



Budget Solutions 2011:

Myth vs. Fact

Illinois is in rough shape. The state faces \$6 billion in unpaid bills, and the unemployment rate is over 11 percent—the highest in 27 years. The state’s bond rating is the second lowest in the nation. Pension plans for public employees are woefully underfunded, with a liability of over \$80 billion.

In the face of a record budget deficit, Governor Quinn has proposed increasing top line spending by \$3 billion, raising income taxes by 33 percent, and pursuing billions in new borrowing. This is unsustainable and shortchanges future generations.

The Illinois Policy Institute’s *Budget Solutions 2011* offers an alternative spending blueprint that addresses our state’s immediate problems rather than kicking the can further down the road.

This brief offers the facts about *Budget Solutions 2011* and its recommendations.

Myth: You can’t make reductions like these without random, slash-and-burn cuts.

Fact: The spending recommendations in *Budget Solutions 2011* are based on the careful application of guiding principles. We seek to allocate scarce resources where they’re needed most.

Budget Solutions 2011 is modeled on the official budget proposal from Governor Pat Quinn, and its detailed department-by-department tables include information on 2009 actual spending, 2010 estimated spending, Governor Quinn’s 2011 proposed spending, as well as the

Illinois Policy Institute’s allocations for 2011, 2012, and 2013.

Our spending recommendations were based on the following four principles:

- **Setting Priorities:** Every budget is an exercise in setting priorities because there is never enough money to pay for every program desired. When revenues fall, as they inevitably do every business cycle, the need to prioritize spending becomes even more acute.
- **Transparency and Accountability:** State government must accept its responsibilities, use taxpayers’ money in full sunlight, and hold programs accountable for results. This budget proposal directs funds to make the workings of government transparent to the public, legislators, and managers in executive agencies.
- **Spending Fairness:** Government expenditures are to improve the public welfare, not the welfare of specific groups. When the state tries to pick economic winners and losers, every other taxpayer bears the burden.
- **Last In, First Out:** Over the last decade, the state has created or expanded a variety of programs. The state needs to focus on core services, and our budget prioritizes accordingly.

Myth: This budget outlines an unreasonable “doomsday” scenario.

Fact: *Budget Solutions 2011* offers a reasonable spending plan that tracks historical spending levels.

Budget Solutions 2011 would limit Fiscal Year 2011 general appropriations to \$21.3 billion.

Graphic I. Per-Capita State General Expenditures, FY 2003 and FY 2011

	Spending	Population	Spending Per Capita
2003	\$23,900,000,000		
2003 (inflation adjusted)	\$28,908,504,725	12,558,229	\$2,302
2011	\$26,969,000,000	12,910,409	\$2,089

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Including the state pension payment and transfers out, total spending would amount to \$27 billion, which equals outlays of \$2,089 per resident. Compare this to Fiscal Year 2003—a year similar to 2011 in the market cycle. On an inflation-adjusted basis, Illinois state government spent \$2,302 per person in Fiscal Year 2003. This is hardly a “doomsday” scenario.

Myth: This budget only cuts spending.

Fact: *Budget Solutions 2011* makes spending increase recommendations where appropriate.

Budget Solutions 2011 increases funding for the Department of Veterans’ Affairs operation of the LaSalle Expansion, which will help make more beds available at the LaSalle veterans’ home. Within the Department of State Police, funding for the Statewide Sexual Assault Evidence Collection Program is increased. In the Department of Human Rights, funding for reducing the number of open equal employment opportunity cases is increased.

In many cases, the program and grant allocations made in *Budget Solutions 2011* are the exact same as Governor Quinn’s requests. For example, within the State Board of Education, the following “grants” spending recommendations made by *Budget Solutions 2011* mirror Governor Quinn’s proposals:

Autism Training and Technical Assistance, Bilingual Education, Blind/Dyslexic Persons Reading Program, Career and Technical Education Programs, Children’s Mental Health Partnership, Disabled Student Services/Materials, Disabled Student Transportation Reimbursement, Disabled Student Tuition/Private Tuition, District Consolidation Costs/

Supplemental Payments to School Districts, Extraordinary Special Education, National Board Certified Teachers, Re-Enrolling Students-Alternative Schools Network, Regional Offices of Education—Supervisory Expenses, Regular Education Orphanage Tuition Reimbursement, Reimbursement for Free Breakfast/Lunch, School Breakfast Incentive Program, School Safety and Educational Improvement Block Grant, Special Education Reimbursement, Orphanage Tuition, Summer School Payments, Transportation-Regular/Vocational Reimbursement, Truant Alternative and Optional Education Program, and Visually Impaired/Educational Materials Coordinating Unit.

