

BUDGET & TAX POLICY INITIATIVE SPECIAL REPORT

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Voices for Illinois Children

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THE ILLINOIS BUDGET IN HUMAN TERMS: The Impact of Budget Cuts on the People of Illinois



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INTRODUCTION

Illinois is in the midst of one of the worst fiscal crises in state history, a consequence of both economic recession and structural problems in Illinois' fiscal system. In building the fiscal year 2003 budget, legislators filled an almost \$2 billion budget hole with a combination of cuts and revenue measures. Lawmakers can expect to deal with a hole of equal or larger proportions in the coming months.

The crisis has thus far resulted in \$1.1 billion in cuts to critical education, human services, health care and public safety programs. The state government system that was created to look out for the well-being of the people of Illinois is instead forcing those same people to bear the brunt of the budget cuts.

Creating a better tomorrow requires responsible planning and leadership today. Instead of focusing on the short-term crisis caused by a growing budget deficit, Illinois must build vibrant, strong communities for the long haul. That means investing in what it takes to support the critical *human* infrastructure of Illinois: education, family and employment supports, health care, safety.

These budget cuts didn't just balance the state's accounting books; they affected the lives of people across Illinois. In human terms, the total cost of the cuts defies clear measurement; one cannot easily assign a dollar amount to a lack of medical care, a compromised education or barriers to community participation by disabled neighbors. One, however, can link the cuts to the resulting costs that will reverberate in the near future: growing numbers of high school dropouts, higher rates of incarceration, a lack of regular medical care and insufficient access to employment services, among other things.

Fundamental to caring about the well-being of the people of Illinois and the future of our state is meeting the needs of our children, our families and our communities. Illinois falls short of meeting those needs right now. The system is lacking at a time when people need support the most. The budget cuts to critical education, health care and human services programs minimize the value of our human infrastructure.

We must develop strategies to meet Illinoisans' basic needs. We must plan responsibly for the long-term future by implementing sound revenue strategies. We must give Illinois children, families and communities a critical, supportive foundation.

How to Read this Report

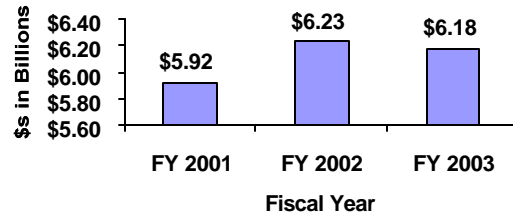
This report is divided into sections corresponding to broad categories of cuts. In each category, we describe the impact of the cut for individuals and groups, and we highlight the overall fiscal impact. Although this report is not an exhaustive list of the cuts that took place, it does provide a first step in understanding how dollars correspond to real human needs.

EDUCATION

PreK-12 Education

Despite the fact that the state contributes only 30.4 percent of funding for education—the 49th lowest state share of funding in the fifty states¹—the state reduced General Funds appropriations for PreK-12 education \$70 million in FY 2003 relative to FY 2002. In addition, \$116 million more than in the previous year was diverted from classroom education to meet expanded funding requirements for the Teachers' Retirement System. In large part, the cuts impact categorical grants that fund specific programs such as special education, transportation, bilingual education and reading improvement.

**General Funds Appropriations
PreK-12 Education, FY2001-2003**



IMPACT

The state will not have sufficient funding to cover the \$4,560 per-pupil foundation grant approved by lawmakers—the basic building block of school funding in Illinois—during FY 2003.

The FY2003 budget reverses significant progress that had taken place on behalf of Illinois students between FY1999 and FY2002. The growth in General Funds appropriations for education expenditures since FY 1999 dropped from a total of \$779 million as of FY2002 to less than \$600 million as of FY2003. This drop worsens an already significant problem for local public schools—the state of Illinois pays for only 30.4 percent of school costs—because low state funding tends to protract school spending inequities. Districts have varying capacities to generate local taxes. The inequities are apparent in Illinois where per-pupil funding ranges from approximately \$4,300 to \$18,200 depending on the school district.²

Impact on Schools

According to the Illinois State Board of Education, up to 85 percent of Illinois' 894 school districts may be operating with deficits during the 2002-2003 school year. The shortfall in state aid for schools this year and the lack of adjustment to reflect increasing costs puts many school districts on the brink of financial collapse. In some cases like Community High School District 218 (schools in Oak Lawn, Blue Island, Palos Heights and Robbins), this situation forced school districts to turn to voters for an increase in the local property tax. The 50-cent tax increase was approved on November 5, 2002.



