



SPECIAL REPORT

Budget & Tax Policy Initiative



The Governor's FY2007 Budget Proposal: Education and Health Care are Top Priorities

March 2006

This special report was prepared as a part of Voices for Illinois Children’s Budget & Tax Policy Initiative. Maneesha Date, policy analyst for the Budget & Tax Policy Initiative, is the author of this analysis. To promote discussion of the information and analysis presented in this brief, we invite readers to make copies of the brief and to disseminate it. To learn more about this issue, please contact Maneesha Date at 312-516-5568 or mdate@voices4kids.org.

About Voices for Illinois Children

Voices for Illinois Children is making Illinois a much better place for our children by working with families, communities and policymakers to ensure that all children grow up healthy, loved, safe and well educated. Voices is a statewide, privately funded, non-partisan public awareness and advocacy organization that builds support for practical public policies that improve the lives of children. A recognized leader in child advocacy, Voices mobilizes support for initiatives by conducting research, developing policies, building coalitions, offering training and helping people articulate their support for children. Jerome Stermer is the president of Voices for Illinois Children, and James J. Mitchell, III, is the chair of the Board of Directors.

About the Budget & Tax Policy Initiative

Investing in our children’s health, education, safety and welfare is the long-term, common sense approach to preserving and enhancing the well being of children, their families and all citizens of Illinois. Smart investment decisions require good information, sound analysis and timely action. Voices for Illinois Children helps the state make those smart investment decisions through the work of its Budget & Tax Policy Initiative. The Budget & Tax Policy Initiative identifies and analyzes the state’s revenue and spending policies to help Illinois policymakers and advocates set priorities and make wise fiscal decisions for the short term and for the long haul. Ann Courter is the Budget & Tax Policy Initiative director.

This special report was funded by the Ford Foundation, Annie E. Casey Foundation and Chicago Community Trust. We thank them for their support but acknowledge the findings and conclusions presented are those of Voices for Illinois Children alone and does not necessarily reflect the opinions of these foundations.

What’s Inside	
Topic	Page
Appropriations and Revenues	3
Issue Area and Department Spending	4
PreK-12 Education and Child Care	5
Health and Income Supports	8
Community Health and Prevention	9
Intervention for Children at Risk	10
Out-of-School Time Supports	11
Juvenile Justice and Corrections	11
Summary	11
Appendix: Historical Funding Trends	12

THE GOVERNOR'S FY2007 BUDGET PROPOSAL: Education and health care are top priorities

On February 15, 2006, Governor Rod Blagojevich presented his FY2007 state operating and capital budget proposals. After years of facing steep budget deficits, the Governor's Office of Management and Budget estimates that the state will not face a deficit for FY2007. Education and health care are top priorities in the proposal.

In his FY2007 budget proposal, the Governor recommends expanding preschool to provide access for all 3- and 4-year-olds and more than \$350 million in new funding for other preK-12 education initiatives.

Highlights of the Proposed Budget

The Governor recommends a \$400 million increase in general funds revenues for preK-12 education initiatives. His priorities for these additional funds include:

- Preschool access for *all* 3- and 4-year olds.
- General State Aid – unrestricted dollars available to school districts on a per-pupil basis.
- Class size reduction for grades K-3.
- Mandated categorical programs – funding to reimburse school districts for state-mandated programs such as special education and transportation.

The Governor also recommends increased funding for higher education in his FY2007 budget proposal. If this budget is passed, it would mark the first time since FY2002 that total general funds, other state funds and federal funds have increased for higher education. The total increase for FY2007 is nearly \$119 million (an \$18.9 million general funds increase, a \$98.6 million increase in other state funds and a \$1.3 million increase in federal funds). Major initiatives in the proposal include the creation of a college tuition tax credit, increased support for public universities, community colleges and adult education and increased funding to help low- and middle-income students afford college through the Monetary Award Program.

The new All Kids program will make affordable health insurance coverage available to all uninsured Illinois children.

The Governor and legislature have greatly expanded access to health care coverage over the last few years. KidCare and FamilyCare are programs that provide low-income children and families with no-cost or low-cost health insurance coverage and are funded through Medicaid appropriations with a very favorable federal match. The new All Kids program will make affordable health insurance coverage available to all uninsured Illinois children. Medical assistance programs are increased by \$624 million (5.4 percent) in the Governor's FY2007 budget proposal.¹

Last spring, facing a FY2006 budget deficit estimated to be \$1.1 billion, the Governor and the General Assembly enacted some pension reforms and reduce pension contributions. Payments into the five state pension systems were decreased by \$1.2 billion for FY2006 and \$1.1 billion for FY2007. Even though the remaining FY2007 payment is only about half of the original payment, it still amounts to \$437 million more in general funds than the FY2006 payment. The FY2008 estimated payment will be another \$609 million on top of that.² With an unfunded pension liability of more than \$38 billion³, the state's pension funds will continue to require more and more general funds revenues in upcoming years.⁴



For FY2007, the Governor also proposes a capital budget with nearly \$3.7 billion in new appropriations, including:

- \$2.8 billion for transportation (in part to capture federal transportation funds),
- \$351 million for school construction,
- \$328 million for environment and business regulation,
- \$99 million for economic development,
- \$80 million for institutions of higher education,
- \$12 million for government services,
- \$12 million for public safety, and
- \$1 million for health and human services.

Illinois Revenues

Illinois' economy has shown signs of recovery as FY2006 revenues have exceeded expectations. In last year's budget proposal, the Governor's Office of Management and Budget estimated that FY2006 general funds revenues would total \$26.7 billion while the updated estimate in this year's proposal is \$27.1 billion (excluding \$1 billion in short-term borrowing). However, through the first seven months of FY2006, revenues are doing only marginally better than their pre-recession FY2001 levels (after accounting for inflation). Illinois' economic growth, while accelerating, still lags well behind the U.S. average recovery.⁵ Furthermore, significant spending pressures remain.

The current revenue upswing is still insufficient to make up for an inadequate revenue system that has forced level funding or even cuts to critical services that serve children and families over the past several years. Many of these important programs are flat-funded in this budget proposal, effectively cutting services as costs of doing business increase. Though some service providers recently have received modest cost-of-living increases, most others have been forced to go without cost-of-living increases for several years, making it more and more difficult to hire and retain experienced staff, let alone maintain families' access to programs.

