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Sargent Shriver National Center on Poverty Law

Illinois Budget Issues

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Shriver Center

- Mission: provides national leadership in advancing laws and policies that secure justice to improve the lives and opportunities of people living in poverty
- Programs: Law and policy advocacy, communications, training
- Budget and Tax program – John Bouman and Dan Lesser



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State Budget – Why it matters

- Education, early childhood, college, adult ed and training, student aid
- Healthcare, safety net, long term care, public health
- Human care services, foster care, mental health
- Public safety
- Taxes
- Unpaid bills, credit rating, business climate



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The General Funds Budget

- Disclaimer: numbers here from 2013 and not precise; concepts and magnitude
- General funds – checkbook = \$34-35B
- Whole budget = about \$66B
- General funds discretionary spending is about \$24B -- 90% healthcare, human services (including housing), education, higher ed, public safety
- Non-discretionary is debt service, pensions



Major General Fund Spending (2013)

- Fixed costs (debt, pension): \$9.3B
- Pre-K to 12 Education: \$6.9B
- Health Care: \$6.7B
- Human Services: \$4.1B
- Government Services: \$2.1B
- Public Safety: \$2.1B
- Higher Education: \$2.0B
- Total: \$34.2B



Major General Funds Revenues (2013)

- Individual Income Tax -- 44.9%
- Sales Tax -- 21.8%
- Federal Sources -- 11.7%
- Corporate Income Tax – 7.4%
- Public Utility – 3.2%
- Lottery and Riverboat Gaming – 2.9%
- Other – 8.1%



Structural Deficit – Revenue Problem

- Historic consensus on spending priorities
- Spending trending down
- Revenue system poorly designed – both inadequate and unfair
- Inadequate: revenue does not grow with inflation; thus increasingly behind spending inflation – alligator jaws
- Unfair: among most regressive in the nation; poor pay much more as pct. of household income



Consequences of Structural Deficit

- Unpaid bills
 - First Blagojevich budget cites \$5B deficit
- Nationally lowest state contribution to public education (pressure on property tax)
- Over-borrowing
- Cut human services staff and programs (e.g., community mental health)
- Fail to meet needs or make key investments
- Gimmicks: lottery, sell the lottery, gambling boats, sell the toll way, fund sweeps



That was before the recession...

- Chronic crisis became train wreck
- Mounting unpaid bills
- Annual cuts to important human services
- Raids on special funds – e.g., Low Income Housing Trust Fund
- Medicaid cuts
- Pension reform process



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Temporary Income Tax Increase

- January 2011 – lame duck after Gov election
 - 5% for individuals (higher for corp.)
 - January 2015 – back to 3.75%
 - Eventually 3.25%
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- Same session – Medicaid Reform Act
 - One year later – SMART Act



2011 Revenues Immensely Helpful

- State bond rating moved from “negative” to “stable”
- \$10B in additional cuts or unpaid bills avoided in FY2011 and FY2012
- Unpaid bills reduced by \$6B between FY2010 and FY2014 (60%)
- Healthcare reform proceeded
- Jobs were saved
- People in need were served



Even With the 2011 Revenues...

- Illinois a low-spending state – $\frac{3}{4}$ of states spent more as % of residents' income
 - Illinois has cut spending on vital priorities for years. Between FY09-FY14:
 - K-12 down 17%
 - Higher Ed down 18% (MAP down 12%)
 - Pre-school down 30%
 - Community Mental Health down 26%
- Housing – cuts or raids on Trust Fund



FY15 Budget – Disaster in Waiting

- 2011 Revenue rolls back January 1
- \$2B scheduled to be lost as result
- Did not vote to extend the 2011 revenues
- But also did not make corresponding cuts
- Used borrowing and gimmicks to get through election
- January disaster looms unless Governor-elect Rauner and General Assembly act



Longer Term Problems, Too...

- FY16 and beyond -- \$5B in lost revenue
- Repay this year's emergency loans with interest
- Corresponding cuts
- Reverse progress on paying bills
- Bond rating downgraded
- No progress on larger problem of the structural deficit and tax fairness



Where Do Things Stand?

- General Assembly honors Rauner request not to act in lame duck session
- Revenue expires January 1
- Rauner produces a plan – February budget message
- Interim issues?
- Rauner campaign paper: recognizes need for revenue, non-specific talk about comprehensive revenue reform (sales tax base, loopholes, property tax, some inc. tax)



Initial Power Analysis

- Governor elect
- His budget/revenue team
- Four tops: Madigan, Cullerton, Durkin, Radogno. Rs much more important now.
- Committee chairs and other leaders (Harmon is very important)
- Minority caucuses
- Interest groups (labor, business, “base”, money)



Citations

- “The Illinois State Budget and Tax Primer”, and various other publications, Center for Tax and Budget Accountability, www.ctbaonline.org
- Various publications, Voices for Illinois Children, Fiscal Policy Center, www.voices4kids.org



Other Analysis

- Civic Federation of Chicago (business/center orientation, respected non-ideological analysts) <http://www.civicfed.org/>
- Civic Committee of the Commercial Club of Chicago (business hard line, especially on pensions) <http://civiccommittee.org/>
- Illinois Policy Institute (free market doctrinal, small government, Koch Bros.) <http://www.illinoispolicy.org/>



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