

State Budget Priorities—Who Wins, Who Loses?

Improving the well-being and quality of life for the people of Illinois through wise public investments is fundamental to getting the state economy back on track and putting people back to work, but this priority is not being reflected in state budget decisions. While the state budget crisis has forced harmful cuts in human services programs that serve the most vulnerable, including women and children, economic development strategies such as corporate tax breaks are giving handouts to the business elite.

Economic development comprises various forms of financial assistance (e.g., direct subsidies, tax credits) to companies to promote business activity and job creation, but most often in Illinois economic development programs lack job quality standards and reporting enforcements, the essential components which deem them more than just corporate giveaways. According to a [report](#) released last month by Good Jobs First, programs without a job-related requirement cost U.S. taxpayers more than \$7 billion per year. The report, which scores each of the 50 states and the District of Columbia based on the performance standards and job quality requirements of its key economic development programs, ranks Illinois [37th with a pitiable grade of “D.”](#) Programs are rated for performance requirements such as job creation, retention, or training components; wage standards which ensure a decent wage (ideally tied to labor market rates); and health care options with employer premium obligations. Programs earned “extra credit” by including other requirements such as offering employee benefits beyond health care; a wage requirement which is at least 105 percent of the average wage in the state; geographic hiring standards; wage and benefit requirements which apply to part-time, temporary, and contract workers as well; and requirements respecting the labor rights of workers. Illinois’s largest subsidy program, the Enterprise Zone Program, costs the state [\\$93,906,000 annually](#) but scored solid [zeros](#) for both wage and health care requirements for workers (and all extra credit categories). The next two most expensive programs are tax credits: the Economic Development for Growing Economy (EDGE) (\$35,757,000 annually) and the Film Production Services Tax Credit (\$11,125,000 annually), which scored a measly [35 out of 100 and 10 out of 100](#), respectively, for performance, wage, and health care requirements.

Illinois has a contentious history of enacting tax breaks in the name of economic development and job creation. Following temporary corporate tax increases enacted in early 2011, controversial [legislation](#) passed last month gave large tax breaks to Sears Holdings Corp. (the parent company of retail giants Sears and Kmart) and Chicago financial exchanges CME Group and CBOE Holdings Inc. [after the companies threatened to move out of Illinois](#). These powerful groups made out big with part of the [\\$250 million](#) in tax breaks to various businesses attached as an amendment to Senate Bill 397, which Gov. Pat Quinn signed into law early last month. CME and CBOE alone will see their corporate tax bills drop by [\\$85 million](#) by 2014, thanks to the new law, and Sears Holding Co. another \$15 million per year over ten years. But the tax-break deals, effective June 1, 2012, does little if not nothing in terms of guaranteed job generation or setting

job standards in the state since none of the companies pledged to even maintain, let alone develop, jobs.

What's more, Illinois is not holding most of these wealthy beneficiaries accountable, and research shows that most economic development programs, including tax breaks, are not delivering on jobs or other public benefits. Another [report](#) by Good Jobs First researched the scope and rigor of Illinois's and other states' procedures for monitoring the performance of subsidy recipients and for dealing with cases of noncompliance on job creation, job quality, and other standards. On average, Illinois's subsidy programs earned a [low total score of 52 out of 100](#). Often companies do more to shuffle jobs around than to create new jobs as, for example, when an employer creates a new title for an existing job and deems it "new." Many recipients of certain subsidies are, state officials recently disclosed, exempt from disclosure requirements altogether, and some companies, such as Motorola (thanks to a separate [tax deal in early 2011](#)), have the option to use tax credits against withheld employee income tax liability. In essence this option allows companies to retain state employee income tax withholdings for themselves notwithstanding that, in Motorola's case, the company's state income tax liability represented [less than 1 percent of its revenue in 2010](#).

Meanwhile, the legendary social service agency Jane Adams Hull House is forced to close its doors because of lack of funding after 122 years of providing early childhood development services, child welfare and family services, and domestic violence services to [14,000 people](#) in Chicago. This sobering event is not unique—93 percent of human services organizations were negatively affected by state budget cuts in 2011, according to a [study](#) conducted last year. As a result of those budget cuts, 46 percent reduced hours or level of service, 41 percent increased waiting lists for services, and 38 percent, such as Hull House, closed programs altogether. This is after years of suffering from decreased funding—56 percent of organizations have been affected by state budget cuts for [four years or longer](#).

Imagine what \$85 million in corporate handouts could have done for people in Illinois if it had been directed toward those who need it most. Just 15 percent of \$85 million given to corporate tax breaks (\$12.8 million) would have allowed the state to continue the Transitional Assistance program that provided a small monthly cash grant to 9,000 single adults deemed—by the state—not employable (for reasons such as a severe physical or mental disability or a serious health condition). Or \$85 million of the corporate handouts would have enabled more than 25,000 additional 3- and 4-year-olds to enroll in the Preschool for All early childhood education program.

Lack of funding for human services programs compromises Illinois's economic strength and future well-being, and low-income families are left to endure great economic, social, and personal costs. Astoundingly, [one out of three Illinoisans](#) are now considered poor or low-income, and [6.1 percent](#) of the state lives in extreme poverty (with income below 50 percent of the federal poverty level). Justifying corporate giveaways while an ongoing assault on services for the most vulnerable is waged is not good policy. With unemployment so persistent (remaining at [9.8 percent](#) as of December 2011 in Illinois), Illinoisans have the right as taxpayers to expect that economic development subsidies create not just new jobs but lasting quality jobs and that they can rely on a solid safety net when the labor market fails them. Illinois needs vital public services and jobs more than ever. Looking forward to this year's state budget, Illinois must prioritize the needs of those most affected by the recession and must not bend over backward to give away more to the wealthiest.

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