

Economic downturn produces budget crisis in Illinois

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Four months into the fiscal year, Illinois' budget deficit is now projected at \$2.5 billion. This is in addition to a \$4 billion backlog of unpaid bills. State revenues have been hard hit by growing unemployment—now officially 7.3 percent—plummeting home values and tighter credit markets.

Illinois is far from alone in this predicament. Economy.com reports 32 states are facing mid-year deficits. New York is reporting a \$1.5 billion shortfall, and California announced it is \$11.6 billion in the red compared to projections from only 6 weeks ago. In every case, state legislatures are imposing austerity measures and cutting vitally needed social services.

The Illinois Department of Revenue is reporting shortfalls in three of its key taxes: individual income tax, corporate income tax and sales tax. If the current trend were to continue for the rest of the fiscal year, tax revenue would come in nearly \$800 million under projection. However, the state's economy is expected to worsen, leading the Department of Revenue to predict the shortfall between fiscal year 2009 receipts and budgeted revenues will exceed \$1 billion.

Similar budget deficits are affecting all levels of government, down to the county and municipal levels. An increased sales tax for Cook County in February of this year was to bring in an additional \$400 million in revenue. However, Cook County Board President Todd Stroger is now asking for a \$700 million loan to address county budget shortfalls. Stroger warns of thousands of possible layoffs if Cook County commissioners do not approve the action.

State budget cuts to address the deficit are affecting

several state agencies. At least 85 workers from three Illinois state agencies were scheduled to lose their jobs over the Thanksgiving Day weekend. According to Marcelyn Love, a spokeswoman for Democratic governor Rod Blagojevich, 48 workers were to be laid off at the Department of Human Services, 13 from the Department of Natural Resources, and 24 at the Illinois Historic Preservation Agency.

The budget crisis is hitting the Chicago area particularly hard with Illinois Comptroller Dan Hynes warning the budget shortfall could mean poor families being denied medical care, already underfunded schools facing a crisis, local governments failing to meet payrolls and mass transit cutting service or raising fares."

The Chicago media reported that daycare centers that provide services for low-income children were not mailed their monthly reimbursement checks by the state of Illinois, forcing many to operate day by day or consider closing. Illinois comptroller Dan Hynes says the budget payment delays to day cares, hospitals and nursing homes could take more than five months to receive.

The approval of an additional \$176 million last week to address some of the drastic cuts announced in August after Governor Blagojevich slashed \$1.4 billion from the state's budget will restore some funding to the state's substance abuse treatment centers, Department of Child and Family Services (DCFS), and the Regional Transit Authority (RTA).

However, the restoration of \$2.1 million for reversing the closure of some of the state's parks will fall short.

Only 4 of the 11 state parks originally slated to close will be able to remain open past November 30. According to Blagojevich spokeswoman Katie Ridgway, these would include Hennepin Canal Parkway State Park in Sheffield, Channahon Parkway State Park in Channahon, Gebhard Woods State Park in Morris and Kickapoo State Park in Oakwood.

In addition, the 50 percent cut in Illinois' historic preservation budget will restrict access to some of the state's most treasured Lincoln sites. This comes not only as the state prepares to celebrate the bicentennial of Lincoln's birth, but also at a time when the nation's media continues its effort to connect President-Elect Barack Obama with the Lincoln legacy. Two of the more popular sites facing cutbacks are Lincoln's Tomb and his old law office, both in Springfield. These will go from being open to the public seven days a week to only five and one, respectively.

Illinois universities are being asked to scale back their budgets by 2.5 percent, corresponding to approximately \$35 million from the state's four-year universities and \$8 million from its community colleges. As a result, the University of Illinois at Chicago announced it would cut 200 jobs at its medical center. Details concerning how the University of Illinois in Urbana-Champaign will be affected are expected next month.

In a cynical maneuver aimed at supposedly boosting state revenues, the Bush administration has implemented a new federal rule that allows individual states to charge higher premiums and higher co-payments for doctors' services, hospital care, and prescription drugs provided through Medicaid—the federally administered program that is the major provider of healthcare to the poor.

The administration calculated the potential cost savings states would realize based on estimates of how many people would be discouraged from seeking medical care because of the higher costs. The new rule will deny care or coverage to Medicaid beneficiaries who do not pay their premiums and is aimed at restructuring Medicaid to closer resemble private health insurance.

An estimated 2.2 million people—17 percent of Illinois' population—rely on Medicaid. Most are children, low-income adults and low-income pregnant women. In addition, this aid is essential for the elderly, disabled and blind.

News also came last Monday that the housing crisis in Illinois continues to worsen. The Illinois Association of Realtors reported that existing-home sales in Illinois declined 16.9 percent from a year ago. Within the city of Chicago, the sales decline stands at 21.6 percent as compared to October 2007. This puts Chicago's sales decline at more than 13 times the national average of 1.6 percent. This is coupled with falling home prices, which realtors say have yet to stabilize in Chicago.



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