

Whitney for Governor 2006

Jennifer Rose, Campaign Manager

(618) 528-VOTE - campaignmanager@whitneyforgov.org



www.whitneyforgov.org

P.O. Box 3803, Carbondale, IL 62902

For a People's Budget: Fiscal Responsibility, the Public Good and Fair Taxation

A Green View of the 2007 State Budget

by Rich Whitney, Illinois Green Party Candidate for Governor

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Last week, I was discussing Illinois politics with a couple of voters in Carbondale, when one of them, out of the blue, said, "I'm not going to vote for **any** candidate who does not promise to **raise** taxes." Her friend agreed, saying, "I feel the same way."

I turned to them and said, "Well, you've got at least one person you can vote for."

These sentiments are no longer unusual in Illinois. Illinois voters are waking up to the need to **save government for the public good**.

For years, the conventional wisdom, shared by both Democratic and Republican politicians, is that you cannot get elected unless you promise to cut taxes, or at least not raise them. During the Ryan administration, they did cut taxes – in the form of tax breaks and doling out other special favors for giant corporations and the wealthy. This paved the way for the structural deficits our State has suffered under since 2001. But Rod Blagojevich has been a prisoner of the same conventional wisdom. This "conventional wisdom" wrongly presumes that all the voters care about is themselves; that they are selfish, and that all they want to hear from a candidate is whether he or she is going to lower their taxes, or at least not raise them. It presumes that voters can't comprehend that if you cut taxes **too** far, you can end up cutting your own throat, because you have made it impossible for government to serve the most basic public functions.

Over the last five years, our own State has proved that very point. While Governor Blagojevich has repeatedly bragged that he has balanced the budget without raising taxes, what he doesn't care to talk about is that he has done this at a tremendous social cost. For example:

- ◆ Cutting and gutting useful social programs and productive jobs, like those in the Illinois Environmental Protection Agency, Department of Natural Resources, Department of Commerce and Economic Opportunity, Department of Children and Family Services; elderly care facilities, tourism, agriculture, public safety and much more. Between 2001 and 2004, spending on human services **decreased** by \$387 million, or 10%.
- ◆ borrowing from dedicated funds, such as land acquisition conservation programs, and selling off state buildings;
- ◆ sacrificing workers' pensions – or letting future generations worry about it to save his own political ambitions;
- ◆ letting college tuition and fees climb ever higher, while leaving our grade-schools badly under funded;
- ◆ letting our correctional facilities become dangerously understaffed while cutting rehabilitation programs;
- ◆ shifting some burdens to local governments and increasing fees,
- ◆ deferring Medicaid payments, putting an enormous strain on health-care providers, and
- ◆ selling more bonds, which means more debt service to be repaid by future taxpayers.

Illinois voters are waking up to the fact that we can't go on like this – that there is a crying **need** for government that truly serves the public interest. As a Green Party candidate for Governor, I am here to challenge the so-called conventional wisdom – because it isn't working – and give the people of this State another choice at the ballot box this November: A choice for **fiscal responsibility and serving the public good**.

Our State government needs to be placed on a sound fiscal footing, by enacting badly needed tax reforms to raise new revenue, while at the same time making our tax system more fair to lower- and middle-income taxpayers. And I am the **only** candidate in this race who is being up-front in **pledging** to do just that.

Barring some major surprise today, Rod Blagojevich would rather rely on schemes like more State-run gambling in Illinois – which is a hidden tax on the poor – and letting future generations contend with our under funded pension system, than on doing what is right and necessary to fund our State government in a responsible and fair manner. His sole Democratic challenger, Edwin Eisendrath, and his leading Republican contender, Judy Baar Topinka, have each waffled on whether we need to raise taxes – shouldn't they have a position on this by now? Meanwhile, the other Republican contenders, in pledging not to raise taxes at all, are either harboring a delusion or are

actually **planning** to give us even **more** disastrous cuts in funds for our schools, universities, elderly care facilities, family services, pensions, environmental programs and more.

Unlike each of these candidates, I am the **only** candidate for Governor who is campaigning explicitly for House Bill 750. The product of a genuine people's advocacy group, the Center for Tax and Budget Accountability, [ctbaonline.org], the bill would couple a general increase in the State income tax with tax credits for lower- and middle-income taxpayers, along with a dedicated fund, to provide badly needed property tax abatements to local taxpayers. Overall, the plan would raise enough funds to adequately fund our schools, begin solving the pension mess, getting our social service agencies back on track and allowing us to make some real headway through projects that represent **genuine** progress – like a job-creating “New Deal” to promote sustainable energy production and sustainable transportation in Illinois.

