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Illinois gets raw deal from feds

By Jim Nowlan

I was struck to read the other day that Illinois receives back from the federal government only 56 cents of every dollar it sends to Washington in taxes, which ranks us 49th on this indicator. I have known for decades that Illinois has been on the short end of the stick, but I did not know it was so bad.

So I decided to dig a little deeper to see if it could be true. I found that, yes, it probably is correct.

The state of Illinois should mount a major effort in the new Rauner Administration to begin to claw back some of our money.

Illinois was one of the nation's most prosperous states decades ago when some of the funding formulas for spreading federal largesse were set. But Illinois is no longer so wealthy; we're about average.

Shortly after World War II, Illinois per capita income was 128 percent of the national average of 100 percent. Since then we have suffered a slow decline relative to other states, and today our income is just 105 percent of the national average.

Illinois sends \$100 billion to the IRS each year in income taxes. (All the figures in this piece are taken from federal government sources, for either 2010 or 2011, sometimes with my extrapolation.)

If we received a dollar back for each dollar sent, we would have about \$44 billion more jingling around in the state.

By the way, all of our neighboring states receive more than a dollar back for each dollar sent to Washington, according to wallethub.com, a social media site that provided the figure at the top of this column, using federal sources. For example, Iowa receives back \$1.12 for every dollar sent to D.C.; Michigan, \$1.08; Indiana, \$2.01; Wisconsin, \$1.68; Illinois, \$0.56.

The following figures show how much more Illinois would receive from the federal government if we were simply at the national average on a per capita basis.

For example, if Illinois received the national average per capita in Department of Defense expenditures, Illinois would receive \$13 billion more per year.

But maybe that is unfair, because disproportionate defense expenditures go to the coasts and the South, with the latter not so coincidentally having benefited from much greater seniority in Congress than elsewhere when we were building up our defenses.

Illinois state and local governments (mostly the state) would be \$3.7 billion richer per year if we received the average federal outlay. And boy could we use that.

Illinois would benefit by \$9 billion annually if our receipts per capita for federal procurement contract awards were at the national average. And by \$4 billion if federal grants to Illinois were at the average.

I have long contended that Illinois should receive a bigger slice of federal dollars for the massive federal-state Medicaid health care program for low income residents, which distributions are based on a 1965 formula.

For Medicaid, Illinois receives a little more than 50 percent of its spending from the federal government. In contrast, Iowa and Wisconsin, which have lower rates of poverty than Illinois, receive about 63 percent.

If Illinois were just at the average of the states, and not so high in reimbursements as Iowa and Wisconsin, the state would garner for Medicaid about \$1 billion more each year from the feds.

The above is certainly just a quick-and-dirty look at federal spending in the states, yet it suggests to me that Illinois is being shorted significantly by the federal government.

I think the incoming Rauner Administration should ask a think tank like the Institute of Government and Public Affairs at the University of Illinois or the Paul Simon Institute at Southern Illinois University to take a closer look at the situation.

And then, if I am on target, Rauner's people could develop a long-term strategy with the Illinois congressional delegation to bring the federal-Illinois financial relationship into balance.