

IL State Budget Crisis:  
**#chooserevenue** over cuts

Responsible Budget Coalition

Sept., 2015

# presenter

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#nocuts #chooserevenue

# Who is RBC?

- Broad based coalition of 200+ organizational members statewide
- Three guiding principles
  - 1) No more cuts to vital services
  - 2) Adequate revenue to make smart investments and fund state's priorities
  - 3) Revenue raised fairly

Simple message: **choose revenue** over cuts

# RBC History

- Formed in 2009 in response to threat of budget cuts to human services
- United in our message to **choose revenue** over cuts (instead of “don’t cut me, cut him”)
- *We all do better when we all do better*
- Started as “sweat equity” coalition
- Have 2 full-time staff

# Why choose revenue?

Raising revenue, i.e. collecting taxes, is required to fund state programs and services:

- Human Services
- Healthcare
- Education
- Parks
- Public transportation and roads
- Museums
- Public safety

# Why revenue raised fairly?

Example: personal income tax structure

- A graduated (a.k.a. progressive) personal income tax rate – a fair tax - is the most effective and direct way to minimize income inequality and raise adequate revenue
- Federal government has graduated personal income rate as do most states. IL is one of only 8 states that have a flat, i.e. regressive, personal income tax rate

## IL's regressive tax structure: personal income tax

- In IL lower income earners have a higher tax burden (pay a greater share of their income) than higher income earners
- Example – before Jan 1, 2015 - 5% flat personal income tax rate
  - annual income 20K – tax burden = \$1,000
  - annual income 200K – tax burden = \$10,000

## IL's regressive tax structure: sales and property tax

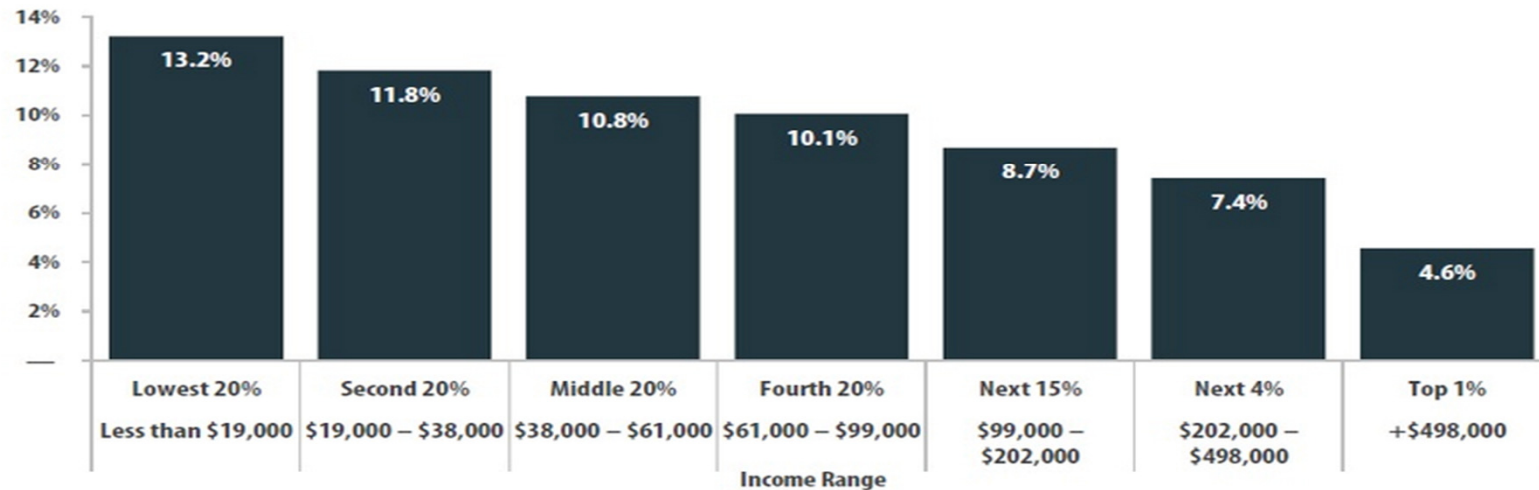
- State and local sales tax bases include groceries
- Fails to provide a property tax “circuit breaker” credit for low-income taxpayers.  
(only for seniors 65+ in IL)
  - When a property tax bill exceeds a certain % of taxpayer's income the circuit breaker offsets property taxes in excess of this “overload” level



## Illinois

### State & Local Taxes in 2015

Shares of family income for non-elderly taxpayers



**IL has the 5<sup>th</sup> most unfair state and local tax system in the country.**

Who Pays? A 50-state report by the Institute on Taxation and Economic Policy, 2015. <http://www.itep.org/whopays/states/illinois.php>

