



## EFFECTS OF THE GOVERNOR'S FY 2009 BUDGET VETOES

**Maneesha Date Jacoby**  
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The Governor's veto decisions and the General Assembly's responses have provided the latest, complex twists in finalizing the FY 2009 budget. Budget-veto implications, however, have now become much clearer: Many children and families in need of health care, human services, and higher education supports will feel the brunt of state officials' inability to fairly and adequately raise the revenues Illinois desperately needs. This issue brief focuses primarily on veto actions affecting selected state agency programs that serve children and families. It does not present an exhaustive analysis of the vetoes.

*The Governor returned several appropriations bills to the legislature with more than \$1.4 billion in item and reduction vetoes. Nearly 75 percent of the total comes from the Department of Healthcare and Family Services (DHFS), Department of Human Services (DHS), Department of Children and Family Services (DCFS), Illinois State Board of Education (ISBE), and higher education agencies.*

In February, the Governor presented his FY 2009 budget request, which stressed the need for capital funding and included important increases in programs critical to the well-being of children and families.<sup>1</sup> The proposal, however, contained a General Funds shortfall of \$1.7 billion and did not include specific measures for closing this deficit. On May 31, the General Assembly passed a set of appropriations bills that provided even more funding for some education, human services, and health care programs.<sup>2</sup> The Governor's office estimated that spending in the legislatively-approved budget was \$2 billion more than projected revenues and called a special legislative session for July 9-10 to pass revenue proposals to balance the budget.<sup>3</sup>

On July 9, after it seemed the House of Representatives would not pass new revenue measures that the Senate had approved, the Governor returned several appropriations bills to the legislature with more than \$1.4 billion in item and reduction vetoes. Nearly 75 percent of the total comes from the Departments of Healthcare and Family Services (DHFS), Department of Human Services (DHS), Department of Children and Family Services (DCFS), Illinois State Board of

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<sup>1</sup> Illinois State Budget Book Fiscal Year 2009; Illinois State Capital Budget Book Fiscal Year 2009  
<http://www.state.il.us/budget/>

<sup>2</sup> Relevant budget bills include: Senate Bill 1115, Senate Amendment 1; Senate Bill 1129, Senate Amendment 1; House Bill 5701, Senate Amendment 2; and Senate Bill 1102, House Amendment 2. For the full text, visit: [www.ilga.gov](http://www.ilga.gov)

<sup>3</sup> Voices for Illinois Children, "Endgame for the FY 2009 Budget?," July 2008.  
[http://www.voices4kids.org/library/files/BT08\\_fy09endgame.pdf](http://www.voices4kids.org/library/files/BT08_fy09endgame.pdf)

Education (ISBE), and higher education agencies. <sup>4</sup> On July 16, the House voted to override nearly \$480 million of the Governor’s vetoes. The Senate has 15 days to act on the overrides or the Governor’s vetoes will stand, and it does not appear that the Senate will return for a vote.

**Table 1. Item Vetoes and Reduction Vetoes by Agency (in \$ millions)**

Agency	Item Vetoes	Reduction Vetoes	Total Vetoes	Percent Distribution
<b>Healthcare and Family Services</b>	5.0	588.2	593.2	40.5%
<b>Human Services</b>	77.3	126.9	204.2	13.9%
<b>State Board of Education</b>	153.5	2.6	156.1	10.7%
<b>Higher education agencies*</b>	84.6	10.1	94.7	6.5%
<b>Children and Family Services</b>	5.7	39.1	44.8	3.1%
<b>All other agencies</b>	102.7	269.5	372.2	25.4%
<b>TOTAL</b>	<b>428.9</b>	<b>1,036.4</b>	<b>1,465.2</b>	<b>100.0%</b>

\*Higher education agencies include the Board of Higher Education, the Illinois Community College Board, the Illinois Student Assistance Commission, and individual universities.

### **Department of Healthcare and Family Services (DHFS)**

The Governor’s vetoes decreased total DHFS General Funds appropriations by nearly \$600 million. Appropriations for hospital services and prescribed drugs were reduced to levels below what the Governor had proposed for FY 2009, while appropriations for long-term care and Oak Forest hospital were brought in line with the Governor’s proposal (see Table 2). Much of the funding for hospital services, prescribed drugs, and long-term care does not come from the state’s General Funds. The primary effect of the vetoes of General Funds appropriations for these programs will be to increase delays in payments to providers, who already face low payment rates and a slow payment cycle. Furthermore, for every dollar of reduced Medicaid spending, the state saves only 50 cents due to the loss of federal matching dollars.

