



# **SPECIAL REPORT**

**Budget & Tax Policy Initiative**



# **The Final FY 2008 Illinois Budget**

**State finances remain  
inadequate to meet critical  
needs in education, health,  
and human services**

**January 2008**

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# THE FINAL FY 2008 ILLINOIS BUDGET

## State finances remain inadequate to meet critical needs in education, health care, and human services

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Illinois finally has a FY 2008 budget. The spring 2007 legislative session continued long into the new state fiscal year that began last July 1. The Governor's FY 2008 budget proposal, which had featured greatly expanded access to health care and increased support for education, was contingent on several revenue-raising measures, including the adoption of a "gross receipts tax," which would have taxed nearly all business transactions. The gross receipts tax was overwhelmingly rejected by the Illinois House of Representatives, and the budget debate persisted. Policymakers struggled to find agreement on state priorities and how to fund them. This problem was exacerbated by the requirement of "supermajority" approval (a three-fifths vote) for any measures passed from June through December and designed to take effect immediately – such as the state budget.

On August 13, six weeks into the new fiscal year, the General Assembly sent the Governor a FY 2008 state budget bill.<sup>1</sup> The Governor then used his veto powers to cut about \$470 million from nearly 1,500 line items.<sup>2</sup> In October, the House and Senate voted to override a few of the vetoes, restoring only about \$8 million of the cuts.<sup>3</sup> Most of the Governor's vetoes stand.

The FY 2008 budget implementation bill (BIMP), required to authorize new spending from the approved budget, was sent to the Governor for his signature on November 5.<sup>4</sup> The Governor then had 60 days to use his amendatory veto power to modify the bill, after which it would automatically go into effect. On January 4, the Governor made revisions to the BIMP regarding funding for special education staff and the state police. The General Assembly unanimously approved the changes on January 10. This two-month-plus delay in approving the BIMP meant that new funding scheduled for FY 2008 was put on hold. For example, the delay in the \$400 per-pupil increase in the state's "foundation level" left schools for too long without needed funds and unable to plan for the school year, now well underway.

The enacted budget does include additional funding for important priorities such as early childhood and K-12 education, children's mental health supports, and the Early Intervention program for children with developmental delays or disabilities. However, it does not produce any meaningful reform for the state's school-funding and health care systems, nor does it improve the state's outdated revenue system. The overall structure of state finances remains unable to provide fair and adequate support for education, health, and human services.

## Total FY 2008 Appropriations

Total operating budget appropriations for FY 2008 increased by 5 percent over FY 2007, after accounting for the Governor’s vetoes and those lines restored by the legislature. Appropriations from the state’s General Funds increased by 7 percent compared with FY 2007, but have grown much less than appropriations from other state funds and federal funds since FY 2003. Appropriations from other state funds and federal funds increased slightly compared with FY 2007.

This report focuses on five state agencies that encompass a large portion of programs affecting children and families. The state’s “General Funds” are highlighted because these funds provide most of the spending for education, health care, and human services.

**Table 1. Operating Budget Expenditures/Appropriations (in billions of dollars)**

	FY 2003 Exp.	FY 2004 Exp.	FY 2005 Exp.	FY 2006 Exp.	FY 2007 Approp.	FY 2008 Approp.	FY07-FY08 Change	FY03-FY08 Change
<b>Total – All Funds</b>	34.9	37.0	37.9	39.4	48.5	50.7	4.6%	45.5%
<b>General Funds</b>	21.9	22.7	22.5	24.1	25.8	27.5	6.7%	25.7%
<b>Other State Funds</b>	9.5	10.7	11.5	11.4	16.9	17.3	2.9%	82.1%
<b>Federal Funds</b>	3.5	3.6	3.9	4.0	5.9	5.9	0.1%	70.0%

