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Madigan sets up tax increase

By Jim Nowlan

Illinois House Speaker Mike Madigan (D-Chicago) is putting together the pieces for a tax increase (or increases in more than one tax) during an unusual January 3-11 end-of-biennium session that would pay off about \$10 billion in past due state bills and pension obligations as well as increase the state's annual cash flow.

According to savvy political reporter Rich Miller, Madigan has put out feelers to his Democratic members about whether they could support an increase in the rate of the individual income tax from 3 percent to 5 percent. While that may not be the shape of any final legislation, lawmakers are girding for a momentous short session that will also include reforms (major or minor is to be determined) in the:

- Medicaid health care program for the poor and near-poor;
- workers' compensation for injuries suffered on the job;
- education, and possibly
- the state constitutional requirement for enactment of tax increases.

Madigan is no liberal. He has resisted tax increases in recent years, hoping to starve the state budget into cost-cutting reforms, which have been taking place at our public universities and in the state agencies. The situation has become unsustainable, however,

with billions in unpaid bills and scores of billions in unpaid obligations to the state pension systems.

The popular CBS program “60 Minutes” has recently focused on the state’s flirtation with the equivalence of bankruptcy as have the New York Times and other national media.

Madigan insists that some Republicans join his fellow Democrats in making the tough votes for tax increases. And a handful of Republicans, often from districts with public universities, have shown a willingness to vote for tax increases.

Republican leadership in the legislature insists on reforms in the areas bullet-pointed above before they would even consider tax increases. But the leaders cannot control what their members do, though they can make life miserable for them by shunning them and in terms of committee assignments and support for the members’ legislative proposals.

As has been noted in the past in this column, Republicans (and some Democrats) have been calling for reforms that would do the following:

- move more Medicaid patients into “managed care,” where each patient would have a gate-keeper doctor responsible for overall care, which might reduce expensive and numerous emergency room visits that in addition fail to address a patient’s underlying problems;
- reduce employers’ costs by requiring that an employee who alleges injury be required to show that his or her job was the *primary* cause of the injury, something that is not required at present;

- make hiring and firing of school teachers easier and encourage competition by expansion of the number of public charter schools that operate somewhat independently of union work rules, and
- amend the state constitution to require an extraordinary majority (rather than a simple majority as at present) to enact spending and tax increases.

With reforms like this in place, Madigan believes he can make a case that he is doing all possible to steer a tight governmental ship in difficult times. The unanswered question is whether the reforms enacted will be minor or major. The former will be acceptable to Democrats and the latter attractive to Republicans.

The special session is another key to his plan. More than a score of lawmakers are not returning for the new session that begins in mid-January because of retirement or defeat in November.

These members might feel less constrained about voting for a tax increase than if they were looking ahead to re-election in two more years. Some might also find the possibility of a pension-increasing appointment to an agency directorship an attractive incentive to vote for a tax increase as well.

As I suggested in an earlier column, broadening the current income and sales taxes would be a more effective way of changing the state public finance system than an increase in the rate of the rather narrowly based income tax. Either way there will be an outcry from voters should a tax increase be enacted.

I predict that a mix of moderate reforms will be put into law and that a major tax increase (or increases) will also be enacted.