TAXPAYERS' FEDERATION OF ILLINOIS

Policy Statement

Revenue and Budgeting Policy Considerations

In addition to the tenets of sound tax policy set forth in TFI's Statement of Principles, Illinois' state and local governments should follow best practices and good government principles when budgeting, planning capital expenditures, and considering new sources of revenue:

- Illinois should have a rolling five-year capital plan to ensure that the state's assets are properly maintained and that there is investment in new assets as needed. The plan should address funding for the initial costs of capital projects and the associated ongoing operating expenses.

- Capital investments can be funded with bonds aligned with the expected life of the assets. The debt service costs, like the ongoing operational costs of the underlying assets, should be supported by the state's recurring revenue streams.

- Generally, government services and programs should be funded through broad-based widely-applicable taxes. User fees or narrower revenue sources can supplement the funding of a closely-related project or program. (e.g., gasoline taxes for roads)

- It is appropriate to periodically evaluate whether a sale of an asset or privatization is in the public interest. All costs or lost future revenues associated with the transaction, including the costs of acquiring replacement assets, should be considered. Proceeds should be dedicated to retiring debt (including unfunded pension and post-retirement healthcare obligations) or to acquiring replacement property. Proceeds should not be used to fund operational costs of ongoing government programs.

- Long-term debt can be appropriate for financing capital assets. Absent extraordinary circumstances, however, governments should not borrow (directly, or indirectly through delayed payments) to finance ongoing operations, including required pension payments.

- From time to time, new revenue sources become available, most often in gaming and "sin taxes". Any analysis of these opportunities must include an evaluation of one-time and ongoing costs associated with implementing the new programs, diminished revenue from other sources, and increased demand for other government services.

- Budgetary savings from agency down-sizing are not savings at all if the essential functioning of government is impaired. TFI supports cost-cutting and efficiency measures, but only when the long-term impact is understood.

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