

# FIXING ILLINOIS

Politics and Policy in the Prairie State

James D. Nowlan and J. Thomas Johnson

- The Future of Illinois
- Changing Faces of Illinois
- Fixing Past Budget Sins
- Upgrading Education
- Improving Human Services and Healthcare
- Economic Development
- Transportation – Our Greatest Strength
- Reengineering our Government
- Corruption in Illinois – An Enduring Tradition

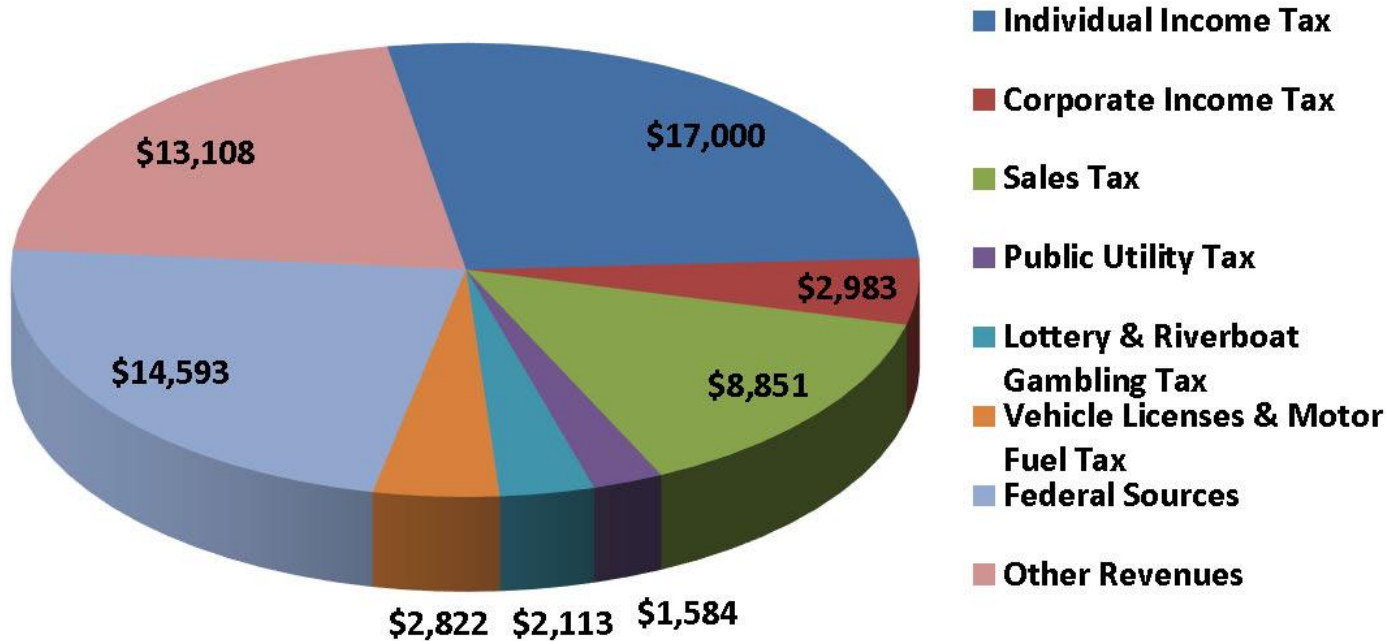
# The Future of Illinois

- No Long Term Planning
- Diversity of the State – North vs. South
- Three Regions
- Demographic Changes
- Economy
- Assets

