



SPECIAL REPORT

Budget & Tax Policy Initiative



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Realities of a Doomsday Budget

IMPLICATIONS FOR CHILDREN AND FAMILIES IN ILLINOIS

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At the end of May, after failing to reach agreement on significant new revenue to close the state's huge budget deficit, the Illinois General Assembly passed a set of appropriations bills that amount to a "bare bones," doomsday budget for FY 2010, which begins July 1. For most state agencies, these bills provided specified amounts for personnel and other operational expenses but lump-sum appropriations for everything else. Overall, the legislation cuts about \$5 billion from the Governor's General Funds (GF) budget.¹

Although this legislation has been called the "50 percent budget," the magnitude of cuts varies widely across state agencies. Table 1 shows differences between the Governor's proposals and General Assembly appropriations for selected agencies, which collectively account for more than 85 percent of the GF budget. Budgets were cut by half for the Department on Aging and the Illinois Student Assistance Commission, but the Department of Corrections and the Department of Juvenile Justice sustained only small reductions. Federal funds from the American Recovery and Reinvestment Act (ARRA) were used to support state universities at the same level proposed by the Governor. The departments of Human Services (DHS), Children and Family Services (DCFS), and Public Health all had their funding cut by more than 30 percent.

The heaviest burden of the General Assembly's doomsday budget falls on children and families. The biggest reductions in dollar amounts come from DHS (\$1.5 billion) and DCFS (\$295 million), as well as the Department of Healthcare and Family Services (\$873 million) and the Illinois State Board of Education (\$393 million). This special report presents a more detailed examination of the potentially devastating consequences for vital programs serving vulnerable populations throughout Illinois — including early childhood education, health care, child care assistance, mental health services, youth services, and child welfare services.

¹ The relevant bills are SB1197 (lump-sum General Funds appropriations), HB2129 (State Board of Education), HB2132 (higher education), HB2145 (appropriations for personnel), HB2194 (Department of Healthcare and Family Services), and HB2206 (appropriations outside the General Funds). As of June 24, the General Assembly had not yet sent these bills to the Governor for final consideration.

Table 1: FY 2010 General Funds Appropriations as Proposed by Governor and Approved by the General Assembly (in \$ millions)

	Governor's proposal	Est. pension contrib.*	Gov. proposal adjusted	General Assembly	Change from Gov.	Pct. change
State Board of Education**	7,554	-----	7,554	7,161	-393	-5.2%
DHFS medical assistance**	7,574	-----	7,574	6,701	-873	-11.5%
Department of Human Services	4,164	63	4,101	2,596	-1,505	-36.7%
State universities	1,410	-----	1,410	1,410	0.0	0.0%
Department of Corrections	1,244	70	1,175	1,148	-27	-2.3%
Department of Children & Family Services	899	19	880	585	-295	-33.6%
Illinois Community College Board	365	-----	365	340	-25	-6.9%
Department on Aging	620	< 1	620	314	-305	-49.3%
Illinois Student Assistance Commission	440	-----	440	220	-220	-50.0%
Department of Public Health	150	4	147	100	-46	-31.5%
Department of Juvenile Justice	125	8	117	115	-2	-1.5%

* The appropriations bills passed by the General Assembly provide full funding for the state retirement systems. State GRF contributions are not included in budget lines for individual agencies but are instead given a separate appropriation.

** Excludes operations.

State Board of Education

ISBE appropriations provide the same funding as the Governor's budget for General State Aid and for mandated categorical grants for special education, transportation, and other programs (see Table 1). Like the Governor, the General Assembly uses federal ARRA funds to maintain support for these core grants to local school districts. The remainder of GF appropriations for ISBE involves lump-sum funding of \$511 million, which is 44 percent less than the Governor's proposal.

The largest of the unprotected programs is the Early Childhood Block Grant (ECBG), which was given \$393 million in the Governor's budget. ECBG provides funding for preschool programs for children ages 3-to-5, as well as developmental services for at-risk children from birth to age 3 and their families. ECBG funds are distributed on a competitive, request-for-proposal basis to public schools, licensed child care centers, and other community-based agencies. Approximately 100,000 children are enrolled in state-supported preschool programs across the state. A majority of these children are from families with incomes below 130 percent of the federal poverty level (FPL). If the ISBE lump-sum appropriation were distributed proportionately across programs, early learning opportunities for more than 40,000 young children would be eliminated.

