THE SIMON REVIEW

Alternatives to Illinois' Budget Deficit: An Analysis of Proposed Solutions by Gubernatorial Candidates, Elected Officials, and Public Policy Organizations

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Authors Note

At the time the final draft of this paper was completed, Illinois' 96th General Assembly had just ended its term. In the last session on January 12, 2011, the 96th General Assembly (2009c) authorized SB 2505, which sets the individual income tax rate at 5% beginning on January 1, 2011, at 3.75% beginning on January 1, 2015, and at 3.25% beginning on January 1, 2025. SB2505 also authorizes an increase in the corporate income tax rate to 7% beginning on January 1, 2011, 5.25% beginning on January 1, 2015, and 4.8% beginning on January 1, 2025. As such, the alternatives reviewed in this work, when contemplating changes, consider the previous rates in their proposals to modify the state income tax.

The authors wish to acknowledge and thank Dr. Charles Leonard and Dr. John Hamman for their comments and suggestions on an earlier draft of this work.

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Paper 23
January, 2011

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Introduction

The state of Illinois currently maintains a major budget deficit of approximately \$15 billion. Such a deficit undoubtedly impacts the normal delivery of state programs and services to the public in a negative manner. Consequently, gubernatorial candidates, elected officials, and public policy organizations have introduced several proposals regarding Illinois' budget deficits for discussion and consideration into the public arena. In this process of public consideration, Illinois voters have the opportunity to actively support or oppose the merits of these proposals by voting in favor or against certain candidates who support or oppose them and by expressing their opinions directly to their state representatives and senators who might eventually vote on a particular proposal in the legislative process. They can also be informed citizens about the general content and merit of these proposals by paying attention to news reports, public debates, policy seminars, and survey results.

However, more ways to affect governmental actions have been available as 2010 was a major election year in the state. In February, nearly 1.7 million Illinois voters participated in their individual party's nomination process in the general primary in order to select a gubernatorial nominee for the general election in November (Illinois State Board of Elections, 2010, February). When Illinois voters participated in the general election in November, the state's budget problems and the general topic of tax increases were two of the predominate issues on their minds, especially in the gubernatorial race (Pearson, 2010). Approximately 3.7 million voters participated in the general election in November (Associated Press, 2010).

The specific intent of this analysis is to identify features in the proposals that would alter any of the three main components – the individual income tax, the corporate income tax, and the sales tax – in Illinois' existing tax structure in order to enhance revenue generation. Such proposals aim to influence voters in their active role of deciding who serves as the next governor and who, on a district-by-district basis, serves as members of the next General Assembly. Thus, voters directly contribute to which proposal or proposals become the prevailing philosophy of a new gubernatorial administration and of a new General Assembly as the two constitute main components in the budgetary process. As such, this analysis addresses the following research question: What alternatives to the state's current tax structure exist that propose solutions to Illinois' budget deficits?

Data and Methods

The primary methodology for this study consists of using a content analysis approach, as it constitutes the most appropriate research methodology for this endeavor. A content analysis allows the researchers the systematic identification, collection, and comparison of different proposals from a variety of sources in an organized and concise manner (McNabb, 2008). The scope of this analysis includes comparing, and subsequently describing, the features of those identified proposals that would alter any of the three aforementioned main components - the individual income tax, the corporate income tax, and the sales tax – in Illinois' existing tax structure in order to address the budget deficit through enhanced revenue generation. Concomitantly, the analysis generates a detailed list of such proposals along with a description of their collective features in regard to these three relevant components of the existing tax structure.

Research Design

The content analysis involves a four-step process. First, the identification of proposals containing relevant features in finding a solution to Illinois' budget deficits through suggested changes in its existing tax structure is necessary. Several ideas about finding a solution to Illinois' budget deficits have been introduced into the public arena for consideration; however, some are more substantive than others. A review of the websites, press releases, and news reports of gubernatorial candidates, elected officials, and public policy organizations has resulted in a fruitful analysis of such substantive proposals.

The second step involves the scrutiny of proposals to describe the major features that recommend changes to Illinois' existing tax structure in direct relation to budget deficits. In addition, the categorization of the proposals' features occurs in this step. The various features of each proposal have been placed in the respective categories of the individual income tax, the corporate income tax, or the sales tax.

Next, a compare and contrast approach regarding the features of every proposal across categories allows discovery of any commonalities or differences. Although the various proposals are expected to contain a high degree of similarity among their individual features, there are some varying degrees when considered at the cumulative level. Such differences in the details of these features have been noted at this step.

Finally, the last step involves producing a detailed list of the proposals, including their most common features in each category. A general discussion of the list describes the categories in a descending order from the one with the most incidences to the one with the least commonality.

Data Sources

As noted earlier, this analysis concentrates on the individual income tax, the state income tax, and the sales tax. According to the Illinois General Assembly's Commission on Government Forecasting and Accountability (2010), Illinois' general revenue fund for Fiscal Year 2011 is $27.66 billion. The individual income tax, the sales tax, and the corporate income tax generate 31.4%, 22.7%, and 5.7% of this total amount, respectively. They collectively compose the major source of revenue generation at the state level for Illinois' general spending purposes, and consequently changes to any of them would directly affect overall revenue generation in addressing the state budget deficit. This is the reason why the study focuses on these budgetary components.

This analysis identifies, collects, and compares proposals that have been introduced since January of 2009 to the present. The 96th General Assembly of Illinois, the current two-year cycle of the law-making process, began at that time and continues through January of 2011. All legislation and budget proposals introduced in January of 2009 or thereafter are considered relevant in the current legislative, budgetary, and public policy processes (Illinois General Assembly, n.d.).

Description of Limitations

This analysis is purely descriptive in nature, so it has inherent limitations. Its main focus is to identify, review, and describe current proposed solutions to budget deficits in Illinois via changes to the three main components of the existing tax structure. This is remaining within the established parameters of the content analysis process (McNabb, 2008). The main limitation is the fact that the analysis does not address the quality, strengths, or weaknesses of an individual proposal's suggestions in addressing the budget deficit through revenue enhancements. A related limitation is that as a consequence, it is impossible to compare the merits of one proposal against another one. As a result, the analysis cannot offer any conclusions regarding a proposal's ability to address the budget deficit from a fiscal perspective or a collective ranking of the merits of the proposals from a public policy perspective. The aim of the study is descriptive in nature and only provides a foundation for better understanding of the topic in the current political and economic environment.

Overview of Illinois' Budget Problem

In recent years, Illinois has faced challenges associated with budget deficits due to the economic recession. In March of 2009, Governor Pat Quinn presented his Fiscal Year 2010 budget proposal to the Illinois General Assembly, in which he indicated Illinois faced a combined $11.5 billion budget deficit for Fiscal Years 2009 and 2010 (Quinn, 2009, March). Likewise, in March of 2010, Governor Quinn presented his Fiscal Year 2011 budget proposal to the Illinois General Assembly, in which he indicated Illinois faced a combined $13 billion budget deficit for Fiscal Years 2010 and 2011 (Quinn, 2010, March). Governor Quinn advocated for spending decreases, enhanced revenue generation, and prioritization of resources in order to meet the critical needs of the general public.

