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Contact: R. Eden Martin
Civic Committee
312/853-1200

**Civic Committee Task Force Cites State Unfunded Liabilities of Over
\$100 Billion**

Group Urges Lawmakers to Address Financial Problems for Future Generations

CHICAGO – December 6, 2006 – The Illinois State Finance Task Force of the Civic Committee of The Commercial Club of Chicago released a report today which stated that Illinois is headed toward a financial implosion, citing unfunded liabilities of over \$100 billion. The Task Force urges the State’s executive and legislative leaders to address the State’s critical financial problems.

The total of all of the State’s unfunded obligations and associated debt for pensions, health care benefits and Medicaid is about \$106 billion – roughly \$8,800 per person for the 12 million residents of Illinois.

The report entitled, “*Facing Facts: A Report of the Civic Committee’s Task Force on Illinois State Finance*,” provides an in-depth analysis of the State’s financial condition and highlights dramatically increasing liabilities associated with funding pensions and health care costs for State employees and retirees, growing Medicaid costs, and meeting the statutory obligation to fund schools. “We must address our financial commitments now so that obligations to our schools and state employees will not become a daunting burden for future generations,” said Lester Crown, Chairman of The Commercial Club of Chicago. “Otherwise, we face the possibility that these commitments will not be kept.”

In the current fiscal year, FY 2007, the State has discretion over approximately \$28.8 billion in revenue. To fully fund its true costs – including its increasing commitments and statutory obligations - approximately \$5.9 billion more would be required annually. This annual gap will continue to grow as the cost of pensions and health care rise faster than tax revenue.

“Significant cost savings are possible through a number of measures, including restructuring pension and health care benefits and realigning programs to conform with reasonable private and public sector benchmarks,” said W. James Farrell, Chairman of the Civic Committee’s Illinois State Finance Task Force and retired Chairman and CEO of Illinois Tool Works. “Such restructuring might save approximately \$1 billion in savings per year.”

“Although reforms can and should be undertaken, the resulting savings will probably not be enough to cover the State’s annual costs, including the obligations that are being accumulated,” noted R. Eden Martin, President of the Civic Committee of The Commercial Club. “To avoid collapse, a tax increase may be inevitable. However, to do nothing more than raise taxes would be a terrible mistake.”

The Task Force identifies a number of policies which must be implemented if they are to support an increase in taxes:

- **The State should trim its pension benefits, shift to Defined Contribution Plans for future employees, and align health care benefits of state employees and retirees with relevant private and public sector benchmarks.**
- **The State should implement reforms to improve school accountability, operations, results and transparency. In Chicago, the legislative cap on charter schools should be eliminated.**
- **The State should not raise taxes to pay for a property tax “swap.” Revenues used to pay for such a “swap” are needed to meet existing commitments. Property taxes provide a more stable, less fluctuating source of funds to support schools than statewide income or sales taxes, which vary with the level of economic activity.**
- **The State should not raise taxes unless the proceeds are used to meet the State’s commitments. It would make no sense to launch expansive new programs with new tax dollars, while leaving existing commitments to pensions, health care costs, and K-12 education underfunded.**

In the spring of 2006, the Civic Committee appointed a special Task Force of members to evaluate the State's financial condition. The Civic Committee’s historical role in both education reform and the expansion of O’Hare Airport, coupled with the greater Chicagoland area’s dependence on the State’s financial health, warranted a closer analysis of State finances.

The Task Force, chaired by W. James Farrell, met over the course of several months and enlisted the expertise of private and public sector experts. Task Force members include Donald G. Lubin, John W. Madigan, R. Eden Martin, Andrew J. McKenna, Richard L. Thomas and David B. Weinberg.

The goal of this effort is to bring attention to the magnitude of the fiscal crisis facing Illinois and to participate in the debate on a range of solutions that may be considered. Addressing the many facets of our State’s financial condition is no easy task, and finding solutions will require difficult decisions involving both reforms and revenue increases.

“Good government in a democracy involves making hard choices,” said R. Eden Martin, President of the Civic Committee. “Citizens who live in Illinois and pay taxes here, and the businesses located here, make hard choices everyday. Their government should do no less.”

The Civic Committee of The Commercial Club of Chicago is a non-profit organization comprised of senior executives from the Chicago region’s leading corporations, professional firms and universities. The mission of the Civic Committee is to improve the economic and social well being of the Chicago region. Among its past initiatives have been O’Hare expansion and Chicago School Reform.

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