

June 2016

## The Downward Spiral: The Impact of Illinois' Year Without a Budget

An analysis of long-term implications of the state of Illinois' fiscal 2016 budget crisis and failure to enact a state budget



# The Downward Spiral: The Impact of Illinois' Year Without a Budget

---

## Research Principals/Primary Authors

*Co-Executive Directors, Adler University Institute on Social Exclusion*

Daniel Cooper, Ph.D.

Tiffany McDowell, Ph.D.

## Program Coordinator

Sherri Boyle

## Research Associates

Heidi Binder

Charity Seitz

Sara Sherman

Zaheeda Virani

## Acknowledgments

Special thanks to the following individuals for their assistance with this report: Evan Bryson, Kimberly McCullough, Romeo Oros of Futureperfekt.

## Suggested Citation

Adler University, Institute on Social Exclusion. *The Downward Spiral: The Impact of Illinois' Year Without a Budget*. June 2016.

## About the Institute on Social Exclusion

Adler University's Institute on Social Exclusion (ISE) generates research, education, and advocacy to build more equitable, healthy and inclusive communities. Our work takes place in partnership with communities, policymakers, academics and students. We apply our work in three areas of expertise:

**Social determinants:** Analyzing social determinants—the conditions in which people are born, grow, live, work and age—that harm individual, community, and population health;

**Social exclusion:** Identifying policies and practices that systemically exclude and marginalize entire populations;

**Strategies for achieving equity:** Providing community-informed solutions, models for public policy, and approaches to improve social determinants and dismantle social exclusion.

Addressing all three is necessary to creating social equity, health, and inclusion. Our work takes place in collaboration with a wide range of community, government, public policy, and philanthropic partners.

## For more information:

Institute on Social Exclusion

Adler University

17 N. Dearborn | Chicago, Illinois 60602

312.662.4000

[adler.edu/ISE](http://adler.edu/ISE) | [ISE@adler.edu](mailto:ISE@adler.edu)

# Executive Summary

---

## A downward spiral of consequences for Illinois

The State of Illinois' unprecedented budget impasse has led to myriad consequences that are rippling across state agencies, nonprofit agencies, higher education institutions, and businesses in ways that impact nearly every sector. The most disadvantaged populations are paying the highest price of the steep reductions to service cuts. Yet, ultimately all Illinois residents will continue to be affected by what can best be described as a downward spiral of consequences: growing deficits, the state's reduced capacity to provide a social safety net and education support, decreased population health, and growing disparities.

These negative trends affect the reputation of the state as a desirable location in which to attend college or locate a business. Job growth and the state unemployment rate ultimately suffer, resulting in increased state deficits and the need to cut services or raise taxes even higher. Elements of this downward spiral have already occurred in Illinois, and our analysis provides documentation and discussion of how the budget impasse is leaving the state worse off.

Key interrelated impacts observed over the past year:

- Illinois' unemployment rate has grown faster than neighboring states and national rate
  - In states across the U.S., private sector job growth over the past FY was positively correlated with government sector job growth, illustrating the benefits of ensuring both sectors are healthy
  - There was also no significant relationship between state job growth and corporate or personal income tax rates
- All Illinois counties have seen their unemployment rate grow over the fiscal year
- Unemployment is highest in counties with higher minority population, but grew faster in counties with higher white population
- Unemployment grew faster in counties with higher levels of income inequality
- Counties with the highest dollar amount of Health and Human Services contracts are also counties that have high Black and Latino populations, and high income inequality—the impasse is having a disparate impact
- Illinois has lost ability to function as a higher education destination as universities have reduced capacity and need-based funding is limited
- Service models have shifted to more acute, intensive treatment that are costlier than preventative, safety-net service providers
- The state will not be able to reduce its prison population and meet its stated goals due to the negative effects of the budget on diversion programs as well as other areas

# Introduction

---

## An ideological fight with dramatic consequences for state residents

The State of Illinois has now gone an entire year without an approved budget—and appears to be headed toward another—in what can best be described as a political crisis. Although the State of Illinois has been in the midst of a very serious and growing fiscal crisis for years, with structural budget deficits and mounting liabilities, the 2016 fiscal year budget stalemate is the result of an unprecedented political showdown over competing ideologies. Rather than meeting the serious fiscal challenges with serious, bi-partisan legislative solutions, the Illinois State government has eschewed democratic process in favor of a high stakes battle over competing ideologies.

The most disadvantaged, marginalized, and socially excluded Illinois residents are currently being used as a wedge, and are bearing the brunt of the hardship that has resulted from a year of state funding uncertainty, service cuts, and agency closures. But ultimately, all Illinois residents are impacted, and will continue to be impacted by this crisis well into the future. The purpose of this report is not to lay blame on political actors on either side of the aisle, but to understand how the effects of the budget impasse are rippling across people and sectors, and what these combined effects mean for the well-being of the State of Illinois and its residents.

THE PURPOSE OF THIS REPORT IS TO UNDERSTAND HOW THE BUDGET IMPASSE AFFECTS THE WELL-BEING OF ILLINOIS STATE AND ITS RESIDENTS.

The roots of Illinois' budget deficit—a very real crisis in and of itself—are deep and longstanding, stretching over the past 30 years. The State government has acted on this crisis by creating a more immediate one: an unprecedented stalemate over approving a fiscal year 2016 budget. Republican Governor Bruce Rauner's has proposed a "Turnaround Agenda," which consists of a list of policy priorities that include structural reforms and the request for unilateral authority to make spending cuts that he believes would save the state \$5 billion dollars.<sup>12</sup> He has fulfilled his promise to veto any budget bill that does not include these measures. The Democrat controlled state legislature, on the other hand, has passed its own, unbalanced fiscal year budget plan and called for increased taxes and fewer spending cuts. The governor has fulfilled his promise to veto these proposals.

The resulting stalemate has now lasted the entire fiscal year. With the government taking no action to make any spending cuts or enhance revenues, by some estimates the state is accumulating \$33 million in additional debt per day, adding to the already high debt burden and compounding its fiscal crisis, making it far worse.<sup>3</sup>

This does not mean that the state government has completely shut down and ceased spending money. The state is mandated by continuing appropriations, court orders, and consent decrees to provide varying levels of human and other services. There are 80 different consent decrees Illinois is involved in, relating to the government's obligation to not violate the human rights of different groups, such as people with disabilities. Thus, even without a FY16 budget and spending plan in place, the government is mandated to continue spending a large portion of its previous fiscal year budget on services. At the same time, Illinois' flat-rate income tax rate, already one of the lowest in the nation, automatically dropped from 5% to 3.75% on January 1, 2015 when a tax increase enacted by former Governor Pat Quinn expired and was not renewed by the legislature. This has placed further strain on the deficit.

Thus, the state continues to be obligated to spend more money than it receives in revenue, which, in conjunction with mounting debt-service costs and late payment penalties, means Illinois' mountain of debt continues to grow rapidly. Illinois' credit rating has continued to be downgraded and is now the lowest in the nation, meaning that borrowing costs continue to increase and in the future will comprise a larger and larger portion of its spending.

On the surface the budget stalemate may appear to be just more political theater in a state already famous for its politics. But at its core, it represents a large departure from precedent and a dangerously undemocratic turn away from responsible governance. What is at stake is more than just a fight between two political parties, but ultimately the fundamental ability of government to improve the lives of all residents and ensure a healthy, economically vital state for everyone. During the state's year without a budget, there have been many stories and reports that have documented the various and complex impacts on cities, sectors, and populations.

## Introduction *continued*

---

THE STATE IS OBLIGATED TO SPEND MORE MONEY THAN IT RECEIVES IN REVENUE. THIS, IN CONJUNCTION WITH MOUNTING DEBT-SERVICE COSTS AND LATE PAYMENT PENALTIES, MEANS ILLINOIS' MOUNTAIN OF DEBT CONTINUES TO GROW RAPIDLY.

This report draws on much of this previous work, in addition to secondary data analyses, to draw conclusions about how these combined impacts, across sectors, are ultimately impacting state residents, and particularly the most disadvantaged, marginalized, and socially excluded populations. The politically manufactured budget crisis has steered the state into a downward, reinforcing spiral of hardship, the ripple effects of which will be felt for years by students, service providers, businesses, and residents at large. This report documents the spiral of impacts. It provides a brief overview of what drove Illinois to this precipice in the first place, before analyzing the adverse effects of the budget stalemate across key areas. We summarize these impacts in order to move forward with recommendations of how that state might undo the damage and put Illinois back on a path of improved quality of life rather than increased inequality and hardship.