Impact on Children

The state will not have sufficient funding to cover the \$4,560

¹ Source: National Education Association (2002). *Rankings and Estimates*.

² Source: Illinois State Board of Education 2001 Financial Report.

per-pupil foundation grant approved by lawmakers—the basic building block of school funding in Illinois—during FY 2003. The appropriation for the foundation grant falls \$21.7 million short due to higher than expected enrollment and lower than expected property tax revenues at the local level.³ This \$21.7 million could fund the foundation grant for almost 4,800 Illinois students. Additionally, the \$4,560 foundation grant was not adjusted for inflation between the 2001-2002 school year and the 2002-2003 school year, essentially leaving school districts without an inflation adjustment to reflect naturally increasing costs. The harsh reality of funding shortfalls is that students have larger classes, fewer opportunities for exposure to the arts, sports and foreign languages, and a potential reduction in education quality.

IMPACT

The reality of funding shortfalls is that students have larger classes and face a potential reduction in education quality.



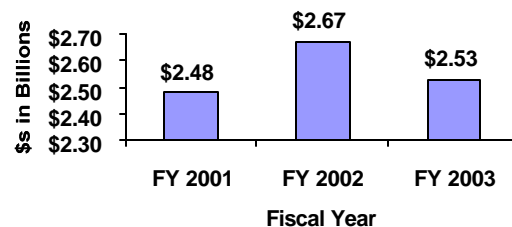
Looking Ahead

To ensure that Illinois children succeed in school and beyond, legislators must ensure that students receive an adequate education. The fact is, a large number of students simply do not make it through high school—34,146 in 2001⁴—and those students are more likely to end up unemployed or incarcerated, both of which create large costs for the state.⁵ In order to support an adequate education for all students—to help them all make it—the state must grow its investment in PreK-12 education. For example, research shows that more than half of the black-white achievement gap is established before children enter first grade.⁶ That gap will shrink with strong investments in quality early childhood education opportunities. According to research commissioned for the Education Funding Advisory Board,⁷ once children enter kindergarten, an adequate education requires a minimum foundation of \$5,665 per student. That is over \$1,000 more than the current foundation level. To ensure maximum student success, legislators must enhance the state contribution to public education.

Post-Secondary Education

General Funds appropriations for post-secondary education fell \$137 million between FY2002 and FY2003, a 5 percent reduction. In fact, appropriations for FY2003 are just \$32 million higher than in FY1990 after adjusting for inflation, growth of approximately 1 percent.

**General Funds Appropriations
Higher Education, FY2001-2003**



³ Source: Daily Herald, September 26, 2002.

⁴ Source: Illinois State Board of Education.

⁵ E.g., Hoyle, J. R. (March 1993). "Our Children: Dropouts, Pushouts, and Burnouts." *People and Education*: Vol. 1, N. 1, pgs. 26-41.

⁶ Jencks, C. & Phillips, M., Eds. (1998). *The Black White Test Score Gap*. Brookings Institution.

⁷ The Education Funding Board is a task force created by the General Assembly and appointed by the governor. It is charged with making recommendations to improve state funding for education. Their recommendations can be found at www.isbe.net/EFAB/default.htm.

The student body has grown by about 20,000, almost 3 percent, during the same time period.⁸

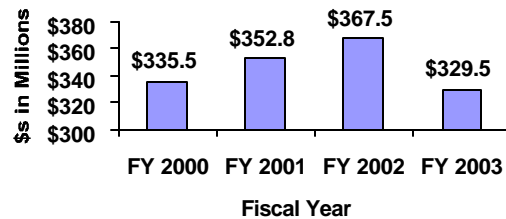
Impact on Students

Total appropriations for operations and grants dropped \$168 million in FY2003, resulting in higher tuition and lower financial aid for many of Illinois' post-secondary students.

