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The Cost to Illinois Taxpayers of Cutting Human Services Funding in the FY2012 Budget

May 2011





*THE COST TO ILLINOIS TAXPAYERS OF
CUTTING HUMAN SERVICES FUNDING IN
THE FY2012 BUDGET*

Founded in 2000, the Center for Tax and Budget Accountability is a non-profit, bi-partisan research and advocacy think tank committed to ensuring that tax, spending and economic policies are fair and just, and promote opportunities for everyone, regardless of economic or social status.

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Analyzing state funding for human services programs is challenging for one simple reason: it is difficult to define all the programs and services that collectively make up all human services in the Illinois state budget. Unlike some other public services, such as education funding, or public safety, which both have a relatively narrow program focus, human services encompass a broad set of programs, such as mental health, homeless prevention, substance abuse, aid to the elderly, and programs that care for neglected children.

Moreover, due to the diverse nature of human services, program names, service providers, and agencies responsible for delivering services can change over time. Because of the broad scope of human services, CTBA defines “human services” as three combined portions of the state budget: The Department of Human Services (“DHS”), The Department of Children and Family Services (“DCFS”), and The Department of Aging (“Aging”). All three agencies receive their funding primarily from the Illinois General Revenue Fund (“GRF”).

The governor’s proposed operating budget for FY 2012 has a total of \$4.917 billion appropriated to the three agencies listed above. Despite moving from a recessionary period to a recovery period, and despite a recent tax increase, the total proposed appropriation for all human services in 2012 has been slashed. After adjusting 2010 appropriations for inflation, the total 2012 appropriation for all human services is \$876 million, or 15.1% less in 2012 compared to 2010, as illustrated below.

Figure 1
Human Services Funding Changes
FY 2010 – FY 2012

Category	FY 2012 Proposed	FY 2010 Adjusted to 2012	% Change	\$ Change
Department of Aging	\$798	\$690	15.7%	\$108
Department of Child and Family Services	\$843	\$914	-7.8%	(\$71)
Department of Human Services	\$3,274	\$4,187	-21.8%	(\$913)
Total Across Agencies	\$4,917	\$5,793	-15.1%	(\$876)

Data from GOMB FY2012 Operating Budget.
Inflation adjustment made using ECI index and population.

At a time when the Illinois economy is recovering from the worst recession in generations, a time when Illinoisans are still in need of human services, Illinois is cutting back. To make matters worse, the money Illinois will save in the short run is far outweighed by the indirect costs of under-funding human services programs, as the following sections explain, in detail.

Homelessness Prevention

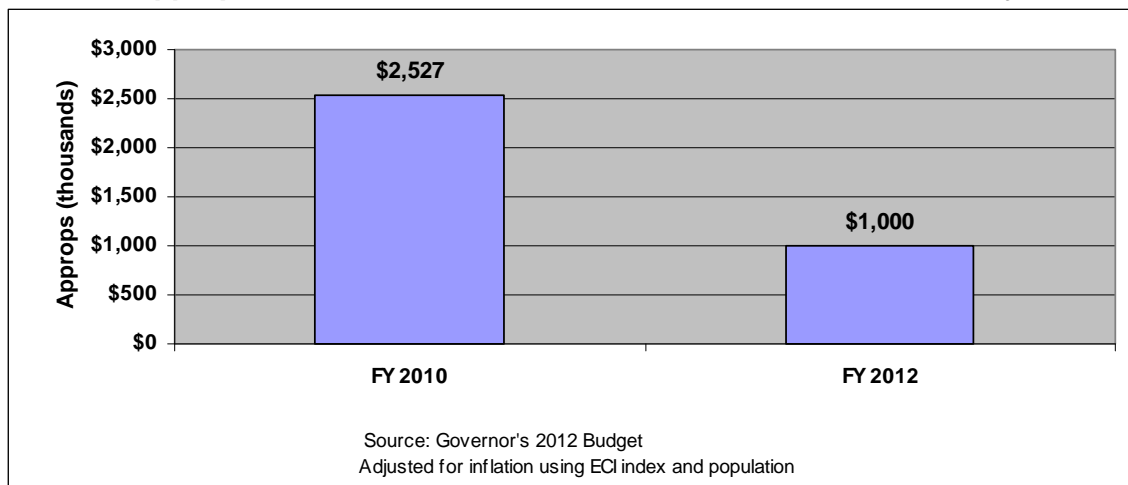
The Illinois Department of Human Services provides homelessness prevention services to at-risk families facing eviction, foreclosure, or homelessness. This valuable assistance can include rent or security deposit to prevent eviction, payment of utility bills, housing location and inspection, job preparation and employment services, outreach, counseling, and case management.¹ The main focus of the prevention program is on permanent housing in order to provide families and individuals with stability, allowing them the ability to return to the job market.