# The Downward Spiral: Where We Are and Why It Matters

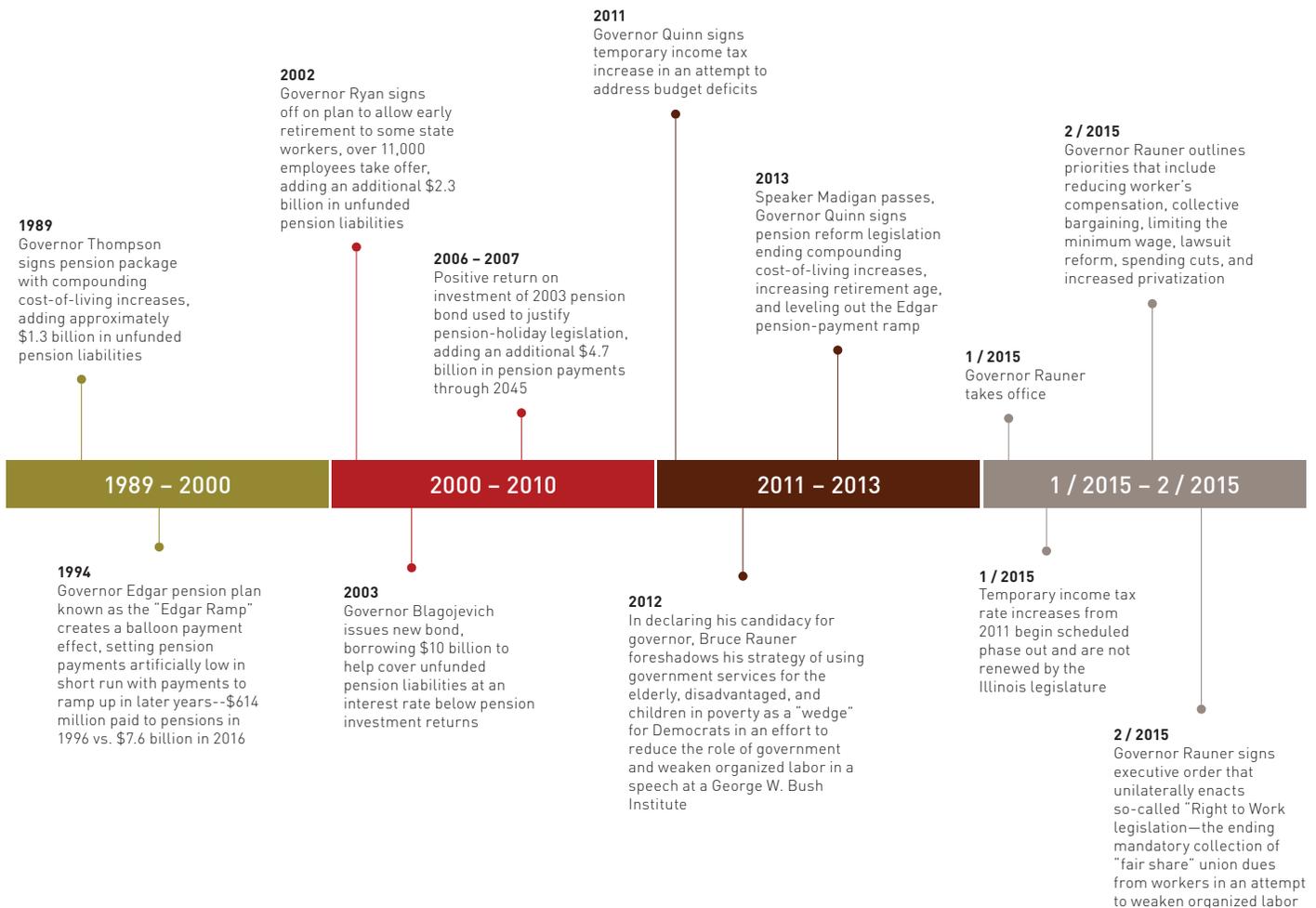
## Irresponsible governance has cascading consequences

### A long history of mismanagement

The roots of Illinois' fiscal woes stretch back much further than the current administration and result from what can best be described as "pay-later budgeting," a term coined by the University of Illinois Institute on Government and Public Affairs.<sup>4</sup> The state of Illinois has, since the early 2000s, operated with a structural budget deficit, where revenues are not sufficient to cover expenses. In addition, state lawmakers have repeatedly failed to make the tough decisions necessary—raising taxes, cutting expenses, or a combination of the two—in order to both eliminate the budget deficit and cover the ever growing legacy costs of

unfunded pensions, employee healthcare costs, and unpaid bills from previous fiscal years. At the end of FY 2014, for example, Illinois had unfunded pension and retiree healthcare costs of over \$140 billion.<sup>5</sup>

Although some have laid blame on the former and current workers who stand to collect pensions and health benefits, it is important to note that previous administrations and legislatures repeatedly chose to avoid making the difficult budgetary choices that would have provided funds for these contractual obligations, and instead opted to kick the can down the road by borrowing to cover the costs. Illinois issued

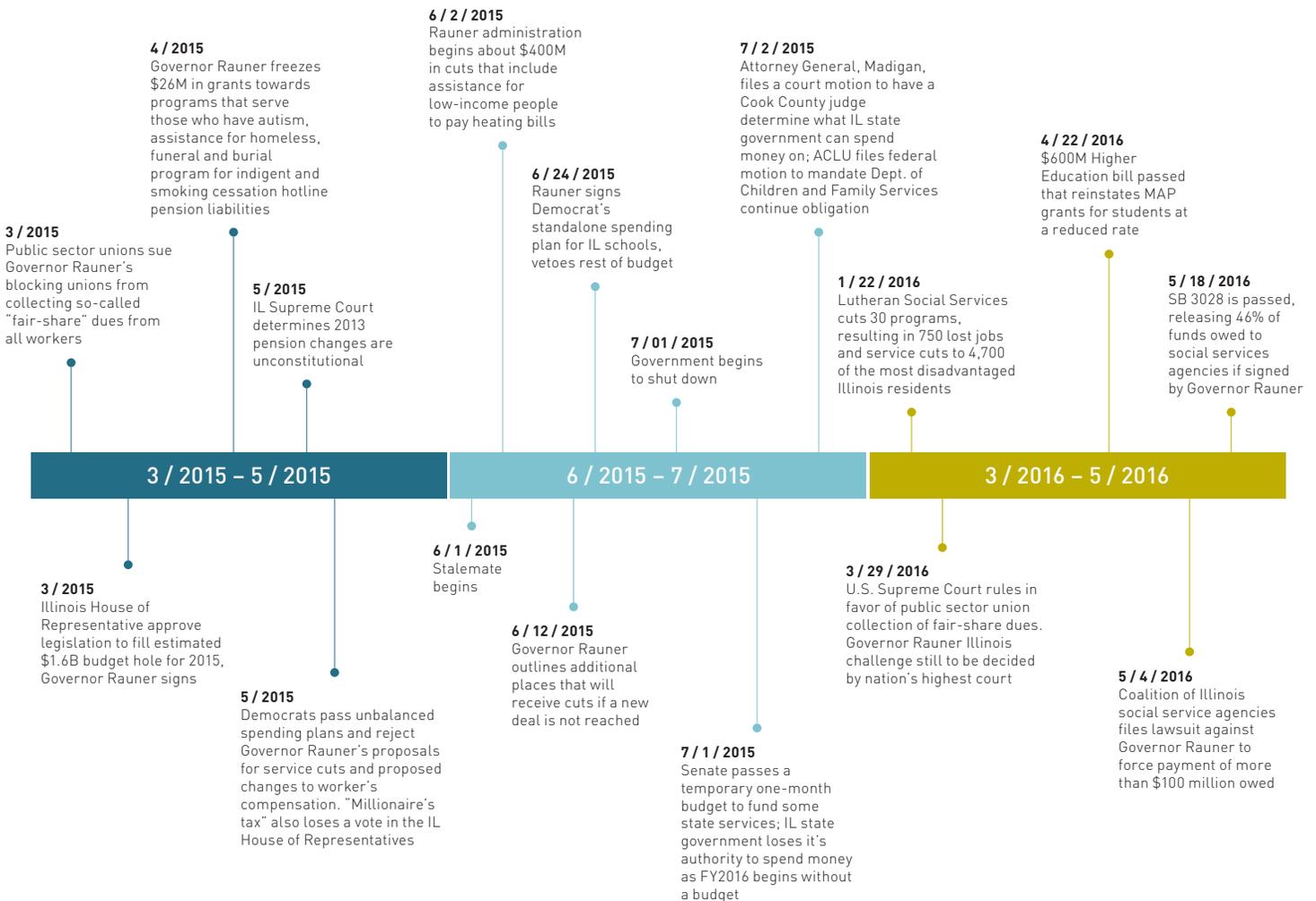


# The Downward Spiral: Where We Are and Why It Matters *continued*

new bonds in FY 2003, 2010, and 2011 to cover pension liabilities, adding to the already growing budget deficits. Meanwhile, due to these deficits and increased debt burden, the state's credit rating has been repeatedly downgraded and is now lower than any other state in the U.S. This makes borrowing more expensive and ensures that a growing portion of the state's expenses are devoted to debt service rather than improving education systems and providing services that improve the lives of residents and the overall vitality of the state.

Far from being a problem of a greedy workforce, this is a fundamental, bi-partisan problem of government mismanaging its budget and liabilities over decades. Plans have been

enacted under each of the previous five gubernatorial administrations—both republicans and democrats—that have increased pension liabilities, shorted payments, borrowed to meet liabilities, and put off payments into the future. In short, the state is reaping what it has been sowing for years. The annual pension contribution has ballooned from 3% of Illinois general funds in 1996 to 23% in 2015, and it will continue to remain high for at least the next three decades.<sup>6</sup> The crisis is not due to a spontaneous increase in overly generous public compensation packages, it is a result of pay-later budgeting and mismanagement (see timeline below for a more detailed accounting of key decisions).



## The Downward Spiral: Where We Are and Why It Matters *continued*

### A game changer in governance

It is clear that the state's budget challenges are years in the making, but what has occurred over the past year is a different type of crisis altogether. The budget stalemate marks a dangerous turn in governance, where the state's poorest, most disadvantaged residents are being used as negotiating chips in an ideological fight. Republican Governor Bruce Rauner made his intentions known in a speech announcing his candidacy at the George W. Bush Institute in 2012. He called for reducing the role of government in providing social services, pushing for social justice, and providing a social safety net.

He further discussed a strategy of driving a wedge between organized labor and disadvantaged populations such as the handicapped, elderly, and children in poverty.<sup>7</sup> The governor has made good on this promise by vetoing or threatening to veto any budget that does not give him unilateral authority to enact structural reforms in labor and other areas as part of his "Turnaround Agenda," the goal of which is to create a more business friendly environment, create job growth, and reduce spending. The agenda is largely a set of principles rather than specific policies that the governor has projected would save the state \$5 billion. It includes the following reforms:<sup>8</sup>

Proposed Reform	Projected Annual Savings
Reductions in worker's compensation	\$295 million
Limits to collective bargaining	\$2 billion
Reforms to prevailing wages charged by contractors	\$1.1 billion
Greater privatization through third party contracting	\$200 million
Lawsuit reform	No specific projected savings

How these reforms could potentially add up to \$5 billion in savings is unclear and contested. One reporter analyzed the assumptions and found an annual savings of \$510 million, or a 1.4% increase in revenue over the previous fiscal year rather than \$5 billion.<sup>9</sup> Academic researchers have also noted that the governor's budget assumptions are based on untested legal theory and improbable assumptions that reforms would withstand legal challenges.<sup>10</sup> The governor has enacted so-called "Right to Work" legislation by executive order, which prevents unions from collecting mandatory fees from employees in an attempt to curb the influence of organized labor. The U.S. Supreme Court recently struck down similar legislation but the Illinois order is still currently working its way through a court challenge.