**Table 2. General Funds Expenditures/Appropriations by Agency (in millions of dollars)**

Agency	FY 2003 Exp.	FY 2004 Exp.	FY 2005 Exp.	FY 2006 Exp.	FY 2007 Approp.	FY 2008 Approp.	FY07-FY08 % Change	FY03-FY08 % Change
<b>State Board of Education</b>	5,051	5,409	5,751	6,045	6,531	7,085	8.5%	40.3%
<b>Human Services</b>	3,565	3,597	3,746	3,817	3,994	4,183	4.7%	17.3%
<b>Children and Family Services<sup>a</sup></b>	824	795	754	803	776	901	16.1%	9.4%
<b>Juvenile Justice<sup>b</sup></b>	N/A	N/A	117	113	117	127	8.6%	---
<b>Healthcare and Family Services<sup>c</sup></b>	5,883	6,580	5,874	7,343	7,764	8,232	6.0%	39.9%

- a. The overall FY 2008 budget for Children and Family Services increased by less than 1 percent, but there was a substantial shift in funding from the Children’s Services Fund to the General Revenue Fund. More details can be found in the Children and Family Services section of this report.
- b. The Department of Juvenile Justice was separated from the Department of Corrections for FY 2007. Totals for FY 2003 and FY 2004 were not available. Totals for FY 2005 and FY 2006 represent expenditures for the juvenile division of the Department of Corrections.
- c. Formerly Public Aid. Totals include the state’s group health insurance program which was moved from Central Management Services to Healthcare and Family Services in FY 2006. The FY 2003 total includes General Funds appropriations for the program in Central Management Services.

## State Board of Education

Overall, the FY 2008 State Board of Education General Funds budget grows by more than \$554 million (9 percent). This increase includes:

- \$30 million for early childhood education
- \$309 million for General State Aid to local school districts
- \$129 million for special education programs
- \$8 million for bilingual education programs
- \$2 million for anti-truancy and alternative education programs

**Table 3. Illinois State Board of Education,  
Selected Expenditures/Appropriations from the General Funds (in millions of dollars)**

Program	FY 2003 Exp.	FY 2004 Exp.	FY 2005 Exp.	FY 2006 Exp.	FY 2007 Approp.	FY 2008 Approp.	FY07-FY08 Change	FY03-FY08 Change
Early Childhood Block Grant	183.1	212.5	242.1	272.2	318.3	347.8	9.3%	90.0%
General State Aid <sup>a</sup>	3,206.3	3,482.6	3,709.3	3,917.3	4,166.3	4,475.2	7.4%	39.6%
Special Education <sup>b</sup>	688.6	738.6	768.1	803.4	837.8	966.9	15.4%	40.4%
Bilingual Education	62.6	62.6	64.6	66.6	66.6	74.6	12.0%	19.2%
Reading Improvement Block Grant	79.2	79.2	76.1	75.9	76.1	76.1	0.0%	-3.8%
Career and Technical Education	51.6	38.3	36.07	38.0	38.6	38.6	0.0%	-25.3%
Truant Alternative and Optional Education	18.6	15.7	15.6	17.6	18.1	20.1	11.1%	7.8%
Regional Safe Schools	16.2	17.1	17.0	18.0	18.5	18.5	0.0%	14.1%
Summer Bridges	24.1	24.8	21.8	21.7	22.2	22.2	0.0%	-7.7%
Arts and Foreign Language Education	---	---	---	1.1	4.0	0.0	-100.0%	---
Children's Mental Health Partnership <sup>c</sup>	---	---	---	---	3.0	3.0	0.0%	---

a. Total includes Hold Harmless funding. This provision ensures that if, for any school district, the General State Aid formula yields less than the district's total General State Aid and Hold Harmless funding for the 1997-1998 school year, a grant will be appropriated to keep funding at 1997-1998 levels.

b. Total includes the following special education line items: extraordinary services, orphanage tuition, personnel reimbursement, private tuition, and summer school payments.

c. This line includes Children's Mental Health Partnership funding only in the State Board of Education. Funds are also appropriated to the Department of Human Services.