The costs of not addressing homelessness are high because of the expenses of medical treatment, shelters, police intervention, and incarceration.² A study published in the New England Journal of Medicine found that individuals who are homeless spend, on average, four days longer per hospital visit than non-homeless individuals.³ Homeless people also tend to spend more time in jail because of laws

targeting the homeless population, such as regulations against loitering and begging.⁴ In 2011 the Chicago Alliance to End Homelessness conducted a study that found in FY 2010, the homelessness prevention program kept 89% of their clients served from being homeless. The cost saving to Illinois taxpayers was over \$1.2 million.⁵

The Governor's FY 2012 GRF appropriation to DHS for homelessness prevention, after adjusting for inflation, has been cut by 60% from FY 2010 levels.⁶ In addition, studies show the return on investment for homeless prevention is as high as a \$4 for every \$1 spent, due to the reduction in other costs (medical, shelter, incarceration, police intervention expenses) associated with homeless individuals.⁷ When these other indirect costs are taken into account, the FY 2010-2012 reduction in homelessness funding of nearly \$1.5 million will result in a long term net loss of nearly \$6 million for Illinois taxpayers.

Figure 2
From Fiscal Year 2010 to Fiscal Year 2012
GRF Appropriations for Homelessness Prevention has Decreased by 60%



Mental Health Services

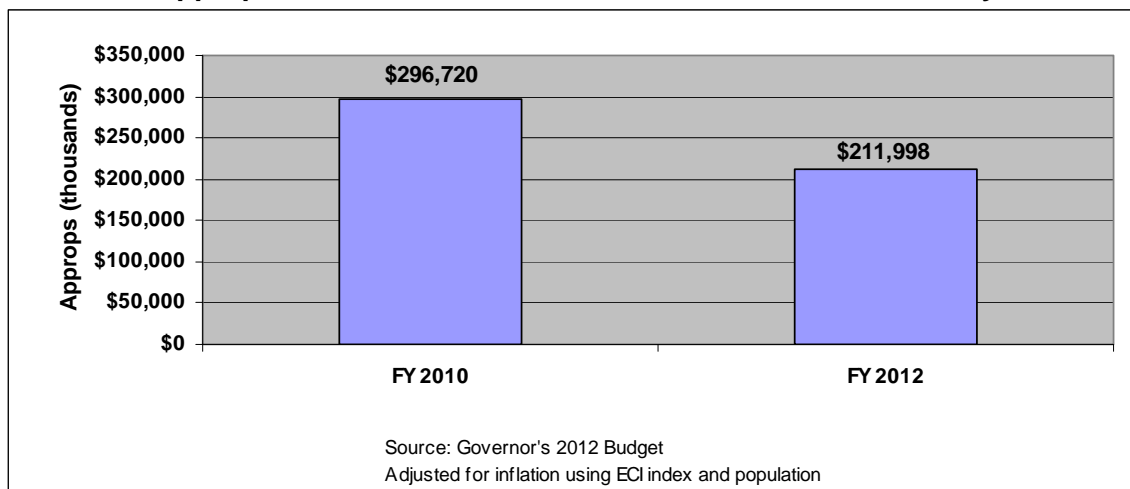
The Illinois Department of Human Services provides multiple services to individuals suffering from mental illness and who do not otherwise have access to sources of care or whose mental health care benefits no longer cover the services they need.⁸ The Division of Mental Health typically serves adults with serious mental illness and children with severe emotional disturbances.⁹ Services include outpatient services to help individuals live independently, including counseling, therapy, medication, and support in obtaining a job and finding a home, as well as specialized programs, crisis services, and inpatient services.¹⁰

