Frank P. Manzo IV
Policy Director

P: 708-375-1002

A Higher Road for a Better Tomorrow
ILLINOIS ECONOMIC POLICY INSTITUTE
ILEPI

P.O. Box 298
La Grange, IL 60525

www.illinoisepi.org

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Contact: Frank Manzo IV, MPP; fmanzo@illinoisepi.org

Study: Illinois Can No Longer Afford to Be a Donor State
New ILEPI research finds that Illinois ranks 46th in Federal Funding

CHICAGO- Illinois can no longer afford to be a "donor state," according to a new study by the Illinois Economic Policy Institute (ILEPI). A "donor state" contributes significantly more money in federal taxes– due to higher worker incomes– than it gets back in federal funding.

While Governor Bruce Rauner and the General Assembly attempt to fix a $6.2 billion budget deficit, Illinois residents are subsidizing the budgets of 45 other state governments.

The report finds that, compared to the national average, Illinois residents contribute 19 percent *more* in federal income and FICA taxes but receive 32 percent *less* in federal funds for state government operations. If Illinois received its fair share of federal funding, the state government would have $8.0 billion more annual revenue. Thus, the deficit would become a $1.8 billion budget surplus. The state's budget problem would be solved.

The study evaluates federal government transfers directly to state governments. It does not include federal revenues for Social Security, for cash assistance programs, or for the military or space exploration. For state government operations, Illinois gets back just 18.1 cents for every dollar contributed in federal income and FICA taxes. The national average is 26.7 cents per dollar.

Moreover, the primary recipients of subsidies from Illinois workers are the government agencies of "right-to-work" states. Compared to the "right-to-work" average, Illinois residents contribute 28 percent more in federal taxes but receive 41 percent less in federal subsidies. If Illinois received the same support as "right-to-work" states, the state government would have $11.5 billion in additional revenue.

The study concludes that federal government should increase funding to Illinois and other "donor states."

"It makes little sense for a state like ours to risk declaring bankruptcy when we have been bailing out other states for years," said Frank Manzo IV, MPP; Policy Director of the Illinois Economic Policy Institute. "Illinois can no longer afford to subsidize low-wage states, especially given our current fiscal situation. The federal system in part rewards states for bad public policies, reducing revenues for 'high road' states. This indirectly forces states like ours to raise taxes or cut important state services, or both."

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The full report can be found online at this link: http://illinoisepi.org/countrysidenonprofit/wp-content/uploads/2013/10/ILEPI-Policy-Brief-Donor-State_FINAL.pdf.

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