



HJRCA 61: A DANGEROUS FISCAL TRAP

House Joint Resolution - Constitutional Amendment 61 is an ill-advised proposal that would make the state budget process less responsive and more cumbersome without resolving the immediate fiscal crisis or the long-term structural deficit in Illinois.

The major provisions of HJRCA 61 are as follows:

- Beginning in FY 2014, the growth of aggregate General Funds (GF) appropriations and transfers would be limited to the five-year average annual change in per capita personal income in Illinois. The limitation would not apply to pension obligations or debt service payments.
- If GF revenue for a given fiscal year is greater than the limitation amount, the surplus revenue will be deposited in a budget stabilization fund. If the balance in the budget stabilization fund at the end of a fiscal year exceeds 10 percent of the limitation amount for that year, then the excess will be refunded to taxpayers.
- The limitation amount can be increased only if the Governor declares a “fiscal emergency,” the Comptroller and Treasurer concur with the Governor, and the General Assembly approves the increase by a three-fifths vote in each house.

The proposed constitutional amendment bears some resemblance to the “Taxpayer Bill of Rights” (TABOR), which led to significant erosion of public services in Colorado. There are several important differences between HJRCA 61 and the TABOR approach: The TABOR limit is inflation plus population growth, which is much more stringent than per capita income growth, and the TABOR model requires voter approval to override the spending limit. Despite these differences, HJRCA 61 is a shortsighted and misguided proposal that could produce myriad unintended consequences.

A spending cap based on per capita income growth would still be artificially restrictive. In some fiscal years, there would be significant mismatches between the mandated limit and normal spending growth (without new or expanded programs) as well as normal revenue growth (without any tax increases). Moreover, the *long-term consequences* could be devastating, severely eroding resources available for education, health care, human services, public safety, and other priorities.

If the state had adopted HJRCA 61 in 1992, cumulative cuts in appropriations and transfers between FY 1994 and FY 2009 would have been nearly \$24 billion — about \$1.5 billion per year. In the period from FY 1999 to FY 2002, annual spending reductions would have averaged \$2.5 billion. In both FY 2008 and FY 2009, the GF spending limit would have been about \$2 billion below actual spending levels.

HJRCA 61 would impede the restoration of budget cuts implemented during the recession, hinder the state’s ability to leverage federal aid, and effectively preclude education funding reform. The proposed amendment’s fiscal emergency provision would exacerbate the problem of political gridlock in Springfield. Embedding a spending formula in the constitution would distort the policy-making process and weaken the state’s capacity to respond to changing circumstances. HJRCA 61 would create a dangerous fiscal trap that would be very difficult to escape.

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