RESEARCHERS NOTE THAT THE GOVERNOR'S BUDGET ASSUMPTIONS ARE BASED ON UNTESTED LEGAL THEORY AND IMPROBABLE ASSUMPTIONS.

At the same time the governor has been pushing for structural reforms hypothesized to bring in more revenue through job growth, the temporary income tax increase passed under the previous Quinn administration in 2011 expired at the beginning of calendar year 2015 and has not been renewed. Occurring halfway through the previous fiscal year, this has meant even more budgetary pressure and an increase in the budget deficit.

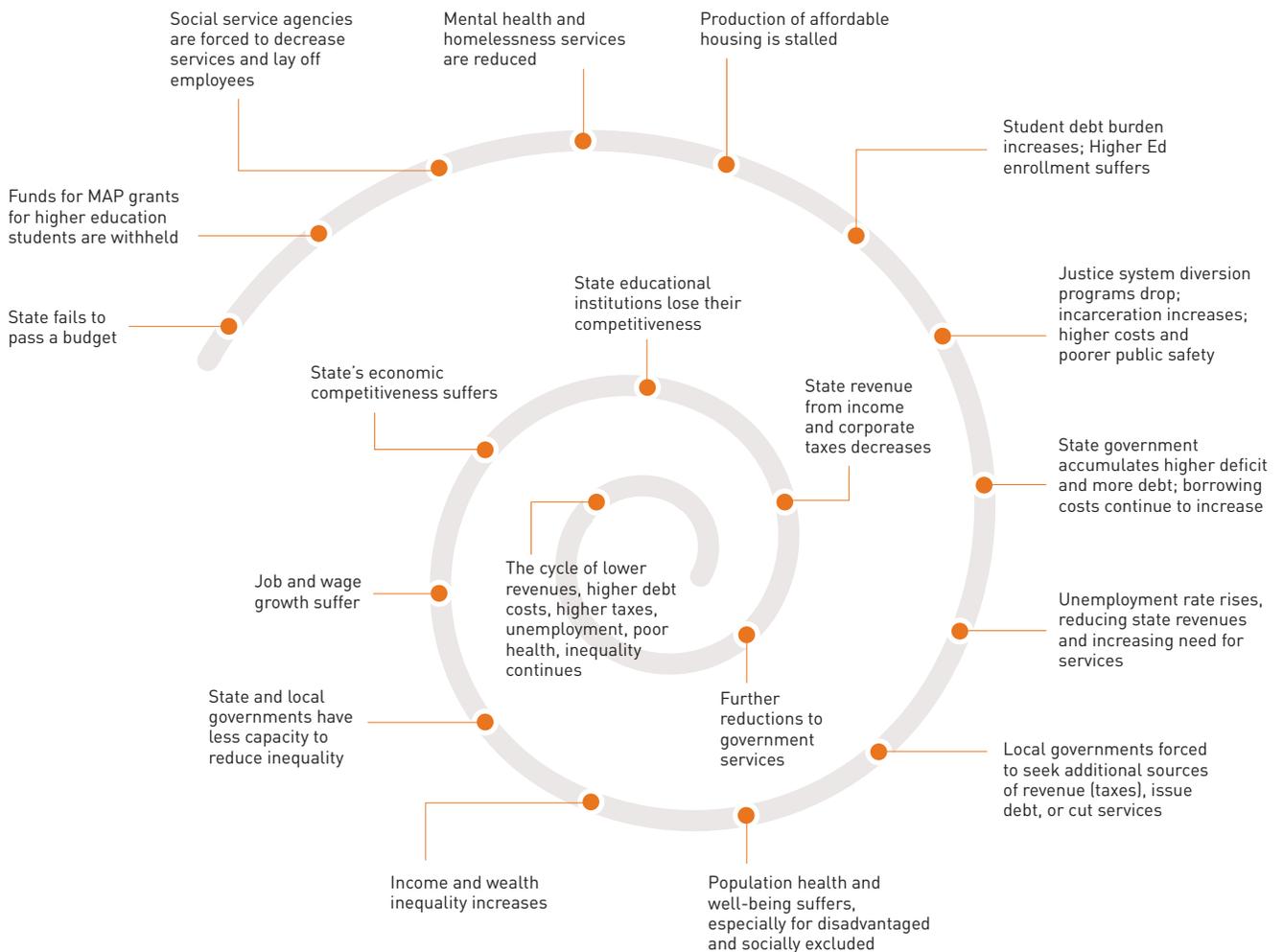
Democrats have refused to concede to the governor's demands related to structural reforms or unilateral authority to make spending cuts. At the same time, they have not passed an income tax increase, or a balanced budget that would address the deficit. The refusal of either side to budge and work together has led to the unprecedented stalemate, and an entire fiscal year without a state budget.

# The Downward Spiral: Where We Are and Why It Matters *continued*

## The downward spiral of consequences for Illinois

The unprecedented budget impasse has led to myriad consequences that have rippled across state agencies, nonprofit agencies, higher education institutions, and businesses in ways that impact nearly every sector. The most disadvantaged populations, including the elderly, racial and ethnic minorities, children, and those with mental and physical health needs have all paid a steep price for being the bargaining chip in a political game of chicken. Yet, all residents of Illinois are affected by the downward spiral of growing deficits, reduced capacity to provide a social safety net and education support, decreased population health, and growing disparities.

All of these very real negative trends can ultimately impact job growth and the state unemployment rate, resulting in higher state deficits and the need to cut services or raise taxes even higher. Further, when inequality increases, citizens often lose trust in government, resulting in lower civic behaviors such as voting. Elements of this downward spiral have already occurred in Illinois, and academic literature provides additional clues of how this cycle might continue if state government continues its dangerous stalemate.



## The Downward Spiral: Where We Are and Why It Matters *continued*

---

### Disparate impacts

Others have discussed the fact that the budget impasse has disproportionately impacted poor communities of color, widening the already stark disparities that exist. For example, the Great Cities Institute at the University of Illinois at Chicago applied a social impact analysis to a hypothetical FY 2016 budget based on Governor Rauner's publicized priorities, to determine which groups would be affected and how.<sup>12</sup> This analysis confirmed that poor communities of color, and particularly children and the elderly, would experience disparate impacts of the proposed cuts. Yet, without an approved budget, the default cuts that went into place over the year have ended up being much worse. The full extent of hardship is difficult to systematically capture due to the ways in which this hardship impacts individuals, which in turn affects households, neighborhoods, and cities.

As is so often the case with a disaster or policy decision, the full impacts are not fully understood until much later when data are available to apply a retrospective analysis. For example, scholars meticulously documented the public health effects of fire station closures in the Bronx in the 1970s, linking reductions in services to increased fires, overcrowded housing, mobility, violence, and a range of diseases for decades across the New York region.<sup>13</sup> This will likely also be the case with the forced austerity and hardship stemming from the Illinois budget impasse. Nevertheless, scholars from Great Cities Institute have projected a range of disparate impacts across 19 state programs, including community care programs for the elderly, women's health, and tuition support for low-income students.

We are particularly interested in understanding how the budget impasse may have eroded distinct elements of equitable, healthy, and inclusive communities through limiting funding and resources. Specific budget areas we target include commerce, employment, and economic opportunity; higher education; mental health and human services; and the justice system. The FY16 budget proposal recommended substantial cuts to these sectors, and subsequent budget appropriations have funded these areas at a fraction of the FY15 levels. Our concise analyses provided below are categorized by sector. These analyses attempt to draw out both the preliminary impacts on disadvantaged populations, but also the degree to which impacts in one sector influence another and ultimately interconnect. Analyzing the confluence of impacts across sectors gives us a better picture of how the state as a whole has been affected by this unprecedented political crisis.

# Commerce, Employment, and Economic Opportunity

---

## Growing unemployment accompanies budget impasse

### Government shutdown; employment shutdown

The budget impasse has led to myriad consequences that have rippled across state agencies, nonprofit agencies, higher education institutions, and businesses in ways that impact nearly every sector. A healthy economy with robust job growth and low unemployment is one of the ultimate goals of state government, yet the Illinois State Government is sharply divided along ideological lines about the role government does or doesn't play in helping achieve this. The Governor's proposals purport to spur growth by reducing the role of government in providing services and reducing the wages of public sector employees. The budget stalemate has achieved part of this goal due to its de facto reduction of government service provision.

At the same time, the State Department of Commerce and Economic Opportunity has many functions, and it is one of the few areas of state spending where there is almost no legal authority through continued appropriations, court order, or consent decree, to spend money without an approved state budget. It is estimated that there is no legal authority to spend 93% of its budget.<sup>14</sup> Programs and services provided by the department include:

#### Small Business Support

including assistance with laws, regulations, and permits; assistance connecting with financial capital and lending products; other technical assistance related to small business growth and success

#### Workforce Development

including resources and programs for both employers and individuals that help train individuals, connect labor with employers to meet the state's workforce needs, and provide summer jobs for youth

#### Energy Assistance and Home Weatherization

including assistance for both businesses and low-income families to improve heating, energy efficiency and weatherization

#### Promoting Illinois

which includes resources and incentives to help businesses locate in Illinois

Beyond business and workforce assistance, the Department of Commerce and Economic Opportunity plays an important role in assisting low-income households through the Low Income Home Energy Assistance Program (LIHEAP). It is estimated that more than \$164 million in these energy assistance funds were not spent this year, which would result in over 150,000 fewer households receiving heating assistance and 60,000 fewer households receiving cooling assistance, which falls especially hard on low-income African Americans.<sup>15</sup>

Aside from the hardships faced by poor families, there have been drastic reductions in workforce development and small business assistance. This reduction in support means that fewer businesses are being recruited to locate in Illinois, fewer receive assistance navigating laws, regulations, and permits, and fewer are connected to the capital they need to expand and create jobs. The budget impasse has most likely impacted businesses in a number of ways, which undermines the stated goal of the Turnaround Agenda of making Illinois more business friendly.