A look at Illinois' daily cash flow problems shows a dire reality as well. In an interview with *The New York Times* in July of 2010, Daniel Hynes, the Comptroller of Illinois, explained that the state owed $5.01 billion at that moment to organizations such as schools, state universities, child care centers, and rehabilitation facilities. He simply put, "'This is not some esoteric budget issue; we are not paying bills for absolutely essential services'" (Powell, 2010, Introduction section, para. 3). In addition, according to a story in the *Saint Louis Post-Dispatch*, several Illinois legislators have received eviction notices from landlords and written warnings for discontinuation of services from utility companies because the state is far behind in paying the monthly rents and utility bills for their district offices. For instance, one legislator chose to work from home after her office was closed, while another legislator decided to pay his garbage bill with money from his campaign fund (McDermott, 2010). These scenarios demonstrate Illinois' desperation in attempting to meet its daily financial obligations.

To help remedy the state's financial difficulty, the governor has curtailed overall spending. For instance, upon approving Illinois' Fiscal Year 2011 appropriations and budget implementation legislation on July 1, 2010, Governor Quinn reduced the Fiscal Year 2011 budget by $1.4 billion through his constitutionally granted reduction veto authority. Additionally, he has reduced the state's general revenue fund spending by $3 billion since assuming office in January of 2009, which translates into a 10.5% reduction in such spending (Illinois Governor's Office, 2010, July). Despite these reductions, Illinois still has difficulty in meeting its daily payments for essential services because it simply lacks sufficient revenue resources.

There are two primary causes for Illinois' inadequate revenue generation. The first one is the current economic recession. According to Conant (2010), the National Bureau of Economic Research formally announced that the United States was in an economic recession in December of 2008. Utilizing data compiled by the National Conference of State Legislatures, Conant (2010) further notes that states experienced a collective gap of $47.4 billion between their Fiscal Year 2009 projected revenues and expenditures by February of 2009 and that this figure subsequently grew to $62.4 billion by April of 2009, ten months into Fiscal Year 2009. States, including Illinois, suddenly found themselves in a situation in which they needed to cut spending, raise additional revenue, or do a combination of both measures. However, Illinois' problem with insufficient revenue generation goes beyond the current recession.

The second cause of Illinois' inadequate revenue generation is the continued existence of structural budget deficits. A state needs to create and maintain sufficient revenue collection mechanisms in order to avoid a structural cause of budget deficits. In reviewing the current budget situations of Connecticut, Massachusetts, New York, Georgia, Virginia, and Illinois, Conant (2010) notes that four of these six states experienced structural deficits prior to the national recession, so an eventual "economic recovery may ameliorate, but not solve, the imbalance between recurring revenues and expenditures in those states" (p. 13). In reviewing Illinois' budget environment, Bunch (2010) points out that the state has maintained budget deficits since Fiscal Year 2001 and further observes that "a relatively low nongraduated income tax rate, a weak corporate income tax, and a sales tax with a narrow tax base have resulted in tax revenues that are insufficient to support the state's spending needs" (p. 114). In other words, Illinois has maintained a budget deficit since 2001 during both positive and negative economic environments, which indicates a structural deficiency in revenue collection.

A related problem in terms of state budget deficits and finances is Illinois' pension obligations. Bunch (2010) notes that "the state has approximately $100 billion in unfunded accrued pension and other postemployment benefits and, as noted before, has a relative high state debt burden" (p. 117). Eventually, the state must pay these retirement related liabilities as well as its overall debt. The Illinois General Assembly passed pension reform legislation in March of 2010 which addresses future costs and stability for the five state pension systems; however, most of it applies to future state employees and not the current ones who will retire in the coming years (Dunn, 2010). Governor Quinn signed the pension reform legislation, which takes effect on January 1, 2011, into law in April of 2010 (Wells, 2010, April). Despite this restructuring of the state pension system, Illinois still faces immediate problems in terms of cash flow and revenue generation in meeting its current liabilities. According to one news story, Illinois' five pension systems have collectively sold or not reinvested $2.5 billion worth of assets in the first half of the current fiscal year in order to meet their benefit obligations due to lack of revenue from the state. In addition, the Illinois General Assembly is attempting to pass legislation that authorizes another $3.7 billion in debt spending to meet its revenue contributions into the five state pension systems for this fiscal year (Wetterich, 2010, December). The current problem with funding the state's pension systems essentially returns to the issue of revenue generation. Illinois continues to borrow money in order to meet its pension obligations due to an insufficient means in collecting revenue through its existing tax structure. Budget deficits, whether cyclical or structural, only contribute to the state's problems in financing its pension systems.

Public budgeting is a difficult task under the best economic conditions; however, it becomes even more challenging under historically bad economic times. Illinois needs to enhance its revenue collection from a structural perspective in order to meet its desired level of public programs and services on a consistent basis.

Public Expectations of State Governments in Budgeting

Governments are generally expected to provide certain public sector programs and services while maintaining some level of fiscal discipline and responsibility; however, different governmental units act in a variety of manners depending on the nature of their inherent powers and traditional parameters. Mikesell (2011) notes, "There is, within state and local government, a fervent understanding that continuing deficits are not sustainable and there is an expectation that finances will be roughly in balance over time" (p. 156). Mikesell (2011) further highlights that state governments, generally speaking, do not acquire large surpluses and deficits for several reasons. Principally states are unable to print money and influence monetary policy via a central bank, have obligations to meet constitutionally imposed balanced budget requirements of some sort, and must comply with existing legal limitations on general fiscal matters, with this latter aspect assuming forms such as spending caps, referenda requirements, and supermajorities. In short, state governors and legislatures are mandated to maintain fiscal discipline as much as possible despite troublesome economic conditions or increased demands on public services.

In Illinois, the state constitution mandates a balanced budget in two ways. According to Article VIII Section 2(a) of the Constitution of the State of Illinois (1970), the governor prepares and submits the annual budget to the Illinois General Assembly with the premise that "proposed expenditures shall not exceed funds estimated to be available for the fiscal year as shown in the budget" (para. 1). Likewise, Article VIII Section 2(b) of the Constitution of the State of Illinois (1970) provides that the Illinois General Assembly will approve appropriations for public expenditures by law on a regular basis with the premise that the "appropriations for a fiscal year shall not exceed funds estimated by the General Assembly to be available during that year" (para. 1). Despite these constitutional requirements for maintaining a balanced budget, Illinois has constantly suffered budget deficits since Fiscal Year 2001, as previously noted (Bunch, 2010).

On an anecdotal level, Wheeler (2010) points out that Illinois has only experienced 15 truly balanced budgets since the adoption of the 1970 constitution, although many of the 41 state budgets in this time may have been considered technically balanced by constitutional terms. According to Wheeler's observation, a balanced budget indicates that the state has sufficient revenue in its general revenue fund at the end of a fiscal year to pay all of the outstanding bills that were incurred by the state during that fiscal year. In most years, the state fell short in being able to pay its outstanding bills because it lacked sufficient revenue in its fund. This indicates that Illinois governors and the Illinois General Assembly on a consistent basis have failed to approve budgets that properly balance expenditures and revenues.

The last few years have been especially difficult times for state governments. On the one hand, states must maintain fiscal discipline, while on the other hand they must attempt to meet increased demands on basic public services despite reduced revenue collections due to the economic recession. *The Fiscal Survey of States*, a biannual report produced by the National Governors Association and the National Association of State Budget Officers, supports the premise that "fiscal year 2010 presented the most difficult challenge for states' financial management since the Great Depression" (Zaharias, 2010, para. 1). Apparently, this is the first occurrence in forty years of data collection by the

National Governors Association that aggregate state spending has dropped for two consecutive years, and it appears that a third straight year of budget gaps is expected. In fact, 11 states are predicting significant budgetary gaps of 10% or greater through 2013 (Von Drehle, 2010).

