Illinois Business Leaders Present Fiscal Plan to Create a Foundation for Economic Growth

Civic Committee Introduces New “2+2” Pension Funding Proposal

(Feb. 5, 2019, Chicago, IL) – With political leadership alignment in Springfield, the Civic Committee of the Commercial Club of Chicago says Illinois has a unique opportunity to address the state’s fiscal health and offers solutions in a new comprehensive plan called “Restore Illinois: A Foundation for Growth.”

“Illinois needs to repair its fiscal condition which is the biggest impediment to the strong economic and job growth our State needs,” said Jay Henderson, Chairman of the Civic Committee’s Tax Policy Task Force. “It is a solvable problem and we have laid out a five-year framework that does it.”

“Restore Illinois” was developed by the Tax Policy Task Force of the Civic Committee, a nonpartisan organization comprised of senior executives of the Chicago region’s leading businesses.

The reforms detailed in “Restore Illinois” recommend the State identify $8 billion a year in spending cuts and increased revenues to address the State’s fiscal problems.

To provide for a sustainable future, the Civic Committee plan is grounded in the following goals:

- Eliminating the budget deficit (projected to reach $3.4 billion in 2021) and unpaid bills (approximately $7.8 billion by the end of FY19);
- Tackling the State’s unfunded pension liabilities of roughly $130 billion; and
- Establishing a reserve fund of $4-5 billion.

“Resolving Illinois’ fiscal crisis and restoring confidence in our state is within reach,” said Scott Santi, Chairman of the Commercial Club of Chicago. “It will require facing the reality of the situation, making tough decisions and sacrifices, and then sticking to a plan.”

To address the State’s unfunded pension liabilities, the Civic Committee introduces a “2+2” pension funding plan that will stop the growth in the State’s unfunded pension liabilities sooner and save billions compared to the State’s current pension payment schedule. “2+2” proposes restructuring the pension contribution schedule so that the State’s baseline contributions would grow at 2 percent a year, and the State would provide an additional $2 billion in supplemental contributions until the plans are 90 percent funded. Then, the plan would amortize the remaining unfunded liability over 10 years.

Projected benefits of the “2+2” Plan include:

- State pension plans reaching 93% funded by FY45;
- Total financial benefits of over $45 billion which come from:
  - Total State contributions over time (FY20-FY65) of about $8.6 billion less in real dollars than under the current status quo contribution schedule; and
  - Eliminating the State’s unfunded pension liability, currently projected to be $37.7 billion in FY65.
“Illinois’ fiscal problems are negatively impacting our economy and our ability to create a robust and competitive jobs climate,” said Civic Committee Chairman Rick Waddell. “Economic and job growth needs the certainty that will come only from a credible plan that solves the fiscal problem and is faithfully implemented over time.”

The report’s recommendations center on a financial Framework for the State with five key elements:

- Implement long-term financial planning and increase fiscal transparency;
- Eliminate the structural budget deficit and unpaid bills, implement a new funding plan to pay down approximately $130 billion in unfunded liabilities of the State’s pension funds, and establish a reserve fund;
- Review the entire State budget for expense reductions;
- Reform the tax system and raise revenues, as needed; and
- Establish goals and metrics to measure the State’s progress.

The Framework calls for State government to achieve an $8 billion annual target through $2 billion in expenditure reductions and $6 billion in revenue increases for each of the years from FY2020-2024. Among the proposals are recommendations to better align the State’s group health insurance plan with the private sector, reduce State spending through operational improvements, and raise revenues through tax changes designed to minimize the negative competitive impact on Illinois from higher taxes.

“Illinois possesses great assets, including a diversified economy, an educated workforce, outstanding educational and research institutions, natural resources, and a great transportation infrastructure, but the uncertainty surrounding the fiscal health of our State has held Illinois back for too long,” explained Kelly R. Welsh, President of the Civic Committee. “We are confident that implementation of the Framework will build a foundation for growth and job creation.”

The report also recommends additional reforms, noting that other aspects of Illinois’ jobs climate should be improved by moving toward the successful policies and practices of most other states. Reform recommendations focus on three key areas:

- Improving transparency and promoting coordination and consolidation among Illinois’ local units of government;
- Monitoring the State’s new education funding formula (Senate Bill 1947) to ensure it is fair and equitable for all students, and meeting the $350 million annual funding target; and
- Aligning Illinois workers’ compensation provisions with best practices from other states.

In developing “Restore Illinois,” the Civic Committee made recommendations based on the principle that aligning the State with proven fiscal best practices and implementing reasonable, common-sense reforms will build a foundation for long-term fiscal health and growth.

The Civic Committee’s full report is available here.

About the Civic Committee

The Commercial Club of Chicago, founded in 1877, formed the Civic Committee in 1983 to examine various issues that were affecting the economic well-being of the metropolitan area and to devise a long-term strategic plan for addressing these problems. Today, the Civic Committee, which is comprised of senior executives of the Chicago region’s leading businesses, is dedicated to improving the Chicago region as a place to live, work, and conduct business. Among other efforts, the Civic Committee has successfully led the fight to expand O’Hare Airport and to improve the quality of education in Chicago, is working to enhance Chicago’s stature as a leading center for technology and innovation, and continues to recommend reforms that enhance the long-term sustainability of the State’s finances.