Myth: This budget’s suggestions are impossible to implement.

Fact: *Budget Solutions 2011* offers recommendations that are already being pursued in other states.

Taking a “business as usual” approach to the state’s budget problems won’t work anymore. *Budget Solutions 2011* readers are asked to avoid the trap of reverting back to a “we’ve never done it this way before; it can’t be done” mindset. Illinois’s leaders need to seek out innovative changes—both in their spending allocations and their approach to how government operates—in order to put the state back on the path to fiscal sustainability.

Many of the ideas outlined in *Budget Solutions 2011* are already being pursued in other states. For example, New Jersey Governor Chris Christie is reducing transit funding, cutting low-priority boards and commissions, and tackling public employee retirement benefit costs. In

Virginia, Governor Bob McDonnell is reducing state employee pay, cutting Medicaid payments, and reducing aid to school districts. Governor Christie and Governor McDonnell are working to tackle their deficits without tax hikes—so should Illinois.

Myth: This budget unfairly targets education for spending cuts.

Fact: *Budget Solutions 2011* places a greater proportional emphasis on education spending than Governor Quinn’s budget recommendation.

During the 2008-09 school year, real inflation-adjusted per pupil spending in Illinois schools was at an all-time high. According to the State Board of Education, combined spending in Illinois public schools totaled \$12,363 per pupil. State government debt and tough economic conditions make this level of spending unsustainable.

Budget Solutions 2011 takes a different approach, and dedicates a greater proportional share of state spending to overall education (38 percent vs. Quinn’s 33 percent). We also dedicated a greater amount of spending toward K-12 spending (\$5.99 billion vs. Quinn’s \$5.79 billion). Because General State Aid funding comes with few strings attached compared to heavily regulated grant programs, we’ve directed more money to it (\$4.25 billion vs. Quinn’s \$3.99 billion). The greater the share of state funding that districts receive through General State Aid, the more flexibility they will have to use these resources to meet their unique local challenges.

Governor Quinn’s budget reduces K-12 education spending by roughly \$550 per pupil; the Illinois Policy Institute by roughly \$460. These decreases represent per pupil reductions of 4.5 and 3.7 percent, respectively, as compared to total spending for 2008-09 (the

most recent year for which federal, state and local spending numbers are available).

It is impossible to yet know how local and federal funding will complement these state funding decreases: some districts will be able to offset decreases in state funding with natural local revenue growth; others will not, and they will have to make tough choices. The simple fact is, however, *Budget Solutions 2011* does not represent severe cuts to Illinois schools. At worst, it represents a shift to funding levels from earlier in the decade, before Illinois had so dramatically spent beyond its means.

Myth: This budget fails to balance the state’s \$13 billion budget deficit.

Fact: *Budget Solutions 2011* balances Illinois’s Fiscal Year 2011 budget.

Budget Solutions 2011 outlines savings that would limit current year appropriations to \$21.3 billion in Fiscal Year 2011. Including the state pension payment and other transfers, total spending would amount to \$27 billion. Because our spending stays under the available revenues, we actually end up with a \$95 million surplus. Neither a tax increase nor borrowing is required to balance the Fiscal Year 2011 budget.

The state’s accumulated budget deficit is not the product of one year’s overspending. It is the result of many years of spending beyond our means. The state ended Fiscal Year 2009 with a deficit of \$3.6 billion, and it’s slated to close Fiscal Year 2010 with an unpaid bill backlog of \$5.9 billion. By limiting general funds appropriations for Fiscal Year 2011 and permitting small increases for the following two years, this budget makes possible the pay down of the state’s obligations over time.

