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70 East Lake Street, Suite 1700
Chicago, IL • 60601
www.ctbaonline.org

SPECIAL REPORT

ILLINOIS STATE FUNDING FOR HUMAN SERVICES IN CONTEXT:

Reduced funding in FY 2011 would continue long-term pattern of cuts, harm vulnerable populations and fall disproportionately on small to midsized businesses, hurting the state economy.

February 2010

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For More Information Contact:

Ralph M. Martire
Executive Director
(312) 332-1049
rmartire@ctbaonline.org

Ron P. Baiman, Ph.D.
Director of Budget and Policy Analysis
(312) 332-1481
rbaiman@ctbaonline.org

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Center for Tax and Budget Accountability
70 E. Lake Street, Suite 1700
Chicago, Illinois 60601
Fax: (312) 578-9258
www.ctbaonline.org

Special Report

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1. EXECUTIVE SUMMARY

Analyzing state funding for human service programs is challenging for one, simple reason: it is difficult to define the comprehensive set of programs which collectively constitute all human services covered in the state budget. Unlike other significant public services, like pre-kindergarten through 12th grade education and healthcare, for instance, which each have a relatively narrow program focus, human services encompass a broad panoply of programs that cover everything from aiding adults with developmental disabilities, to homebound seniors, abused and neglected children and individuals with substance abuse and mental health issues. Because of the diverse nature of human services, program names and providers change over time, as does the state agency responsible for overseeing specific programs. That said, for the most part state government administers human services through three agencies—the Department of Human Services (**"DHS"**), the Department of Children and Family Services (**"DCFS"**) and the Department on Aging (**"Aging"**)—each of which is predominantly funded through the state's General Fund.

In the General Fund budget for current Fiscal Year 2010 (which began on July 1, 2009, and ends on June 30, 2010), an aggregate of $5.45 billion was appropriated for spending on programs administered through DHS, DCFS and Aging. That represents 20.9 percent of the total $26.085 billion appropriated for spending on services in the FY2010 General Fund budget, making human services one of the four largest service areas covered by the General Fund in FY2010.[1] The other three largest service areas, in order, are: (i) education (pre K-12th grade, plus higher-ed combined) at $9.3 billion or 35.7 percent of total General Fund appropriations; (ii) healthcare at $7.7 billion or 29.8 percent of total General Fund appropriations; and (iii) public safety at $1.33 billion or 5.1 percent of total General Fund appropriations.[2]

Due to the state's anticipated revenue shortfall for this year, the amounts appropriated to each of these four major service areas may not actually be spent in Fiscal Year 2010. Current estimates are that the state's major tax (income and sales) and gaming revenue sources will generate at least $1.096 billion less in FY2010 than anticipated when the $26.085 billion in appropriations was finalized.[3]

Human service providers should be concerned that they will be disproportionately impacted by the anticipated revenue shortfall for FY2010. After all, as this study will show, in real, inflation-adjusted terms, Illinois has cut funding on human services almost every year over the last decade. In fact, after accounting for both inflation and population growth, Illinois state government has underfunded human services by approximately $4.4 billion since Fiscal Year 2002. This material disinvestment in human services over the past eight years is particularly striking, when one considers that in FY2002, the starting point for the analysis in this study, Illinois already ranked very low nationally in funding human services when compared to other states.[4]

And as bad as the current fiscal year looks, coming Fiscal Year 2011 (which starts July 1, 2010), looks worse.

As Illinois legislators meet this spring to create that FY2011 General Fund budget, estimates of the revenue shortfall they face range from $12.8 billion to in excess of $13 billion.[5] Consider the implications of a revenue shortfall of that size. If the state simply wants to hold funding for the key public services covered by the General Fund level with the $26 billion appropriated for current Fiscal Year 2010, it is facing a revenue shortfall of somewhere around 50 percent. Given that nine out of ten dollars appropriated in the FY2010 General Fund covers just four services—education, healthcare, human services and public safety, it is no wonder those who maintain the state should solve its deficit problem by cutting spending never get specific about which services would be cut—or by how much.

This may belabor the obvious, but as the state was cutting spending on human services over the last eight years, there was no corresponding decline in demand for the services being cut. There was no reduction in the number of adults with developmental disabilities, homebound seniors or individuals dealing with mental health concerns. If anything, following the lengthy recession that hobbled the state and nation over parts of the last two years, demand for services such as assistance with child care and substance abuse have increased. Further significant cuts to human services, on top of those the sector has already realized this decade, would have to result in denial of needed services to some of the most vulnerable people in Illinois. This conclusion is supported by the findings of a survey conducted by the United Way of Metropolitan Chicago, that had responses from 500 private sector human service providers as of December, 2009.

