

ILLINOIS POLICY

March 2015

Illinois budget analysis:

Fiscal year 2016



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Introduction

Illinois' finances have been in decline for decades, with debt and pension obligations accelerating rapidly in the wake of the Great Recession. As of March 2015, the state had \$111 billion in pension debt and more than \$6 billion in unpaid bills.

In 2011, politicians raised income taxes for individuals to 5 percent from 3 percent, and to 7 percent from 4.8 percent for corporations for the purpose of paying down pension debt and unpaid bills, which stood at \$83 billion and nearly \$8.5 billion respectively.^{1,2} The tax hike, which sunset on Jan. 1, 2015, brought in more than \$30 billion – more than what Illinois spends on all core government services (e.g., education, health care, human services, public safety) in a full budget year. But Illinois didn't use that money for education, health care or human services. Instead, the state used the tax-hike revenue to pay approximately \$3.6 billion in old bills, make approximately \$8 billion in pension obligation bond payments and put the remaining \$21 billion into the state's pensions systems. Nearly 90 cents of every tax-hike dollar went to pay for pensions.

On Jan. 1, 2015, the tax hike expired, as required by state law.

In February 2015, Gov. Bruce Rauner proposed a balanced budget that did not include another tax hike, but lawmakers have proposed some budget and policy ideas that would turn once more to tax hikes to bring in additional revenue.

The aftermath of the 2011 income-tax hike proved this approach was a policy failure. Since the passage of the tax hike, Illinoisans have steadily fled the state. In 2014, the state suffered a record loss of 95,000 residents on net, which will cost the state more than \$3 billion in annual income, and \$500 million in annual state and local tax revenue.³

This budget analysis report will examine the governor's budget proposal, and will offer additional solutions to right-size state spending.

¹ Transcript of Illinois House of Representatives debate, Jan. 11, 2011, at ilga.gov/house/transcripts/htrans96/09600165.pdf

² Commission on Government Forecasting and Accountability, "Illinois State Retirement Systems Financial Condition as of June 30, 2013," March 2014, at cgfa.ilga.gov/Upload/FinCondILStateRetirementSysFY13Mar2014.pdf

³ Lucci, Michael, "Out-migration is breaking Illinois budgets," Illinois Policy Institute, Jan. 25, 2015, at illinoispolicy.org/out-migration-is-breaking-illinois-budgets/

I. Analysis of the governor's budget proposal

In February 2015 Gov. Bruce Rauner introduced a budget that spends only what Illinois will raise in revenue during fiscal year 2016 – a new concept for a state that hasn't had a balanced budget in more than a decade. Key to Rauner's plan is allowing the 2011 temporary income-tax hike sunset as scheduled.

Rauner zeroed-out 62 line-item appropriations entirely, saving \$263 million. Nine of the appropriations zeroed out were appropriated at just \$1 during fiscal year 2014-15.

Appropriations zeroed out by Rauner's FY 2016 budget proposal

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
Teachers' Retirement System	Teachers' Retirement Insurance Program	\$100,983,000	\$0
Teachers' Retirement System	State Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago	\$50,000,000	\$0
Department Of Labor	Grants to state and local agencies and community providers for at-risk community support programs	\$20,000,000	\$0
Teachers' Retirement System	State Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago, per Section 17-127 of the Illinois Pension Code	\$12,145,000	\$0
State Employees' Retirement System	Retirement	\$12,130,930	\$0
Department Of Commerce And Economic Opportunity	Historic Preservation Business and	\$7,791,100	\$0
Department Of Commerce And Economic Opportunity	Community Development	\$7,500,000	\$0
State Board Of Education	Regional Safe Schools	\$6,300,000	\$0
Department Of Transportation	PACE Paratransit	\$4,675,000	\$0

Appropriations zeroed out by Rauner's FY 2016 budget proposal

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
State Universities Retirement System	College Insurance Program	\$4,459,547	\$0
State Board Of Education	Targeted Initiatives	\$3,200,000	\$0
State Board Of Education	After School Matters	\$2,500,000	\$0
Department Of Commerce And Economic Opportunity	Chicagoland Regional College Program	\$2,000,000	\$0
State Board Of Education	Agricultural Education	\$1,800,000	\$0
Department Of Commerce And Economic Opportunity	Illinois Manufacturers' Association	\$1,500,000	\$0
Department Of Commerce And Economic Opportunity	Chicago Federation of Labor	\$1,500,000	\$0
	Illinois Coalition Im-migrant and Refugee Rights' Parent Mentoring Program	\$1,500,000	\$0
State Board Of Education	Grow Your Own Teachers Program	\$1,500,000	\$0
Board Of Higher Education	Diversifying Higher Education Faculty in Illi-nois (DFI)	\$1,490,000	\$0
Board Of Higher Education	Chicago Area Health and Medical Careers Program (CAHMCP)	\$1,466,600	\$0
Department Of Children And Family Services	Department Scholarship Program	\$1,240,700	\$0
Department Of Commerce And Economic Opportunity	School Transportation - Agudath Israel of Illinois	\$1,200,000	\$0
Illinois Criminal Justice Infor-mation Authority	Franklin County Juve-nile Detention Center for Methamphetamine	\$1,200,000	\$0
	Replenishment of a Draw on the Debt Ser-vice Reserve Fund Backing Bonds Issued on Behalf of Children's Center for Behavioral Development and Re-lated Trustee and Legal Expenses	\$1,111,600	\$0
Southwestern Illinois Devel-opment Authority	Outreach and Training Activities	\$1,020,700	\$0
Illinois Student Assistance Commission	Lowest Performing Schools	\$1,002,800	\$0
State Board Of Education	Illinois Manufacturing Extension Center	\$1,000,000	\$0

Appropriations zeroed out by Rauner's FY 2016 budget proposal

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
Department Of Public Health	Expenditures to Implement the Medical Cannabis Program	\$1,000,000	\$0
State Board Of Education	National Board Certified Teachers	\$1,000,000	\$0
State Board Of Education	Teach for America	\$1,000,000	\$0
Department Of Military Affairs	Illinois Military Family Relief Fund	\$800,000	\$0
Department Of Commerce And Economic Opportunity	Grants, Contracts and Administrative Expenses Associated With New Start Inc for a Basic Nurse Assistant Training Program in Latino Communities	\$750,000	\$0
Department Of Commerce And Economic Opportunity	African American Family Commission	\$750,000	\$0
Department Of Transportation	Grant to the Illinois Latino Commission	\$750,000	\$0
Department Of Public Health	Mobile Health Services	\$500,000	\$0
State Board Of Education	Advanced Placement Arts and Foreign Language Education	\$500,000	\$0
Department Of Public Health	University of Illinois Chicago Sickle Cell Clinic	\$495,000	\$0
Illinois Criminal Justice Information Authority	Bullying Prevention	\$464,900	\$0
Board Of Higher Education	Competitive Grants for Nursing Schools to Increase the Number of Graduating Nurses	\$425,000	\$0
Department Of Military Affairs	Veterans' Assistance Commission of Cook County	\$400,000	\$0
State Board Of Education	Children's Mental Health Partnership	\$300,000	\$0
Department Of Commerce And Economic Opportunity	Northeast DuPage Special Recreation Association	\$250,000	\$0
Department Of Public Health	Expenses Associated with Sudden Infant Death Syndrome (SIDS)	\$250,000	\$0