House Bill 750 has been supported by a number of citizens' groups, like Voices for Illinois Children, the Better Funding for Better Schools Coalition and A+ Illinois, a broad-based coalition supported by such diverse groups as the Illinois Farm Bureau, the Chicago Urban League, Lutheran Child and Family Services of Illinois and a number of labor unions. It has been supported by a few good progressive Democrats who have reintroduced it into the legislature after its defeat last year. Unfortunately, their own Democrat Governor won't back them on it! He has promised to veto the Bill if it passes.

Yet House Bill 750 would address several crucial issues at once: The underfunding of our schools, school funding inequality, our regressive tax system, our over-reliance on the property tax and our structural deficit.

Our tax structure in Illinois is fundamentally unfair, placing far too much of the tax burden on those least able to pay – the poor, and low-to-middle income workers and farmers, and small businesses – while giving most of the breaks to those most able to pay, the big corporations and the extremely wealthy. That is the main reason why our State is underfunded. According to the Institute on Taxation and Economic Policy, Illinois is the 6th worst state in the nation in terms of being regressive, that is, in terms of taxing lower and middle-income taxpayers at a higher rate than the wealthy. When all taxes are taken into account – income, sales, excise and property taxes, and the effects of federal offsets, the poorest 20 percent of Illinois taxpayers pay 13.1% of their income in taxes, the middle 60 percent pay, on average, about 10.1% of their income in taxes, while the top 1 percent – people with an average income of \$1.3 million per year – are only paying 4.6% of their income in taxes. Years of special tax favors to big corporations also means that these wealthy **non**-persons are also not paying their fair share of taxes, either.

Meanwhile, although the personal income tax burden in Illinois is more than twenty percent **below** the national average, its property-tax burden is about twenty percent **above** the national average, imposing an unjust burden on working and middle-class homeowners and on our farmers, orchard growers and wineries.

Here are the main features of House Bill 750:

First, it would generate \$7.25 billion in new revenues by increasing the personal income tax to 5%, the corporate income tax to 8%, eliminating corporate “tax expenditures” (i.e., special tax breaks) and expanding the scope of the sales tax to include personal and consumer services, which are presently exempted.

Second, the increase in the income tax would be offset for low and middle-income families through a refundable credit, which costs approximately \$900 million.

Third, \$1.8 billion would then be devoted to increase the foundation level of our schools.

Fourth, under another dedicated fund, local taxpayers would receive a property tax abatement of 20-25%, with poorer districts getting the 25 percent abatement but all districts receiving a guaranteed minimum of at least 20 percent. Structuring this as an abatement ensures that no school district loses any funding, because they would be required to continue assessing at the current rate.

Now, that’s the basic plan. What are the advantages of this plan?

First, the State assumes 51% of the cost of funding education (the national average). The education Foundation Level is increased by more than \$1,000 per child, implementing the recommendations of the State Education Funding Advisory Board.

Second, under the refundable earned income credit part of the plan, the bottom 60% of all income earners do **not** pay higher income taxes, and the bottom 20% of income earners actually realize a net tax decrease. Our homeowners and farmers **finally** get some real property tax relief. Our tax system is made more fair, relieving the burden placed on those least able to pay.

Third, Illinois will **still** have the 7th lowest income tax rate nationally. It will **remain** a low-tax state, ranking in the bottom third of all states in total state and local tax burden.

Fourth, Illinois gains more school funding fairness, narrowing the gap in school funding, without forcing wealthier districts to spend less but giving a real boost to poorer districts, while ensuring that they cannot play a shell game with property taxes, as we have seen happen with lottery revenues.

Fifth, the State’s structural deficit is **eliminated!** Five years of austere budgeting, seeing thousands of state workers’ jobs eliminated, wages frozen, pensions attacked and vital social services, including money for higher education, cut to the bone, will finally come to an end.

The choice is clear: Rod Blagojevich won't do anything about the unfair and backward system of taxation in Illinois because it's more important to him to say "I didn't raise your taxes" for political advantage – and to shelter his friends in big business – than to do what's right.

By repeating this claim, he is hiding the fact that the real issue is not whether the state income tax rate, by itself, goes up or down; the real issue is whether the **overall** tax system is fair, equitable and responsible, and whether government is spending wisely, to serve the public good.

I will do what's right. I will fight to get House Bill 750 – or something like it – passed. I will get our State government back on a sound financial footing. I will do what is necessary to save and improve our schools, make higher education more affordable to students and parents of limited means, and make sure that workers receive the pensions they were promised. I will finally give the people badly needed property tax relief.

The budgetary disaster that confronts Illinois is a **bi-partisan** failure, generated by fiscal irresponsibility and special favoritism toward corporate interests that is shared by the current administration in Springfield, its Republican predecessor, and both corporate parties in the legislature. That is why we now need **tri-partisan** politics in Illinois, by getting Greens elected to office – and we need it now.