Illinois' revenue structure has long been insufficient for meeting state spending needs. Though the fiscal crisis exacerbated the problem, the structure of Illinois' tax system does not generate adequate revenues to maintain the existing level of services in future years. Growth in needs (even if adjusted only for inflation and population growth) far outpaces growth in tax revenues, even with continued economic recovery.

The Illinois tax system also is *regressive* – it takes a disproportionately greater share of income from low- and middle-income taxpayers than from the wealthy. As income disparities grow, assessing a larger tax burden on those least able to pay results in a revenue system that's over-reliant on an ever-diminishing source, even while needs continue to grow. Illinois' low and constitutionally mandated flat-rate income tax imposes the lowest top tax rate among the 41 states that use a broad-based income tax. Furthermore, Illinois' sales tax is levied on very few categories of taxable services, failing to capture revenue from the fastest-growing sector of the economy. The state sales tax incorporates fewer services than all but five other states.⁶

The Illinois tax system is regressive – it takes a disproportionately greater share of income from low- and middle-income taxpayers than from the wealthy. As income disparities grow, assessing a larger tax burden on those least able to pay results in a system in which state revenue is reliant on an ever-diminishing source while needs continue to grow.

Voices for Illinois Children supports a broad-based approach to reform our system of state revenues to more fairly and adequately fund schools and the full range of services upon which kids and families depend and which make our communities strong. Research has shown an undeniable connection between students' learning and the non-school factors in their lives, such as family income and child health.⁷ If we want to improve children's educational well-being, we must stop the erosion of both their school supports and the human services that support families. We must reduce schools' punitive over-reliance upon property taxes. We must raise the revenues necessary to improve support of schools and vital human services by increasing the state income tax and expanding the state sales tax to many services and also make our tax system fairer to our lowest-income families through refundable tax credits. Although the Governor's proposal supports many immediate education and health priorities, it doesn't envision the revenue reforms necessary to best improve kids' and families' well-being in the long term.

Appropriations and Revenues

Appropriations

Total recommended operating budget appropriations increase from \$43.3 billion for FY2006 to \$45.4 billion for FY2007, an increase of nearly 5 percent (more than \$2.1 billion). The

Table 1. Operating Budget Appropriations (in billions of dollars)	FY2006 Approp	FY2007 Proposal	% Change FY06-FY07
Total – All Funds	43.3	45.4	4.9
General Funds	24.3	25.7	5.8

state's "general funds" provide most of the spending for education, health care, human services and public safety programming. Spending among these general funds grows from a \$24.3 billion appropriation in FY2006 to a \$25.7 billion proposal for FY2007, an increase of nearly 6 percent (nearly \$1.4 billion). However, spending has not rebounded to restore the dramatic cuts made in FY2003. When compared with FY2002 spending adjusted for inflation, the total FY2007 general funds proposal represents a decrease of nearly 1 percent.⁸

Revenues

Revenues for all funds are projected to increase to \$46.7 billion for FY2007, a 0.4 percent increase over FY2006 estimated revenues. FY2007 general funds revenue projections total \$28.3 billion, a 0.9 percent increase from FY2006 expectations.

Table 2. Revenues (in billions of dollars)	FY2006 Estimated	FY2007 Estimated	% Change FY06-FY07
All Funds	46.5	46.7	0.4
General Funds	28.1	28.3	0.9

Overall, state-source general fund base revenues are forecasted to increase by \$814 million (3.6 percent) over FY2006 estimates. Personal and corporate income tax revenues are estimated to increase by 5 percent (\$423 million) and 13.4 percent (\$200 million), respectively. FY2007 sales tax revenue is also predicted to increase by \$369 million (5 percent). Revenues from the cigarette tax and the inheritance tax to the general funds are expected to decrease by \$80 million in FY2007 (11.7 percent). Transfers into the state's general funds also are expected to decrease by \$64 million (3.0 percent) and the Cook County Intergovernmental Transfer is expected to decrease by \$41 million (11.7 percent). Federal receipts to the general funds are expected to increase by \$123 million (2.6 percent) over FY2006.

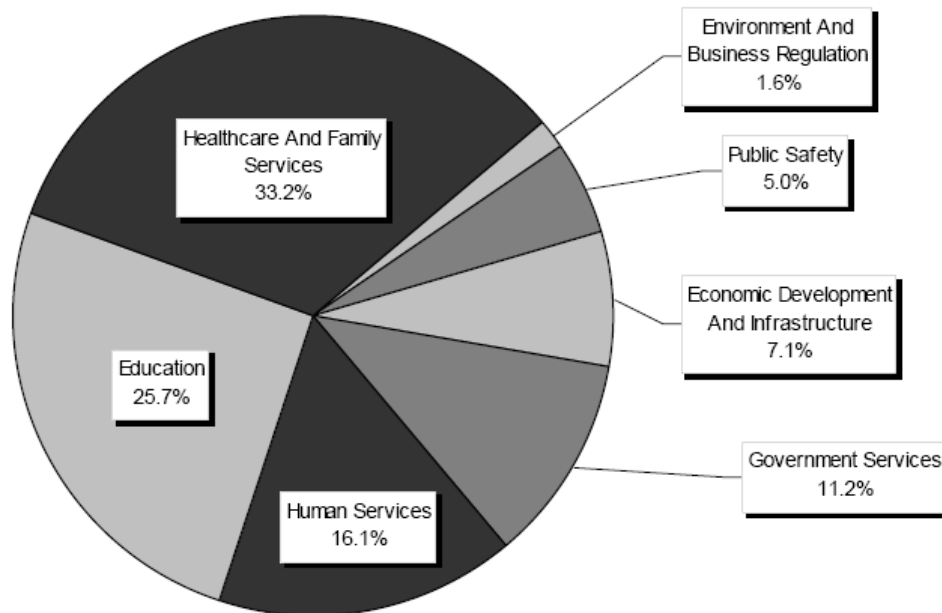
 The remainder of this report analyzes how state investments in children and families fare in the FY2007 budget proposal compared with the FY2006 appropriation. A detailed history of funding for the programs discussed in the text can be found in the Appendix.