The costs associated with mental illness are great. They include lost earning potential of individuals suffering from disorders, healthcare costs to treat existing conditions, homelessness, and incarceration.¹¹ Specifically, people suffering from serious mental illness have been found to earn 40% less than individuals in good mental health.¹² This loss of productivity was found to cost the nation at minimum \$193 billion in lost income in 2008.¹³ In Illinois, the Department of Corrections estimated that the rate of inmates suffering from mental illness was at least 4 times higher than the general population.¹⁴ It has also been found that around 19% of Illinois residents who have been homeless suffer from severe mental illness.¹⁵

According to the American Psychological Association, for every \$1 that is spent on mental health services, \$5 is saved on healthcare costs.¹⁶ If one considers the implications of reducing spending on mental health treatment, the clear answer is to make the investment now in the short term, and avoid the much larger costs to taxpayers in the long term. Treatment reduces the negative impact of mental illness on those suffering, and Illinois taxpayers as a whole, resulting in increased economic earnings from an individual's job, fewer health care costs, and lowered costs of crime.¹⁷

The FY 2012 GRF appropriations for overall mental health services have been cut drastically from FY 2010 levels. When the total indirect costs of not treating mental illness are taken into account, **a short term cut of \$81 million to the DHS budget for mental health will ultimately cost Illinois taxpayers \$403 million in additional healthcare costs.**¹⁸ For this analysis, CTBA considers mental health services to include: mental health transportation, community mental health partnership, mental health supportive housing, mental health individual care grants, mental health grants, mental health community transitions, mental health children and adolescent grants, and mental health psychotropic medications. **After adjusting for inflation, as illustrated in Figure 3, the level of spending appropriated in FY 2012 to these areas is has been reduced from FY 2010 levels by 28%.**

Figure 3
From Fiscal Year 2010 to Fiscal Year 2012
GRF Appropriations for Mental Health Services has Decreased by 28%



After School Matters

In 2010, the Afterschool Youth Development Project Act was passed into law to provide after-school programs across the state. This resulted in the partnership of the Illinois Department of Human Services & Illinois State Board of Education working to provide access to after-school programs that allow youth to grow in a positive and safe environment and improve academically, participate in various enrichment programs, gain life skills, and develop relationships with adults and peers.¹⁹

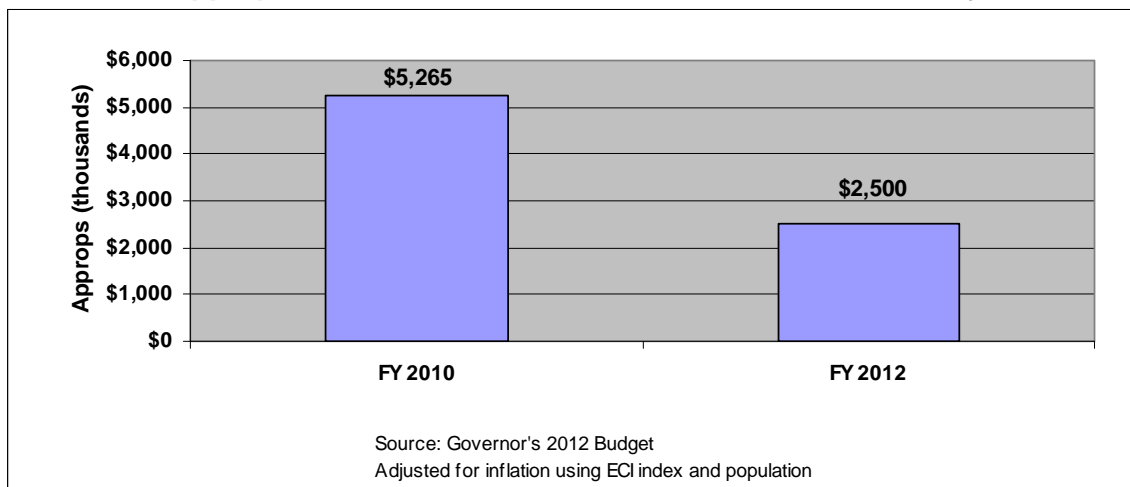
The time frame that the majority of after-school programs are held, between 3:00 and 6:00 PM, are also the hours with the highest risk of juvenile crime, use of drugs, alcohol, cigarettes, and sex.²⁰ Areas with high levels of juvenile delinquency and teen pregnancy and low levels of academic achievement demonstrate the necessity of after-school programs.²¹ Teenagers are about three times more likely to