While still attempting to maintain fiscal discipline, all states nevertheless still face significant demands for public services. For instance, primary and secondary education generally represent one-third of a state's general revenue spending, while education and medical care services combined generally represent one-half of a state's general revenue fund spending. To compound the situation further, states have witnessed an increase in Medicaid, unemployment, and educational or job-training services due to the economic recession. These increased demands in services compete with existing demands in public safety, debt reduction payments, and higher education (Von Drehle, 2010).

States often face a difficult dichotomy in maintaining a sufficient level of public programs and services and in trying to find ways to raise sufficient amounts of revenue to pay for them. The Pew Research Center and the *National Journal* (2010) jointly conducted a survey of 1,001 people in June of 2010 to determine their collective opinion on different options for balancing a state's budget. According to the survey results, only 26% of respondents supported the concept of the federal government continuing to help the states financially, while 58% of respondents "say that the states should fix their own budget problems by raising taxes or cutting services" (para. 2). However, the survey shows that the public generally opposed cuts to specific areas of a given state's budget in order to balance it: 73% opposed cutting primary and secondary education; 71% opposed cutting public safety services; and 65% opposed cutting public health care services. In addition, the survey results show that 58% of respondents opposed raising taxes as an option for balancing a state's budget. As noted earlier, education and health care services generally represent one-half of a state's general revenue spending (Von Drehle, 2010), so removing these two categories from spending reductions significantly limits a state's options for balancing its budget, especially when revenue enhancement is largely opposed as well.

In short, according to the results of the Pew Research Center and the *National Journal* (2010) survey, most of the respondents want the states to have balanced budgets without decreasing any significant services and without increasing any revenue sources. This obviously places state officials in a true predicament in deciding how to balance their revenues and expenditures. However, the results of this survey are not completely conclusive in terms of guiding public officials in their decision-making processes. For instance, the survey simply asked if respondents support or oppose tax increases as a way in which to balance a state's budget. It did not inquire about specific types of taxes. Some respondents might support one tax increase over another one if provided with options. Likewise, the survey directly asked respondents if they support or oppose budget cuts within a given category of a public service. It did not ask them to rank which categories should be cut first so that others could be maintained. Specifying tax options and asking for such a ranking are methods that would help policy makers better understand narrowly focused aspects of public opinion on a complex topic.

Three statewide polls conducted by the Paul Simon Public Policy Institute in 2008, 2009, and 2010 show similar trends for Illinois in opposition to decreases in state programs and services but show mixed results in terms of revenue options. The three polls are discussed in further detail below.

The fall 2008 statewide poll of over 800 registered voters focused on the state budget and quality-of-life issues. After analyzing the data from the survey, Leonard (2009) notes that the respondents largely opposed cuts in state services as follows: 85.6% opposed cuts in elementary and secondary education; 72% opposed cuts in the state university system; 77.3% opposed cuts in public safety; 73.3% opposed cuts in natural resources and the environment; 73% opposed cuts in public assistance programs; and 65.7% opposed cuts in public employees' retirement benefits. In regard to revenue enhancement measures, the results show that 65.9% of respondents indicated support of a graduated, or progressive, income tax structure, while 78.1% opposed an increase in the state sales tax rate and 67.6% opposed an expansion of the sales tax structure to include services.

A year later, the fall 2009 statewide poll of 800 registered voters focused on ethics, the state budget, and quality-of-life issues. After analyzing the data from the survey, Leonard (2010) notes that the respondents largely opposed cuts in state services as follows: 84.4% opposed cuts in elementary and secondary education; 61.4% opposed cuts in the state university system; 79.8% opposed cuts in public safety; 63% opposed cuts in natural resources and the environment; 72.4% opposed cuts in public assistance programs; 85.3% opposed cuts in programs for people with disabilities; and 53.4% opposed cuts in public employees' retirement benefits. In regard to revenue enhancement measures, the results show the following positions: 65.5% opposed an increase in the state income tax rate from three to four and one-half percentage points; 75.8% opposed an increase in the state sales tax rate; and 53.3% opposed an expansion of the sales tax structure to include services.

Most recently, the fall 2010 statewide poll of 1,000 registered voters focused on the 2010 election, reforms, social issues, and the state budget. Leonard and Jackson (2010) note that respondents largely opposed cuts in state services as follows: 82.1% opposed cuts in elementary and secondary education; 57.4% opposed cuts in the state university system; 74.5% opposed cuts in public safety; 53.1% opposed cuts in natural resources and the environment; 66.3% opposed cuts in public assistance programs; 83.2% opposed cuts in programs for people with disabilities; and 47.3% opposed cuts in public employees' retirement benefits. In regard to revenue enhancement measures, the results show the following positions: 56.2% opposed an increase in the state income tax rate from three to four percentage points; 72.9% opposed an increase in the state sales tax rate; 51.4% opposed an expansion of the sales tax structure to include services like haircuts and dry cleaning; and 53.6% opposed an expansion of the sales tax structure to include services like legal work and accounting. As a side note, the last two questions about services included a sample population of only about 500 respondents instead of the complete 1,000.

In regard to cuts in state services, each individual poll only provides a snapshot of public opinion for a very specific timeframe. This is limited information to use in deciding long-term public policy decisions through public budgeting; however, the collective data contained in the three statewide polls provide useful trends in public opinion. Generally speaking, all three statewide polls show a consistent opposition to cuts in state services. The recorded opposition levels in elementary and secondary education, public safety, public assistance programs, and disability programs remain strong across the three polls, while the recorded opposition levels in the state university system, natural resources and the environment, and public employees' retirement benefits significantly decreased across the three polls. These decreases indicate which public service areas the general public might be willing to cut in order to maintain other ones. Such information is useful to state officials as they grapple with prioritizing programs and services in the budgetary process.

In regard to revenue enhancement, the three polls show interesting results but do contain some limitations as well. The 2008 poll show strong support for a progressive income tax in Illinois, but this was the only poll which asked a question about it. In addition, it did not contain a question about an increase in the current state income tax rate. The 2009 and 2010 polls show strong opposition to an increase in the state income tax, but opposition decreased by 9.3 percentage points between 2009 and 2010. All three polls asked questions about an increase in the state sales tax as well as an expansion in the base of this tax to include services. Opposition to an increase in the sales tax decreased by only 5.2 percentage points between 2008 and 2010, while opposition to the expansion of the sales tax base to include services dropped between 14 and 16.2 percentage points during the same time period. This range reflects the fact that the 2008 poll included one question on all services like dry cleaning, haircuts, and accounting, while the 2010 poll separated them into two different questions, such as dry cleaning and haircuts in one and legal work and accounting services in the other. The polls collectively show that while there is less public opposition to raising the state income tax than in raising the state sales tax, people still oppose both.

All four polls show a difficult political environment in which to decide public policy matters. The Pew Research Center and the *National Journal* (2010) survey clearly shows that the majority of respondents (58%) believe that states should balance their budgets through cutting services or raising taxes; however, the same respondents clearly oppose cuts in most services and an increase in taxes.

