

Spring Issue
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ILEPI WAS BUILT FOR MOMENTS LIKE THESE

Illinois is on the verge of change. A flurry of new policy initiatives— on taxes, healthcare, infrastructure, and more— are moving in the legislature. Consideration of these measures is about much more than politics. It means understanding their impact on our economy, our communities, and the lives of everyday people.

ILEPI was built for moments like these. And we've been busy.

We released the first peer-reviewed analysis on the possibility of Illinois joining most other U.S. states in moving to a progressive income tax system. As [coverage of our work by the Associated Press](#) notes, the change would mean income tax cuts for most of Illinois, as well as property tax relief, less income inequality, and \$3 billion in new state revenues that could eliminate our budget deficit and boost funding for public schools and infrastructure.

We've also examined the potential impacts of other proposals to address our state's persistent budget shortfalls, including legalizing [sports betting](#) and [marijuana](#).

On healthcare, Illinois is currently grappling with a nursing shortage, and considering staffing standards to improve both healthcare outcomes and nurse retention rates. ILEPI released [new research on the subject](#)— which concludes that the proposal could reduce patient re-admissions and mortality rates without affecting hospital performance. The measure passed out of the House's Labor & Commerce Committee by a vote of 17-8.

Finally, after years of budget neglect, legislators are also considering action to confront the growing safety problems on our roads, bridges, and transit systems. Illinois needs to address the deferred maintenance backlog and [mitigate the threat of increasingly severe weather events](#) on vital transportation infrastructure.

Together, we were built for moments like these.

ILLINOIS ECONOMIC INDICATORS

Jobs added (rank), Feb-18 to Feb-19 = **+59,100 jobs (9)**

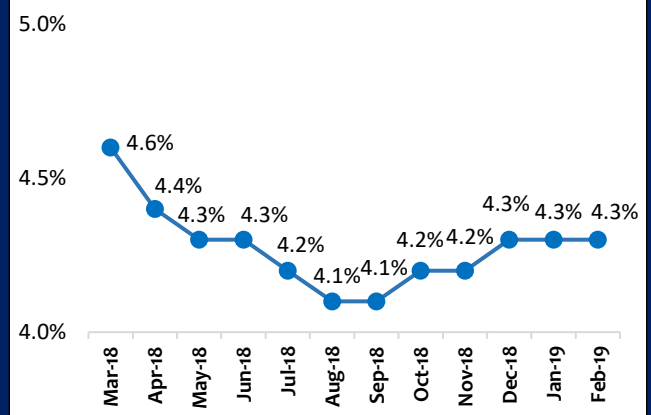
State unemployment rate (rank), Feb-19 = **4.3% (41)**

Average private sector wage, Feb-19 (rank) = **\$28.79 (11)**

Private sector wage growth from Feb-18 to Feb-19 (rank) = **+5.1% (4)**

Philadelphia Federal Reserve "state coincident index" rank (as of Jan-19) = **37**

Illinois Unemployment Rate, Past 12 Months



CURRENT FLAT TAX SYSTEM OVERCHARGES MIDDLE CLASS & STRAINS PUBLIC BUDGETS

A new report by the Illinois Economic Policy Institute (ILEPI) and the Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign, *The Impact of Enacting a Progressive Income Tax in Illinois: Understanding How Illinois Could Cut Middle-Class Taxes, Balance the Budget, and Grow the Economy*, evaluates the effects of 8 different scenarios for adopting a progressive income tax in Illinois.

Illinois has one of the most uncompetitive tax systems in the United States. Working-class and middle-class families in Illinois pay a greater share of their income in taxes than wealthy households. This generally causes income inequality in the state to be worse after state and local taxes are collected. In fact, since 2000, real incomes have declined for working-class households (-4.8%) and middle-class households (-2.6%) in Illinois. Meanwhile, the top 1 percent has accumulated 34.8% more in annual income.

As of January 2019, Illinois is one of only eight states that has a flat-rate income tax system. A total of 33 states have a progressive income tax system that requires individuals to incrementally pay more as their earnings rise.

Adopting a progressive income tax system— also sometimes referred to as a “graduated-rate” or “fair” income tax— would transform Illinois’ tax code by bringing middle-class tax burdens down towards rates in neighboring states. Approximately 67% to 97% of Illinois taxpayers would see a cut in income taxes.

If Illinois were to adopt a progressive income tax, the state could conservatively generate \$3 billion to \$5 billion in new revenue, which would eliminate the underlying \$1.2 billion structural deficit and restore investor confidence. Governor J.B. Pritzker’s “Fair Tax for Illinois” proposal, for example, would replace the current flat-rate income tax system with a progressive income tax and increase General Fund revenues by more than \$3 billion per year. The additional state revenue could provide larger investments in public education, infrastructure and healthcare. Ultimately, a progressive income tax could grow the Illinois economy by between \$1 billion and \$8 billion annually.

A progressive income tax would transform Illinois’ tax code by bringing middle-class tax burdens down towards rates in neighboring states. Moving to a graduated-rate structure could cut income taxes for the majority of Illinois families, provide opportunities for property tax relief, help balance the budget, and provide revenue to fund essential services that contribute to the growth of the Illinois economy.

INSIGHTS FROM ILEPI REPORTS

- Over the next 10 years, Illinois will need about 20,000 more Registered Nurses (RNs). Fully 30%-50% of all new RNs decide to either change positions or leave nursing completely within the first three years of clinical practice due to occupational hazards, overworking, and low pay (relative to their high levels of education). To improve patient outcomes, Illinois needs to retain more RNs, which could be accomplished through safe patient limits. [\[Read More\]](#)
- Critical investments are needed in Illinois’ drinking water and wastewater infrastructure systems. While most of our community systems safely service over 12 million people in Illinois, more than 200,000 residents are at risk of water pollution, toxins, and diseases due to aging infrastructure. [\[Read More\]](#)
- According to IDOT, there were more than 324,000 crashes on Illinois roads that resulted in 66,703 injuries in 2016. The economic impact – including medical costs, emergency services, workplace absences, increased congestion, and lost productivity – totals nearly \$3.8 billion per year in Illinois alone. [\[Read More\]](#)

