

Ralph Martire: Typical campaign nonsense won't wash this time

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Well, it's officially turkey time. No, not the family-, friend- and food-oriented holiday we call Thanksgiving. Think more the frenetic, fatuous and occasionally flagitious biannual event called "campaign" season. You already can't turn on a TV or radio without being subjected to negative political advertisements, which are much better at character assassination than policy illumination. And while issue avoidance, pandering and platitudes are standard campaign operating procedure, Illinois simply can't afford such nonsense this election cycle.

In fact, state government can't really afford much of anything. And by anything, I mean "luxury" items such as education, health care and caring for vulnerable people, like those with developmental disabilities, children who've been abused, victims of domestic violence or individuals struggling with substance abuse or mental health issues.

Here's why: Those three program areas, education, health and human services, account for the lion's share — 86 percent — of the state's \$26 billion general fund budget for the current year and Illinois doesn't have anywhere near enough recurring revenue to support that spending. So to "fund" these services in the current budget, the state manufactured \$6.25 billion in one-time, nonrecurring revenue. Most of that comes from two sources: \$3.46 billion in debt proceeds the state anticipates getting from selling pension notes and \$1.84 billion in federal stimulus money. The balance comes from restructuring current debt (something Illinois has plenty of) and raiding funds dedicated to specific uses, like environmental protection or housing.

Illinois also has a backlog of about \$4 billion in unpaid bills. The big secret is, the vast majority of state spending on human services goes to private sector providers, not public sector workers. Think about that. During a recession, businesses like drugstores selling prescriptions to Medicaid patients or providers that care for seniors or disabled children have incurred payroll and overhead costs to perform essential services under contracts with state government, but haven't been paid billions of dollars. The longer these private businesses wait to get paid, the greater the likelihood they will lay off workers. You don't need an economics degree to understand that as these workers lose jobs, the state's overall unemployment rate goes up, while its economic health goes down.

Here's the kicker, next year the state's fiscal picture gets worse — a lot worse. Assume Illinois just wants to maintain current service levels next year. That'll cost \$26 billion, plus inflation. To cover that, the first thing Illinois must do is replace the \$6.25 billion in one-time funding that supported this year's budget.

Then there's that little issue of the \$4 billion backlog in unpaid bills that currently has no payment source. Meanwhile, the governor's office recently announced projected revenue growth this year was overestimated by almost \$1 billion. Add all that together with the \$1.4 billion scheduled increase in payments the state owes to cover its unfunded pension liability and the \$800 million in new debt service the state will owe next year and voila, to simply pay its bills and maintain current service levels into next year, Illinois must find \$13 billion in new revenue. That's not an opinion or ideological viewpoint, that's math.

As if that wasn't enough, the respected Institute for Tax and Economic Policy just issued a report that found the state's tax system is so regressive, that is, so focused on low- and middle-income folks, that Illinois is one of the most unfair taxing states in the nation. Great, in addition to being broke, Illinois taxes people unfairly.

Adding injury to insult, the state's unfair, regressive tax policy actually contributes to Illinois' deteriorating fiscal condition. Over the last 30 years, low- and middle-income families have seen their real, inflation-adjusted earnings decline. Virtually all real income growth during this period went to the wealthiest 20 percent. Since it's those folks with growing wealth at the top of the income ladder the Illinois' tax system misses, from a fiscal standpoint, tax revenue growth has to underperform long-term economic growth because the state doesn't tax where the economy is growing. In moral terms, the state's regressive fiscal system effectively focuses tax burden on families who pay from their growing poverty, rather than those who would pay from their growing wealth.

According to Matthew Gardner, lead author of ITEP's study, this means "Illinois lawmakers have to make difficult tax and spending decisions in the coming year." The reality is those decisions aren't just difficult, they're seminal. And because 86 percent of the budget goes to essentials like education, health and human services — most of which are provided by the private sector — the deficit can't and shouldn't be solved with cuts alone, despite disingenuous rhetoric to the contrary. Want proof? Just ask any candidate who claims the budget can be balanced without a tax increase to identify, specifically, which services will be cut and by how much. Just don't hold your breath waiting for an honest answer.

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