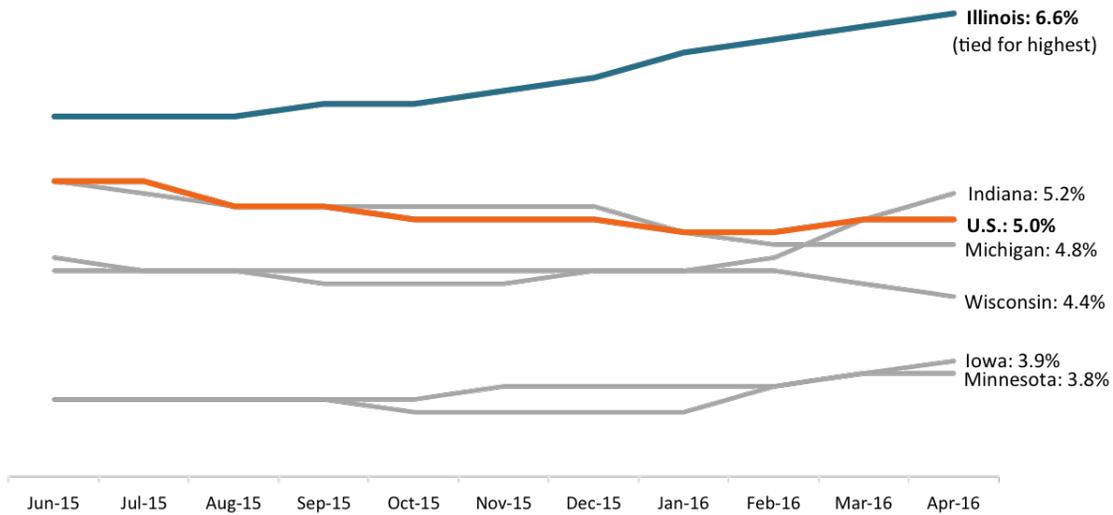
However, jobs are not just a function of the private sector. Public sector jobs also have a very large economic impact beyond merely service provision. For example, a recent report by the Illinois Partners for Human Services estimates that human services jobs alone in Illinois total over 200,000 and support more than an additional 30,000 private sector jobs. Public and private sector jobs essentially support each other. The spending power of the wages earned by these employees and the additional jobs this spending supports is estimated to be over \$4.5 billion in total economic impact to the State of Illinois.<sup>16</sup> The forced closures of human and social service providers across the state have undoubtedly had negative economic impacts both for the state unemployment rate and economic growth. Reduced spending by laid off human services employees hurts businesses and overall state revenue.

Overall, these combined forces can help explain why, according to the latest jobs report from the U.S. Bureau of Labor Statistics (BLS), Illinois now has the highest state unemployment rate in the country. Compared to the nation as a whole, as well as other neighboring states in the Midwest region, Illinois is quickly moving in the wrong direction. Its unemployment rate rose more over the past fiscal year than any of its neighboring states, meaning it cannot simply be explained by a regional trend but is unique to Illinois.

# Commerce, Employment, and Economic Opportunity *continued*

## First in the Nation: In-State Unemployment Rate

Illinois' Unemployment Rate is Growing Faster than Neighbors, Nation



### State level job growth trends over past fiscal year

The unemployment rate and job growth go hand and hand, but they are not perfectly related to each other, as jobs need to grow fast enough to keep pace with the number of people entering the labor force. We further examined state-level BLS data to understand the relationship between job growth over the past fiscal year and other state characteristics.<sup>17</sup> Noteworthy findings include the following:

- States that grew government sector jobs also grew private sector jobs.<sup>18</sup> States that grew government sector jobs also grew private sector jobs. Contrary to the belief that government spending crowds out private sector investment and job creation, there is a highly significant correlation between the two across states this fiscal year. Public and private sector jobs rose and fell in tandem. Despite its rising unemployment rate and protracted budget fight, Illinois grew both sectors in FY16 (though not enough to match gains in the overall labor force seeking work).

- There was no significant relationship between state job growth over the past fiscal year and either state income tax rates or corporate income tax rates. The efficacy of lower tax cuts in improving business climate and job creation is a fundamental argument happening in Illinois. As will be discussed shortly, this is also contested in the academic literature and. At least over the last fiscal year, there was not a significant relationship between the two across U.S. states.

Although these state-level data only represent one nearly complete fiscal year worth of changes to jobs (between May 2015 and April 2016), and more analysis is required, they at the very least help us understand trends across states in private sector and public sector employment.

# Commerce, Employment, and Economic Opportunity *continued*

## State Private Sector Job Growth Accompanies Public Sector Growth in FY16

### Illinois Grew Both Sectors Despite Budget Fight



### Illinois county-level analysis

We also examined county-level trends over the past fiscal year to understand employment trends and also the relationship between the approximately \$350 million in outstanding, stalled Health and Human Services contracts, and county characteristics. Key findings included the following:

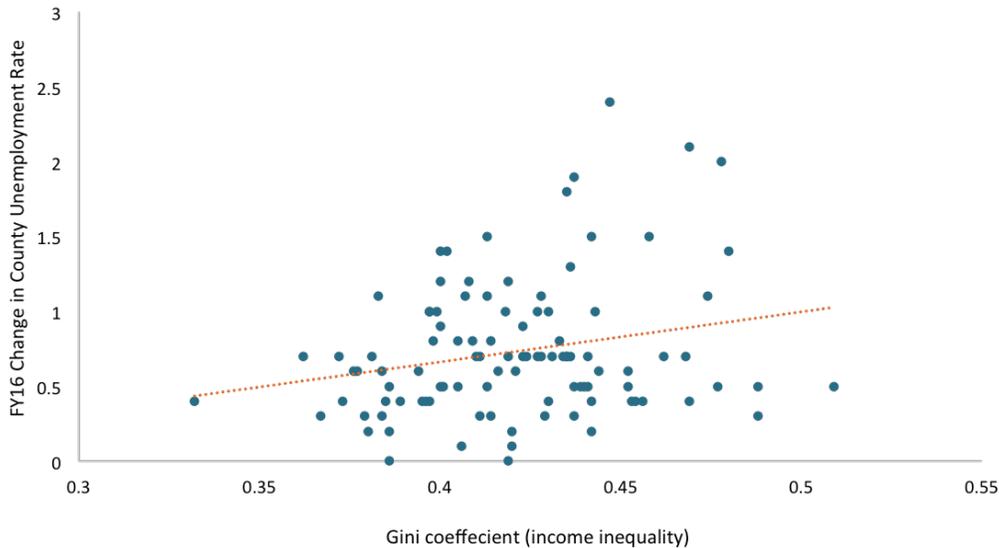
- *Every single one of Illinois' counties witnessed an increase in the unemployment rate over the past fiscal year.* The unemployment rate is higher in counties with a higher percentage of African American population, but it grew faster in counties with a higher percentage of white population.<sup>19 20</sup>
- *The unemployment rate also grew more in counties with higher income inequality.*<sup>21 22</sup> This speaks to the potential of a downward spiral effect. If income is concentrated at the top and unemployment is growing, there are fewer dollars circulating in the economy, which puts further downward pressure on job growth.
- *There is a positive relationship between the total dollar amount of HHS contracts a county has and the percentage of the county population that is African American and Latino.*<sup>23 24 25</sup> Although this does not necessarily mean that higher percentages of African Americans and Latinos use these services (it has been noted elsewhere that this is not the case<sup>26</sup>), it does mean that Illinois counties with higher percentages of people of color are most affected by the impasse, and its resulting payment and service cuts.

- *There is also a positive relationship between the total dollar amount of HHS contracts a county has been awarded for FY2016 and income inequality—in other words, in counties where lower income populations capture a relatively smaller share of the total income than those at the top.*<sup>27</sup> This is more than merely academic. Income has been shown to be one of the biggest social determinants of a range of outcomes, including education and health, among many others. Human services contracts provide a safety net and are one of the few tools available to address growing inequality. Without this investment, there is a real threat of income inequality growing worse. This has an adverse effect on not only the health and well-being of the population, but on the economic spending power of the population, and ultimately job growth.
- *Unemployment is higher in counties with a higher share of population who do not have a high school degree.*<sup>28</sup> *The unemployment rate also grew slower in counties where a higher percentage of the population is highly educated.*<sup>29</sup> This finding underscores just how crucial education is to the economy and job growth. Counties with a higher percentage of highly educated workforce have experienced somewhat of a buffer effect against the growing unemployment rate. Because of this, undermining higher education may have very real effects for employment.

## Commerce, Employment, and Economic Opportunity *continued*

### Growing Unemployment Correlated with Income Inequality

Across Illinois counties, those with higher inequality fared worse in FY16



#### Thriving vs. stagnating and declining

The budget impasse ultimately boils down to a fundamental difference about the role of government in making a state a more competitive place for business and improving the well-being of the population. One thing is clear from the data: a year without a state budget has accomplished neither. It has made the state worse off on both fronts. But most importantly, these two goals cannot be thought of as separate due to their highly interrelated nature. County-level data over FY2016 illustrate how an educated workforce and lower income inequality can be protective factors against rising unemployment. Perhaps most importantly, the roughly \$350 million in Health and Human Services contracts—a small portion of the overall state budget—go to counties with higher shares of Black and Latino populations. The impasse is undoubtedly having disparate impacts on these populations, and potentially contributing to growing inequality.

THE BUDGET IMPASSE ULTIMATELY BOILS DOWN TO A FUNDAMENTAL DIFFERENCE ABOUT THE ROLE OF GOVERNMENT IN MAKING A STATE A MORE COMPETITIVE PLACE FOR BUSINESS AND IMPROVING THE WELL-BEING OF THE POPULATION. ONE THING IS CLEAR FROM THE DATA: A YEAR WITHOUT A STATE BUDGET HAS ACCOMPLISHED NEITHER. IT HAS MADE THE STATE WORSE OFF ON BOTH FRONTS.

Marginalized, disadvantaged, and socially excluded populations have been used as bargaining chips, or worse, in an ideological fight over what constitutes business-friendly policies. A major point of contention is over the efficacy of tax rates in attracting businesses. There was no observed relationship between the two, at least looking at FY2016 employment data. This relationship is much more complex than any one fiscal year, and more rigorous economic models also call it into question. The Brookings Institute recently released a study finding no significant relationship between state-level tax policy and long-term economic growth.<sup>30</sup> Studies from both the Federal Reserve and the Economic Policy Institute have found that tax incentives are responsible for small gains in job growth, but they are offset by the loss in tax revenue and cuts in public services and government investment elsewhere.<sup>31 32</sup> Looking back at Fiscal Year 2016, it is clear that the State of Illinois is headed in the wrong direction in terms of growing jobs and the economy. The next sections provide further argument for why commerce, employment, and economic opportunity should not be analyzed separately from other sectors such as education, health and mental health, justice policy, and housing.

