



Illinois Policy Institute: Illinois Forward: Common-Sense Alternatives to the 'Fair Tax'

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A FAIR TAX FOR ILLINOIS

CHICAGO – Illinois could face a \$3 billion budget deficit and \$24.5 billion bill backlog by 2025 if Gov. J.B. Pritzker sticks with the status quo at Wednesday’s budget address. To end this perpetual fiscal crisis, the nonpartisan Illinois Policy Institute released solutions to balance the budget, stabilize the pension system, eliminate the bill backlog and cut taxes in just five years.

Gov. Pritzker has only offered Illinoisans two options: adopt a progressive income tax or cut services. The Institute’s “Illinois Forward” is the common-sense alternative. By 2025, Illinois could completely pay down the bill backlog and funnel the extra funds into core services or the rainy-day fund, or cut taxes for Illinoisans.

“Illinois Forward” is the only plan to completely pay down the state’s pension debt by 2045 while ensuring earned pension benefits are preserved. First-year savings from pension reform alone total \$2.4 billion, compared with Pritzker’s projected FY 2021 budgetary savings of \$225 million.

For Pritzker's proposed progressive income tax to raise enough revenue to pay off the state's \$137 billion unfunded pension liability, every income level would need to see their taxes go up, costing the economy nearly 127,000 jobs and \$21.8 billion in lost gross domestic product.

Solutions in Illinois Forward include:

Pension reform (\$8.9 billion in savings over five years, \$50 billion in savings over 25 years): Amending the state constitution so the growth in future, not-yet-earned pension benefits can be reduced to a sustainable and affordable level.

Pension realignment (\$8.7 billion in savings over five years): Align responsibility for paying new pension benefits with accountability for negotiating compensation for school and university employees.

School district efficiency (\$3.6 billion in savings over five years): Invest in K-12 education by reducing school district administrative bloat and allowing state aid to grow more slowly while increasing resources for classrooms.

Adam Schuster, budget and tax research director for the nonpartisan Illinois Policy Institute, offered the following statement:

"Illinois' past decade will be remembered for public policy failure and economic decline. Doubling down on variations of the same failed strategies – hiking taxes and delaying responsibility on pensions – will only make things worse. To stabilize the nation's worst pension crisis and prevent Illinois from drowning in high-interest debt, Springfield politicians have to think differently.

"Illinois Forward offers the only realistic solution to free up funds for core services, protect public retirement security and ensure the state can weather the next recession. Under this plan, no retiree would see the size of their current check decrease. No current worker would lose their core benefits. But the guaranteed 3% compounding post-retirement raise would be replaced with a true cost-of-living adjustment pegged to inflation, among other modest changes.

"Without this reform, we will see higher taxes, continued cuts to core services and higher risks that insolvency will undermine existing pension promises. Legislation already introduced in Springfield would prevent these problems. It's time to move Illinois forward."

To read the full plan, "Illinois Forward: A 5-year plan for balanced budgets, declining debt and tax relief," visit illin.is/ILforward.

For bookings or interviews, contact media@illinoispolicy.org or (312) 607-4977.

