

State Fiscal Policy
2009 Issues Briefing
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The fiscal condition of the State of Illinois continues to decline. The governor and the General Assembly are too preoccupied with impeachment to deal with the bankrupt state of the revenue system. The deficit for FY2009 is projected to be \$4 billion. Revenues continue to fall below projections because of the declining economy. Health and social service providers and schools have to wait longer than four months to receive payments from the state. Unfunded pension liabilities continue to grow.

The state has had a structural deficit for twenty years or more, that is, it spends more than it can receive in taxes and fees. For the last six years the governor has refused to raise taxes and has said that he would veto any tax increase sent to him by the General Assembly. The General Assembly has refused to raise taxes until the governor will sign the bill to raise taxes. In the meantime, the deficit continues to grow and now the sinking economy has removed any hope of a miracle rescue.

The problem is not new, it has just grown larger. The League has been telling the members of the General Assembly for years that we need a tax increase. That is what HB 750 and SB 2288 propose to do and the League has been supporting those bills. We will continue to do so.

The governor's arrest has complicated matters. The state borrowed \$1.4 billion short term in December so that it can pay health and social care providers and schools. It cost \$20 million extra to borrow the money because of issues raised by the governor's arrest. The money must be paid back by the end of the fiscal year.

The League must continue to advocate for programs and expenditures that benefit the state and its citizens. Illinois should be educating its children to prepare them for the global economy and to be good citizens. Illinois should be paying its medical and social service providers in a timely fashion. Illinois should be building schools and roads and public transportation networks and rebuilding its failing infrastructure. Illinois should be dealing with its underfunded pension systems.