

TUA NEWS RELEASE

TAXPAYERS UNITED OF AMERICA

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FOR IMMEDIATE RELEASE
July 20, 2015

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No Budget Relief Without Spending Reform

Chicago—Taxpayers United of America (TUA) today released the results of its analysis of the proposed Illinois state budget and the current financial health of the state, as well as recommendations for policy changes to avoid future prolonged budget disputes.

“Illinois is in desperate financial trouble after years of unrestrained spending and lavish, gold-plated pension and health plans for government employees,” said Jim Tobin, President of Taxpayers United of America (TUA).

Illinois Governor Bruce Rauner (R) released his fiscal 2016 budget proposal on February 18. The budget calls for total *general fund* spending of \$32.0 billion, a \$2.7 billion reduction from the fiscal 2015 revised budget.

The proposed level of appropriations from *all funds* in fiscal 2016 is \$61.8 billion, compared to \$66.3 billion in fiscal 2015. The largest areas of *total state spending* are healthcare at 31.5 percent, education at 25.7 percent, and human services at 16.1 percent.

The largest areas of *general fund spending* are education at 42.9 percent, healthcare at 22.4 percent, and human services at 17.4 percent.

“The political class and some media outlets frame the budget crisis as an issue of revenue, but that’s just not the case. The problem with Illinois’ budget is the result of years of profligate spending by the General Assembly and a series of governors who encouraged it,” said Tobin. “Gov. Rauner is trying to reverse that trend, but it will require the General Assembly to rethink years of unwise spending habits.”

General fund revenues are projected to be \$32.0 billion in fiscal 2016, a \$2.1 billion, or 6.1 percent, decline from fiscal 2015. The budget proposal addressed ongoing budget deficits through *minor* pension reforms, nullified by the State Supreme Court in May, which would have saved the state \$2 billion; reducing government employee health insurance costs; cutting overall spending while prioritizing core government services such as education; and budget reforms including ensuring that bills are paid, consensus forecasting, a priority based budget, and building up a rainy day fund, according to the [National Association of State Budget Officers \(NASBO\)](#).

As of March 2015, the state had \$111 billion in pension debt and more than \$6 billion in unpaid bills, according to the Illinois Policy Institute.

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Illinois, already tagged with the lowest credit rating among U.S. states, is at risk of downgrades and higher borrowing costs after lawmakers' fix for its \$111 billion pension shortfall was struck down in court, says *Crain's Chicago Business*.

Illinois, which is grappling with billions in unpaid bills, is graded four steps above junk by the three biggest rating companies.

"The taxpayers of Illinois continue to send their hard-earned dollars to Springfield, even as they witness the General Assembly squander their tax dollars year after year, while always demanding more," said Tobin. "The Illinois General Assembly confiscated plenty of our tax dollars already, so the least the legislature could do is balance the budget with those tens of billions of dollars before strong-arming Illinoisans for more revenue."

"An amendment to the state constitution is needed before government-pensions can be cut or retirees can be forced to pay more into their plans," said Tobin. "But until a constitutional amendment is passed, there are a number of changes that can be made to correct Illinois' spending problem."

"Ending pensions for all *new* government hires will eventually eliminate unfunded government pensions. New government hires should plan for their own retirements by being placed in Social Security and 401(k)-style plans."

"Furthermore, if each government employee were required to contribute an additional 10% toward his or her pension, Illinois taxpayers would save \$150 billion over the next 35 years, or roughly \$4.3 billion annually."

"Finally, requiring Illinois government employees and retirees to pay for one half of their healthcare premiums would save even more – an estimated \$230 billion over current projections," said Tobin. "Without addressing these colossal spending habits, among others, Illinoisans can expect to see their economic well-being diminished while the constitutionally-protected government pensions continue unabated."