# Higher Education

---

## Illinois Universities are collapsing under the weight of austerity

### The toll on public institutions

In the last 12 months public colleges and universities across the state have been faced with making dismal choices in efforts to continue operations. The budget stalemate placed a tremendous burden on higher education administrators as they began the school year, and this uncertainty continues.

The current stalemate has meant that Illinois colleges and universities have not able to rely on funding from the state to cover expenses this year. Disinvestment in higher education has been occurring over the past several decades,<sup>33</sup> but this situation has exposed how precarious funding has become for many of the state's public universities. For example, in the period of 1960 to the 1990's state funding made up between 30-40% of the University of Illinois' operating budget.<sup>34</sup> Over time legislators have reduced higher education allocations so that currently only about 15% of the U of I system's budgeted revenue is derived from the state. That percentage is the lowest in the state, with Chicago State University relying on the highest proportion of state funds to total budget (32%).

Historically, universities have increased student tuitions to offset state funding reductions. In-state tuitions have increased between 50-100% over the past ten years.<sup>35</sup> Starting the fall semester without indication if or when funds would be released did not allow university administrators time to plan for tuition increases during the year. In January 2016 an estimated 1,000 students did not re-enroll in both public and private colleges and universities due to unpaid MAP grants.<sup>36</sup> Most schools can also count on revenue from out of state and international student fees. In the fall of 2014 approximately 17% of incoming freshman across the state were from other states or countries.<sup>37</sup> However, schools like Northeastern Illinois University only have an average of 1% of their student body that fall into that category. Additionally, all schools may see a decrease in student enrollment, particularly those students that are from other states, due to the current financial climate.

Borrowing funds was another option that became less viable due to diminishing cash reserves. Moody's Investors Service downgraded Eastern Illinois University to below investment grade<sup>38</sup> and both Northeastern Illinois University and Northern Illinois University credit ratings were lowered to just above junk status.<sup>39</sup> Moody's outlook for all eight universities it rates has been negative since the fall, hindering borrowing opportunities. As a result, most universities have had to dip into reserves and cut expenses to fill gaps.

The April 25, 2016 stop-gap funding measure passed by Illinois legislators provided \$600 million to struggling colleges and universities. The downside is that this funding may have come too late in the year to save jobs. Higher education administrators have already made the difficult decision to lay off faculty and staff in order to make ends meet. In March Eastern Illinois University laid off 177 employees, and 147 employees were laid off from Western Illinois University. An additional 500 employees are taking furlough days and pay cuts to reduce operating costs even further. Schools such as Northern Illinois and Illinois State Universities have let hundreds of positions remain vacant this fiscal year. Though the hope was that these personnel cuts would be temporary, the reduced amount of funding received leaves universities in limbo.

Chicago State University (CSU) has been the hardest hit of all public universities. CSU's FY 16 budget allocated \$36 million in funding to be received from the state, but has only received 17% of that amount. Without large endowments and cash reserves as schools such as the University of Illinois can access CSU administrators were forced to make drastic cuts. By February CSU had cut about 15% of its work force, frozen all travel expenses, and renegotiated contracts. In an effort to finish the spring semester before running out of funding, spring break was canceled and commencement was moved up two weeks. 300 faculty and staff were laid off in April, just before stop-gap funding was approved.<sup>40</sup>

## Higher Education *continued*

### Profile of University Dependence on State Funding

School	% Black or Latino	% Female	% of budget from state funding	% of outstanding state funding	% out-of-state or international students	size of endowment per student
Governors State University	47%	67%	26%	15%	0%	\$410
Northeastern Illinois University	46%	56%	25%	18%	1%	\$1,035
Chicago State University	81%	70%	32%	18%	16%	\$1,151
Northern Illinois University	31%	49%	20%	14%	5%	\$4,086
Western Illinois University	28%	49%	22%	16%	6%	\$4,127
Illinois State University	16%	55%	18%	13%	4%	\$4,650
Eastern Illinois University	24%	60%	24%	17%	8%	\$4,993
Southern Illinois University	24%	46%	22%	16%	19%	\$7,506
University of Illinois	21%	46%	15%	11%	20%	\$26,025

#### High-need students suffer the most

The budget stalemate has increased vulnerability for students already considered high-need. Not only have public universities had to find ways to fund operating expenses, they also have covered student tuition-assistance programs typically funded by the state. The Illinois Student Assistance Commission administers the Monetary Assistance Program (MAP) to provide need-based funding for low-income students to enroll in higher education. In the 2014-2015 academic year, the state provided \$357 million in MAP grants to more than 128,000 students, with need-based awards averaging about \$2,800 per student.<sup>41</sup> MAP grants are paid directly to schools to reduce student's tuition burden. This year over 125,000 students statewide were approved for MAP grants, over half of whom are low-income students of color.

According to the Illinois Student Assistance Commission, many colleges and universities credited student accounts for first-term MAP awards, although some schools withheld other financial aid, such as Pell dollars, pending payment from the state for MAP. This put a significant burden on students, who rely on Pell for living expenses and books, among other educational expenses. It became clear that many of the schools who were able to credit MAP for the fall would not be able to continue to do so.<sup>42</sup> In March 2016, Illinois Institute of Technology informed MAP recipients that they would have to repay the grant credit in full, or pay it off through a 12-month loan that is interest-free until September, when a 6.8 percent interest rate kicks in.<sup>43</sup> The school expects to refund students once the funds are released from the state, but students have lost confidence that legislators will provide the additional funds.

This lack of confidence in Illinois funding will have a huge impact on higher education. Already there is evidence that fewer low-income students are choosing Illinois colleges. The number

of new college students eligible for MAP who report plan to attend an Illinois institution in the fall of 2016 is down by at least 13%. The decline is even higher among returning students, as they are most likely transferring to other schools or dropping out altogether. According to Sara Goldrick-Rab, a professor of educational policy studies and sociology at the University of Wisconsin in Madison, this decline is predictable. "People really underestimate how much price matters to these students. Giving folks money too late, or [funding] decisions getting made too late, means some of the people who would most benefit from the MAP are the ones that are going to forego college."<sup>44</sup>

The ripple effects of this issue could be felt long term. In today's workforce, higher education is more important than ever. Proportionate decreases in higher education will lead to continued erosion of the system. Further increases in tuition and cuts in need-based financial aid would lead to an estimated 9,181 fewer associate degrees and 14,541 fewer bachelor's degrees granted each year.<sup>45</sup> This would have a huge impact on the earning capacity of Illinois graduates each year, potentially widening income disparities.

Additionally, Illinois's standing as a higher education destination will most likely suffer, adding to the state economic shortfall. Just as Illinois students are choosing to enroll elsewhere, out-of-state and international students may also decide to forgo Illinois colleges and universities. Approximately one-third of students attending the University of Illinois in 2014-2015 originated from outside the state adding approximately \$165.4 million in income to the state economy while enrolled. Former U of I students currently employed in the state workforce were estimated to add \$9.5 billion in income to the economy.<sup>46</sup> The inability to attract students and retain graduates as a part of the skilled workforce could continue to expand losses to state revenue.

# Mental Health Services

---

## Reduced budgets threaten the most vulnerable

### Economic impact of cuts to mental health and social services

The economic landscape for mental health services has not been favorable for a number of years. State funding for mental health and social services has consistently been cut over the past decade. The National Alliance on Mental Illness (NAMI) reported that Illinois cut funding for mental health care services by almost a third—\$113 million—between 2009 and 2012.<sup>47</sup> That is the fourth highest percentage in the nation. Illinois legislators increased funding for mental health services in 2013 and maintained that funding in 2014. With the level of need in the state it came as a huge surprise that Governor Rauner’s proposed “Turnaround Agenda” included sweeping funding cuts to the Illinois Department of Human Services. Governor Rauner’s FY16 budget proposal included an \$88 million reduction to community mental health programs and \$35 million in reductions to community substance abuse programs, among other cuts to vital physical health and social service programs.<sup>48</sup>

While such deep cuts would have been disabling for the mental health system, the fact that services went unfunded for ten months while legislators clashed over the budget impasse on mental health services has only compounded the human and financial impacts. As a result, the state’s mental health service infrastructure has been decimated.<sup>49</sup> While funding for Medicaid services provided by community mental health centers has continued, numerous other mental health services have gone unfunded since July 1, 2015.

Psychiatric care grants, for example, have been caught up in the budget standoff. These grants supplement the state’s relatively low Medicaid reimbursement rates for psychiatry and help community mental health agencies hire psychiatrists to fill the huge demand. The lack of funding for psychiatric care grants is a key reason why providers have either reduced or eliminated psychiatric services since the budget impasse began. Because of these cuts, clients may face waiting periods as long as two or three months to see a psychiatrist.

Impacts to specific providers:

- The Will County Health Department suspended nine programs, including adult psychiatric services.<sup>50</sup>
- Lutheran Social Services of Illinois, the largest social services provider in the state, laid off 750 staffers and closed over 30 programs. The program closures impacted mental health counseling services in nine communities. The organization also closed six drug and alcohol residential rehab programs in Elgin and Chicago.<sup>51</sup>
- Centerstone, a non-profit provider of behavioral health services to 16,000 clients in Southern Illinois and the Metro-East region, is currently owed about \$5 million from the state. The organization is condensing administrative costs to ensure that client services will not suffer.<sup>52</sup>

In early May 2016 the Illinois senate passed SB2038, releasing \$715 million from the Commitment to Human Services Fund and a number of smaller funds.<sup>53</sup> The stop-gap funding measure would allocate money to various human services agencies and programs, such as those serving seniors and people who are homeless or have mental illnesses, and also includes funds for psychiatric care grants. This stop-gap measure will only cover about 46% of what is currently owed to service providers, leaving questions as to the level of funding that will be available in the upcoming FY17 budget.