### **Early Childhood Education**

In the spring 2006 legislative session, legislators overwhelmingly approved legislation for “Preschool for All.” The legislation laid out a road map for ensuring access to preschool for all 3- and 4-year-olds whose parents want it – over time and as resources are made available.<sup>5</sup> It built upon the successes and structure of the longstanding pre-K program for at-risk children and established a priority order for future funding increases. This legislation kept “programs serving primarily at-risk children” as the top priority. Second priority went to programs serving children from families with incomes up to 400 percent of the federal poverty level (\$82,600 for a family of four in 2007).

The original plan included annual increases of \$45 million for the Early Childhood Block Grant over the course of three to five years, beginning with FY 2007. A \$45 million increase was included in the FY 2007 budget. The \$30 million increase approved for FY 2008 does represent another important step toward Preschool for All. Still, it falls short of the \$45 million goal and is less than half the increase proposed by the Governor in the spring.

### **K-12 Education**

While the overall budget for K-12 education did increase, policymakers again failed to address the issue of inequities in the school-funding system. The state’s heavy reliance on local property taxes to fund schools produces one of the nation’s most unfair school finance systems. The low percentage of funding coming from the state perpetuates huge spending and student-achievement gaps between property-poor and property-wealthy school districts.

General State Aid funds the foundation level and poverty grants. The foundation level is set by the state as the guaranteed minimum per-pupil expenditure from state and local sources. Poverty grants provide extra funding to school districts based on their concentration of students from low-income households. The additional General State Aid dollars in the FY 2008 budget will result in a \$400 increase in the foundation level, from \$5,334 to \$5,734. This is a step in the right direction toward the foundation level recommended by the Education Funding Advisory Board (EFAB) as necessary to provide an adequate education. Nevertheless, the foundation level remains short of the EFAB recommendation for FY 2006.

**Table 4. General State Aid Foundation Level**

2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	EFAB <sup>a</sup>
\$4,810	\$4,964	\$5,164	\$5,334	\$5,734	\$6,405

a. Education Funding Advisory Board figure for FY 2006

Special education services receive an additional \$129 million (15 percent) in the FY 2008 budget. Some of this funding will be used to increase the reimbursement rates for special education teachers, from \$8,000 to \$9,000, and other special education staff, from \$2,800 to \$3,500, amounts which had not been updated in more than 20 years. The budget also includes an additional \$8 million (12 percent) for bilingual education and \$2 million (11 percent) for anti-truancy and alternative education programs.

The Summer Bridges program provides a concentrated curriculum of reading and writing to students through sixth grade who are at risk of academic failure. The program receives level funding in the FY 2008 budget. Funding for the Reading Improvement Block Grant, Career and Technical Education, and Regional Safe Schools also remains flat. Appropriations for all but the Regional Safe Schools program remain below their FY 2003 spending levels.

The arts and foreign language education line item was created in the FY 2006 budget in partnership with the Illinois Arts Council. The program awarded grants to school districts totaling \$1.1 million for FY 2006 and \$2.2 million for FY 2007. The FY 2008 budget approved by the legislature provided a \$5.5 million appropriation for the program (a \$1.5 million increase over the FY 2007 appropriation). The Governor, however, vetoed the program, eliminating the FY 2008 appropriation entirely.

Appropriations in the State Board of Education for the Children's Mental Health Partnership remain at \$3 million for FY 2008. These funds will provide support for school-based mental health education and support programs. These services include implementing curricula and conducting professional development related to the Social/Emotional Learning Standards, increasing student mental health support services, and expanding the Positive Behavior Intervention and Supports Program to additional schools.

