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Illinois budget cuts focus on the “little people”

By Jim Nowlan

Illinois state legislators are learning how difficult it will be to fit a work-boot full of this year’s people programs into a petite lady’s slipper of available revenues. They won’t all fit.

In the past couple of weeks, the House budget committee on human services has been struggling to find about a billion dollars in cuts from a \$7 billion budget for mental health, children and the aging, without hurting people. On the chopping block are big reductions in mental health community services, centers for independent living for mentally retarded adults, and drug addiction treatment, among others.

In a testy exchange with lawmakers, human services agency director Michelle Saddler suggested the Illinois Schools for the Blind and Deaf at Jacksonville might have to be closed in order to meet the lawmakers’ budget cutting demands.

The legislators were aghast that such an idea might even be voiced, and they retorted that \$47 million in recent pay raises for agency personnel could be rolled back to fund programs for the infirm, disabled and unwell—if only the union contract negotiated several years ago could be re-opened.

Here is the situation. About \$35 billion will be spent this present fiscal year from general funds (for operating state government; the fiscal year ends June 30), and about \$8 billion in bills will be unpaid at the end of the fiscal period.

But the House estimates there will only be about \$33 billion in revenues to spend in the coming year. The Senate thinks there may be \$34 billion in revenue. The Governor wants to spend \$35 billion, even though there isn't that much money.

Gov. Pat Quinn would like to borrow about \$5 billion to pay off old bills and pay off the borrowing in say 5-8 years. (I use "about" frequently because the figures are squishy or not known precisely.)

There is opposition to the borrowing among the minority Republicans, whose votes are needed for the 3/5ths majorities required to borrow.

Budgets are an allocation of our values. In Illinois, we place the highest value for our state dollars on elementary-secondary education; this sector will be hurt least in the budgeting.

Spending for Medicaid (health care for the poor and nursing home patients) is a high priority as well, as the state receives one dollar in federal aid for every dollar of state spending; thus a dollar of state money cut from Medicaid is actually a two dollar cut.

Higher education has already taken reductions in recent years, and lawmakers would like to avoid cutting colleges and universities much further.

This leaves human services—children, disabled, mentally ill, addicted, aging.

[Every bone in a lawmaker's body aches to do something *for* people, not *to* them, so cutting people services is, understandably, painful. Yet cuts there must be if the budget is to be balanced. And lawmakers can't afford politically not to balance the budget—not after increasing the individual income tax rate from 3 percent to 5 percent.

[By the way, the reason that the tax increase doesn't provide for additional rather than reduced spending is that this year we will have spent \$8 billion more than we took

in. The big excess over revenues will come from multi-billion dollar borrowing, federal stimulus funds, and selling long-term tobacco settlement money all for use this present year. The new tax revenue almost covers this \$8 billion amount.]

I see the process unwinding this way: The House will make deep cuts in “little people’s” programs, that is, those served by the human services agencies. But lawmakers will suggest to aggrieved parties that the Senate, with its higher revenue estimate, will add back their program funding. Even so, this will be less than the governor wants and less than is being spent this year.

Whatever comes out of the legislature budgeting process will involve real cuts in people programs. There will thus be intense pressure to increase revenue—painlessly.

So expect a strong push by gambling interests to expand gaming to include a casino in Chicago and others downstate, plus slots at the tracks. This could generate \$1 billion plus in license fees this coming year and maybe \$500 million a year later in annual tax revenue. Increasing the cigarette tax by a buck a pack could generate \$300 million a year.

[And “decoupling” Illinois from a federal “bonus depreciation schedule” for industry equipment purchases could raise another \$600 million. Business, which already feels the state climate unfriendly, will fight this, as it would come on top of a new 9.5 percent corporate income tax rate.]

I can see foresee the legislature sending the governor a budget less than he believes necessary, which could cause him to veto it and send the legislature back into special session.

Ultimately, expect some cuts, some borrowing to pay off old bills, and some revenue increases in a budget that pleases no one.