In addition to harming vulnerable populations, significant cuts to the state's funding of human services will also hurt Illinois' economy and cause the loss of private sector jobs. Most taxpayers do not realize that state government provides very few human service programs directly. Instead, Illinois contracts with private sector businesses, which in turn deliver upwards of 75% of the human services provided across the state.[6] Hence, spending cuts on human services will fall primarily on private sector workers and businesses, hurting local economies statewide.

2. KEY FINDINGS

- Despite having the fifth largest population and economy of any state, in FY2002, the starting point for the analysis in this study, Illinois was a low spending state on key human services, ranking near the bottom of the nation in funding for programs such as Mental Health and Developmental Disability services, whether evaluated on *per-income* (35th and 40th, respectively) or *per-capita* (31st in both cases) basis.

- Improving its *per-income* ranking in funding to the national median in FY2002 for Mental Health would have required a $252 million increase that year, while moving to the median in *per-income* funding for Developmental Disabilities would have required an increase of $456 million.

- Even though low spending to begin with in FY2002, from FY2003 through FY2010, Illinois cut human services funding in real terms by an annual average of $385 million after adjusting for inflation, as measured by the cumulative Consumer Price Index for the Midwest over that period.

- From FY2002 through the end of FY2010, the Illinois Department of Commerce and Economic Opportunity (**"DCEO"**) estimates that the state's population will increase by 5.2 percent. If state funding for human services were merely to keep up with this growth in population, human services would have received, on average, approximately $169 million more per year in funding than it did over the FY2003-FY2010 period.

- In the aggregate, if Illinois had simply maintained funding for human services at FY2002 levels, then after accounting for both inflation and population growth, state funding for human services would have been about $ 4.4 billion more over the FY2003 — FY2010 period than it actually was.

- The majority of human services in Illinois (typically around 75%) are not provided directly by the state, but rather are delivered by private, mostly non-profit businesses. Cutting state spending that pays these businesses for the services they provide will result in private sector job loss across Illinois.

- Based on multipliers developed by Mark Zandi, chief economist at Moodys.com, the $4.4 billion in human service spending cuts over the last eight years could have caused Illinois to lose upwards of 62,000 private sector jobs.

- Any significant cuts to state funding of human services in FY2011 can be expected to result in the denial of needed services to vulnerable populations in Illinois. The United Way of Metropolitan Chicago conducted a survey of private sector human service providers to determine what impact the state's FY2010 fiscal woes had on their businesses. As of December 1, 2009, over 500 providers responded to this survey. Of the respondents, 60 percent reported they have already reduced or frozen the number of clients served due to funding cuts by and delayed payments from the state in FY2010, while 13 percent reported temporarily or permanently closing facilities.

3. A LOW SPENDING STATE THAT HAS CONSISTENTLY CUT HUMAN SERVICES

One recurring concern raised in the debate over how to best solve the state's ongoing budget deficits is the role over-spending has played in creating the problem. An examination of the data reveals that the answer is not much, if any at all. That is because Illinois is overall a low spending state, relative to its population, its economy and the rest of the states in the nation.

As of calendar year 2009, Illinois had the fifth largest population of any state, which Census data pegged at 12,910,409.[7] Illinois also had the fifth largest economy of any state, with a state Gross Domestic Product (**"GDP"**) of just over $633.7 billion in 2008.[8] Relative to its size Illinois is among the better off states, ranking 13th in real GDP per-capita in 2008.[9] However, according to the federal Bureau of Economic Analysis, Illinois ranked just 43rd in General Fund spending as a percentage of state GDP in FY2008, well below its population or economy.[10]

It stands to reason that if the state is low spending overall, it is probably low spending in each of its main service areas, including human services, which the data confirm. What is striking about human service funding in Illinois is that, despite starting from a low funding base, the state has nonetheless engaged in an ongoing practice of significantly cutting its investment in the sector over time. This trend becomes particularly clear when inflation and population increases are considered.

Figure 1 shows the annual General Fund appropriations in nominal—that is non-inflation adjusted—dollars for Aging, DCFS and DHS in Fiscal Years 2002-2010. Together, these three agencies directly or indirectly fund most human services provided in Illinois. Many critics of public spending maintain that appropriations for these agencies increase every year, which is evidence that runaway or profligate spending is one of the main contributors to the state's annual deficit problems.