## **Human Services**

Overall, the FY 2008 Department of Human Services budget from the General Funds is increased by \$189 million (5 percent). This increase includes:

- \$10.6 million for the Early Intervention program
- \$3 million for the Child Care Assistance program
- \$1 million for the Children's Mental Health Partnership

### ***Child Care***

General Funds spending for child care comes from both federal funding and state revenues. Overall FY 2008 appropriations for the Child Care Assistance program are increased by \$3 million (less than 1 percent), far less than the \$33 million the Governor had proposed. These funds will be used to help sustain low-income, working families' access to child care through a reimbursement rate increase for providers.<sup>6</sup>

Great START is a program that enhances salaries for qualified early childhood professionals who further their education and remain in the child care field. State appropriations for Great START remain flat in the FY 2008 budget, though waiting lists have been eliminated as previously appropriated funds have been released.

**Table 5. Department of Human Services,  
Selected Expenditures/Appropriations from the General Funds (in millions of dollars)**

Program	FY 2003 Exp.	FY 2004 Exp.	FY 2005 Exp.	FY 2006 Exp.	FY 2007 Approp.	FY 2008 Approp.	FY07-FY08 Change	FY03-FY08 Change
Child Care <sup>a</sup>	476.1	533.4	562.0	559.2	594.9	597.9	0.5%	25.6%
Temporary Assistance to Needy Families <sup>b</sup>	143.3	112.0	126.5	148.5	137.1	113.6	-17.1%	-20.7%
Healthy Families Illinois	9.6	9.6	9.6	9.7	10.0	10.0	0.0%	3.7%
Parents Too Soon	7.2	7.1	7.2	7.2	7.6	7.6	0.0%	4.5%
Early Intervention <sup>c</sup>	64.5	61.2	61.2	58.0	61.0	71.6	17.4%	11.2%
Intensive Prenatal Performance Project	2.5	2.4	3.1	4.4	5.0	5.2	3.0%	106.0%
Mental Health Children and Adolescent Grant	34.1	33.8	35.6	36.9	37.0	37.0	0.0%	8.5%
Mental Health Individual Care Grants	19.0	22.6	23.1	24.4	24.6	28.1	14.2%	48.1%
Children's Mental Health Partnership <sup>d</sup>	N/A	N/A	N/A	N/A	2.0	3.0	50.0%	---
Teen REACH/After School Youth Support Programs	19.8	19.9	20.4	18.4	19.1	19.1	0.0%	-3.4%

a. This category includes state funding for child care services and Great START.

b. This line item is comprised largely of funding for cash assistance and represents only a small portion of the state's Temporary Assistance to Needy Families spending.

c. Total reflects General Funds appropriations to the Early Intervention Revolving Fund.

d. This line includes Children's Mental Health Partnership funding only in the Department of Human Services. Funds are also appropriated to the State Board of Education.

### ***Income Support***

The Temporary Assistance for Needy Families (TANF) cash assistance program provides financial assistance for families with one or more dependent children. FY 2008 appropriations for TANF are decreased by 17 percent due to estimates of decreased participation. The maximum monthly cash grant for a family of three is \$396, an amount that has not been increased since 2002.

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Funding for the TANF program comes from federal TANF Block Grant funds and from the state's own revenues. Cash assistance comprises only a small portion of TANF spending, which is also used for programs such as child care.

### ***Home Visiting***

Appropriations for Healthy Families Illinois and Parents Too Soon – home-visiting programs that provide parenting support services – are flat in the FY 2008 budget. Though funding for these programs was increased by 3 percent in FY 2007, reflecting much-needed cost-of-doing-business adjustments, neither program has received another similar increase since FY 2003.

### ***Early Development***

Early Intervention program services help prevent or alleviate developmental delays and disabling conditions in very young children so they can enter school ready to learn. After years of flat and decreased funding, appropriations for the Early Intervention program were increased by \$3 million for FY 2007 and \$10.6 million for FY 2008 (17 percent), which includes a 3 percent cost-of-doing-business adjustment for providers.

The Intensive Prenatal Performance Project, which offers intensive services to women with at-risk pregnancies, also receives a 3 percent cost-of-doing-business adjustment in the FY 2008 budget.