Another vulnerable part of the ISBE budget is state grants for bilingual education, which was allocated \$84 million in the Governor's proposal (with half coming from federal ARRA funds). Many other programs would also have to vie for pieces of the reduced lump-sum appropriation. These range from the Reading Improvement Block Grant, which is allocated to local school districts on the basis of both average daily attendance and numbers of disadvantaged students, to the Children's Mental Health Partnership, which provides support for school-based expansion and improvement of mental health education and support services.

Table 2: Illinois State Board of Education, FY 2010 General Funds Appropriations Proposed by Governor and General Assembly (in \$ millions)

	FY 2010 Governor	General Assembly	Change	Pct. change
Total grants	7,554.3	7,160.9	-393.4	-5.2%
General State Aid	4,722.6	4,722.6	0.0	0.0%
Mandated categorical grants	1,926.9	1,926.9	0.0	0.0%
Special education	1,106.8	1,106.8	0.0	0.0%
Transportation - disabled students	429.7	429.7	0.0	0.0%
Transportation -regular/vocational	351.1	351.1	0.0	0.0%
Other grants	39.3	39.3	0.0	0.0%
All other GRF grants	904.8	511.3	-393.5	-43.5%
Early Childhood Block Grant	392.8	-----	-----	-----
Bilingual education	83.6	-----	-----	-----
Reading Improvement Block Grant	76.1	-----	-----	-----
ADA Block Grant*	74.8	-----	-----	-----
Truant alternative and optional education	20.1	-----	-----	-----
Teacher and administrator mentoring program	14.0	-----	-----	-----
Children's Mental Health Partnership	3.0	-----	-----	-----
Other grants	240.4	-----	-----	-----

* School Safety and Educational Improvement Block Grant, distributed on the basis of average daily attendance (ADA).

Department of Healthcare and Family Services

The Department of Healthcare and Family Services (DHFS) has principal responsibility for the state's medical assistance programs. About 95 percent of total medical assistance spending is funded through Medicaid, with the federal government covering half of the costs. Most of the remainder is jointly financed through the Children's Health Insurance Program (CHIP), which involves a higher federal matching rate of 65 percent. A small portion of medical assistance spending is funded entirely by the state.

DHFS medical assistance appropriations are fully funded for hospital services, long-term care services, and physicians and other practitioners. The lump-sum GRF appropriation for all other benefits and services is \$1.98 billion, which is 30 percent lower than the Governor's budget (see Table 3). The remaining line items include Medicare premiums (\$331.4 million), community health centers (\$311.7 million), and several other services that are tied to federal Medicaid mandates. If those benefits are also protected, DHFS would have to cut everything else by at least two-thirds.

An important provision of ARRA is a temporary increase in the federal Medicaid matching rate. For Illinois, the federal share was raised from 50 percent to 60.48 percent, retroactive to October 2008. In order to qualify for the enhanced federal matching funds, the state must maintain the eligibility standards and enrollment procedures that were in effect in July 2008. The state must also assure prompt payments (in most cases, within 30 days) to Medicaid service providers, including hospitals, nursing facilities, and practitioners.

Table 3: Department of Healthcare and Family Services, FY 2010 Appropriations for Medical Assistance as Proposed by Governor and General Assembly (in \$ millions)

	Governor's proposal	General Assembly	Change from Gov.	Pct. change
General Revenue Fund				
Hospital services	2,531.3	2,531.3	0.0	0.0%
Long-term care	1,061.9	1,061.9	0.0	0.0%
Physicians	865.8	865.8	0.0	0.0%
Dentists	224.7	224.7	0.0	0.0%
Other practitioners	37.6	37.6	0.0	0.0%
All other GRF	2,850.4	1,979.8	-870.7	-30.5%
Prescribed drugs	1,216.5	-----	-----	-----
Medicare premiums	331.4	-----	-----	-----
Community Health Centers	311.7	-----	-----	-----
HMOs and managed care entities	281.5	-----	-----	-----
Transportation	109.2	-----	-----	-----
Appliances	76.6	-----	-----	-----
Division of Specialized Care for Children	72.5	-----	-----	-----
Hospice Care	71.0	-----	-----	-----
Home Health Care	69.8	-----	-----	-----
All other services	310.3	-----	-----	-----
Related non-GRF				
Hospital services	2,231.7	2,231.7	0.0	0.0%
Long-term care	1,023.3	1,023.3	0.0	0.0%
Physicians	87.7	87.7	0.0	0.0%
Prescribed drugs	668.0	668.0	0.0	0.0%

