



BUDGET & TAX POLICY INITIATIVE

Illinois' Fiscal Year 2004 Budget: How Do Children and Families Fare?

Illinois legislators and the governor agreed on a FY 2004 budget that includes many victories for Illinois children, families and communities. The final spending plan approved in the General Assembly includes a number of exciting program expansions, averts a number of proposed cuts and holds the line on important programs and services. The legislature passed a variety of one-time and recurring revenue options to support spending increases and close the FY 2003/FY 2004 \$5 billion budget hole. The budget produced by the General Assembly now awaits the final approval of Gov. Blagojevich. Although the governor will continue to veto some spending through the summer, he has thrown his support to the many victories for Illinois children and families.

Victories for children and families include, among other things:

- ◆ **Strengthening of early learning programs.** The Early Childhood Education Block Grant will grow by \$29.9 million in FY 2004, extending preK to about 8,200 more children. Approximately 11 percent of this total is set aside for programs supporting the needs of children from birth to age 3.
- ◆ **Improvement and permanent reauthorization of the Illinois Earned Income Tax Credit,** which helps support 584,000 working families. The legislature approved a “refundable” EITC, enabling the 170,000 lowest-income, working households to benefit in FY2004.
- ◆ **Updating of income-eligibility guidelines for child care assistance.** This change will help more low-income families to be able to receive assistance and retain it for longer periods of time.
- ◆ **Approval of the Children’s Mental Health Act,** which will support the social/emotional development of youth statewide. Through this act, Illinois can capture more federal funding for mental-health programs and improve schools’ approach to children’s social/emotional well-being.
- ◆ **Bolstering of K-12 education.** Policymakers increased school funding by \$250 per pupil and updated the current method of calculating extra state aid targeted at the lowest-income students to a more reliable, timely measure.
- ◆ **Expansion of health coverage for kids and families.** About \$26 million in new funding will help extend KidCare to 20,000 more children and FamilyCare to 65,000 more low-income, working parents statewide. When fully implemented, FamilyCare will cover up to 300,000 parents.

Total Appropriations

Illinois’ General Funds serve as the state’s largest checking account and encompass most of the funding for education, human services, health care and public safety programs. The General Funds are made up of four funds, including the General Revenue Fund and three school funds. The \$1.15 billion (5.2 percent) increase in General Funds appropriations between FY 2003 and FY 2004 indicates an important increase in Illinois’ investment in children and families.

(\$s in billions)	FY 2003	FY 2004	% Change
General Funds Appropriations	\$22.3	\$23.45 ¹	5.2%
Total Appropriations	53.4	63.4 ¹	18.7

1. Source: Governor’s Office of Management and Budget—June 19, 2003. Following June 19, Gov. Blagojevich began vetoing certain spending items. Consequently, the General Funds total shown here may still change. Totals will be available from the OMB in late July. Final, post-veto appropriations are detailed in an appropriations report produced by the Comptroller each year.

Total appropriations grow by \$10 billion, 18.7 percent, in the final budget. However, the total artificially inflates actual FY 2003 to FY 2004 spending growth in two ways. First, \$7.5 billion of the increase results from money that will simply be passed through the budget prior to being invested as a result of a bond sale to fund pension liabilities. Second, the final budget includes a number of duplicate appropriations. According to the Governor's Office of Management and Budget, a number of those duplicates will be vetoed.

Agency Appropriations

Focusing on seven departments that encompass a large portion of child and family programming, budget changes for FY 2004 relative to FY 2003 range from a decrease of 1.3 percent for the Department of Children and Family Services to an increase of 21.5 percent for the Department of Corrections relative to their original FY 2003 appropriations. For the Department of Public Health, budget growth results entirely from federal dollars. All other budget increases reflect a combination of state and federal dollars. As the table below indicates, all but two of the agencies (DPA, ISBE) included in this analysis experienced decreased appropriations between FY 2002 and FY 2003.

Agency Appropriations (\$s in millions)¹				
	FY 2002	FY 2003	FY 2004	% Change FY 2003 to FY 2004
Department of Children and Family Services (DCFS)	\$1,433	\$1,376	\$1,358	-1.3%
Department of Corrections (DOC)	1,449	1,355	1,646 ²	21.5
Department of Human Services (DHS)	5,004	4,902	5,072	3.5
Department of Public Aid (DPA)	8,047	8,688	9,824	13.1
Department of Public Health (DPH)	329	313	331	5.8
Illinois State Board of Education (ISBE)	7,999	8,239	8,673	5.3
Illinois Board of Higher Education (IBHE)	3,644	3,603	3,586	-0.5
<p>1. For all agencies, appropriations include federal funds, general funds and other state funds. Sources include the Governor's Office of Management and Budget, ISBE and IBHE. Total appropriations for some agencies may fall once the governor's vetoes are complete.</p> <p>2. According to the Governor's Office of Management and Budget, the Department of Corrections FY 2004 appropriation from the General Assembly includes a \$200 million capital project that is duplicated in the capital budget. One version of this project will be vetoed, decreasing the overall increase in the budget.</p>				