### ***Mental Health***

State funding for the Mental Health Children and Adolescent Grant remains flat in the FY 2008 budget. The budget does include an additional \$3.5 million for individual care grants, which provide funding to the parents or guardians of children with severe mental illness for residential or intensive community services. An additional \$1 million is also included in the FY 2008 Human Services budget for the Children's Mental Health Partnership.<sup>7</sup> These funds are used for a range of intervention and treatment purposes including early intervention, early childhood, juvenile justice aftercare, and trauma services.

### ***After School***

Teen REACH (Responsibility, Education, Achievement, Caring, and Hope) after-school programs are focused on youth up to 17 years of age. Youth participate in activities that improve the likelihood for future success, including homework help, education on reducing risky behaviors, and recreation, sports, cultural and art activities. Teen REACH is level-funded in the FY 2008 budget and appropriations remain below FY 2003 spending for the program.

## **Children and Family Services**

The FY 2008 budget for the Department of Children and Family Services (DCFS) increases by only 1 percent. This includes an increase in General Funds appropriations and a decrease in appropriations from the federally funded DCFS Children's Services Fund.

Total DCFS appropriations are increased by 14 percent for child protection, 6 percent for foster care, and 8 percent for institutions and group homes. Appropriations are decreased for family support programs (6 percent) and adoption services (4 percent). Since FY 2003, appropriations have increased by less than 1 percent for foster care, by only 4 percent for adoption services, and have decreased by 4 percent for institution and group homes. Overall DCFS caseloads have also decreased over this time period.

DCFS also administers several day care programs. Protective Service Day Care is provided to children in indicated cases of abuse or neglect. Family Maintenance Day Care services are provided to high-risk families whose children are in open cases to prevent and reduce parental stress. These two programs receive a 4 percent increase in the FY 2008 budget.

**Table 6. Department of Children and Family Services,  
Selected Expenditures/Appropriations from the General Funds (GF) and Children's Services Fund (CSF)  
(in millions of dollars)**

Program	FY 2003 Exp.	FY 2004 Exp.	FY 2005 Exp.	FY 2006 Exp.	FY 2007 Approp.	FY 2008 Approp.	FY07-FY08 Change	FY03-FY08 Change
<b>Child Protection (GF)</b>	67.2	67.6	69.8	64.7	71.8	81.8	14.0%	21.7%
<b>Family Support (CSF)<sup>a</sup></b>	35.8	34.8	35.1	34.5	38.0	35.5	-6.4%	-0.6%
<b>Foster Care Total</b>	328.2	308.5	297.3	291.5	311.4	331.2	6.4	0.9%
<b>GF</b>	188.5	163.2	161.7	176.8	144.6	189.7	31.2%	0.6%
<b>CSF</b>	139.7	145.3	135.6	114.7	166.7	141.6	-15.1%	1.3%
<b>Institution/Group Homes Total</b>	235.3	214.7	206.1	202.8	208.6	225.2	7.9	-4.3
<b>GF</b>	124.3	114.3	101.2	119.3	96.2	126.0	30.9%	1.3%
<b>CSF</b>	110.9	100.5	104.8	83.5	112.4	99.2	-11.7%	-10.6%
<b>Adoption Total</b>	266.6	278.3	281.1	280.8	289.3	278.2	-3.8%	4.4%
<b>GF</b>	151.5	167.1	167.1	172.8	180.8	202.4	12.0%	33.6%
<b>CSF</b>	115.1	111.2	114.0	108.0	108.5	75.9	-30.1%	-34.1%
<b>Protective/Family Maintenance Day Care (GF)</b>	24.9	25.1	21.1	21.1	23.2	25.9	11.7%	4.1%

a. Total includes both the Family Preservation Program and Family Centered Services Initiatives.

## Juvenile Justice

The total Department of Juvenile Justice (DJJ) budget is increased by 9 percent for FY 2008. This includes an 8 percent increase for Illinois Youth Centers, a 57 percent increase for the School District division, and a 26 percent decrease for the Aftercare Services division.