Although it is true that appropriations usually increase annually in nominal dollars, that in and of itself tells very little about whether spending and programs are increasing in reality, because it fails to account for two crucial factors—inflation and population growth.

Annual General Fund Appropriations for Human Services in Illinois
(in millions of current $)

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY 2010
Aging	$243.2	$254.3	$263.0	$341.0	$365.5	$426.5	$459.7	$539	$656
Children and Family Services	$925.5	$838.0	$819.4	$781.2	$810.1	$775.9	$896.8	$908	$857
Human Services	$3,802.5	$3,574.0	$3,703.0	$3,819.8	$3,871.5	$3,994.2	$4,135.1	$4,209	$3,934
Total Human Services	**$4,971.2**	**$4,666.3**	**$4,785.4**	**$4,942.0**	**$5,047.1**	**$5,196.6**	**$5,491.6**	**$5,655**	**$5,446**

Source: Commission on Government Forecasting and Accountability, Budget Summary for FY2002 to FY2008, and Illinois OMB data for FY2009 and FY2010. Midwest CPI as reported by BLS adjusted for FY basis.

Failing to account for inflation and population growth significantly distorts the spending issue. Obviously, as prices for inputs such as labor, insurance, utilities, gas and health care increase from one year to the next, the cost of providing the *same* level of human services also increases annually. Therefore, to be legitimate, any evaluation of public spending over time must at a minimum be adjusted to account for inflation, to determine whether in real terms spending on a particular service has actually increased, merely kept up with inflation, or declined in real terms—even if increasing in nominal dollars.

To illustrate how this works, if it cost $100 to provide a service in Fiscal Year One, and inflation over the course of that year increased by five percent, then buying the same level of services in Fiscal Year Two would cost $105. Now assume in Fiscal Year Two, $103 was appropriated to fund the service. While in nominal dollars this looks like an increase, it is less than the inflation adjusted cost of $105 needed to maintain the same level of services from one year to the next. The net result: despite a nominal dollar increase, the reality is a cut in both real funding and services provided from the prior year.

When the fundamental factors of inflation and population growth are taken into account, the data show Illinois is actually spending significantly less on human services over time.

Figure 2 compares the nominal, annual increases in state funding for human services to what was needed to keep pace with inflation for the Fiscal Years 2002-2010, using the Midwest Consumer Price Index (**"MWCPI"**) published by the U.S. Bureau of Labor Statistics as the inflation metric.[11] Figure 2 clearly shows that from FY2003 to FY2010 inclusive), Illinois cut human services funding by an average of $385.1 million per year in real, inflation adjusted terms. *That means human services would have received almost $3.1 billion more from the state General Fund over this period, had appropriations just kept up with inflation after FY2002.*

Figure 2
Illinois State General Fund Appropriation Cuts
to Human Services Funding, Adjusted for Inflation
(Midwest Consumer Price Index), FY 2002 - FY 2010
(in millions of current $)

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY 2010	Average	Total
Total Human Services Appropriations in Current $	$4,971.2	$4,666.3	$4,785.4	$4,942	$5,047.1	$5,196.6	$5,491.6	$5,655.1	$5,446.0		
MWCPI		1.018	1.027	1.025	1.034	1.027	1.049	0.983	1.000		
Real Value of 2002 Appropriation in Current $ based on MWCPI	$4,971.2	$5,059.1	$5,198.1	$5,325.7	$5,504.3	$5,650.7	$5,926.0	$5,823.4	$5,823.4		
Inflation Shortfall		-$392.8	-$412.7	-$383.7	-$457.2	-$454.1	-$434.4	-$168.3	-$377.4	-$385.1	-$3,080.5
%Inflation Shortfall		-8.4%	-8.6%	-7.8%	-9.1%	-8.7%	-7.9%	-3.0%	-6.9%	-7.6%	

Source: CTBA calculations based on Commission on Government Forecasting and Accountability, Budget Summaries for FY2002 to FY2008, and Illinois Office of Management and the Budget ("OMB") data for FY2009 and FY2010. Midwest CPI as reported by BLS adjusted to the State of Illinois' fiscal year basis.