In Illinois, the three statewide polls show similar expectations from the general public. In the 2008 poll, 77.9% of respondents believed that Illinois raises sufficient revenue but simply wastes it on unnecessary programs and services (Leonard, 2009). Likewise, the 2009 poll shows that 56.5% of respondents believed that the state raises sufficient revenue and should be able to remedy the budget deficit by reducing waste and inefficiency in state programs and services as a result (Leonard, 2010). The 2010 poll is similar to the 2009 one in that 57% of respondents believed that the state raises sufficient revenue and simply needs to reduce waste and fraud in order to remedy the budget deficit (Leonard & Jackson, 2010). Only a little over a quarter of the respondents believed that remedying the budget deficit required program reductions as well as increased revenue (Leonard, 2010; Leonard & Jackson, 2010). In short, a majority of Illinoisans believe that the state has sufficient revenue and only needs to reduce programs and services to help alleviate the problem of budget deficits; however, a majority of Illinoisans also expressed strong levels of opposition to such reductions as well as to suggestions in raising additional revenue. As state officials continue to grapple with budget deficits, the public must eventually provide clear support for reduced programs and services, increased revenue options, or a combination of both in order to help establish a long-term fiscal policy and structure to address the problem.

Major Components of Illinois' Existing Tax Structure

According to Mikesell (2011), the three major revenue sources for governmental units in the United States are taxes on income, sales, and property. The federal government relies heavily on the federal income tax; states depend on a combination of state income and sales taxes to a great extent; and local governments predominately function on property taxes as well as on sales taxes to a certain degree. The income tax is usually separated into a tax on individual income and a tax on corporate income. In regard to state governments, the individual income tax, the corporate income tax, and the sales tax are generally the largest source of revenue for general revenue fund spending. Illinois levies all three of these taxes in order to raise revenue for the state general revenue fund.

In regard to the individual income tax, Illinois is one of 41 states and the District of Columbia that administers such a tax. Furthermore, Illinois is one of seven states that administers a non-graduated, or flat, income tax (Federation of Tax Administrators, 2010 February a). Article IX Section 3(a) of the Constitution of the State of Illinois (1970) mandates that any tax imposed on individuals must be done so on a non-graduated basis. According to the Illinois Department of Revenue (n.d. c), Illinois currently imposes a 3% rate on its individual income tax. Governor Richard Ogilvie recommended the first state individual income tax in 1969 as a necessary public policy initiative, and the Illinois General Assembly approved it at a rate of 2.5%. Since then, Illinois had temporarily raised the rate at different points in time but eventually settled on a permanent 3% rate in the early 1990s under Governor Jim Edgar (Howard, Pensoneau, & Long, 2007).

Next, Illinois is one of 44 states and the District of Columbia that administers a corporate income tax, and of these, Illinois is one of 31 states and the District of Columbia that administers a non-graduated, or flat, one (Federation of Tax Administrators, 2010 March). Article IX Section 3(a) of the Constitution of the State of Illinois (1970) mandates that any tax imposed on corporations must be done so on a non-graduated basis and "shall not exceed the rate imposed on individuals by more than a ratio of 8 to 5" (para. 1). According to the Illinois Department of Revenue (n.d. a), Illinois currently imposes a 4.8% rate on its corporate income tax as well as a 2.5% replacement tax, the latter of which goes to units of local government in Illinois. Governor Ogilvie recommended the first state corporate income tax in 1969 as a necessary public policy initiative, and the Illinois General Assembly approved it at a rate of 4.0%. The rate was later increased to 4.8% in the early 1990s under Governor Edgar, which was the maximum rate allowed under the eight to five ratio in the state constitution (Howard, Pensoneau, & Long, 2007).

Finally, Illinois is one of 45 states and the District of Columbia that administers a state sales tax on general merchandise, and it is one of several states that allow a discount rate for food and drug items as well as to vendors for other purposes (Federation of Tax Administrators, February 2010 b & c). According to the Illinois Department of Revenue (n.d. b), Illinois imposes a rate of 6.25% on general merchandise and a 1% discount rate on food and drugs. Illinois allows units of local government to impose sales taxes or fees in addition to the 6.25% rate, so rates vary across jurisdictional units in the state. Of the 6.25% rate imposed by the state, 5% of the collected amount goes to the state general revenue fund, while 1.25% of the amount is given to the applicable unit of local government (Bunch, 2010).

In addition to goods being considered taxable items, states have struggled in recent years in deciding to which degree that services should be included in their sales tax structures. The Federation of Tax Administrators (2008) has identified 168 taxable services among the 50 states and the District of Columbia as follows: 16 in utilities; 20 in personal services; 34 in business services; eight in computer services; 15 in admissions and amusements; nine in professional services; 19 in fabrication, repair, and installations; and 47 in other services. According to the Federation of Tax Administrators (2008), Illinois currently taxes only 17 of these 168 services, so it maintains a narrow base of taxation on the general service industry within its jurisdiction.

According to the Illinois General Assembly's Commission on Government Forecasting and Accountability (2009), service related industries represented about 32% of Illinois' economy in 1977 but had increased to represent 43.9% of it by 2007. The Commission estimates that Illinois could collect between an additional \$3.64 and \$7.25 billion from the current sales tax rate if it were applied to an expanded base of services. The range in the dollar amounts reflects the difference between imposing a narrower expansion versus a broader expansion of the base, with the latter incorporating all of the 168 taxable services identified by the Federation of Tax Administrators. In the 96th Illinois General Assembly, legislation that would expand the categories of taxable services in Illinois was introduced and debated; however, no legislation to date has been passed by both chambers and sent to the governor for consideration (Wells, 2010, May).

One final observation of taxes in state government must include property taxes. Mikesell (2011) observes that all 50 states allow units of local government to impose taxes on general property. As noted earlier, state governments generally rely on the income and sales taxes as their main revenue sources, while units of local government generally rely on property taxes and sales taxes as their main sources of revenue (Mikesell, 2011). Taxpayers who pay both an income tax and a property tax may address concerns to their state legislators if they consider one or both to be overly burdensome. In Illinois' recent history, any discussion of reforming the property tax structure has often been associated with a reform in the individual income tax structure (Howard, Pensoneau, & Long, 2007).

Identification and Description of Proposals

In order to identify as many proposals as possible, the researchers undertook several steps. First, the authors reviewed websites and press releases of the 2010 gubernatorial nominees. According to the Illinois State Board of Elections (2010, November), there were five active gubernatorial nominees in the general election. Active indicates that a nominee had not officially withdrawn or had not been removed officially from the ballot. Second, the researchers reviewed the website and press releases of the Illinois governor simply because the person serving in this office proposes a state budget to the Illinois General Assembly every year (Constitution of the State of Illinois, Article VIII: Section 2(a), 1970). Next, the researchers reviewed the websites and press releases of known public policy organizations that participate regularly in the public policy areas of public budgeting, taxation, and fiscal administration via the legislative and budgetary processes. Five such organizations exist. Finally, the authors reviewed all issues of

Illinois Issues from January of 2009 through the present. *Illinois Issues* (n.d.) is a statewide publication produced by the University of Illinois-Springfield that devotes coverage to state government, politics, and public policy in Illinois. This step in particular allowed the researchers to find news coverage of or references to proposals that were not available in the other sources. These four steps lead to subsequent searches of other sources due to information contained in them that warranted further investigation. All of these efforts collectively produced the proposals that are identified and described below.

As discussed in the Data and Methods section, the specific intent of this analysis is to identify features in the proposals that would alter any of the three main components – the individual income tax, the corporate income tax, and the sales tax – of Illinois' existing tax structure in order to enhance revenue generation. The proposals were judged according to this general criterion. A broad range of proposals were discovered and are discussed below; however, only those which meet the general criterion are included in the final comprehensive list. Briefly noting other proposals is important in order to provide a panoramic perspective of the overall political climate in which these proposals have been offered as well as to serve as informational references for the final discussion.