The Governor’s original FY 2009 General Funds budget request for medical assistance programs in DHFS included a 19 percent increase for hospital services, a 7 percent decrease for prescribed drugs, and a 33 percent decrease for long-term care, compared with FY 2008 appropriations. In the General Assembly’s budget, legislators scaled back the increase for hospital services, provided even less funding for prescribed drugs, and restored some funding for long-term care. With his veto authority, the Governor reduced funding for all three programs. However, the House has voted to restore approved funding for hospital services and long-term care.

For FY 2008, the legislature had included a new line item for Oak Forest Hospital, for a long-term care facility operated by Cook County, with a \$12 million appropriation that the Governor reduced to \$2 million with a reduction veto. For FY 2009, the legislature approved an appropriation of \$2 billion, which the Governor vetoed.

<sup>4</sup> Governor’s Veto Messages for House Bill 5701 and Senate Bill 1102  
<http://ilga.gov/legislation/95/HB/PDF/09500HB5701gms.pdf>  
<http://ilga.gov/legislation/95/SB/PDF/09500SB1102gms.pdf>

**Table 2. Selected General Funds Item and Reduction Vetoes, DHFS (in \$ millions)**

	FY08 App.	Gov FY09 Req.	Legis. FY09	Post-Veto	Change from Legis.	Change from FY08
<b>Medical Assistance</b>						
<b>Hospital services*</b>	2,665.8	3,163.7	3,148.7	2,798.7	-11.1%	5.0%
<b>Prescribed drugs</b>	993.7	927.8	920.6	750.6	-18.5%	-24.5%
<b>Long-term care*</b>	693.5	462.1	512.1	462.1	-9.8%	-33.4%
<b>Oak Forest Hospital</b>	2.0	0.0	2.0	0.0	-100.0%	-100.0%

\* The House of Representatives voted to restore funding for these programs.

## **Department of Human Services (DHS)**

Total DHS appropriations were cut by more than \$200 million due to the Governor’s vetoes. Included in this total are a number of significant cuts in individual programs as well as a 2 percent “across-the-board” reduction affecting nearly all DHS programs. The legislature’s budget was in line with the Governor’s budget request for most programs, though there were some line items added by the legislature.

State appropriations for Great START, a program that enhances salaries for qualified early childhood professionals who further their education and remain in the child care field, were eliminated by the Governor. However, federal dollars, which make up a greater share of funding for the program, remain intact.

State funding for addiction treatment services for non-Medicaid clients was cut in half compared with FY 2008, though the House has voted to override this veto. The Governor originally had recommended a 6 percent increase for addiction treatment services for special populations but the legislature kept funding at the FY 2008 level. The Governor then eliminated the program entirely with an item veto.

The Governor had initially recommended flat funding for the Healthy Families and Parents Too Soon home visiting programs for FY 2009. The legislature approved a 15 percent increase for Healthy Families and a 4 percent increase in state funding for Parents Too Soon. The Governor reduced these appropriations by 2 percent, though the funding is increased compared with FY 2008.

Similarly, the Governor had originally requested level funding for autism services, domestic violence shelters and services, and rape victims and sexual assault prevention. The legislature increased funding for all three programs in their budget. The Governor’s reduction vetoes decreased funding below the FY 2008 level for autism services and domestic violence shelters and services, though the House voted to override the veto for autism services. Funding for rape victims and sexual assault remained at the FY 2008 level after the reduction veto.

Funding for the Illinois Children’s Mental Health Partnership (ICMHP) in DHS is used for a range of prevention, intervention, and treatment purposes. The Governor recommended a \$1 million increase for ICMHP in his budget proposal and the legislature’s budget included a further \$2 million increase. The Governor’s reduction veto not only eliminated any increase but also resulted in a 2 percent cut of existing ICMHP funding. The House did, however, vote to override this veto.