As indicated previously, inflation is not the only economic factor that increases the cost of maintaining services from year to year—population growth also must be considered. After all, it costs more to provide the same level of services to more people. The Illinois Department of Commerce and Economic Opportunity estimates that the state's population will increase by 6.7 percent from 2000 to 2010.[12] This translates into an average, annual population growth rate of 0.65 percent. Assuming that the costs of providing human services grow at the same rate as the population grows[13], Figure 3 shows that Illinois would have had to spend approximately $1.4 billion more on human services than it did from FY2003 to FY2010, if it were to maintain services at FY2002 levels, and keep up with population growth.[14]

Figure 3
Illinois State General Fund Appropriation Cuts to Human Services Funding, Adjusting for Population Growth, FY 2002 - FY 2010
(in millions of current $)

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY 2010	Average	Total
Real Value of 2002 Appropriation in Current $ based on MWCPI	$4,971.2	$5,059.1	$5,198.1	$5,325.7	$5,504.3	$5,650.7	$5,926.0	$5,823.4	$5,823.4		
MWCPI		1.018	1.027	1.025	1.034	1.027	1.049	0.983	1.000		
Population Growth		1.007	1.007	1.007	1.007	1.007	1.007	1.007	1.007		
Real Value of 2002 Appropriation Adjusted for 0.65% Annual Population Growth	$4,971.2	$5,092.0	$5,265.9	$5,430.3	$5,649.0	$5,837.0	$6,161.1	$6,093.8	$6,133.5		
Population Growth Shortfall		-$32.9	-$67.9	-$104.6	-$144.7	-$186.2	-$235.1	-$270.4	-$310.1	-$169.0	-$1,352.0
%Population Growth Shortfall		-0.7%	-1.3%	-2.0%	-2.6%	-3.3%	-4.0%	-4.6%	-5.3%	-2.6%	

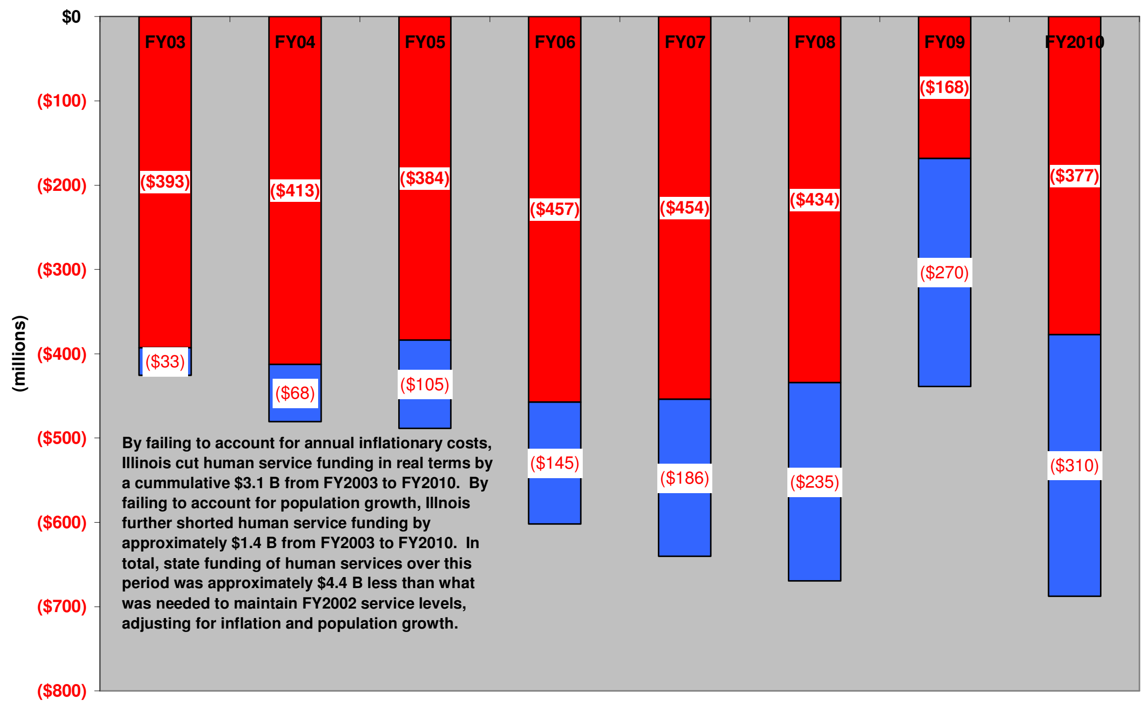
When the impact of inflation and population growth are considered together, it becomes clear that in real terms, state spending on human services over the last decade has been cut significantly. In fact, as Figure 4 and Figure 5 both show, *maintaining Illinois human services at FY2002 funding levels relative to inflation and the state's population growth would have required the state to invest approximately $4.4 billion more over the FY2003 to FY2010 period than Illinois actually provided.*

Figure 4
Illinois State General Fund Appropriation Cuts to Human Services Funding, Adjusting for Both Inflation and Population Growth, FY 2002 - FY 2010
(in millions of current $)

