

The Human Cost of the State Budget Crisis
Conference Call Summary
Voices for Illinois Children
March 26, 2009, 9:30 a.m.

Overview of Gov. Quinn's Budget Proposal

- The FY 2010 proposal includes a \$52.9 billion operating budget and a \$26 billion capital budget.
- The Governor's proposal would generate significant, overdue income tax relief in the context of an income tax increase that also can produce much-needed revenues. Specifically, the proposal would raise the personal income tax rate from 3 percent to 4.5 percent and increase the corporate income tax rate from 4.8 percent to 7.2 percent.
- Gov. Quinn's proposal includes critical tax relief, shielding many families from an income tax increase by tripling the standard exemption from \$2,000 to \$6,000 per person. In fact, many low- and moderate-income families would receive tax cuts. For example, a four-person family earning less than about \$60,000 would pay less in taxes.
- The proposal also raises revenue by increasing assorted fees, including drivers' licenses and license plate fees.
- The proposed budget's revenue-saving plans include a wide range of cuts, including several in essential programs that families depend on.
- The Governor's proposal calls for a \$26 billion state construction program for education and transportation projects.

Budget Deficit, Revenue and the Federal Recovery Act

Larry Joseph, director of Voices' Budget & Tax Policy Institute

The state faces a two-year General Funds budget deficit of more than \$11.5 billion (for FY 2009 and FY 2010 combined). About 60 percent of the deficit represents declining revenue during the recession. Another 20 percent reflects increased contributions to state retirement systems ("pension ramp"). The backlog of unpaid Medicaid bills accounts for 10-15 percent.

Fiscal relief from the American Economic Recovery Act will offset the deficit by about \$4 billion (which will be used for elementary and secondary education, higher education, and Medicaid). Governor Quinn's proposal for reducing the budget gap also includes a combination of new state revenue (\$4.5 billion), reduction in state pension contributions (\$2.8 billion), and other spending cuts (\$1.5 billion).

The largest share of new revenue would come from increasing the individual income tax from 3 percent to 4.5 percent. In addition, the standard exemption would be raised from \$2,000 to \$6,000. Critics have characterized this plan as a 50 percent tax hike. However, the higher exemptions mean that the average increase in tax liability will be closer to 30 percent and that no individual taxpayer will see a 50 percent increase. Families of four with incomes under \$56,000 would have lower taxes than they do under the current system. Families of three with earnings under \$42,000 would also get tax cuts. The overall structure of the state income tax would be made more progressive.

Spending in Gov. Quinn's Proposed FY 2010 Budget

Education-Related Highlights

Sean Noble, director of government relations

- **Illinois State Board of Education** funding grows by \$173.4 million (2.3 percent) overall
- **The Early Childhood Block Grant**, supporting preschool for 3- to 5-year-olds and developmental services for at-risk infants and toddlers, grows by \$12.5 million. This funding primarily would support cost-of-living adjustments, and would not help to expand program access. While a funding increase in this bleak budget year is very welcome, it does compare with the \$45 million growth that the original Preschool for All plans had envisioned for FY 2010.
- **Early childhood capital funding** (\$25 million in matching grants) is a priority of the Governor's proposed, \$26 billion capital plan. Other matching-grant aspects of this plan call for the state to put up bricks-and-mortar funding of \$1.5 billion for school construction and \$100 million for school maintenance projects. (Higher-education projects and a host of transportation-related efforts round-out the capital proposal, which totals \$26 billion).
- **General State Aid and mandated categorical funds (such as special education)** also receive increases. The per-pupil "foundation level"—the basic building block of schools' general state aid—would grow by \$130 to a total of \$6,089 per pupil. Again, any growth is welcome in a year such as this. And yet Illinois still falls well short of the inflation-adjusted, \$7,338 foundation level recommended by education experts as the minimum amount necessary to ensure that at least two-thirds of children can meet state learning standards.
- **The Mentoring, After-School and Student Support** budget line (\$9.7 million) is among several initiatives eliminated in the ISBE budget proposal; several others were cut drastically. And in the Department of Human Services budget plan, Teen REACH—another critical, after-school program—is cut by about \$2 million, or 10

percent. Particularly troubling is the fact that, in FY 2009, resources were sufficient to support only half of applications for Teen REACH funding.