It will take the state a few years to dig out from underneath its debt, and pro-growth economic reforms will help revenue intake rebound faster. Surplus revenues that come in as a result of

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Graphic 2. Budget Solutions Proposed Spending for Fiscal Years 2011-2013

Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
\$21,299,205,200	\$21,478,572,200	\$21,608,582,000

economic growth would be applied toward paying down past debt in future years. The critical factor for 2011 is that the state doesn't add to the accumulated debt.

Myth: This budget decimates Medicaid.

Fact: *Budget Solutions 2011* reforms the Medicaid program to benefit both aid recipients and taxpayers.

Medicaid is among the largest drivers of Illinois's budget growth. During the last 10 years, liabilities have grown at a rate of 6.9 percent a year, in part due to eligibility increases. According to the Taxpayer Action Board, "Medicaid is now the largest single State expense in Illinois, accounting for over 40 percent of general fund appropriations."

State leaders should seek a waiver to transform Medicaid from a fee-for-service program into a premium assistance program funded through a federal block grant. This would help move individuals out of a broken Medicaid system and into a system that provides better patient care and doctor access. This will also increase the size of the risk pool for individually purchased insurance products, reducing premiums for everyone. Spending changes are reflected as "Premium Assistance Reform" in *Budget Solutions 2011*.

Myth: This budget unfairly targets public employee compensation.

Fact: *Budget Solutions 2011* right-sizes public employee compensation to address a growing public/private income gap.

Wages and benefits are a significant cost for state government and must play a large role in the savings-identification process—particularly when they are so out of line with the earnings of average citizens. Well-paid government employees shouldn't be immune from a "belt tightening" that affects everyone during an economic downturn, and retiree benefits must be updated for market realities.

The public vs. private income gap is growing, creating inequity between public employees and those who foot the bills. According to the Bureau of Labor Statistics, private-sector

workers in Illinois earned an average annual wage of \$48,981 in 2008. Illinois state workers earned an average wage of \$56,682—15.7% more.

Comparing 2008 Illinois state government payroll data with statewide Bureau of Labor Statistics income numbers, state government cooks earned an average \$42,348 while the income of all Illinois "cooks, institution and cafeteria" averaged just \$23,480. State government auto mechanics: \$55,555; auto mechanics statewide: \$40,600. State government non-supervisory janitors: \$41,965; statewide average: \$25,510.

In 2008, 3,293 Illinois state government employees made more than \$100,000 in wages according to state records. The \$100K+ job titles included administrative assistants, correctional officers, physicians, auditors, highway maintainers, social workers, nurses, troopers, research analysts and plumbers. As of August 2009, 536 Illinois public employee retirees earned a pension of more than \$100,000. State retirees with 20 or more years of service pay no health insurance premiums.

Labor costs account for \$5.078 billion in Governor Quinn's budget. *Budget Solutions 2011* right-sizes public employee compensation to address the growing bite of "public servants" on the public's wallet. *Budget Solutions 2011* calls for \$4.175 billion for personal services and fringe benefits. Twenty percent of *Budget Solutions 2011* is dedicated to labor costs; roughly the same proportion as Governor Quinn's budget.

Myth: This budget is a blueprint based in "conservative" ideology.

Fact: *Budget Solutions 2011* takes a common-sense approach that emphasizes what works.

Budget Solutions 2011 follows the same process followed by every family balancing their budget at the kitchen table. We start by totaling up available resources and then work backwards to prioritize various programs. Just as a family focuses on paying the mortgage first, then the car payment, next the food and household

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goods, and so on, we do the same. *Budget Solutions 2011* prioritizes teachers before administrators, roads before expansive new rail proposals, and public safety before public art.

Based on research related to government programs in Illinois, *Budget Solutions 2011* recommends scaling back programs such as early childhood education where results have not met expectations, changing programs such as Medicaid to align the incentives of recipients and taxpayers, and eliminating other programs that lack evaluations or standards of success.

Myth: This budget is a partisan project.

Fact: *Budget Solutions 2011* is the product of the nonpartisan Illinois Policy Institute.

The Illinois Policy Institute is a non-partisan research organization, and we did not contract with the Democratic Party, the Republican Party, or any candidate in the creation of *Budget Solutions 2011*.

We encourage politicians of all political persuasions to review the recommendations in our alternative budget. Policy changes lives, and good policy—like that found in *Budget Solutions 2011*—will change Illinois lives for the better.