



# REFORM. RESPONSIBILITY. RECOVERY.

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## Office of Governor Pat Quinn

### **Fiscal Year 2010 Budget Questions & Answers**

*March 18, 2009*

#### **Q: What are Governor Quinn's budget priorities?**

- **Reform** – Make state government honest, ethical and transparent; reform the state pension systems; and make the tax system fair for working and middle-class families.
- **Responsibility** – Close the budget gap but protect Illinois' children and families; preserve our commitment to education; reduce the Medicaid payment cycle; and increase health care for veterans.
- **Recovery** – Jump-start Illinois' economy with a comprehensive jobs plan that will build new schools; repair our aging roads and bridges; improve mass transit; create "green" jobs; and maximize the federal recovery money Illinois receives.

#### **Q: Why does Illinois need to make tough choices?**

A: Due to the poor national economy, Illinois' Fiscal Year 2010 revenue is projected to continue to decline to near Fiscal Year 2004 levels. In addition, increases in Medicaid costs, social services, employee benefits, and other required costs mean that spending would be \$34.3 billion in fiscal year 2010 without reform and cuts. For Fiscal Years 2009 and 2010, Illinois would have a combined \$11.6 billion budget deficit.

#### **Q: How is Governor Quinn handling the \$11.6 billion budget deficit?**

A: Governor Quinn has proposed a fair and comprehensive plan to balance the state's budget. He plans to close the budget deficit by: (1) cutting costs; (2) taking advantage of federal recovery dollars; (3) creating a fair Illinois income tax system; (4) reforming pensions by making employee benefits more affordable for taxpayers; (5) ensuring that corporations share in the sacrifice by increasing the corporate income tax; and (6) improving the uniformity of the tax code.

#### **Q: What is the Governor's proposed tax reform?**

A: There are two components to this important tax reform: an increase in the Individual Income Tax rate from 3 percent to 4.5 percent; and a tripling of the personal exemption from \$2,000 to \$6,000 for each member of your family.

#### **Q: What does the tax reform mean for me?**

A: For more than 5 million people in Illinois, this means they will pay less than they do now, or the same.

#### **Q: How does tax reform work?**

A: With the increased personal exemption, you will no longer pay taxes on the first \$6,000 you earn per family member. If you have a family of four, you do not pay any state income taxes on the first \$24,000 you earn. For a family of five, the exemption rises to \$30,000, and so on. The individual income tax will also be increased to 4.5 percent. For many families, the increased rate will be offset by the increased personal exemption. These reforms mean that working families will receive much needed tax relief, and higher income families will pay only a moderate increase. The chart that follows shows how these reforms will affect a family of four at different income levels.



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Family Income	Current Tax*	Proposed Tax*	Amount Change	Percent Change
\$30,000	\$588	\$162	-\$426	- 72%
\$45,000	\$1,002	\$783	-\$219	- 22%
\$60,900	\$1,225	\$1,225	\$0	0%
\$75,000	\$1,373	\$1,519	\$146	11%
\$100,000	\$1,890	\$2,295	\$405	21%

\* Individual income taxes are calculated as a percent of federal Adjusted Gross Income, which is estimated at 92% of total family income. Also assumes families with income above \$60,000 benefit from deductibility of state income taxes on the federal return.

**Q: What costs are being cut?**

A: Cutbacks include: targeted reductions at nearly every state agency and at least \$500 million in reduced state spending; ordering many state employees to take furlough days and increasing state employee and retirees’ healthcare contributions; and across the board reductions in most grant programs (excluding health care and education).

**Q: What would happen if we do nothing but cuts?**

- 800,000 people, including children, seniors and people with disabilities would lose health care;
- Over 34,000 teachers would be laid off, classes sizes would increase by 25 percent and per-pupil spending (Foundation Level) would return to \$4,810 from \$6,089;
- 35,000 children would lose access to high-quality preschool;
- More than 10,000 seniors served by homemakers would lose their services;
- We would be forced to close one of four Illinois veterans’ homes;
- 17,000 fewer students would receive MAP Grants and 60,000 additional eligible applicants would be put on the waiting list;
- We would have to lay off nearly 200 state police officers – over five percent of the force.

**Q: How will Governor Quinn protect families?**

A: While difficult decisions need to be made, Governor Quinn wants to make sure that we maintain our commitment to education and healthcare. Thanks to federal recovery dollars, the state can afford to increase spending for both K-12 and higher education and reduce the health care payment cycle so the state can start paying hospitals, doctors, and pharmacists on time. In addition, the state will fully open the 80-bed expansion at LaSalle Veterans’ Home, plan a \$50 million (\$17 million state funding), 200-bed Chicago veterans’ home, and expand the Veterans Care health care program. Also, the state will properly fund its parks to provide Illinoisans affordable tourism options during a stressful economic time.

**Q: How will Governor Quinn help get the economy back on track?**

A: *Illinois Jobs Now!* is a \$26 billion capital plan that will support 340,000 jobs across Illinois. It will invest \$14 billion in roads and bridges, \$5 billion in public transit, \$4 billion for schools including higher education, \$2 billion for environmental/energy/technology, and \$1 billion for economic development.