



OFFICE OF THE COMPTROLLER

DANIEL W. HYNES
COMPTROLLER

ROOM 201
STATE HOUSE
SPRINGFIELD, ILLINOIS 62706

June 23, 2009

The Honorable Pat Quinn
Illinois Governor
207 State House
Springfield, Illinois 62706

COPY

Governor Quinn's False Choice

An Open Letter to Governor Pat Quinn

Dear Governor Quinn:

I, like many other citizens, have grown increasingly concerned with the possibility of billions of dollars in harmful budgetary cuts to vital human services and healthcare programs you claim would be necessary if the state does not raise the income tax. I am concerned not only about the cuts themselves, but about the fact that I believe you have needlessly incited fear and panic among those who rely on state-funded human services. As Comptroller, I have a great appreciation for our state's social service safety net and the provider community that supports it.

Since the day you gave your budget presentation in March, your position has been consistent: that the only way to avoid painful cuts in human services is to raise the income tax. What has not been consistent, is the amount of revenue you believe we need in order to avoid such cuts. First, you maintained that a 50% income tax increase was needed, as it would raise the necessary \$4.5 billion. In the closing hours of the May legislative session you appeared to support the Cullerton/Meeks bill that would have raised \$5.5 billion. In the last few weeks, you are back to supporting a 50% income tax increase, even though your office estimates that the deficit has grown by an additional \$2 billion, from \$7 billion to \$9 billion. (For the record, my office disputes this figure and believes the funding gap remains at approximately \$7 billion).

I believe that part of your difficulty in obtaining votes for an income tax increase is the fact that the public is confused about how much money is really needed to fix the deficit. Legislators are therefore understandably reluctant to vote for an ever-changing proposal for an ill-defined

problem. In a sense, we have all been given a false choice: raise taxes by \$4 to 5 billion or cut human services by the same amount.

I believe there is a third way. Government must go through the painful exercise of scrutinizing every state expenditure and identifying any alternative revenue sources before asking taxpayers or recipients of state services to sacrifice themselves. **To date, I do not believe this has been done.** For example, in early February I sent you a list of nearly 4,800 discretionary contracts across all state agencies totaling over \$1.4 billion. That same category now exceeds 6,300 contracts for a total of \$1.8 billion.

There are obviously a number of prospective cuts and alternative revenue enhancements that might contribute to closing the funding gap that currently exists. Reducing all operational contractual expenditures by a flat 20% or more, regardless of fund source, focusing on so called "professional and artistic" services including management consulting, advertising and legal contracts, could free up to \$250-300 million to be directed toward more vital purposes. An aggregate 5% cut in agency operations, with an emphasis on scaling back or eliminating non-essential programs like foreign trade offices, the Illinois Information Service, and the state air fleet would identify a potential \$350 million for re-allocation. A 5% cut in grants spending, far less drastic than those reductions now being proposed, would net a possible \$500 million and should target currently unaffordable incentives programs, promotional activities and those awards deemed ineffective or poorly administered thru prior audits or evaluations.

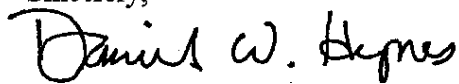
The potential net \$1.2 billion realized through these spending reductions could be augmented by new revenue raising measures targeting activities that affect consumers by their own choice and not the taxpayer at large. An abridged version of the service tax legislation that passed the state Senate focusing on "luxury" services such as spas, marinas, travel services, tanning salons, and dating services, to name a few, could realize \$500 million in revenue. Combining that revenue with an expanded gaming proposal including new boats, increased cigarette taxes and the closure of corporate tax loopholes might raise a total of \$1.8 billion.

While not intended to be an exhaustive list, and admittedly not enough to eliminate the entire deficit, I believe it begins the process of changing government from within before asking more of taxpayers and vulnerable citizens.

That burden on both taxpayers and on recipients of state services would obviously be diminished if our state's economy could be improved and for this reason, I urge you to sign the Capital bill as soon as possible. The economic stimulus that a \$26 billion public works program would provide Illinois in terms of employment and tax revenue is of such magnitude at this critical juncture that further delay cannot be justified. It is not just a question of tens of thousands of jobs and expanded tax revenues or even an improved infrastructure, however significant. I believe that Illinoisans need to see some evidence that state government is both functional and relevant to their day to day lives.

My final recommendation is this. Start over. Call on the legislature to pass a 60-day budget that keeps education, health care and other vital services at current levels. During this time, all of us should identify ways to reduce spending, raise revenue, and most importantly enact budgetary reforms that ensure that the state never finds itself in this situation again. If these efforts fall short of eliminating the deficit and putting us on sound financial footing, then we can face the decision about whether to increase the income tax and by how much. Then, and only then, will the public support such a decision.

Sincerely,

A handwritten signature in black ink that reads "Daniel W. Hynes". The signature is written in a cursive style with a large, prominent initial "D".

Daniel W. Hynes
Comptroller