In regard to gubernatorial nominees, the researchers identified six proposals regarding Illinois' budget and deficit. Two of the proposals are from Governor Pat Quinn, while the other four are from state Senator Bill Brady, Rich Whitney, Lex Green, and Scott Lee Cohen, respectively. They are discussed in further detail below.

Pat Quinn is the current governor of Illinois and was the Democratic Party gubernatorial nominee in 2010. Governor Quinn (2009) introduced his Fiscal Year 2010 budget on the three principles of reform, responsibility, and recovery. As part of reform, the governor outlined changes to the state income tax structure to create tax equity, which involved increasing the individual income tax rate from 3% to 4.5% and the corporate income tax rate from 4.8% to 7.2%. These would have potentially brought in an additional $2.8 billion and $350 million in tax receipts, respectively (Quinn, 2009). The governor's proposed budget called for reducing overall spending by $1.3 billion (Illinois Governor's Office, 2009). According to the Center for Tax and Budget Accountability (2010), Governor Quinn's proposal would have raised an additional $3.5 billion from the increase in the individual income tax and an additional $330 million from the increase in the corporate income tax, which are different from the governor's predictions.

A year later, Governor Quinn (2010) introduced his Fiscal Year 2011 budget proposal on five ideas of fiscal recovery, which include federal assistance, borrowing, spending cuts, revenue enhancements, and job growth. As part of revenue enhancements, the governor proposed a 1% individual income tax surcharge for education expenditures, which would result in the individual income tax rate increasing from 3% to 4%. In addition, the governor's proposed budget would reduce overall spending by $2 billion (Illinois Governor's Office, 2010, March). In a telephone interview with the *Quincy Herald-Whig*, Governor Quinn speculated that his one percentage point increase in the individual income tax would generate an additional $3 billion in revenue (Wilson, 2010).

Senator Brady, the Republican Party nominee for governor, stressed that as governor he would be "vetoing every tax increase that comes across his desk" (Brady for Governor, n.d. b, para. 3). Senator Brady campaigned on the idea that Illinois should only enhance revenue generation through job growth and economic activity. His plan called for opposition to any proposals to increase taxes, specifically a graduated income tax and a gross receipts tax; elimination of the estate tax and the sales tax on gasoline; and creation of several tax credits to encourage economic recovery. Under this premise of new job growth and business expansion, Senator Brady believed Illinois would naturally bring in sufficient revenue for its needs (Bill Brady for Governor, n.d. a). In addition, Senator Brady advocated for a 10% decrease in the state budget and would only offer a detailed plan of his budget ideas once elected to office because he first wished to conduct a full audit of the state's finances (Wetterich, 2010, September). Senator Brady did not offer any specific projections or budget numbers. In short, his plan offered no revenue enhancement features based on the parameters of this study due to his opposition to tax increases.

Mr. Whitney (n.d.) was the Green Party nominee for governor. He presented a multiple step plan in helping to solve Illinois' budget deficits. These steps included reducing waste in government programs and services, reforming the tax system to make it more progressive, creating a state bank, and taxing specific items like legalized marijuana and speculative trading transactions. In essence, Mr. Whitney supported the implementation of Senate Bill 750 as introduced by Senator James Meeks, so he offered no specific plan of his own in regard to revenue enhancements to address the budget deficit. As a long-term policy, he advocated for having a sales tax that is only applied to luxury goods once the state becomes fiscally sound. Senate Bill 750 is discussed in further detail below.

Mr. Green (n.d.) was the Libertarian Party nominee for governor. He presented a libertarian-based plan that would reduce overall spending, eliminate unnecessary programs and services, eliminate the individual and corporate income taxes, and stop borrowing. In terms of the current budget situation, he did not support any tax increases and would cut the budget by at least 10%. His plan offered no revenue enhancement features based on the parameters of this study due to his opposition to tax increases.

Mr. Cohen (n.d.) was an independent nominee for governor. He presented a plan he said would save $10.5 billion over a four-year period through restructuring, eliminating waste, and freezing spending at Fiscal Year 2010 levels. He specifically advocated for no increases in taxes. His plan offered no revenue enhancement features based on the parameters of this study due to his opposition to tax increases.

In addition to the gubernatorial nominees, the researchers identified four other proposals regarding Illinois' budget and deficit from elected officials. Two of these proposals are from state Senator James Meeks, while the other two are from Comptroller Daniel Hynes and Cook County Assessor James Houlihan. All of them contain features that would enhance Illinois' revenue generation ability and are discussed in further detail below.

In 2009, Senator Meeks introduced Senate Bill 750, which contains numerous provisions regarding taxes, property tax relief, and educational funding, during the 96th Illinois General Assembly. According to the Center for Tax and Budget Accountability (2010), this legislation would increase the individual income tax from 3% to 5%, increase the corporate income tax from 4.8% to 8%, and expand the sales tax base to include services. These tax measures would enhance revenue generation by approximately $7.3 billion. According to Wells (2010, May), the expansion of the sales tax base would include 119 service categories and would generate $2.4 billion of the overall $7.3 billion.

To date, Senate Bill 750 is an empty bill because all of its substantive language is contained in amendments that have only been discussed but not formally added to the original legislation (Illinois General Assembly, 2009b).

Senator Meeks could not find sufficient support for Senate Bill 750, so he amended House Bill 174 as a scaled down version of his original ideas (Wells, 2010, May). Similar to Senate Bill 750, House Bill 174 as amended by the Illinois Senate contains numerous provisions regarding taxes, property tax relief, and educational funding. According to the Center for Tax and Budget Accountability (2010), House Bill 174 as amended by the Senate would raise the individual income tax rate from 3% to 5%, would raise the corporate income tax rate from 4.8% to 5%, and would expand the sales tax base to include 39 service categories. These tax measures would enhance revenue generation by approximately $5 billion. According to Wells (2010, May), the expansion of the sales tax base to 39 service categories would generate between $500 million and $720 million of the overall $5 billion. The Illinois Senate passed its amended version of House Bill 174 in May of 2009 by a vote of 31-27-1, and it currently resides on the Illinois House calendar awaiting further consideration (Illinois General Assembly, 2009a).

Wells (2010, May) highlights the political reality encountered by elected officials when attempting to expand the sales tax base to include additional services. Senate Bill 750 originally contained 119 taxable service categories, while House Bill 174 contained only 39 service categories. The latter passed the Senate but is still awaiting further consideration in the Illinois House. Any expansion, especially in a depressed economic climate, brings opposition from small business groups, such as the National Federation of

Independent Businesses and the Chamber of Commerce, which have traditionally strong lobbying representation. In addition, there is often a debate about taxing only luxury services versus that of everyday services. The former might include pet grooming and tanning, while the latter usually includes haircuts, laundry, and auto repair. A service tax on the latter categories would directly impact lower-income people to a greater degree, financially speaking, than middle and upper-income people. The Federation of Tax Administrators (2008) notes that Illinois currently taxes only 17 of 168 possible service categories, so it maintains a narrow base of taxation on the general service industry within its jurisdiction. The difference between the number of service categories in Senate Bill 750 and House Bill 174 indicates how difficult the process can be in attempting to expand Illinois' sales tax base past the current 17 service categories.

Comptroller Hynes released a tax and fiscal plan when he was a candidate running for the Democratic nomination for governor. His plan outlined several ideas for balancing the state budget, which included reducing spending, making operations more efficient, taxing 14 services via the sales tax rate that are not currently taxable, and implementing a graduated, or progressive, individual income tax. Based on these changes, the taxable services would presumably bring in an additional $360 million per year, while the graduated income tax would bring in an additional $5.5 billion per year. The tax would range from the current 3% rate as the minimum to a 7.5% rate as the maximum; however, such a change in the income tax structure would require an amendment to the state constitution (Friends of Dan Hynes, n.d.).