skip class if they do not engage in after school programs, as well as equally likely to use drugs.²² Participating in after-school programs not only reduces behavior problems but also is related to improvements in standardized test scores²³ and an increased likelihood of students graduating and finding a job.²⁴

Access to after-school programs is not only necessary to improve the productivity of students and reduce the likelihood of disadvantaged youth participating in illegal activities, they also provide care for children when parents are working. **Businesses lose up to \$300 billion per year nationally due to decreased worker productivity of parents concerned about after-school care for children; on average, a lack of after-school activities results in parents missing eight days of work per year.**²⁵

The Governor’s FY 2012 GRF appropriations for after-school programs, after adjusting for inflation, have been cut by 52% from FY 2010 levels. Studies have shown the return on investments for after-school programs are as high as \$8.92 for every \$1 invested²⁶, due to crime reduction and ensuing costs, increased productivity on the part of parents, as well as increased lifetime earnings for youth who participate in after-school programs because of the greater likelihood they will graduate high school and improve academically.²⁷ **When the total indirect costs of underfunding after-school programs are taken into account, a cut of \$2.7 million from FY 2010 to FY 2012 could cost Illinois taxpayers up to \$24 million in the long run.**

Figure 4
From Fiscal Year 2010 to Fiscal Year 2012
GRF Appropriations for After School Matters Has Decreased by 52%



Conclusion

Illinois is midway through recovering from the worse recession in generations. At a time when the economy is at less than full strength, the cuts in the FY2012 Human Services budget outlined above, which are designed to achieve short term savings, will achieve that savings at a much higher cost down the road. Figure 5 illustrates clearly the cuts from FY 2010 to FY 2012, after adjusting for the impact of inflation. Total GRF funding for after school programs, mental health, and homelessness have been cut by nearly \$85 million dollars.

This short term savings will be greatly offset by the long term costs associated with cutting this funding, as Figure 6 illustrates. **The overall cost to Illinois taxpayers of an \$85 million dollar cut in funding now will be up to \$433 million in the long run.** Cuts of this nature are bad public policy. Illinois should

not trade short term cuts now for much larger costs down the road. **The answer is simple: If Illinois underfunds human services now, it will cost all Illinois taxpayers substantially more in the long run.**

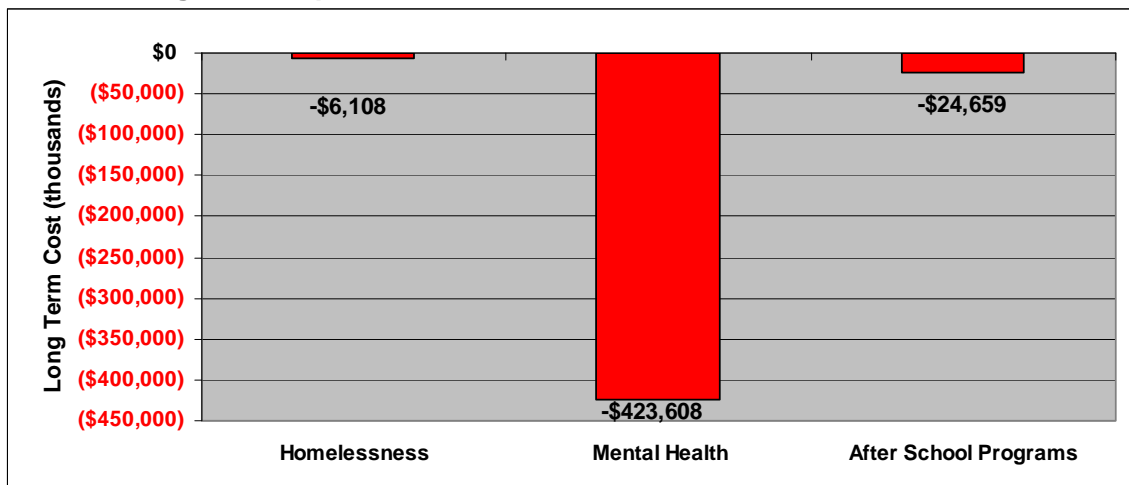
Figure 5
Overall Cuts to Funding for Human Services, FY 2010 – FY 2012

