

Principles to guide sound state budget decisions



State leaders' budget discussions are critically important for moving Illinois forward. Sound data can inform wise decisions that will help reduce our remaining budget deficit. Yet these deliberations must focus not only on what to cut, but what to maintain. To aid economic recovery and put our state back on track to stability and prosperity, we must make careful policy determinations reflecting fiscal and social responsibility, helping ensure opportunity for all Illinoisans.

We can do this by protecting our investments in priorities with proven results – results such as helping our children succeed in school and the workforce, strengthening the health and economic security of families, and preserving the safety and well-being of our communities.

Several fundamental principles should guide policymakers' work in crafting a state budget for FY2012. These can provide the balance needed to exercise appropriate fiscal restraint while protecting priorities that meet social responsibilities and strengthen our economy in the short- and long-term:



- ✓ **Maximize available revenue reasonably**
- ✓ **Allocate resources equitably & responsibly**
- ✓ **Improve budget clarity & transparency**

1 – Maximize available revenue reasonably. We should pursue every common-sense effort to maximize the resources available for maintaining vital public services. This will help avoid greater-than-necessary cuts in education, health care, human services and public safety. In their budget discussions, we urge policymakers to:

- Prevent the devastating loss of more than \$600 million in revenue. Policymakers should vote to “decouple” Illinois tax law from the new, federal bonus-depreciation tax break for businesses.
- Authorize transfers of surplus revenue from special state funds into the General Revenue Fund, as administrations of both parties have done in the past. In FY10, such “fund sweeps” represented \$283 million.
- Examine “statutory transfers” from the General Funds into special state funds, which combined represent more than \$2 billion. During the previous recession, some transfers into capital improvement funds were temporarily suspended; many other transfers – aside from revenue for local governments or debt service – could be reduced or eliminated.
- Authorize debt-restructuring bonds to reduce an enormous backlog of state bills, a move similar to refinancing one's mortgage. Long-overdue payments to schools, local governments and providers of critical health and human services total more than \$4.5 billion. The state must meet its contractual obligations to its partners and vendors.
- Use the most accurate revenue estimates possible. The legislature's own, bipartisan Commission on Government Forecasting and Accountability has the best track record for accuracy. If the House joined the Senate in using CGFA's relatively conservative revenue estimates, lawmakers could start budget decisions with \$1.1 billion more in available resources.

2 - Allocate resources equitably & responsibly. Our spending decisions should maintain investments in education, health care, human services and public-safety priorities that provide an essential foundation for both social stability and a strong economy. We should avoid making budget cuts without carefully considering their short- and long-term consequences. We ask legislators to:

- Take a balanced approach in distributing limited resources. Not only should cuts in vital services be minimized, they should be determined in a way that reflects shared sacrifice among state agencies and functions. Recent years' budget cuts have hit Illinois human services especially hard; we cannot afford to compound those effects in FY12, particularly when payments are long overdue for services already rendered.
- Consider the negative results of reducing resources in priorities with a demonstrated return on investment – particularly priorities that already have suffered cuts, such as:
 - Children's Mental Health Partnership prevention, early intervention and treatment work
 - Home-visiting, "parent coaching" services for at-risk infants and toddlers
 - Child care, preschool and other early childhood initiatives
 - Teen REACH and other after-school programs
- Avoid making spending decisions based on fixed, pre-determined allocations to the broad budget categories represented by the five House appropriations committees. Such an approach quickly and artificially limits the scope of debate about the entire spectrum of state budget priorities. If legislators do retain this approach, they should separate the Department of Healthcare and Family Services from other human services to better-reflect the effects of Medicaid obligations.
- Reaffirm the state's commitment to rebalancing long-term and institutional care. Community-based services for populations with special needs should be protected and strengthened. Services must remain available to high-risk populations, regardless of whether they're eligible for Medicaid.

3 - Improve budget clarity & transparency. People interested in how their government works – from state leaders making spending decisions to the Illinoisans who pay for them through taxes – should have access to clearer, complete and understandable state budget information. To that end:

- Legislators should enact a clear, line-item-by-line-item budget for FY12. The FY10-11 practice of "lump sum" appropriations to the Governor and state agencies should be abandoned. Schools and other providers of critical services deserve more certainty about their level of expected state funding.
- The Governor's Office of Management and Budget should clearly document the use of federal revenues. State agencies should produce and share program budgets, with funding breakdowns for all state and federal sources.
- Legislative appropriations committees should be given relevant program information to support their work. This includes program objectives, funding sources, populations served, eligibility requirements and participation, demographic and expenditure trends and program results.



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