Undergraduates at Illinois public universities will face an average 14 percent increase in their annual tuition, with increases of up to 20 percent at the University of Illinois at Urbana/Champaign and the University of Illinois at Chicago.⁹

At the same time that students are dealing with large jumps in tuition, financial aid has dropped. The state reduced funding for the Monetary Award Program (MAP), an aid program targeted at the college students, by \$38 million (10.3 percent) between FY2002 and FY2003.

**Monetary Award Program
Appropriations, FY2000-2003**



As a consequence of the cut, 128,000 students experienced a 5 percent reduction in their MAP grant for the current academic year, and 12,000 of Illinois' students had their grants eliminated. Approximately 7,000 of those students are in their fifth year of undergraduate studies. In most cases, fifth-year students had to extend their education due to work and family responsibilities or enrollment in five-year programs such as teacher certification.

IMPACT

At the same time that students are dealing with large jumps in tuition, financial aid for the students has dropped.

Education Cuts in Human Terms: Melanie's Story

Melanie attends Western Illinois University in the Quad Cities. She is one of the 7,000 fifth year students who lost their MAP grant for the 2002-2003 academic year. Melanie reached her fifth year of school, by taking classes on a part-time basis for many years, because she and her husband juggled schedules to care for two young children. The loss of the MAP grant has forced Melanie to take out additional federal loans. Melanie would like lawmakers to know that the MAP grant helps many individuals that would not be able to go to college without financial assistance due to their low income. According to Melanie, "[We're] trying to make a better life for our families and ourselves. It's important."

In addition to cuts in general education, \$13.2 million in funding for students at community colleges with special needs was eliminated. In previous years, this grant enabled approximately 305,000 students with special physical and learning needs to successfully integrate into community college learning programs. For example, **Cory**, a former student at Southeastern Illinois College in Harrisburg has spastic quadriplegic cerebral palsy. The special populations grant enabled Cory to not only attend classes at Southeastern, but to have his first ever work

⁸ Source: Illinois Board of Higher Education.

⁹ Ibid.

experience in the learning lab at age 27. Cory told Dr. Catherine Packard in the learning lab, “Up until this moment, I have never felt like I belonged or could do anything productive with my life. You have given me something to live for.” This support is not available in FY 2003.

Looking Ahead

Post-secondary education strengthens students' ability to become productive members of the Illinois economy and gives them the opportunity to achieve self-sufficiency for themselves and their families. To enhance the health of our economy and family economic security, we must ensure that students of all backgrounds have access to higher education.

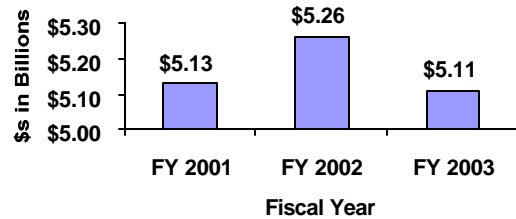


HEALTH CARE

Prior to the recent budget cuts, Illinois ranked 29th in spending (federal and state dollars) per Medicaid enrollee. Illinois spending falls below most of our neighboring states (Wisconsin, Iowa, Indiana and Kentucky).¹⁰

General Funds appropriations to the Illinois Department of Public Aid were reduced by \$152 million (3 percent). When the budget was built, Medicaid spending pressures—primarily driven by prescription drug cost inflation—would have dictated a substantial increased appropriation to maintain existing services and reimbursement rates. The reduction effectively required \$600 million in service and cost reductions to accommodate the then existing shortfall and the lower appropriations. The \$600 million includes payment reductions to doctors, hospitals and nursing homes. These cuts mean that medical assistance recipients will find it much harder to gain access to medical care; the doorway of access to health care is shrinking for more than 1 million children and 500,000 low-income adults.

General Funds Appropriations
Public Aid, FY2001-2003



IMPACT

These cuts mean that the doorway of access to health care is shrinking for more than 1 million children and 500,000 low-income adults.