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY 2010	Average	Total
Total Human Services Appropriations in Current $	$4,971.2	$4,666.3	$4,785.4	4942	$5,047.1	$5,196.6	5491.6	$5,655.1	$5,446.0		
Real Value of 2002 Appropriation Adjusted for Inflation and Population Growth	$4,971.2	$5,092.0	$5,265.9	$5,430.3	$5,649.0	$5,837.0	$6,161.1	$6,093.8	$6,133.5		
Total Shortfall		-$425.7	-$480.5	-$488.3	-$601.9	-$640.4	-$669.5	-$438.7	-$687.5	-$554.1	-$4,432.5
%Total Shortfall		-9.1%	-10.0%	-9.9%	-11.9%	-12.3%	-12.2%	-7.8%	-12.6%	-10.5%	

Source: CTBA calculations based on Commission on Government Forecasting and Accountability, Budget Summaries for FY2002 to FY2008, and Illinois OMB data for FY2009 and FY2010. Population growth estimates based on Illinois Department of Commerce and Economic Opportunity 2000 to 2010 Illinois population projection.

Figure 5
Amount by Which Illinois General Fund State Spending on Human Service Programs Falls Short of Keeping Pace with Inflationary Costs and Population Growth From FY2002 to FY2010



Note: Commission on Government Forecasting and Accountabiity, Budget Summaries for FY2002 to FY2010. Final General Revenue appropriations for the Illinois Departments of Aging, Children & Family Services, and Human Services. Appropriations shortfalls necessary to maintain real value of FY2002 appropriation based on Mid-West CPI (MWCPI). MWCPI for FY2010 is assumed to be 0%, in all likelihood understateng the shortfall. Population growth estimate from Illinois Department of Commerce and Economic Opportunity.
Key: Red Bar - MWCPI Shortfall; Blue Bar - Population Adjustment Shortfall

4. ILLINOIS WAS ALREADY UNDER-FUNDING HUMAN SERVICES RELATIVE TO OTHER STATES IN FY 2002

A decade long trend of cutting funding for human services could be justified in purely fiscal terms, if the state was a comparatively generous funder of human services at the starting point for the analysis in this report, Fiscal Year 2002. The data, however, indicate otherwise. In fact, whether the state's FY 2002 human service funding levels are examined relative to Illinois' population or economy, the state ranked comparatively low in funding human services in FY2002.

Public funding for human services is typically measured utilizing two basic indicators: (i) funding as a percentage of income; and (ii) funding per capita. The level of human service funding provided per $1,000 of overall state personal income measures public funding relative to "capacity" or "ability" to fund. Since states with greater overall personal income should be able to afford greater human services funding, the ratio of funding relative to personal income is an important measure of effort relative to ability. This will be referred to as the ***"per-income"*** measure.

The second, ***"per capita"*** measure looks at human service funding relative to *need*. Under the assumption that the need for human services across broad populations in the U.S. will be approximately similar, funding per person, or "per-capita", should reflect the extent to which these needs are being met, based on the per person economic capacity of the state to fund them.

By either metric, Illinois ranked very low in funding human services in Fiscal Year 2002, the starting point for the comparisons in this study. States that fund human services at a median level relative to their *economic capacity* should rank around the state median (25th) of *per-income* funding. States that fund human service needs at a level commensurate with their *population adjusted economic capacity* should have a *per-capita* funding ranking that is similar to their per-capita GDP ranking. Illinois ranks 13th nationally in GDP *per-capita*. A *median* Illinois human services funding performance relative to other states based on these two metrics would be 25th in *per-income* funding, and 13th in *per-capita* funding.

