



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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Illinois' Economic and Fiscal Policy Report (HB 6268/Public Act 96-1354): Requires the Governor's Office of Management and Budget to annually submit an economic and fiscal policy report to the General Assembly outlining the long-term economic and fiscal policy objectives of the state, the economic and fiscal policy intentions for the upcoming fiscal year, and the subsequent two fiscal years.

Illinois' Three Year Budget Projection (*attached*) highlights revenues, expenditures, deficit or surplus, and debt related to the Illinois General Funds through FY2014. The report demonstrates spending restraints, enhanced revenues, and a restructuring of existing bills through a debt restructuring bond issuance.

HB 6268/Public Act 96-1354, coupled with Budgeting for Results (SB 3660/Public Act 96-0958), which fundamentally reforms how government prioritizes and spends taxpayer dollars, are two of the most important budgetary reforms signed by Governor Quinn in 2010. Both measures provide a clearer picture of Illinois' fiscal future and allow for more public disclosure and debate in the budgetary process.

As reflected in the attached report, these changes bring financial stability back to Illinois. Many challenges still exist and will require the deliberate action of the General Assembly and the Governor in the years ahead.

Economic and Fiscal Policy Intentions

Underlying assumptions and policy intentions used in attached report include the following:

1. Address the structural deficit
 - Restrain spending within anticipated inflation and spending caps
 - Reduce select mandates to assist in the control of spending
 - Enact Medicaid spending reforms resulting in reduced spending

- Increase revenue to support state spending priorities and mandated expenses, including a temporary 2% individual income tax increase to 5% (reduces to 3.75% after 2014 and 3.25% after 2024) and a temporary 2.2% corporate tax increase to 7% (reduces to 5.25% after 2014 and 4.8% after 2025)
2. Pay the bills
 - Return the state's payment cycle to acceptable levels allowing those owed money to preserve and create new jobs
 - Stabilize and improve the state's bond ratings to reduce long-term interest costs
 - Issue debt restructuring bonds of \$8.75 billion to pay delayed bills and establish fiscal stability
 3. Create jobs
 - Continue the *Illinois Jobs Now!* capital program to enhance the state's infrastructure and its competitive position nationwide
 - Develop further economic initiatives to strengthen our economy through international trade, job-creating incentives, subsidized employment, and job training
 4. Advance education by supporting innovation
 5. Maintain essential services for public safety, healthcare and human services, as the state continues to recover from the recession
 6. Modernize state government through upgrades to technology infrastructure to reduce costs and streamline delivery of services
 7. The FY2012 budget will reflect the following long-term economic and fiscal policy objectives and will be refined through the preparation of the full budget and budget address in February 2011:
 - Quality education and opportunities for growth and learning for all Illinois students
 - Enhanced economic well-being of citizens
 - Protection of citizens' lives and property
 - Protection of the most vulnerable of our citizens
 - Improved quality of life of citizens
 - Improved efficiency and stability of state government

Longer-Term Economic Development and Capital Objectives

1. The continuation and expansion of *Illinois Jobs Now!* capital program remains a crucial element of economic recovery and is a key objective, along with expanded efforts to create jobs through international trade, job training, and other economic growth incentives and initiatives.
2. *Illinois Jobs Now!* 2 objectives:

- Improve roadways, railroads, air travel infrastructure and internet broadband for efficient and effective movement of people, products, and ideas
 - Maintain and improve an educated and qualified workforce to meet the challenges of an expanding and evolving economy
 - Provide access to capital funding and expertise for large and small businesses and entrepreneurs
 - Expand use of renewable resources – biofuels, wind, solar, etc.
 - Enhance Illinois companies' ability to compete in the international marketplace and welcome the world to invest in Illinois.
3. Illinois exports—The state is a leader in exports, with over \$41 billion in international shipments. Illinois will embark on an aggressive plan to double exports within the next five years to create jobs and better compete in the global economy.

The charts on the following page demonstrate historical Illinois employment and export statistics. Two important measures of our long-term economic development are total Illinois employment and exports. Employment grows during periods of economic growth and declines during recessions. Since December 2009, Illinois jobs growth has been robust because our capital plan and jobs program have created jobs and our economy is well-diversified and strong. Our state is also the sixth highest exporting state in the nation (as of 2009) and the largest inland exporter of goods and services. Our ability to compete in world and national markets is helping our economy recover.