# Fixing Past Budget Sins

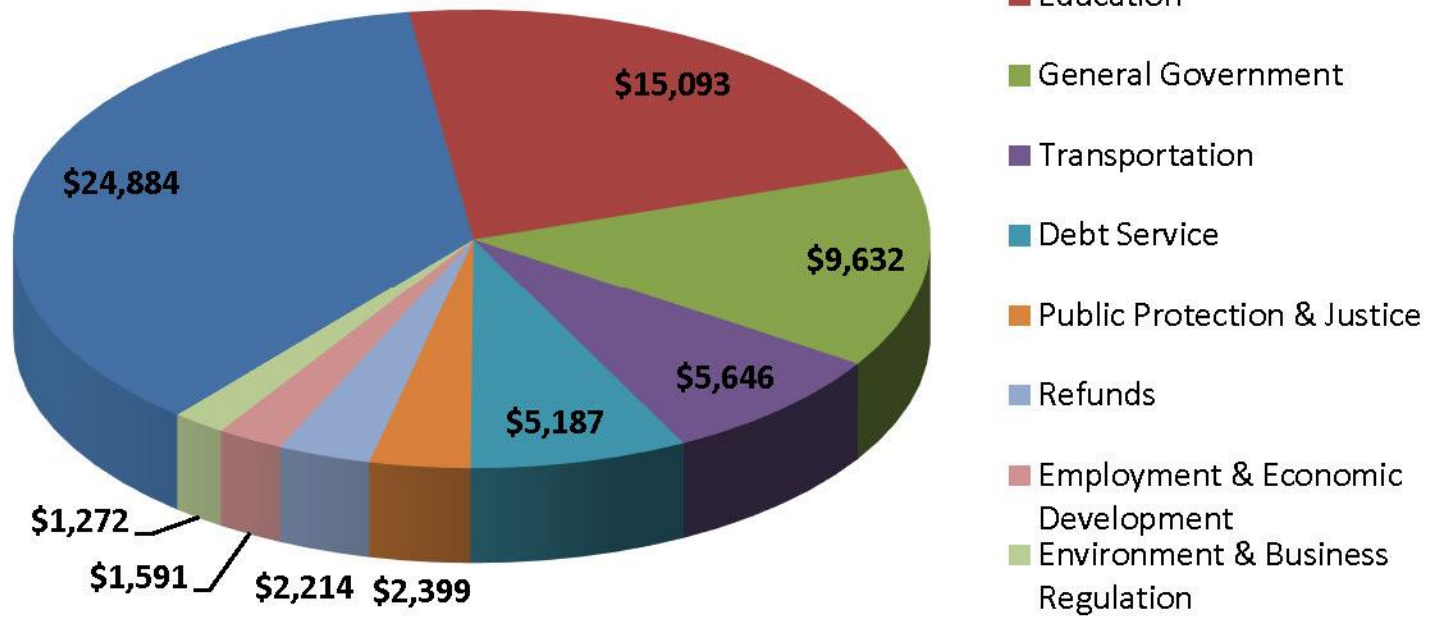
- Borrowing to Balance the Budget
- Pension Underfunding
- Growth Rate in Medicaid Spending
- Lack of Fiscal Management
- Anemic Revenue System

**Figure 2. FY2012 State Government Revenues, Excluding Borrowing (\$ in millions); Total: \$64,514**



Source: Traditional Budgetary Financial Report, Illinois Office of the Comptroller, 2013.

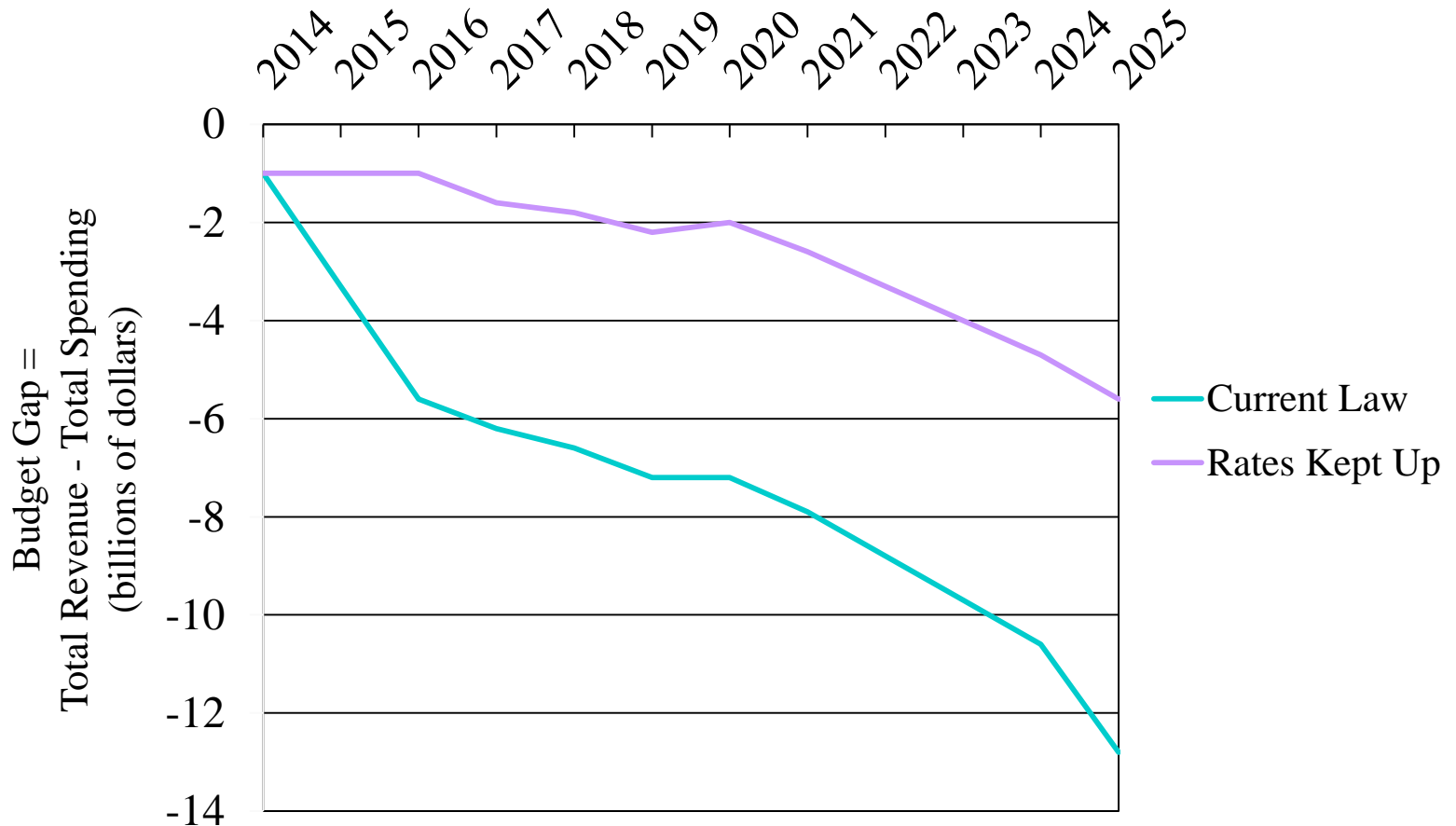
**Figure 3. FY2012 State Spending (\$ in millions);  
Total: \$67,873**