Issue Area and Department Spending

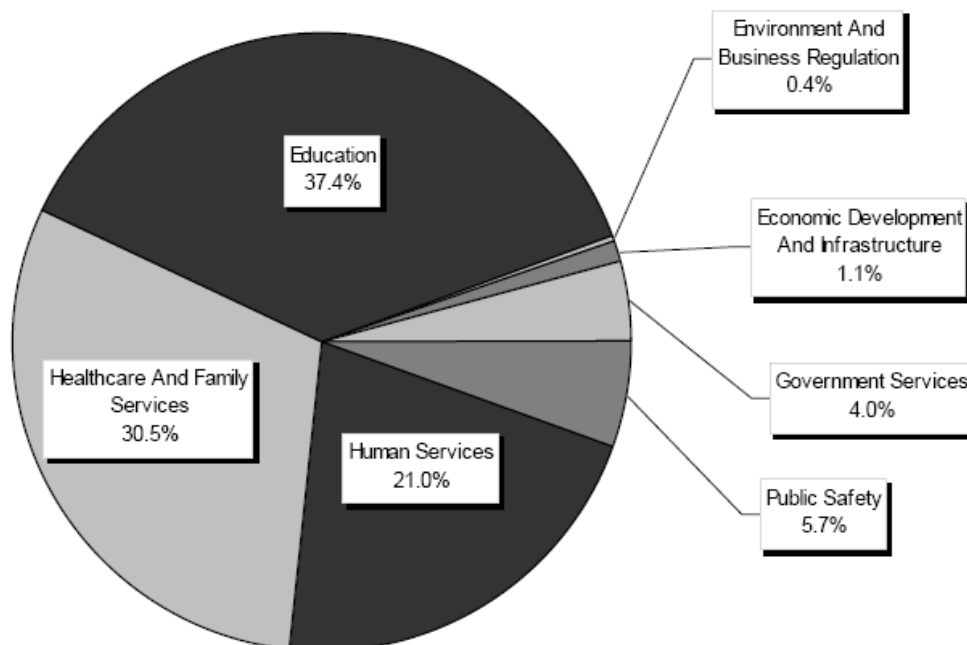
The Department of Healthcare and Family Services (formerly Public Aid) and education (including preschool, elementary, secondary and higher education) account for nearly 68 percent of FY2007 general funds appropriations. The figures below provide a complete breakdown of spending patterns by major purpose.

**Figure 1. Fiscal Year 2007 Operating Appropriations by Major Purpose⁹
Percentage of Total**

All Funds Total - \$44.43 Billion



General Funds – \$25.71 Billion



Focusing on seven departments that encompass a large portion of child, family and community programming, proposed budget changes between FY2006 and FY2007 range from increases of less than 1 percent to 7.38 percent (see Table 3). The Department of Public Health (DPH) experiences the largest increase (7.38 percent), though this increase is on top of a relatively small base. The next largest increases are 5.45 percent for the Illinois State Board of Education (ISBE) and 5.41 percent to the Department of Healthcare and Family Services (DHFS). For FY2007, a Department of Juvenile Justice (DJJ) is created from the Juvenile Division of the Department of Corrections to focus more acutely on the needs of juvenile offenders. This new department has the smallest recommended increase in appropriations (0.96 percent) of the agencies outlined below.

Table 3. Agency Operating Budget Totals: FY2006 and 2007 (in millions of dollars)

Agency	FY2006 Appropriation	FY2007 Proposed	% Change FY06-FY07
DHFS	15,187	16,008	5.41
DHS	5,247	5,416	3.22
DCFS	1,290	1,309	1.52
ISBE	8,288	8,741	5.45
DPH	369	397	7.38
DOC	1,149	1,220	6.20
DJJ	125	126	0.96

PreK-12 Education and Child Care

Overall, the Governor recommends a funding increase of 5.5 percent (\$452.1 million) for the Illinois State Board of Education (ISBE) FY2007 budget (see Table 4). This reflects a 7.1 percent increase (\$429.4 million) in general funds, a 5 percent increase (\$2.1 million) in other state funds and an increase of 1 percent (\$20.6 million) in federal funds. In his proposal, the Governor has included a line item in the ISBE budget for New Education Initiatives totaling \$400 million. Although he did not specify how to allocate these increased funds, he did prioritize certain programs.¹⁰

The Governor's priorities for these additional funds include the following:

- *General State Aid* – Unrestricted support for school districts.
- *Early childhood education* – Voluntary “Preschool for All” initiative.
- *Class size reduction* – Introduction of a pilot program that would provide grants to schools to reduce size.
- *Mandated categorical programs* – Funding to reimburse school districts for costs related to state-mandated services, such as transportation and special education.
- *Other programs* – Support for programs including bilingual education, school consolidation and student assessment.

The increase in preK-12 funding in the Governor's proposal would be funded in part by the following measures:¹¹

- *Repealing retail rate law.* Completes the phase-out of an earlier tax credit unique in the country for electricity sold by producers of landfill-generated electricity.
- *Broadening environment impact tax base.* Applying the same tax on the purchase of fuel stored in Illinois to all purchases while reducing the environmental impact tax for all in-state purchasers by one-tenth of 1 cent.
- *Adjusting net operating losses.* Changes the period over which overstated loss carry forwards may be restated by the Department of Revenue.



- *Increasing tax on non-cigarette tobacco.* Increases tobacco products tax from 18 percent to 30 percent of the wholesale price.
- *Excess fund balances.* Continue annual transfers of excess fund balances from various other state funds to the Common School Fund.

Early Childhood Education

Over the past three years, the Early Childhood Block Grant was increased by \$90 million to provide 25,000 additional at-risk youngsters with preschool. The Governor has acted on the recommendations of the Illinois Early Learning Council to move towards preschool access for all 3- and 4-year-olds whose parents want them to participate. The Governor recommends an additional \$45 million for the block grant in each of the next three years as the first part of a five-year “Preschool for All” plan.

Funding for the State Board of Education’s special education preschool program, funded entirely through federal dollars, remains level at \$25 million.

K-12 Education

Each year, the Governor and the legislature have an opportunity to adjust the *foundation level* – the state’s guaranteed minimum per-pupil expenditure, currently set at \$5,164. The school-funding formula also considers such factors as a school district’s property values, its percentage of students from low-income families, and its student enrollment to determine how much General State Aid (GSA) will be provided to the district. A district’s actual GSA is largely the difference between the foundation level and the per-pupil amount a district is able to raise through local property taxes. By taking into account both the population a district serves and the district’s capacity to cover education costs with local resources, the formula is considered to be an efficient and equitable way of distributing state funds, given Illinois’ general over-reliance on property taxes in the school-funding system. Local schools can then target these unrestricted GSA dollars as they see fit.