Patients



Many patients covered by Medicaid have a double blow due to budget cuts. Not only has their access to care been limited through decreased payments to their doctors, but the low-income adults receiving Medicaid have co-payments for the first time: \$3 for brand name drugs, \$1 for generic drugs, and \$2 for visits to doctors, clinics and other practitioners.¹¹ For those already struggling to make ends meet, these co-payments have a real impact on their household budgets.

Looking Ahead

Co-payments may cause patients to avoid or postpone needed doctor visits and medicine, often resulting in more expensive acute care later on. Legislators must provide low-income patients access to the prescriptions and medical care they need.

¹⁰ Source: Kaiser Family Foundation, State Health Facts Online (www.kff.org). 1998 Data.

¹¹ Children, pregnant women and people living in institutions are exempt from co-payments.

Health Care Cuts in Human Terms: Mike's Story

Mike resides in a group home in Oak Park. With multiple doctor visits and four or five medications to purchase each month, the Medicaid co-payments put a real strain on his limited budget. Mike frequently forgoes meeting health care needs such as buying the humidifier prescribed by his doctor, because he cannot afford to do so. Mike currently works part-time at LaSalle Bank doing customer service, and he would like to pursue additional employment in order to meet more of his needs. However, Mike requires a personal assistant to help him get up in the morning and to get to work. Mike's Medicaid benefits are not sufficient to pay for a personal assistant that would be available in the morning hours.

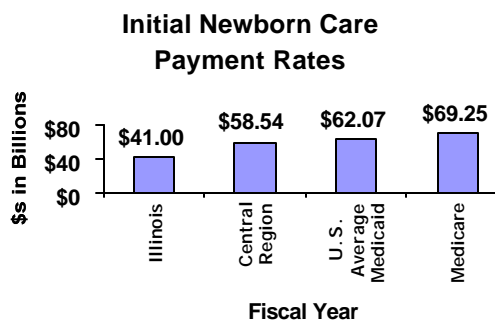
Doctors

Due to FY2002 and FY2003 budget cuts, doctors experience a reduction of about 6 percent in their reimbursement rates, for a total cut of \$350 million dollars.

Provider reimbursement rates in Illinois—which are determined by state government—are already below the national average, far below physicians' usual fees and far below the rates the federal government deems acceptable under Medicare.

According to the American Academy of

Pediatrics, Illinois Medicaid reimbursed doctors \$41 for initial newborn care in 2001, 41 percent below the Medicare rate of \$69.25.¹² Pediatricians are forced to lose money caring for Illinois' poorest children. Similarly, even before the budget cuts, Illinois payments to dentists covered only 54 percent of their usual fees before the budget cuts.¹³



Impact for Children

Cuts will push pediatricians and dentists away from caring for children. For example, **Lynette**, who lives with her family in Des Plaines has been unable to find a dentist that will accept Medicaid for her 5-year-old son **Phillip** or 8-year-old daughter **Cynthia**. According to Lynette, her children generally go without dental care.



According to an early 2002 survey of Illinois AAP members in DuPage County and portions of Cook County, almost half of pediatricians reported that more than 10 percent of their patient visits were un-reimbursed. Sixty-one percent of pediatricians said that more than 10 percent of their patients received public aid. Eventually, low rates will likely push more pediatricians away from participating in Medicaid or KidCare. According to an Illinois survey of AAP pediatricians taken prior to the

¹² American Academy of Pediatrics, Division of Health Policy Research. *Medicaid Reimbursement Survey, 2001; Illinois*.

¹³ Source: Ounce of Prevention Fund.

budget cuts, 58 percent of pediatricians considered low reimbursement rates a very important reason for limiting their participation in Medicaid.



Looking Ahead

According to the American Academy of Pediatrics, Medicaid reimbursement rates are the greatest determinant of provider participation. Illinois pediatricians would increase the rate of care for children receiving Medicaid if reimbursement rates were increased to 81 percent of their usual fees, compared to 86 percent for the rest of the Midwest and 87 percent for the entire country. By strengthening the investment in Medicaid and KidCare, Illinois can ensure that the 1 million children cared for within these programs—almost one-third of all Illinois children—have their health needs met.