Source: Traditional Budgetary Financial Report, Illinois Office of the Comptroller, 2013.

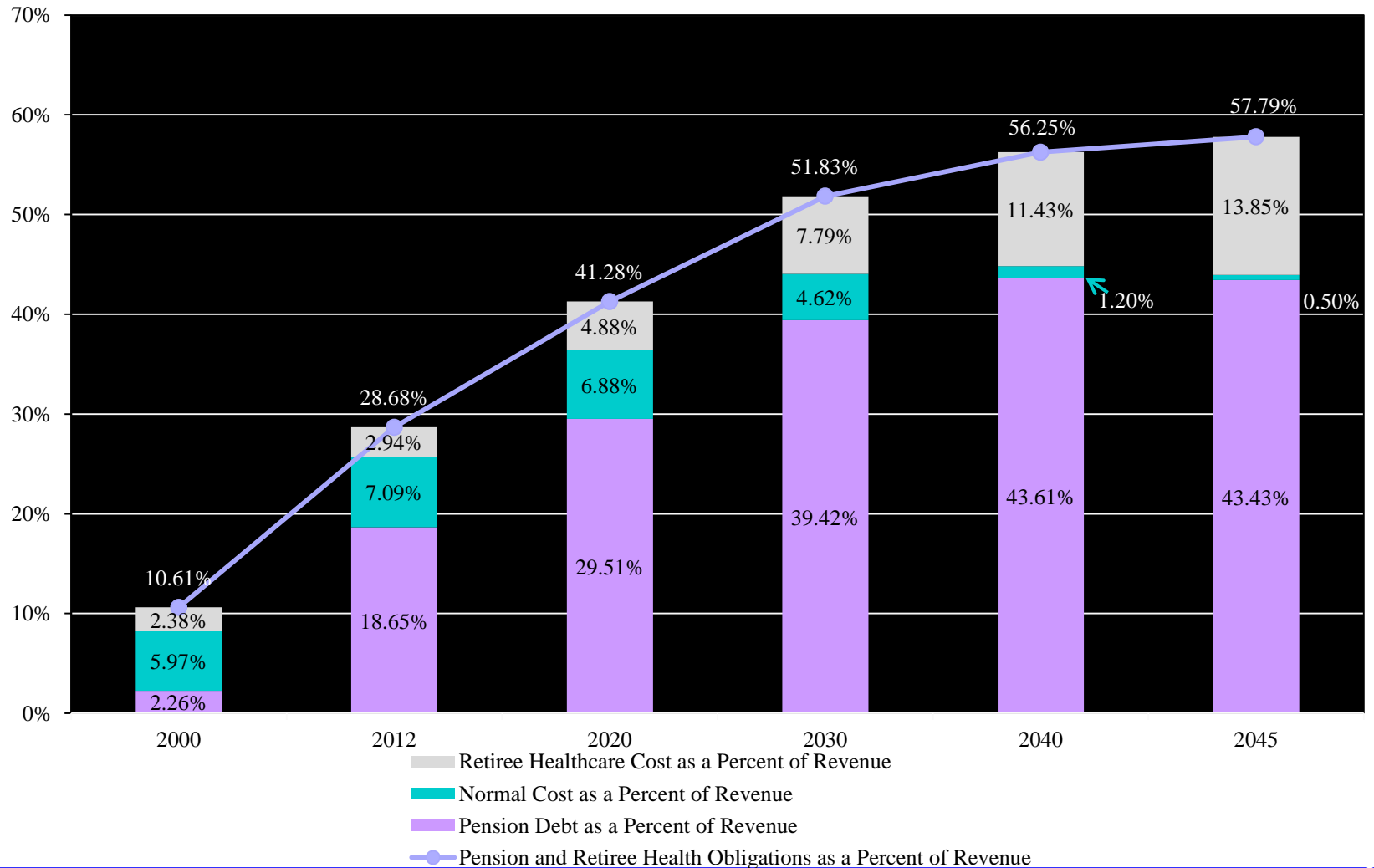
# Depressing Slide-of-the-Day

One group's prediction: All-Funds Structural Budget Gap Projections, With