Fiscal Policy and School Funding
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On January 13, 2011, the Governor signed SB 2505 into law. This raised the individual income tax rate to 5% from 3% and the corporate income tax rate to 7% from 4.8%. The higher income tax is retroactive to January 1, 2011 and is expected to bring in $6.5 billion in new revenues the first year. The state will also borrow $4 billion for this year's pension payments. The governor pledged to put $250 million of the new money toward education. The state will have a spending cap of $36.8 billion in the 2012 budget year, $37.5 billion in 2013, $38.3 billion in 2014 and $39 billion in 2015. The increases amount to 2% per year. These limits are not to be exceeded. If that happens, the tax rates revert to 3% and 4.8 %. (These numbers come from the Chicago Tribune.)

The League of Women Voters of Illinois worked in coalition with other organizations in the Responsible Budget Coalition to get these increases to become law. The state needed more revenue because it faced a $13- to $15 billion budget deficit for Fiscal Year 2011, approximately one half of the amount needed for the General Revenue Fund. It was late in paying school districts and health care and social service providers. And it faced difficulties in borrowing more money because the municipal bond market was growing reluctant to take on new offerings as investors became concerned with the fiscal condition of state and local governments, especially Illinois, California and New York.

The new revenues will not solve the state's problems immediately. This is only a beginning. The fiscal hole that the state must climb out of is too big. The state will still need to make spending cuts and it will have to be disciplined in the ways it uses the revenue from the tax increases. The new money promised for education will only keep up with expected increases in the costs of running school districts. Spending per pupil will still vary greatly and depend on the property wealth of the school districts.

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