Appropriations zeroed out by Rauner's FY 2016 budget proposal

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
	Nurse Educator Fellowships to Supplement Nurse Faculty		
Board Of Higher Education	Salaries	\$224,300	\$0
State Board Of Education	Tax-Equivalent Grants	\$222,600	\$0
	Illinois Math and Science Academy (IMSA) Fusion Program		
Board Of Higher Education		\$109,000	\$0
	Violence Prevention Task Force		
Department Of Public Health		\$100,000	\$0
	Washington Center Intern Program		
Board Of Higher Education		\$100,000	\$0
	Grant to South Suburban Major Crimes Task Force		
Illinois Criminal Justice Information Authority		\$97,000	\$0
	Quad Cities Graduate Study Center		
Board Of Higher Education		\$83,900	\$0
	Media, Film Production and Info-outreach		
Department Of Public Health		\$50,000	\$0
	Multiple Sclerosis Task Force		
Department Of Public Health		\$40,000	\$0
State Board Of Education	Homeless Education	\$1	\$0
	Performance Evaluations		
State Board Of Education		\$1	\$0
	Teacher Instructional Support		
State Board Of Education		\$1	\$0
	Extended Learning Time Grants		
State Board Of Education		\$1	\$0
	Diversified Educator Recruitment		
State Board Of Education		\$1	\$0
	Low-Income Advanced Placement		
State Board Of Education		\$1	\$0
	Teacher and Administrator Mentoring Program		
State Board Of Education		\$1	\$0
	Principal Mentoring Program		
State Board Of Education		\$1	\$0
	GRF Longitudinal Data System		
State Board Of Education		\$1	\$0

Source: Office of Management and Budget,
www2.illinois.gov/gov/budget/Documents/Budget%20Book/Budget%20Book20FY16/FY2016BudgetbyLineItemData.xls

Rauner's top 10 proposed reductions as a percentage of spending in line-item appropriations would save more than \$300 million.

Top 10 appropriations reductions for FY 2016 in governor's budget

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal	Difference	% change
Department Of Children And Family Services	Youth in Transition Program	\$886,800	\$204,100	\$682,700	-77.0%
	Expenses Associated with Breast and Cervical Cancer Screenings and				
Department Of Public Health	Other Related Activities	\$13,823,400	\$4,000,000	\$9,823,400	-71.1%
	Specialized Training Program (Formerly Alzheimer's Related				
Department On Aging	Activites and Programming)	\$50,000	\$20,000	\$30,000	-60.0%
Illinois Criminal Justice Information Authority	Operation CeaseFire	\$4,700,000	\$1,949,000	\$2,751,000	-58.5%
Department Of Transportation	Travel	\$265,000	\$145,300	\$119,700	-45.2%
Department Of Veterans' Affairs	Lump Sums and Grants	\$763,300	\$498,000	\$265,300	-34.8%
University Of Illinois	Operational Expenses	\$600,256,800	\$391,704,200	\$208,552,600	-34.7%
Southern Illinois University	Operational Expenses	\$204,081,800	\$139,775,100	\$64,306,700	-31.5%
Governors State University	Operational Expenses	\$24,615,900	\$16,862,000	\$7,753,900	-31.5%
Eastern Illinois University	Operational Expenses	\$43,964,800	\$30,116,100	\$13,848,700	-31.5%
Northern Illinois University	Operational Expenses	\$93,189,500	\$63,835,300	\$29,354,200	-31.5%
Illinois State University	Operational Expenses	\$73,889,200	\$50,614,500	\$23,274,700	-31.5%

Illinois State University	Operational Expenses	\$73,889,200	\$50,614,500	\$23,274,700	-31.5%
Western Illinois University	Operational Expenses	\$52,629,300	\$36,051,400	\$16,577,900	-31.5%
Northeastern Illinois University	Operational Expenses	\$37,748,100	\$25,857,700	\$11,890,400	-31.5%
Chicago State University	Operational Expenses	\$37,166,600	\$25,459,400	\$11,707,200	-31.5%

Source: Office of Management and Budget,
www2.illinois.gov/gov/budget/Documents/Budget%20Book/Budget%20Book20FY16/FY2016BudgetbyLineItemData.xls

Rauner's budget proposal keeps 101 appropriation recommendations constant with last year's appropriation, meaning the proposed spending neither increased nor decreased compared to fiscal year 2015.

Unchanged program spending, FY 2016 proposed v. FY 2015 actual appropriation

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
General Assembly	Senate Planning and Preparation for Redistricting - Reappropriation	\$373,288	\$373,288
General Assembly	Redistricting Support for Senate President - Reappropriation	\$433,971	\$433,971
General Assembly	Redistricting Support for Speaker of the House - Reappropriation	\$441,600	\$441,600
General Assembly	House Planning and Preparation for Redistricting - Reappropriation	\$472,307	\$472,307
Office Of The State Comptroller	Personal Services	\$7,766,100	\$7,766,100

Unchanged program spending, FY 2016 proposed v. FY 2015 actual appropriation

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
Office Of The State Comptroller	Personal Services	\$3,947,800	\$3,947,800
Office Of The State Comptroller	Personal Services	\$2,138,800	\$2,138,800
Office Of The State Comptroller	Personal Services	\$400,000	\$400,000
Office Of The State Comptroller	Personal Services	\$800,000	\$800,000
Office Of The State Comptroller	Personal Services	\$272,300	\$272,300
Office Of The State Comptroller	Personal Services	\$897,800	\$897,800
Office Of The State Comptroller	Personal Services	\$10,096,400	\$10,096,400
Office Of The State Comptroller	Personal Services	\$579,400	\$579,400
Office Of The State Comptroller	Social Security	\$1,167,500	\$1,167,500
Department On Aging	Senior Employment Specialist Program	\$190,300	\$190,300
Department On Aging	Grandparents Raising Grandchildren Program	\$300,000	\$300,000
Department On Aging	Monitoring and Support Services	\$182,000	\$182,000
Department On Aging	Illinois Council on Aging	\$26,000	\$26,000
Department On Aging	Retired Senior Volunteer Program	\$551,800	\$551,800
Department On Aging	Planning and Service Grants to Area Agencies on Aging	\$7,722,000	\$7,722,000
Department On Aging	Foster Grandparents Program	\$241,400	\$241,400
Department On Aging	Community Based Services for Equal Distribution to Each of the 13 Area Agencies on Aging	\$751,200	\$751,200
Department On Aging	Community Transition and System Rebalancing	\$32,496,400	\$32,496,400

Unchanged program spending, FY 2016 proposed v. FY 2015 actual appropriation

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
Department Of Children And Family Services	Cash Assistance and Housing Locator Services to Families in Class Defined in Norman Consent Order	\$1,343,900	\$1,343,900
Department Of Children And Family Services	MCO Technical Assistance and Program Development	\$1,407,800	\$1,407,800
Department Of Children And Family Services	Pre-Admission/Post- Discharge Psychiatric Screening	\$3,003,500	\$3,003,500
Department Of Children And Family Services	Children's Advocacy Centers	\$1,942,300	\$1,942,300
Department Of Children And Family Services	Family Preservation	\$2,192,400	\$2,192,400
Department Of Children And Family Services	Health Care Network	\$1,661,900	\$1,661,900
Department Of Children And Family Services	Services Associated with the Foster Care Initiative	\$6,281,200	\$6,281,200
Department Of Children And Family Services	Attorney General Representation on Child Welfare Litigation Issues	\$474,000	\$474,000
Department Of Children And Family Services	Targeted Case Management	\$9,907,700	\$9,907,700
Department Of Children And Family Services	Protective/Family Maintenance Day Care	\$24,334,400	\$24,334,400
Department Of Children And Family Services	Tort Claims	\$75,000	\$75,000
Department Of Children And Family Services	Child Death Review Teams	\$106,400	\$106,400
Department Of Commerce And Economic Opportunity	Administrative Expenses and Grants for the Office of Entrepreneurship and Small Business	\$5,500,000	\$5,500,000
Department Of Commerce And Economic Opportunity	DCEO Technology-Based Programs	\$2,500,000	\$2,500,000
Department Of Commerce And Economic Opportunity	DCEO Job Training Programs	\$10,000,000	\$10,000,000
Department Of Commerce And Economic Opportunity	Administrative Expenses and Grants for the Office of Trade and Investment	\$1,500,000	\$1,500,000
Department Of Natural Resources	Water Development Program	\$969,600	\$969,600

