



Issue Brief

Budget & Tax Policy Initiative



EFFECTS OF THE GOVERNOR'S VETOES ON THE FY 2008 BUDGET

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The spring 2007 legislative session, which continued long past the May 31st scheduled adjournment date, failed to produce any meaningful reform for the state's revenue and school-funding systems. On August 13, six weeks into the new fiscal year, the Illinois General Assembly sent the Governor a FY 2008 state budget bill (HB 3866).¹ The Governor then used his veto powers to cut about \$470 million from nearly 1,500 line items from the spending plan passed by the General Assembly.² The Governor has said he plans to use these funds to expand health care coverage. Nearly three-fifths of the \$470 million that the Governor cut from the General Assembly's spending plan comes from the Department of Healthcare and Family Services (DHFS), Department of Human Services (DHS), and the Illinois State Board of Education (ISBE) budgets.³

In an August 23rd press release, the Governor stated that his budget vetoes were "removing almost \$500 million in special pet projects and other spending that we simply cannot afford".⁴ Much of the discussion of the Governor's vetoes has centered around the "member initiatives" – projects for specific legislators' priorities in their home districts, but these programs account for less than 30 percent of the total amount cut from the enacted budget. It is unclear whether legislators will override the vetoes or let them stand.

This issue brief does not present an exhaustive analysis of the vetoes. It focuses on selected state agency programs – line items where the difference between the Governor and the legislature is at least \$900,000. It does not look at member initiatives or at reductions in funding for state operations (e.g., personnel costs). The issue brief will address three major issues: (1) important reductions in state agency programs (rather than "special pet projects"), (2) instances where the Governor's vetoes entailed reductions below the level of his own budget proposal, and (3) implications for health care programs.

Table 1: Budget Vetoes and Reductions by Agency (in \$ millions)

	Line item vetoes	Reduction vetoes	Total agency reduction	Pct. distr.
Department of of Healthcare and Family Services	0.5	114.9	115.4	24.6%
Department of Human Services	34.8	50.7	85.5	18.2%
Department of Commerce & Economic Opportunity	66.4	7.3	73.7	15.7%
State Board of Education	28.9	38.7	67.6	14.4%
Higher education agencies*	18.3	9.7	28.0	6.0%
Department of Corrections	6.4	13.4	19.8	4.2%
Department of Public Health	6.8	2.0	8.9	1.9%
Illinois Arts Council	1.0	7.0	8.0	1.7%
All other agencies	20.1	43.0	63.1	13.4%
Total	183.2	286.7	469.9	100.0%

* Includes Illinois Board of Higher Education, Illinois Community College Board, state universities, and Illinois Student Assistance Commission.

Department of Healthcare and Family Services (DHFS)

The Governor's original FY 2008 budget proposal for medical assistance programs in DHFS included a 26 percent decrease for long-term care, a 9 percent increase for hospital services, and a 3 percent increase for chiropractor services compared with FY 2007 appropriations. In the enacted budget, the legislature restored about half of the funding for long-term care, scaled back the increase for hospital services, and eliminated the increase for chiropractor services. The Governor then further reduced funding for all three programs, eliminating the chiropractor services line entirely.

The Governor had also recommended a 7 percent increase for employee group health insurance in his budget proposal. The legislature kept funding at the FY 2007 level. The Governor further reduced the appropriation, resulting in funding \$10 million below the FY 2007 appropriation.

The legislature included a new line item for Oak Forest Hospital, for a long-term care facility operated by Cook County with a \$12 million appropriation. The Governor reduced the appropriation to \$2 million.

**Table 2: Department of Healthcare and Family Services
Selected Budget Vetoes and Reductions (in \$ millions)**

	FY 2007 approp.	Gov. budget FY 2008	Enacted by Legis.	After Gov. veto	Change from Legis.
Medical assistance					
Long-term care	857.7	631.0	743.5	693.5	-50.0
Hospital services	2,547.4	2,781.2	2,705.8	2,665.8	-40.0
Chiropractors	1.7	1.8	1.7	0.0	-1.7
Oak Forest Hospital	-----	-----	12.0	2.0	-10.0
Employee Group Health Insurance	1,065.0	1,135.0	1,065.0	1,055.0	-10.0

Department of Human Services (DHS)

The Governor recommended increased DHS funding for community-based services, home-based support services, and private intermediate care facilities for people with developmental disabilities in his FY 2008 budget proposal. The legislature approved less funding for these programs, but the Governor further reduced their funding with his veto.

The Home Services Medicaid waiver program in the division of rehabilitation services allows eligible individuals with disabilities to remain in their own homes rather than move to an institutional setting. The Governor had originally proposed an increase of more than 10 percent for the program. In the enacted budget, the legislature scaled back the increase by \$10 million to an increase of 8 percent. After the Governor's reduction, however, the increase for the program is about half of what he had originally recommended.

