Board of Directors Steven H. Abbey David A. Abel Catherine M. Adduci Allan Ambrose* A.G. Anglum* Adrienne Archia* Murray E. Ascher* Alicia Berg Brian A. Bernardoni Roger Bickel J.D. Bindenagel Aileen Blake Douglas H. Cameron Whitney Carlisle Timothy L. Christen Robert J. Christie Richard A. Ciccarone* Jerry Cizek III Nancy J. Clawson Lew Collens Elizabeth G. Coolidge Mary Culler Omar Daghestani Kevork M. Derderian 🌣 Julian C. D'Esposito Jon B. DeVries Thomas H. Donohoe Martin L. Eisenberg Brian D. Fabes Timothy J. Faerber Timothy Fair Stephen B. Friedman Charles R. Gardner* Carol W. Garnant 🌣 Sarah Garvey* Anthony Gedeller Ronald J. Gidwitz Peter G. Glick Judith A. Gold* Andrew F. Gottschalk* Patrick J. Hagan* Philin Hale M. Hill Hammock* Albert C. Hanna Patricia M. Holden Bruce T. Hopple Margaret Houlihan Smith Lorna Brett Howard James H. Kane William Ketchum Jim Kranje* Betsy LaVelle Stephen Legatzke Michael A. Lovett William Mack* Glenn Mazade Thomas McNulty Fred H. Montgomery* Timothy E. Moran Monica M. Mueller Michael E. Murphy 🌣 Bert Nuehring* Michael F. O'Brien Holly O'Connor Gregory O'Leary Sarah Pang Robert Pasin Dorice Pepin Donovan Pepper Bruce V. Rauner Alexander I. Rorke Scott Saef ☆ John C. Sciaccotta James E. Spiotto* Caryn Stancik Barbara Stewart 🌣 Eugene S. Sunshine Theodore M. Swain* Kent A. Swanson* Courtney A. Thompson Thomas C. Vanden Berk Robert S. Vihon* Daniel Wagner Sue F. Wallace3 John F Ward☆ Jeffrey D. Warner Andrew L. Weil Jerrold Wolf William Young Philip Zinn*

Institute for Illinois' Fiscal Sustainability at the Civic Federation

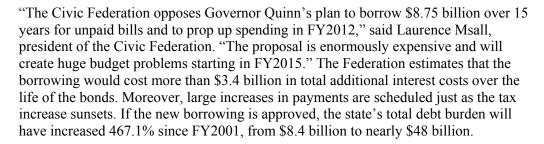
177 North State Street, Suite 400, Chicago, IL 60601 • 312.201.9066 fax 312.201.9041 • civicfed.org

IMMEDIATE RELEASE – FEBRUARY 15, 2011

For more information, contact Laurence Msall at 312-201-9044

ILLINOIS' FINANCIAL FUTURE UNCERTAIN AFTER TAX INCREASE Civic Federation Urges General Assembly to Reject Expensive \$8.75 Billion Borrowing Plan

(CHICAGO) The Civic Federation's Illinois research institute warns that a large tax increase alone has not fixed the state's broken budget. The Federation's new FY2012 Budget Roadmap, released ahead of Governor Quinn's budget address, analyzes the state's current fiscal position, critiques Governor Quinn's three-year budget plan and provides recommendations to improve the state's finances. The full 44-page report is available at www.civicfed.org/iifs.



Instead, the Civic Federation recommends that the state pay down its backlog of bills through fiscal restraint, particularly by holding the line on spending through the end of FY2011. By following this plan, and limiting spending increases to 2% annually or less between FY2012 and FY2014, the state could reduce its payment cycle to 60 days by FY2014. The Federation's plan would also ensure that the state's statutory pension contribution is made out of the state's general funds, ending the expensive pattern of borrowing to fund the pensions.

In the analysis, the Civic Federation notes that it is concerned that the spending caps approved by the General Assembly as part of the tax increase legislation are significantly greater than the State's projected revenues. If the state spends at the cap levels, it will run a deficit. Even though Governor Quinn's three-year budget plan projects spending levels that are below the caps, the state will still run operating shortfalls through FY2014 if his plan is enacted. The deficits are due to the Governor's proposed increases to appropriations and required increases in debt service and pension payments. The Governor's plan closes the shortfalls with part of the proceeds of the \$8.75 billion in borrowing for operations. The Civic Federation urges the Governor and General Assembly to work together to create a more sustainable budget plan for FY2012 and beyond.

In addition to recommendations for the FY2012 budget, the Federation proposes measures to further reform the state's pension system, which continues to be one of the main drivers of the state's budget crisis. "Illinois' pension system is unaffordable," said Msall. "While the pension reforms for new hires enacted in 2010 are an important first step, the Civic Federation believes that the state must also reduce non-vested benefits for current employees and increase employee contributions to their pensions to ensure the state will be able to provide for its current and future retirees."



Officers

Thomas Livingston Chairman Mark Davis Vice Chairman Susan McKeever Vice Chairman Eileen Mitchell Vice Chairman Joseph B. Starshak Treasurer Laurence J. Msall President Lise Valentine Vice President *Executive Committee Past Chairmen's Council

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 for more information.