Illinois’ Budget Impasse Dismantling

Critical Public Services

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• Illinois is drowning in a sea of red ink.
• Critical public services not funded without a budget.
• Unpaid bills could exceed $10 billion by June – started the fiscal year with $4.4 billion.
Huge loss of revenue due to income tax cut

25% Cut to Individual and Corporate Income Tax Rate at Beginning of 2015

=  

~$5 Billion in lost revenue

Who Got Personal Income Tax Cut?

<table>
<thead>
<tr>
<th></th>
<th>Bottom 20%</th>
<th>Top 20%</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)
Areas being funded (often with payment delays):

- Preschool and K-12 education (bill signed)
- Medicaid (consent decree)
- Debt service and pension payments
- DCFS and Dept. of Juvenile Justice (consent decrees)
- Some human services (consent decrees)
- State employee salaries (state court order)
- Statutory transfers out (primarily funding of local gov’ts and public transit)
Liabilities Being Incurred, But No Payment

Areas where state is incurring obligations but has no authority to pay:

- Health insurance for state employees
- Vendors that are providing services in areas where there is no appropriation (e.g. electricity, food at prisons)
- Human service providers that were given contracts and provided services (e.g. Lutheran Social Services of Illinois)
Areas Completely Left Behind

Here are just a few unfunded items:

- Non-mandated Human Services (e.g. afterschool programs, autism services)
- Higher Education and MAP Grants
- Variety of important service areas (e.g. public transit support, public safety programs)
Approximately 35% of budget set by existing statute before year begins

~$31.7 billion authorized by statute or court order – over $6 billion less than funding necessary to maintain FY15 service levels

*based on March 2016 estimate – Commission on Government Forecasting and Accountability

**largely to local governments and public transit systems
(Incomplete) List of Services Not Funded

Failure to pass a fully funded, year-long budget is obstructing the operations of these and other critical programs and services:

<table>
<thead>
<tr>
<th>Children &amp; Youth’s Education and Healthy Development</th>
<th>Health, Disability, and Senior Care</th>
<th>Strong Workforce and Local Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>After school programs</td>
<td>Autism services</td>
<td>Adult education and literacy programs</td>
</tr>
<tr>
<td>Bilingual education</td>
<td>Best Buddies</td>
<td>Adult incarceration reduction programs</td>
</tr>
<tr>
<td>Community-based youth crisis interventions</td>
<td>Breast and cervical cancer screenings</td>
<td>Aid to public colleges and universities</td>
</tr>
<tr>
<td>Developmental therapies for kids under age 4</td>
<td>Centers for Independent Living</td>
<td>Career and technical education</td>
</tr>
<tr>
<td>Educ. &amp; employment programs for adults</td>
<td>Disability resource hotline</td>
<td>Child care assistance</td>
</tr>
<tr>
<td>Franklin County Juvenile Center</td>
<td>Domestic violence shelters and services</td>
<td>Civil legal aid</td>
</tr>
<tr>
<td>Health care for kids from families w/HIV or AIDS</td>
<td>Epilepsy grants</td>
<td>Conservation police</td>
</tr>
<tr>
<td>Home visiting programs</td>
<td>Family planning programs</td>
<td>Construction of new affordable housing</td>
</tr>
<tr>
<td>Programs for healthy pregnancies &amp; babies</td>
<td>Funeral and burial assistance</td>
<td>Emergency and transitional housing</td>
</tr>
<tr>
<td>School assessments</td>
<td>HIV/AIDS prevention and treatment services</td>
<td>Employment and training programs</td>
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<tr>
<td>Teen parent services</td>
<td>Home-delivered meals for seniors</td>
<td>Home energy assistance program</td>
</tr>
<tr>
<td>Teen pregnancy prevention</td>
<td>In-home &amp; community-based senior care</td>
<td>Homeless prevention assistance</td>
</tr>
<tr>
<td>Transition services for former DCFS wards</td>
<td>Long-term care Ombudsman</td>
<td>Homeless supportive housing</td>
</tr>
<tr>
<td>Violence protection for families w/young kids</td>
<td>Mental health crisis training for police</td>
<td>Homeless youth services</td>
</tr>
<tr>
<td>Youth incarceration reduction programs</td>
<td>Mental health supportive housing (non-Williams)</td>
<td>Illinois State Museums</td>
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<tr>
<td></td>
<td>Mobile health clinics</td>
<td>Immigrant services</td>
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<tr>
<td></td>
<td>Non-Medicaid mental health rehab services</td>
<td>Public transit operating assistance grants</td>
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<tr>
<td></td>
<td>Psychiatric care for community mental health</td>
<td>Reentry and rehabilitation services</td>
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<tr>
<td></td>
<td>Respite programs</td>
<td>Soil and water conservation districts</td>
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<tr>
<td></td>
<td>Senior protective services</td>
<td>Tuition assistance (MAP grants)</td>
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<tr>
<td></td>
<td>Sexual assault services and prevention</td>
<td>Veteran’s homes</td>
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<tr>
<td></td>
<td>Sickle cell clinic</td>
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<tr>
<td></td>
<td>Substance use and prevention programs</td>
<td></td>
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<tr>
<td></td>
<td>Sudden Infant Death Syndrome Program</td>
<td></td>
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<tr>
<td></td>
<td>Support services for seniors</td>
<td></td>
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</tbody>
</table>
It’s Having an Impact...Now

Haymarket Center closed its social setting detoxification program that served 903 people last year.

Children’s Home and Aid has suspended state-mandated 24 hour crisis services for runaways.

Epilepsy Resource Center in Springfield closed its doors.

Lutheran Social Services has shut down 30 programs including seven home care and adult day care centers serving 2,355 seniors.