DJJ manages eight youth centers across the state that house more than 1,500 juveniles. School district services in DJJ are focused on educational curriculum and specialized programming and services for committed youth. Aftercare services are targeted at youth development and successful re-entry into society. The Governor had originally recommended a 7 percent increase for the DJJ Aftercare Services division for FY 2008 before funding was cut in the approved budget.

DJJ was created from the juvenile justice division of the Department of Corrections for FY 2007. The formation of the separate agency has not in general resulted in increased resources for this special population. The numbers of staff at Illinois Youth Centers, educators at the DJJ school district program, social workers and psychologists, and counselors have all dropped significantly since 2001.<sup>8</sup> The FY 2008 budget shows a further decrease in Illinois Youth Center staff but does include increased school district staff.

**Table 7. Department of Juvenile Justice,  
Selected Expenditures/Appropriations from the General Funds (in millions of dollars)**

Program	FY 2003 Exp.	FY 2004 Exp.	FY 2005 Exp.	FY 2006 Exp.	FY 2007 Approp.	FY 2008 Approp.	FY07-FY08 Change	FY03-FY08 Change
Illinois Youth Centers	102.8	100.3	103.0	97.8	102.1	110.5	8.3%	7.6%
School District <sup>a</sup>	N/A	N/A	8.2	9.4	6.2	9.8	57.0	N/A
Aftercare Services <sup>b</sup>	N/A	N/A	5.3	5.3	6.4	4.8	-25.6%	N/A

a. Totals for FY 2003 and FY 2004 were not available. Totals for FY 2005 and FY 2006 represent the portion of aftercare services provided in the juvenile division of the Department of Corrections.

b. Totals for FY 2003 and FY 2004 were not available. Totals for FY 2005 and FY 2006 represent the portion of aftercare services provided in the juvenile division of the Department of Corrections.

## Healthcare and Family Services

### ***Medical Assistance***

Illinois has greatly expanded access to publicly funded health care coverage over the past several years. The All Kids program (implemented in July 2006) is designed to provide access to comprehensive health insurance for all uninsured Illinois children, including those who are not eligible for Medicaid or the State Children's Health Insurance Program. All Kids health insurance is provided through a sliding-scale premium structure. Eligibility for FamilyCare – a program that provides low-income parents with no-cost or low-cost health insurance coverage – was extended to families with incomes up to 185 percent of the federal poverty level (about \$38,200 for a family of four in 2007) in January 2006.

General Funds spending for medical assistance includes state revenue and federal matching funds, with federal funds making up more than half of the total. The Governor's original FY 2008 budget proposal for medical assistance programs in the Department of Healthcare and Family Services included a 9 percent increase for hospital services, a 16 percent increase for physicians, and a 20 percent increase for community health centers. The General Assembly then scaled back those increases in the legislatively approved budget. The Governor's vetoes further reduced funding for hospital services (as well as long-term care). Funding for hospital services is increased by 5 percent, physicians by 12 percent, and community health centers by 16 percent in the final FY 2008 budget. These services are crucial to ensuring that children and families have access to primary, preventive, and acute care, especially as hospitals and other health care providers already face low payment rates and slow payment cycles.

**Table 8. Department of Healthcare and Family Services,  
Selected Expenditures/Appropriations from the General Funds (in millions of dollars)**

Program	FY 2003 Exp.	FY 2004 Exp.	FY 2005 Exp.	FY 2006 Exp.	FY 2007 Approp.	FY 2008 Approp.	FY07-FY08 Change	FY03-FY08 Change
<b>Medical Assistance</b>	4,944.7	5,546.5	4,861.4	6,205.2	6,547.8	6,890.9	5.2%	39.4%
<b>Hospital services</b>	1,921.8	2,265.1	1,888.3	2,490.8	2,547.4	2,665.8	4.6%	38.7%
<b>Physicians</b>	473.3	525.3	428.5	719.8	735.3	822.2	11.8%	73.7%
<b>Community Health Centers</b>	100.6	126.6	129.2	171.3	210.6	245.1	16.4%	143.7%
<b>Child Support Enforcement</b>	38.0	32.3	31.0	31.0	31.0	39.0	25.6%	2.5%

a. Total reflects General Funds appropriations to the Child Support Administrative Fund.

