mr. Telcser's Motion, which is now before this Body to provide that his..his Motion for a perfunctory Session tomorrow relate only to the Bills which are shown on the Calendar as being heard in the Committee of the Whole today, House Bill 737, 738, 739, 740, 741, 742 and 743, for ..for these Bills only and only at this time."

Speaker Ryan: "Representative Telcser?"

Telcser: "I'll accept the Gentleman's Amendment. No problem."

Speaker Ryan: "Representative Madigan."

Madigan: "The Amendment's been accepted and now we can take the Gentleman's Motion."

Speaker Ryan: "The Gentleman from Cook, Representative Telcser."

Telcser: "Alright. Mr. Speaker, Members of the House, we're going to have a perfunctory Session tomorrow for the purposes that were just discussed and I now move, Mr. Speaker and Members, that we adjourn until Monday, 3:00 o'clock. The date is March...whatever the date is. March 30th, Monday, March 30th at 3:00 in the afternoon."

Speaker Ryan: "You've heard the Gentleman's Motion. All in favor will signify by saying 'aye'; all opposed by saying 'no'. The 'ayes' have it and the House stands...Representative Madigan? Do you seek recognition, Representative Madigan?"

Madigan: "Yes, I did. Could you just give me a few seconds?"

Speaker Ryan: "Certainly. The House will be at ease."

Madigan: "Okay. Mr. Chair...Mr. Speaker?"

Speaker Ryan: "Yes, the House will be back in order. Mr. Madigan?"

Madigan: "Mr. Speaker, I would arise for the purpose of an announcement that the ..the Formula Subcommittee of the House Democratic Task Force on Transportation will meet at 1:00 p.m. Monday afternoon in advance of the Session and also, Mr. Speaker..."

Speaker Ryan: "Do you have a location for that meeting, Mr. Madigan?"

Madigan: "In my office. Thank you. And also, would the record show that Representative Henry was excused this week because of the death of his father?"

Speaker Ryan: "The record will so indicate. Representative Telcser, do you have any excused absences?"

Telcser: "No, I don't, Mr. Speaker."

Speaker Ryan: "Representative Stuffle..."

Telcser: "...Representative Stiehl? Representative Polk tells me Representative Stiehl is absent because of illness in her family. And let me also add, Mr. Speaker, the perfunctory Session will be tomorrow at noon. Does the Clerk need time today to do anything in a perfunct?"

Speaker Ryan: "About ten minutes for some introductions."

Telcser: "Give the Clerk ten minutes today after we adjourn for perfunct so he could read the Bills a first time."

Speaker Ryan: "Hold your Motion. Representative Stuffle, for what purpose do you arise?"

Stuffle: "An inquiry of the Chair. Perhaps it's been addressed, but there are a number of Committee meetings posted for next week. It would appear that it would be difficult to move to those I would think given everything else that's happening. Is it your intention or your belief that those meetings would be postponed? Because I know a number of people have witnesses to bring and there are literally dozens and dozens of Bills in those Committees."

Speaker Ryan: "I think the only meetings that may have to be postponed, Representative, are the ones during the President's speech on Wednesday and those meetings that were scheduled for the Capital Building will be held in the Stratton Office Building and we'll get a schedule out on those Monday when we get back here."

Stuffle: "Thank you."

Speaker Ryan: "Now, everybody made their announcements? You've heard the Gentleman's Motion to adjourn until noon...er..till 3:00 o'clock on Monday, March the 30th, perfunctory Session for tomorrow. All those in favor will signify by saying 'aye'; all opposed by saying 'no'. The 'ayes' have it and the House stands adjourned."

Clerk Leone: "Introduction and First Readings of Bills: House Bill 843, Oblinger-Cullerton, a Bill for an Act in relationship to reserve mortgage loans. First Reading of the Bill. House Bill 844, Bowman-Catania, a Bill for an Act to amend Sections of the State Employees Group Insurance Act. First Reading of the Bill. House Bill 845, Grossi, a Bill for an Act in relationship to computation of interest on judgments. First Reading of the Bill. House Bill 846, Woodyard, a Bill for an Act to amend Sections of the Housing Authority's Act. First Reading of the Bill. First Reading and Introduction of Constitutional Amendments: House Joint Resolution Constitutional Amendment #15: Resolved by the House of Representatives of the Eighty-Second General Assembly of the State of Illinois, that the Senate concurring herein, that there shall be submitted to the electors of the Senate for adoption or rejection at the election next occurring at least six months after the adoption of this Resolution, a proposition to amend Section 1 of Article VIII of the Constitution to read as follows: Article VIII, Finance: Section 1: General Provisions; (a) 'Public funds' mean any funds belonging to the government which are held by or are under the control of any public official in any branch or instrumentality of government. Public funds, property or credit shall be used only for public purposes. No instrumentality of government may receive, hold, extend or use nonpublic funds except as provided by the General Assembly by law. (b) The State, units of local government and School Districts shall incur obligations for payment or make payments from public funds only as authorized by law or ordinance. (c) Reports and records of the obligation, receipt and use of public funds of the State, units of local government and School Districts are public records available for inspection by the public according to law. First Reading of this Constitutional Amendment."