The Hynes' budget and financial plan encountered some criticism for its claim of raising an additional $5.5 billion under the suggested graduated income tax. According to the Center for Tax and Budget Accountability (2010), the graduated income tax structure would only raise an additional $2.3 billion. The organization utilized 2007 individual income tax data from the Illinois Department of Revenue to determine this figure. Comptroller Hynes lost the Democratic general primary election in February to Governor Quinn in a close race (Illinois State Board of Elections, 2010, February); however, his general concept of implementing a graduated income tax in the state received support from two-thirds of Illinois voters as indicated in the 2008 statewide poll conducted by the Paul Simon Public Policy Institute (Leonard, 2009). With such public support, another political or elected official may pursue it. One of the public policy organizations recommended that Illinois should study the feasibility of implementing a graduated income tax system as well (Civic Federation, 2010).

Assessor Houlihan proposed a budget outline containing numerous elements. Its major elements included reducing the state sales tax from 5% to 3.25%, expanding the state sales tax base to include services, and increasing the state individual income tax from 3% to 4.25%. The proposal would presumably raise an additional $5 billion in revenue while providing certain tax credits to property owners and low income individuals as well as maintaining the current rate for the corporate income tax (Cook County Assessor's Office, 2009). According to the Center for Tax and Budget Accountability (2010), the Assessor's proposal would raise an additional $2.6 billion from the increase in the individual income tax, an additional $1.1 billion from the expansion of the sales tax base, and an additional $150 million from restructuring property tax credits statewide. No public information was available in terms of how many service categories were included in the expansion of the sales tax base.

In regard to public policy organizations, The Civic Federation, the Civic Committee of the Commercial Club of Chicago, the Illinois Policy Institute, the Taxpayers' Federation of Illinois, and the Center for Tax and Budget Accountability all routinely engage state officials, legislators, and each other in the policy making process regarding taxes, budgets, and finances. In addition, they collaborate on occasion in producing budget-related analyses and proposals. The research has identified three proposals from these organizations that address the current budget deficit. These three proposals are from the Civic Federation, the Civic Committee of the Commercial Club of Chicago, and the Illinois Policy Institute, respectively. Neither the Taxpayers' Federation of Illinois nor the Center for Budget and Tax Accountability offered specific proposals of their own that address the current budget deficit problem.

The Civic Federation (2010), a nonpartisan research organization that focuses on improving the quality and cost of government programs and services in Illinois, released a detailed plan addressing the state's financial condition. The plan called for reductions in state programs and services by at least $2.1 billion, reforms in state pensions and other programs, and increases in revenue through changes in the tax structure. In terms of revenue enhancement, the Civic Federation would increase the state individual income tax from 3% to 5%, raise the state corporate income tax from 4.8% to 6.4%, and repeal the state's exemption on retirement income. The Civic Federation estimated that the increase in the individual and corporate income taxes would raise an additional $6 billion, while the repeal measure would raise an additional $1.6 billion. In addition to these measures, the Civic Federation recommended that the state should study the feasibility of expanding the sales tax base to include services as well as the implementation of a graduated state income tax; however, it clearly expressed that all revenue measures should only be considered after state government reduces expenditures and reforms programs and services for greater efficiency.

The Civic Committee of the Commercial Club of Chicago (2009), a private not-for-profit organization that promotes improved economic growth and quality-of-life conditions in the general region, published a report addressing the state's current financial condition. The report recommended reducing overall costs, emphasizing reforms and efficiency in state programs and services, and avoiding any tax increases at this time. The Civic Committee opposes any consideration of revenue enhancements until the state assumes greater control over its finances, including reducing overall costs by $2.5 billion and instituting better cost controls for the future.

The Civic Committee of the Commercial Club of Chicago (2006) issued a similar report a few years ago in which it stressed the need for the state to control overall costs and to make operations more efficient. In that report, the Civic Committee reviewed three revenue enhancement measures being considered in the public arena and offered an alternative version. In its alternative version, the Civic Committee recommended increasing the individual income tax from 3% to 4%, increasing the corporate income tax from 4.8% to 6.4%, and expanding the sales tax base to include services. According to the report, these enhances would generate $2.5 billion, $500 million, and $2 billion, respectively. This report indicates that some organizations may support revenue enhancements but wish for such enhancements to be incorporated into a comprehensive fiscal plan that includes cost controls and efficiency as well.

The Illinois Policy Institute (2010), a nonpartisan research organization that advocates for free-market principles in public policy matters, published an alternative budget to the governor's budget for Fiscal Year 2011. In short, this alternative budget called for prioritization spending within existing tax resources, emphasized reforms and greater efficiency in state programs and services, reduced overall costs, and opposed an increase in taxes or fees. The report outlined a detailed plan for Fiscal Year 2011 in a line-by-line manner for every state agency, department, and commission and greatly emphasized reduced spending and control over future costs. The alternative budget would have authorized a total of $21.3 billion worth of spending in general revenue funds, which would then serve as the base for very limited growth for the next two fiscal years. Due to pension payment and other obligations, total general revenue spending for Fiscal Year 2011 would have increased to $26.9 billion.

The Taxpayers' Federation of Illinois (n.d.), a nonpartisan tax policy organization, offers information that pertains to the state's general finances, tax policies, and budget issues; however, it neither published any specific reports in regard to the current state budget nor made any associated recommendations for revenue enhancements.

The Center for Tax and Budget Accountability (n.d. a) is a bipartisan research and advocacy organization on taxes and economics that provides a large volume of data analysis on state budgets, legislation, and operations. Generally speaking, the Center for Tax and Budget Accountability (n.d. b) advocates for a progressive tax system to eliminate the structural deficit and to reform the manner in which the state funds education. The organization supports a few of the general ideas for revenue enhancement that are contained in identified proposals, but it did not produce a specific proposal itself.

According to a report from the Civic Committee of the Commercial Club of Chicago (2006), the Center for Tax and Budget Accountability supported House Bill 750 in 2005, which would have increased the individual income tax from 3% to 5% and the corporate income tax from 4.8% to 8% as well as expanded the sales tax base. Based on the report, these enhancements would have resulted in new revenue of $8.1 billion. The provisions in that legislation were similar to the current provisions of House Bill 174 and Senate Bill 750 in the 96th Illinois General Assembly.

Through this analysis, it is possible to identify and describe 13 proposals containing features that address the state budget and its deficit in specific ways within the current political and economic environment. Of these 13 proposals, seven contain revenue enhancement features based on the parameters of this study that attempt to address the budget deficit. Table 1 contains the main features of these seven proposals, as they suggest changes to any of the three main components - the individual income tax, the corporate income tax, and the sales tax – of Illinois' existing tax structure in order to enhance revenue generation to address the budget deficit.

