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Rauner Uses Veto in Stunning Power Grab

Veto Tramples Upon the Concept of Separation of Powers

SPRINGFIELD – Illinois Gov. Bruce Rauner put politics over people and sought to increase his own power when he used an amendatory veto to change technical legislation to give himself new authority over approval of certain investments, Illinois State Treasurer Michael Frerichs said today.

"This is a stunning act even by Illinois' insider and corrupt standards," Frerichs said. "Before the Governor tries to do the Treasurer's job, he should work on doing his own."

Rauner changed SB 2661. The bi-partisan legislation, sponsored by Senator Jacqueline Collins (D-Chicago) and Representative Robert Martwick (D-Chicago), would have allowed the treasurer's office to invest up to five percent of administrative funds in stocks of publicly traded American businesses.

Higher returns in the administrative funds would enable lower investment fees and lead to higher returns for college savers and local governments who use the Treasurer's programs. Rauner's proposed change would allow him – rather than the treasurer's office – to have the final say over the actual stocks to be purchased or sold based on personal preferences rather than sound investment strategies.

"Separation of powers is as old as our country. It is a bedrock of our democracy," Frerichs said. "In this era of executive overreach, Governor Rauner's amendatory veto simply defies common sense."

The legislation had overwhelming support by Republicans and Democrats. It passed the House 114-1 and the Senate 55-1.

Since 2015 the state treasurer's office has increased investment earnings for the state portfolio from $4 million per month to $22 million per month and increased the investment earnings for the local government portfolio from $50,000 per month to $9 million per month. The improvements Frerichs' office made to the Bright Start and Bright Directions college savings programs since 2015 have won national acclaim. Morningstar, an independent investment research and management firm, named each among the best college savings plans in the country, with portfolio growth of 54 percent.

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A governor in Illinois has extraordinary power. The governor can use his amendatory veto to change any piece of legislation. In the case of SB 2661, Rauner simply inserted the words “with the approval of the governor” to strip the treasurer’s office of its principal investment role, thereby trampling on the concept of separation of powers.

In order for Rauner’s power grab to be upheld, the General Assembly must vote to approve Rauner’s changes by a simple majority vote (30 votes in the Senate and 60 votes in the House).

“We must not take anything for granted,” Frerichs said. “We will work hard to convince Republicans and Democrats that a blatant political power grab is not in the best interests of our state, no matter our political affiliation.”

The General Assembly can reject Rauner’s power grab, and approve the original bill with a super-majority vote in each chamber (36 votes in the Senate and 71 votes in the House).

Should the General Assembly do nothing, the amendatory veto and the original legislation dies.
The General Assembly is scheduled to reconvene on Nov. 13.

About the Illinois Treasurer

The Illinois Treasurer is the state’s chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. As the state’s Chief Investment Officer, he actively manages approximately $28 billion. The portfolio includes $12 billion in state funds, nearly $11 billion in college savings plans and $5.5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns $28 to the state for every $1 spent in operations. The Treasurer’s Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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