

Fiscal follies continue as Illinois suffers

By Jim Nowlan

[Gird your loins for yet another column about the saga of the never-ending budget stalemate. I am as distressed as you are tired of reading about this, but hang in there—this is important stuff—and I’ll spare you most of the numbers.]

Gov. Rauner recently released his third budget, and it’s just as phony as his previous two efforts as well as those of his Democratic predecessors Blagojevich and Quinn.

To summarize, Illinois continues to spend about \$7 billion a year more than it takes in, on a general funds budget of \$32 billion in revenue. Everyone from New York bond ratings agencies to scribblers out here like me say this cannot continue, but it does.

The damage is mostly beneath the surface, yet devastating.

Our high school graduates flee the state in droves for college across our borders, because of uncertainty over financial aid and the future of our colleges.

[Neighboring states gleefully offer our students “scholarships” that make going to Iowa City or Madison less expensive than in Illinois. Their universities, hurting for students, can do this because the marginal cost to them of an additional student is less than what they charge.]

Once our students leave, they are less likely to return.

As you might well imagine, business is leery, to say the least, of locating here because of the uncertainty and instability they fear like the plague.

Further, I am told there is, for lack of a budget, a “die off” of important, small social service agencies that used to help the state serve the unfortunate.

And, of course, our state reputation as a laughingstock, fueled by the corruption scandals going back more than a decade, is only “enhanced” across the country by our dysfunction.

Governor, House speaker Mike Madigan, and lawmakers of both parties are now so embarrassed (what took them so long?) that they are circling round a potentially real budget. But the mating dance that might deliver a product will take months.

The game now is to create a budget without being splashed with the blame. This will prove impossible, though the pols are writhing in efforts to prove me wrong. Most voters are not discerning enough to let anyone off the hook.

Most lawmakers have never had to make tough, politically life-threatening votes on tax increases and spending cuts. For example, no Republicans voted for the temporary tax increase in 2011, but this time Democrat Madigan will insist on many GOP votes, before he will put his own members on an increase proposal.

Lawmakers need time to be conditioned to the idea of walking the plank.

In recent months, the state’s think tanks have been weighing in.

The Civic Federation of Chicago and the Taxpayers’ Federation of Illinois (which I used to head), both business groups, have reported that significant tax increases are needed, though they rue saying as much.

The right-wing Illinois Policy Institute (IPI) has declared the state can get by without a tax increase. IPI would do this largely by shifting (not eliminating) costs from the state to local governments, schools and universities, all the while eliminating the locals’ long-standing share of income tax revenues.

The IPI makes some good suggestions, such as eliminating pay spikes at the end of educators’ careers, which also spike their pensions, and limiting state employee compensation.

But for the most part, as a respected Republican lawmaker told me, the IPI budget is impractical balderdash, unhelpful to efforts to come up with a budget.

In his budget address, Gov. Rauner said rather vaguely he would be open to tax increases, though he ruled out taxation of retiree pay.

Doing so would, however, actually make sense. The federal government taxes retirement, exempting most Social Security, and so do nearly all states that levy an income tax.

And doing so could keep shave the rate of the overall tax increase.

Yet the idea sends chills up the spines of Illinois voters, according to the polls, so will not be done. This is a good illustration that the little guy voter does matter in shaping public policy, even when wrong.

To their credit, state senators of both parties have started serious talks about a budget, though governor and House speaker, who could scotch any Senate proposal, are playing coy.

I think—envision turbaned swami Johnny Carson, head resting on his fingers, pensively looking into the future—that this summer there will be an income tax increase and some modest business-friendly changes.

The results will be about the same as those Rauner and the House speaker could easily have agreed to more than two years ago, if they had simply sat down man-to-man to address the problem.

The increases will, I fear, not be enough to resolve our huge fiscal problems, so we will limp along into the future.