Table 1. Summary of Revenue Enhancement Components

Proposals	Individual Income Tax	Corporate Income Tax	Sales Tax
Quinn FY 2010	3% to 4.5%	4.8% to 7.2%	None
Quinn FY 2011	3% to 4%	None	None
Meeks SB 750	3% to 5%	4.8% to 8%	Expand base to have 119 service categories
Meeks HB 174	3% to 5%	4.8% to 5%	Expand base to have 39 service categories
Hynes	Range from 3% to 7.5% based on multiple levels	None	Expand base to have 31 service categories
Houlihan	3% to 4.25%	None	5% to 3.25%; Expand base to have more service categories
Civic Federation	3% to 5%	4.8% to 6.4%	None

In addition, Table 1 divides the proposals' individual features into the three categories labeled Individual Income Tax, Corporate Income Tax, and Sales Tax. The categories reflect how each one of the seven proposals suggests or does not suggest a change within it for the purpose of greater revenue enhancement. For instance, Quinn FY 2010 reflects an increase in the individual income tax from 3% to 4.5%, an increase in the corporate income tax from 4.8% to 7.2%, and no change in the sales tax. No plan indicates no change whatsoever to the current tax structure within a particular category. Not all proposals indicate a change via an increase. For example, Houlihan reflects a decrease in the sales tax from 5% to 3.25% while suggesting that its base should be increased to include additional services. In regard to the expansion of the sales tax base, the Federation of Tax Administrators (2008) notes that Illinois currently taxes only 17 of 168 possible service categories, so it maintains a narrow base of taxation on the general service industry within its jurisdiction. Several proposals suggest an increase in this base. Finally, Hynes reflects a change in the individual income tax to a progressive system with multiple steps between 3% and 7.5%.

In addition to these seven proposals, five of the remaining six proposals represent strong opposition to tax increases in general within the current political and economic climate. Senator Brady, Lex Green, and Scott Lee Cohen all explicitly stated opposition to any tax increase in their campaigns for governor. Likewise, the Illinois Policy Institute and the Civic Committee of the Commercial Club of Chicago expressed similar opposition. Such opposition is addressed in greater detail in the Final Discussion section. The last proposal is from Rich Whitney, which in essence expressed support for the provisions of Senate Bill 750 during his campaign.

The five proposals that contain features opposing tax increases present an interesting area of inquiry. They represent an alternative approach to the budget deficit dilemma that is very real in the current political and economic environment. Likewise, these proposals contain other features that may indirectly contribute to the budget deficit, at least in their initial phase. For instance, Senator Brady's plan included several tax credits as well as the elimination of certain taxes, such as the estate tax. Although the intent is to spur economic activity in order to create a greater tax base than currently exists in Illinois, such incentives do remove certain amounts of revenue from current state collection. In other words, the state loses additional revenue, which may further disrupt the continuity of state programs and services. While such foregone revenue merits further investigation, expanding the inquiry goes beyond the scope of this particular study.

In addition, many of these features are policy statements with limited fiscal data currently available from official sources. The Fiscal Note Act (n.d.) provides that any legislation affecting state revenues, funds, or expenditures is subject to a factual estimate in dollar amounts regarding its short and long term effect on the state. However, unless any of these proposals are included in specific legislation, determining actual cost to the state via lost revenue is a difficult task. On the other hand, if presented in legislation, then actual cost to the state can be determined through a fiscal note. Such potential revenue loss to the state is a legitimate area of inquiry, but reliable data on such estimates is unavailable under the parameters of this paper. The next section discusses the commonalties and differences between the seven revenue-enhancing proposals.

Categorical Commonalties and Differences among Proposals

This section reviews the commonalties and differences among the seven proposals in Table 1, which are Quinn 2010, Quinn 2011, Meeks SB 750, Meeks HB 174, Hynes, Houlihan, and Civic Federation. Their individual features have been categorized into the individual income tax, the corporate income tax, and the sales tax.

In regard to the individual income tax, all seven of the proposals contain features that support an increase in the rate in order to generate additional revenue for addressing the budget deficit. Six of the proposals contain features that would raise the non-graduated, or flat, individual income tax rate, while one proposal – Hynes – contains a feature that would implement a graduated, or progressive, one. As noted earlier, the state constitution would need to be amended in order for a graduated individual income tax to take effect (Friends of Dan Hynes, n.d.). In addition, the Civic Federation proposal strongly emphasizes spending reductions and greater efficiency in state programs and services before considering any tax increases, which it only considers as a last resort. Generally speaking, the individual income tax has very strong commonality because all seven proposals contain a feature that includes enhanced revenue generation through altering its current structure.

In regard to the corporate income tax, four of the seven proposals contain features that support an increase in the rate in order to generate additional revenue for addressing the budget deficit. These four proposals are Quinn 2010, Meeks SB 750, Meeks HB 174, and Civic Federation. All four of these proposals contain features that would implement such an increase in conjunction with a corresponding increase in the individual income tax rate. Article IX Section 3(a) of the Constitution of the State of Illinois (1970) mandates that the corporate income tax rate must be non-graduated in nature and limits any increase in it to an eight to five ratio in relation to the individual income tax rate. In addition, the Civic Federation proposal strongly emphasizes spending reductions and greater efficiency in state programs and services before considering any tax increases, which it only considers as a last resort. The corporate income tax has a large degree of commonality in that four of the seven proposals contain a feature that includes enhanced revenue generation through altering its current structure.

In regard to the sales tax, four of the seven proposals contain features that would change it in some manner in order to generate additional revenue for addressing the budget deficit. These four proposals are Meeks SB 750, Meeks HB 174, Hynes, and Houlihan. All four proposals contain features that would expand the sales tax base to include additional service categories, but in varying degrees. In addition, the Houlihan proposal contains an additional feature that would decrease the sales tax rate. This is the only suggestion in terms of altering the actual rate. The sales tax has a large degree of commonality in that four of the seven proposals contain a feature that includes enhanced revenue generation through altering its current structure.

In conclusion, the individual income tax category has the most commonality because all seven proposals contain a feature that alters this component in the existing tax structure for greater revenue enhancement. The corporate income tax and the sales tax categories have the second most commonality equally because four of the seven proposals within each category contain a feature that alters its respective component in the existing tax structure for greater revenue enhancement.

Final Discussion

Illinois' current political and economic environment guides its public policy discussion in how to address the state's budget deficit in two general but different ways. The first way is how to properly address the state's budget deficit through enhanced revenue generation. Seven of the 13 identified budget plans in the Identification and Description of Proposals section include revenue-enhancing features. The most common features among these seven proposals are support for an increase in the individual income tax rate on a non-graduated basis, an increase in the corporate income tax rate on a non-graduated basis, and an expansion of the sales tax base to include additional service categories. The features contained in these seven proposals represent a desire for some state officials to address the budget deficit problem through additional revenue enhancement. As mentioned earlier, Bunch (2010) notes Illinois has suffered from a chronic structural deficit since Fiscal Year 2001 largely because "a relatively low nongraduated income tax rate, a weak corporate income tax, and a sales tax with a narrow tax base have resulted in tax revenues that are insufficient to support the state's spending needs" (p. 114). These seven proposals with their revenue enhancing features are suggestions in how to remedy this chronic structural deficit from a strengthened revenue perspective.

The second way is how to address the budget deficit problem through greater efficiency of existing resources. Five of the 13 identified budget plans in the Identification and Description of Proposals section express direct opposition to any tax increases. They simply stress greater efficiency in existing programs and services as well as control on costs. Two of these budget plans – Lex Green (n.d.) and the Illinois Policy

Institute (2010) – might be set aside because they reflect a traditional libertarian perspective of smaller government and lower taxes, despite whatever the general political or economic environment might be at the time. However, two of the other plans – Senator Brady (n.d.) and the Civic Committee of the Commercial Club of Chicago (2009) – represent traditions with mixed perspectives in Illinois.