**Table 3. Selected General Funds Item and Reduction Vetoes, DHS (in \$ millions)**

	FY08 App.	Gov FY09 Req.	Legis. FY09	Post-veto	Change from Legis.	Change from FY08
<b>Addiction Prevention</b>						
Treatment services*	86.6	86.6	86.6	43.3	-50.0%	-50.0%
Treatment services – special population	9.1	9.6	9.1	0.0	-100.0%	-100.0%
<b>Community Health and Prevention</b>						
Healthy Families	10.0	10.0	11.5	11.3	-2.0%	12.7%
Infant Mortality	45.6	45.6	45.6	44.7	-2.0%	-2.0%
Teen REACH	19.1	19.1	19.1	18.7	-2.0%	-2.0%
Teen Parent Services	7.2	7.2	7.2	7.0	-2.0%	-2.0%
School-based health center expansions	0.0	0.0	2.0	0.0	-100.0%	0.0%
Domestic violence shelters and services	21.8	21.8	23.2	21.6	-7.0%	-1.1%
Rape Victims/Prevention Act	5.8	5.8	7.2	5.8	-19.4%	0.0%
<b>Community Youth Services</b>						
Parents Too Soon	7.6	7.6	7.9	7.7	-1.9%	2.0%
Homeless youth services	4.7	5.4	5.4	4.7	-14.0%	-2.0%
<b>Developmental Disabilities</b>						
Community-based services	575.3	595.6	595.6	583.7	-2.0%	1.6%
Long-term care	351.9	382.8	382.8	375.2	-2.0%	6.7%
Home-based services	27.8	34.7	34.7	34.0	-2.0%	22.0%
Project for Autism*	5.0	5.0	10.2	4.9	-52.0%	-2.0%
<b>Child Care</b>						
Great START	1.9	1.9	1.9	0.0	-100.0%	-100.0%
<b>Mental Health</b>						
Community service grant programs	231.0	233.6	233.1	228.4	-2.0%	-1.1%
Children and Adolescent grants	37.0	37.0	37.0	36.2	-2.0%	-2.0%
Individual Care Grants	28.1	28.1	28.1	27.6	-2.0%	-2.0%
Illinois Children’s Mental Health Partnership*	3.0	4.0	6.0	2.9	-51.0%	-2.0%
Increase capacity for non-Medicaid reimbursable services	0.0	0.0	3.9	0.0	-100.0%	0.0%
<b>Personnel</b>						
Wage increase for staff serving individuals with developmental disabilities or mental illness	0.0	0.0	27.5	0.0	-100.0%	0.0%

\* The House of Representatives voted to restore funding for these programs.

There were a number of DHS line items that were not included in the Governor’s budget but were added by the General Assembly. Among them were \$2 million to expand school-based health centers to 20 additional schools, \$3.9 million to increase capacity to provide mental health services that are not reimbursed by Medicaid, and \$27.5 million to provide a wage increase for staff serving individuals with developmental disabilities or mental illness. The Governor eliminated funding for all of these items for FY 2009.

## Illinois State Board of Education (ISBE)

Though the Governor's vetoes decreased the legislature's FY 2009 ISBE appropriations by \$156 million, most ISBE programs were not affected. Elementary and secondary education are realizing increases in programs such as preschool and General State Aid. However, one program that was eliminated was the Technology Immersion Pilot program, designed to provide a wireless laptop to each student, teacher, and relevant administrator in a participating school to incorporate the use of learning technologies that have been shown to improve academic achievement. The legislature had included the program in their budget but the Governor eliminated the program (as he had originally proposed) with his item veto.

The legislature's budget included appropriations from the General Revenue Fund for school construction. The \$149 million appropriation includes funding for 24 school districts already approved for grants by ISBE and confirmed by the Capital Development Board. The Governor eliminated these funds with his item veto. The Governor had included school construction funds in his capital proposal, which was not approved by the legislature.

**Table 4. Selected General Funds Item and Reduction Vetoes, ISBE (in \$ millions)**

	FY08 App.	Gov FY09 Req.	Legis. FY09	Post-veto	Change from Legis.	Change from FY08
<b>Programs</b>						
Technology Immersion Pilot	5.0	0.0	5.0	0.0	-100.0%	-100.0%
<b>Construction</b>						
School Construction program	0.0	0.0	148.5	0.0	-100.0%	0.0%

## Higher Education Agencies

Higher education budget vetoes totaled nearly \$95 million. The Governor had originally recommended and the legislature had approved level funding for both Access and Diversity grants and the Diversifying Higher Education Faculty in Illinois program for FY 2009. Access and Diversity grants support projects aimed at increasing the number and diversity of citizens who complete education and training programs. The Diversifying Higher Education Faculty in Illinois program provides annual stipends to underrepresented graduate students interested in pursuing a career in higher education. The Governor eliminated funding for both programs with his veto authority.

The Governor had also recommended flat funding for the Health Services Education grant program in his budget proposal. These grants support the enrollment of Illinois residents in health professions education programs. The legislature increased funding for the program in their budget but the Governor vetoed it altogether. Similarly, the Governor kept funding for community college base operating grants at FY 2008 levels in his proposal. The legislature increased funding for these grants in their budget but the Governor dropped funding back down to the FY 2008 level.

