



## GENERAL ASSEMBLY PASSES A NEW STATE BUDGET

### DEEPER CUTS FOR EDUCATION AND HUMAN SERVICES

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Children, families, and communities will continue to face tough times under the state budget that the General Assembly has approved for the new fiscal year beginning on July 1. In FY 2012, General Funds appropriations for state agencies, which account for about 70 percent of the total General Funds spending, will be \$1.6 billion below the level proposed by the Governor (see Table 1).<sup>1</sup> This policy bulletin provides an overview of the FY 2012 budget and summarizes significant reductions in funding for the State Board of Education, the Department of Healthcare and Family Services, and the Department of Human Services, which represent almost two-thirds of the difference between the Governor's proposed budget and the budget approved by the General Assembly (see Tables 2-3). The policy implications and program impacts of the approved FY 2012 budget are best understood by comparing it with both FY 2011 funding and the Governor's FY 2012 recommendations. In some instances — for example, Medicaid-funded programs — the Governor's proposal reflects the more relevant and more accurate policy baseline.

The state does not yet have a “final” budget for FY 2012. The Governor must still sign the various appropriations bills and could veto or reduce specific line-items in the budget. Nonetheless, the approved budget clearly puts a heavy burden on education and human services — in particular, programs that serve vulnerable populations across Illinois. Program areas targeted for spending cuts include General State Aid for public schools, early childhood education, mental health services, prenatal care programs, after-school and youth development opportunities, and programs to address homelessness. In short, the state budget does not reflect shared sacrifice or a balanced approach to allocating limited resources.

**TABLE 1: Overview of FY 2012 General Funds Budget (in \$ millions)**

	<b>Gov. proposed budget</b>	<b>Legis. approved budget</b>	<b>Difference</b>
Agency appropriations	25,433	23,832	-1,601
Estimated unspent appropriations	-802	-802	0
Employee group insurance	1,436	1,436	0
Pension contributions*	4,594	4,236	-358
Pension-related debt service	1,559	1,559	0
Capital projects debt service	578	578	0
Statutory transfers	2,317	2,020	-297
Total estimated expenditures	35,115	32,859	-2,256

\* Difference reflects updated estimate of required pension contributions from the General Funds.

<sup>1</sup> The General Funds — which include the General Revenue Fund, the Common School Fund, and the Education Assistance Fund — support the regular program and operating expenses of most state agencies.

**TABLE 1: FY 2012 General Funds Budget Proposed by Governor, Selected Agencies (in \$ millions)**

	<b>FY 2011 Revised budget</b>	<b>FY 2012 Proposed budget</b>	<b>Change from FY 2011</b>	<b>Pct. change</b>
Department of Healthcare and Family Services	6,970.6	7,592.8	622.2	9%
State Board of Education*	7,437.0	7,244.8	-192.2	-3%
Department of Human Services	3,877.8	3,318.2	-559.6	-14%
Excluding child care assistance**	3,175.6	3,033.5	-142.1	-4%
State universities	1,308.9	1,308.9	0.0	0%
Department of Corrections	1,203.9	1,278.0	74.1	6%
Department of Children and Family Services	833.0	840.3	7.3	1%
Department on Aging	628.8	798.9	170.1	27%
Illinois Student Assistance Commission	425.0	450.0	25.0	6%
Illinois Community College Board	358.4	358.4	0.0	0%
Supreme Court and Illinois Court System	289.8	347.5	57.7	20%
Illinois State Police	276.5	275.0	-1.5	-1%
Secretary of State	259.5	260.3	0.8	0%
Department of Public Health	138.9	136.6	-2.3	-1%
Department of Juvenile Justice	119.8	135.3	15.5	13%
Comptroller***	107.4	110.5	3.1	3%
Legislative agencies	81.3	81.3	0.0	0%

\* FY11 includes \$415 million in federal recovery funds (outside General Funds).

\*\* In the FY12 budget, more than \$400 million in funding for child care is shifted outside the General Funds.

\*\*\* Includes salaries for members of the General Assembly, constitutional officers, state agency executives, and members of state boards and commissions.