Senator Brady's (n.d.) plan stressed no tax increases, efficiency in existing resources, and economic incentives for private sector growth; yet, the individual and corporate income taxes in Illinois were proposed, supported, and increased largely by Republican governors. In short, Republican governors, particularly Governors Ogilvie, Thompson, and Edgar, have a history of increasing general taxes in Illinois to help address the state's budget needs (Howard, Pensoneau, & Long, 2007). While efficiency in operations and reductions in programs and services are part of the equation in finding a solution to Illinois' current budget deficit, tax increases might be necessary as well. Republican gubernatorial leadership has reflected a willingness to support tax enhancements in such times; however, current and future Republican leadership in Illinois, generally speaking, may simply not accept such a willingness to do so.

The plan offered by the Civic Committee of the Commercial Club of Chicago (2009) opposed tax increases and emphasized overall efficiency and cost control. Similar to Republican governors though, the organization has a mixed history because it has supported tax increases in the past. As noted earlier, the Civic Committee of the Commercial Club of Chicago (2006) issued a report a few years ago in which it recommend an increase in the individual and corporate income tax rates as well as an expansion of the sales tax base to include additional services. Similarly, the Civic

Federation (2010) offered a plan with tax increases, but it also stressed that they should only be considered as a last resort once greater efficiency methods and cost reductions have been implemented. These two organizations are not adverse to tax increases, but they do advocate it as only one part in a comprehensive plan that also includes greater operational efficiency, cost control measures, and spending reductions.

The dichotomy of the current political climate is that revenue enhancement is needed at this time in order to continue popularly supported programs and services but there is strong opposition to any tax increases to pay for their continued existence as well. The main challenge for state officials is attempting to reconcile these two aspects sufficiently so that the budget deficit can be addressed with a realistic solution.

At the national level, the American public has expressed strong opposition to cutting state programs and services in several areas but are unwilling to support any tax increases to maintain them at their current levels as well (Pew Research Center & *National Journal*, 2010).

In Illinois, the public generally opposes any cuts to state programs and services but show mixed results in terms of revenue enhancements (Leonard, 2009, 2010; Leonard & Jackson, 2010). In regard to revenue enhancement in the 2008 statewide poll, the results show that 65.9% of respondents indicated support of a graduated income tax structure, while 78.1% opposed an increase in the state sales tax rate and 67.6% opposed an expansion of the sales tax structure to include services (Leonard, 2009). The results of the 2009 statewide poll show the following positions in regard to revenue enhancement: 65.5% opposed an increase in the state income tax rate from three to four and one-half percentage points; 75.8% opposed an increase in the state sales tax rate; and 53.3%

opposed an expansion of the sales tax structure to include services (Leonard, 2010). And finally, the 2010 statewide poll results show the following positions: 56.2% opposed an increase in the state income tax rate from three to four percentage points; 72.9% opposed an increase in the state sales tax rate; 51.4% opposed an expansion of the sales tax structure to include services like haircuts and dry cleaning; and 53.6% opposed an expansion of the sales tax structure to include services like legal work and accounting (Leonard & Jackson, 2010). In general, there seems to be some public support for a progressive individual income tax, a steady level of opposition to an increase in the individual income tax on a non-graduated basis as well as to an increase in the sales tax, and an overall decline in opposition to an expansion of the sales tax base to include additional services.

In regard to the seven proposals that contain revenue enhancing features, relating public support to their most common features shows some interesting perspectives about the available options for revenue enhancement in Illinois. First, the most common feature in the seven proposals is an increase in the individual income tax rate on a non-graduated basis; however, such an increase is opposed by two-thirds of Illinoisans in the 2009 statewide poll and a little over half of Illinoisans in the 2010 statewide poll.

Second, the most uncommon feature in terms of revenue enhancement through an increase in the individual income tax, an implementation of a graduated system, is supported by two-thirds of Illinoisans based on the 2008 statewide poll. Although it is the most popular with the public, only one proposal of the seven contained a feature that recommended it. In addition, a graduated income tax system would prove to be the most difficult to implement because of the process involved in amending the state constitution. At best, such an increase would need to be part of a long-term solution.

Next, any increase in the corporate income tax rate completely rests on an increase in the individual income tax rate. Under the constitutional constraint of an eight to five ratio outlined in Article IX Section 3(a) of the Constitution of the State of Illinois (1970), the current rate of 4.8% is the highest rate allowed in relation to the current individual income tax rate of 3%. Four of the seven proposals contain a feature that recommends an increase in the corporate income tax in a corresponding manner with an increase in the individual income tax. The survey results show that a majority of Illinoisans indicated opposition to an increase in the individual income tax on a non-graduated basis, which in turn indirectly expresses their opposition to an increase in the corporate income tax. In reality, any increase in the corporate income tax would yield very minimal revenue enhancement when compared to any increases in the individual income tax and sales tax rates as well as an expansion of the sales tax base to include services.

Finally, the majority of Illinoisans oppose an increase in the sales tax rate as well as an expansion of its base to include services; however, the opposition to such an expansion to include services has significantly lowered between 2008 and 2010, as indicated by the poll results. As noted earlier, Illinois presently taxes only 17 out of 168 possible service categories (Federation of Tax Administrators, 2008). This reflects a narrowly applied sales tax rate on the service industry in Illinois, and such a narrowly applied rate may prove to be antiquated for revenue generation purposes due to the fact that the service industry has grown in recent decades. According to the Illinois General

Assembly's Commission on Government Forecasting and Accountability (2009), over 40% of Illinois' current economy is based on the service industry and could contribute somewhere between an additional $3.64 and $7.25 billion to the general revenue fund. Four of the seven proposals contained features that suggest an expansion in the sales tax base. Any public support for this revenue enhancement option seems lukewarm at best in the current political environment despite the fact that it would be very beneficial, financially speaking.

Powell (2010) succinctly describes the state's general political environment as follows: "More broadly, Illinois is caught between blue state convictions about social safety nets and a red state aversion to taxes" (Stopgap Solutions section, para. 11). In other words, Illinoisans like to enjoy a certain level of state provided programs and services but want low taxes as well. The current economic environment has disrupted this scenario to a certain degree, but the state also suffers from a chronic structural deficit that must be properly addressed sooner or later. As noted earlier, Illinois has maintained a chronic deficit since Fiscal Year 2001, which means that it has existed in both good and poor economic environments (Bunch, 2010). The seven proposals containing revenue-enhancing features represent one way in which to address the budget deficit; however, other proposals that contain features opposing such revenue enhancement pose an alternative way in how to address the budget deficit. This latter aspect threatens the former because it remains popular with the general public.

In conclusion, the chronic budget deficit problem will continue to persist in Illinois until a sufficient, pragmatic solution is found. Such a solution will most likely encompass revenue enhancements, reductions in programs and services, and an added emphasis on operational efficiency. In regard to the revenue enhancement perspective, the seven revenue-enhancing proposals identified and discussed in this study simply represent varying degrees in how to create a more effective tax system in Illinois that can generate a sufficient amount of revenue on a consistent basis to pay for the desired level of public programs and services. Public officials and public policy organizations have debated these differing proposals in the public arena to a greater degree due to the national recession and due to the emphasis on the gubernatorial election. It is the intention of the authors of this paper to contribute to that debate. This synthesis highlights some of the major similarities and differences between the proposals which have been offered. When the 97th Illinois General Assembly convenes in January of 2011, it will most likely continue to consider and debate similar revenue enhancing proposals. Illinois will need to create a final solution to its chronic budget deficit sooner rather than later, and revenue enhancement will undoubtedly play a central role in such a solution.

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