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Editorial: Chicago and Illinois Don't Have Enough Taxpayers to Pay for All This.

Chicago teachers want better pay and working conditions. Mayor Lori Lightfoot has made a generous contract offer, yet the Chicago Teachers Union is threatening to strike. That's but one sequence of current events in this city's, this state's, long-running series of public finance crises. What's the fuller picture? Well, go back decades to when politicians in Chicago and Springfield began skimping on payments to government retirement systems.

Illinois suffers many of these fiscal catastrophes — in its school districts, cities, townships, counties and of course state government. Yet there's only one set of taxpayers to address the layers of distress — the people who live here now.

That's why whatever contract agreement Lightfoot secures with the CTU cannot create even more draconian costs, even more debt: Each Chicago taxpayer who helps fund schools and teacher pensions, mainly through property taxes, has only one household pool of resources. And those taxpayers also are on the hook for all the other irresponsible decisions of multiple local and state governments.

In essence, it's city workers vs. schoolchildren

Take Chicago's sorry situation. As Lightfoot negotiates with teachers, she's struggling to find revenue to close an \$838 million gap in the city's municipal budget. Part of the problem: In 2020, City Hall must contribute an extra \$280 million for police and fire pensions to make up for years of underfunding. Add in two other weak funds — for municipal employees and laborers — and the numbers become dizzying: At the end of 2018, City Hall's pension funds had only 23% of what they should have.

And that 2020 surcharge just buys the cheap seats. By 2023, Lightfoot must find an additional \$989 million a year for pensions, according to the Tribune's Hal Dardick and Juan Perez Jr. Thank you, former mayors and aldermen, for promising more pension benefits than Chicagoans could afford.

Again, this is just to address the city's pension shortfall, which has risen from \$23 billion to \$30 billion. That's after former Mayor Rahm Emanuel raised city taxes and fees to try tame the beast: The pressure on today's and tomorrow's taxpayers only grows. Remember that the state occasionally skipped contributions to its five pension funds for government workers, creating a \$134 billion unfunded liability. That debt alone is more than triple Springfield's annual operating budget.

Which brings us back to Lightfoot's current negotiations: Teachers, school support staff and Park District workers are threatening to strike on Oct. 17 (after their Columbus Day holiday). Three labor groups want costly contracts, but Chicago has only one group of taxpayers to foot the bill. The mayor's essential quandary is a collision of competing demands: Every tax dollar Lightfoot collects for city workers' retirement benefits is a dollar she can't collect for the education of schoolchildren.

A terrible week for the 'Pritzker Tax'

Illinois voters are a year away from deciding whether to amend their constitution and embrace a graduated income tax. Gov. J.B. Pritzker says his tax package would affect only the top 3% of income tax filers. Maybe so at the get-go, but taxpayers are wising up to two realities. First: Freed of the current flat-tax requirement, lawmakers soon would impose higher tax rates on the middle class, too: That's where the money is. Second, even as the Pritzker Tax looms, governments at all levels are squeezing taxpayers with property and other tax increases.

Repeating for emphasis: There's only one set of taxpayers. Springfield's apologists and tax-burden deniers don't want to talk about that. They want to bamboozle Illinois voters with narrow factlets — California still would have a higher top income tax rate! — and pretend their data points prove that, en masse, this state's governments aren't taxaholics. But look around.

On Monday a federal judge rejected a "Hail Mary" lawsuit by four high-tax blue states frantic to kill the \$10,000 cap on federal income tax deductions for state and local taxes, aka SALT. Those deductions had people in low-tax states subsidizing affluent households in high-tax states such as Illinois. Capping the SALT deduction didn't affect most Americans, for whom the 2017 federal tax law delivered lower tax rates and nearly doubled the standard deduction. The nonpartisan Tax Foundation calculated that removing the cap would "almost exclusively provide tax relief to the top 20% of income earners, the largest tax cut going to the top 1% of earners."

We've enjoyed watching Pritzker, New York's Andrew Cuomo and like-minded governors plead that the country's richest families deserve, um, *bigger tax deductions*. As a wry CNBC headline put it: "Blue-state Democrats have a new cause: Helping millionaires."

The mortal threat to the Pritzker Tax referendum: Capping this deduction makes affluent Illinoisans pay more of the full cost of state and local spending. Lawmakers are less able to tell taxpayers, *Yes, we're gouging everyone, but hey, just deduct Illinois' high taxes on your federal return.*

And on Tuesday the business publisher Kiplinger issued its list of "The 10 Least Tax-Friendly States in the U.S." Guess who's No. 1. "The state ranks #50 in the latest ranking of states' fiscal health by the Mercatus Center at George Mason University, and residents are paying the price with higher taxes."

You keep guessing which state while we note that if enough Illinois voters understand the enormity of the state and local spending they support, and learn which state is most hostile to taxpayers, then the Pritzker Tax should face the defeat it deserves.

The Illinois Exodus is driving out taxpayers

We began this editorial referencing contract talks between the teachers union and Chicago Public Schools. But the unheard voice at the table is our real focus: taxpayers.

It isn't just that Illinois residents are overtaxed. The situation is worse than that. Worse, even, than so many Chicago and Illinois units of government that chronically promise too much, spend too much, borrow too much and owe too much. All in the name of that limited pool of taxpayers.

And for five years straight, as Illinois' population shrinks, many taxpayers have departed while prospective taxpayers considered this state but settled elsewhere. Expats often pack up the U-Haul for Indiana or Wisconsin because taxes are lower and the outlook for employers is more stable. Or they go to destinations such as Texas because that's where job growth is livelier.

What happens as the population declines and taxpayers flee? Property values fall, and the tax burden grows for those who remain. Chicago has a lot going for it as a global center of business, but

the future economy looks fragile. The city will fight upstream to attract and retain employers (and employees) if City Hall raises the cost of living here to cover that extra \$838 million for next year's budget. Because that money has to come from somewhere. Taxpayers know it, and so do employers who do, or don't, hire workers here. Yes, the Illinois Exodus is real.

The path forward: Growth ... and a pension amendment

Have we alarmed you? The situation is serious but not terminal. Chicago is dynamic. The Illinois economy is vibrant and diversified. The problem is rooted in government dysfunction. For too many years, leaders at the state and city level provided pay and retirement packages to government workers that were unaffordable. Hence all the debt, which must be paid.

The way forward is for government to spend within its means by attacking big structural costs, while at the same time generating more tax revenue by creating more taxpayers. Meaning Illinois must spur faster economic growth to generate more jobs.

Companies are willing, even eager, to locate in Chicago. But they don't want to hitch their futures to a metropolis, a state, where they'll get clobbered by tax increases that don't solve the problems. Uber CEO Dara Khosrowshahi, who's adding 2,000 workers in Chicago, told us this city is a terrific talent hub with a good quality of life and lower costs than coastal cities. Does he fear the unstable and onerous tax burdens? His general stance was instructive: "As long as everyone is lifting their fair share, and the proposals are fair and broad and data-based, I think we will be a reasonable participant."

We're not sure Illinois' leaders recognize what Khosrowshahi and other employers are saying. They want a stable, business-friendly environment. They want Chicago and Illinois to get costs under control and lay out a realistic plan to pay what they owe.

The best way to rescue Illinois governments from themselves is to curb public pension benefits earned in the future. That also requires amending the Illinois Constitution. Giving voters a voice on that amendment — not just on the Pritzker Tax — will help state and local governments survive. So will affordable labor contracts. Mayor Lightfoot's negotiations with Chicago teachers are part of the mix.

Because there's only one set of taxpayers in Illinois.

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By THE EDITORIAL BOARD

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