Unchanged program spending, FY 2016 proposed v. FY 2015 actual appropriation

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
Department Of Juvenile Justice	Statewide Hospitalization	\$40,100	\$40,100
Department Of Juvenile Justice	Repair and Maintenance	\$350,000	\$350,000
Department Of Corrections	Statewide Hospitalization	\$6,483,300	\$6,483,300
Department Of Corrections	Sheriffs' Fees for Conveying Prisoners	\$327,300	\$327,300
Department Of Corrections	State's Share of Assistant State's Attorneys' Salaries Reimbursement to Counties per 55 ILCS 5	\$365,200	\$365,200
Department Of Corrections	Ordinary and Contingent Expenses of the Sentencing Policy Advisory Council	\$668,000	\$668,000
Department Of Human Rights	Operational Expenses	\$9,480,000	\$9,480,000
Department Of Military Affairs	Lincoln's Challenge	\$2,765,200	\$2,765,200
Department Of Public Health	Expenses of the Adoption Registry	\$97,000	\$97,000
Department Of Public Health	Operational Expenses of the Regional Data Base System	\$13,000	\$13,000
Department Of Public Health	Other Refunds	\$14,500	\$14,500
Department Of Public Health	Expenses for Public Health Prevention Systems	\$408,600	\$408,600
Department Of Public Health	Expenses Associated with the Childhood Immunization Program	\$145,500	\$145,500
Department Of Public Health	Operational Expenses for Health Information Systems Targeted for Health Screening Programs	\$110,200	\$110,200
Department Of Public Health	Expenses of Adverse Reporting, Patient Safety and the Adverse Pregnancy Outcome Reporting System (APORS) in Support of Infant Mortality Reduction	\$1,038,500	\$1,038,500

Unchanged program spending, FY 2016 proposed v. FY 2015 actual appropriation

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
Department Of Public Health	Expenses of State Cancer Registry, including Matching Funds for National Cancer Institute Grants	\$155,100	\$155,100
Department Of Public Health	Operating Expenses of the Center for Rural Health	\$291,000	\$291,000
Department Of Public Health	Expenses Associated with the Assisted Living and Shared Housing Program	\$211,100	\$211,100
Department Of Public Health	Expenses Incurred for the Rapid Investigation and Control of Disease or Injury	\$472,100	\$472,100
Department Of Public Health	Expenses of Environmental Health Surveillance and Prevention Activities, Including Mercury Hazards and West Nile Virus	\$314,900	\$314,900
Department Of Public Health	Expenses for Expanded Lab Capacity and Enhanced Statewide Communication Capabilities Associated with Homeland Security	\$339,500	\$339,500
Department Of Public Health	Deposit into the Lead Poisoning Screening, Prevention and Abatement Fund	\$679,000	\$679,000
Department Of Public Health	Local Health Protection Grants for Health Protection Programs	\$17,098,500	\$17,098,500
Department Of Public Health	Operating Expenses to Provide Clinical and Environmental Public Health Laboratory Services	\$3,338,700	\$3,338,700
Department Of Public Health	Expenses for Promotion of Women's Health	\$485,000	\$485,000
Department Of State Police	Administration of a Statewide Sexual Assault Evidence Collection Program	\$58,200	\$58,200
Department Of State Police	Combined DNA Index System (CODIS) and Related Casework	\$2,254,800	\$2,254,800

Unchanged program spending, FY 2016 proposed v. FY 2015 actual appropriation

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
Department Of State Police	Nursing Home Identified Offender Program	\$717,900	\$717,900
Civil Service Commission	Operational Expenses	\$379,000	\$379,000
Illinois Deaf And Hard Of Hearing Commission	Operational Expenses	\$650,000	\$650,000
Court Of Claims	Refunds	\$400	\$400
Human Rights Commission	Operational Expenses	\$2,099,400	\$2,099,400
Illinois Criminal Justice Information Authority	Illinois Family Violence Coordinating Councils	\$528,300	\$528,300
	Activities in Support of Federal Assistance Programs Administered by State and Local Governments and Non-Profit Organizations		
Illinois Criminal Justice Information Authority	Local Governments and Non-Profit Organizations	\$634,900	\$634,900
Procurement Policy Board	Operational Expenses	\$474,700	\$474,700
	Educator Misconduct Investigations		
State Board Of Education	Investigations	\$184,000	\$184,000
	Truant Alternative and Optional Education Program		
State Board Of Education	Optional Education Program	\$11,500,000	\$11,500,000
	Philip J. Rock Center and School, 14-11.02		
State Board Of Education	School, 14-11.02	\$3,577,800	\$3,577,800
	Visually Impaired/ Educational Materials		
State Board Of Education	Coordinating Unit, 14-11.01	\$1,421,100	\$1,421,100
	Special Education - Private Tuition, 14-7.02		
State Board Of Education	Tuition, 14-7.02	\$230,192,400	\$230,192,400
	Special Education - Personnel Reimbursement, 14-13.01		
State Board Of Education	Personnel Reimbursement, 14-13.01	\$440,500,000	\$440,500,000
	Special Education - Orphanage Tuition, 14-7.03		
State Board Of Education	Orphanage Tuition, 14-7.03	\$95,000,000	\$95,000,000
	Transportation-Regular/ Vocational Reimbursement, 29-5		
State Board Of Education	Transportation-Regular/ Vocational Reimbursement, 29-5	\$205,808,900	\$205,808,900
	Special Education - Student Transportation Reimbursement, 14-13.01		
State Board Of Education	Student Transportation Reimbursement, 14-13.01 (b)	\$450,500,000	\$450,500,000
	Reimbursement for Free Breakfast/Lunch		
State Board Of Education	Breakfast/Lunch	\$9,000,000	\$9,000,000
	Blind/Dyslexic Persons Reading Program		
State Board Of Education	Blind/Dyslexic Persons Reading Program	\$816,600	\$816,600

Unchanged program spending, FY 2016 proposed v. FY 2015 actual appropriation

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
State Board Of Education	Summer School Payments, 18-4.3	\$10,100,000	\$10,100,000
State Board Of Education	Technology for Success (State and District Technology Support)	\$2,500,000	\$2,500,000
State Board Of Education	Bilingual Education	\$63,681,200	\$63,681,200
State Board Of Education	Career and Technical Education Programs	\$38,062,100	\$38,062,100
State Board Of Education	Autism Training and Technical Assistance	\$100,000	\$100,000
State Board Of Education	District Consolidation Costs/ Supplemental Payments to School Districts	\$3,385,500	\$3,385,500
State Board Of Education	Student Assessments	\$44,600,000	\$44,600,000
State Board Of Education	Community Residential Service Authority	\$592,300	\$592,300
Teachers' Retirement Sys- tem	State Contribution to the Teachers' Retirement System of Illinois as an Employer of Teachers, per subsection (e) of Section 16-158 of the Illinois Pension Code	\$120,000	\$120,000
Board Of Higher Educa- tion	Administration and Enforcement of the P-20 Longitudinal Education Data System Act	\$434,000	\$434,000
Board Of Higher Educa- tion	Cooperative Work Study Programs	\$1,114,500	\$1,114,500
Southern Illinois University	Daily Egyptian Newspaper	\$70,000	\$70,000
University Of Illinois	Prairie Research Institute	\$16,826,500	\$16,826,500
University Of Illinois	University of Illinois Hospital	\$45,000,000	\$45,000,000
Illinois Student Assistance Commission	Monetary Award Program (MAP)	\$373,254,500	\$373,254,500

Source: Office of Management and Budget,
[www2.illinois.gov/gov/budget/Documents/Budget%20Book/Budget%20Book20FY16/
 FY2016BudgetbyLineItemData.xls](http://www2.illinois.gov/gov/budget/Documents/Budget%20Book/Budget%20Book20FY16/FY2016BudgetbyLineItemData.xls)

Some line items saw hefty increases in funding. Rauner's top 10 increases as a percentage of spending in line-item appropriations totaled nearly \$1 billion.