# Tax and budget policy and social justice

- Fundamental social justice issue
- Regressive tax structure
  - 1) Unfair; exacerbates income inequality
  - 2) Lack of adequate revenue to fund services for poorest and most vulnerable populations and working families
- Flat tax required by IL constitution – structural inequality

# Choose revenue to invest in services

- Cuts to services and elimination of programs *are not necessary*
- *Elected officials can choose revenue over cuts.*
- Governor and lawmakers can choose revenue to:
  - Make smart investments
  - Protect vulnerable populations
  - Invest in families, kids and communities
- They have a choice – choose revenue

# Revenue or Cuts: the math behind choose revenue

*On Jan. 1, 2015 IL's personal income tax rate dropped from 5% to 3.75% and corporate income tax dropped from 7% to 5%*

**Loss of approximately \$5-6 billion revenue**

- FY16 COGFA revenue estimate - \$33 billion
- FY16 estimate of revenue needed to prevent harmful cuts - \$38 billion

**Approximately \$5 billion shortfall**

# IL budget crisis: What is being paid

- Since July 1<sup>st</sup> – new fiscal year and no state budget
- Some appropriations (spending) bills enacted, for example K-12 education and federal “pass through” legislation.
- Federal consent decrees – for example: Beeks, Memisovski, B.H., Williams, Ligus, Colbert, etc.
- Court orders – for example to pay state workers
- Non-appropriated funds – for example SNAP
- Continuing appropriations – payments made without requiring appropriation – biggest example are pensions and debt service

# IL Budget Crisis: Who is being harmed

Many human service providers not receiving funding since July 1<sup>st</sup> - **3 categories:**

1) Program elimination – no contracts issued. Example – after school programs (a.k.a. Teen REACH)

2) Contracts issued but no payments made until budget passed. Example – homeless youth services

3) Cuts via rule change – Example: 90% cut to childcare subsidies

Other programs not receiving funding include: autism, epilepsy, psychiatry, domestic violence shelter and sexual assault services, substance abuse, homeless prevention, HIV/AIDS, early intervention

**and many more** See full report released Sept. 2015 by Voices for IL Children

<http://www.voices4kids.org/wp-content/uploads/2015/09/Lack-of-Budget-Dismantling-Critical-State-Services-Final.pdf>

# IL Budget Crisis: Revenue Solutions

- Cuts are NOT necessary
- Governor and legislators can **choose revenue** over cuts to services
- Many revenue options available including:

*Closing corporate loopholes = \$450 million*

*Personal income tax = \$5 billion (5% rate)*

*Corporate income tax = \$770 million (7% rate)*

*Retirement income tax on higher earners = up to \$600 million (\$50K exclusion)*

*Modernize services tax = up to \$4.6 billion (Iowa)*

Others: <http://www.voices4kids.org/wp-content/uploads/2015/05/Avoid-Cuts-Choose-Revenue-Fact-Sheet-FINAL.pdf> (also see similar “menus” by CTBA and Civic Federation)

# RBC advocacy

- **Emphasize and repeat “choose revenue over cuts”**
- Direct lobbying – at state capitol
- In-district meetings – coordinated between multiple org’s and sectors
- E-advocacy – coordinated email and phone calls
- Earned media – press conferences, story pitching, op-ed’s and letters to editor around the state
- Hearing testimony around the state by those impacted
- Social media – twitter and facebook
- Weekly updates to members
- RBC committee coordination



# How to get involved?

- Weave **“choose revenue over cuts”** into all messaging
- **Sign your organization up to join RBC**

Go To:

<https://docs.google.com/a/povertylaw.org/forms/d/1C9YypgPEwroSP4sRBQO6D6cCsWO32ZNBKelenwQmySs/viewform>

Or contact: [natschwartz@povertylaw.org](mailto:natschwartz@povertylaw.org)

- **Contact your state elected officials**

Governor Rauner: (217) 782-0244

State Legislator (you will be directed): (844) 311-2887

- **Social media**

Twitter @RespBudgetIL #nocuts #chooserevenue

<https://www.facebook.com/ResponsibleBudgetCoalition>

# More information

Sargent Shriver National Center on Poverty Law RBC page <http://povertylaw.org/advocacy/economic-security/rbc>

Voices for Illinois Children RBC page <http://www.voices4kids.org/rbc/>

Voices for IL Children Fiscal Policy Center <http://www.voices4kids.org/our-priorities/fiscal-policy-center/>

Center for Tax and Budget Accountability (CTBA) <http://www.ctbaonline.org/>

# Contact

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