**TABLE 2: FY 2012 General Funds Budget Approved by General Assembly, Selected Agencies (in \$ millions)**

	<b>FY 2012 Approved budget</b>	<b>Change from FY11</b>	<b>Pct. change</b>	<b>Diff. from Gov.</b>	<b>Pct. diff.</b>
Department of Healthcare and Family Services	7,041.7	71.1	1%	-551.1	-7%
State Board of Education*	6,850.7	-586.3	-8%	-394.1	-5%
Department of Human Services	3,207.9	-669.9	-17%	-110.3	-3%
Excluding child care assistance**	2,926.0	-249.6	-8%	-107.5	-4%
State universities	1,293.9	-15.0	-1%	-15.0	-1%
Department of Corrections	1,167.3	-36.6	-3%	-110.7	-9%
Department of Children and Family Services	808.5	-24.5	-3%	-31.8	-4%
Department on Aging	737.4	108.6	17%	-61.5	-8%
Illinois Student Assistance Commission	406.9	-18.1	-4%	-43.1	-10%
Illinois Community College Board	361.1	2.7	1%	2.7	1%
Supreme Court and Illinois Court System	287.6	-2.2	-1%	-59.9	-17%
Illinois State Police	271.6	-4.9	-2%	-3.4	-1%
Department of Public Health	132.3	-6.6	-5%	-4.3	-3%
Department of Juvenile Justice	119.3	-0.5	0%	-16.0	-12%
Comptroller	107.0	-0.4	0%	-3.5	-3%
Legislative agencies	85.7	4.4	5%	4.4	5%

\* FY11 includes \$415 million in federal recovery funds (outside General Funds).

\*\* In the FY12 budget, more than \$400 million in funding for child care is shifted outside the General Funds.

\*\*\* Includes salaries for members of the General Assembly, constitutional officers, state agency executives, and members of state boards and commissions.

### State Board of Education (Table 3)

The Governor’s FY 2012 budget for the Illinois State Board of Education (ISBE) would have increased state funds for General State Aid (GSA) to local school districts by \$262 million. The General Assembly’s budget reduces GSA by \$152 million relative to FY 2011 — which does not include the loss of \$415 million in federal recovery funds. The GSA appropriation will be at its lowest level since FY 2007. The greatest impact will be on school districts that rely most on state funding — districts with the lowest amounts of property wealth per pupil and districts with the highest concentrations of low-income students.

The Early Childhood Block Grant (ECBG) was designated for an increase in the Governor’s proposed budget. Under the budget approved by the legislature, however, funding for ECBG programs will be \$17 million lower than in FY 2011 level and \$54 million below the FY 2009 level. Since FY 2009, the combination of budget cuts and delayed payments to service providers has resulted in 14,000 fewer children participating in state-funded pre-K programs, according to ISBE. The FY 2012 cuts could mean a projected loss of preschool services for another 4,000 children, as well as developmental services for 1,000 at-risk infants and toddlers.

Funding for many smaller ISBE programs will be eliminated — including teacher and administrator mentoring, “growth model” assessments of student academic progress, and Response to Intervention, which provides targeted, research-based instruction to students with learning difficulties. More than two dozen other programs were terminated in FY 2010 and FY 2011.

**TABLE 3: State Board of Education, Selected Cuts in General Funds Budget, FY 2011 - FY 2012 (in \$1,000s)**

	FY 2011 Revised budget	FY 2012 Gov. proposal	FY 2012 Approved budget	Change from FY11	Pct. change
General State Aid	5,015,703	4,862,301	4,448,105	-567,598	-11%
State funds	4,600,305	4,862,301	4,448,105	-152,201	-3%
Federal recovery funds (outside General Funds)	415,398	0	0	-415,398	-100%
Early Childhood Block Grant	342,235	380,261	325,124	-17,112	-5%
Student assessments	26,335	26,335	24,000	-2,335	-9%
After School Matters	4,000	2,500	2,500	-1,500	-38%
National Board Certified Teachers	2,756	2,000	1,000	-1,756	-64%
Arts and foreign language programs	1,280	1,280	1,000	-280	-22%
Programs eliminated (partial list)					
Teacher and administrator mentoring	5,628	6,815	0	-5,628	-100%
Response to Intervention	1,072	1,072	0	-1,072	-100%
Growth model assessments	2,400	2,400	0	-2,400	-100%
Principal mentoring	831	2,200	0	-831	-100%
Advanced placement classes	527	527	0	-527	-100%
American Diploma Project	400	400	0	-400	-100%

### Department of Healthcare and Family Services (Table 4)

In the case of Department of Healthcare and Family Services, the relevant point of comparison is the Governor’s FY 2012 budget proposal rather than the FY 2011 budget. The Governor’s FY 2012 recommendation for Medicaid and related medical assistance programs reflected lower reimbursement rates for most health care providers, anticipated savings from Medicaid reform initiatives, and other policy changes. Nonetheless, DHFS projected that General Revenue Fund (GRF) liabilities for medical assistance in FY 2012 will be \$628 million higher than in FY 2011 — a result of continuing enrollment growth and shifts in appropriations from non-GRF budget lines.

GRF appropriations for medical assistance will be \$537 million below the Governor’s proposal, even though the General Assembly did not approve cuts in provider reimbursement rates. Since Medicaid is a federal entitlement program, spending cannot be controlled simply by reducing appropriations. In the absence of additional policy changes, the approved budget will result in longer payment cycles for health care providers and more deferred liabilities. Moreover, because of the loss of federal matching funds, the “budget savings” for FY 2012 will be less than half the amount of the reduction in appropriations.