Student Success grants were established in FY 2007 with a \$3 million appropriation. Grant funding is allocated to each community college to provide student services based on students'

needs. The Governor had originally recommended another \$3 million appropriation for FY 2008 which the legislature approved, but he eliminated it with his item veto. The Governor did not recommend funding for Student Success grants in his FY 2009 budget request. The legislature included \$5 million for Student Success grants in their budget but the Governor again eliminated funding for the program.

The Monetary Award Program provides grants, which do not need to be repaid, to Illinois residents who demonstrate financial need. The legislature included \$18 million in their budget to adjust the grant formula or size but the Governor vetoed this funding.

**Table 5. Selected General Funds Item and Reduction Vetoes, Higher Education Agencies (in \$ millions)**

	FY08 App.	Gov FY09 Req.	Legis. FY09	Post-veto	Change from Legis.	Change from FY08
<b>Board of Higher Education</b>						
Access and Diversity grants	3.8	3.8	3.8	0.0	-100.0%	-100.0%
Health Services Education grants	17.0	17.0	21.0	0.0	-100.0%	-100.0%
Diversifying Higher Education Faculty in Illinois program	2.8	2.8	2.8	0.0	-100.0%	-100.0%
<b>Illinois Community College Board</b>						
Base operating grants	197.8	197.8	207.8	197.8	-4.8%	0.0%
Student Success grants	0.0	0.0	5.0	0.0	-100.0%	0.0%
<b>Illinois Student Assistance Commission</b>						
Adjusting the Monetary Award Program grant formula or size	0.0	0.0	18.0	0.0	-100.0%	0.0%

### **Department of Children and Family Services (DCFS)**

Budget vetoes reduced total DCFS FY 2009 appropriations by nearly \$45 million. The Governor had originally requested and the legislature had approved flat funding from the state's General Funds for foster homes and specialized foster care and prevention for FY 2009. The Governor then reduced General Funds appropriations for the program by nearly \$15 million. The Governor also vetoed a legislatively-approved 3 percent increase in the reimbursement provided to foster parents.

The Governor had initially requested a 2 percent increase in appropriations for personal services and fringe benefits for DCFS, while the legislature approved a slightly larger increase, compared with FY 2008. The Governor's veto instead reduced this personnel funding to 5 percent below the FY 2008 level.

**Table 6. Selected General Funds Item and Reduction Vetoes, DCFS (in \$ millions)**

	FY08 App.	Gov FY09 Req.	Legis. FY09	Post-veto	Change from Legis.	Change from FY08
<b>Foster Care</b>						
Foster Homes and Specialized Foster Care and Prevention	189.7	189.7	189.7	174.8	-7.8%	-7.8%
3% increase in reimbursement to foster care parents	0.0	0.0	5.0	0.0	-100.0%	0.0%
<b>Personnel</b>						
Personal Services and Fringe Benefits	240.4	245.1	247.3	228.5	-7.6%	-5.0%

## Conclusion

The Governor and legislature were unable to agree on revenue measures to balance the FY 2009 budget. Programs supporting children and families were not spared in the wide-ranging vetoes made by the Governor. While some of the Governor's line item and reduction vetoes involved funding added by lawmakers, others affect programs that the Governor supported in his original budget proposal.

Cuts such as the vetoes of mental health supports, foster care services, and higher education grant programs are especially troubling given that appropriations for DHS, DCFS, and higher education agencies have not even kept pace with inflation since FY 2000. House overrides of the Governor's vetoes of funding for hospital services, long-term care, addiction treatment services, and the Illinois Children's Mental Health Partnership, were a step in the right direction toward preserving these vital supports for children and families. However, unless the Senate acts on these overrides, the Governor's vetoes will stand, and it does not appear that the Senate will be returning for a vote.

It remains clear that the state's revenue system remains inadequate to support the well-being of children and families. Appropriations exceeded projected revenues in both the Governor's FY 2009 budget request and the legislature's budget. Voices for Illinois Children has long supported reform of the state's revenue system to maintain and strengthen essential supports, while distributing responsibility among taxpayers as broadly and fairly as possible. Reform of the state income tax that incorporates a greater use of tax credits and exemptions remains the best option for providing fair and sustainable funding for critical state programs.<sup>5</sup>

<sup>5</sup> Voices for Illinois Children, "A Strategy for Income Tax Reform in Illinois" February 2008. [http://www.voices4kids.org/library/files/BT08\\_inctaxfrm.pdf](http://www.voices4kids.org/library/files/BT08_inctaxfrm.pdf)

This issue brief 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.



208 S. LaSalle Street • Suite 1490  
Chicago, IL 60604-1120  
Tel. 312-456-0600 • Fax 312-456-0088  
[www.voices4kids.org](http://www.voices4kids.org)

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