



# Jil's Statehouse Report

News from Springfield from State Rep. Jil Tracy  
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I was reared to always be optimistic. When the Governor gave his short budget address, I wanted to believe it could be a new start. Even to the ever optimist, it doesn't pass muster. We can't create new programs at this time while not addressing the State's backlog of debt. After proposing a corporate income tax break and a child tax credit (which does not compare to the Federal idea) the Governor again set his sights on business: \$1.25 billion in new taxes and fees on Illinois businesses, including a 3% payroll tax for health insurance and \$250 million in new taxes. The business community rallied to the cause in '07 and they will need to be equally vigilant in '08.

The Governor proposed yet another healthcare expansion ... without addressing the 4 month backlog in unpaid Medicaid bills. This is simple ... if the state cannot pay the bills for its current obligations on time, then it has no business expanding programs which will only add to the existing backlog of unpaid bills.

To his credit, the Governor discussed the need for a capital bill. He suggested a lease of the lottery. Gambling expansion was on the table this past year and the House and Senate may not be done with that idea. Given the state of our infrastructure, this is encouraging. We are all aware of the needs ... Corridor 67, the Macomb bypass, maintenance of our existing roads, construction of school facilities and many more necessary projects. I hope we can find a middle ground on this issue in the spring, and finally address the transportation and infrastructure needs of Illinois citizens this year.

Below is a more detailed analysis of the Governor's proposal:

### **FY08 Revenue Shortfall - \$750 million**

- To address shortfall the Governor proposes to raise \$750 million from fund transfers and corporate loophole closures.
- Once again the Governor's idea of loophole and mine don't jive. For instance,

### **Protecting Illinois Families** - This is a one-time program costing **\$1.2 billion**.

- **\$300 million** is the cost to provide a **20% corporate tax cut** for those corporations that paid taxes for 2007.
- **\$900 million** is the cost to provide an Illinois Child Tax credit, doubling the federal economic stimulus payment. **\$300 per child** for taxpayers who qualify for the federal plan.

### **Illinois Covered** – Healthcare Expansion Costs \$417 million.

- Program to be funded by an employer assessment beginning January 1, 2009.
- Assessment applies to all employers of more than 10 employees who spend less than 4 percent of their payroll costs providing healthcare.
- **Employer Payroll Tax Assessment is 3%**
- Once fully annualized this is estimated to raise \$1 billion each year.

### **Elementary & Secondary Education - \$300 million**

- \$300 million for education funding is unallocated. To be determined by General Assembly negotiations.
- Source of funding comes from increasing taxes on riverboats and use of some recurring revenue from sale of 10<sup>th</sup> license.

### **Higher Education**

- Funding for higher education is held flat

### **Illinois Works Program**

- Lease the Lottery for \$10 - \$12 billion
- \$7 billion of this cash will fund part of \$11 billion infrastructure program.
- \$4 billion (or remainder of cash) will go into a trust and earn interest to continue the current amount paid from lottery to education
- Bond \$3.8 billion using Road Fund as debt service source

### **Pension Bonds**

- \$16 billion pension bond program
- This will reduce future pension payments

### **\$600 million Fund Raids**

- \$500 million in fund raids (requires legislation)
- \$100 million in Chargebacks (law expired – requires legislation)

### **Business Taxes - \$1.25 billion**

- Annualized \$1 billion in business taxes - 3% payroll tax
- \$250 million in business taxes in FY08 (requires legislation)

### **Riverboat Taxes - \$250 million**

- \$250 million to change current boat tax from 15% -50% to 46%-70%.

### **Borrowing – Up to \$37 billion**

- Lease of Lottery for \$10 to \$12 billion (requires legislation)
- Sale of \$12-\$20 billion in pension bonds to restructure payment schedule (requires 3/5ths vote)
- Securitize Tobacco proceeds for \$1.2 billion
- \$3.8 billion bonded projects, requires Road Fund balance to pay for \$2 billion (3/5ths vote required)
- \$4 billion of Lottery to go to Trust to earn 6.5% interest for Education

### **Items not Listed in Budget**

- \$40 million from Sale of State assets – not identified
- \$50 million from fed economic stimulus package
- \$70 million in across the board cuts that are not identified
- \$25 to \$30 million in increased DNR fees – not identified
- Need \$150 to \$200 million recurring revenue stream not included in the plan
- Others?

### **One-Time Revenues – At Least \$2.36 billion**

- \$1.2 billion from securitizing Tobacco Proceeds (requires legislation)
- \$500 million in fund raids (requires legislation)
- \$40 million from Sale of State assets?
- \$50 million from fed economic stimulus package
- \$575 million from sale of 10<sup>th</sup> boat license
- **Additional Actions** The Governor proposes across the board cuts to agencies other than healthcare, education, and public safety.