

**Testimony Before the  
Bipartisan Jobs Creation Task Force  
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**1. Adequate State Revenue is Key to Job Creation for Illinois**

AFSCME Council 31 represents some 50,000 employees at 3 of 5 state's largest employers, the State of Illinois, the City of Chicago and the County of Cook. (The other top Illinois employers are the federal government and the Chicago Public Schools.)

At every level, we are facing major layoffs and sustained job losses:

- Last year, we were threatened with 2,600 layoffs by the State of Illinois, and though temporarily averted by court intervention, we have still seen a 24% reduction in state headcount since 2001, a loss of 16,000 jobs.
- At the City of Chicago, we suffered 400 layoffs in 2009 – jobs like librarians, health clinic workers and police civilians; overall there has been a 50% reduction, some 2,000 of our jobs lost, over the last 10 years.
- Although Cook County has so far averted wholesale layoffs, it is still eliminating hundreds of jobs in the hospital and health system. Meanwhile it is under court order to increase hiring at the sheriff's department because of chronic understaffing which threatens safety for the public and inmates alike.

It is the same situation for almost every municipality, county, private agency and now even the universities where we represent employees. And the cause is also the same across the board: *lack of public revenue at the state, county, and local level.*

All this comes at the precise time when the demand for public services has increased dramatically – whether it is for the state-provide assistance programs that offset the impact of job losses like unemployment compensation, food stamps and Medicaid or the rising demand for public services like the increased reliance on public health services and heavy library use to surging enrollments at community colleges and state universities. Unlike private employers, these public entities are responding to a growing demand for their products and services by cutting payroll.

All of these job losses will be further aggravated by Governor Quinn's proposed FY 2011 budget. Cutting \$1.3 billion out of state education spending will mean a loss of

20,000 at K-12 schools alone according to Illinois Association of School Administrators, not to mention cuts at colleges and universities as well as in early childhood education. Thousands more jobs will be lost if the proposed \$300 million reduction in the Local Government Distribution Fund and the \$276 million cuts to DHS programs go through.

**The single most important state policy to retain and create jobs that the General Assembly can enact this year is to pass tax reform that raises enough revenue to pay the state's outstanding bills, avoid those budget cuts and restore adequate levels of public services across Illinois.**

## **2. State Spending Stimulates the Private Sector Economy**

As important and vital as the public services are that our members provide, the impact of inadequate state revenue is felt far outside public sector. Just 1 out of 7 dollars in the budget goes to state payroll, most of the others go to private sector employers providing publically-funded services.

Just one quick example: after the state and city, who are the largest employers right here in the City of Springfield? The hospitals – as they are in many communities around the state. In the Chicago-area, Advocate Health Care employs more workers than Walgreens, Chase Bank, Abbott Labs, AT&T, United Airlines and Motorola. Hospitals, like other health care and long-term care providers, rely heavily on state support and their long term ability to provide jobs is dependent on adequate and timely payment from the state.

This is even truer for the multitude of human service agencies that receive state funding to provide mental health, disability services, alcohol and substance abuse treatment, and many more important social needs. And, of course, it equally true of private sector vendors who do business directly with the state. When the state owes those vendors and contractors \$4.5 billion, as the *Chicago Tribune* reported yesterday, they are lucky to stay open and it is no surprise that they are starting to layoffs employees and reduce their head counts.

Moody's economist Mark Zandi has quantified the marginal economic impact of state spending as an economic multiplier. Zandi has compared by various actions that governments can take to stimulate job growth. Temporary tax cuts for individuals, like a lump-sum rebate or an across the board tax cut, yield about a dollars worth of economic stimulus for every dollar spent (with multipliers of 1.02 to 1.03). He found that permanent tax cuts, especially those aimed at business, yield far less, from 30 to 48 cents for every dollar spent.

However state spending on education, health and human services and public safety generates \$1.36 worth of activity per dollar and infrastructure spending creates even more, some \$1.59. Clearly, it much more productive to generate job growth through adequately funding the state budget (and the capital program adopted last year) than to further cut state spending in order to avoid a tax increase.

The Center for Economic and Policy Research has applied Zandi's economic multiplier to calculate the job losses associated with state budget deficits. **Based on CEPR's model, the state's projected FY2010 year-end deficit of \$6 billion will mean a loss of 71,000 to 86,000 jobs to the economy unless the state can secure adequate revenue to pay those bills and restore future services.**

*Again: the best state public policy this legislature can enact to create jobs is to raise adequate new revenue to pay for public services and generate economic activity in Illinois communities*

### **3. Cutting Wages and Benefits Destroys Jobs**

At first glance, this may seem counterintuitive: paying workers less should free up more money to hire more people. In fact, reducing compensation, both wages and benefits, reduces economic activity that generates demand for goods and services (as well as tax revenue.)

Some policies directly reduce employment: for example, making teachers or state workers wait until they are 67 to retire would increase their work life by 7 to 10 years, typically 20-30% beyond normal. Consequently, that will reduce the number of new employee hired by that same amount – a 20 to 30% reduction by some of the state's largest employers.

More immediately reducing wages through furloughs and other forms of wage cuts mean less money in people pockets, less expenditure to stimulate private sector work and lower tax collections (reducing the economic multiplier effect of state expenditures.)

Finally, the wave of job losses, agency closures, reductions in schools and local government services that will inevitably result if the Governor's proposed FY2011 budget was enacted would further destabilize the Illinois job market just as the national economy starts to regain momentum.

Of course, reforming the state tax system alone is not enough to address the state's job crisis. We certainly need and should push for more federal assistance like last year's American Rebuilding and Recovery Act. We would urge the General Assembly and the Governor to strongly advocate for additional federal aid to the states, such as the proposed FMAP increase already approved (in different versions) by both chambers of Congress as well as passage of Rep. George Miller's Local Jobs for America Act (H.R. 4812). That legislation would direct an estimated \$5 billion towards Illinois for state and local public services, including \$1 billion towards education. Combined with comprehensive revenue reforms like those in HB174, this would meaningfully create tens of thousands of good-paying Illinois jobs and help stabilize the state's economy.