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Evidence proves that Illinois needs more tax revenue

Ralph Martire

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It appears likely Illinois won't get a final General Fund budget for FY2016 — which ends in just over three months. This has numerous consequences, none good. For instance, some 130,000 low-income students won't receive the financial aid they were awarded under the state's MAP grant program, pushing many out of college. In fact, no FY2016 budget means public universities and community colleges receive no state funding this year. This may force Chicago State University, which disproportionately serves minorities, to shut its doors, while causing significant hardship at Western and Eastern Illinois Universities. Meanwhile, thousands of at-risk children are losing after-school programs, as countless vulnerable individuals will lose access to mental health, domestic violence, substance abuse and other essential human services. And those are just the highlights of the damage — if indeed the term "highlights" is appropriate in this context.

Clearly, not passing a General Fund budget harms families and communities statewide. What isn't so clear is why this budgetary failure is happening now, for the first time in history. As it turns out, there appear to be two major reasons. First is the governor's firm, ideological commitment to curtailing collective bargaining rights, which is countered by the equally firm conviction held by the Democrat-controlled General Assembly that reducing collective bargaining rights would cause economic harm rather than good. Given how strongly each side holds its views, there currently isn't any viable path forward on this issue.

The second cause of budgetary stalemate is tax revenue — or more accurately the lack thereof. Here, the facts actually compel a solution. Consider that FY2015 ended with an accumulated general fund deficit of $5.9 billion, a situation made considerably worse — as in $4 billion in lost revenue annually worse — by the phase-down of the temporary tax increases that became fully effective this year. Without replacing that lost revenue, the accumulated deficit will grow to north of $9 billion by the end of FY2016 — even if the cuts in year-to-year spending on core services proposed by the governor for FY2016 become law. The need for more revenue is so clear that the bond rating agencies have been calling for tax increases for over a decade.

The problem is anti-tax zealots continually bombard the media with red herrings designed to sway public opinion against supporting the tax increases which the evidence indicates Illinois sorely needs. One of the most common canards is the ever-popular claim that higher tax rates kill jobs and the economy. Great rhetoric, that. It just doesn’t survive scrutiny. Consider that major, peer-reviewed studies by the Small Business Association, Congressional Budget Office, University of Missouri and the right-leaning CATO Institute and Kaufman Foundation for Entrepreneurship all found no statistically meaningful correlation between tax policy on the one hand and job/economic growth on the other. More recently, Kansas cut taxes and saw its economy nosedive, while California and Minnesota increased taxes and saw strong economic growth.

Then there’s the increasingly popular claim — also false — that the temporary tax increases of 2011 prompted Illinoisans to flee — running off to “business friendly” states like Indiana. After reviewing the data, however, a recent report by KDM Consulting found these claims simply didn’t hold water. Indeed, net out-migration is nothing new in Illinois — occurring every year but one since 1925, while Illinois’ net out-migration rate actually fell in 2011, the first year of the temporary tax increase.

Yes, more people move from Illinois to Indiana than the other way around, because Illinois has more people than Indiana. However, a greater proportion of Indiana’s population moves to Illinois than vice versa. Same holds true for Gov. Scott Walker’s Wisconsin, by the way. Which means the contention that Illinois’ temporary tax increases caused people to leave in droves is just so much malarkey.

What isn’t malarkey is the inadequacy of Illinois tax policy, a point proven time and again by something that’s apparently anathema to the anti-tax crowd — data.