Governor Blagojevich and the legislature increased the foundation level by \$604 per pupil in FY2004-FY2006. Increasing General State Aid remains one of the Governor’s stated priorities, but reaching the level recommended by the Education Funding Advisory Board in 2005 would require increasing the foundation level by more than \$1,200 this year. ISBE’s FY2007 budget request includes a foundation-level increase of only \$170 and still falls well

**Table 4. Education and Early Care Funding:
FY2006 and FY2007 (in millions of dollars)**

Program (agency)	FY2006 Appropriation	FY2007 Proposal	% Change
ISBE Total	8,288.5	8,740.6	5.45
General Funds (ISBE)	6,093.9	6,523.3	7.05
Federal Funds (ISBE)	41.5	43.5	5.01
New Education Initiatives (ISBE)^a	0.0	400.0	---
General State Aid^b (ISBE)	3,927.4	3,927.4	0.00
Special Education (ISBE)^c	812.1	812.1	0.00
Early Childhood Block Grant (ISBE)	273.3	273.3	0.00
Charter Schools (ISBE)	5.94	5.94	0.00
Literacy Programs (ISBE)	76.1	76.1	0.00
Child Care (DHS)^d	690.8	725.1	4.97
Child Care (DCFS)^e	21.1	22.2	5.38
Preschool--Special Education (ISBE)	25.0	25.0	0.00

a. This item represents the Governor’s \$400 million in new state funds, not yet divided between his priorities.
 b. This item represents both General State Aid and General State Aid - Hold Harmless funding.
 c. This item includes funding for Extraordinary Special Education, the Phillip J. Rock Center, Disabled Students Services, Materials and Tuition and all Summer School Payments. It does not include funding for Disabled Students Transportation or the Blind/Dyslexic Persons Reading Program.
 d. This item includes funding for Child Care Services, Great Start and Migrant Day Care services.
 e. This item includes funding for Protective/Family Maintenance Day Care.
 f. Federal Individuals with Disabilities Act.

short of what is recommended to provide an adequate education to all Illinois public school students throughout the state.

Table 5. General State Aid Foundation Level

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007 ^a	EFAB
Foundation Level	\$4,560	\$4,810	\$4,964	\$5,164	\$5,334	\$6,405
Change from Previous Year		\$250	\$154	\$200	\$170	N/A

a. Data for the 2006-2007 school year are based on the Illinois State Board of Education's Fiscal Year 2007 budget request.

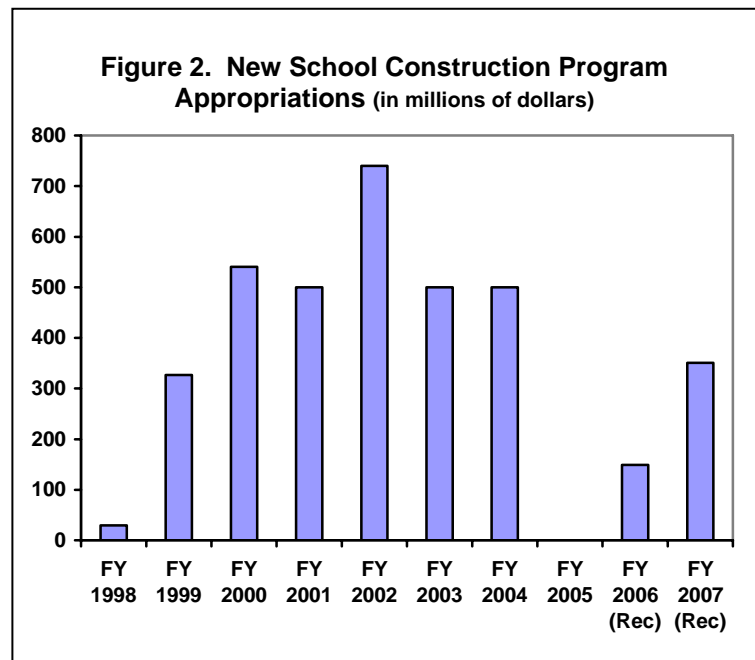
School Construction

The capital programs recommended in the Governor's FY2005 and FY2006 budget proposals were not funded. The proposed capital budget for FY2007 includes \$351 million in new appropriations for school construction. Additionally, another \$199 million has been requested as a FY2006 supplemental appropriation – \$149 million for school construction projects and another \$50 million for smaller repair and maintenance projects.

Child Care

The DHS Child Care Assistance Program currently serves over 194,000 children per month and allow tens of thousands of low-income parents to go to work every day.

Total DHS child care appropriations are increased by \$34.3 million in the Governor's FY2007 budget proposal. Additionally, another \$10 million of federal funding which was annually held back as reserve funding can be spent for FY2007, for a total spending-authority increase of \$44.3 million. This increase includes anticipated growth in the program (\$14 million), an update in the reimbursement rate for both home-based (\$32.8 millions) and center-based (\$17.5 million) child care providers and cost savings projections (-\$20 million) for accountability measures. Funding for Great START – a program that enhances salaries for qualified early childhood professionals who further their education and remain in their jobs – remains flat in the FY2007 budget proposal. The DCFS child care program receives a \$1.1 million increase in the Governor's budget proposal, for a total appropriation of \$22.1 million.





Health and Income Supports

The Governor and legislature have greatly expanded access to health care coverage over the last few years. Eligibility for KidCare and FamilyCare – programs that provide low-income children and families with no-cost or low-cost health insurance coverage – has been increased to families with income up to 200 percent of poverty (about \$40,000 annually for a family of four) and 185 percent of poverty (about \$37,000 annually for a family of four), respectively. The KidCare and FamilyCare expansions are funded by a very favorable federal match of 65 cents for every 35 cents of state spending.

The All Kids program, which was approved by the legislature in the fall of 2005, becomes effective in FY2007

(July 1, 2006). This program is designed to provide access to comprehensive health insurance for the hundreds of thousands of uninsured Illinois children who are not eligible for KidCare through a sliding-scale fee structure. The cost of this program is estimated to be \$45 million in the first year, with an estimated \$56 million in savings from conversion to a primary care case management system. As part of the All Kids program, services provided by physicians to children will be expedited to a 30-day payment cycle beginning in FY2007, accounting for \$20 million of the \$45 million first-year cost.