The Governor had recommended further expanding health insurance coverage this year through his Illinois Covered plan. The plan was, however, contingent on the passage of a gross receipts tax, which had no legislative support. The Governor has said that he plans to expand health care coverage with the funds made available through his vetoes and reductions, though \$115 million of his cuts came from the Department of Healthcare and Family Services.

In early November, the administration proposed an emergency rule increasing the eligibility for FamilyCare to 400 percent of the poverty level (\$82,000 for a family of four in 2007). The proposal was rejected by the legislature's Joint Committee on Administrative Rules (JCAR), though the administration claims JCAR is merely advisory and has put the new eligibility rules in place. A lawsuit has been filed challenging the decision to expand state-funded health care coverage without the General Assembly's approval.

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### ***Child Support***

General Funds appropriations for child support enforcement are increased by 26 percent in the FY 2008 budget. New measures have been implemented to improve collection efforts and Illinois has made great strides with record-breaking child support collections of over \$1 billion for FY 2005 and \$1.1 billion for FY 2006. Still, Illinois children are owed more than \$3 billion in unpaid child support, and overall funding remains at about the same level as in FY 2003.

## **Conclusion**

The final FY 2008 budget does include some significant funding increases for programs critical to children and families in Illinois. Still, many other programs have not been able to keep up with increasing costs after years of flat funding. The 2007 legislative session initially offered much promise, but policymakers ultimately failed to reform the state's inadequate and unfair school-funding system, failed to address the lack of high-quality, affordable health care for too many Illinoisans, and failed to restructure the state's outdated revenue system.

Many analysts are predicting an economic slowdown and a related reduction in state revenues.<sup>9</sup> Legislators are sure to face a shortfall when crafting the FY 2009 budget. Already, the state's backlog of unpaid bills stood at more than \$1.7 billion at the end of December. This represents an increase of more than \$380 million over December 2006, with payment cycles also increasing from 22 to 34 business days over this time period.<sup>10</sup> The FY 2009 budget will also require a \$3.2 billion contribution to the state's retirement systems (a \$719 million increase over FY 2008).<sup>11</sup>

In the upcoming legislative session, policymakers will again face tough choices on how to fund state priorities. Voices for Illinois Children has long supported reform of the state's revenue system to maintain and grow essential education, health, and human service programs, while distributing responsibility among taxpayers as broadly and fairly as possible. We must re-evaluate and modernize the state's revenue system. In order to avoid chronic budget deficits and cuts to critical programs, we should adopt a sustainable revenue plan to support the needs of children and families. Policymakers must consider strategies to raise much-needed revenues such as increasing the income tax, as well as proposals to promote tax fairness such as raising the personal exemption and making greater use of tax credits to help low- and middle-income families.<sup>12</sup>

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## ENDNOTES

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<sup>1</sup> House Bill 3866

<http://www.ilga.gov/legislation/95/HB/PDF/09500HB3866enr.pdf>

<sup>2</sup> For more details on the Governor's vetoes, refer to the Budget & Tax Policy Initiative report "Effects of the Governor's Vetoes on the FY 2008 Budget" which can be found at [http://www.voices4kids.org/library/files/BT07\\_FY2008Vetoes.pdf](http://www.voices4kids.org/library/files/BT07_FY2008Vetoes.pdf)

<sup>3</sup> These include line items from the budgets of the State Board of Education, Commission on Government Forecasting and Accountability, Office of the Auditor General, and the Supreme Court.