The federal mandate for prompt payment of providers does not apply to prescription drugs, which represent the biggest GRF line item that is not protected in the General Assembly's appropriations. In the Governor's budget, about 35 percent of DHFS funding for prescription drug coverage involved non-GRF appropriations, which were included in one of the legislature's budget bills (HB2206). If funding shortfalls compel the state to reduce reimbursement rates or delay payments for pharmacies, access to prescription drug services for low-income families could be seriously diminished.

The state would not be prohibited from reducing or eliminating coverage for services that are optional under Medicaid. Non-mandatory services include prescription drugs, as well as dental care, optometrist services, physical and occupational therapy, targeted case management, and home and community-based waiver services.

The mandate for maintaining eligibility standards does not apply to the Children's Health Insurance Program (CHIP). It seems unlikely that the state would eliminate CHIP, which covers 185,000 children and has a 65 percent federal matching rate.² However, federal law would allow Illinois to impose an enrollment cap on CHIP, which some states have done in the past. Even more vulnerable than CHIP are two programs that are supported only by state

² In California, the budget crisis has put the state on the verge of completely eliminating its version of CHIP. See California Budget Project, "More than 940,000 Children Would Lose Health Coverage If the Health Families Program Were Eliminated" (June 1, 2009) <www.cbp.org>.

funds. All Kids expansion covers 70,000 children who are not eligible for Medicaid or CHIP. The FamilyCare program provides coverage for 168,000 low-income parents. Efforts to roll back these programs would seriously undermine the state's progress in expanding access to health care for children and families.

Department of Human Services

The General Assembly's GRF appropriations for DHS total \$2.6 billion — 40 percent below the level in the Governor's budget. Federal ARRA funding would protect about \$1.4 billion in Medicaid-covered services for people with developmental and physical disabilities (see Table 4).³ The remainder of GRF spending would therefore have to be cut by more than 50 percent. Programs and services affecting children and families will bear the brunt of these cuts.

Table 4: Estimated Medicaid Funding in the Department of Human Services

	\$ millions
Residential care for the developmentally disabled	
Public intermediate care facilities	\$365
Private Intermediate care facilities	340
Home and community-based services waiver programs	
People with development disabilities	435
People with physical disabilities	310
Total	1,450

Source: Brian Burwell, Kate Sredl, and Steve Eiken, "Medicaid Long-Term Care Expenditures in FY 2007" (Thomson Reuters, September 2008) <www.hcbs.org/moreInfo.php/doc/2374>, based on data from the Centers for Medicare and Medicaid Services

Child Care

In FY 2008, DHS child care funding totaled about \$776 million, with \$401 million (52%) coming from state revenue, \$205 million (27%) from the federal Child Care and Development Fund (CCDF), \$168 million (22%) from the TANF Block Grant, and \$1.2 million (less than 1%) from the Social Services Block Grant. The state revenue included \$130 million in state matching funds and maintenance-of-effort funds for CCDF.⁴ The largest share of funding (\$634 million) went to the Child Care Assistance Program (CCAP), which provides low-income working families with access to affordable child care services. CCAP serves an average of about 100,000 families and 175,000 children each month.

Recent memos from the DHS Bureau of Child Care and Development state that the budget for child care services (including both state and federal funds) will have to be cut by about 60 per-

³ The Division of Developmental Disabilities has, however, indicated the possibility of significant rate reductions (20-to-30%) for intermediate care facilities.

⁴ Some of the federal CCDF revenue goes into the DHS Special Purposes Trust Fund and some into the General Revenue Fund.

cent. This will require, among other things, reducing the income eligibility limit for CCAP from 200 percent to 185 percent of FPL, effective July 1, and to 50 percent of FPL, effective next January. DHS would need statutory authority to reduce eligibility to 50 percent of FPL, which would eliminate 90 percent of families currently receiving assistance through CCAP. Moreover, services for non-citizen children would be terminated as of July 31. These cutbacks would have a debilitating effect on access to child care for low-income families.