Education

The final FY 2004 budget includes a significant increase in the state's commitment to PreK-12 education, with general funds for ISBE increasing by \$392 million, 6.4 percent. After accounting for the portion of that increase that goes towards teachers' retirement (\$62 million), general funds appropriations going directly to education increase by \$330 million, 5.3 percent. That increase reflects:

- A \$29.9 million increase for the early childhood education block grant, extending preK to about 8,200 more children.
- A \$278 million increase in General State Aid (GSA). GSA funds the per-pupil foundation level—the basic building block of K-12 education funding in Illinois—and the poverty grant.

The additional GSA dollars reflect two changes. First, the per-pupil foundation level will increase by \$250, from \$4,560 in FY 2003 to \$4,810 in FY 2004. This is the first increase since FY 2002, and the

first step towards raising the foundation level to the adequate level identified by the Education Funding Advisory Board, \$5,665 per pupil. Second, the General Assembly approved a new methodology for counting the number of low-income students in a district. The new measure, based on an unduplicated count from DHS of the students receiving Temporary Assistance to Needy Families, Medicaid, KidCare or Food Stamps, can be updated annually and reflects a more complete estimate of the number of low-income students in Illinois in any given year than the previous method, the decennial census. In FY 2004, the DHS count results in an additional \$27 million for the low-income program.

The increase in GSA results from both new revenue being injected into the ISBE budget and the elimination of or decrease in appropriations for a number of programs. The 11 eliminated programs include Gifted Education, Parent Involvement and Career Awareness and Development, among others. The eight reduced programs include Truant Alternative Education, Charter Schools and Regional Offices of Education, among others.*

Students in higher education experienced a significant reduction in financial support in FY 2003 with an approximately \$38 million cut to the Monetary Award Program (MAP), an aid program targeted at the lowest-income college students. This cut resulted in 12,000 fewer students receiving financial aid in FY 2003, including 8,400 fifth-year students. In the FY 2004 budget, funding for the MAP program is partially restored—\$12 million—which will allow many fifth-year students to receive financial aid. The final budget includes reduced appropriations for operations and grants.

Select Education Appropriations (\$s in millions)			
	FY 2003	FY 2004	% Change
Early Childhood (ISBE)			
Early Childhood Education Block Grant ¹	\$184.2	\$214.1	16.2%
Illinois Preschool ¹	5.2	0	-100
Elementary and Secondary (ISBE)			
General Funds ²	6,144.4	6,536.7	6.4
Federal Funds	1,952.1	2,079.8	6.5
General State Aid/Hold Harmless	3,206.3	3,484.2	8.7
Transition Assistance ³	NA	5.2	NA
Higher Education (IBHE)			
Operations and Grants	2,501.9	2,428.6	-2.9
Monetary Award Program	336.4	348.4	3.6
1. Although the Early Childhood Block Grant appropriation grows by \$29.9 million in FY 2004, early childhood education experiences a net gain of only \$24.7 million. The net gain is less than the total block grant increase, because \$5.2 million of the increased appropriation actually represents a shift from the Illinois Preschool line to the Early Childhood Block Grant line in the budget. However, the \$5.2 million appropriation for Illinois Preschool in FY 2003 was never spent. 2. The total General Funds appropriation to ISBE does not include the textbook reappropriation, \$27.8 million for both FY 2003 and FY 2004. 3. In order to offset any losses school districts may experience as a result of the elimination of or reduction in ISBE grants and programs, the budget includes \$5.2 million of transition assistance.			

Child Care

The 8.9 percent increase in the DHS child care budget reflects progress in two areas. First, \$20 million of the increase will go towards updating the income eligibility guidelines that determine whether or not a family qualifies for a state subsidy to help pay for child care. Beginning in FY 2004, the guidelines will be based on the current year's median income. Guidelines were previously frozen at 1997 levels. The remaining portion of the increase will be used to eliminate the practice of pushing child care subsidy liabilities forward, beyond the close of a fiscal year.

* A complete list of education programs reduced or eliminated in the FY 2004 budget can be found at the Illinois State Board of Education's website, www.isbe.net.

Select Child Care Appropriations (\$s in millions)			
	FY 2003	FY 2004	% Change
Child Care (DHS)	\$610.7	\$665.3	8.9%
Child Care (DCFS)	25.1	25.1	0
Great Start/T.E.A.C.H	10.0	10.0	0

Health Care and Income Supports

The FY 2004 budget approved by the General Assembly reflects an expected increase in the medical assistance clientele, which includes Medicaid, KidCare and FamilyCare, from about 1,563,600 million in FY 2003 to 1,674,800 in FY 2004, an increase of 7 percent. That growth reflects both an increased need among those currently eligible for assistance and policy changes that expand eligibility for children and families. KidCare eligibility was expanded to 200 percent of poverty (\$34,040 annually for a family of four) from 185 percent, enabling 20,000 more children to receive health insurance. Legislators also increased FamilyCare eligibility to 90 percent of poverty (\$16,560 for a four-person family), bringing health coverage to an additional 65,000 working parents. If the FamilyCare program is expanded in future years, Illinois could cover approximately 300,000 parents with incomes up to 185 percent of the poverty level (\$36,800 for a four-person family).