Drop in Tax Rates per Existing Law or With Tax Rates Kept Up at 2011-14 Levels (and with December 2013 changes in Pension Law in both cases)



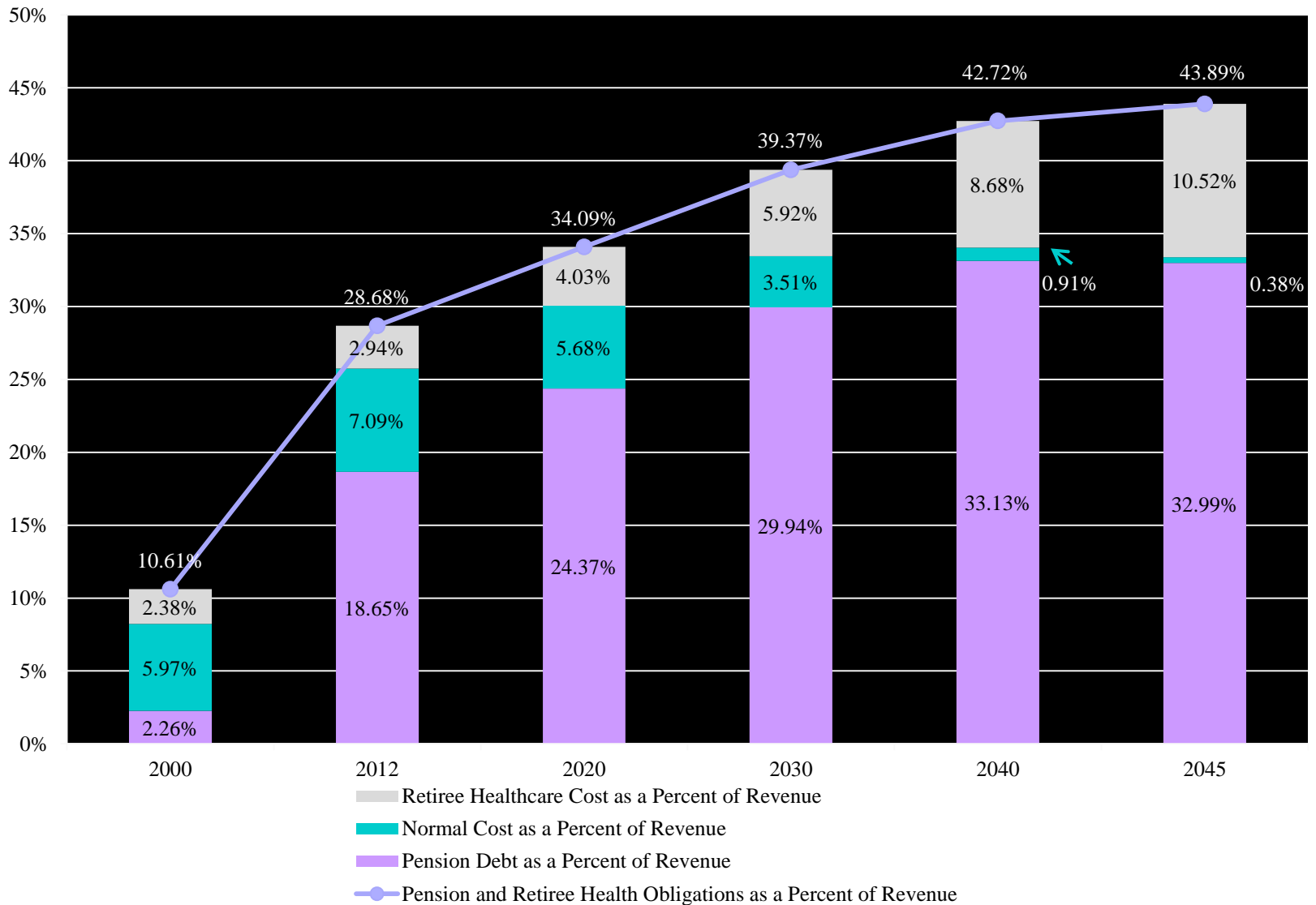
Source: IGPA Fiscal Futures Project, February 2014