Thousands of youth lose access to after school opportunities.

90% of homeless service providers reducing services / laying off staff.

Nearly 1,800 families lost services when the Autism Program of Illinois closed its central office doors.
It’s Having an Impact...Now

State's IOU of $200,000 means rape crisis center cuts hours, staff pay

Tue, 02/02/2016 - 12:23pm | The News-Gazette

UBRANA — Owed about $200,000 by the state of Illinois, the rape crisis center in Urbana has cut its staff hours and salaries...
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 non-Medicaid 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
## Families/Communities 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>Mental Health Treatment</td>
<td>$113 million cut</td>
<td>Increased hospitalization and institutionalization → $131 million increase in costs</td>
<td>Psychiatric services for nearly 10,000 clients of Metropolitan Family Services at risk</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>Teen REACH (afterschool)</td>
<td>More than 50% cut</td>
<td>13,500 fewer youth participate</td>
<td>No funding for afterschool programs that served more than 14,000 children</td>
</tr>
</tbody>
</table>

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**FISCAL POLICY CENTER**

**AT VOICES FOR ILLINOIS CHILDREN**

12
The state began the year with $4.4 billion worth of bills. 

+ Governor’s office projects another $4.4 billion deficit (Comptroller says higher) 

By June 30, Illinois could have $8-10 billion in unpaid bills. 

That debt must be paid down using future revenue.
Unpaid Bills Projected to Increase Quickly

**State’s Unpaid Bills Set to Skyrocket**

The state would need to cut services and other costs by approximately $8.3 billion for each of the next three budget years to eliminate the projected backlog of unpaid bills. That amount exceeds the entire general funds budget for K-12 education.

*Projected backlog of unpaid bills at the end of the state budget year (in billions)*

![Graph showing projected backlog of unpaid bills from 2015 to 2019]

Source: Governor’s Office of Management and Budget
Without new revenue and given fixed costs, areas without protection will be hit hard:

- Higher education
- Non-mandated human services
- K-12 education
- Public safety
- Economic development
- Other essential government services
Quick Look at Gov. Rauner’s FY17 Budget

### Illinois Fiscal Year 2017 Proposed Budget Scenarios (General Funds)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>New Revenue/Cuts</th>
<th>Expenditures</th>
<th>Revenue</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance Budget</td>
<td>N/A</td>
<td>$39.0B</td>
<td>$32.3B</td>
<td>$6.6B</td>
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<tr>
<td>Reflects FY15 Service Levels</td>
<td></td>
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<tr>
<td>Governor's Line Item Budget</td>
<td></td>
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<tr>
<td>Spending cuts specified by the Governor</td>
<td></td>
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<tr>
<td>$2.6B in cuts/savings*, examples include:</td>
<td></td>
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<tr>
<td>Human Service Cuts</td>
<td>-$300M</td>
<td></td>
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<tr>
<td>Higher Education Cuts</td>
<td>-$200M</td>
<td></td>
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<tr>
<td>Pension-Related Cuts</td>
<td>-$750M</td>
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<tr>
<td>Employee Group Health Ins</td>
<td>-$445M</td>
<td>$36.3B</td>
<td>$32.8B**</td>
<td>$3.5B</td>
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<tr>
<td>Procurement Changes</td>
<td>-$320M</td>
<td></td>
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<td></td>
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<tr>
<td>Do not repay amount owed for interfund lending</td>
<td>-$435M</td>
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<tr>
<td>&quot;Turnaround Agenda&quot;</td>
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<tr>
<td>In exchange for passing portions of the turnaround agenda, governor agrees to some new revenue</td>
<td>Unspecified mix of $3.5B in new revenue and additional cuts</td>
<td>$32.8B - $36.3B</td>
<td>$32.8B - $36.3B</td>
<td>$0</td>
</tr>
<tr>
<td>-OR-</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cuts-Only Approach</td>
<td></td>
<td>$32.8B</td>
<td>$32.8B</td>
<td>$0</td>
</tr>
<tr>
<td>Governor asks for authority to make cuts himself or agrees on cuts with legislature</td>
<td>$3.5B in additional cuts</td>
<td></td>
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</tr>
</tbody>
</table>

Note: Numbers may not add due to rounding

*Numbers are rounded

**Includes anticipated sale of the James R. Thompson Center
IL Doesn’t Have A Spending Problem

How Illinois Compares to the rest of the nation

5th
Highest overall state gross domestic product (GDP)

33rd
State spending as a % of GDP

44th
State employee costs per Illinois resident

Bottom-Dwelling Income Tax

Illinois Has Lowest Effective Income Tax in the Midwest

Total state and local personal income tax paid as a percentage of residents’ income

- Kentucky: 4.8%
- Minnesota: 4.5%
- Wisconsin: 3.8%
- Ohio: 3.7%
- Iowa: 3.6%
- Indiana: 3.5%
- Missouri: 3.4%
- Michigan: 3.3%
- Illinois: 2.8%

Source: Institute of Taxation and Economic Policy

VOICES FOR ILLINOIS CHILDREN/FISCAL POLICY CENTER
Options for Raising Revenue

Biggest Buckets for Raising Revenue Quickly:

- Personal Income Tax → $800 million for every 0.25%
- Corporate Income Tax → $700 million for every 1%
- Tax some portion of retirement income → Could raise $1-2 billion
- Sales Tax Rate, but increasing this is regressive
- Corporate tax loopholes

Longer-Term Revenue Options:

- Fair tax, where income tax rates based on ability to pay
- Expand sales tax base to cover more services
Ending the Budget Crisis

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
@Voices4ILKids
#nocuts
#twill