School-based health centers are staffed by medical professionals who provide a range of services within the community. The Governor included a \$3 million appropriation in his FY 2008 proposal to increase both the number of health centers and support for existing health centers. The legislature included this \$3 million appropriation in the enacted budget, but it was vetoed by the Governor.

Legislative add-ons in DHS included new line items totaling about \$22 million for community-based providers of mental health services, developmental disability services, and addiction treatment services. The \$8 million

financial “safety net” appropriation for mental health service providers was included to ease the transition to a fee-for-service payment structure. The Governor vetoed all of these.

The legislature further included a new \$29.3 million line item for a cost-of-living adjustment for community-based providers of developmental disability services in the enacted DHS budget. The Governor reduced this funding by \$11 million. The Governor’s staff asserts that this reduction will not result in loss of the cost-of-living adjustment but instead that the General Assembly overestimated the funding that would be required to provide it. ⁵

Table 3: Department of Human Services, Selected Budget Vetoes and Reductions (in \$ millions)

	FY 2007 approp.	Gov. budget FY 2008	Enacted by Legis.	After Gov. veto	Change from Legis.
Developmental Disabilities					
Community-Based Services	570.4	585.5	580.3	575.3	-5.0
Private intermediate care facilities	356.9	365.9	356.9	351.9	-5.0
Home-Based Support Services	27.8	28.8	28.8	27.8	-1.0
Community-based providers					
Cost-of-living adjustment	-----	-----	29.3	18.3	-11.0
Transportation costs	-----	-----	3.0	0.0	-3.0
Utility costs	-----	-----	3.0	0.0	-3.0
Crisis intervention and stabilization	-----	-----	1.5	0.0	-1.5
Rehabilitation Services					
Home Services Program (Medicaid waiver)	408.6	450.9	440.9	430.9	-10.0
Community Health					
School-based health centers expansion	-----	3.0	3.0	0.0	-3.0
Mental Health					
Community-based providers - financial "safety net"	-----	-----	8.0	0.0	-8.0
Addiction Treatment					
Community-based providers					
Rate increase	-----	-----	6.6	0.0	-6.6

Department of Public Health (DPH)

The Governor included level funding for perinatal services to premature and high-risk infants and their mothers in his budget proposal. The legislature included an additional \$1 million for perinatal services which the Governor eliminated with his veto.

The Governor eliminated funding for the Suburban Primary Health Care Council (Access to Care), a primary health care program serving low-income uninsured individuals in suburban Cook County and parts of Chicago. The legislature restored \$1 million for the Access to Care program in the enacted budget, but the Governor eliminated it with his veto.

The Governor also eliminated a new DPH line item for dental clinics in local health departments which the legislature had included in the enacted budget.

Table 4: Department of Public Health, Selected Budget Vetoes and Reductions (in \$ millions)

	FY 2007 approp.	Gov. budget FY 2008	Enacted by Legis.	After Gov. veto	Change from Legis.
Perinatal services for premature & high-risk infants	1.1	1.1	2.1	1.1	-1.0
Suburban Primary Health Care Council - Access to Care	3.0	0.0	1.0	0.0	-1.0
Local health departments - dental services	-----	-----	0.9	0.0	-0.9

Illinois State Board of Education (ISBE)

The Governor’s budget for ISBE had included level funding, compared with FY 2007, for the School Safety and Educational Improvement Block Grant. This grant is distributed to schools based on average daily attendance, and grant funds can be used for a variety of purposes. The legislature had increased funding for the block grant in the enacted budget before the Governor cut it back to the level he had proposed for FY 2008.

The Governor also recommended level funding for parental guardian transportation reimbursement. The legislature had more than doubled funding for the program in the enacted budget. The Governor rejected this increase and, with his reduction, approved funding below what he had initially proposed.

For arts and foreign language education, the Governor had originally recommended \$7 million for FY 2008. The budget enacted by the legislature provided \$5.5 million. The Governor vetoed the program, eliminating the appropriation entirely.

The Governor also eliminated funding for the Healthy Kids/Healthy Minds Expanded Vision program in his recommended budget. The program is designed to provide vision examinations and glasses to students based on physical and financial need. Though the legislature restored it, the Governor again eliminated this funding with his veto.

The legislature added some new line items to the ISBE budget. The Governor eliminated relief for severely overcrowded schools and charter school start-up grants. For the Re-Enrolling Students Program-Alternative Schools Network, the Governor reduced the amount of funding recommended by the General Assembly. For fast growth schools, the Governor approved half of the funding in the enacted budget.