# Pension and Retiree Health Obligations as a Percent of "Big Three Revenue" with Sunset





# Pension and Retiree Health Obligations as a Percent of "Big Three Revenue" without Sunset



**TABLE 2.** Public support in Illinois for budget cutting, 2011

Do you favor or oppose cuts in spending for:	Favor	Oppose
K-12 education	16.5%	80.0%
State universities	38.2	54.1
State police and prisons	20.6	73.8
Parks and environment	36.7	55.6
Programs for poor people	25.2	64.7
People with mental and physical disabilities	12.3	83.5
Pension benefits for state employees	45.5	48.0

Source: Charles Leonard, Ryan P. Burge, and Emily S. Carroll, "The Movement of Opinion Toward Spending Cuts," *The Simon Review*, Paper no. 27, Paul Simon Public Policy Institute, Southern Illinois University, Carbondale, January 2012, p. 32.

**TABLE 3.** Base-broadening revenue increase options (\$ in millions)

Reimpose sales tax on food for home consumption	\$1,500
Tax retirement income, excluding Social Security income	\$1,780
Eliminate property tax credit on income tax	\$540
Impose sales tax on nonprofit organizations	\$420
Exempt vehicle trade-ins	\$310
Tax all other tax expenditures*	\$3,240
Tax sales on wide array of services	\$4,000
Total revenue impact of eliminating tax expenditures and taxing services	\$11,790

Note: \*A tax expenditure is any exemption, exclusion, deduction, allowance, credit, preferential tax rate, abatement, or other device that reduces the amount of tax revenue that would otherwise accrue to the state.

Source: Illinois Department of Revenue; Office of the Comptroller; Governor's Office of Management and Budget. Calculations are by the authors.

# Upgrading Education

- K-12
  - Consolidation of School Districts
  - Year-Round School Calendar
  - School Choice
- Higher Education
  - Re-Mediation
  - Coordination of Community College/Public Universities
  - Eliminate Direct Appropriation to Public Universities
  - Funds Follow the Student

# Improving Human Services and Healthcare

- Silos
- Controlling Medicaid Costs
  - Managed Care
  - Insurance Vouchers
  - Federal/State Share
- Co-ordinate Eligibility

# Economic Development

- High Corporate Income Tax Rate
- Tax Stability and Predictability – Sunset Laws
- Worker's Compensation – Further Reform
- A Metropolitan/Downstate Strategy
- Local Based Tax Incentives
- Water
- New Business Development vs. Recruiting Out of State

# Transportation

- Our Greatest Strength
- Boom and Bust Funding
- Financing Modernization and Repairs
- More Than Roads and Bridges
  - Mass Transit
  - Airports

# Reengineering our Government

- Technology – A Capital Investment
- State Personnel System
- Structural Change – Consolidation of Local Governments
- Corrections



# Corruption in Illinois

- Perception is Reality
- Corruption vs. Ethics
- Steeper Penalties – Landmark Legislation
- Independent Re-Districting Commission
- Abolish Pensions for Elected Officials

# Where Do We Go From Here

- Champions for Change
- Landmark Initiatives
- Wow, Did You See What They are Doing in Illinois
- 2018 – Our Bicentennial Year – Celebrate our Successes
- Respect Ourselves