

## Resolution In Support of a Real Solution to the Budget Crisis in Illinois

Whereas the City of Carbondale, like most municipal governments in Illinois, has been struggling to finance basic public services without overly burdening its residents with higher sales or property taxes;

Whereas our state government has traditionally and appropriately helped finance local public services by sharing a small portion of its revenue with municipal governments;

Whereas our current governor has proposed a budget that would cut the share of state income tax revenue distributed to local governments in half, causing a revenue loss of \$1.25 million to the City of Carbondale<sup>1</sup>, and adversely impacting the ability of the City of Carbondale and other municipalities in Illinois to maintain adequate funding for essential services;

Whereas our current governor has proposed a budget that would cut the budget for the Southern Illinois University Carbondale Campus by \$44 million<sup>2</sup>, cut the budget for AmTrak by \$16 million<sup>3</sup>, and would cut the budget for almost every public service agency in the State of Illinois;

Whereas the imposition of such massive cuts would have a devastating economic ripple effect on local businesses and employment in Southern Illinois;

Whereas our current General Assembly has responded to the governor's proposed budget by proposing an alternative budget that does not include these severe budget cuts but which fails to include any plan for raising the revenue needed to fund state agencies and programs at the levels proposed<sup>4</sup>;

Whereas the underlying causes of the state's budget crisis has nothing to do with having an overly large or expensive state government, since Illinois has already been cutting education and services since 2002, total state employment has been cut by 10.5 percent between 2002 and 2012,

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<sup>1</sup> Carbondale passes new budget, *Southern Illinoisan*, April 29, 2015

<sup>2</sup> Rauner budget proposal would cut SIU by \$62 million, *Southern Illinoisan*, February 18, 2015

<sup>3</sup> Rauner wants to cut Amtrak service, *Southern Illinoisan*, February 18, 2015

<sup>4</sup> Democrats roll out budget without Rauner support, *Southern Illinoisan*, May 26, 2015

and Illinois now has one of the lowest numbers of state employees per capita in the U.S.<sup>5</sup>;

Whereas the underlying causes of the state's pension crisis has nothing to do with exorbitant public pensions, since Illinois ranks in the bottom one-fifth of all states for average retirement benefits paid to its state workers<sup>6</sup>, but was fundamentally caused by many years of state government borrowing from the pension systems and deliberately failing to pay into them as needed<sup>7</sup>;

Whereas, the root causes of the state's budget and pension crisis lie primarily in its highly regressive tax system, which disproportionately taxes lower-income and middle-income residents at much higher rates than wealthier residents, when the combined effects of all taxes and tax breaks are measured<sup>8</sup>;

Whereas, Illinois operates two of the largest financial markets in the world, the Chicago Mercantile Exchange (including the Chicago Board of Trade) and Chicago Board Options Exchange, trading hundreds of trillions of dollars' worth of futures, options and other derivatives each year<sup>9</sup>;

Whereas a proposal to require buyers and sellers to each pay a \$1/contract fee to the State of Illinois on all agricultural futures and futures options traded on these exchanges and a \$2/contract fee on all other trades, would amount to less than 1/1000ths of one percent of average contract value, yet would generate approximately \$10 billion in revenue annually, enough to solve the

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<sup>5</sup> Center for Tax and Budget Accountability,  
<http://www.ctbaonline.org/reports/ctbas-testimony-and-presentation-pension-conference-committee> [see slides 8 and 9];  
<http://www.governing.com/gov-data/public-workforce-salaries/state-government-employment-by-agency-job-type-current-historical-data.html> [select Illinois for state Census Bureau data; chart shows total state employment peaked in 2002 at 133,871, down to 119,874 by 2012];  
<http://www.governing.com/gov-data/public-workforce-salaries/states-most-government-workers-public-employees-by-job-type.html>

<sup>6</sup> Illinois State Comptroller, *Fiscal Focus*, January/February 2007 Issue; see also The Urban Institute: *The State of Retirement: Grading America's Public Pension Plans*, <http://datatools.urban.org/features/SLEPP/index.html> (rankings for long-term employees).

<sup>7</sup> CTBA report [see Summary of Testimony at 4-5, slides 14-16]

<sup>8</sup> Institute for Taxation and Economic Policy,  
<http://www.itep.org/whopays/states/illinois.php>

<sup>9</sup> Chicago Political Economy Group, *CPEG Report: We don't need another Casino, We need to Tax the One We Have!*, at 5-6, <http://www.cpegonline.org/>

current budget crisis<sup>10</sup>;

Whereas financial transactions taxes of this type have been successfully implemented in more than 25 countries without causing any exchanges, or significant volume of traders, to trade elsewhere, including in London, Hong Kong and South Korea, among the highest-volume exchanges in the worlds<sup>11</sup>;

Whereas such a fee or tax would primarily impact wealthy speculators trading products exclusively licensed to these exchanges, thereby introducing a small measure of fairness to our current tax system, which requires all consumers to pay much higher sales taxes on necessities and other consumer goods; and

Whereas a bill has been introduced into the Illinois House of Representatives, House Bill 106, which would implement the type of fee or tax proposed herein<sup>12</sup>;

THEREFORE BE IT RESOLVED that the City of Carbondale endorses the adoption and implementation of a sales tax or fee on speculative trading on futures, options and other derivatives traded on these exchanges, like that proposed in the current House Bill 106, and calls upon our state representative, our state senator and our governor to immediately support and urgently work for the adoption of such a measure, as the single most important response that can be made to the current budget crisis afflicting our state.

BE IT FURTHER RESOLVED that the Mayor of the City of Carbondale shall send a copy of this resolution to Governor Bruce Rauner, State Representatives Terri Bryant, Brandon Phelps, John Bradley and Mary Flowers, House Speaker Michael Madigan and State Senator Dave Luechtefeld.

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<sup>10</sup> *We don't need another Casino* at 6;  
<http://gapersblock.com/mechanics/2015/07/15/financial-transaction-tax-could-save-the-state----and-clean-up-the-exchanges/> ; see also CPEG FAQ, attached.

<sup>11</sup> CPEG FAQ; see also *Fantastical Finance: CPEG's Bill Barclay Responds to Sun-Times' Condescending Editorial*, at <http://www.cpegonline.org/>.

<sup>12</sup>  
<http://www.ilga.gov/legislation/BillStatus.asp?DocNum=106&GAID=13&DocTypeID=HB&LegId=83595&SessionID=88&GA=99>