Hospitals

FY 2002 and FY2003 budget cuts have left hospitals with \$133 million less in funding to care for a growing number of patients. An April 2002 analysis showed that hospitals were expected to lose \$553 million on Medicaid services by the close of FY2002, and \$700 million or more in FY2003.^{14,15} Rural hospitals were hit particularly hard by payment reductions, with Medicaid covering less than 50 percent of outpatient costs in FY 2003.¹⁶

IMPACT

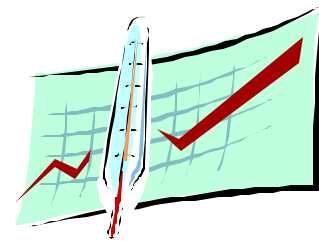
The consequence of inadequate payments is a lower level of care for all patients, not simply those cared for through Medicaid.

Impact on Patient Care

Eighty percent of Illinois hospitals lose money by fulfilling their primary mission—caring for the sick.¹⁷ The consequence of inadequate payments is a lower level of care for all patients, not simply those cared for through Medicaid. In January 2002, Illinois hospital officials were discussing a variety of expected or enacted cuts due to low payment issues including: closure of psychiatric, rehabilitation and other services with a large Medicaid clientele; potential termination of adolescent psychiatric services; closure of a family practice center; limited access to home health programs.¹⁸

Looking Ahead

If legislators improve hospital payment scenarios, they will improve the level of care for all Illinois patients and reverse the trend towards shutting down critical services such as rehabilitation and psychiatric care. If cuts continue, and if state payments continue to fall behind inflation, hospitals will most certainly reduce services and options for low-income Illinoisans.



¹⁴ Losses equal Medicaid payments from the state minus a hospital's Medicaid costs.

¹⁵ Source: The Lewin Group, Inc. (2002) *An Assessment of Hospital Medicaid Payment in Illinois*.

¹⁶ Source: Illinois Hospital Association.

¹⁷ Ibid.

¹⁸ Source: The Lewin Group, Inc. (2002) *An Assessment of Hospital Medicaid Payment in Illinois*.

Nursing Homes

Nursing homes experienced a 5.9 percent reduction in reimbursement rates for FY 2003, for a total cut of \$118 million. According to the Illinois Council on Long Term Care, Illinois ranked 44th among the 50 states in Medicaid funding for nursing homes prior to the budget cuts, and more than 50 Illinois nursing homes declared bankruptcy in two years preceding budget cuts. Not only does the rate reduction move Illinois to an even lower position on that list, but it forces nursing homes to operate with a loss of almost \$15 per Medicaid patient per day.

IMPACT

Nursing homes operate with a loss of almost \$15 per Medicaid patient per day, forcing nursing homes to shift costs to patients who pay privately.

In light of the fact that more than two-thirds of Illinois nursing home residents are on Medicaid, low state payments force nursing homes to shift costs to the 30 percent of residents who pay privately.¹⁹ When the capacity to shift costs runs out, nursing homes may experience a reduction in quality of care. Low state payments translate into an inability to attract and retain quality staff members.

Looking Ahead

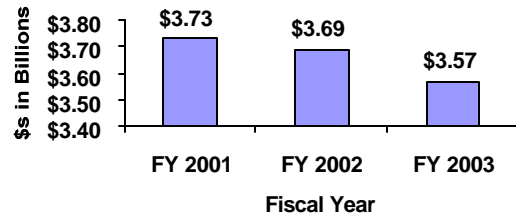
To ensure that our parents, grandparents, and developmentally disabled community members have options for high quality care in their later years, legislators must enable Illinois to meet the costs of nursing home care for Medicaid patients.

¹⁹ Source: Illinois Council on Long Term Care.

HUMAN SERVICES

General Funds appropriations for the Department of Human Services were cut by \$228 million in FY2003, dropping the total General Funds budget for DHS to \$3.57 billion. The Human Services budget encompasses programs critical to so many Illinoisans—work supports for families attempting to achieve self-sufficiency, after-school programs for children of all ages, services for the developmentally disabled and mentally ill, supports for teen parents, and much more. The FY2003 budget cut for DHS means that many of our neighbors' needs will not be met this year, and that the individuals and organizations struggling to meet those needs will have to do so with inadequate resources.

