Regional Public Policy Caucus
October 27, 2015 – Round Lake Beach, Illinois

Welcome

Federal and State Update

Revenue: The Missing Conversation

Lunch

Roundtable Discussions:
Looking Ahead: FY 2017 Public Policy Priorities
Advocacy Strategies: What Worked? What Do We Need To Do Differently?

Closing

Co-sponsored with our regional organizing partners:

Round Lake Beach Caucus:
Together for Childhood Network
United Way of Lake County
Women of the Village
YWCA of Lake County

Decatur Caucus:
Child Care Resource Service
Baby TALK
Legislative Update

Illinois Action for Children

October 27, 2015
Agenda

• Illinois FY ’15 Highlights
• State Update
  – State Budget & Revenue
  – Changes to CCAP
  – Next Steps
• Federal Update
  – Federal Budget: Sequestration
  – Strong Start for America’s Children Bill
  – Child Nutrition Bills
  – On the Horizon
  – Census Bureau’s Data Release
• Questions
Illinois FY ‘15 Highlights

• Successfully advocated for $266 million supplemental budget for CCAP
• Secured $10 million supplemental budget for Early Intervention services
• Advocated for $18 million increase for the Early Childhood Block Grant
State Update

Maria Estlund
State Update

• New Legislators
  – Sen. Laura Murphy (Park Ridge)
  – Sen. Chuck Weaver (Peoria)
  – Rep. Tim Butler (Springfield)
  – Rep. Avery Bourne (Litchfield)

• Veto Session
State Budget & Revenue

• State income tax rate decreased from 5% to 3.75% on January 1, 2015
• No FY16 budget
• State is still paying for about 90% of services
  – Court mandates and consent decrees (State General Revenue Funds)
  – Federal pass-through funds
Changes to CCAP

• Beginning July 1, eligibility restricted to four priority populations
  – TANF recipients
  – Children with special needs
  – Teen parents
  – Working families with incomes less than 50% FPL

• Other changes include increased copays, background checks for relative providers, and child support mandates for single parents
Changes to CCAP

• These changes were made through emergency rule
  – Impact of emergency rule
• IDHS proposed identical permanent rule
  – Allows the department to enforce these stricter eligibility guidelines at their discretion
  – JCAR vote on November 17
Changes to CCAP

- Chicago City Council Resolution (R2015-698)
  - Calls upon General Assembly and Governor to restore and prioritize CCAP
  - Annual committee hearing on access to CCAP
Next Steps

• Call to Action
  – Tell your legislators to support SB 570
  – Call JCAR members and tell them to prohibit filing
  – Submit Letters to the Editors
IL State Board of Education

- ISBE Budget Hearings
  - Granite City (November 12)
  - Chicago (November 20)
- Early Childhood Block Grant (ECBG)—1 year expansion
  - Funds Preschool for All & Prevention Initiative
  - Funding has been reduced by 23 percent over 6 years
    - 20,000 children have lost preschool services
- Recommendation: $75 million increase
Federal Update

Mercedes González
Federal Budget: Sequestration

• Budget Control Act of 2011
  – Reduce spending by $1 trillion over 10 years
  – 8.5% cut in non-defense discretionary programs
• Congressional gridlock over spending
Federal Budget for FY ‘16

• Obama’s focus on early care & education
  – Child Care & Development Block Grant (CCDBG)
    • $370 million increase for FY ’16
    • $82 billion over 10 years
  – Preschool development grants: $750 million increase

• Congressional budget
  – CCDBG: $100 million increase for FY ‘16
  – Eliminated funding for Preschool development grants

• No full year budget agreement by the Sept. 30th deadline
Federal Budget for FY ‘16

• Continuing Resolution
  – Temporarily funds the government at FY ‘15 levels
  – Inadequate because funding stays flat

• Obama vetoed National Defense Authorization Act
  – Increased spending for defense purposes only
Strong Start for America’s Children

• Expands high-quality pre-K to families 200% below the poverty level
• Dept. of Ed would provide matching grants to states
  – 15% set aside for infant & toddler programs
• Reauthorizes pre-K grants for special education and early intervention services
Child Nutrition Reauthorization

- S. 1833 (Casey)
  - Child and Adult Care Food Program (CACFP)
    - Changes eligibility from 50 to 40 percent
    - Nonpricing program
    - Adds a third meal option (8+ hours)
    - Increases reimbursement for each meal/supplement by 10¢
On the Horizon

• Elementary & Secondary Education Act
  – Title I funding for birth-to-five programs

• Debt Limit/Ceiling to expire Nov. 3rd
  – Allows the Treasury Dept. to borrow funds to pay for what Congress has already spent
    • Social Security & Medicaid

• Building Blocks: State Child Care Assistance Policies 2015 (National Women’s Law Center)
Illinois Action for Children is a catalyst for organizing, developing and supporting strong families and Powerful communities where children matter most.