**TABLE 4: Department of Healthcare and Family Services, GRF Budget for Medical Assistance (in \$ millions)**

	<b>FY 2011 Revised budget</b>	<b>FY 2012 Gov. proposal</b>	<b>FY 2012 Approved budget</b>	<b>Change from FY11</b>	<b>Pct. change</b>	<b>Diff. from Gov.</b>	<b>Pct. diff.</b>
Hospital services	2,822.5	2,411.5	2,261.0	-561.5	-20%	-150.5	-6%
Physicians	943.4	852.1	794.9	-148.5	-16%	-57.2	-7%
Long-term care	804.7	938.5	869.0	64.3	8%	-69.5	-7%
Prescribed drugs	604.4	1,165.6	1,079.8	475.4	79%	-85.8	-7%
Medicare premiums	332.4	416.7	390.7	58.3	18%	-26.0	-6%
Dentists	262.1	316.6	295.7	33.6	13%	-20.9	-7%
HMOs/managed care entities	259.2	258.0	240.9	-18.3	-7%	-17.1	-7%
Community health centers	216.9	322.9	301.6	84.7	39%	-21.3	-7%
Specialized care for children	65.2	72.4	67.9	2.7	4%	-4.5	-6%
All other	513.8	684.3	600.5	86.8	17%	-83.7	-12%
<b>Total</b>	<b>6,824.7</b>	<b>7,438.5</b>	<b>6,902.0</b>	<b>77.3</b>	<b>1%</b>	<b>-536.5</b>	<b>-7%</b>

### Department of Human Services (Table 5)

Among all state agencies, the Department of Human Services (DHS) has been hit hardest by the fiscal crisis of the past several years. Between FY 2009 and FY 2011, the department’s GRF budget was reduced by nearly \$300 million. The Governor’s proposed DHS budget for FY 2012 included another \$85 million in cuts for grants to individuals and community-based services. The budget approved by the General Assembly is \$110 million below the Governor’s recommendation.

*State-operated facilities:* The approved FY 2012 budget converts funding for state developmental disability centers and state mental health facilities into two lump-sum appropriations, with aggregate reductions of more than 20 percent below the Governor’s recommendations and 14 percent below the FY 2011 level.

*Community mental health programs:* GRF appropriations for community mental health services, including programs for children and adolescents, are reduced by 16 percent in the Governor’s budget and more than 20 percent in the legislature’s budget. The approved budget eliminates GRF support for the DHS component of the Children’s Mental Health Partnership (CMHP), which works in the collaboration with the Division of Mental Health to promote the emotional well-being of children through a variety of prevention, early intervention, and treatment services. Total funding (GRF and non-GRF) for CMHP will be 38 percent below the FY 2011 level.

*Income assistance:* The General Assembly follows the Governor’s budget in cutting TANF income assistance (from GRF and other funds) by about one-third and eliminating funds for State Transitional Assistance and State Child and Family Assistance, which serve individuals and families who do not qualify for any other kind of income support.

*Employment and training:* The legislature’s budget reduces GRF funding for both Employability Development Services and Food Stamp Employment and Training by more than 50 percent.

*Homeless services:* The approved budget reduces appropriations for emergency and transitional housing by 52 percent and homelessness prevention by 38 percent.

*Prenatal care:* The Family Case Management program is designed to reduce the incidence of infant mortality, premature births, and low birth-weight infants. Under the legislature’s budget, program funding will be cut by 7 percent. The appropriation for a smaller companion program, Targeted Intensive Prenatal Case Management, will be 10 percent lower than in FY 2011 and 29 percent below the FY 2009 level.

*Youth development:* The Teen REACH after-school program was slated for an 86 percent cut in the Governor’s proposed budget. In the approved budget for FY 2012, funding will be 42 percent lower than in FY 2011 and 54 percent lower than in FY 2009. The appropriation for Teen Parent Services is being cut by more than half and will be 79 percent below the FY 2009 level.