Table 5: State Board of Education, Selected Budget Vetoes and Reductions (in \$ millions)

	FY 2007 approp.	Gov. budget FY 2008	Enacted by Legis.	After Gov. veto	Change from Legis.
School Safety & Educational Improvement Block Grant	74.8	74.8	84.9	74.8	-10.1
Parental guardian transportation reimbursement	14.5	14.5	29.5	12.0	-17.5
Arts and foreign language education	4.0	7.0	5.5	0.0	-5.5
Healthy Kids/Healthy Minds Expanded Vision Program	3.0	0.0	3.0	0.0	-3.0
Fast Growth Schools	-----	-----	15.0	7.5	-7.5
Severely Overcrowded Schools	-----	-----	5.0	0.0	-5.0
Charter Schools - Start-Up Grants	-----	-----	3.5	0.0	-3.5
Alternative Schools Network	-----	-----	4.0	1.0	-3.0

Other Agencies

In the Illinois Community College Board (ICCB) budget, the Governor recommended a slight increase for base operating grants. The legislature approved an even larger increase for base operating grants, but the Governor's veto reduced funding below what he had originally proposed.

The Governor initially recommended flat funding for Student Success Grants in his FY 2008 ICCB budget. Colleges use the flexible Student Success Grant to provide student services based on students' needs. The legislature affirmed flat funding for Student Success Grants in the enacted budget. The Governor's veto eliminated the \$3 million budget line.

In the Governor's FY 2008 Department of Corrections proposed budget, he eliminated funding for Operation CeaseFire, a violence prevention program located in 15 communities around the state, in his Department of Corrections budget proposal. The legislature restored the \$6.3 million FY 2007 appropriation in the enacted budget but the Governor again eliminated the funding with his veto.

The Governor's FY 2008 Illinois Arts Council budget proposal included flat funding for grants to public radio and TV stations and grants and financial assistance to arts organizations. The legislature approved flat funding for public radio and TV stations and decreased funding for arts organizations. The Governor then reduced FY 2008 funding to \$3.5 million for both programs, well below the flat funding he had originally proposed.

The Illinois Equal Justice Fund in the Office of the Attorney General supports initiatives to increase access to the legal system by providing eligible Illinoisans with expanded access to legal information, advice, and assistance. The Governor recommended a \$1.5 million increase for the program in his proposal and the legislature approved this increase in the enacted budget. The Governor kept funding at the FY 2007 level with his reduction.

Table 6: Other Agencies, Selected Budget Vetoes and Reductions (in \$ millions)

	FY 2007 approp.	Gov. budget FY 2008	Enacted by Legis.	After Gov. veto	Change from Legis.
Illinois Community College Board					
Community colleges - Base operating grants	197.8	201.0	204.8	197.8	-7.0
Student Success Grants	3.0	3.0	3.0	0.0	-3.0
Illinois Arts Council					
Grants to public radio & TV stations	4.9	4.9	4.9	3.5	-1.4
Grants & financial assistance to arts organizations	6.5	6.5	4.7	3.5	-1.2
Office of the Attorney General					
Illinois Equal Justice Fund	3.5	5.0	5.0	3.5	-1.5
Department of Corrections					
Grant to Operation Ceasefire	6.3	0.0	6.3	0.0	-6.3

Reductions Below the Level Originally Recommended by the Governor

In many instances, the Governor went beyond reducing appropriations enacted by the General Assembly. There were a number of programs for which vetoes resulting funding levels below those originally proposed by the Governor. Some line items had their funding reduced, while others were eliminated entirely.

In terms of total dollar amounts, the biggest cuts were in DHFS — \$115 million for hospital services and \$80 million for employee group health insurance. In DHS, there were substantial reductions for the Home Services waiver program (\$20 million), private intermediate care facilities for the developmentally disabled (\$14 million), and community-based services for people with developmental disabilities (\$10 million).

Relative to the Governor’s own recommendations, significant reductions were made in appropriations for Illinois Arts Council grants to public TV and radio stations (28%) and to arts organizations (46%), as well as for the Illinois Equal Justice Fund (30%). Some line items in the original budget were vetoed outright: DHFS medical assistance payments to chiropractors, ISBE funding for arts and foreign language education, DHS funding for expansion of school-based health centers, and Student Success Grants for community colleges.

Table 7: Vetoes and Reductions that Result in Funding Below Governor's Proposed FY 2008 Budget (in \$ millions)

