



Budget Impasse Update

ILLINOIS COMMUNITY COLLEGE TRUSTEES ASSOCIATION

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Sunday night the House passed a revenue bill to fund a \$36 billion budget for the State of Illinois. This budget provides for \$800 million less than the governor proposed in his budget address. [SB 9](#) includes an income tax increase effective July 1st from the current 3.75% to 4.95%. Corporations would see the income tax rise from 5.25 to 7%. The bill passed [72-45](#), which includes 15 Republicans. The budget, [SB 6](#), easily passed the House by a vote of [81-34](#).

The focus today is on the Senate. Since we are past the constitutionally imposed May 31st deadline, any legislation with an immediate effective date must pass with an extraordinary majority in order to be sent to the governor. The House passed the bills with one vote to spare last night and it is anticipated the Senate will do the same today. The bills will need 36 votes, but there is no guarantee.

The Governor has threatened to veto the budget if his other reform measures are not sent to his desk. The General Assembly is still working on a few of those reforms including the property tax freeze legislation. SB 9 contains a 10% cut to LGDF. As you know, Wall Street is threatening to downgrade Illinois' credit worthiness to "junk" bond status without a budget in place this month. Without a budget, IDOT will halt all road construction and the state will be unable to pay even basic services ordered by the courts as early as August. Below is the best information we have as of this morning. Stay tuned.

ILLINOIS COMMUNITY COLLEGE TRUSTEES ASSOCIATION

SB 6 FY18 BUDGET / FY17 SUPPLEMENTAL

Sponsors Rep. Greg Harris; Sen. Heather Steans

SB 6, as passed the House, contains appropriation authority for an FY17 supplemental budget, FY17 stop-gap re-appropriations, and an FY18 budget, with \$36 billion in General Funds spending authorization. This funding level represents a 5% across-the-board reduction in operations lines from current spending levels.

- Funds higher education at approximately 90% of FY15 funding levels and 90-100% for most grant funding. Appropriates level funding for FY17.
- Increases MAP funding by 10% for FY18 and appropriates level funding for FY17.
- Funds LGDF based on a one-year, 10% funding reduction (-\$130 million), but makes back payments of \$220 million via direct deposit, resulting in a net gain in FY18.
- Contains a surplus of funds that will be used to pay down old bills in a manner yet to be determined.
- Fully funds the Community Care Program at the Department of Aging.
- Increases funding for elementary and secondary education by more than \$740 million (but reduces operations by 5% and makes other program reductions).
- Fully funds the LIHEAP program.
- Includes \$1 billion for lottery prize payments.
- Fully funds pensions. Adopts the Tier III pension proposal and use of full salary in Tier II pension payments.
- Appropriates \$6.5 million for a new state police cadet class
- Appropriates \$598 million in new capital projects (and re-appropriates old capital projects).
- Appropriates \$22.1 billion All Funds (\$7.1 billion GRF) to the Department of Healthcare and Family Services, fully funding the Medicaid program at the Governor's FY18 introduced level.
- Provides a \$4.3 million rate increase for supportive living facilities.
- Fully funds group health insurance at FY18 liability levels. Increases payments from the Health Insurance Reserve Fund.
- Increases appropriations from the Drug Rebate Fund by \$280 million to make Medicaid payments to pharmacies (MCO and FFS).
- Appropriates \$17.5 million to IDOT for mass transit reduced fares.
- Changes the way transit funds are direct deposited.

SB 6 funding levels are contingent upon the sale of the Thompson Center, pension reforms, debt payment, and LGDF/Transit direct deposit language being approved in a BIMP bill.

KEY LEGISLATION

- SB 6 – FY18 Budget / FY17 Supplemental – Rep. G. Harris; Sen. Steans
- SB 9 – Revenue – Rep. Davis; Sen. Hutchinson

SB 9

REVENUE

Sponsors Rep. Will Davis; Sen. Toi Hutchinson

- Increases the individual income tax rate to 4.95% (from 3.75%) and corporate income tax rate to 7% (from 5.25%), effective July 1, 2017. (\$5 billion in new revenues)
- Ends the non-combination rule, under which multi-state companies apportion their income, December 31, 2017 (\$25 million savings).
- Decouples from the federal Qualified Production Activities deduction (\$75 million savings).
- Eliminates the "water's edge" exemption by including any area over which the U.S. has asserted jurisdiction or claimed exclusive rights for exploration of natural resources within the definition of United States (continues to exclude territories and possessions of the United States, such as Puerto Rico, Guam, and the Virgin Islands) (\$25 million savings).
- Retroactively extends the Research and Development tax credit from January 1, 2016 to January 1, 2022 (\$70 million cost).
- Eliminates the tax incentive for E-10 fuel and extends the tax exemption for E-85 fuel and biodiesel (\$100 million savings).
- Makes permanent and combines the Graphic Arts exemption and the Manufacturing Machinery & Equipment exemption (\$10 million cost).
- Limits income eligibility levels for the standard income tax exemption and the real estate property tax credit to \$250,000 for individuals and \$500,000 for joint filers.
- Increases the Education Expense Credit from \$500 to \$750 and imposes means testing (\$250,000 for individuals and \$500,000 for joint filers).
- Increases the Earned Income Tax Credit from 10% to 18% percent over two years.
- Creates a new Education Instructional Materials Credit of \$250 for the purchase of classroom instructional materials and supplies by teachers/educators.
- Creates a new State Tax Lien Act and Lien Registry that is a public database housed at the Department of Revenue.
- Modernizes the Uniform Unclaimed Property Act as requested by the Treasurer's Office.