ILLINOIS PARTNERS for HUMAN SERVICE

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MAXIMIZE REASONABLE REVENUES TO HELP MINIMIZE HARMFUL BUDGET CUTS – WITHOUT NEW TAXES

The General Assembly must take a thoughtful, balanced and responsible approach to the budget. State leaders should pursue every option for maximizing the resources available to maintain crucial public services. The House has adopted revenue projections (HR110) and spending allocations (HR156) that require cuts $2.6 billion below the appropriations proposed by the Governor for FY12. The first five revenue options presented below could reduce those cuts to less than $300 million. This can be done in ways that require no increase in taxes:

- **Use the most accurate revenue estimates possible.** The legislature's own bipartisan Commission on Government Forecasting and Accountability has the best track record for accurate revenue projections. The Senate is using CGFA's conservative estimate of revenue for FY12 (SJR129). The House is using a different estimate that is $1.1 billion less. Both chambers should use the CGFA estimate. (<u>$1.1 billion - House</u>)

- **Do not provide a brand new add-on tax break for large businesses of $600 million.** Our state's definition of taxable income is based on the federal definition. The federal government is providing a new tax break for businesses that make large purchases of machinery and equipment, by allowing them to deduct the whole cost of those purchases right away, rather than deducting them over a few years. Unless Illinois acts to "de-couple" the Illinois tax system from this new federal tax break, it will apply in Illinois, too, costing the state about $600 million in tax revenues in FY12. Under the same circumstances in 2002, Illinois voted to "de-couple" state tax law from the new federal tax break (called "bonus-depreciation"). Illinois businesses still retain about $5 billion in the federal tax break, and they will still be able to deduct the expenses from their state taxes on the ordinary multi-year depreciation schedule. Illinois should de-couple. <u>($600 million)</u>

- **Identify possible revenues within "statutory transfers"** that are made annually from the General Funds into special state funds. There are $2.3 billion in transfers projected for FY12. During the last recession, some transfers into capital improvement funds were temporarily suspended; many other transfers – aside from revenue for local governments or transit agencies – could be reduced or eliminated. <u>(Tens to hundreds of millions)</u>

- **Authorize "fund sweeps".** These are transfers of surplus revenue from special state funds into the General Revenue Fund, as both Republican and Democratic administrations have done many times in the past to maximize revenues. In FY10, such moves represented $283 million. <u>($283 million in FY10)</u>

- **Repeal the prohibition on shifting Road Fund dollars to appropriate uses** within the Secretary of State's office and the Illinois State Police. The Road Fund's purposes include financing highway maintenance and construction, traffic control and safety, policing, administering driver's license and motor vehicle license laws, and other transportation programs. About $245 million in appropriations authority for such purposes could be shifted from GRF to the Road Fund, freeing-up GRF capacity for meeting other vital public needs. <u>($245 million)</u>

- **Authorize debt-restructuring bonds to reduce an enormous backlog of state bills.** Long-overdue payments to schools, local governments and providers of critical health and human services total billions. Illinois must get caught up to a responsible payment cycle. The interest rate on the bonds will be well below the interest rate the State will otherwise pay under state law for overdue bills. Lawmakers should settle on a reasonable restructuring plan, with an accurate total for the back bills and a reasonable bond re-payment schedule. Funds were earmarked for this purpose in the new income tax law, and they should be used for this purpose.

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