General Funds Appropriations
Human Services, FY2001-2003



Disabled: Facility Closures

State-operated health facilities that served almost 2,000 people in 2001 were closed in FY2003. Because the state did not offset facility reductions with increased funding for other types of care, many disabled people will be left without adequate opportunities for care.

IMPACT

The needs of the developmentally disabled and mentally ill are not adequately met, because persistent under-funding results in a workforce that is too small and has too much turnover to support the highest quality care.

Disabled: Community- and Home-Based Care



Illinois contracts with community-based service providers to make sure the needs of individuals with disabilities are met. Legislators acknowledge that those contracts frequently under-fund services. In November 2001, the Illinois House Human Services Appropriation Committee passed a resolution (HR 535) recognizing the funding of community-based human services averages only 65 percent to 70 percent of their actual costs. The consequence of under-funding is a workforce that is too small and has too much turnover to adequately meet the needs of the developmentally disabled and mentally ill. Those needs range from employment supports (currently, the disabled population faces an unemployment rate of 70 percent) to substance abuse programs for people with disabilities to home-based care in individual and group homes.

The Human Cost: Shrinking Community Supports for the Disabled

The Anixter Center is a Chicago area organization that assists people with disabilities so they can live and work successfully in the community. In the wake of the budget crisis, Anixter has had to eliminate 40 staff positions due to reduced grants and under-funding. This well-respected organization serves approximately 4,000 people in 70 different programs. Anixter now has fewer staff available to engage clients in community activities, provide speech therapy, offer substance abuse counseling, develop links to job opportunities and provide care in community living facilities. In fact, Anixter had to close its Northfield Employment Office. According to Jack Creagh, director of Anixter Center North, "So much of what we do throughout Anixter is to provide access for people with disabilities to the community. For employment services, however, we need to be accessible to potential employers as well. Our reduced presence in the northern suburbs limits access on both accounts." On top of reduced program capacity, Anixter loses \$8700 per client per year in its Community Integrated Living Arrangements (CILAs).



Human Service Cuts in Human Terms: Tom's Story

Tom is a profoundly mentally retarded adult currently living in South Beloit, Illinois. He requires total care, because he cannot independently conduct everyday activities such as bathing, dressing and going to the bathroom. Tom lost his placement at a state care facility in August 2002 due to state budget cuts. His mother Pat has identified placement in a group home known as a CILA (Community Integrated Living Arrangement). However, the home is not yet ready to admit residents.

Tom is now living at home with his parents, and he needs intensive care. His mother has reduced her hours at work to care for him. His parents need physical assistance to bathe and put Tom to bed.

Pat is concerned about Tom receiving an inadequate level of care. It is challenging to provide his care, and she is concerned that community supports may not be sufficient, given the cuts that private residential programs faced in the last budget.

Looking Ahead

Community-based services are training intensive activities that enable disabled people to live and work successfully in their communities. Some disabled individuals need help learning to conduct normal activities like grocery shopping and taking to the bus to work or doctor appointments. Older individuals who have spent much of their lives in institutions require even more training. To ensure that disabled individuals can actually take part in community life, Illinois must grow its investment in community-based services provided by organizations like the Anixter Center. To ensure that disabled individuals like Tom are well cared for on a daily basis, legislators must enable home-care providers and residential facilities to cover their full costs.

The Human Cost: Home Care for the Elderly

Approximately 165 seniors in DuPage County lost Lutheran Social Services of Illinois as a home care provider when the organization had to shut down its DuPage Intouch program due largely to ongoing contraction in state funding. The organization had to eliminate 73 positions, because it could no longer sustain deficits that resulted from the level of state funding for human service providers. According to the Rev. Dr. Frederick Aigner, President of Lutheran Social Services of Illinois, state reimbursement for some services falls 25 percent below the actual cost of providing the service. The organization also had to close similar programs in East Hazel Crest, Peoria and Rock Island, as well as other programs in Chicago and Nachusa and reduce some private adoption and counseling programs.