Census Bureau’s Poverty Data

- *Income, Poverty and Health Insurance Coverage in the United States: 2014*
  - Poverty line: $24,230 for a family of 4
  - Poverty rate was 14.8 percent
    - 21.1 percent children lived in poverty
  - Uninsured population decreased to 10.4 percent
Illinois Action for Children is a catalyst for organizing, developing and supporting strong families and Powerful communities where children matter most.

**Figure 5. Poverty Rates by Age: 1959 to 2014**

- **Aged 65 and older**: 35.0 percent in 1959, decreasing to 10.0 percent in 2014.
- **Under age 18**: 21.1 percent in 2014.
- **Aged 18 to 64**: 13.5 percent in 1959, decreasing to 10.0 percent in 2014.

Note: The 2013 data reflect the implementation of the redesigned income questions. See Appendix D for more information. The data points are placed at the midpoints of the respective years. Data for people aged 18 to 64 and 65 and older are not available from 1960 to 1965. For information on recessions, see Appendix A. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <ftp://ftp2.census.gov/programs-surveys/cps/techdocs/cpsmar15.pdf>. Source: U.S. Census Bureau, Current Population Survey, 1960 to 2015 Annual Social and Economic Supplements.
Next Steps

Meet Your Legislators

- Have them visit your program
- Teach them about the importance of child care and early childhood education
- Illinois Action for Children is here to help!
Questions?
Lack of State Budget Is Dismantling Critical State Services

Illinois Action for Children
October 27, 2015
How did we get here?

$5.4 Billion Tax Cut Took Effect January 1

Services Underfunded in FY16 By More Than:

$6 billion

Who Got Personal Income Tax Cut?

<table>
<thead>
<tr>
<th></th>
<th>Bottom 20%</th>
<th>Top 20% of Illinoisans</th>
<th>Top 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Income</td>
<td>$13,000</td>
<td>$277,000</td>
<td>$1.9 million</td>
</tr>
<tr>
<td>Avg. Tax Cut</td>
<td>$72</td>
<td>$2,598</td>
<td>$17,779</td>
</tr>
<tr>
<td>Share of Tax Cut</td>
<td>2%</td>
<td>62%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Institute on Taxation and Economic Policy (ITEP)
Billions of Dollars Left Unfunded

Outside of the web of consent decrees and federal pass-through funds that the state is required to pay even without a budget, zero state dollars are being spent on many critical state priorities.

What is not being paid for after court orders, consent decrees, and other required spending (e.g. pensions and debt service)?

<table>
<thead>
<tr>
<th>Human Services Grants and Programs</th>
<th>$2 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education (incl. MAP Grants)</td>
<td>$1.9 billion</td>
</tr>
<tr>
<td>State Group Health Insurance</td>
<td>$1.76 billion</td>
</tr>
<tr>
<td>K-12 Education (outside of Education budget)</td>
<td>$52 million</td>
</tr>
<tr>
<td>Other Program/Grants &amp; Leg. Transfers</td>
<td>$226 million</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$6.0 billion</strong></td>
</tr>
</tbody>
</table>

Source: Voices for Illinois Children
(Selected) Services Not Funded

- Prenatal services & infant mortality prevention ($36 M in FY15)
- Redeploy Illinois ($4.8 M)
- Afterschool programs ($13 M)
- Disability services hotline ($471,400)
- Autism services ($4.3 M)
- Breast/Cervical cancer screenings ($13.5 M)
- Domestic violence services ($18 M)
- Home-delivered meals for seniors ($11 M)
- Funeral / Burial Assistance ($9.3 M)
- HIV/AIDS Prevention & Treatment ($28 M)

- Sexual assault services and prevention ($6.5 M)
- U of I Sickle Cell Clinic ($500,000)
- Employment and Training Programs ($10 M)
- Immigrant services ($6 M)
- Public Colleges and Universities ($1.6 B)
- MAP Grants ($365 M)
- Public Transit Operating Assistance Grants ($255 M)
- Home energy assistance ($165 M)
- Homeless Services and Prevention ($48 M)*
- Substance Use and Prevention Programs ($67.5 M)*