### Lack of safety-net leads to costlier treatment

It is well-documented that serious mental illnesses are successfully treatable with the right combination of the appropriate medications, psychiatry, therapy, and other support services. The state’s community-based mental health safety net has never been robust enough to catch the estimated 2.6 million Illinoisans living with a mental illness. Only about one-third of individuals living with a mental illness in Illinois are able to access care, leaving two-thirds without any care at all due in large part to the lack of community-based mental health treatment services.<sup>54</sup> Even before the state made substantial cuts to community mental health services, Illinois has long lagged behind other states across the nation in investing resources in effective community-based care. Without proper care, symptoms of mental illness can worsen and require more severe treatment or hospitalization.<sup>55</sup>

## Mental Health Services *continued*

---

Even with the approval of the SB2038 human services funding legislation, evidence suggests that more is needed to address the state's mental health shortfalls. NAMI found that over the same time period that Illinois cut mental health funding by 31% there was a 19% increase in emergency room visits among people experiencing psychiatric crises.<sup>56</sup> The average psychiatric hospitalization costs about \$6,000, whereas a full year of community-based treatment for an individual with serious mental illness costs \$10,000 a year. That \$10,000 figure could be greatly reduced since most patients do not require a full year of community-based treatment to become stabilized.<sup>57</sup>

Due to the multiple blows to mental health funding, the Illinois Department of Corrections, or IDOC, has become the largest "provider" of mental health care services in the state. It is estimated that about 20% of the nearly 48,000 inmates held at IDOC require care for mental illness. Cook County Jail in Chicago houses the largest number of inmates with mental illnesses, approximately 25-35% of its total population. The jail has seen a significant rise in the number of inmates with mental illness since 2009, coinciding with funding cuts. Cook County Sheriff Tom Dart has openly criticized Governor Rauner's funding cuts to community-based mental health care. Community-based programs provide services that are paramount for recovery from mental illness, such as job training, educational classes, and social activities. Without these services many become vulnerable to homelessness and incarceration. As Dart points out, the IDOC is not equipped to deal with the needs of a large mentally ill population. Illinois prisons lack proper treatment facilities and the necessary staff trained to deal with mental illness.<sup>58</sup>

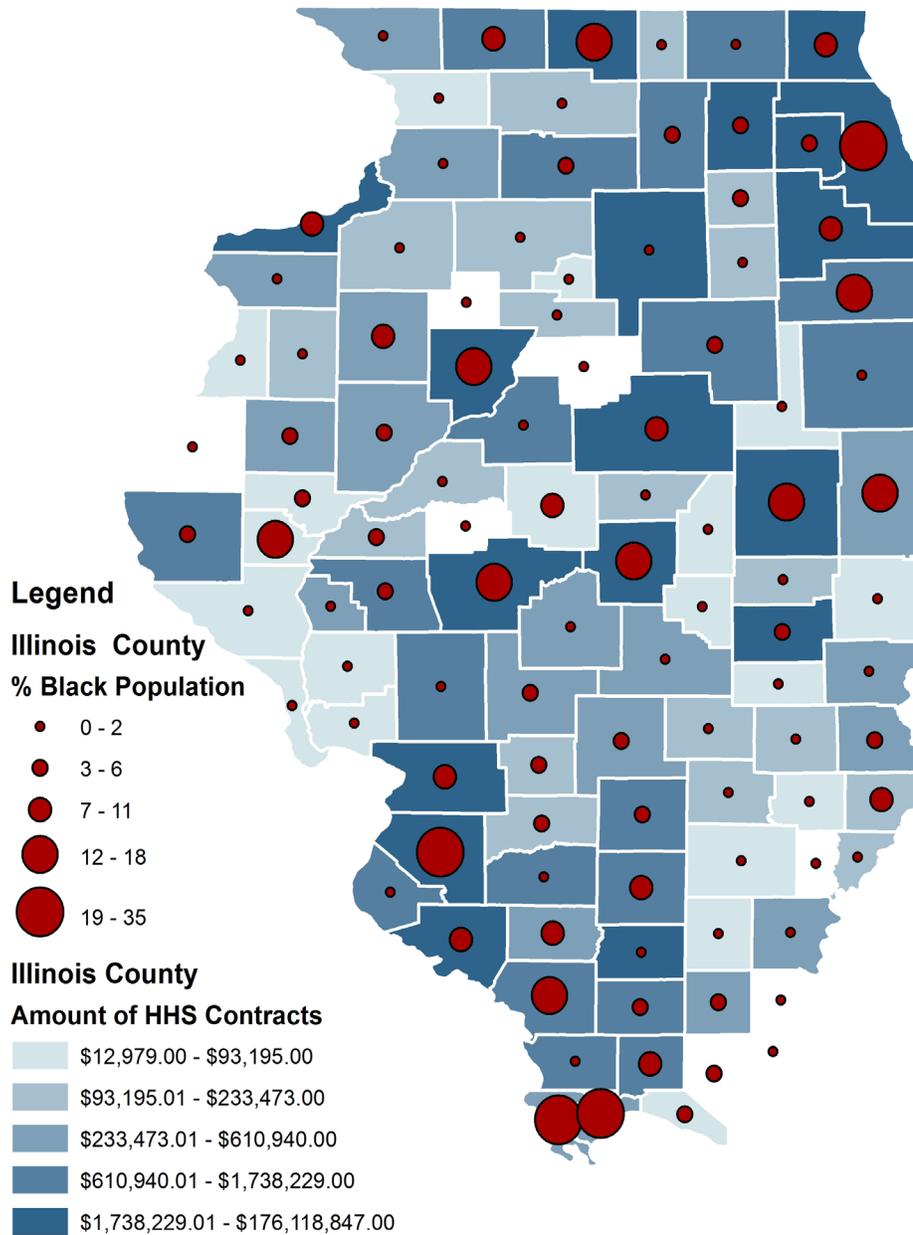
COOK COUNTY JAIL IN CHICAGO HOUSES THE LARGEST NUMBER OF INMATES WITH MENTAL ILLNESSES, APPROXIMATELY 25-35% OF ITS TOTAL POPULATION. THE JAIL HAS SEEN A SIGNIFICANT RISE IN THE NUMBER OF INMATES WITH MENTAL ILLNESS SINCE 2009, COINCIDING WITH FUNDING CUTS.

Cuts to state services not only harm vulnerable residents but also worsen the deficit by reducing overall economic activity. Cuts to mental health services forces organizations to lay off employees, cancel contracts with vendors, reduce payments to businesses and nonprofits that provide services, and cut benefit payments to individuals. All of these steps remove demand from the economy. For instance, most of the major social service providers in Illinois reduced overall wages paid to employees either by laying off workers, requiring them to take unpaid leave and furloughs, freezing new hires, or similar actions. Such measures not only reduce the level and quality of services available to state residents but also the economic purchasing power of workers' families, which in turn affects local businesses and slows recovery.<sup>59</sup> Furthermore, as noted earlier, the counties receiving the most resources in the form of Illinois Department of Health and Human Services contracts are those with the highest Black population, raising the likelihood of disparate impacts.

# Mental Health Services *continued*

## Illinois HHS Impacts Felt Most in Counties with Higher Black Population

Budget Impasse Translates to Disparate Impacts



# Justice System Reform

---

## Budget impasse means higher costs and overcrowded prisons

### Bi-partisan agreement on reform; bi-partisan undermining of reform

Justice reform is emerging as one of the few issues enjoying some bi-partisan support in the State of Illinois. Governor Bruce Rauner has called for a 25 percent reduction in the state's prison population by 2025, and made his case in a bi-partisan op-ed co-written with state Sen. Kwame Raoul, a Democrat.<sup>60</sup> Cutting the enormous cost of the criminal justice system is an outcome that has broad appeal, especially in a cash-strapped state. Reducing the prison population has become a bi-partisan goal for many reasons, chief among them that average annual cost per inmate has been estimated to range from \$22,000 to \$38,000, and nearly 50% of released prisoners will be re-incarcerated within three years.<sup>61 62 63</sup> That equates to over \$1 billion dollars per year for a system that fails half the time. Such a low return on investment is hard to justify, especially when it diverts scarce taxpayer funds away from other uses.

In February, 2015, Governor Rauner created the Illinois State Commission on Criminal Justice and Sentencing Reform to develop concrete policy recommendations for achieving this prison reduction goal. Part one of the Commission's report was released in December 2015, with part two forthcoming later in 2016.<sup>64</sup> A major recommendation includes providing greater discretion for judges to divert those convicted of low-level felonies and certain drug law violations away from prison and into probation, which often includes access to treatment and other services. Ideally, judges will use risk and needs assessment tools to determine whether there are more appropriate evidence-based alternatives to incarceration.

Unfortunately, achieving significant reductions in the prison population is a tall order even without the added barrier of the Illinois State budget impasse. Reducing prison sentences in areas where there is some reform consensus—low-level drug offenses for example—will not achieve the deep reductions in the overall state prison population sought by the Commission. For example, the Urban Institute estimates that if all states reduced all new drug sentences by 25% over the next five years, the total U.S. prison population would only fall by 3%.<sup>65</sup>

This makes Illinois' programs that are cost effective alternatives to incarceration all the more important. Judges will likely not exercise discretion in sentencing unless there are known alternatives to incarceration in place that

have a proven track record of success. One of those programs is Adult Redeploy Illinois (ARI). It has saved the state an estimated \$76 million since 2011 but has been critically impacted by the budget fight.<sup>66</sup> ARI provides state grants to local jurisdictions (counties and judicial circuits) to implement less expensive and more effective alternatives to incarceration for non-violent offenders. Implementation sites across the state work to divert individuals away from prison and into community-based supervision and services that address the needs underlying their criminal behavior, such as substance abuse and mental health treatment, cognitive-behavioral therapy, and education and employment training provided by a network of local providers.

In ARI, judges and other criminal justice system stakeholders are encouraged to consider the cost of incarceration compared to local, evidence-based alternatives. Thus far, the program has been successful in reducing prison admissions and saving money. It is operating in 20 sites across 38 Illinois counties, implementing a total of 23 evidence-based diversion programs, and typically in counties with the highest sentencing rates for low-level non-violent offenders. Its alternatives to incarceration include drug courts, mental health courts, and intensive probation with services. In short, ARI represents one concrete way of enacting some of the Commission's central recommendations for reducing the Illinois prison population. Other highlights of the program include:<sup>67</sup>

Diverting a total of 2,600 OFFENDERS away from prison between 2011 and March, 2016

Operating at an average annual cost of \$4,400/person compared to the Illinois Department of Corrections' per capita cost of \$22,000

Investing in evidence-based programs that have been shown to reduce recidivism BY UP TO 20%

Unfortunately, the delayed or nonexistent payments to the program's local sites have meant that service levels have dropped sharply this fiscal year. Without any state funds, counties and judicial circuits have had to search for temporary bridge funding, and many service providers have yet to receive any payment. What's more, the uncertainty

## Justice System Reform *continued*

about receiving payments for services has resulted in many providers cutting staff or dropping out of the program entirely. During FY2016, one ARI site has shut down entirely, five will likely not meet their goal of reducing prison admissions, and nine have stopped or decreased enrollments into the program and laid off staff. Worse yet, 16 of the 21 sites are reporting negative impacts to program participants, such as decreased access to supports and services to remain crime-free.<sup>68</sup> Across the entire state, ARI enrollments continue to drop and are down 33% as of the first quarter of calendar year 2016 from prior quarters.