Select Health and Income Support Appropriations (\$s in millions)			
	FY 2003	FY 2004	% Change
Medical Assistance (DPA)¹	\$8,006.7	\$9,128.3	14%
KidCare (DPA)²	265.1	326.8	23.3
Family Care (DPA)³	10.0	83.0	730
Child Support Enforcement (DPA)	226.1	214.7	-5
Temporary Assistance to Needy Families (DHS)⁴	157.2	115.5	-26.5
Emergency Assistance (DPA)	.98	.98	0

1. This includes Medical Assistance appropriations at the Department of Public Aid except: the Excellence in Academic Medicine Act, Medical Care: Chronic Renal Disease, Medical Care: Sexual Assault Victims, Medical Care: Hemophilia, and spending on KidCare and FamilyCare. Medical Assistance includes both state and federal matching funds.

2. KidCare totals reflect estimated expenditures. KidCare is funded with both state and federal matching funds.

3. FamilyCare totals reflect estimated expenditures. In FY 2003, all FamilyCare spending was federal. In FY 2004, \$61 million (73 percent) is federal spending and \$22 million (27 percent) is state.

4. The total TANF budget decreases from FY 2003 to FY 2004 due to an expected drop in welfare recipients.

Out-of-School Time and Community Schools

Community school and out-of-school time activities tend to complement or supplement school-day activities. Summer Bridges maintains funding between FY 2003 and FY 2004, but its total appropriation still fall below the FY 2002 total. Final FY 2004 funding for Teen REACH was reduced by \$552,000 (2.7 percent) with a reduction veto. Legislators eliminated the \$780,000 in funding for parent involvement—the only state funding specifically dedicated to involving parents in education.

Select Community Schools Appropriations (\$s in millions)			
	FY 2003	FY 2004	% Change
Teen REACH	\$19.9	\$19.9	-2.7%
Summer Bridges	25.1	25.1	0
Parent Involvement	.78	0	-100

Community Health and Prevention

By investing in prevention programs in the present, Illinois saves money in the long term. In the FY 2004 budget, Illinois maintains its investment in the prevention activities included in this analysis. The increase in Early Intervention (EI) shown in the table actually reflects an expected increase in the use of federal funds and parent fees. State funds for EI, \$64.4 million, remain constant between FY 2003 and FY 2004. Legislators also chose to restore a proposed 1.2 percent cut to grant funding for developmental disability and mental health programs.

Select Community Health and Prevention Appropriations (\$s in millions)			
	FY 2003	FY 2004	% Change
Early Intervention (DHS/ISBE)¹	\$85.0	\$95.0	11.8%
Healthy Families Illinois (DHS)	9.7	9.7	0
Parents Too Soon (DHS)	10.9	10.9	0
Intensive Prenatal Performance Project (DHS)	2.5	2.5	0

1. Source: Department of Human Services. Totals for EI reflected expected expenditures rather than total appropriations.

The Revenue Plan

In order to fill the \$5 billion budget hole across FY 2003 and FY 2004 and support important spending measures, legislators and the governor approved a number of revenue measures. For FY 2004, those measures total \$3.8 billion, about one-third of which (\$1.24 billion) can be considered recurring. The remainder of the new revenue (\$2.56 billion) consists of one-time measures that can only help Illinois through FY 2004.

Recurring revenue measures include:

- Corporate income tax expenditure reductions (\$33.2 million; this accounts for a \$20 million offset due to an increased Truckers Credit) – Eliminates or reduces 7 exemptions and credits
- Corporate franchise tax increase (\$5 million)
- Sales tax expenditure reductions (\$77 million) – Eliminates or reduces 9 exemptions and credits that primarily affect businesses
- Public utility tax increase (\$38 million) – Increases the Natural Gas Use Tax
- Decoupling from the federal phase-out of the estate tax (\$106 million)
- Sin tax and fee adjustments (\$223 million) – Riverboat gaming tax adjustments, liquor tax and fee adjustments
- Fee increases (\$409.9 million)
- Fund chargebacks (\$347 million)

One-time revenue measures include:

- Sales of riverboat casino license (\$350 million)
- Sin tax adjustment (\$50 million) – Cigarette tax collection adjustment
- Asset sales and sales/leasebacks (\$233 million)
- Environmental Trust Fund transfer (\$125 million)
- Fund sweeps (\$158 million)
- Tax amnesty revenue (\$40 million)
- Pension obligation bonds (\$1,600 million)

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