Top 10 appropriation increases for 2016 in governor's budget

Agency name	Appropriation name	FY 2015 actual ap- propriation	FY 2016 governor's proposal	Difference	% change
Department Of Central Management Services	Awards and Ex- penses of the State Govern- ment Suggestion Award Board	\$1,800	\$30,000	\$28,200	1,567%
Department Of Healthcare And Family Services	Deposit into Healthcare Provider Relief Fund	\$64,232,900	\$664,232,900	\$600,000,000	934%
Department On Aging	Community Care Program - Capitated Coor- dinated Care	\$32,230,000	\$167,000,000	\$134,770,000	418%
Department On Aging	Ombudsman Program	\$1,348,400	\$5,500,000	\$4,151,600	308%
Prisoner Review Board	Operational Ex- penses	\$1,369,000	\$3,000,000	\$1,631,000	119%
Department Of Central Management Services	Operational Ex- penses, Grants, and Awards	\$22,846,000	\$44,935,900	\$22,089,900	97%
State Board Of Education	General State Aid	\$241,053,300	\$461,303,100	\$220,249,800	91%
Department Of Corrections	Repair, Mainte- nance and Other Capital Improve- ments	\$2,910,600	\$5,000,000	\$2,089,400	72%
Illinois Criminal Justice Information Au- thority	Adult Redeploy and Diversion Programs	\$7,000,000	\$10,750,000	\$3,750,000	54%
Department On Aging	Balancing In- centive Program (BIP)	\$3,476,600	\$5,074,700	\$1,598,100	46%

Source: Office of Management and Budget,
[www2.illinois.gov/gov/budget/Documents/Budget%20Book/Budget%20Book20FY16/
 FY2016BudgetbyLineItemData.xls](http://www2.illinois.gov/gov/budget/Documents/Budget%20Book/Budget%20Book20FY16/FY2016BudgetbyLineItemData.xls)

Finally, Rauner proposed four new appropriations – money that had not been previously spent for that purpose in prior years – equal to \$201 million.

New line-item appropriations for 2016 in governor's budget

Agency name	Appropriation name	FY 2015 actual appropriation	FY 2016 governor's proposal
State Board Of Education	General State Aid	\$0	\$200,000,000
Illinois Criminal Justice Information Authority	Safe From the Start Program	\$0	\$1,200,000
Department Of Juvenile Justice	Office of the Independent Juvenile Ombudsman	\$0	\$300,000
Teachers' Retirement System	State Contribution to the Teachers' Retirement System of Illinois as an Employer of Teachers, per subsection (f) of Section 16-158 of the Illinois Pension Code	\$0	\$200,000

Source: Office of Management and Budget,
www2.illinois.gov/gov/budget/Documents/Budget%20Book/Budget%20Book20FY16/FY2016BudgetbyLineItemData.xls

Governor's budget proposal would keep funding steady for 1/3 of state agencies

While a number of state agencies were in line for reductions in Gov. Bruce Rauner's fiscal year 2016 budget proposal, many others received the same level of funding they had under the Quinn administration.

Total proposed appropriations for more than one-third of state agencies – 37 departments out of nearly 100 – would change by 5 percent or less. The resources budgeted for 14 of these agencies remained about the same as the previous year, while eight departmental budgets went up slightly and 15 others experienced slight decreases.

Over a third of state agencies see funding change by 5% or less under Rauner budget

Agency	FY 2015 actual appropriation	FY 2016 governor's proposal	% change
State Board of Education	\$9,849,380	\$10,177,580	3%
Sports Facilities Authority	\$54,620	\$56,307	3%
Capital Development Board	\$26,872	\$27,450	2%
IL Workers' Compensation Commission	\$27,573	\$28,159	2%
State Police	\$419,736	\$428,329	2%
Military Affairs	\$57,544	\$58,301	1%
Insurance	\$55,956	\$56,692	1%
Environmental Protection Agency	\$304,610	\$307,891	1%
Auditor General	\$30,754	\$30,859	0%
Metropolitan Pier and Exposition Authority	\$180,863	\$181,476	0%
Lottery	\$1,226,950	\$1,227,687	0%
Human Rights	\$14,868	\$14,868	0%
Human Rights Commission	\$2,099	\$2,099	0%
Civil Service Commission	\$379	\$379	0%
Deaf and Hard of Hearing Commission	\$850	\$850	0%
East St. Louis Financial Advisory Authority	\$0	\$0	0%
IL Power Agency	\$53,827	\$53,827	0%
Procurement Policy Board	\$475	\$475	0%
IL Community College Board	\$400,609	\$400,495	0%
Office of Management & Budget	\$463,875	\$463,718	0%

Over a third of state agencies see funding change by 5% or less under Rauner budget

Agency	FY 2015 actual appropriation	FY 2016 governor's proposal	% change
IL Emergency Management Agency	\$485,247	\$484,320	0%
Criminal Justice Information Authority	\$103,319	\$102,857	0%
Office of the Treasurer	\$3,552,408	\$3,528,393	-1%
Human Services	\$6,056,064	\$6,010,947	-1%
State's Attorney Appellate	\$16,216	\$15,902	-2%
Financial and Professional Regulation	\$109,687	\$107,532	-2%
Employment Security	\$349,853	\$340,053	-3%
Council on Developmental Disabilities	\$4,876	\$4,732	-3%
IL Law Enforcement Training	\$17,674	\$17,135	-3%
Public Health	\$603,772	\$584,461	-3%
Education Labor Relations Board	\$1,698	\$1,640	-3%
Agriculture	\$101,747	\$97,710	-4%
State Board of Elections	\$28,443	\$27,283	-4%
Attorney General	\$78,887	\$75,663	-4%
IL Student Assistance Commission	\$769,149	\$736,250	-4%
State University Civil Service System	\$1,203	\$1,147	-5%
Gaming Board	\$170,319	\$161,580	-5%

Source: Office of Management and Budget,
[www2.illinois.gov/gov/budget/Documents/Budget%20Book/Budget%20Book20FY16/
 FY2016BudgetbyLineItemData.xls](http://www2.illinois.gov/gov/budget/Documents/Budget%20Book/Budget%20Book20FY16/FY2016BudgetbyLineItemData.xls)

Total appropriations for the agencies include money from the general fund, as well as other state and federal sources.

Governor's budget proposal still has room to cut

Though Gov. Bruce Rauner's proposal would ultimately balance the state's budget, it still includes wasteful and low-priority spending that should be eliminated.

