

SNG-Happy days-1-14-19

Will it be 'Happy Days' or 'Blood, sweat, toil and tears'?

By Jim Nowlan

I hate to play the skeleton at the feast, because Gov.-elect J. B. Pritzker has an apparently strong desire to do more and better for the state of Illinois. Yet, he must face the harsh realities of having inherited a fiscal system that is broke, deep in debt, bankrupt in the sense that Illinois cannot pay its bills in anything close to a timely fashion.

So, will the themes for his forthcoming state of the state and budget messages be akin to "Happy Days Are Here Again" or a somber "Blood, toil, tears and sweat"?

Here is snapshot of the situation he faces. For probably two decades now, Illinois state government has been running annual budget deficits of roughly \$3 billion or more, on average, when unfunded future obligations and piled up unpaid bills are included.

The situation is so bad that in 2017, according to Reuters, the state paid out more than \$1 billion (a 1 followed by 9 zeroes) to vendors in late payment penalty fees, a frittered-away billion dollars of taxpayer dollars that did not buy a solitary good or service!

The state's credit cards are all maxed out. If Illinois continues to spend more than it takes in, while bills pile up, the folks at the bond rating agencies will begin to mutter "Puerto Rico" under their breath (P.R., the bankrupt semi-sovereign American commonwealth).

During his campaign, J.B., as he likes to be called, pledged to enact a progressive income tax (higher tax rates for higher incomes), a big infrastructure building program, and increased spending for education, higher education, and more.

Over in “the first branch of government,” the legislature, J.B.’s fellow Democrats have big majorities in both chambers. Like a Greek chorus, almost offstage, a puny band of Republicans will lob spitballs at the Democratic phalanx.

To enact J.B.’s wishes will require Democratic lawmakers to cast at least three tough votes: First, for a big gas tax increase to re-build roads, bridges and mass transit; second, for a constitutional amendment proposal for a graduated income tax, and, third, to increase taxes to balance the budget and fund the spending boosts J.B. wishes.

I talked with a savvy former Illinois Dem representative, who observed that making three tough votes in one Spring legislative session may be more than Madigan and his devotees in the House can stomach.

Here is where things stand: Any revenues from new gambling and recreational marijuana will generate in the hundreds of millions of revenues annually, not the billions needed to balance the budget honestly.

So, the former rep thinks it likely there will be yet another year of dishonest budgeting—such as selling the Thompson Center in Chicago for the fourth year in a row; borrowing more; stacking unpaid bills higher. With no money for Pritzker’s programs.

That would be too bad. More than anything, Illinois needs what is commonplace in most governments—honest balanced budgets. This is the only way to reassure business that Illinois is mature enough to host enterprise and jobs.

Unfortunately, most lawmakers have become quite comfortable with dishonest budgeting; most have known little else. Their sky hasn’t fallen, though the state erodes.

As I keep harping, past pension funding failures and inexcusable sweeteners over the years have forced the state to spend one-quarter of all the general funds budget each year on pensions.

The pension crisis is so parlous that some retirement funding experts are noising about the idea of petitioning Congress to authorize our state to declare bankruptcy, so as to rewrite pension agreements. That is not likely to happen soon, if ever, yet it underscores the gravity of the situation.

I submit, respectfully, that the best course, among unattractive options all, is to: 1) enact the resolution to Rep. Steve Reick (R-Woodstock) to create a hard-nosed efficiency and savings commission, and 2) broaden the sales and income tax bases enough, without raising rates, to balance our budget honestly. That \$3-4 billion in revenue required will be painful enough, yet won't provide any extra money for Pritzker's desired spending.

The state is in a world of fiscal hurt, yet few seem to understand it.

With that unhappy background, I hope J.B.'s first addresses will reflect a mix of cautious optimism about the potential for straightening out our fiscal problems over time, combined with the somber equivalent of the "blood, toil, tears and sweat" it will take to achieve fiscal health.