

Senate Bill 2505 – Economic Recovery and Budget Reform

Illinois' budget has suffered decades of fiscal mismanagement, compounded by a national recession. Senate Bill 2505 will put the state back on track by providing the revenue needed to stabilize the budget, pay our bills and jumpstart Illinois' economy. The legislation also places unprecedented limits on state spending.

These measures follow Governor Quinn's efforts to cut spending and make state government more honest and efficient. Since taking office, the Governor has reduced general funds' appropriations by nearly \$3 billion, or 10.5 percent. Additionally, Governor Quinn is implementing Budgeting for Results, an initiative to examine every area of the budget and ensure that programs not meeting stringent performance metrics are eliminated.

Senate Bill 2505 includes both temporary and permanent increases in Illinois' corporate and individual income taxes.

Under Senate Bill 2505, the individual tax rate will change as follows:

2010 Rate (Under Current Law)	3 percent
2011 - 2014	5 percent
2015 – 2024	3.75 percent
Beginning in 2025	3.25 percent

The corporate tax rate will change as follows:

2010 Rate (Under Current Law)	4.8 percent
2011 - 2014	7 percent
2015 – 2024	5.25percent
Beginning in 2025	4.8 percent

The revenue increases are tied to a state spending cap, which will significantly restrict all spending growth to 2 percent annually over the next four years. The incremental annual increases in the cap will be offset by growth in fixed spending, such as pension payments. Any spending beyond the prescribed limits would require approval by the Comptroller and Treasurer, as well as strong, bipartisan support in the General Assembly. Violation of the cap would repeal the tax increase. This ensures that revenues go towards paying our bills – not new spending.

These actions represent a historic change in how our state operates, by making revenue and spending levels more sustainable, and by dramatically increasing the efficiency and accountability of state government in Illinois.

Governor Quinn's Actions to Cut Appropriations and Improve Efficiency

Governor Quinn has made the tough decisions necessary to keep Illinois' economy moving in the right direction while preserving core services of education, health care and public safety. Since taking office, the Governor has reduced general funds' appropriations by nearly \$3 billion, a 10.5 percent reduction.

The Governor's major budget and spending reforms and reductions include:

- Historic pension reform, saving taxpayers \$200 billion over 35 years
- Headcount reduction of more than 1,100 state employees, giving Illinois the lowest state employee headcount per capita in the nation
- State employee furlough days, resulting in \$25 million in savings
- Union concessions resulting in \$200 million saved from deferred pay increases and health insurance savings
- Consolidation of unneeded office space, resulting in \$23 million in savings
- Elimination of unnecessary government spending, such as a \$500,000 General Revenue Fund purse for the World Trotting Derby horse race
- Rebidding or reducing all contracts over \$1 million
- Purchasing used vehicles from the General Service Administration, saving approximately \$7 million
- Consolidating the state's data centers, resulting in \$10.8 million in savings
- Canceling hundreds of magazine and newspaper subscriptions, saving \$130,000
- Grant reductions
 - DHS grants reduced by \$24 million
 - Veto of a \$155 appropriation by the General Assembly in excess of the Governor's proposed budget was sustained, including \$50 million at ISBE
 - Circuit Breaker was reduced by \$20 million from FY09 to FY10
 - Public Health grants have been reduced by nearly \$20 million
 - Education grants were reduced by \$61 million
 - Arts Council grants were reduced by \$2.46 million