It is not just fiscal year program performance that is in jeopardy; it is the entire program's existence, and it is undermining the goal of reducing prison sentences and state spending. If the budget stalemate continues, local jurisdictions and service providers will continue to pull out due to the lack of guaranteed payment for services.<sup>69</sup> ARI officials are concerned about the short- and long-term impacts on incarceration rates from decreasing enrollments and services. The Turnaround Agenda's main feature of cutting government spending is also completely undermined by the state budget political fight. The end result of the protracted fight is likely to be more prison sentences, higher cost to

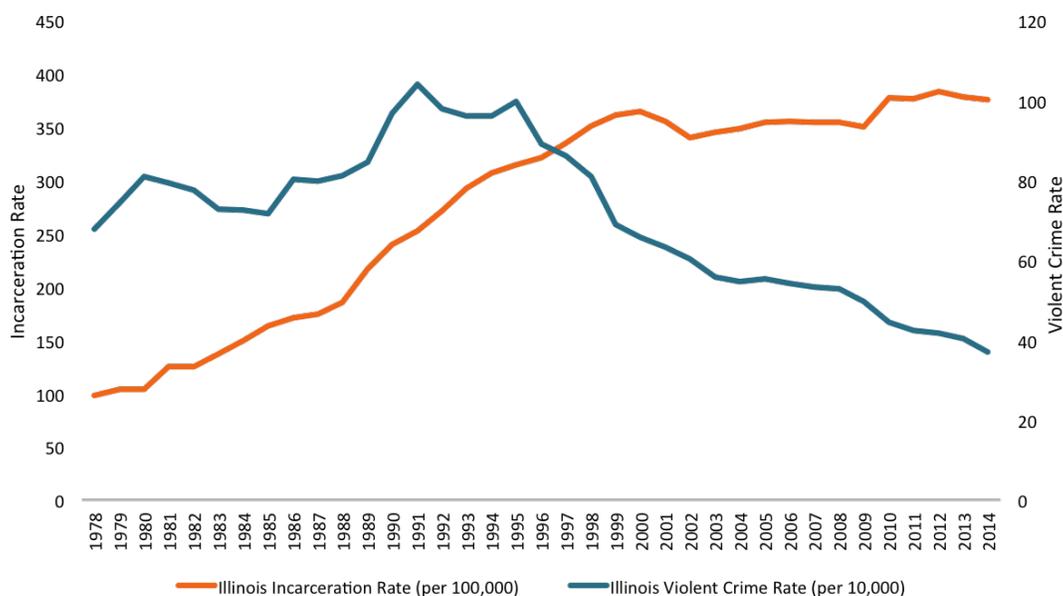
taxpayers this fiscal year, and much higher costs in the long-run due to the weakening of ARI's infrastructure—one of the few efforts in place to successfully divert offenders away from prison.

Finally, reducing incarceration rates makes good economic sense, but there are also reasons to believe that it makes good public safety sense as well. Some recent research points out that high incarceration rates in disadvantaged neighborhoods might ultimately lead to higher crime rates.<sup>70</sup> Areas where the population cycles in and out of the prison system at a high rate may see higher crime later on because the process disrupts households, residential stability, and ultimately the social fabric of a neighborhood.

Illinois is headed in the wrong direction with its incarceration trends. Across the U.S. incarceration rates have been falling for years. Although the rate in Illinois has begun falling in recent years, it has done so only slightly, and has not kept pace with the rest of the U.S. What's worse, Illinois leads the nation in overcrowded prisons. According to the Illinois Policy Institute, Illinois is at 150% of its prison capacity.<sup>71</sup> Such overcrowded conditions endanger the safety of inmates and staff, and threaten human rights. In sum, the budget impasse potentially poses a threat to public safety, placing further strains on an already crippled justice system.

### Incarceration Rate Not Keeping Pace with Drop in Crime Rate

Illinois Incarceration Rate Also Not Dropping as Fast as National Rate



# Conclusion

---

## Downward spiral will continue to leave all Illinois residents worse off

### Disadvantaged groups hurt worst; all suffer

There is growing evidence that the legislative actions over the past year will neutralize any hopes for turning around Illinois' fiscal woes in the near term. The broader concern, however, is the lasting impact of the current state budget impasse on some of the most vulnerable citizens—low-income people of color in particular—and the future ability of state government to do anything to improve the lives of its residents. Disadvantaged groups are bearing the brunt of this crisis, and these effects will only continue to compound over time. This report provides an overview of how this political stalemate has impacted jobs and employment, higher education, mental health and social services sector, and the justice system. All of these different sectors play strong roles in improving the state, yet the budget impasse has completely undermined their ability to do so. In the case of the justice system, the continuing fight means a broken and costly system continues eat up taxpayer funds without much hope of any deep and innovative reforms. These negative trends will only increase the longer we fail to pass a budget.

There has been much documentation on impacts of these cuts on the public sector, and our summary suggests that ultimately the year without a budget was all for naught. In the process of fighting over the best ways to improve the state economy, the state government has managed to make it even worse. More has been added to the deficit even as forced austerity drastically cut programs and services across sectors—programs meant to improve the lives of disadvantaged and marginalized groups. Looking long term, we must not only invest in programs that support those who are already struggling but also prevent harm to additional residents across the state.

Finally, we must also consider the implications that the budget stalemate has had on democracy and civic engagement. Illinois lawmakers' entrenched positions, lack of good faith, bi-partisan compromising, and willingness to allow the most disadvantaged populations to suffer the consequences is a crisis of both democracy and civic responsibility. The lack of legislative consensus and progress over the past year has left few options or reasons for residents to provide input and politically engage. Distrust, apathy and disenfranchisement are common responses to budget stalemates,<sup>72</sup> so decision-makers run the risk of alienating entire communities through their own inaction.

ILLINOIS LAWMAKERS' ENTRENCHED POSITIONS, LACK OF GOOD FAITH, BI-PARTISAN COMPROMISING, AND WILLINGNESS TO ALLOW THE MOST DISADVANTAGED POPULATIONS TO SUFFER THE CONSEQUENCES IS A CRISIS OF BOTH DEMOCRACY AND CIVIC RESPONSIBILITY.

Moving forward, there is an immediate need for research that connects the dots across sectors to better understand the totality of consequences of the state budget crisis as its effects ripple over time and across people and places. But more importantly, the dire fiscal realities and hardship faced by all state residents is cause for an immediate change of course toward better, more collaborative governance, and at the very least state budgeting.

## Notes

---

- 1 [www.illinois.gov/gov/Documents/CompiledPacket.pdf](http://www.illinois.gov/gov/Documents/CompiledPacket.pdf)
- 2 Governor Rauner Memo from 9/17/2015 posted by Capitol Fax: <http://capitolfax.com/turnaround>
- 3 Hinz, G. (2016, January 2). New Year's resolution for Illinois pols: Clean up your own mess. Crain's Chicago Business. <http://www.chicagobusiness.com/article/20160102/ISSUE05/301029992/new-years-resolutions-for-illinois-pols-clean-up-your-own-mess>
- 4 Dye, R. F., Hudspeth, N., & Crosby, A. (2015). Apocalypse Now? The Consequences of Pay-Later Budgeting in Illinois: Updated Projections from IGPA's Fiscal Futures Model. University of Illinois Institute of Government and Public Affairs. [http://igpa.uillinois.edu/system/files/FF\\_Apocalypse\\_Now\\_Jan\\_2015.pdf](http://igpa.uillinois.edu/system/files/FF_Apocalypse_Now_Jan_2015.pdf)
- 5 Ibid.
- 6 McKinney, D. (2015, August 10). The Illinois pension disaster. Crain's Chicago Business. <http://www.chicagobusiness.com/section/pensions>
- 7 Mackey, B. (2015, October 22). Illinois Issues: the social cost of Rauner v. labor. Illinois Issues. <http://wuis.org/post/illinois-issues-social-cost-rauner-v-labor#stream/0>
- 8 Governor Rauner Memo from 9/17/2015 posted by Capitol Fax: <http://capitolfax.com/turnaround>
- 9 Miller, R. (2016, January 19). Rauner's turnaround agenda math doesn't add up. Crain's Chicago Business. <http://www.chicagobusiness.com/article/20160119/NEWS02/160119822/rauners-turnaround-agenda-math-doesnt-add-up>
- 10 Dye, R., Merriman, D., & Crosby, A. (2016). Consequences of inaction: The effects of the budget stalemate on revenue and spending at the midpoint of the fiscal year 2016. University of Illinois Institute on Government and Public Affairs. <http://igpa.uillinois.edu/system/files/Consequences-of-Inaction.pdf>
- 11 Uslaner, E. M., & Brown, M. (2005). Inequality, trust, and civic engagement. *American Politics Research*, 33(6), 868-894
- 12 Great Cities Institute (2016). Social impact analysis of the State of Illinois proposed FY2016 budget. Great Cities Institute at the University of Illinois at Chicago
- 13 Wallace, D., & Wallace, R. (1998). *A Plague on Your Houses: How New York was Burned Down and National Public Health Crumbled*. New York: Verso.
- 14 Dye, R., Merriman, D., & Crosby, A. (2016). Consequences of inaction: The effects of the budget stalemate on revenue and spending at the midpoint of the fiscal year 2016. University of Illinois Institute on Government and Public Affairs. <http://igpa.uillinois.edu/system/files/Consequences-of-Inaction.pdf>
- 15 Great Cities Institute (2016). Social impact analysis of the State of Illinois proposed FY2016 budget. Great Cities Institute at the University of Illinois at Chicago
- 16 Illinois Partners for Human Services (2016). Human Services as an Economic Engine: How Human Services in Illinois Drive Jobs and Economic Benefits. <https://www.scribd.com/doc/313584219/Economic-Impact-Report-Illinois-budget-impasse>
- 17 This analysis used state-level Bureau of Labor Statistics Local Area Unemployment Statistics data, comparing labor force changes in all 50 states and Washington D.C. between May 2015 and April 2016 (nearly on year and coinciding with FY2016)
- 18  $r=.839$ ,  $N=51$ ,  $p<.01$
- 19 Correlation between Black population percent and April, 2016 unemployment rate:  $r=.263$ ,  $N=102$ ,  $p<.01$
- 20 Correlation between White population and change in unemployment rate between May 2015 and April 2016:  $r=.268$ ,  $N=102$ ,  $p<.01$
- 21 Correlation between change in unemployment rate and county Gini coefficient:  $r=.230$ ,  $N=102$ ,  $p<.05$
- 22 The Gini coefficient is a measure of how income is distributed across the population, with higher scores relating to higher inequality, or more concentration of income at the top of the distribution. County-level Gini coefficient data were compiled by the Social Science Research Council Measure of America Project using data from the American Community Survey 5-year estimates and can be found at: [www.measureofamerica.org](http://www.measureofamerica.org)
- 23 For this analysis, assumption of county location of FY16 Illinois Health and Human Services contracts was based on location of agency headquarters.
- 24 HHS contract dollar amount per county and percent Black population (ACS 2013 5-year estimates):  $r=.323$ ,  $N=94$ ,  $p=.001$
- 25 HHS contract dollar amount per county and percent Latino population (ACS 2013 5-year estimates):  $r=.422$ ,  $N=94$ ,  $p<.001$
- 26 Great Cities Institute (2016). Social impact analysis of the State of Illinois proposed FY2016 budget. Great Cities Institute at the University of Illinois at Chicago
- 27  $r=.258$ ,  $N=94$ ,  $p=.01$ . See footnote on previous page for explanation of Gini coefficient data
- 28 Relationship between % of population without a HS degree (2013 ACS 5-year estimates) and unemployment rate in April 2016 (BLS Local Area Unemployment):  $r=.374$ ,  $N=102$ ,  $p<.001$
- 29 Relationship between % of population with a graduate degree (2013 ACS 5-year estimates) and change in unemployment between May 2015 and April 2016 (BLS Local Area Unemployment):  $r=-.198$ ,  $N=102$ ,  $p<.05$
- 30 Gale, W. G., Krumpkin, A., & Rueben, K. (2015). The relationship between taxes and growth at the state level: new evidence. Brookings Institute Research Paper. Accessed at: [www.brookings.edu/~media/research/files/papers/2015/04/29-relationship-between-taxes-and-growth-gale/gale--taxes-and-growth-42915.pdf](http://www.brookings.edu/~media/research/files/papers/2015/04/29-relationship-between-taxes-and-growth-gale/gale--taxes-and-growth-42915.pdf)