Mental Health

DHS funds services for more than 35,000 children and adolescents with mental illness. The Division of Mental Health has indicated that no funding will be provided for psychiatric services, direct clinical services, psychiatric medications, supported residential services, non-Medicaid fee-for-service care, and many other community-based services. The planned budget cuts will severely affect the following programs (among others):

- The Illinois Children's Mental Health Partnership (ICMHP) was established under legislation enacted in 2003 to develop, implement, and monitor a strategic plan for building a comprehensive children's mental health system in the state. The Governor proposed \$2.6 million in state funds for ICMHP in the DHS budget, as well as a separate line item of \$3 million in the ISBE budget.
- Children and Adolescent Grants, which the Governor's budget designated for \$36.2 million in state funds, are used to provide Screening Assessment and Support Services for children experiencing a mental health crisis.
- Individual Care Grants (\$27.6 million in the Governor's budget) assist families in paying some of the costs of residential treatment or of specialized community-based services for children with severe mental illness.

Community Health and Youth Services

A letter to service providers from the Division of Community Health and Prevention states that the legislature's budget will require the *elimination* of GRF funding for the following youth services programs:

- Teen REACH is an after-school program that provides prevention-focused services for more than 25,000 at-risk youth.
- Community Services funds programs intended to prevent delinquency through community organizing.
- Delinquency Prevention provides services for youth ages 12 to 17 who have been arrested and found guilty of a crime.
- Redeploy Illinois assists youth at risk of being sent to a juvenile correctional facility because of committing a serious crime.
- The Unified Delinquency Intervention Services program diverts delinquent youths from further involvement in the juvenile justice system.

Many other GRF grant programs will be cut by up to 75 percent:

- Healthy Families Illinois is designed to reduce child abuse and neglect and to promote healthy child development by providing home visiting services for over 4,000 families with infants and toddlers.

- Parents Too Soon serves new and expectant teen parents in high-risk communities through home visits and parent support groups. This program will have its GRF spending (\$6.9 million in the Governor's budget) cut by up to 75 percent, but the General Assembly also appropriated \$3.6 million in federal funds.
- School health centers provide preventive and acute medical care to more than 20,000 students across the state.
- The Teen Parent Services program covers a population of more than 7,000 pregnant or parenting low-income teens who do not have a high school diploma or its equivalent.
- The Homeless Youth program, which is administered by 21 community-based agencies across the state, provides transitional living support, emergency and interim housing, and outreach and referral services.
- Comprehensive Community Based Youth Services provides crisis assistance to youth ages 11 to 17 who have run away from home or have been forced to leave home.

DHS has indicated the possibility of reductions in provider rates for Targeted Intensive Prenatal Case Management, which serves nearly 5,000 women who are at risk of having premature births or low-birth-weight babies. The General Assembly provided no specific appropriation for this program.

The Early Intervention (EI) program provides support services for families with children under age three who are experiencing developmental delays. In FY 2008, the program served more than 18,000 infants and toddlers. The General Assembly provided full funding of \$170 million for the EI program, including \$10 million in federal ARRA funds. Nonetheless, DHS has identified Early Intervention as one of the programs that are under review for possible reductions in provider rates.

Department of Children and Family Services

The General Assembly cut the GRF appropriations for DCFS by 54 percent. In response to this legislation, DCFS has released a list of measures to reduce expenditures by \$460 million. The department will initiate layoffs of more than 1,000 staff — about 38 percent of its workforce — effective October 1, 2009. Fifteen of 70 field offices across the state will be closed. Foster care caseload ratios for both DCFS staff and private agencies will increase from 15:1 to 50:1, and DCFS investigative caseloads will increase from 11:1 to 20:1.

Already low payments to foster parents — who care for 14,000 children statewide — will be reduced by 50 percent, on average, to cover basic maintenance costs only. Similarly, subsidies will be cut 50 percent for families who adopt or serve as guardians for children in foster care. These reductions in foster care and adoption assistance will entail the loss of corresponding federal revenue, including enhanced matching funds provided under ARRA.

Budget cuts will restrict access to housing locator services for homeless families. These are families with children who are at risk of entering substitute care or not returning home because of subsistence issues such as lack of food, clothing, or housing.

Funding for institutions and group homes will be cut 18 percent through closures and rate reductions. These agencies serve youth with serious and chronic mental health problems, developmental disabilities, and severe emotional disturbances.