Medical assistance programs, child support enforcement and home energy assistance are increased in the Governor’s FY2007 budget proposal. Funding for other income-support programs, however, remains flat (an effective cut as costs increase) in the Governor’s proposed budget.

Medical Assistance

Medicaid, All Kids, KidCare, FamilyCare, Health Benefits for Workers with Disabilities and Illinois Cares Rx make health services available to 1.9 million Illinois residents monthly. Medical assistance programs receive increased funding in the Governor’s FY2007 budget proposal, exceeding FY2006 totals by \$623.5 million (not including four line items; see Table 6).

The state issued \$1 billion in short-term borrowing certificates in November 2005 in part to reduce payment delays to Medicaid providers. While this did have an impact on reducing payment delays, a cash-payables backlog of \$906 million remained on December 31, 2005.¹² Payment cycles are expected to grow again as the state begins reserving revenues for the repayment of the short-term borrowing which must be completed by June 30, 2006. The payment cycle is projected to reach 77 days by the end of FY2007.

**Table 6. Health and Income Support Funding:
FY2006 and 2007 (in millions of dollars)**

Program Area (Department)	FY2006 Approp	FY2007 Proposal	% Change
Medical Assistance (DHFS)^a	11,554.1	12,177.6	5.4
TANF (DHS)	151.2	151.2	0.0
Child Support Enforcement (DHFS)	205.6	212.1	3.2
Emergency Food and Shelter (DHS)	8.9	8.9	0.0
Emergency Food Program (DHS)	5.3	5.3	0.0
Home Energy Assistance^b	295.9	297.9	0.7

a. 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, and Medical Care: Hemophilia. Medical Assistance includes both state and federal matching funds.

b. This includes both state and federal funds for grants to eligible recipients under the state Energy Assistance Act and the federal Low Income Home Energy Assistance Program.

Income Assistance

The Governor recommends a \$6.5 million increase for child support enforcement in his FY2007 budget proposal, which includes the expansion of collection efforts through a new Illinois-Iowa Joint Child Support Enforcement Office. For FY2005, DHFS reported record-breaking child support collections of over \$1 billion and, from July to November 2005, total collections were estimated to have grown by an additional 10 percent.¹³

Funding for Temporary Assistance to Needy Families (TANF) as well as the Emergency Food and Shelter programs remains flat in the FY2007 budget proposal. Funding for Home Energy Assistance increases by \$2 million in state funds.

Community Health and Prevention

DHS runs a number of prevention programs through grants that support community health, decreasing the need for future spending on, for example, health care and special education. A sampling of these programs is discussed here, most of which do not receive additional funding in the Governor’s proposed budget.

Illinois’ Early Intervention services help prevent or alleviate developmental delays and disabling conditions in very young children so they can enter school ready to learn. The recommended appropriation of state funds for Early Intervention increases by 5.2 percent (\$3 million) for FY2007. However, this increase does not even restore the \$3.2 million cut made in FY2006, while the number of children entering the system continues to increase.

**Table 7. Community Health and Prevention Funding:
FY2006 and 2007 (in millions of dollars)**

Program Area (DHS)	FY2006 Approp	FY2007 Proposal	% Change
Early Intervention^a	58.0	61.0	5.2
Healthy Families Illinois	9.7	9.7	0.0
Parents Too Soon	10.9	10.9	0.0
Intensive Prenatal Performance Project (IPPP)	5.0	5.0	0.0
Crisis Nurseries	0.5	0.5	0.0
Children’s Mental Health^b	66.1	68.1	3.0

a. Totals reflect state appropriations to the Early Intervention Revolving Fund. Federal Medicaid and Early Intervention dollars are also available.
b. This category includes the following line items: Mental Health Children and Adolescent Grant, MH Individual Care Grants, Mental Health C&A Block Grant (federal), and Teen Suicide (federal).

Other community health and prevention programs are level-funded in the FY2007 budget proposal. Healthy Families Illinois, a home-visiting program that provides parenting support services for more than 3,000 at-risk families, remains funded at \$9.7 million in the FY2007 budget proposal. The budget proposal also calls for another year of flat-funding (at \$10.9 million) for Parents Too Soon, a pregnancy prevention and parenting support program for teens. After a significant increase in the FY2006 budget, the Intensive Prenatal Performance Project, offering intensive services to women with the most at-risk pregnancies, remains at \$5 million in the Governor’s proposal. State funding for Crisis Nurseries, providing short-term care for children at risk of abuse or neglect, remains at \$472,900 in the FY2007 budget proposal.

In 2003, the Governor and General Assembly created the Illinois Children’s Mental Health Partnership and authorized the development and implementation of a statewide, Children’s Mental Health Strategic Plan. The plan outlines a series of recommendations to build a comprehensive and coordinated mental



health system in Illinois that includes prevention, early intervention and treatment for children from birth to age 18. In June 2005, the strategic plan was finalized and sent to the Governor. The plan included an initial recommendation for \$19.5 million in new dollars in FY2007 for a variety of initiatives, including mental health consultation, school-based activities, early intervention and treatment services, as well as a statewide public awareness campaign. The Governor’s FY2007 DHS budget proposal recommends \$2 million of the \$19.5 million requested by the Partnership.

Intervention for Children at Risk

The Illinois Department of Children and Family Services (DCFS) protects children’s well-being by intervening when they experience harm or the threat of being harmed. The agency’s total budget recommendation for FY2006 reflects a 1.5 percent increase in funding from FY2006.

**Table 8. DCFS Program Funding:
FY2006 and 2007 (in millions of dollars)**

Program Area (DCFS)	FY2006 Approp	FY2007 Proposal	% Change
DCFS Total	1,289.7	1,309.3	1.5
Protective Services	77.8	83.8	7.7
Family Support	37.2	36.9	-0.8
Foster Care	301.5	302.1	0.2
Institution/Group Homes	194.1	202.5	4.3
Adoption	296.8	289.3	-2.5

Protective services receive a large increase (7.7 percent) in the Governor’s budget proposal after being cut in the FY2006 budget. The Governor recommends a 4.3 percent increase in funding for institution/group homes, from \$194.1 million for FY2006 to \$202.5 million for FY2006. The Governor also recommends a slight increase (0.2 percent) in funding for foster care, from \$301.5 million for FY2006 to \$302.1 million for FY2007. Adoption funding, after experiencing a slight decrease in FY2006, is again reduced in the FY2007 budget – down 2.5 percent from \$296.8 million to \$289.3 million. The budget proposal also includes a second year of decreased funding for family support services, down 0.8 percent from \$37.2 million for FY2006 to \$36.9 million for FY2007.