* Contracts issued, though cut from FY15 levels. No payments being made.
<table>
<thead>
<tr>
<th>Issue</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closure of autism service provider. Reduced hours/layoffs at other</td>
<td>130,000 students not receiving tuition assistance</td>
</tr>
<tr>
<td>programs</td>
<td>15,000 fewer women receive cancer screenings</td>
</tr>
<tr>
<td>Epilepsy Resource Center in Springfield closed its doors</td>
<td>155,000 poor families won’t have heating assistance</td>
</tr>
<tr>
<td>Increased public transit fares and service cuts</td>
<td>90% of homeless service providers reducing services / laying off staff</td>
</tr>
<tr>
<td>Disability referral services suspended</td>
<td>9,000 families won’t receive needed funeral/burial assistance</td>
</tr>
<tr>
<td>7/1 – increasing difficulty of accessing services</td>
<td>Dozens of conservation officers laid off</td>
</tr>
<tr>
<td>Thousands of youth lose access to after school opportunities</td>
<td>Thousands of meals not delivered to seniors</td>
</tr>
<tr>
<td>Thousands of meals not delivered to seniors</td>
<td></td>
</tr>
</tbody>
</table>
Cuts Increase Other Costs / Suffering

Adult Redeploy
- No state funding ($7 million in FY15) for services that treat and supervise hundreds of non-violent offenders each year in their communities
- Annual cost savings to state of $17 million are at risk

Mental Health / Addiction Treatment
- $113 million cut between fiscal years 2009-11 → $131 million in increased hospitalization and institutionalization ($18 million more)
- Contracts cut 25% & no funding flowing without appropriation
- Treatment centers have already shut down

Supportive Housing
- No state funding flowing ($30 million in FY15) for supportive housing that provides permanent housing and support services for those at risk of homelessness
- Costs only $11 per day per person, compared to $102 per day for prison, and $350 per day for a mental hospital.
- Mental hospital = $350 per day
### Why Cuts Are Not an Answer:
Families/Communities Already Cut Deeply Since ‘09

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Cuts 2009-2015</th>
<th>Impact already felt</th>
<th>FY 2016 Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addiction Treatment</td>
<td>22% cut</td>
<td>Increased ER visits and hospitalization</td>
<td>No funding for non-Medicaid services resulting in program closures</td>
</tr>
<tr>
<td>Homeless Prevention</td>
<td>60% cut</td>
<td>8,600 fewer families receive help</td>
<td>With no state funding flowing, 90% of providers say they have already (or will) curtail services</td>
</tr>
<tr>
<td>Child Care Assistance</td>
<td>Increased parent copayments and reduced eligibility</td>
<td>11,000 fewer children get assistance</td>
<td>Gov. Rauner cut eligibility → 90% applicants previously eligible now ineligible (not directly related to state budget)</td>
</tr>
<tr>
<td>Teen REACH (afterschool)</td>
<td>More than 50% cut</td>
<td>13,500 fewer youth participate</td>
<td>No funding means 15,000 more youth likely to lose access</td>
</tr>
</tbody>
</table>
Reality Check: Illinois does not have a “spending problem”

Illinois is a low-spending, small-government state

33rd
State spending as a % of state’s economy
(in 2013 w/ higher tax rates!)

50th
Full-time state workers per 1,000 residents

49th
Medicaid spending per full-benefit enrollee

Sources: National Association of State Budget Officers (2013), Census (2013), and Kaiser Family Foundation (2011)
IL Budget Crisis: Revenue Solutions

• Cuts are NOT necessary-- Governor and legislators can choose revenue over cuts to services

• There are many revenue options to replace what we’ve lost:
  – Closing corporate loopholes = $450 million
  – Personal income tax = $5 billion (restoring 5% rate)
  – Corporate income tax = $770 million (restoring 7% rate)
  – Retirement income tax on higher earners = more than $600 million (excluding first $50K of income)*
  – Modernize services tax = up to $4.6 billion (Iowa’s model)

*Revenue from taxing retirement varies depending on tax rate, but excluding first $50k at the current 3.75% yields $610 million. A 5% personal income tax rate with the same exclusion would yield over $800 million.

