



## Securing a better future for kids & families

### Balanced revenue reforms can maintain vital services in tough times

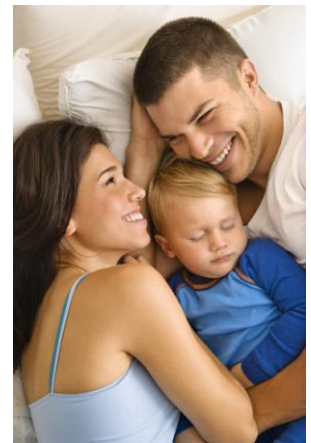
The nation's economic recession has hit Illinois particularly hard, increasing families' needs just when resources to help them are shrinking. With many people having lost their jobs, Illinoisans are earning and spending less. Thus, our state's chronically weak revenue system is taking-in even less of the funding that's critical for schools, health care, roads and bridges, police and fire protection.

We've already hurt kids and families by cutting more than \$1 billion from preschool, mental health, after-school programs and other community priorities. New cuts proposed by the Governor would slash \$2 billion more from those areas, as well as local schools and libraries, public safety efforts and other vital services – putting more pressure on local property taxes.

We need a balanced approach to our challenges – one that includes new revenues, helps struggling families during this recession and enables Illinois to build a strong foundation for future prosperity.

#### Achieving that balance should begin with this framework:

- Generate new revenues to maintain critical state and local services for families by modernizing our tax system –raising the state income tax by 2 percentage points and extending the state sales tax to cover more services
- Better reflect families' ability to pay – by increasing the property tax credit for homeowners, the Earned Income Tax Credit for low-income, working families and the standard exemption for all families



### How big is the challenge we face?

Next year, the state faces a projected shortfall of about \$12.8 billion in revenues, the result of several factors. These range from mounting, unpaid bills to the loss of revenues from one-time sources such as borrowing.

**How much is \$12.8 billion?** This is equal to the total amount the state pays from General Funds – Illinois' main checking account – for all the priorities of these agencies:

- The State Board of Education (support for public elementary, middle and high schools), and
- The Department of Human Services (including mental health, child care and after-school services, as well as programs for the developmentally disabled and others in need), and
- The Department of Public Health (including vaccination programs, food- and water-safety efforts and campaigns connecting people with free, life-saving health screening), and
- The Department of Children and Family Services (protections for abused and neglected, adopted and foster children).

**Without new revenue, devastating service cuts would be required** to close this large of a gap – cuts added to those enacted this year. If such reductions were applied across the board, they would slash 50 percent of funding from every state-supported program; if not distributed equally, many cuts would run far deeper.

(over)

## ***Common concerns about raising revenues – and common-sense answers:***

- *Shouldn't we pursue government reforms before talking about taxes?*

We need both reforms and new revenues; they should go hand in hand. We've already got a good start on reforms – having recently strengthened rules governing public pensions, campaign finance, the ethics of state employees and officials, and the state's purchase of goods and services. This work should continue. But we haven't started raising any new revenues. That crucial work cannot wait any longer; the well-being of kids and families demands that we act now.

- *Shouldn't we cut spending, eliminate waste and tighten our belts, first?*

We've already begun belt-tightening; over \$1 billion in cuts have already been made this year. We've reduced families' access to mental health resources, taken preschool services away from many young children and cut programs for many students who need safe, productive ways to spend their time after school. Yet the state revenue shortfall we face in the coming year is 12 times bigger than the cuts we've already made in vital services, and it threatens far deeper cuts. We need a balanced approach that includes new revenues; we can't rely on cuts alone.

- *Isn't a recession the wrong time to raise taxes?*

It's definitely the wrong time to slash education, health care and other programs that are critical to the vitality of kids, families and our economic recovery. Yet such cuts in services are the only approach we've taken so far. We need a more balanced solution that includes new revenue, the direction about 30 other states have taken to help them deal with this recession. Leading economists call this approach preferable to simply slashing important services. And tax-relief measures can be built-in, to treat struggling families more fairly. A balanced solution will help put Illinois' economy back on track as well as create and preserve jobs for families.

- *I can't support a tax increase without knowing exactly how the money would be spent.*

New revenues must be spent wisely to help the state pay its most pressing bills and invest in jobs and Illinois' future prosperity. There must be accountability for how revenues are spent, to ensure funding helps protect the education, health and human services that are most crucial to the state's well-being. The best way to help ensure that is to get involved in discussions to shape these policy decisions.

- *Last year, we were warned about "doomsday" cuts that never happened. Why should we be concerned about similar warnings this year?*

A series of one-time revenue maneuvers helped keep many budget cuts to a lower level than originally forecast, but even those cuts were very damaging to kids and families. Borrowing helped in the short run, but added greatly to the coming year's bills and obligations. Ignoring a huge backlog of unpaid bills is creating lasting damage to community-based providers of important services. Other short-term revenue measures, such as federal stimulus funding, are expiring. The bottom line is that next year's pressures will be far worse than this year's – and so will the consequences for children, families and communities across the state.

Please share this information with your friends, family, colleagues and policymakers. As they have the facts, encourage them to join the growing call for balanced revenue reforms that protect jobs and help struggling families to weather the recession.

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