The Human Cost: Compromising Mental Health Supports

The mentally ill in South Chicago experienced a significant blow to their level of care in the budget crisis, because persistent under-funding by the state and a sour economy forced Metropolitan Family Services' South Chicago office to severely limit intake. Caseworkers currently support caseloads of 80 clients or more, when best practices in the mental health field point to a caseload of 50 as being optimal. At the same time the staff was reduced, Metropolitan Family Services experienced an increased demand for its services. As the unemployment rate increased, households lost health insurance that would have paid for private care and medications. Now, the South Chicago office is their only support. The barriers to care now faced by the mentally ill—either being put on a waiting list for treatment or being sent to a local emergency room—increase overall expenses. Generally, a lack of care throws clients into crisis, creating the need for expensive inpatient treatment or, in the worst situations, resulting in a mentally ill individual joining the homeless population.

Community Outreach Offices

When six local DHS community outreach offices closed due to budget cuts, a potential barrier sprang up between the individuals and families attempting to move off of welfare and the critical services that support their well-being on the way to self-sufficiency. Approximately 3,300 households in rural Illinois must now travel long distances to access the caseworkers that link them to supports such as Food Stamps, Medicaid, and counseling. Due to office closures, caseloads at remaining local offices now average 700 or more per caseworker, and they are expected to reach 950. The tremendous workloads become more of a concern when considering the current economy may push more families to turn to the services accessed at local DHS offices.

Human Service Cuts in Human Terms: John and Jane's Story

In early October, John was laid off from his job, while his wife Jane has been out work due to complications from three recent surgeries. The southern Illinois couple has a 3-year-old daughter with kidney cancer and lives in a relative's remodeled garage (with a toilet but no bathing facilities.) Due to the lay-off and the cost of medical care, the couple is falling months behind in rent and utility payments.

John and Jane applied to their local DHS office for assistance to buy gas to travel to Indianapolis for their daughter's medical treatments. Local DHS staff told them they no longer have any emergency funds for transportation or rent assistance. When they inquired about food stamps, the DHS office told them it would take 30 days to determine their eligibility due to high caseloads. After contacting the Illinois Hunger Coalition's hotline for help, they learned they were eligible for \$250 a month in food assistance. The DHS office still said it would take two weeks to process their application; after three days, the Illinois Hunger Coalition was finally able to expedite the request.

EMPLOYMENT AND TRAINING

Over the last few years, Illinois' unemployment rate has steadily grown from a low of 4.1 percent in April 1999 to 6.3 percent in September 2002. Rising unemployment means that the lowest skilled workers—many of whom are trying to move from welfare to work and escape poverty at a time that economic forces are working against them—face significant challenges as they search for employment.

Legislators made the job search even harder when they cut funding for job training opportunities across the state. For example, they cut the Job Training and Economic Development Program (part of the Department of Commerce and Community Affairs) by \$1.6 million, dropping total funding to \$1.4 million in FY 2003. This funding supports economic development and work by linking disadvantaged and low-skilled workers to training programs designed to meet local employers' needs.

IMPACT

Legislators made the job search for individuals trying to escape poverty even harder when they cut funding for job training opportunities across the state.

The Human Cost: Eliminating Employment Supports

A Chicago Jobs Council survey of 24 community-based employment and training organizations revealed that state sources represent the vast majority – 71% or \$1,802,100 – of revenues lost because of the economic downturn.¹ On average, these organizations had to cut client capacity by 44 percent, leaving 2,945 people un-served or under-served. Organizations have ended training programs completely that last year served 2,540 low-income individuals. Those working towards self-sufficiency have lost access to counseling, pre-vocational training, after-school programs and tutoring; many clients have completely lost access to work support programs. Additionally, 48 nonprofit staff members have lost their jobs.

Looking Ahead

Self-sufficiency for all Illinois families requires a sustained investment from the state in job training, particularly those that meet real labor market needs. As a jobless recovery continues, state lawmakers should support innovative programs such as transitional jobs and bridge programs that prepare the long-term unemployed and low-skilled individuals for work and career advancement. To support economic development over the long term, legislators must fund these and supportive services, such as child care and transportation, at an adequate level.



