

1 Rauner's Budget Cuts Are NOT Necessary. There Is a Simple, Practical Solution to the Illinois Budget Crisis: *Make Speculators Pay Their Fair Share of Taxes*

A consensus has developed among most Illinois media and political leaders that our state government has “no choice” but to dramatically cut state spending, as Governor Rauner has proposed in his budget. Many people are justifiably angry and upset. Unfortunately, most have been responding by asking legislators to “please spare the program or agency that most affects **me**, or **my** particular community or cause”: Please don’t cut the budget for public universities. Please don’t cut the budget for AmTrak. Please don’t cut the budget for children and family services. Please don’t cut the budget for municipalities, Medicaid, public health, mental health services, substance abuse counseling, natural resources, public safety, environmental protection, veterans’ services, etc. The list goes on and on.

The problem with this approach is that it leaves each particular interest group clamoring to “please spare **me**” without addressing the **root** problem – **our state government doesn’t take in enough revenue to meet its most basic obligations**. As long as each interest group simply fights to save its own slice of a shrinking pie, the end result will be that some agencies or programs may get cut a little less, others will get cut a little more, but all will still get badly cut. This is inevitable, unless we take a different approach: **Let’s agree that all of these programs and agencies are serving vital public functions – and unite to demand a real solution to the state’s revenue problem**.

The problem in Illinois is **not** “big government” or “living beyond our means.” Illinois has the smallest number of state employees per capita in the United States, at 4.1 per 1,000 residents, and it ranks in the bottom one-fifth of all states for retirement benefits paid to its state workers.¹

The fundamental cause of Illinois’ financial woes is that we have one of the most regressive tax systems

in the United States. When the combined impact of all Illinois taxes on different income groups is measured, the bottom 20 percent of income earners are taxed at a rate of 13.2 percent, the next highest 20 percent are taxed at a rate of 11.8 percent, and so on up the scale, with the top 1 percent paying just 4.6 percent of their income in taxes.² Illinois taxes poverty much more than wealth. That’s why we have a structural deficit – the system cannot possibly generate enough revenue to meet social needs.

Illinois’ legislators ignored the problem for decades and instead borrowed from the pension systems to make ends meet. That, in turn, is the fundamental cause of our current pension crisis -- and the debt service on past borrowing is now eating into our operating budget.

Most Illinois political leaders now propose inadequate and short-sighted fixes that will place the burden on public employees, retirees, students, educators, the disabled and infirm, and the rest of us who desire, or depend upon, a state government capable of serving its core functions. However, there are in fact **relatively simple and truly effective solutions**. The single most expeditious and potent solution is found in H.B. 106, the Financial Transactions Tax Act, introduced by State Rep. Mary Flowers. It has also been described as the “LaSalle Street Tax,” named after the Chicago street where large-scale financial trading occurs.

Illinois operates two of the largest financial markets in the world -- the Chicago Mercantile Exchange and the Chicago Board Options Exchange. Each year, the value of products traded on these two exchanges totals more than \$800 trillion. By comparison, total world gross domestic product is about \$65 trillion.

¹ Center for Tax and Budget Accountability:
<http://www.ctbaonline.org/reports/ctbas-testimony-and-presentation-pension-conference-committee>

² Institute for Taxation and Economic Policy:
<http://www.itep.org/whopays/states/illinois.php>

If enacted, HB 106 would require buyers and sellers to pay a \$1/contract fee on all agricultural futures and futures options traded on these two exchanges and a \$2/contract fee on all other trades. Average contract size at these exchanges is more than \$225,000, so the tax amounts to less than 0.001 of 1 percent of average contract value. Yet, given the volume of trading on these two exchanges, the tax would generate an estimated \$10 billion to \$12 billion in revenue annually, roughly one-third the value of our state's current operating budget. That would be enough to avoid the current projected cutbacks and start paying down the pension deficit.

All Illinois consumers, even the very poorest, generally pay sales taxes of 8 percent or more for necessities. It is only fair that wealthy speculators in Illinois pay a sales tax of a tiny fraction of a percent to help maintain the system from which they have reaped such largesse. We already tax gambling, sometimes to the detriment of the poor and desperate. It is time to include the biggest casinos in our state.

Now is the time for hard-working citizens, advocates for education, mental health services, child and family services, public health, public transportation, disability support, and other essential services to unite and fight back against budget austerity. House Bill 106 must be fast-tracked to enactment, and we have no time to wait.

It would be nice if we could pass legislation like this by a democratic referendum but we don't presently have that option in Illinois. Our only hope is to put enough pressure on our legislators to get them to listen and act on behalf of their constituents

Facebook group, "It's Just Not That Complicated":

<https://www.facebook.com/groups/911911538850620/>

instead of just their wealthy donors. That's difficult but not impossible. They need to hear from a **lot** of voters if we hope to persuade them to do the right thing.

A serious problem creates a serious opportunity. The current crisis provides a chance for all of the varied groups that cannot fight the elite alone to band together right now to make one giant step for social progress in Illinois. This is a chance to engage in a truly democratic exercise, joining together for the greater good.

Please take ten minutes out of your life right now to **write to your State Representative and State Senator and demand support for HB 106 today.** Address information for your Representatives may be found at <http://www.ilga.gov/house/>, and for State Senators, at <http://www.ilga.gov/senate/>. If you are not sure of the identity of your current Representative or Senator, use this link: <http://il--nea.capwiz.com/nea/il/directory/statedir.tt?state=IL&lvl=state> .

If you can spare another few minutes, please also send a letter or e-mail to House Speaker Michael Madigan, at 300 Capitol Building, Springfield, IL 62706, or call him at (217) 782-5350, and demand that he help move H.B. 106 out of committee and get it to the floor of the General Assembly for full debate and a vote.

This may be the most important action you can take to change the political landscape in Illinois for the better, and this is one action that cannot wait. Thank you – and **please share this with other friends who reside in Illinois.**