The number of children in substitute care has fallen from over 50,000 to less than 18,000 in the last decade. Further caseload decreases are expected for FY2007 in the areas of regular and specialized foster care, residential placements and children living in the home of a relative. A caseload increase is anticipated in independent living as the department is increasingly dealing with a population of older children who need to be prepared for living on their own.

The department introduced a “lifetime approach” to child welfare in FY2005. Reforms included as part of this approach are:

- Integrated assessment – providing all children with a comprehensive clinical assessment from the moment they enter care.
- Trauma treatment.
- Intensive stabilization services.
- Child and youth investment teams.
- Redesign of transitional living and independent living programs.
- Family-supported adolescent care.

Out-of-School-Time Supports

Teen REACH and Summer Bridges are two important, state-funded, out-of-school-time supports for youth who need extra help. Teen REACH offers prevention-focused activities to high-risk children 6 to 17 years of age. In the Governor's FY2007 budget proposal, appropriations for Teen REACH is slightly increased, by \$50,000 (0.3 percent). However, this increase actually brings appropriations to a point about \$2 million below actual FY2006 service levels. The Summer Bridges program provides students in preK through sixth grade who are at risk of academic failure with a concentrated curriculum of reading and writing during the summer. This program remains flat-funded from FY2006 appropriations. The Mentoring, After School and Student Support Programs line item was created in the Illinois State Board of Education budget with \$12.2 million FY2006. It is significantly increased in the FY2007 proposal to \$16.2 million.

**Table 9. Community School Funding:
FY2006 and 2007 (in millions of dollars)**

Program Area (Department)	FY2006 Approp	FY2007 Proposal	% Change
Teen REACH (DHS)	18.5	18.6	0.3
Summer Bridges (ISBE)	22.2	22.2	0.0
Mentoring, After School and Student Support Programs (ISBE)	12.2	16.2	32.7

Juvenile Justice and Corrections

For FY2007, the Department of Juvenile Justice (DJJ) is created from the juvenile justice division of the Department of Corrections (DOC). The DOC total budget is increased by 6.2 percent in the Governor's FY2007 recommendation while the DJJ budget is increased by less than 1 percent from the division's FY2006 level. The Governor proposes an increase of 5.8 percent in funding for the adult facilities of DOC and a 1.5 percent increase for juvenile facilities. The proposal recommends an increase for all adult correctional centers. The largest increase is proposed for opening the Thomson Correctional Center (\$6.5 million). The smallest increase is for the Big Muddy facility (0.5 percent). Half of the juvenile facilities received an increase in the Governor's proposed budget and half a decrease, ranging from a decrease of 3.8 percent for the Pere Marquette Youth Center to an increase of 8.2 percent for the Harrisburg Youth Center. Juvenile Justice programs in DHS are flat-funded in the proposed budget.

**Table 10. Corrections Funding:
FY2006 and 2007 (in millions of dollars)**

Program Area (Department)	FY2006 Approp	FY2007 Proposal	% Change
DOC Total	1,148.7	1,219.9	6.20
DJJ Total	124.9	126.1	0.96
Adult Facilities (DOC)	893.3	945.4	5.83
Juvenile Facilities (DJJ)	100.6	102.1	1.47
Juvenile Justice Programs (DHS) ^a	13.0	13.0	0.0

a. Mental health services for juvenile justice (previously included in this line item) were collapsed into Mental Health Grants in FY2006. This category now includes the federal Juvenile Justice Planning and Juvenile Justice Programs line items.

Summary

The Governor's proposed budget for FY2007 contains important investments in education and health care, with special emphasis on early childhood education. However, the budget is flat in many other areas critical to the well-being of children and families. Though the Illinois economy is improving, significant spending pressures remain and their growth will continue to outpace revenue growth unless the state's tax system is reformed.

Appendix: Historical Funding Trends

**Table 11. General Funds Appropriations
FY2004-FY2006, FY2007 Proposal (in billions of dollars)**

FY2004	FY2005	FY2006	FY2007 Proposed	FY06-FY07 % Change	FY04-FY07 % Change
23.27	23.73	24.31	25.71	5.8	10.5

**Table 12. Appropriations by Department
FY2002-FY2006, FY2007 Proposal (in millions of dollars)¹**

Department	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 Proposed	FY06-FY07 % Change
ISBE	7,999	7,156	7,596	8,059	8,288	8,741	5.5
TRS ^a		1,052	1,097	1,041	685	879	28.3
DPA/DHFS ^b	8,047	9,078	13,741	14,609	15,187	16,008	5.4
DHS	5,004	4,960	5,020	5,114	5,247	5,416	3.2
DCFS	1,433	1,377	1,357	1,268	1,290	1,309	1.5
DPH	329	317	351	355	369	397	7.4
DOC ^c	1,449	1,355	1,404	1,246	1,149	1,220	6.2
DJJ ^c				127	125	126	1.0

- a. The Teachers Retirement System was part of the ISBE budget prior to FY2004. This is reflected in the ISBE figures from FY2003 forward.
- b. The FY2005-FY2007 budget totals include the state's group health insurance program which was moved from CMS to DHFS in FY2006.
- c. The Department of Juvenile Justice was separated from the Department of Corrections for FY2007 and is reflected in totals from FY2005 forward.