<sup>4</sup> Senate Bill 783

<http://www.ilga.gov/legislation/fulltext.asp?DocName=09500SB0783ham005&GA=95&SessionId=51&DocTypeId=SB&LegID=28752&DocNum=783&GAID=9&Session=>

<sup>5</sup> <http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=094-1054>

<sup>6</sup> Though the reimbursement rate increase will cost much more than the \$3 million additional appropriated for FY 2008 (an estimated \$66 million cost for the rate increase, tiered reimbursement, and health insurance), an overall dip in child care caseload numbers (a phenomenon that requires much more study and attention) will help to facilitate the increase.

<sup>7</sup> An additional \$3 million from a special state fund will also be available for Children's Mental Health Partnership priorities for FY 2008.

<sup>8</sup> AFSCME Council 31, "Beyond the Breaking Point – Illinois State Services in Crisis," April 2007. [http://www.afscme31.org/cmaextras/Beyond\\_Breaking.pdf](http://www.afscme31.org/cmaextras/Beyond_Breaking.pdf)

<sup>9</sup> Commission on Government Forecasting and Accountability, "Economy: New Year Enters on a Weak Note", Monthly Briefing, December 2007. <http://www.ilga.gov/commission/cgfa2006/Upload/1207revenue.pdf>

<sup>10</sup> Illinois Comptroller, "Backlog Sets December Record for Unpaid Bills," The Illinois State Comptroller's Quarterly, Edition 26, January 2008. <http://www.ioc.state.il.us/common/getLocalFile.cfm?fileName=CQJan2008.pdf>

<sup>11</sup> Commission on Government Forecasting and Accountability, "Fiscal Year 2008 Budget Summary of the State of Illinois," December 2007. <http://www.ilga.gov/commission/cgfa2006/Upload/FY2008budgetsummary.pdf>

<sup>12</sup> Voices for Illinois Children, "Generating New Revenue, Improving Tax Fairness: A Policy Strategy for Income Tax Reform in Illinois." [http://www.voices4kids.org/library/files/BT07\\_incometax.pdf](http://www.voices4kids.org/library/files/BT07_incometax.pdf)

This special report was prepared as part of the Budget & Tax Policy Initiative at Voices for Illinois Children. To promote discussion of the information and analysis presented here, we invite readers to make copies of the report and to disseminate it. For more information, please contact Maneesha Date Jacoby at [mdate@voices4kids.org](mailto:mdate@voices4kids.org) or 312-516-5568.

### **About Voices for Illinois Children**

Voices for Illinois Children works across all issue areas to improve the lives of children of all ages throughout the state, making sure they grow up healthy, nurtured, safe and well educated. For 20 years, Voices has been helping opinion leaders and policymakers understand the issues facing children and families. The Voices network weaves through the state, involving community leaders and people who care passionately about children. As a privately funded organization, Voices has ensured earlier investments in children and has improved education, health care and other vital services. Jerome Stermer is President of Voices for Illinois Children, and Craig R. Culbertson is Chair of the Board of Directors.

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

The Budget & Tax Policy Initiative provides information and analysis to advocates and policymakers on a wide range of spending and revenue topics that have direct impact on the lives of children and families in Illinois. The Initiative helps Illinois policymakers and advocates set priorities and make wise fiscal decisions for the short term and for the long haul. The Budget & Tax Policy Initiative is funded by the Ford Foundation, Annie E. Casey Foundation, and the Chicago Community Trust. We thank them for their support but note that the findings and conclusions presented here are those of Voices for Illinois Children alone and do not necessarily reflect the views of these foundations. Larry Joseph, Ph.D. is Director of the Budget & Tax Policy Initiative.

Voices is a member of the State Fiscal Analysis Initiative (SFAI) whose members seek to broaden the debate on budget and tax policy through public education and the encouragement of civic engagement on these issues. The SFAI network is coordinated by the Center on Budget and Policy Priorities, a Washington, D.C.-based research and strategic policy institute that works on a range of federal and state issues. Voices is also a member of the Economic Analysis and Research Network (EARN), coordinated by the Economic Policy Institute, a Washington, D.C.-based think tank that seeks to broaden the public debate about strategies to achieve a prosperous and fair economy.



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