

SNG-2018 forecasts-1-8-18

A potpourri of 2018 forecasts

By Jim Nowlan

First, a correction to a recent column about how “The Old South sticks it to Illinois.” Alert reader and CPA Jay Grimes of Bourbonnais (just north of Kankakee) reports that the final federal tax bill provides a \$10,000 limit on deductions from our property taxes and individual income taxes paid.

I had written that the deduction limit applied only to property taxes, which I think was the case in an earlier draft. But I was wrong in print.

The effect of this apparent last-minute change is to ensure that most middle-income folks in Illinois will not pay any more federal income taxes as a result of this \$10,000 limit. But wealthy folks, often the entrepreneurs and job-creators, will indeed pay more federal taxes. This will make Illinois and other Blue States a bit less attractive to the one percenters as a result.

Now to my forecasts:

March primary elections in Illinois: Dem gubernatorial candidate J.B. Pritzker will use his endless millions to blot out the chances of a handful of opponents, including Christopher Kennedy of the famous political family.

Gov. Bruce Rauner is being challenged by state Rep. Jeanne Ives of Wheaton. A West Point graduate, Ives makes an impressive first appearance.

The representative hopes to garner the significant support of Christian conservatives who feel betrayed by Rauner, who signed a bill to provide state funding for abortions. I predict Ives will garner 40 percent of the vote in a losing cause, yet embarrassing to Rauner.

November general elections: Although I am not a fan of Rauner, I go way out on a limb to predict he will defeat Pritzker in a tight race. My political expert buddies all disagree, saying Rauner hasn't done anything and has little political base left to support him.

The questions are these: Will Rauner be able to use his endless millions to morph Mike Madigan into Lucifer, who must be smote down, all other factors be damned?

And will Pritzker be able to make Rauner a clone of Trump, even though he isn't. Nevertheless, expect ads that morph Rauner's face into Trump's.

[Savvy political pundit Rich Miller says for Rauner to win, the governor will have to run the most negative campaign in the history of the world; well, maybe not quite so negative as Caesar's death at the hands of Brutus and his co-conspirators.]

The composition of the Illinois legislature: Present gerrymandering tilts toward the Democrats. Add that to what appears to be a typical swing to the party out of the presidency in an off-year election. Thus, no way can the GOP win a majority in either the state House or Senate.

The state budget for 2019 (fiscal year begins July 1, 2018): Even with the tax increase that brought the individual income tax back to almost 5 percent, the revenue generated is expected to be a billion or two less than the spending rate of the present budget year.

Neither Rauner nor the Dems can afford another budget impasse; the public won't stand for it, and both sides would be blamed. So, expect the politicians to enact a budget by kicking the deficit can down the road.

A couple of my political expert buddies think, in contrast, that no budget will be enacted in the regular spring session. Says one: "I don't think that there will be a budget for the next fiscal year barring some court intervention that forces it. Madigan will make Rauner crawl to get one."

Illinois is budgeting \$8 billion (a quarter of the whole general funds budget) this year—and for decades to come—beyond what would be needed if our pensions had been adequately funded over decades past. [As I have said ad nauseam in previous columns, this is the albatross that hangs around our collective neck.]

The courts provide little wiggle room to adjust the pension guarantee in the Illinois Constitution.

I have written that Illinois could change its pension funding model. The present model calls for amassing a huge pension asset base, which base itself would never be utilized.

Another approach would be to continue to build the base, but more slowly. This while paying obligations in part on a pay-as-you-go basis, as Social Security pays its pensioners.

This could free up to \$2 billion a year for investment in education and universities or in tax relief, that is, once the \$16 billion current deficit is paid off. More on this in a future column.

There is, unfortunately, no trust between Gov. Rauner and Democrats in the legislature, so I fear another year of acrimony and dysfunction. Whoever becomes governor in November will have huge mess to start to clean up—and all during the bicentennial year of a once-proud state.