Maximize reasonable, existing revenues to reduce harmful budget cuts – without new taxes

The General Assembly must take a thoughtful, balanced and responsible approach to the budget. State leaders should pursue every option for maximizing the resources available to maintain crucial public services. The House has adopted revenue projections (HR110) and spending allocations (HR156) that require cuts $2.6 billion below the appropriations proposed by the Governor for FY2012. The first five revenue options presented below could reduce those cuts to less than $300 million. This can be done in ways that require no increase in taxes:

- **Use the most accurate revenue estimates possible**. The legislature's own bipartisan Commission on Government Forecasting and Accountability has the best track record for accurate revenue projections. The Senate is using CGFA's conservative estimate of FY12 revenue (SJR129). The House is using a different estimate that is $1.1 billion less, which would force much deeper budget cuts. Both chambers should use the CGFA estimate. **(<u>$1.1 billion</u>)**

- **Do not provide an accelerated, $600 million state tax break for large businesses**. The federal government is giving businesses a new, "bonus depreciation" tax break by letting them immediately deduct the entire cost of machinery and equipment purchases, rather than over the course of a few years. Our state's definition of taxable income is based on the federal definition. Thus, unless Springfield acts to "decouple" from this accelerated federal benefit, it will cost Illinois about $600 million in FY12 tax revenues. In a bipartisan vote, the General Assembly decoupled state tax law from a similar federal tax break in 2002; we should do likewise now. Illinois businesses still will retain about $5 billion from the federal benefit, and they still could deduct capital expenses from state taxes on the ordinary, multi-year depreciation schedule. **(<u>$600 million</u>)**

- **Identify possible revenues within "statutory transfers"** that are made annually from the General Funds into special state funds. There are $2.3 billion in transfers projected for FY12. During the last recession, some transfers into capital improvement funds were temporarily suspended; some other transfers – aside from revenue for local governments or transit agencies – could be reduced or eliminated. **(<u>Up to hundreds of millions of dollars</u>)**

- **Authorize targeted "fund sweeps" –** transfers of surplus revenue from special state funds into the General Revenue Fund, moves that both Republican and Democratic administrations have used many times in the past to maximize revenues. In FY10, such moves represented $283 million. New sweeps should target funds with significant excesses or with lower priorities than vital services facing outright cuts. **(<u>$283 million in FY10</u>)**

- **Repeal the prohibition on putting Road Fund dollars toward appropriate uses by the Secretary of State's office and the Illinois State Police**. The Road Fund's purposes include financing highway maintenance and construction, traffic control and safety, policing, administering driver's license and motor vehicle license laws, and other transportation programs. Most Road Fund revenue (about $3 billion in FY10) goes to the Department of Transportation. But prior to FY10, some of the funding was typically used for SOS and ISP appropriations. Resuming that practice could free-up GRF capacity for meeting other vital public needs. **(<u>$245 million in FY09</u>)**

- **Authorize debt-restructuring bonds to reduce an enormous backlog of state bills**. Long-overdue payments to schools, local governments and providers of critical health and human services total billions of dollars. Illinois must return to a responsible payment cycle. The interest rate on restructuring bonds would be well below the annual interest rate the state otherwise must pay under law regarding overdue bills. Lawmakers should settle on a reasonable restructuring plan, with an accurate total for the outstanding bills and a reasonable bond re-payment schedule. Funds were intended for this in the new income tax law, and they should be used for this purpose.

04.22.11

For more information, contact:
Sean Noble (312-516-5566, snoble@voices4kids.org) or
Larry Joseph (312-516-5556, ljoseph@voices4kids.org)

VOICES FOR ILLINOIS CHILDREN