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IGPA to launch fiscal forecasting model for Illinois

CHICAGO – A team of University of Illinois economists believes better information about the state’s fiscal picture will lead to better choices by those who write and approve the state budget and perhaps show a way out of years of structural deficit.

Professors Richard F. Dye and David F. Merriman of the Institute of Government and Public Affairs (IGPA) are working with several civic and public interest groups to create a forecasting model of the Illinois budget that will allow the state to anticipate spending demands, revenue, and fiscal balance for years to come. The demonstration phase of the *Fiscal Futures Project* is expected to be completed later this year.

“The *Fiscal Futures Project* is an effort to get more transparency in Illinois’ budget,” Dye said. “In particular, we’re concerned that future years don’t get the important attention they should in budgeting decisions. When decisions are made, they’re always for the current year or next year’s budget. Certainly things affect the longer term, but there’s no measurement of those effects.”

IGPA is working with a diverse group of organizations to develop the project. These groups include the Taxpayers’ Federation of Illinois, the Civic Committee of the Commercial Club of Chicago, the Illinois Farm Bureau, Council 31 of the American Federation of State, County and Municipal Employees, the Illinois Education Association, Chicago Metropolis 2020 and the Metropolitan Planning Council.

“The state is now experiencing a fiscal crisis in part because of the inattention of previous administrations to the state’s budget trends and growing mass of unfunded obligations, including pensions and retiree health,” said R. Eden Martin, president of the Civic Committee. “Obviously, reliable revenue projections can play an important role in helping to discipline and constrain the future preparation and implementation of the state’s future budgets.”

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The forecasting model will be used to produce data and reports that detail the implications of fiscal choices that are proposed by budget drafters and lawmakers, said Merriman, who also is professor of public administration at the University of Illinois at Chicago.

“What we hope this will do in the political system is really constrain the discussion to the real trade-offs that are made,” he said. “And we hope that the (news media) will do its job and force the legislators to explain why they are making their choices, and that different parties to the negotiation ... will be able to use the numbers to discuss what the trade-offs are and argue their case.”

Dye and Merriman plan to first develop the mechanism for projecting income and sales tax revenue using current law and current forecasts of economic and demographic trends. This part of the model also will simulate revenue under alternative scenarios about policy, the economy and demographics, they said. Secondly, they will develop projections for state spending, using census data and other forecasts to predict spending in future years, again using various assumptions regarding the economy and state population variables.

“The model will be well-documented,” Merriman said. “The sources of the data, the sources of everything that we do will be available to the public.”

Later stages of the project will integrate the budget model with a model of the Illinois economy maintained by the Regional Economic Applications Laboratory at the University of Illinois at Urbana-Champaign. That would allow better exploration of the effects of the state budget on the state economy and vice versa, Dye said.

“This is an innovative project that will provide short- and long-term information about the Illinois budget,” said Robert F. Rich, director of IGPA. “It will strengthen our state’s ability to understand the economy, the forces that shape it, and the options we have for responding to these forces.”

IGPA plans to form an advisory committee that will include experienced state demographers, legislative staff, state government researchers, and others from various perspectives. This committee will provide expert guidance to help guarantee the credibility and transparency of the budget model, Rich said.

About IGPA: The University of Illinois Institute of Government and Public Affairs works to improve the performance of government by disseminating nonpartisan, evidence-based research on public policy issues and the public decision-making process. The Institute also puts that research to use by applying it to the issues and problems confronting decision makers and others who address public issues.

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