## Notes *continued*

---

- 31 Gorin, D. (2007). Economic development incentives: research approaches and current views. *Federal Reserve Bulletin*, vol. 93.
- 32 Lynch, R. (2004). *Economic, Fiscal, and Social Benefits of Investment in Early Childhood Development*. Washington, D.C.: Economic Policy Institute.
- 33 Illinois Board of Higher Education. (2016). *Fiscal Year 2017 Higher Education Budget Recommendations*. <http://www.ibhe.org/Fiscal%20Affairs/PDF/FY17BudgetBook.pdf>
- 34 Park, I. (2016, February 12). Illinois universities face closures, layoffs as state budget impasse continues. <http://prospect.org/article/illinois-universities-face-closures-layoffs-state-budget-impasse-continues>
- 35 McMahon, W. (2015). Higher education is a smart investment for Illinois. <https://igpa.uillinois.edu/budget-toolbox/content/higher-education-smart-investment-illinois>
- 36 <http://www.wsj.com/articles/illinois-budget-deadlock-hits-college-enrollments-1453160940>
- 37 Illinois Board of Higher Education. Home State of First-Time Freshman Students Enrolled in Illinois Colleges and Universities, by Type of Institution. Fall 2014. <http://ibhe.org/IBHEDatabook/ChapterI/Table%20I-8.aspx>
- 38 [https://www.moodys.com/research/Moodys-downgrades-Eastern-Illinois-AFS-bonds-to-Ba1-and-COPs--PR\\_903120797](https://www.moodys.com/research/Moodys-downgrades-Eastern-Illinois-AFS-bonds-to-Ba1-and-COPs--PR_903120797)
- 39 <https://www.washingtonpost.com/news/grade-point/wp/2016/02/25/illinois-budget-battle-leads-moodys-to-downgrade-several-state-universities/>
- 40 <http://www.illinois austerityatlas.com/higher-education.html#sthash.a80usBi6.fXb7ucem.dpbs>
- 41 <http://www.illinois austerityatlas.com/higher-education.html#sthash.a80usBi6.fXb7ucem.dpbs>
- 42 <http://www.isac.org/home/map-matters/#sthash.iblmoGTA.dpuf>
- 43 <http://chicago.cbslocal.com/2016/03/25/iit-map-grants-illinois-tech-budget-impasse/>
- 44 <http://chicagoreporter.com/students-of-color-take-biggest-hit-in-illinois-higher-education-funding-crisis/>
- 45 <https://igpa.uillinois.edu/budget-toolbox/content/higher-education-smart-investment-illinois>
- 46 <https://www.uillinois.edu/common/pages/DisplayFile.aspx?itemId=320020>
- 47 <http://www.nami.org/getattachment/About-NAMI/Publications/Reports/StateMentalHealthCuts2.pdf>
- 48 [www.illinois.gov/gov/Documents/CompiledPacket.pdf](http://www.illinois.gov/gov/Documents/CompiledPacket.pdf)
- 49 <http://www.progressillinois.com/posts/content/2016/05/03/illinois-budget-impasse-destroying-states-mental-health-services-providers>
- 50 <http://www.progressillinois.com/news/content/2016/04/27/will-county-health-department-suspending-programs-due-budget-impasse>
- 51 <http://www.progressillinois.com/news/content/2016/01/22/lutheran-social-services-cuts-30-programs-750-jobs-due-state-budget-battle>
- 52 <http://www.progressillinois.com/posts/content/2016/05/03/illinois-budget-impasse-destroying-states-mental-health-services-providers>
- 53 <http://www.illinoisenatedemocrats.com/index.php/caucus-news/feature-story-archive/4967-senate-approves-stopgap-funding-for-social-services>
- 54 Illinois Department of Human Services, Division of Mental Health, "Illinois Mental Health 2013-2018 Strategic Plan," at 1.
- 55 [http://www.thresholds.org/wp-content/uploads/2013/11/Path-Forward\\_Investing-in-Illinois-Community-Mental-Health\\_Final.pdf](http://www.thresholds.org/wp-content/uploads/2013/11/Path-Forward_Investing-in-Illinois-Community-Mental-Health_Final.pdf)
- 56 <http://www.nami.org/getattachment/About-NAMI/Publications/Reports/StateMentalHealthCuts2.pdf>
- 57 [http://www.thresholds.org/wp-content/uploads/2013/11/Path-Forward\\_Investing-in-Illinois-Community-Mental-Health\\_Final.pdf](http://www.thresholds.org/wp-content/uploads/2013/11/Path-Forward_Investing-in-Illinois-Community-Mental-Health_Final.pdf)
- 58 <https://www.wsws.org/en/articles/2016/06/07/illi-j07.html>
- 59 <http://www.cbpp.org/research/an-update-on-state-budget-cuts>
- 60 Rauner, B., & Raoul, K. (2015, March 3). Dems and Republicans can reduce Illinois prison population. *Chicago Sun-Times*.
- 61 [www.vera.org/files/price-of-prisons-illinois-fact-sheet.pdf](http://www.vera.org/files/price-of-prisons-illinois-fact-sheet.pdf)
- 62 [www.macfound.org/media/files/Illinois\\_Results\\_First.pdf](http://www.macfound.org/media/files/Illinois_Results_First.pdf)
- 63 Adult Redeploy Illinois Dashboard: [www.icjia.org/redeploy](http://www.icjia.org/redeploy)
- 64 [www.icjia.org/cjreform2015/pdf/CJSR%20Final%20Report%20Part%20I%201-4-2016.pdf](http://www.icjia.org/cjreform2015/pdf/CJSR%20Final%20Report%20Part%20I%201-4-2016.pdf)
- 65 Urban Institute Prison Population Forecaster: <http://webapp.urban.org/reducing-mass-incarceration/>
- 66 Adult Redeploy Illinois Dashboard: [www.icjia.org/redeploy](http://www.icjia.org/redeploy)
- 67 Adult Redeploy Illinois Dashboard: [www.icjia.org/redeploy](http://www.icjia.org/redeploy)
- 68 Adult Redeploy Budget Impact Brief: [www.icjia.org/redeploy](http://www.icjia.org/redeploy)
- 69 Adult Redeploy Status Update to Oversight Committee: [www.icjia.org/redeploy](http://www.icjia.org/redeploy)
- 70 Clear, T. R., Frost, N. A., Carr, M., Dhont, G., Braga, A., Warfield, A. R. (2014). Predicting Crime Through Incarceration: The Impact of Rates of Prison Cycling on Rates of Crime in Communities. Accessed at: <https://www.ncjrs.gov/pdffiles1/nij/grants/247318.pdf>
- 71 [www.illinoispolicy.org/illinois-leads-nation-in-overcrowded-prisons/](http://www.illinoispolicy.org/illinois-leads-nation-in-overcrowded-prisons/)
- 72 Nabatchi, T., Gastil, J., Weiksner, G. M., & Leighninger, M. (Eds.). (2012). *Democracy in motion: Evaluating the practice and impact of deliberative civic engagement*. Oxford University Press.



**ADLER UNIVERSITY**

Institute on Social Exclusion

Institute on Social Exclusion  
Adler University  
Chicago, IL 60602  
Phone: 312.662.4000  
Email: [ISE@adler.edu](mailto:ISE@adler.edu)  
[www.adler.edu](http://www.adler.edu)