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With his latest budget, the governor points Illinois in the right direction

By Kelly Welsh
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There is much to like in Gov. J.B. Pritzker's proposed fiscal year 2023 budget. If it passes along the lines of what is proposed, Illinois will fully fund planned increases in K-12 education, provide more money for low-income people to attend college, fund pensions above what is required by law, keep paying down bills and set aside money for a rainy day. Rating agencies, which recently gave Illinois its first credit-rating boost in two decades, are taking notice.

There also are state and federal funds to rebuild our infrastructure, and there are a couple of short-term tax breaks to help families and small businesses cope with inflation. The open question is whether this budget represents the first step in a long overdue journey towards fiscal responsibility or only a temporary departure from decades of financial mismanagement.

Three years ago, we published a plan to stabilize state finances through a combination of spending reductions, revenue increases, a stronger rainy day fund, reduced bill backlogs and a new pension funding plan. We called for putting more money into pensions to reach the "tread water" level so the state's unfunded liability stops growing. Due to high investment returns, Illinois is now at tread water, but pensions still make up about 20% of the state budget and continue to crowd out essential services.

The governor's proposed budget includes full funding of the required annual pension contribution of $8.7 billion, plus $500 million in supplemental contributions that could save taxpayers an estimated $1.8 billion over time. Nevertheless, despite the positive direction of the proposed 2023 budget, the state will continue to have the lowest credit rating of any state in the country. It remains important for the governor and the General Assembly to develop and implement a comprehensive plan to improve the state's finances on a long-term basis and achieve substantive improvements in the state's credit rating over the next five to seven years. Without such a plan, the Illinois economy will continue to underperform its potential.

It's also worth noting that since the proposed budget was released, projected state revenues are up a total of nearly $1.2 billion dollars in fiscal years 2022 and 2023. We urge the governor and General Assembly to use these funds to continue to address the state's fundamental fiscal stability—reducing legacy costs like pensions and other debt—after the COVID relief funds are gone.

We also need responsible pension funding strategies at the local level, where unfunded liabilities also run into the tens of billions of dollars. It's concerning to see Springfield dabbling with new and proposed laws that would significantly increase local pension costs.

For example, last year the state sweetened pensions for Chicago firefighters, adding $850 million in costs for city taxpayers over the next three decades. A proposed companion bill for Chicago police would add an estimated $3 billion to Chicago's pension tab.

Meanwhile, the Illinois Municipal League is pushing two bills for downstate police and firefighter pensions that cut contributions today, but ultimately increase costs to taxpayers. We urge lawmakers to reject them both.

There is also one unaddressed issue in the governor's proposal: the $4.5 billion Illinois owes the federal government for the Unemployment Trust Fund loan, which comes due in November. Presumably, the solution will include some significant share of the unspent American Rescue Plan dollars ($3.3 billion) to reduce the impact on taxpayers, as has been done in several other states.

That said, Illinois is poised for growth and progress on several fronts. Our universities and research centers are world-class, we have a talented and well-educated work force, a diversified and sophisticated economy, and our transportation infrastructure remains one of Illinois' top competitive advantages.

Illinois' transportation and infrastructure capital program could now total as much as $54 billion, including both state and federal funds. To generate the greatest economic impact, however, the state has to set the right priorities for investing these dollars.

At the top of our list is the 75th Street Corridor Improvement Project, which would unclog one of the largest freight rail bottlenecks in the country. We also hope Chicago proceeds with the Union Station master plan, which would better link Metra with the Chicago Transit Authority and could enable connections to McCormick Place and O'Hare Airport.

O'Hare, of course, is the economic engine of the region and is also on track for growth. O'Hare recently completed a 20-year runway improvement program to increase capacity and reduce delays. The next step is to modernize terminals and improve rail access.

Finally, to help complete infrastructure projects on time and on budget, we urge Springfield to pass a law allowing for "design-build procurement." This approach brings together construction and design teams at the start of a project, rather than having separate design and construction contracts. Illinois is one of just four states that does not allow design-build.

In an election year, Springfield could have dedicated one-time federal COVID relief funds to politically popular projects. Instead, the governor's proposed budget invests in long-term fiscal stability and economic growth. Let's hope the Legislature takes his lead and uses this opportunity to put Illinois on a better and stronger path.

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