Category	FY 2012 Proposed	FY 2010 Adjusted to 2012	\$ Change	% Change
Homelessness	\$1,000	\$2,527	(\$1,527)	-59.87%
Mental Health	\$211,998	\$296,720	(\$84,722)	-27.55%
After School Programs	\$2,500	\$5,265	(\$2,765)	51.85%
Total			(\$89,013)	

Source: Governor's 2012 Budget

*Adjusted for inflation using ECI index and population

Figure 6
Long Term Impact of Cuts to Human Services, FY 2010 – FY 2012



Endnotes

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- ⁴ Ibid.
- ⁵ Chicago Alliance to End Homelessness. (2011). "Why Illinois Should Invest in Homeless Services: *Positive Outcomes and Cost Effective Programming*." <http://www.thechicagoalliance.org/documents/Why%20Illinois%20Should%20Invest%20in%20Homeless%20Services.pdf>.
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- ⁷ New York State Department of Social Services. (1990). *The Homelessness Prevention Program Outcomes and Effectiveness*.
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- ¹¹ Steve Aos, Jim Mayfield, Marna Miller, and Wei Yen. (2006). *Evidence-based treatment of alcohol, drug, and mental health disorders: Potential benefits, costs, and fiscal impacts for Washington State*. Olympia: Washington State Institute for Public Policy.
- ¹² NIH News National Institutes of Health. (2008). "Mental Disorders Cost Society Billions in Unearned Income." <http://www.nih.gov/news/health/may2008/nimh-07.htm>.
- ¹³ Ibid.
- ¹⁴ National Alliance on Mental Illness. "Matters of Fact – Illinois." April 2005. <http://www.nami.org/Template.cfm?Section=Illinois&template=/ContentManagement/ContentDisplay.cfm&ContentID=22533>.
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- ¹⁶ Ibid.
- ¹⁷ Steve Aos, Jim Mayfield, Marna Miller, and Wei Yen. (2006). *Evidence-based treatment of alcohol, drug, and mental health disorders: Potential benefits, costs, and fiscal impacts for Washington State*. Olympia: Washington State Institute for Public Policy.
- ¹⁸ Governor's FY 2012 – IL Operating Budget Book p. 297-8
- ¹⁹ Illinois After-School Partnership. <http://www.illinoisafterschool.net/>.
- ²⁰ National Conference of State Legislatures. "Youth Policy Spotlight: Illinois Afterschool Youth Development Project Act." <http://www.ncsl.org/default.aspx?TabId=22300>.
- ²¹ Illinois After-School Partnership. "Data Supporting the Need for After-School Services in Illinois." 7 Feb. 2005. http://www.illinoisafterschool.net/downloads/data_supporting_afterschool.pdf.
- ²² Afterschool Alliance. "The Afterschool Hours in America." http://www.afterschoolalliance.org/Research%20Factsheets%202010/Fact_Sheet_Afterschool_Essential_3_22_2010.pdf.
- ²³ Ibid.
- ²⁴ National Conference of State Legislatures. "Youth Policy Spotlight: Illinois Afterschool Youth Development Project Act." <http://www.ncsl.org/default.aspx?TabId=22300>.
- ²⁵ Afterschool Alliance. "The Afterschool Hours in America." http://www.afterschoolalliance.org/Research%20Factsheets%202010/Fact_Sheet_Afterschool_Essential_3_22_2010.pdf
- ²⁶ Brown, W.O., Frates, S.B., Rudge, I.S., Tradewell, R.L. (2002). *The Costs and benefits of after school programs: The estimated effects of The After School Education and Safety Program Act of 2002*. California: The Rose Institute of Claremont-McKenna College.
- ²⁷ Ibid.