

SNG-Holding Illinois hostage-12-26-16

Illinois held hostage—year three

By Jim Nowlan

[At the risk of tiring readers (so what's new, they muse) at holiday time, I turn yet again to the Illinois state budget impasse, the most important visible problem facing the state.]

I continue flummoxed in efforts to understand the efficacy of the strategy(ies) Illinois Gov. Bruce Rauner is employing in his all-out war to force nemesis House Speaker Mike Madigan to knuckle under, so the gov can figuratively plant his booted foot in triumph on the breast plate of a prostrate Madigan.

For two years, Rauner has been holding a state budget solution hostage, as if it were somehow akin to Madigan's first-born, demanding that Madigan accede to a "turnaround agenda" of popular, business-friendly changes.

That might otherwise make sense, except that Madigan obviously cares more about his political power than about Illinois.

Insiders say Rauner's real strategy is to play a multi-election "long game" aimed at taking control of the Illinois General Assembly.

That is sure a legitimate political objective, yet not one a budget resolution can await.

I worry that Rauner as well as most lawmakers and certainly the Illinois public all fail to appreciate the staggering magnitude of what will be necessary to straighten out the state's finances.

Economists at the University of Illinois Institute of Government and Public Affairs have studied the state's finances for years. They project for this fiscal year a deficit of \$13 billion, that

is, spending and obligations that much greater than the \$63.5 billion in revenues, with even greater shortfalls in years to come.

Add to this ga-jillions in unfunded pension and health care liabilities and \$10 billion in unpaid bills and you have a situation not far different from those in some near-bust Third World countries.

The economists say that Illinois might just be able to climb out of its hole over many years *if* we increase individual and corporate income tax rates, and broaden the tax to include some retirement income and, we're not finished, also broaden the sales tax to include a number of services that many other states tax and, whew, also make some spending cuts.

[Rauner has said he is willing to consider tax increases, though he has never talked much specifics, nor has he ever followed the clear constitutional requirement that each year he present a balanced budget to the legislature.]

I can understand why the first-term governor is reluctant to take the lead in straightening out a fiscal mess that was not of his making.

And so he says, "Nothing doin'" until his turnaround agenda is adopted.

Let's look at the agenda of the moment, which comes in five parts, most of which I find attractive:

- Term limits. A legitimate, popular idea. "It polls off the charts," Rauner has observed to others. Yet the consequences of term-limiting are many years into the future.
- Property tax freeze. Our property taxes are higher than in all states other than New Jersey and Connecticut, last time I looked. Yet Rauner has said home rule local governments, which includes most of the big ones other than schools, would be

exempt. School taxes are high because Illinois ranks at bottom in state support for local schools.

- School funding reform. No one has ever come up with a reform idea that doesn't cost more state tax dollars, not fewer. This is because of the political principle that there be no losers, that is, that wealthy New Trier not have to share any of its \$25,000 per student budget, nearly all from its residential property taxes, with my rural district that spends \$10,000 per.
- Pension reform. This is the huge outlier in our state budget, sopping up the equivalent of about a third of general funds spending. The state high court has said, however, that we can't touch the pensions. There may, however, be some tweaks possible, but they won't save big dollars each year.
- Workers' compensation (for injured workers). As with pension reform, there can be some compromise between Rauner and the Dems that might cut business costs some, but not big time.

So, if Rauner is serious about negotiating on these matters, rather than putting his agenda items out as ultimata, some modest improvements can be made short-term, about the size of a big mouse rather than an elephant.

But will such changes be seen as enough to justify the politically breathtaking tax increases needed to stabilize our fiscal situation, as well as the wreckage done over the past two budget-less years?

And how can the governor and the Dems come together to enact such changes in a toxic environment in which each side continues lobbing political grenades over the ramparts?

The situation is dire. New strategies are desperately needed from governor and speaker.