**TABLE 5: Department of Human Services, Selected Cuts in GRF Budget, FY 2011 - FY 2012 (in \$1,000s)**

	FY 2011 Revised budget	FY 2012 Gov. proposal	FY 2012 Approved budget	Change from FY11	Pct. change
State-operated developmental disability centers	293,918	321,623	252,360	-41,558	-14%
State-operated mental health facilities	203,110	221,083	175,346	-27,764	-14%
Community mental health services*	256,700	214,775	202,356	-54,344	-21%
Community services grants	145,688	112,215	114,201	-31,487	-22%
Children and adolescent grants	33,436	32,236	28,722	-4,714	-14%
Individual care grants	27,551	26,051	23,349	-4,202	-15%
Children Mental Health Partnership (GRF & non-GRF)	4,871	3,000	3,000	-1,871	-38%
Other*	48,155	44,273	36,084	-12,071	-25%
TANF income assistance (GRF & non-GRF)	139,647	94,642	93,696	-45,951	-33%
State Transitional Assistance	9,637	0	0	-9,637	-100%
Funeral and burial expenses	3,436	0	1,980	-1,456	-42%
State Family and Child Assistance	1,264	0	0	-1,264	-100%
Employability Development Services	17,233	8,078	7,997	-9,236	-54%
Food Stamp Employment and Training	8,707	3,880	3,842	-4,865	-56%
Emergency and transitional housing	9,105	4,428	4,384	-4,721	-52%
Homeless prevention	2,400	1,000	1,485	-915	-38%
Family Case Management (Infant Mortality Reduction)	41,424	38,939	38,549	-2,875	-7%
Targeted Intensive Prenatal Case Management	3,857	3,857	3,465	-392	-10%
Teen REACH (After School Youth Support)	14,143	2,000	8,217	-5,926	-42%
Teen Parent Services	2,924	1,432	1,418	-1,506	-52%

\* Excludes supportive housing, which was funded outside GRF in FY 2011.

## Conclusion

The FY 2012 budget approved by the General Assembly will have significant damaging effects on education and human services in Illinois. Too much of the burden of spending cuts will fall on vulnerable populations, including preschool children, individuals and families in deep poverty, at-risk youth, and expectant mothers, as well as children, adolescents, and adults with mental health needs. In the current fiscal situation, spending cuts are inevitable, but they should be stra-

tegitally targeted and fairly distributed. A responsible state budget should reflect shared sacrifice and a balanced approach to allocating limited resources.

Many of the cuts in the FY 2012 budget could have been avoided by leveraging existing state resources outside the General Funds. Illinois has hundreds of “other state funds” that are financed through dedicated state taxes and fees, transfers from GRF, and federal revenue. These funds often serve legitimate purposes, but they are seldom scrutinized and essentially operate on automatic pilot. Some special state funds carry large unexpended balances from year to year.<sup>2</sup>

The General Assembly also missed an opportunity to prevent the loss of state revenue resulting from a change in the federal tax code. Federal “bonus depreciation” allows businesses to immediately deduct the entire cost of capital investments from their federal gross income. By “decoupling” Illinois tax law from federal bonus depreciation, policymakers could have preserved about \$600 million in state revenue for FY 2012.

Another shortcoming of the approved budget for FY 2012 is the failure to address the carryover deficit. As of mid-June, the Comptroller’s Office was holding a backlog of about \$4 billion in unpaid bills owed to school districts, community-based human service agencies, public universities, community colleges, and local units of government. These outstanding obligations do not include delayed corporate income tax refunds or deferred liabilities from the state employee group insurance program. A proposal for debt restructuring bonds was passed by the Senate but not by the House.

Finally, in some respects, the FY 2012 budget process in the General Assembly was a substantial improvement over recent years. Both chambers adopted revenue estimates before making appropriations decisions, and the legislature discontinued the recent practice of providing lump-sum funding to state agencies and to the Governor’s Office, rather than enacting line-item appropriations for particular programs. However, the state of Illinois does not yet have a budget based on both fiscal and social responsibility, which will require greater transparency in policymaking from both the executive and legislative branches.<sup>3</sup>

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<sup>2</sup> See “[A Balanced Approach to a Responsible State Budget: Maximizing Revenue Without New Taxes](#)” (Budget & Tax Policy Initiative, Voices for Illinois Children, May 2011). The FY 2012 budget implementation bill (Senate Bill 335), which was passed by both legislative chambers, includes a step in this direction by reducing statutory transfers from GRF to other state funds by \$297 million.

<sup>3</sup> These and other issues will be examined in a more comprehensive and more detailed report from the Budget & Tax Policy Initiative.

## **About the Budget & Tax Policy Initiative**

The Budget & Tax Policy Initiative (BTPI) at Voices for Illinois Children provides timely, credible, and accessible information and analysis on fiscal issues that affect children, families, and communities in Illinois. BTPI is a member of the State Fiscal Analysis Initiative (SFAI), a network of nonprofit organizations in more than 35 states. SFAI is coordinated by the Center on Budget and Policy Priorities, a Washington, D.C.-based research organization and strategic policy institute that works on a range of federal and state issues.

BTPI is funded by the Annie E. Casey Foundation, the Ford Foundation, the Chicago Community Trust, and the Chicago Foundation for Women. We thank them for their support but note that the findings and conclusions presented here are those of BTPI alone and do not necessarily reflect the views of these foundations.

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