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# The Civic Federation

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## **CIVIC FEDERATION OPPOSES GOVERNOR'S RECOMMENDED BUDGET *Urges General Assembly to Identify Alternate Plan for Closing \$6.2 Billion Budget Gap***

(CHICAGO) – In a new report released today, the Civic Federation's Institute for Illinois' Fiscal Sustainability opposes Governor Rauner's recommended budget for FY2016 because it relies heavily on projected savings that do not appear to be achievable or prudent in light of the State of Illinois' obligations and long-term policy objectives. The Institute's full 78-page report is available at [www.civicfed.org](http://www.civicfed.org).

The Governor's recommended budget relies on \$2.2 billion in savings related to a new proposal to reform Illinois' critically underfunded retirement systems. These savings are assumed to be realized in the fiscal year that begins on July 1, 2015, even though the pension proposal has not been introduced as legislation in the Illinois General Assembly and is likely to face legal challenges. Several other spending reductions in the Governor's recommendation are seen by the Civic Federation as unlikely to be achieved or potentially harmful to the State's finances in the long run.

"By issuing his budget on-time and without the use of borrowing, Governor Rauner has appropriately identified the size and pressing nature of the \$6.2 billion shortfall in next year's budget," said Civic Federation President Laurence Msall. "However, while the Governor's recommendations may close the budget gap on paper, the Civic Federation cannot support spending reductions that are either unrealistic or inconsistent with reasonable long-term financial goals for the State."

In addition to pension savings, the proposed FY2016 budget assumes a reduction of \$655 million, or more than one third, in the cost of State group health insurance through collective bargaining. Both the magnitude of the projected savings and the short timeframe for reaching agreement with the State's largest union suggest that the budgeted numbers are unlikely to be realized. Other budgeted savings, particularly in the Medicaid program, depend on changes in State law or require federal approval.

The Governor's recommended budget cuts local governments' share of State income taxes by half. This reduction is inadvisable at a time when many municipalities are under severe strain. The State's fiscal position will suffer if the finances of the City of Chicago – the State's economic engine – are allowed to deteriorate further. The Civic Federation also opposes proposed cuts to spending on community care for the elderly, disabled and those with mental illness, which is recommended by advocates and saves money in the long-run by avoiding the costs of institutionalization.

"Members of the Illinois General Assembly need to come forward now with their own plans for how to address a revenue shortfall in FY2016 that will be larger and more painful than what we experienced this year," said Msall. The upcoming fiscal year is the first full budget year since the partial phaseout of temporary income tax rate increases enacted in 2011. As described in the [recent State budget roadmap for FY2016](#), the Federation recommends a combination of spending restraints and new revenues to solve Illinois' fiscal problems. By limiting spending growth and broadening the revenue base, the State can eliminate the \$6.0 billion backlog of unpaid bills over several years while providing more sustainable revenue sources for funding essential government services and ongoing costs over the long-term.

*The Institute for Illinois' Fiscal Sustainability at the Civic Federation is made possible by a generous grant from the John D. and Catherine T. MacArthur Foundation. The Institute's mission is to improve the State's decision-making process by providing timely fiscal policy analysis and recommendations to State officials, the media and the public through education and digital outreach. Please visit [www.civicfed.org/iifs](http://www.civicfed.org/iifs) for more information.*



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