No funding will be available for the 36 Child Advocacy Centers throughout the state. These centers coordinate the activities of DCFS, law enforcement agencies, and state's attorney's offices in the investigation, prosecution, and treatment of some 10,000 sexual abuse cases annually. The following programs and services are also slated for elimination:

- Day care services for more than 5,000 children
- "System of Care" services to support 4,000 foster youth in crisis
- Counseling services for more than 7,000 clients
- Psychological assessments
- Foster care support and adoption preservation services
- Health Care Network coordination of medical services for DCFS wards
- Comprehensive clinical assessments for children entering DCFS care
- After-school tutoring, job preparation, and mentoring for Chicago youth
- Services for pregnant and parenting teens
- Youth Stabilization Center that works with runaway youth
- College scholarships for DCFS foster and adopted youth

DCFS has already sent termination letters to more than 500 service providers throughout the state, including local governments, community agencies, and individual practitioners. The terminated contracts involve a wide range of child welfare services, including family support services, pre-adoption and post-adoption counseling, adoption preservation and respite care services, parenting education, psychological assessments, housing advocacy, emergency residential shelter, services for pregnant and parenting teens, sexual abuse counseling, trauma-related services, assessments of children with sexual behavior problems, and toxicology services.

DCFS will also discontinue contracts with more than a dozen public and private universities and research centers. These contracts involve clinical and policy research, caseworker training, a statewide database of community service providers, and assistance in working with children who have been traumatized by abuse and neglect.

Many of the pending budget cuts would run contrary to the provisions of various consent decrees arising from lawsuits against DCFS. Increases in caseload ratios would violate the *B.H. v. McDonald* consent decree and would also jeopardize the department's accreditation. Under *Norman v. Suter*, the department has been offering cash assistance, emergency shelter, housing assistance, day care, and other services to families who are homeless or unable to provide food or shelter for their children. *Hill v. Erickson* required the state to provide pregnant and parenting teens who are DCFS wards with programs and services that include appropriate placements, education, child care, independent living, and health care.

Conclusion

Over the past decade, Illinois has made enormous progress in health care coverage for children, opportunities in early childhood education, access to child care services for low-income working families, and community-based services to address the mental health needs of children. Over a somewhat longer period of time, the state's child welfare system has greatly improved

its efforts to protect children from abuse and neglect and provide them with stable, permanent living arrangements. The General Assembly's doomsday budget threatens to erase many of these gains. The pending budget cuts go well beyond trimming waste and inefficiency. Many programs and services will be decimated, and some will be completely eliminated – with dire implications for vulnerable children and families. In the absence of new state revenue, numerous essential programs will be in serious jeopardy:

- A child welfare system that serves 30,000 indicated victims of abuse or neglect and 16,000 children in substitute care, as well as providing support for 30,000 adopted children and 5,400 in guardianships.
- Preschool programs serving nearly 100,000 young children
- All Kids health insurance for 75,000 children
- Child care services for 100,000 families with 175,000 children
- Mental health services for more than 35,000 children and adolescents
- Home-visiting services for more than 4,000 families
- Youth services programs for more than 25,000 at-risk adolescents

Many legislators, opinion leaders, and newspaper editors are clinging to the myth that the state's massive budget shortfall can be readily fixed with spending cuts alone. Others are denying or ignoring the reality of the state fiscal crisis. But the consequences of a doomsday budget are already very real and quite severe. Moreover, \$5 billion in spending cuts is still not enough to close the state budget deficit, which is now estimated to be \$9 billion. The General Assembly should meet its fiscal and social responsibilities and summon the political will to achieve a balanced solution to the state fiscal crisis – which must involve raising new revenue, beginning with the state income tax. The Governor should veto any legislation that includes the draconian cuts of a doomsday budget. There is very little time left to do the right thing for children and families in Illinois.

About Voices for Illinois Children

Voices for Illinois Children works across issue areas to improve the lives of children of all ages throughout our state so 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, engaging community leaders and people who care passionately about children.

About the Budget & Tax Policy Initiative

The Budget & Tax Policy Initiative (BTPI) 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. BTPI is part of the State Fiscal Analysis Initiative, a network of organizations coordinated by the Center on Budget and Policy Priorities in Washington, D.C.

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