

Tax hikes no cure for state's fiscal ailments

Feb. 02, 2009

With Rod Blagojevich out of the way, Illinois leaders must turn immediately to solving the state's fiscal crisis.

Illinois faces a \$4-billion deficit, and new Gov. Patrick Quinn will have just 30 days to submit a budget plan to close the gap.

Talk in Springfield already is turning to a tax hike. State Senate President John Cullerton confirmed as much last week, telling *Crain's* Steven R. Strahler that increases in both the income tax and gas tax are possible.

Before they raise anybody's taxes, legislators should attack the root causes of Illinois' chronic budget shortfalls. Mr. Blagojevich's profligacy is only partly to blame for the yawning deficit. Built-in inefficiencies and waste in state government contributed, too.



Spending cuts and structural changes to streamline government should be part of any budget-balancing exercise. Lawmakers must make hard choices and attack the largest sources of pressure on the state treasury.

Start with state pensions, which are underfunded by tens of billions. Illinois can't afford its generous public employee pension system and must adopt the kind of retirement plans private companies have shifted to over the past 20 years.

Move on to the duplicative and wasteful proliferation of government agencies in Illinois. Numerous townships and small school districts draw funds from the state and increase the property tax burden. The townships are unnecessary and should be eliminated, while many smaller school districts should be consolidated.

Purging structural inefficiencies will provide lasting savings for Illinois taxpayers. After making these reforms, legislators should order a top-to-bottom review of state operations, looking for ways to reduce headcount and other expenditures and make government more efficient. Every expense should be scrutinized and those that are not the most efficient means of achieving the state's objective eliminated.

Only after squeezing every unnecessary dime out of spending can we determine if a tax hike is really needed and, if so, how big it should be.

©2009 by Crain Communications Inc.