Here are some examples:

- \$70,000 for Southern Illinois University's "The Daily Egyptian," essentially bailing out a college newspaper. Furthermore, a onetime infusion of cash is a Band-Aid, serving only to delay a solution to the paper's issues.
- An \$83,500 allowance for both the Senate president and minority leader. This money is listed as "allowances," on top of the more than \$90,000 salaries. It's hard to imagine that trimming this appropriation would be impossible.
- \$341,600 for costs associated with the National Conference of State Legislatures, which is the equivalent of an industry group for state legislatures. Instead of seeking outside counsel on how to serve the state, the Illinois General Assembly should be focusing inward to find solutions – and should cut this spending item. The argument for membership is sharing best practices, but why spend so much money? The potential solutions are in neighboring states, which faced similar problems but successfully tackled them.
- Funds for redistricting include \$373,288 for Senate planning and preparation; \$433,971 for the Senate president; \$472,307 for House planning and preparation; and another \$478,903 for general planning and preparation, for a total of \$1.8 million. This money has carried over from year to year as a reappropriation. Why so much? Iowa only spent about \$200,000 after the last Census, according to The Gazette in Cedar Rapids.¹ And Iowa gets a much better outcome, with a redistricting process that keeps out politics. In Illinois, nearly \$2 million will only allow legislative leaders to create political mischief. The result: cleverly gerrymandered districts that benefit the political establishment, but not voters.
- \$551,800 for the Retired Senior Volunteer Program. This state-funded program works to increase volunteerism among Illinoisans 55 and older. Thousands of private charities exist to achieve this goal. The state is not responsible for stewarding charitable volunteering. Charities do just fine getting the word out about their need for volunteers.
- \$1,288,800 in grants to the Chicago Public Library. Illinois isn't responsible for funding a local library. The state should not be in the business of bailing out units of local government. This is an issue of fairness. If you do it for one, then others will demand the same. The state should not reward those agencies that fail to keep their books in order.

¹ Lynch, James, "Iowa redistricting chief says completing process 'a good feeling,'" The Gazette, March 31, 2014, at thegazette.com/2011/04/19/iowa-redistricting-chief-says-completing-process-a-good-feeling

II. Additional opportunities for savings and reform

Reforming government-worker pay and benefits

Right-sizing Illinois state government's payrolls

J. Scott Moody and Wendy Warcholik, Ph.D. — Senior Fellows

Introduction

It's almost impossible for Illinois taxpayers to know if they are paying a fair price when it comes to goods and services provided by the state-government workforce.

In the private sector, productivity is the sum of all goods and services (as measured by Gross Domestic Product) divided by the number of workers. But in the public sector, there is no reliable measure of the "goods and services" received because prices are not set on a voluntary basis. Rather, citizens pay taxes that are deemed necessary to fund government at a level determined by elected officials.

This study provides a better understanding of the productivity of Illinois' public sector by examining state-government compensation, including wage and salary and benefit levels across the 50 states.

The basis of this comparison is to examine payrolls in Illinois versus the national average. Since the national average represents an amalgam of 50 states and is the equilibrium level between government productivity and pay, this can be used as a benchmark from which to determine if any one state is more or less productive by observing the deviancy away from the national average. With this relative metric, high pay is not associated with greater productivity, since it is shown that other governments achieve the same performance with lower pay. Being above the national average indicates "low productivity" among the government's workforce and vice versa.

This analysis found that Illinois' operating deficit, which has led to more than \$5 billion in outstanding bills, would not exist if, since 2000, state government had simply paid its employees at a rate relative to what other state governments pay their workers.

Study overview

The first part of the study examines compensation levels in Illinois state government. In calendar year 2013, the average Illinois state-government compensation was \$82,314 per job, while the average Illinois private-sector compensation was \$65,064 per job. In other words, the average Illinois state-government job paid 27 percent higher than the average Illinois private-sector job. This is significantly above the national average of state-government jobs, which compensate 16 percent more than private-sector jobs.

While wages and salaries and benefits contribute to high state-government compensation levels, this study will dive deeper on wages and salaries because they also contribute to high benefits levels — pensions, for instance, are based on an employee's earnings.

There are many reasons why, nationally, state-government compensation exceeds the private sector, including differences in educational levels, and some have tried to use this as a rationale for the

imbalance between state government and private pay scales. However, studies that control for such variables still find that Illinois state-government workers are richly compensated.¹ This study is not affected by this issue, because in addition to a direct private vs. public comparison, it offers a correction of Illinois' state-government wages-and-salary ratio to the national average of state-government pay compared to private-sector pay.

Furthermore, it is worth noting that, according to data from the Council for Community and Economic Research's ACCRA Cost of Living Index, the cost of living in the Springfield metro area, as well as portions of the collar counties, are below the national average. According to data from the Office of Management and Budget, in 2014, 52 percent of the state workforce was in the Springfield area.²

The second part of the study will examine Illinois state wages and salaries by 32 government functions, such as administration, corrections, highways, public welfare and higher education, among others. This detailed information will provide policymakers with a map to aid in the effort to right-size the payrolls of the state-government workforce.

Possible taxpayer savings

Overall, adjusting Illinois government wage-and-salary ratios to the national average in calendar year 2013 would have saved taxpayers up to nearly \$1 billion across all funds. However, payroll savings to the general funds are more limited because some positions are paid for through dedicated state funds, such as the gas tax to fund highways, or by the federal government, such as unemployment insurance.

As such, payroll savings to the general funds in fiscal year 2015 are estimated to be up to \$780 million if fully adjusted to the national ratio of state-government wages and salaries divided by private-sector earnings. To put this into perspective, these payroll savings are enough to eliminate the estate tax and insurance premium tax – a combined \$668 million in fiscal year 2013.

Alternatively, adjusting average Illinois state-government wages and salaries to equal the average Illinois private-sector wages and salaries would yield general funds payroll savings of up to \$443 million in fiscal year 2015. To put this into perspective, these payroll savings are enough to eliminate all occupational and business licensing (\$431 million in fiscal year 2013).

The Illinois payroll problem

According to the U.S. Department of Commerce's Bureau of Economic Analysis, in calendar year 2013, Illinois paid state-government employees \$12.5 billion in total compensation (wages and salaries plus benefits), or 3.8 percent of nonfarm private earnings. This includes payroll from all funding sources, be it from the general funds, dedicated funds or federal funds and allows for apples-to-apples comparisons across the states.

Policymakers need relative metrics to judge whether Illinois state-government employees are paid too much. The "compensation ratio" offers that perspective.

The compensation ratio

The compensation ratio is derived by dividing state-government compensation per job by private-sector compensation per job. In calendar year 2013, Illinois state-government compensation was \$82,314 per job, which is 27 percent higher than the private-sector compensation of \$65,064 per job.