For other revenue options: http://www.voices4kids.org/wp-content/uploads/2015/05/Avoid-Cuts-Choose-Revenue-Fact-Sheet-FINAL.pdf
In Summary

Ongoing Budget Impasse is Dismantling Critical State Services:

- Services have come to a halt
- Providers are shutting down — and won’t just simply reopen their doors
- Damage will increase as crisis drags on

Inadequate Resources After Tax Cut is Why the Crisis Exists:

- $5.4 billion in lost revenue due to tax cut in FY16
- Without billions of dollars in revenue, entire service areas will be eliminated
- More difficult to raise adequate revenue as year progresses

Lawmakers and Governor Rauner must end damaging cuts by raising the resources our state needs to provide essential state services that serve as the foundation of a compassionate and competitive Illinois.
Social Media
Facebook/ResponsibleBudgetCoalition
@respbudgetil
#nocuts
#chooserevenue
#twill
## Options to Avoid Cuts

### Personal Income Tax

<table>
<thead>
<tr>
<th>REFORMS</th>
<th>CUTS AVOIDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restore income tax rate</td>
<td>$1 B for every 0.25%</td>
</tr>
<tr>
<td>Tax retirement income</td>
<td>$500 M - $750 M</td>
</tr>
<tr>
<td>Cap residential property tax credit</td>
<td>$95 M - $225 M</td>
</tr>
<tr>
<td>Reduce personal exemption at higher incomes</td>
<td>$69 M</td>
</tr>
<tr>
<td>Adopt a multi-tiered income tax structure</td>
<td>Varied</td>
</tr>
</tbody>
</table>

### Business Taxes

<table>
<thead>
<tr>
<th>REFORMS</th>
<th>CUTS AVOIDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restore corporate income tax rate</td>
<td>$330 M - $770 M</td>
</tr>
<tr>
<td>Limit or eliminate Enterprise Zones and EDGE tax credits</td>
<td>&gt; $100 M</td>
</tr>
<tr>
<td>Don’t give businesses tax breaks for investing in other states</td>
<td>$100 M</td>
</tr>
<tr>
<td>Limit tax avoidance by capturing income held in offshore tax havens</td>
<td>$100 M</td>
</tr>
<tr>
<td>Capture offshore drilling in corporate taxable income</td>
<td>$75 M</td>
</tr>
<tr>
<td>Close accounting loophole for corporations avoiding state taxes</td>
<td>$25 M</td>
</tr>
<tr>
<td>Limit or eliminate the Illinois Film Services Tax Credit</td>
<td>$13-20 M</td>
</tr>
</tbody>
</table>

### Sales Taxes

<table>
<thead>
<tr>
<th>REFORMS</th>
<th>CUTS AVOIDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broaden sales tax by taxing services</td>
<td></td>
</tr>
<tr>
<td>Model Iowa’s taxation of services</td>
<td>$4.6 B</td>
</tr>
<tr>
<td>Bruce Rauner’s proposal</td>
<td>$600 M</td>
</tr>
<tr>
<td>Raise the general sales tax rate</td>
<td>$410 M for every 0.25%</td>
</tr>
<tr>
<td>Suspend, reduce, or cap the retailer’s discount</td>
<td>$125 M</td>
</tr>
<tr>
<td>Close loophole for print news</td>
<td>$32 M</td>
</tr>
<tr>
<td>Suspend, reduce, or cap cost of collection discounts</td>
<td>$29 M</td>
</tr>
<tr>
<td>Extend sales tax to internet downloads</td>
<td>$14 - 18 M</td>
</tr>
<tr>
<td>Close hotel tax loophole for long-term rentals</td>
<td>$12 M</td>
</tr>
<tr>
<td>Tax full retail value of hotels booked online</td>
<td>$6 - 9 M</td>
</tr>
</tbody>
</table>

### Alcohol, Nicotine, and Sugary-Beverage Taxes

<table>
<thead>
<tr>
<th>REFORMS</th>
<th>CUTS AVOIDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax sugar-sweetened beverages by 1 cent per ounce</td>
<td>$600 M</td>
</tr>
<tr>
<td>Raise cigarette tax by $0.50 per pack</td>
<td>$175 M</td>
</tr>
<tr>
<td>Tax electronic cigarettes</td>
<td>$800,000 - $38 M</td>
</tr>
<tr>
<td>Raise alcohol tax</td>
<td></td>
</tr>
<tr>
<td>Spirits by $3 per gallon (3.5 cents per drink)</td>
<td>$53 M</td>
</tr>
<tr>
<td>Beer by $0.15 per gallon (1.4 cents per drink)</td>
<td>$40 M</td>
</tr>
<tr>
<td>Wine by $0.30 per gallon (1.2 cents per glass)</td>
<td>$10 M</td>
</tr>
</tbody>
</table>