COST OF LIVING & COST OF DOING BUSINESS ADJUSTMENTS

The cost of doing business naturally increases from year to year, even in the absence of program and service adjustments—inflation necessitates growth in appropriations to maintain the quality and level of service. Consequently, entities ranging from schools to home-based care providers to job training organizations depend on the state to adjust their budgets from year to year to avoid being in a state of perpetual under-funding.

Illinois has an unfortunate history when it comes to providing cost of living or cost of doing business adjustments, and FY 2003 is no different. For example, child care agencies that accept state subsidies have not received a cost of living adjustment in three years. In Illinois' subsidized child care program, hourly wages remain static at about \$8.21.²⁰ Low-wages tend to cause high-employee turnover, which negatively impacts the learning of our youngest children. Young children learn best in the context of a stable relationship with a caregiver. Similarly, a cost of living adjustment expected by 12,000 home-care providers that serve the mentally ill and developmentally disabled was eliminated in the final FY 2003 budget. The state hasn't provided a wage increase for these workers in three years—they currently make \$5.50-\$7.50 per hour. Low wages and inadequate benefits also result in high employee turnover for human service providers, impeding attempts to meet human needs.

IMPACT

Persistent under-funding by the state results in low wages and inadequate benefits for child care workers, causing high employee turnover that is detrimental to children's learning.

The Human Cost: Closing Critical Child Care



In FY 2003, Trinity Services Inc., a Joliet-based organization that provides a wide range of programs, supports and services for approximately 600 children and adults with developmental, mental, and physical disabilities, was depending on an approximately 2.5 percent cost of doing business adjustment from the state. Trinity did not receive that adjustment. Consequently, the organization had to close its integrated day care program, a child care program that cared for 39 developmentally disabled and non-disabled children, due to an operating deficit. Trinity also had to layoff four employees and is unable to expand services. In light of the budget strain, the leadership at Trinity is concerned about the organization's ability to continue maintaining the best possible services for all clients. Economizing due to the budget cuts has been hampered by skyrocketing health insurance costs, workers' compensation premiums and an increase in property liability insurance.

²⁰ Noble, Sean (2001). *A Universal Good: Expanding Voluntary, Early Learning Opportunities for Illinois' Young Children*. Voices for Illinois Children.

This special report was prepared as a part of Voices for Illinois Children's Budget and Tax Policy Initiative. The initiative is supported by grants from the Ford Foundation and the Annie E. Casey Foundation. Emily Mondschein, associate of the Budget & Tax Policy Initiative, is the author of this report. To promote discussion of the information and analysis presented in this brief, we invite readers to make copies of the brief and to disseminate it.

About Voices for Illinois Children

Voices for Illinois Children is a statewide, non-profit, non-partisan group of child advocates who work with families, communities and policy-makers to ensure that all children grow up healthy, nurtured, safe and well educated. Through policy analysis, public education and outreach, Voices generates support from civic, business and community leaders for cost effective and practical proposals to improve the lives of Illinois children. Jerome Stermer is the president of Voices for Illinois Children, and James J. Mitchell, III, is the chair of the board of directors.

About the Budget & Tax Policy Initiative

Investing in our children's health, education, safety and welfare is the long-term, common sense approach to preserving and enhancing the well being of children, their families and all citizens of Illinois. Smart investment decisions require good information, sound analysis and timely action. Voices for Illinois Children helps the state make those smart investment decisions through the work of its Budget & Tax Policy Initiative.

Citizens will support smart decisions when they have faith and confidence that their government is fair, effective and efficient. The Budget & Tax Policy Initiative identifies and analyzes the state's revenue and spending policies to help Illinois policymakers and advocates set priorities and make wise fiscal decisions for the short term and for the long haul.

For More Information...

If you would like to know more about the information included in this report, contact Emily Mondschein at 312-516-5568 or emondschein@voices4kids.org, and Andrea Ingram at 312-516-5556 or aingram@voices4kids.org.



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