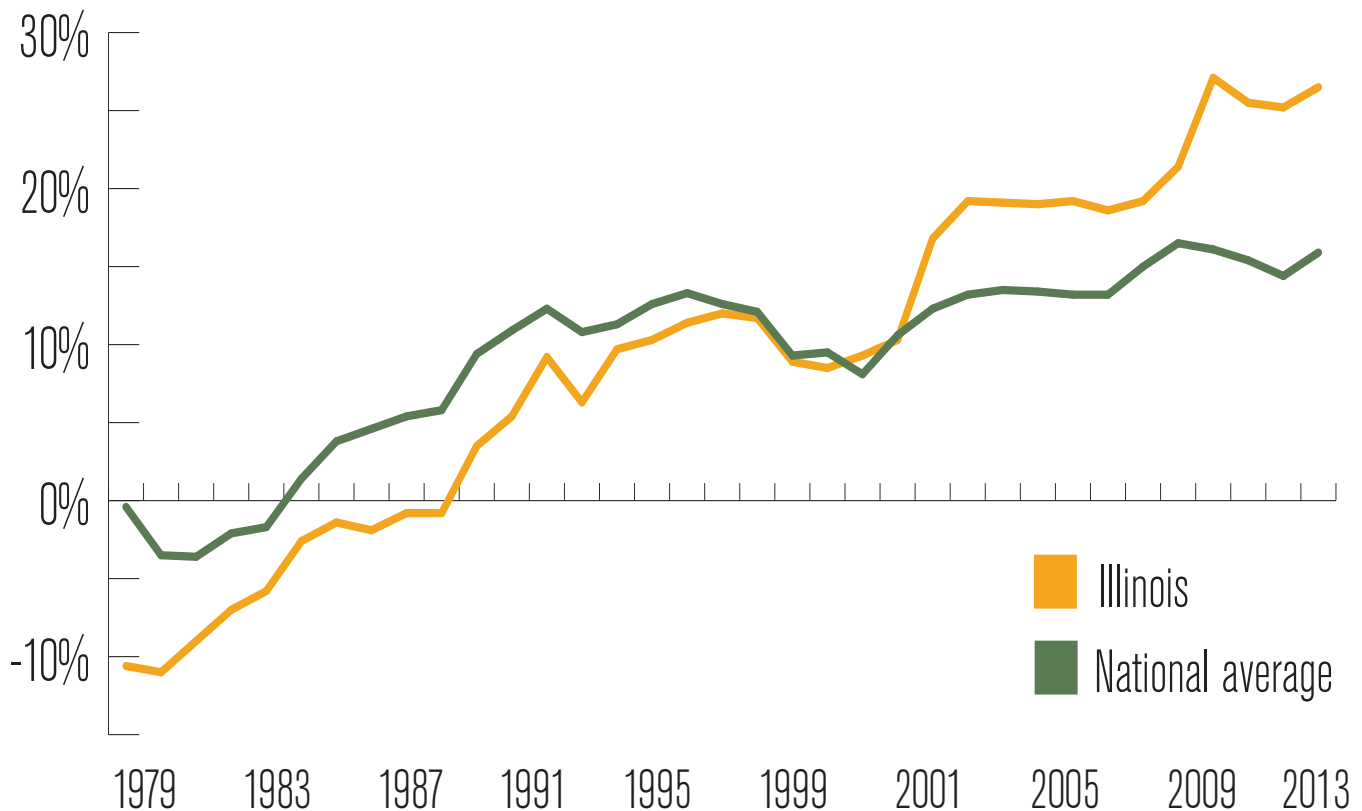
The compensation ratio is shown in Chart 1. Between calendar years 1979 and 2000, Illinois' public-sector compensation was generally below the national average. However, since 2000, state-government compensation not only exceeds private-sector compensation, but also the national average compensation ratio. In calendar year 2013, Illinois' state compensation ratio ranked as the 10th highest in the country, and higher than the national average ratio of 16 percent.

More specifically, compensation is composed of two components. The first is the wage or salary paid to the employee for services rendered. The second is benefits, which include employer-provided health insurance and retirement.

Chart 1

IL state-government compensation ratio is 67 percent higher than national average

State-government compensation as a percent of private-sector compensation per job, 1979-2013



Source: U.S. Department of Commerce: Bureau of Economic Analysis, Illinois Policy Institute

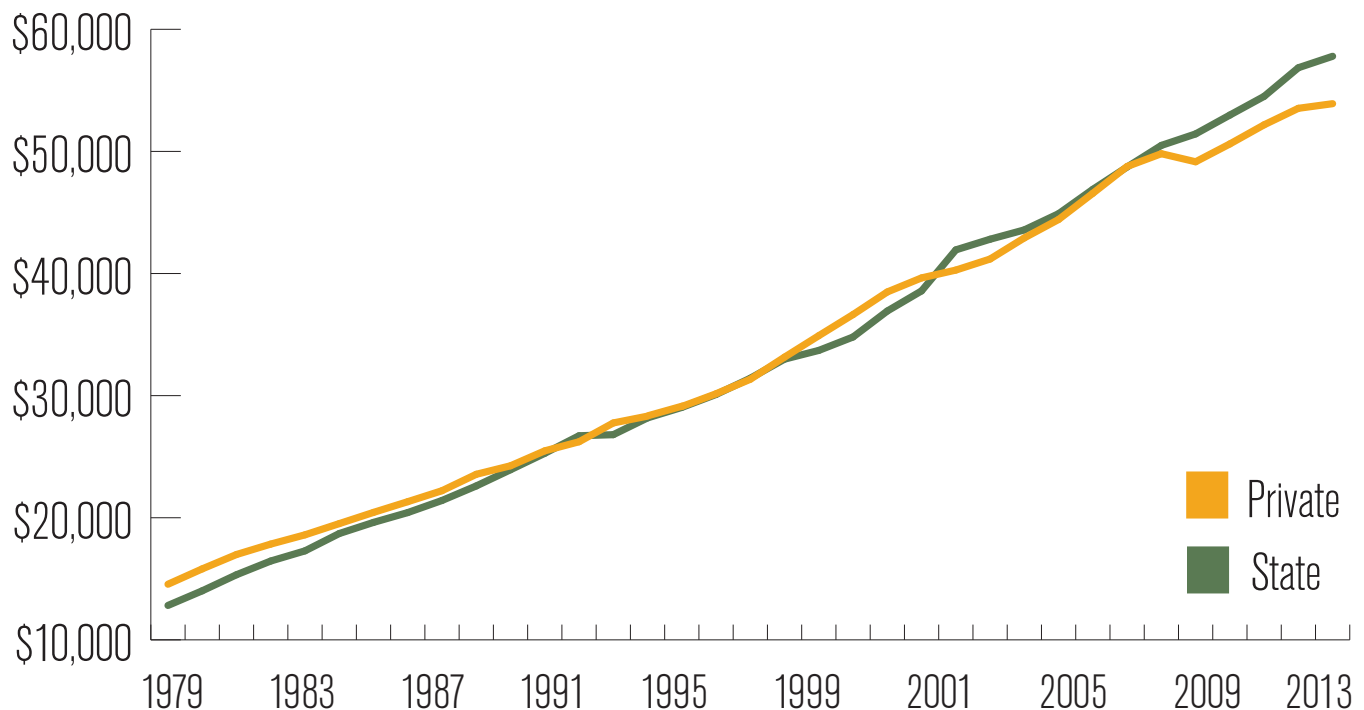
The wage-and-salary ratio

The wage-and-salary ratio is derived by dividing state-government wages and salaries per job by private-sector wages and salaries per job. As shown in Charts 2 and 3, in calendar year 2013, Illinois state-government wages and salaries were \$57,790 per job, which is 7 percent higher than the private-sector wages and salaries of \$53,909 per job. In calendar year 2013, Illinois' wage-and-salary ratio ranked as the ninth highest in the country.

