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CIVIC FEDERATION REPORT REVIEWS STATE BUDGET PROCESS, PROVIDES SUMMARY OF ENACTED FY2011 SPENDING PLAN

(CHICAGO) The Civic Federation's Institute for Illinois' Fiscal Sustainability released a plain-English summary of the State of Illinois' FY2011 enacted budget today. The 26-page report is available on our website, www.civiced.org.

"After months of hearing about changes to spending and borrowing plans, the people of Illinois are understandably confused about the State budget," said Laurence Msall, president of the Civic Federation. "Our analysis distills months of negotiations and hundreds of pages of data into concise and useful information that will help Illinoisans keep tabs on government expenditure and revenue trends."

From the Governor's budget proposal in March 2010 to the passage of an unbalanced budget by the General Assembly in May, the Federation breaks down the process that produced the budget, including pension reform legislation and developments since the summer. "While it is generally known that the State of Illinois has a huge budget deficit, it is less well-known whether spending and revenues will go up or down this year," said Msall.

The analysis focuses on General Funds, the largest component of the operating budget and the part of the budget over which the State has the most discretion and control.

The areas of expenditures and appropriations have caused much of the controversy surrounding the FY2011 budget. The reason for the disagreement is that while General Funds appropriations included in the FY2011 budget are 7.1% lower than in FY2009, *total spending* from General Funds is projected to increase. Total spending will rise by 1.6% over FY2009 because of higher pension contributions and debt service payments. Therefore, while it is true that Governor Quinn has cut appropriations since taking office, it is also true that state spending has gone up.

The enacted budget anticipates the first growth in General Funds revenue since FY2008, a 2.1% or \$557 million increase. The General Funds include revenues totaling \$27.7 billion from taxes, fees, federal funds and transfers from sources such as the state lottery.

The total FY2011 General Funds deficit of \$12.3 billion includes a \$5.8 billion operating shortfall and the accumulated deficit from prior years of \$6.5 billion. To reduce the operating deficit, the budget authorizes \$2.2 billion in new borrowing, which the State treats as revenue. Additional pension borrowing of \$3.7 billion is being considered by the General Assembly. The Civic Federation strongly opposes pension borrowing. "Pensions are an annual operating expense and the use of debt to fund them is not sustainable," said Msall. "Borrowing adds to the State's mounting debt service burden and increases future pressures on the operating budget."

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.civiced.org/iifs for more information.

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