Clerk O'Brien: "House Joint Resolution Constitutional Amendment #16: Schraeder: Resolved by the House of Representatives of the Eighty-Second General Assembly of the State of Illinois, the Senate concurring herein, that there shall be submitted to the electors of this state for adoption or rejection at the general election next occurring at least six months after the adoption of this Resolution, a proposition to amend Section 13 of Article VI of the Constitution, to read as follows: Article VI, Section 13-Prohibited Activities: (a) The Supreme Court shall adopt rules of conduct for Judges and Associate Judges. (b) Judges and Associate Judges shall devote full time to judicial duties. They shall not practice law, hold a position of profit, hold office under the United States or this State or unit of local government or School District or in a political party. Service in the State Militia or armed forces of the United States for periods of time are permitted by rule of the Supreme Court shall not disqualify a person from serving as a Judge or Associate Judge. (c) The regulation of the practice of law shall only be as established by the General Assembly by law. First Reading of the Constitutional Amendment. House Joint Resolution Constitutional Amendment #17: Koehler: Resolved by the House of Representatives of the Eighty-Second General Assembly of the State of Illinois, the Senate concurring herein, that there shall be submitted to the electors of this state for adoption or rejection at the general election next occurring at least six months after the adoption of this Resolution, a proposition to amend Section 11 of Article IV of the Constitution to read as follows: Article IV, Section 11- Compensation and

Allowances: A Member shall receive a salary and allowances as provided by law, but changes in the salary of a Member shall not take effect during the term for which he has been elected. No vote on any change in the salary or allowances of Members may be taken during the period between a general election and the second Wednesday of January next ensuing. Schedule: This Amendment takes effect immediately upon its approval by the electors. First Reading of the Constitutional Amendment. House Joint Resolution Constitutional Amendment #18: Alexander, et al: Resolved by the... Whereas, the Ninety-fifth Congress of the United States of America, at its Second Session, in both houses, by a Constitutional Majority of two-thirds thereof, adopted the following proposition to amend the Constitution of the United States of America: House Joint Resolution: Resolved by the Senate and the House of Representatives of the United States of America in Congress assembled (two-thirds of each house concurring therein), That the following Article is proposed as an Amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by the Legislatures of three-fourths of the several States within seven years from the date of its submission by the Congress: 'Article...', Section 1: For the purpose of representation in the Congress, election of the President and Vice President, and Article V of this Constitution, the District constituting the seat of government of the United States shall be treated as though it were a State. Section 2. The exercise of the rights and powers conferred under this Article shall be by the people of the District constituting the seat of government, and as shall be provided by the Congress. Section 3. The twenty-third Article of the Amendment to the Constitution of the United States is hereby repealed. Section 4. This Article shall be inoperative, unless it shall have been ratified as an Amendment to the Constitution by the Legislatures of three-fourths of the several States within seven years from the date of its submission; Therefore, be it Resolved by the House of Representatives of the Eighty-Second General Assembly of the State of Illinois, the Senate concurring herein, that such proposed Amendment to the Constitution of the United States be in the same as hereby ratified; and be it further Resolved that a certified copy of this Resolution be forwarded by the Secretary of State of Illinois to the Administrator of General Services of the United States, to the President pro tempore of the Senate and the Speaker of the House of Representatives of the Congress of the United States, and to each Senator and Representative from Illinois in the Congress of the United States. First Reading of the Constitutional Amendment. House Joint Resolution Constitutional Amendment #19-Friedrich-et al; Resolved by the House of Representatives of the Eighty-Second General Assembly of the State of Illinois, the Senate concurring here, that there shall be submitted to the electors of the State for adoption or rejection at the general election next occurring at least six months after the adoption of this Resolution, a proposition to amend Section 12 of Article VI of the Constitution to read as follows: Article VI- the Judiciary, Section 12. Election and Retention: (a) Supreme, Appellate and Circuit Judges shall be nominated at primary elections or by petition. Judges shall be elected at general or judicial elections as the General Assembly shall provide by law. A person eligible for the office of Judge may cause his name to appear on the ballot as a candidate for Judge at the primary and at the general or judicial elections by submitting petitions. The General Assembly shall prescribe by law the requirements for petitions. (b) The office of a Judge shall be vacant upon the death, resignation, retirement, removal or upon the conclusion of his term. Whenever an additional Appellate or Circuit Judge is authorized by law, the office shall be filled in the manner provided for filling a vacancy in that office. (c) A vacancy occurring in the office of Supreme, Appellate or Circuit Judge shall be filled as the General Assembly may provide by law. In the absence of a law, vacancies may be filled by appointment by the Supreme Court. A person appointed to fill a vacancy 60 or more days prior to the next primary election to nominate Judges shall serve until the vacancy is filled for a term at the next general or judicial election. A person appointed to fill a vacancy less than 60 days prior to the next primary election to nominate Judges shall serve until the vacancy is filled at the second general or judicial election following such appointment. (d) A law reducing the number of Appellate or Circuit Judges shall become effective when a vacancy occurs in the affected unit. Schedule: If approved by the electors, this Amendment shall take effect the next day following Proclamation of the result of the vote. First Reading of the Constitutional Amendment. Messages from the Senate, by Mr. Wright, Secretary; Mr. Speaker, I'm directed to inform the House of Representatives that the Senate has adopted Senate...the following Senate Joint Resolution and the adoption of which I'm instructed to ask concurrence of the House of Representative, to wit: Senate Joint Resolution #19, adopted by the Senate March 26th, 1981. Kenneth Wright, Secretary. No further business. The House now stands adjourned.