Chart 2

IL private-sector workers earn \$3,882 less in wages and salaries than state-government workers

Private-sector vs. state-government wages and salaries per job, 1979-2013

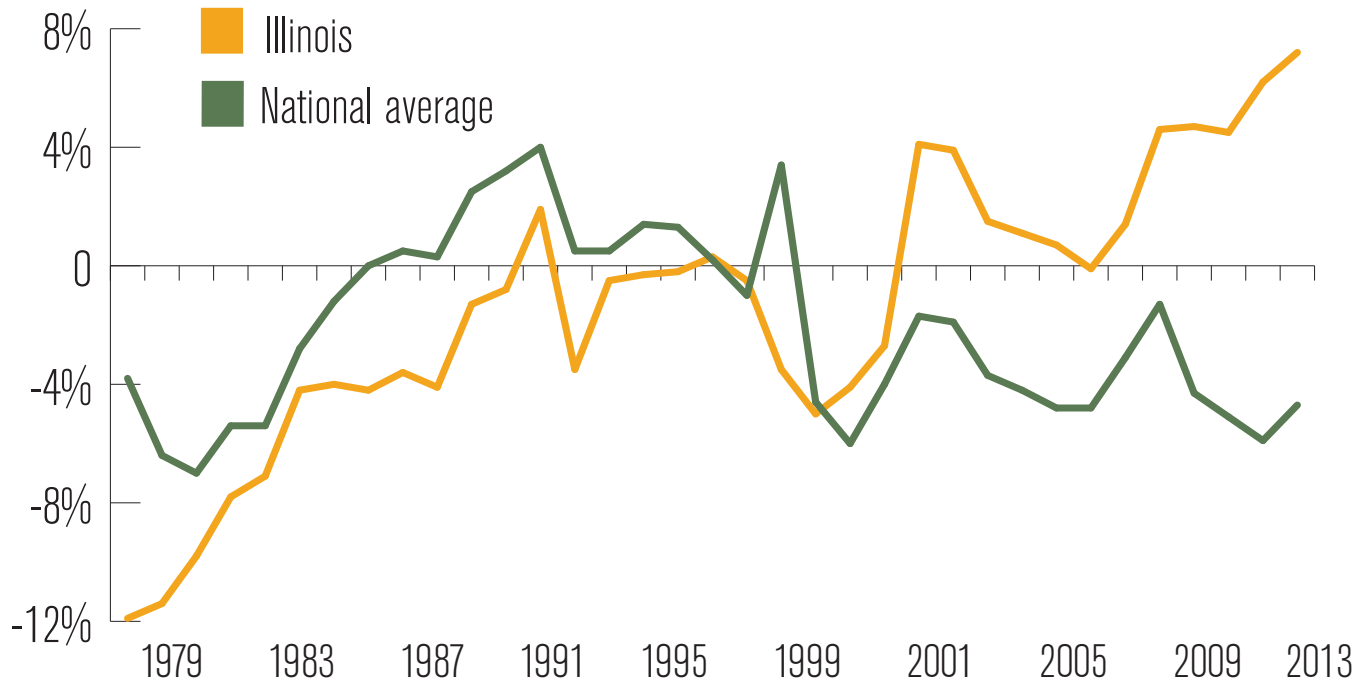


Source: U.S. Department of Commerce: Bureau of Economic Analysis, Illinois Policy Institute

Chart 3

IL state-government wages-and-salaries ratio greatly exceeds national average

State-government wages and salaries as a percent of private-sector wages and salaries per job, 1979-2013



Source: U.S. Department of Commerce: Bureau of Economic Analysis, Illinois Policy Institute

These data show that Illinois is very much out of step with pay scales in other states. Generally speaking, the old adage that government workers take lower pay in exchange for higher future benefits, such as pensions, is true on a national basis – but not in Illinois. Overwhelming data show that state-government workers in Illinois earn high pay and high benefits.

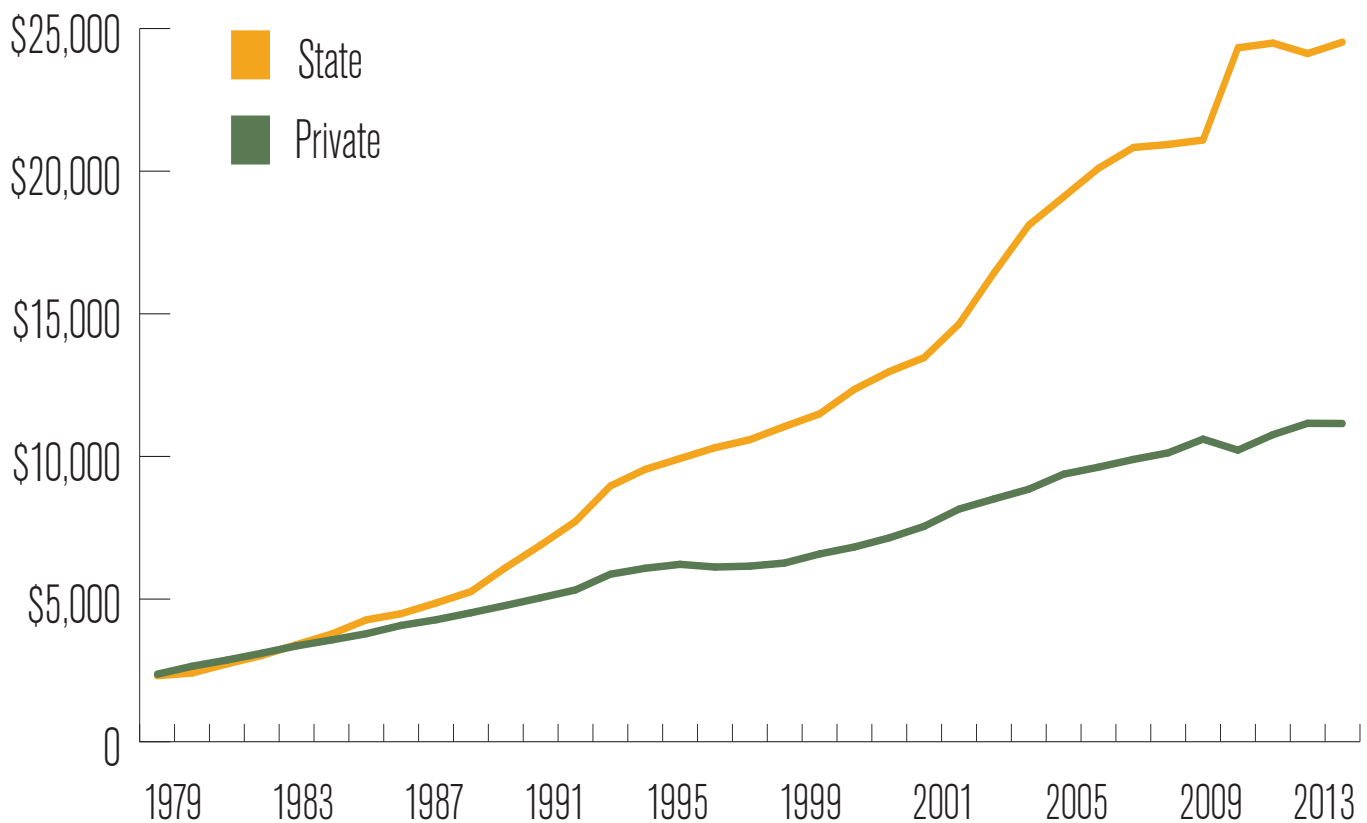
The benefits ratio

The benefits ratio is derived by dividing state-government benefits per job by private-sector benefits per job. As shown in Charts 4 and 5, in calendar year 2013, Illinois' state-government benefits were \$24,524 per job, which is 120 percent above the private-sector benefits of \$11,155 per job. In 2013, Illinois' benefits ratio ranked as the 18th highest in the country.

