Maximize revenues to reduce harmful budget cuts – without increasing taxes

The General Assembly must take a thoughtful, balanced and responsible approach to crafting a new state budget that avoids further, undue pain to people and communities throughout Illinois, especially as they struggle to regain stability. State leaders should pursue every option for maximizing the resources available to maintain crucial public services.

The House has adopted revenue projections (HR110) and spending allocations (HR156) that require about $1.4 billion in cuts below the appropriations proposed by the Governor for FY12. The four revenue options presented below not only would eliminate the need to make such cuts, they would provide approximately $800 million to reverse some of the Governor's most damaging recommendations for cuts. None of these revenue proposals would increase taxes:

- **Use the most accurate revenue estimates**. The bipartisan Commission on Government Forecasting and Accountability (COGFA) is charged with making revenue projections for the General Assembly and has a solid record for accuracy over the past 10 years. The Senate is using CGFA's most conservative estimate of FY12 revenue. However, the House has chosen to use a different estimate that is $1.1 billion less, which would force much deeper budget cuts. Both chambers should use the CGFA estimate. (**<u>$1.1 billion</u>**)
- **Do not provide an accelerated, $600 million tax break for large businesses**. The federal government is speeding-up a tax break for large businesses by letting them deduct the entire cost of machinery and equipment purchases immediately rather than over the course of a few years, as is normally done. This change in federal tax law will reduce by $600 million the state taxes paid in FY12 by large corporations, unless the General Assembly "decouples" Illinois tax law from federal tax law on this point. Illinois lawmakers decoupled state tax law from a similar federal tax break with a bipartisan vote in 2002. **(<u>$600 million</u>)**
- **Identify possible revenues within "statutory transfers"** made from General Revenue Funds into special state funds. There are $2.3 billion in transfers projected for FY12. During the last recession, some transfers into capital improvement funds were temporarily suspended; other transfers – aside from revenue for local governments or transit agencies – could be reduced or eliminated. **(<u>Up to hundreds of millions of dollars</u>)**
- **Authorize "fund sweeps"** of surplus revenue from special state funds into the General Revenue Fund, as Republican and Democratic administrations have done many times in the past to maximize revenues. In FY10, such transfers produced $283 million. New sweeps should target funds with significant excesses or with lower priorities than vital services facing outright cuts. **(<u>$300 million</u>)**
- **Repeal the prohibition on putting Road Fund dollars toward appropriate uses by the Secretary of State's office and the Illinois State Police**. The Road Fund's purposes include financing highway maintenance and construction, traffic control and safety, policing, administering driver's license and motor vehicle license laws, and other transportation programs. Most Road Fund revenue (about $3 billion in FY10) goes to the Department of Transportation. But prior to FY10, some of the funding was typically used for SOS and ISP appropriations. Resuming that practice could free-up GRF capacity for meeting other vital public needs. **(<u>$250 million in FY09</u>)**

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<u>Responsible Budget Coalition</u>