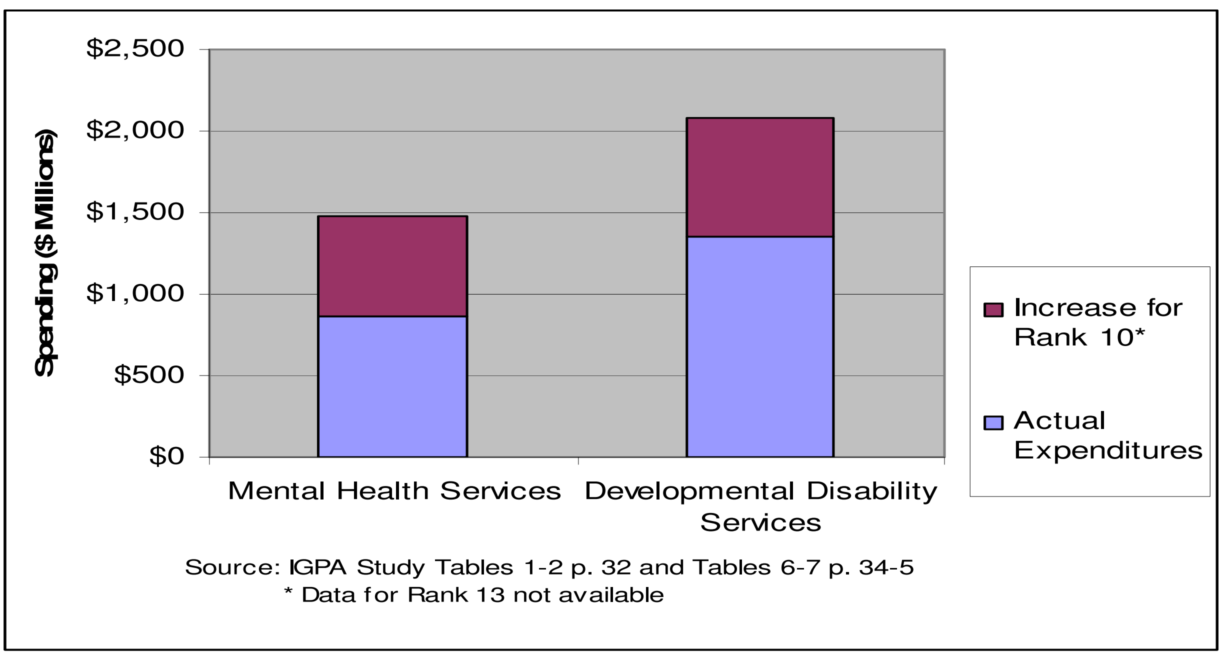
Unfortunately, there is not an abundance of annual studies ranking the various states' respective efforts in funding each category and subcategory of human services. Fortunately, in March of 2007, the respected Institute for Government and Public Affairs at the University of Illinois completed just such a study (the **"2007 IGPA Study"**), which focused in on two of the largest subgroups within the human services family, Mental Health and Developmental Disability programs.[15] As shown in Figure 1 above, Mental Health and Developmental Disabilities account for well over half of all human services funded in Illinois.

According to the 2007 IGPA Study, in Fiscal Year 2002, Illinois ranked 35th and 40th in *per-income* funding for Mental Health and Developmental Disability services respectively, and 31st in *per-capita* funding for both Mental Health and Developmental Disabilities services.[16]

Just how underfunded these key service areas were in FY2002 comes into focus when the cost of moving Illinois up in the rankings is considered. After all, if Illinois ranked 35th in Mental Health funding on the *per income* metric, but could move up into the top ten with a relatively small funding increase, then the state's low starting point would not be especially meaningful. So if Illinois wanted to fund Mental Health and Developmental Disabilities better in FY2003, say more in line with the state's population, what would that have cost?

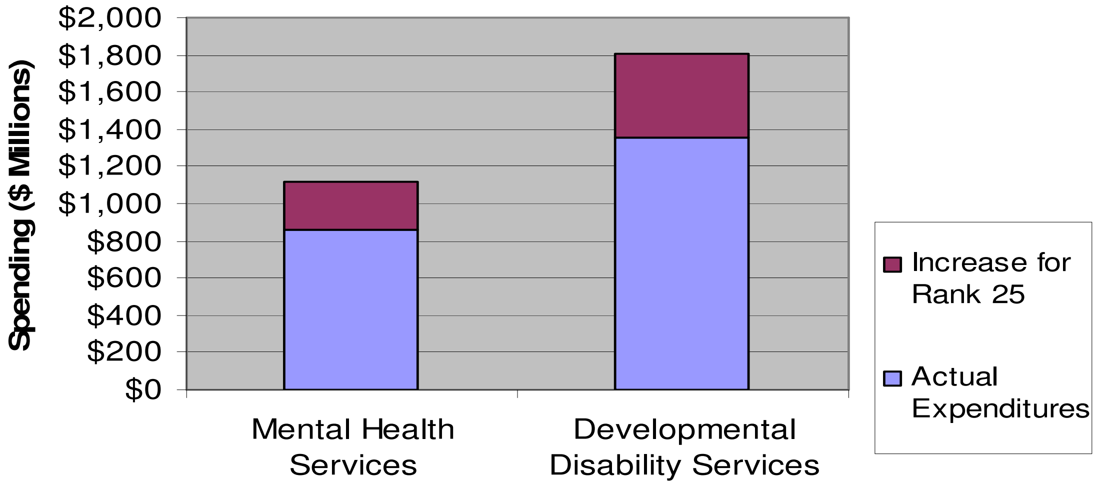
Well, in FY2002, an Illinois move to the median (relative to its per-capita income, 13th out of 50 states) in *per-capita* funding would have required increases of approximately 72 percent for Mental Health ($620 M) and 54 percent for Developmental Disability services ($733 M).[17]