- **Child care:** A vital component of young children's learning, as well as an important work support for parents—is slated for an approximately \$50 million cut in the IDHS budget's General Revenue Funds for child care. This could be achieved by pushing some bills forward from one fiscal year to the next, an old and unwelcome practice. In so doing, the administration could jeopardize the \$74 million in federal stimulus funding that Illinois expects to receive for child care programs. State officials await guidance from federal authorities on the stimulus-funding question; regardless of that word, child care funding must be sustained and not cut, in order to meet working families' needs.

Children's Mental Health and Community Health and Prevention

Dawn Melchiorre, senior policy associate

Children's academic success and overall wellness cannot be ensured without addressing their mental health needs. Research indicates that children's social and emotional well-being is as important as their physical and cognitive health. Since the passage of the Children's Mental Health Act of 2003 and the creation of the Illinois Children's Mental Health Partnership, Illinois has been able to serve more children at younger ages and earlier stages of need with more effective mental health supports. Investments in the policy priorities of the Illinois Children's Mental Health Partnership (ICMHP) for FY 2009 total \$6 million, split evenly between IDHS and ISBE, and have begun to bolster children's development.

In the Governor's proposed FY 2010 budget, the Partnership's priorities with Illinois State Board of Education have been maintained at FY09 levels, \$3 million, and the priorities within the Department of Human Services experienced about a 12 percent cut to \$2,586 million. We must maintain current funding levels if we are going to continue to meeting children's mental health needs.

Research has shown prevention and early intervention programs are cost-effective and bolster a child's healthy development. Within the Department of Human Services, the Division of Community Health and Prevention's budget has decreased. Many programs experienced a 10 percent cut from FY09 levels including home visiting programs Health Families and Parents too Soon, after school programs such as Teen REACH as well as housing services for homeless youth.

The Early Intervention Program's (IDEA Part C) mission is to assure that families who have infants and toddlers, birth to three, with diagnosed disabilities, developmental delays or substantial risk of significant delays receive resources and supports that assist them in maximizing their child's development, while respecting the diversity of families and communities. The EI program has funding levels in FY10 to maintain current

caseloads and will be receiving federal stimulus monies for Illinois to continue to invest in the program.

Child Welfare, Department of Children and Family Services FY10 Budget Proposal
 Kelley Talbot, policy associate

During economically challenging times, Illinois’ families increasingly rely on services and supports from the Department of Children and Family Services. The agency’s caseload may increase during FY10 and beyond. It is critical that key programs remain intact and have adequate resources to properly serve at-risk children and families.

Fund Category	DCFS Appropriations (\$)		
	FY 2008 Actual	FY 2009 Enacted	FY 2010 Recommended
General Funds	4.14 Billion	4.21 Billion	4.16 Billion
Other State Funds	380.22 Million	503.66 Million	557.92 Million
Federal Funds	1.10 billion	1.11 billion	1.36 Billion
Total	5.61 Billion	5.82 Billion	6.08 Billion

The proposed FY10 budget is 0.7 percent increase over FY09 funding before cuts and reserves enacted later in the year are factored in. The proposed FY10 DCFS budget is a 2.79 percent increase over FY09 funding once cuts and reserves are accounted for.

While the Governor’s budget proposal would provide a funding increase to DCFS overall, individual programs and services in DCFS would still be subject to cuts. Services that may see reductions include counseling, efforts to increase permanency, and foster care training. Programs with growing caseloads that do not receive increased funding will have to do more with less, and may be forced to reduce services. Furthermore, this proposal does not allow for restoration of cuts enacted in FY09.

It’s also important to note the anticipated revenue sources that were used in crafting this proposal. Without revenue from sweeping specialized state funds, growing the agency’s Medicaid claim, and increasing federal funding through licensing more home of relative foster parents, there are unlikely to be sufficient resources to enact this proposal.