**Table 13. Select PreK-12 ISBE Appropriations
FY2002-FY2006, FY2007 Proposal (in millions of dollars)**

Program Area	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 Proposed ^a	FY06-FY07 % Change
ISBE Total^b	7,998.8	7,156.1	7,595.6	8,059.1	8,288.5	8,740.6	5.45
General Funds^b	6,226.5	5,121.2	5,444.4	5,808.7	6,093.9	6,523.3	7.05
Federal Funds	1,623.0	1,952.1	2,073.8	2,219.3	2,153.1	2,173.7	0.96
General State Aid^c	3,266.4	3,206.3	3,484.2	3,712.3	3,927.4	3,927.4	0.00
Early Childhood Block Grant^d	184.2	183.5	213.4	243.3	273.3	273.3	0.00
Pre-Kindergarten^e	169.4	168.8	189.9	216.5	243.2	243.2	0.00
Universal Preschool^f	NA	5.2	0.0	0.0	0.0	0.0	0.00
Special Education (state funds)^g	699.5	689.8	741.5	785.6	812.1	812.1	0.00
Preschool-Special Education (federal funds)^h	25.0	25.0	25.0	25.0	25.0	25.0	0.00
Charter Schools^{d,i}	14.5	11.5	8.2	5.9	5.9	5.9	0.00
Literacy Programs (state funds)^{d,j}	88.0	79.2	79.2	76.1	76.1	76.1	0.00

a. The Governor's budget proposal does not allocate the increased education dollars.
b. Teachers Retirement System funds not included from FY2003 forward.
c. General State Aid includes hold harmless.
d. From FY2003 forward, grant operations appropriations are not included as part of the grant total.
e. PreKindergarten represents up to 92 percent of the Early Childhood Block Grant for FY2000-2003 and 89 percent for FY2004 forward. The remaining 8 percent and 11 percent reflect the birth-to-3 mandatory set-aside for programs benefiting at-risk infants and toddlers. Totals do not include administrative costs.
f. The \$5.2 million appropriated (but never spent) in FY2003 was folded in the Early Childhood Education Block Grant for FY2004.
g. The Special Education appropriation figure here includes seven line items: Children with Low-Incidence Disabilities, Extraordinary Services, Orphanage Tuition, Personnel Reimbursement, Phillip Rock Center, Private Tuition and Summer School. The appropriations listed here do not include federal funds or Corey H. Compliance, a Chicago-based special education program that was eliminated in FY2003.
h. This preschool funding comes from the federal Individuals with Disabilities Education Act.
i. The Charter School figure includes Charter Schools (state), Charter Schools (federal) and the Charter Schools Revolving Loan Fund.
j. Literacy Programs include the Reading Improvement Block Grant, the Reading Improvement Statewide program (eliminated in FY2003) and the Family Literacy program (eliminated in FY2004).

**Table 14. Select Child Care Appropriations
FY2002-FY2006, FY2007 Proposal (in millions of dollars)**

Program Area (Department)	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 Proposed	FY06-FY07 % Change
Child Care (DHS)^a	657.6	611.2	666.7	693.2	690.8	725.1	4.97
Child Care (DCFS)^b	26.1	25.1	25.1	21.1	21.1	22.2	5.38

a. Child Care in DHS includes the following line items: Child Care Services (General Revenue and Federal Funds), Great START (General Revenue and Federal Funds) and Migrant Day Care Services (Federal Funds). The total does NOT include the Donated Funds Initiative (\$22.3 million every year between FY 1998 and the FY2007 proposal).
b. Child Care in DCFS includes Protective/Family Maintenance and Day Care Infant Mortality. DCFS child care does not include administrative costs.



**Table 15. Select Health and Income Support Appropriations
FY2002-FY2006, FY2007 Proposal (in millions of dollars)**

Program Area (Department)	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 Proposed	FY06-FY07 % Change
TANF (DHS)^a	206.9	154.9	112.9	126.8	151.2	151.2	0.00
Medical Assistance (DPA)^b	7,625.0	8,345.4	10,402.0	11,196.6	11,554.1	12,177.6	5.40
Child Support Enforcement (DPA)	233.1	226.1	214.4	200.4	205.6	212.1	3.16
Emergency Assistance (DHS)^c	1.0	1.0	1.0	0.0	0.0	0.0	0.00
Emergency Food and Shelter (DHS)^d	9.8	9.7	9.7	9.4	8.9	8.9	0.00
Emergency Food (DHS)^d	2.9	5.3	5.3	5.3	5.3	5.3	0.00

a. The TANF appropriation does not include administrative costs.

b. 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, and Medical Care: Hemophilia. Medical Assistance includes both state and federal matching funds. During FY2002 midyear cuts, Medicaid experienced \$224 in budget cuts through hospital and provider reimbursement rate decreases. The FY2006 budget proposal includes moving a substantial amount of state employee health insurance to DPA/DHFS. This is reflected in the DPA/DHFS figures from FY2004 forward.

c. During FY2002 midyear budget cuts, Emergency Assistance was reduced to \$500,000. This total does not include administrative costs.

d. FY2002-FY2004 data are from DHS. FY2005-2007 data are from the FY2007 Budget Book.

**Table 16. Select Community Health and Prevention Appropriations
FY2002-FY2006, FY2007 Proposal (in millions of dollars)**

Program Area (DHS)	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 Proposed	FY06-FY07 % Change
Early Intervention^a	80.9	64.4	61.2	61.2	58.0	61.0	5.17
Healthy Families Illinois^b	9.7	9.7	9.7	9.7	9.7	9.7	0.00
Parents Too Soon^c	11.0	10.9	10.9	10.9	10.9	10.9	0.00
Intensive Prenatal Performance Project (IPPP)	2.5	2.5	2.5	3.1	5.0	5.0	0.00
Crisis Nurseries	0.50	0.49	0.49	0.47	0.47	0.47	0.00
Children's Mental Health	58.5	58.4	61.9	64.2	66.1	68.1	3.02

a. Early Intervention totals reflect estimated expenditures for FY2002. Total funding for EI is made up of the state appropriation to ISBE, federal Early Intervention dollars and Medicaid dollars - Source: Department of Human Services. Totals for FY2003 through FY2007 reflect state appropriations to the Early Intervention Revolving Fund. From FY2002 through FY2004, state funding for Early Intervention (EI) was appropriated to the Illinois State Board of Education and then transferred to the Illinois Department of Human Services as needed. Prior to this and from FY2005 forward, all funding is allocated to DHS.

b. During FY2002 midyear budget cuts, Healthy Families Illinois (HFI) funding was reduced by approximately \$300,000, taking the FY2002 budget to \$9.4 million.

c. During FY2002 midyear budget cuts, Parents Too Soon Funding was reduced by \$54,000 to \$10.9 million.