Figure 6
Illinois Human Service Approximate Funding Increase Necessary to Achieve Median* in Per Capita Spending in FY 2002
(*Relative to Per Capita Income)



A similar move to get to the median level of *per-income* funding (25th out of the 50 states) for Mental Health and Developmental Disability services would have required FY 2002 funding increases of 29 percent for Mental Health ($252 M) and 34 percent for Developmental Disabilities ($456 M).[18]

Figure 7
Illinois Human Service Funding Increase Necessary to Achieve Median in Per Income Spending in FY 2002



Source: IGPA Study Tables 1-2 p. 32 and Tables 6-7 p. 34-5

As indicated previously, however, rather than increase its human services investments, the state has significantly cut this sector over the past decade, implementing greater cuts than most other states. According to another independent study which measured the state's respective changes in funding effort over time, Illinois' *per-income* funding of Developmental Disability services *declined* by 3.0% from FY2002 to FY2006, which placed Illinois 39th in change in funding effort over this period relative to other states.[19]

5. <u>CUTTING HUMAN SERVICE FUNDING WILL HURT SMALL BUSINESSES AND CAUSE JOB LOSS</u>

As indicated previously, state government workers do not provide most of the human services in Illinois—private businesses do. In fact, annually about 75 percent of total DHS expenditures on human services come in the form of grants or fees paid to private, non-profit businesses which in turn provide the applicable human services directly to clients.[20] So when the state cuts funding on human services, those funding cuts fall disproportionately on small businesses across Illinois.

This in turn has a negative multiplier effect which costs Illinois jobs.

How this works is more fully explained in CTBA's "Moving Forward" report, issued in March, 2009, and available online at www.ctbaonline.org. In summary, the Moving Forward report demonstrates that when the state cuts one dollar of spending on human services, it causes the loss of $1.36 of economic activity in the state's private sector, based on multipliers developed by Mark Zandi, the chief economist at Moody's.com. Essentially, this negative economic multiplier materializes for a pretty simple reason: When private sector businesses lose funding, they have to layoff staff and cut or freeze wages. This in turn reduces the purchasing power of their former workers who are laid-off and current workers whose wages are frozen or reduced. Since over two-thirds of the national economy is consumer spending, the reduced purchasing power of these former and current human service workers means less economic activity in local stores, repair shops, etc. across the state.[21] Using Zandi's multipliers, the $4.4 billion cumulative underfunding of human services since FY2002 probably led to the loss of more than 62,000 private sector jobs in Illinois over that same period.[22] Zandi even warned congressional leaders that if states cut spending in Fiscal Year 2011, it will create "a serious drag on the economy at just the wrong time."[23]

Not surprisingly, when jobs are lost, the needs of vulnerable populations go unmet. The United Way of Metropolitan Chicago issued its "State Budget Impact Survey" to private sector human service providers late last year, in an effort to determine the impact of the state's slow payment cycle and human services spending cuts on their ability to meet the needs of the clients they serve. Of the over 500 responses to the survey received by the United Way by December 1, 2009: (i) fully 60 percent reported they will be forced to reduce or freeze the number of clients they serve; (ii) 57 percent are waiting on back payments from the state; and (iii) 13 percent anticipate being forced to temporarily or permanently close locations.[24]

ENDNOTES

[1] Governor's final FY 2010 Budget Allocation, July 31, 2010.

[2] Op. cit.

[3] Commission on Government Forecasting and Accountability, Dec. 2009, Monthly Revenue Briefing, p. 12.

[4] "State Funding of Community Agencies for Services Provided to Illinois Residents with Mental Illness and/or Developmental Disabilities," Elizabeth Powers, Nicholas J. Powers, David Merriman, Institute for Government and Public Affairs, March 2007.

[5] "Civic Federation: Illinois Budget Deficit Now Totals at Least $12.8 Billion," Press Release Jan. 22, 2010.
"Fact Sheet Illinois State Deficit Problems," Center for Tax and Budget Accountability, Jan. 12, 2010.

