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# Press Release

Institute for Illinois' Fiscal Sustainability  
at The Civic Federation

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**FOR IMMEDIATE RELEASE**

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## THE CIVIC FEDERATION DELIVERS FY2010 BUDGET ROADMAP TO GOVERNOR QUINN AND THE ILLINOIS GENERAL ASSEMBLY

### *Best Practices and Principles for Difficult Economic Times*

CHICAGO – The Civic Federation's new research institute, the Institute for Illinois' Fiscal Sustainability, delivered to Governor Quinn and every member of the General Assembly today a detailed roadmap for addressing the state's FY2010 Illinois budget. The first-of-its-kind in Illinois report provides an in-depth outline of best practices for a budget that would confront the state's growing fiscal crisis.

With a looming budget deficit of over \$9 billion and **skyrocketing unfunded pension liabilities that now total \$73 billion**, prudent spending and taxation are more important than ever. The roadmap provides an objective primer on the state's critical fiscal areas of **spending, revenue, pensions, employee and retiree health care, Medicaid, capital, and asset sales. Policy recommendations** in each of those budget areas form the centerpiece of the report, detailing how state leaders should approach the FY2010 budget process to produce a fiscally responsible spending plan. The policy recommendations flow from the Civic Federation's principles for the FY2010 budget:

- **The State of Illinois cannot increase spending.** It should cap or reduce spending.
- **The income tax should not be raised to fund new programs** and it should not be raised at all unless the increase is reserved to reduce existing state liabilities.
- **Any new capital spending program must include a transparent capital improvement plan** that provides an identification and evaluation of infrastructure priorities.

“The Civic Federation sees the financial crisis in Illinois as an unparalleled opportunity for Illinois legislators and the Governor to get the state on the right fiscal track,” said Laurence Msall, president of the Civic Federation. The budget roadmap is being released in advance of the Governor's proposed budget scheduled for March 18. It answers the frequently asked question, “What should Illinois do to balance its budget?” “State leaders cannot return to the status quo ante of gimmicks and band-aids; they must choose a new path of fiscal responsibility,” added Msall. The Federation also emphasizes that the federal fiscal stimulus plan, while it will bring several billion dollars in much-needed funds to the state, is not nearly large enough to bridge the deficit and will not solve the state's core spending problems.

The Federation's state spending recommendations include **prioritizing state programs** and only fully funding those it deems critical to citizens. Not every program can be a priority, even in the best of economic times. The report's revenue recommendations insist that the governor and legislature **reject any attempts to increase the state sales tax** or to impose a gross receipts tax on businesses. **The Civic Federation strenuously rejects balancing the budget by taking a so-called “pension holiday.”** The state must also break from a disturbing trend toward borrowing to prop up its operating budget.

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## **Medicaid**

The Illinois Medicaid program has been expanded with little financial planning in the past six years. Medicaid expenditures make up a quarter of the state's operating budget, which means the program must be a focus as the state attempts to put its fiscal house in order. The roadmap emphasizes the need for Illinois to **adopt a coherent strategy for the Medicaid program as a whole** and lays out particular areas where the state could rationalize spending and reduce costs. A specific cost-saving measure would be to move long-term care patients with mental illness to settings that do not violate federal standards, which would make much of the \$700 million the state spends annually on such care eligible for federal matching funds.

## **Capital Construction**

Infrastructure in the State of Illinois is in dire need of upgrade and repair and the Federation supports such capital improvements. There is much talk in Springfield about creating a new capital spending program. However, the Civic Federation insists that the state produce a formal capital improvement plan (CIP), including serious evaluation of how state money will be spent and prioritized, **before** any such funds are appropriated. The roadmap contains specific best practice recommendations on what a formal capital improvement plan process should entail and include.

Cost-saving Civic Federation recommendations are also included in the roadmap, including much-needed reforms to the state's beleaguered pension system and expensive employee and retiree health insurance programs that could save the state hundreds of millions of dollars. Asset sales and leases formed central parts of former Governor Blagojevich's past two budget proposals, so the Federation report includes principles to guide Governor Quinn and legislators if they wish to explore privatization again.

The Institute for Illinois' Fiscal Sustainability has produced this new report as a complement to the Civic Federation's annual comprehensive review of the governor's proposed state budget. The Federation and IIFS will produce a thorough analysis of Governor Quinn's budget later this spring and continue to monitor the budget process thereafter.

*A Fiscal Roadmap for Creating a Sustainable State Budget: Actionable Recommendations for Governor Pat Quinn and the Illinois General Assembly* will be released to the public on the Civic Federation's web site, [www.civiced.org](http://www.civiced.org), on Monday, March 9, 2009.

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