**Table 17. Select Intervention for Children at Risk Appropriations
FY2002-FY2006, FY2007 Proposal (in millions of dollars)**

Program Area (DCFS)	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 Proposed	FY06-FY07 % Change
DCFS Total	1,433.4	1,376.5	1,357.3	1,268.3	1,289.7	1,309.3	1.52
Protective Services^a	76.5	78.7	77.1	79.9	77.8	83.8	7.65
Family Support^b	43.3	42.6	42.6	37.9	37.2	36.9	-0.77
Foster Care^c	382.5	343.1	315.6	299.7	301.5	302.1	0.20
Institution/Group Homes^d	253.9	237.4	223.6	208.5	194.1	202.5	4.33
Adoption^e	255.6	268.5	288.9	283.9	296.8	289.3	-2.54

a. The Protective Services funding covered here includes Child Protection, Purchase of Children's Services and Children's Advocacy Centers.

b. Family Support includes the Family Preservation Program and Family Centered Services Initiative line items.

c. Foster Care includes Foster Care Homes and Specialized Foster Care. Administrative costs are not included.

d. Institution/Group Homes covers the Group Home Care and Prevention line item. Administrative costs are not included.

e. Adoption covers Adoption and Guardianship Services. Administrative costs are not included.



**Table 18. Select Out-of-School Time and Community School Appropriations
FY2002-FY2006, FY2007 Proposal (in millions of dollars)**

Program Area (Department)	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 Proposed	FY06-FY07 % Change
Teen REACH (DHS) ^a	20.0	19.9	19.9	20.4	18.5	18.6	0.27
Project Success (DHS) ^b	3.8	0.0	0.0	0.0	0.0	0.0	0.00
Safe to Learn (IVPA) (actual expenditures) ^c	13.9	0.0	0.0	0.0	0.0	0.0	0.00
Summer Bridges (ISBE)	26.0	24.8	24.8	22.2	22.2	22.2	0.00
Parent Involvement Campaign ^d (ISBE)	1.5	0.9	0.0	0.0	0.0	0.0	0.00
Mentoring, After School and Student Support Programs (ISBE)	NA	NA	NA	NA	12.2	16.2	32.69

a. During FY2002 midyear budget cuts, the Teen REACH appropriation was reduced by \$400,000 to \$19.6 million.
b. During FY2002 midyear budget cuts, the Project Success appropriation was reduced by \$1.1 million to \$2.7 million.
c. During FY2002 midyear budget cuts, the Safe to Learn appropriation was reduced by \$1.7 million to \$12.2 million.
d. During FY2002 midyear budget cuts, the Parent Involvement Campaign's funding was reduced by \$500,000 to \$1.0 million.

**Table 19. Select Juvenile Justice and Corrections Appropriations
FY2002-FY2006, FY2007 Proposal (in millions of dollars)**

Program Area (Department)	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007 Proposed	FY06-FY07 % Change
DOC Total	1,448.7	1,355.1	1,403.7	1,245.6	1,148.7	1,219.9	6.20
DJJ Total ^a	NA	NA	NA	127.1	124.9	126.1	0.96
Adult Facilities (DOC)	958.1	894.5	937.0	938.8	893.3	945.4	5.83
Juvenile Facilities (DOC/DJJ)	121.7	107.6	111.0	104.0	100.6	102.1	1.47
Juvenile Justice Programs (DHS) ^b	15.0	15.0	15.0	14.8	13.0	13.0	0.00

a. The Department of Juvenile Justice is created from the division of juvenile justice in the Department of Corrections for FY2007. These separate appropriations are reflected from FY2005 forward.
b. Mental health services for juvenile justice (previously included in this line item) were collapsed into Mental Health Grants in FY2006. This category includes only the federal Juvenile Justice Planning and Juvenile Justice Programs line items from FY2006 forward.

Endnotes

¹ This total excludes 4 line items as indicated in Table 6.

² Illinois Commission on Government Forecasting and Accountability. "Projected Contributions for the State-Funded Retirement Systems," December 2005 Monthly Briefing. www.ilga.gov/commission/cgfa/1205revenue.pdf

³ Illinois Commission on Government Forecasting and Accountability, "Report of the 90% Funding Target of Public Act 88-0593," January 2006. www.ilga.gov/commission/cgfa/Funding_PA_88-0593.pdf

⁴ Voices for Illinois Children Budget & Tax Policy Initiative, "Illinois' Pension Funding Crisis," October 2005.

⁵ Moody's/Economy.com (prepared for the State of Illinois Commission on Government Forecasting and Accountability). "State of Illinois Forecast Report," January 2006. www.ilga.gov/commission/cgfa/IL0106.pdf

⁶ Federation of Tax Administrators, "Are You Being Served?" Tax Administrator News, May 2005.

⁷ Voices for Illinois Children, "One Child, Many Needs – The Vital Learning Link Between Education and Human Services," February 2005.

⁸ Inflation calculations based on the Consumer Price Index using 2005 as the last adjustment (last full year of data available).

⁹ Illinois Governor's Office of Management and Budget. Illinois State Budget Fiscal Year 2007, pg. 2-13. www.state.il.us/budget/FY07%20Budget%20Book.pdf

¹⁰ The Illinois State Board of Education has made specific recommendations on the FY2007 ISBE budget. Officials from the Governor's Office of Management and Budget suggest that \$45 million be added for the "Preschool for All" proposal and that the foundation level be increased by at least as much as is proposed in the ISBE request (\$170). www.isbe.net/budget/FY07/proposed_budget_FY07.pdf

¹¹ Illinois Governor's Office of Management and Budget. Illinois State Budget Fiscal Year 2007, pg. 2-3. www.state.il.us/budget/FY07%20Budget%20Book.pdf

¹² Illinois Comptroller's Office. "Borrowing Reduces Payment Cycle," The Illinois State Comptroller's Quarterly, January 2006. www.ioc.state.il.us/common/getLocalFile.cfm?fileName=CQJan2006.pdf

¹³ Illinois Governor's Office of Management and Budget. Illinois State Budget Fiscal Year 2007, pg. 7-14. www.state.il.us/budget/FY07%20Budget%20Book.pdf

Contact Voices for Illinois Children at:

208 S. LaSalle St., Suite 1490

Chicago, IL 60604-1120

Phone: 312-456-0600

Fax: 312-456-0088

www.voices4kids.org * info@voices4kids.org