[6] CTBA calculations from "State Funding of Community Agencies for Services Provided to Illinois Residents with Mental Illinois and/or Developmental Disabilities," Elizabeth T. Powers, Nicholas J. Powers, David Merriman, IGPA, March 2007. From Table 11, p 40, the sum of privately operated and community based MH provision in FY 2004 was $595.0 M out of total spending on MH programs and clients of $817.7 M (after subtracting capital spending of $43.3 M – see Table 11, footnote 2). From Table 13, p. 42, the sum of expenditures for all DD non-state operated institutions (SODCs) in FY 2004 was $706.0 M out of a total of $993.1 M (after subtracting capital spending of $46.0 M – see Table 13, footnote 3). From Table 14, p. 42, spending on DD non-residential programs (also through non-state facilities) was $273.0 M. Hence, total Illinois state spending on MH and DD Programs and Clients was $2,083 M ($817.7 + 993.1 M + $273 M), while grants made to private providers of these services (as opposed to state-government provided) totaled $1,574 M ($595.0 M + $706.0 M + 273.0 M) or 75.5% of the total $2,083.8 M. We don't have comparable figures from the Departments of Aging and Children and Family Services, but since these agencies have much smaller budgets than DHS (Aging: $656 M, DCFS $856 M, DHS $3,934 M, in FY 2010 appropriations) and historically have relied heavily on outsourcing , the % 75.5 ratio from DHS data is likely to be fairly close to the overall ratio for all human services.

[7] U.S. Census GCT-T1-R . States Ranked by July 1, 2009 population estimates.

[8] U.S. Bureau of Economic Analysis, "GDP by State," June 2, 2009, News release, Table 4 Current Dollar GDP by State.

[9] Table 3, "Per-Capita Real GDP by State 2005-2008," op. cit.

[10] CTBA Calculations using State Expenditure Report, Fall 2009, National Association of State Budget Officers, Table 1, p. 6, and BEA GDP by State, Table 4, op. cit.

[11] This generally will result in more conservative estimate of inflation than that provided by the Employer Cost Index (ECI) which measures the increased costs of labor. Since labor is the largest component of human service costs over time, the MWCPI underestimates cost growth.

[12] See: http://www.commerce.state.il.us/dceo/Bureaus/Facts_Figures/Population_Projections/

[13] Obviously, the actual demography of the population change could impact the cost of delivering public services one way or the other, but total percentage population increase (or decrease) is a reasonable approximation of the impact on the cost of delivering public services.

[14] Though there may be some "economies of scale" in human service provision, as overhead can be spread over larger participant pools, as most of the cost of services is based on direct care, a proportional increase with population growth is a justifiable rough estimation assumption. What is not subject to dispute is that real costs will go up as needs increase with increased population.

[15] "State Funding of Community Agencies for Services Provided to Illinois Residents with Mental Illinois and/or Developmental Disabilities," Elizabeth T. Powers, Nicholas J. Powers, David Merriman, IGPA, March 2007.

[16] Op. Cit., Table 1, p. 32, and Table 6, p. 35.

[17] Op. Cit., p. 32 and p. 36. Ranking 13th is approximated with 10th rank, as data were not available on increased expenditure necessary to achieve 13th rank.

[18] Op. Cit., Table 2, p. 32-33 and Table 7, p. 36.

[19] *The State of the States in Developmental Disabilities, by David Braddock*, Richard Hemp, and Mary Rizzolo, American Association on Intellectual and Developmental Disabilities, 2008, Table 17, p. 58.

[20] CTBA calculations from data in IGPA report, see footnote 6, op. cit.

[21] According to January 29, 2010 BEA data, consumer spending represented 70-71% of real GDP in every quarter from 2008Q1 to 2009Q4.

[22] See Center for Tax and Budget Accountability, 2009 "Moving Forward," report, p. 7. Applying the same Zandi multiplier of 1.36 and employment to GDP ratio, $ 4.4 B additional expenditure would have generated 62,582 jobs in Illinois. This is probably an underestimate as this ratio is based on a, *general,* jobs to GDP ratio but human service jobs are significantly lower paid than average jobs in the economy, so that a given level of increased expenditure will generate more human service jobs than general jobs in the economy.

[23] "Additional Federal Fiscal Relief Needed to Help State Address Recession's Impact Without It, States' Steps to Balance Their Budgets Could Cost Economy 900,000 Jobs Next Year," Iris J. Lav, Nicholas Johnson and Elizabeth McNichol, Center on Budget and Policy Priorities, Updated November 19, 2009.

[24] United Way of Metro Chicago: The aftermath of the state budget crisis survey results, December 1, 2009.