	FY 2007 approp.	Gov. budget FY 2008	Enacted by Legis.	After Gov. veto	Change from Gov. budget	Pct. change
Department of Healthcare and Family Services						
Medical assistance: Hospital services	2,547.4	2,781.2	2,705.8	2,665.8	-115.4	-4.1%
Medical assistance: Chiropractors	1.7	1.8	1.7	0.0	-1.8	-100.0%
Employee Group Health Insurance	1,065.0	1,135.0	1,065.0	1,055.0	-80.0	-7.0%
Department of Human Services						
Developmental Disabilities						
Private intermediate care facilities	356.9	365.9	356.9	351.9	-14.0	-3.8%
Community-Based Services	570.4	585.5	580.3	575.3	-10.2	-1.7%
Home-Based Support Services	27.8	28.8	28.8	27.8	-1.0	-3.5%
Rehabilitation Services						
Home Services Program	408.6	450.9	440.9	430.9	-20.0	-4.4%
Community Health						
School-based health centers expansion	-----	3.0	3.0	0.0	-3.0	-100.0%
State Board of Education						
Parental guardian transp. reimbursement	14.5	14.5	29.5	12.0	-2.5	-17.3%
Arts and foreign language education	4.0	7.0	5.5	0.0	-7.0	-100.0%
Illinois Community College Board						
Community Colleges - base operating grants	197.8	201.0	204.8	197.8	-3.2	-1.6%
Student Success Grants	3.0	3.0	3.0	0.0	-3.0	-100.0%
Illinois Arts Council						
Grants to public radio & TV stations	4.9	4.9	4.9	3.5	-1.4	-28.1%
Grants arts organizations	6.5	6.5	4.7	3.5	-3.0	-46.5%
Office of the Attorney General						
Illinois Equal Justice Fund	3.5	5.0	5.0	3.5	-1.5	-30.0%

Implications for Health Care

The principal justification for the Governor's budget vetoes has been the claim that funds are needed for expansion of access to health care. The Governor plans to use his executive rule-making authority to provide breast and cervical cancer treatment for uninsured women; to increase the income eligibility limit for FamilyCare (which provides coverage for parents of low-income children) to 400 percent of the federal poverty level; and to offer health coverage to adults without dependent children and with incomes below poverty level. Several other health care initiatives would also be implemented.

Such efforts to expand access to health care in Illinois are certainly worthwhile, but the Governor's veto strategy is not consistent with those goals. One-fourth of total budget reductions came from the Department of Healthcare and Family Services. Health-related programs administered through the Department of Human Services, especially line items involving services for people with developmental disabilities, were also subject to the veto pen. Other budget reductions targeted included various programs in the Department of Public Health, as well as school-based health centers funded through the Department of Human Services.

Aside from the question of the legal basis for the Governor's strategy, the budget cuts for DHFS medical assistance are especially puzzling. Reducing appropriations for hospital services would not free up funds to expand access to health care. To the contrary, cutting that budget line would shrink DHFS resources and would make it more difficult to broaden eligibility for medical assistance.

In addition, most medical assistance programs in DHFS, as well as some DHS programs for special-needs populations, are financed through Medicaid. For every dollar cut from spending, the state loses 50 cents in federal funds. In terms of both fiscal policy and health policy, it makes no sense to constrain Medicaid-funded services in order to expand access for groups that are not eligible for Medicaid. In the event of a Medicaid budget shortfall in FY 2008, the state will have to enact a supplemental appropriation, delay payments to health care providers, or limit medical assistance enrollment for groups that are not protected by the entitlement status of Medicaid.

Conclusion

The stated goal of the Governor's vetoes and reductions was to "expand existing health programs" and "cut projects added to the budget by lawmakers that we cannot afford."⁶ Though some of the Governor's program eliminations and cuts do correspond to projects added on by lawmakers, others represent programs which the Governor did support in his original budget proposal. A range of education and family supports were affected by the Governor's vetoes. In some cases, veto actions actually cut back on plans to increase support for existing health care efforts including hospital services, school-based health centers, and perinatal services. Voices for Illinois Children strongly supports state-level efforts to expand access to health care, but the Governor's laudable initiatives should not come at the expense of other essential programs.

ENDNOTES

¹ House Bill 3866, 95th General Assembly

<http://www.ilga.gov/legislation/95/HB/PDF/09500HB3866sam001.pdf>

² The Governor's veto message states that the total enacted budget was reduced \$463 million. That is the amount of the reduction that comes from the state's General Funds. An additional \$7 million was reduced from other state funds.

³ Governor's Veto Message

<http://www.ilga.gov/legislation/95/HB/PDF/09500HB3866gms.pdf>

⁴ <http://www.illinois.gov/PressReleases/PressReleasesListShow.cfm?RecNum=6164>

⁵ Ginger Ostro (director of the Governor's Office of Management and Budget). Letter to Chicago Sun-Times, "Inaccurate claims about gov's budget cuts", September 6, 2007.

⁶ Ostro, "Inaccurate claims."

This issue brief was prepared as a part of the Budget & Tax Policy Initiative at Voices for Illinois Children. To promote discussion of the information and analysis presented here, we encourage readers to make copies of the brief and to disseminate it.

About Voices for Illinois Children

Voices for Illinois Children works across all issue areas to improve the lives of children of all ages throughout our state so they grow up healthy, happy, safe, loved 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. 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, the 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.

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