Budget Petition Factsheet

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Text of Petition, July 26, 2015

PETITION TO SPRINGFIELD LEADERSHIP,
HONORABLE MICHAEL MADIGAN AND HONORABLE JOHN CULLERTON
REGARDING THE ILLINOIS BUDGET
JULY 26·2015 Chicago Area Peace Action, CAPA

Contrary to what the Governor says, Illinois is not "broke" and the cuts that he is proposing are not necessary. Illinois is a relatively wealthy state; it ranks 11th in the nation in per-capita income but it has one of the most regressive tax structures in the country.

Democrats can save the state's social safety net programs if they stop protecting major corporations (many of which pay no significant income taxes) and stop protecting the 1% whose income is taxed at the same level as the rest of the population. These steps must be taken instead of relying on additional regressive taxes.

We believe Democrats must change the narrative in Springfield. We are tired of "inequality for all" and expect legislators to provide leadership to balance the state budget by fixing the "revenue welfare" being given to corporations and the very wealthy in our state. The time is now.

This is the narrative we expect Democratic Leadership to share with the citizens of Illinois and with Governer Rauner.

According to Dr. William Barclay, retired senior executive from Chicago financial markets, adjunct the University of Illinois, Chicago, and founding member of the Chicago Political Economy Group.

The Wisconsin story: Under the leadership of Gov. Scott Walker, WI took several steps in response to the ravages of the Great Recession, which, at the worst point left WI with a \$3.6 billion budget deficit and unemployment rate of 9.2%. Specifically:
(1) WI reduced spending on education;
(2) WI shifted costs of health care and pensions to state employees;
(3) WI reduced taxes on high income households in an attempt to stimulate investment and job creation;
(4) WI became a "right to work" state in the belief that this would attract investment and increase jobs growth;
(5) WI rejected the Medicaid expansion offered under the Affordable Care Act;
(6) Gov. Walker spent much time and political capital attacking unions, especially public sector unions. While he survived a recall campaign, the state is now very politically polarized.

The Minnesota story: Under the leadership of Gov. Mark Dayton, MN also took a series of steps in response to the ravages of the Great Recession, which, at the worst point left MN with a \$2.6 billion budget deficit and unemployment rate of 8.3%. Specifically:
(1) MN increased state spending for education, especially at the post-high school level;
(2) MN increased state spending on job training;
(3) MN increased the tax rates for higher income households (for households receiving over

$250,000/year, MN now has the 4th highest income tax rate of any state);
(4) MN increased the corporate income tax rate;
(5) MN took the Medicaid expansion offered under ACA;
(6) MN increased the state minimum wage to $9.00 (8/1/15) and then $9.50 (8/1/16) for businesses with $500,000 or more in annual sales and indexed it to inflation beginning in 2018;
(7) Gov. Dayton worked with both public and private sector unions.

What were the outcomes to these two very different approaches to making a state "great and compassionate?"

(1) Although WI's labor force was a bit larger than MN's reflecting a larger population, MN has created more jobs over the past 4 plus years than WI;
(2) WI still has a budget deficit - MN has a budget surplus of $1.2 billion;
(3) WI unemployment rate in March was 4.6% vs MN/s 3.7%;
(4) MN's uninsured rate fell from by 41% while WI's increased – and it is costing WI $150 million more to cover fewer people through "Badger Care;"
(5) Manufacturing wages in MN are now $600/month higher than in WI;
(6) WI personal income growth since the official end of the Great Recession has lagged that of the US as a whole (ranking 44th in the country0 while MN personal income growth has been faster than the US as a whole;
(7) WI's state GDP has grown by less than 2%/yr. in each of the past 4 yrs. while MN's state GDP has grown by over 2%/yr. and in 2010 by almost 4%.

In short, comparing the WI and the MN stories tells IL what to do – and what not to do.

Actions the state should take:
(1) Invest in education, especially that beyond high school;
(2) Invest in job training;
(3) Expand access to health care for the remaining Illinois residents who do not have adequate access;
(4) Increase the state minimum wage to at least the $10 level and index to inflation;
(5) Figure out how to address the regressive nature of the tax burden in IL.
a. In the long run, this is most efficiently done through an amendment to the IL constitution removing the flat income tax requirement. This would enable the state income tax to be reset in a progressive fashion, countering the regressive impact of the sales tax;
b. In the short run the state should increase the flat rate tax while (i) providing credits against the sales tax on a progressive basis; and/or (ii) imposing a surcharge on households with incomes over a specified level, perhaps $250,000, an income that puts an Illinois household in the top 5%. There is political support for this as evidenced in the Nov 2014 referendum vote on a 3% surcharge for households with incomes over $1 million, supported by 64% of Illinois voters; (iii) end the EDGE program in case where the employer pays no state income tax and instead actually gets the money ostensibly paid to the state by their employees;
(6) Give serious consideration to a small tax on the trading of financial assets on the Chicago markets;

Actions the state should not take:
(1) Don't waste time and effort in fighting public (or private) sector associations of workers;
(2) Don't pass our more tax breaks to businesses – especially those without any claw back provisions.

As Einstein is supposed to have said, continuing to do the same thing over and over and expecting a different outcome is the definition of insanity. Let's not let IL go down an insane path.