Chart 4

IL private-sector workers earn \$13,368 less in benefits than state-government workers

Private-sector versus state-government benefits per job, 1979-2013

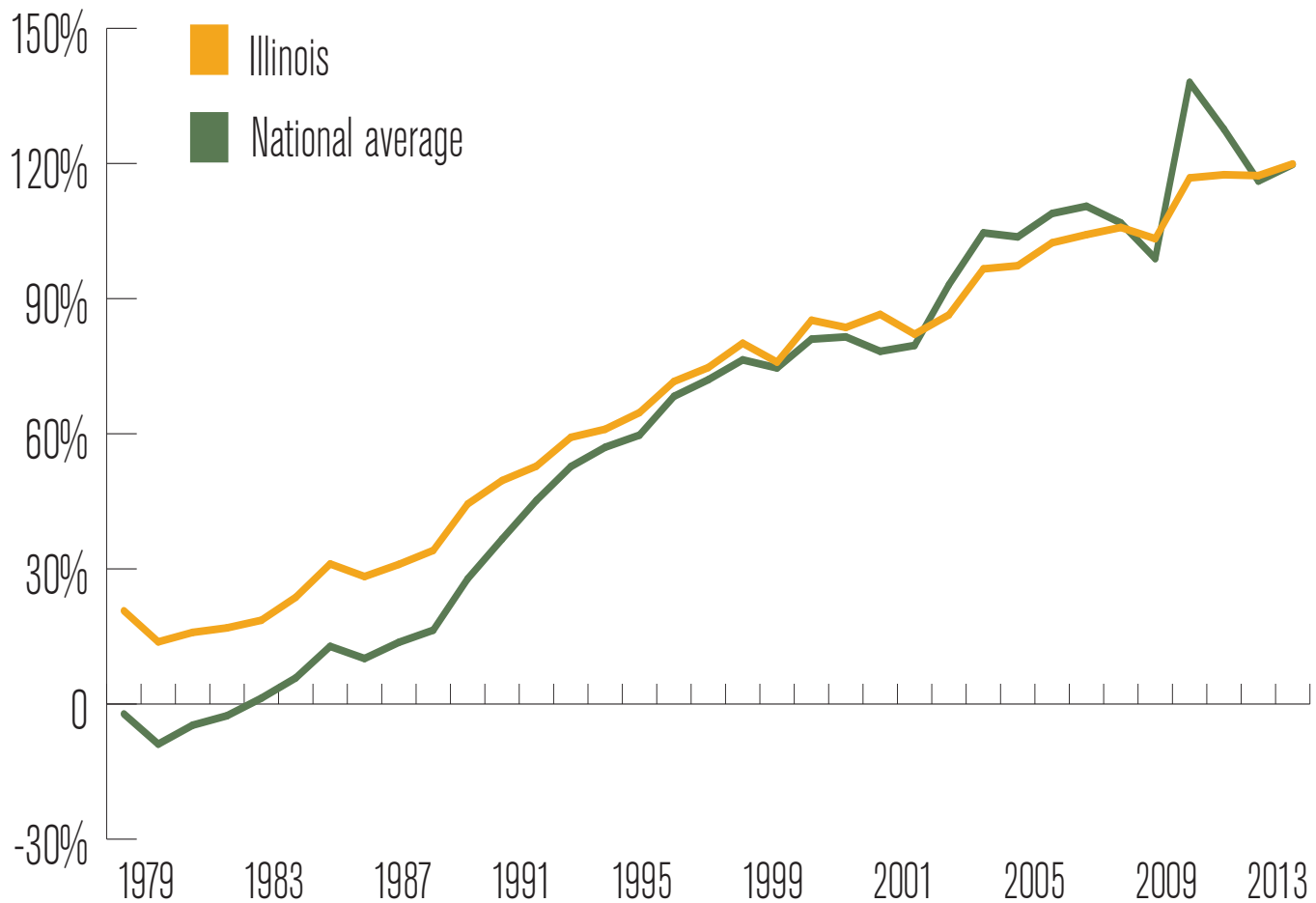


Source: U.S. Department of Commerce: Bureau of Economic Analysis, Illinois Policy Institute

Chart 5

IL state-government worker benefits exceed private-sector benefits by 120 percent

State-government benefits as a percent of private-sector benefits per job, 1979-2013



Source: U.S. Department of Commerce: Bureau of Economic Analysis, Illinois Policy Institute

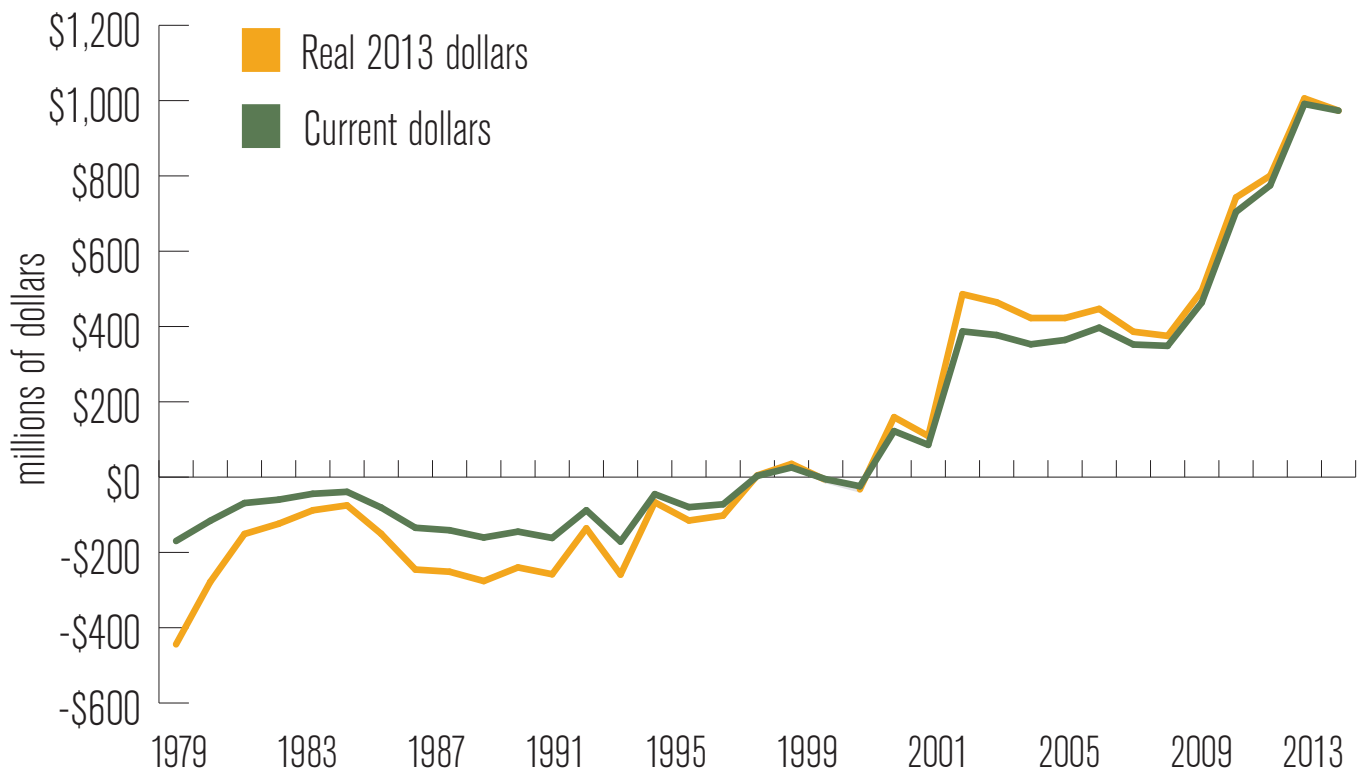
Missed opportunities for savings

Chart 6 shows how much state-government money could have been saved if the Illinois wage-and-salary ratio was aligned with the national average in each year between calendar year 1979 and 2013. Since 2000, taxpayers would have saved up to \$6.7 billion (in nominal dollars). The general funds portion of this is roughly \$5.4 billion. Illinois' operating deficit and past-due bill total would not exist if this money had been allocated to unfunded expenses. In calendar year 2013 alone, adjusting the wage-and-salary ratio to the national average would have saved taxpayers up to nearly \$1 billion across all funds.

Chart 6

IL would have up to \$973 million in state-budget savings with state-government wages and salaries at a national average

State-government benefits as a percent of private-sector benefits per job, 1979-2013



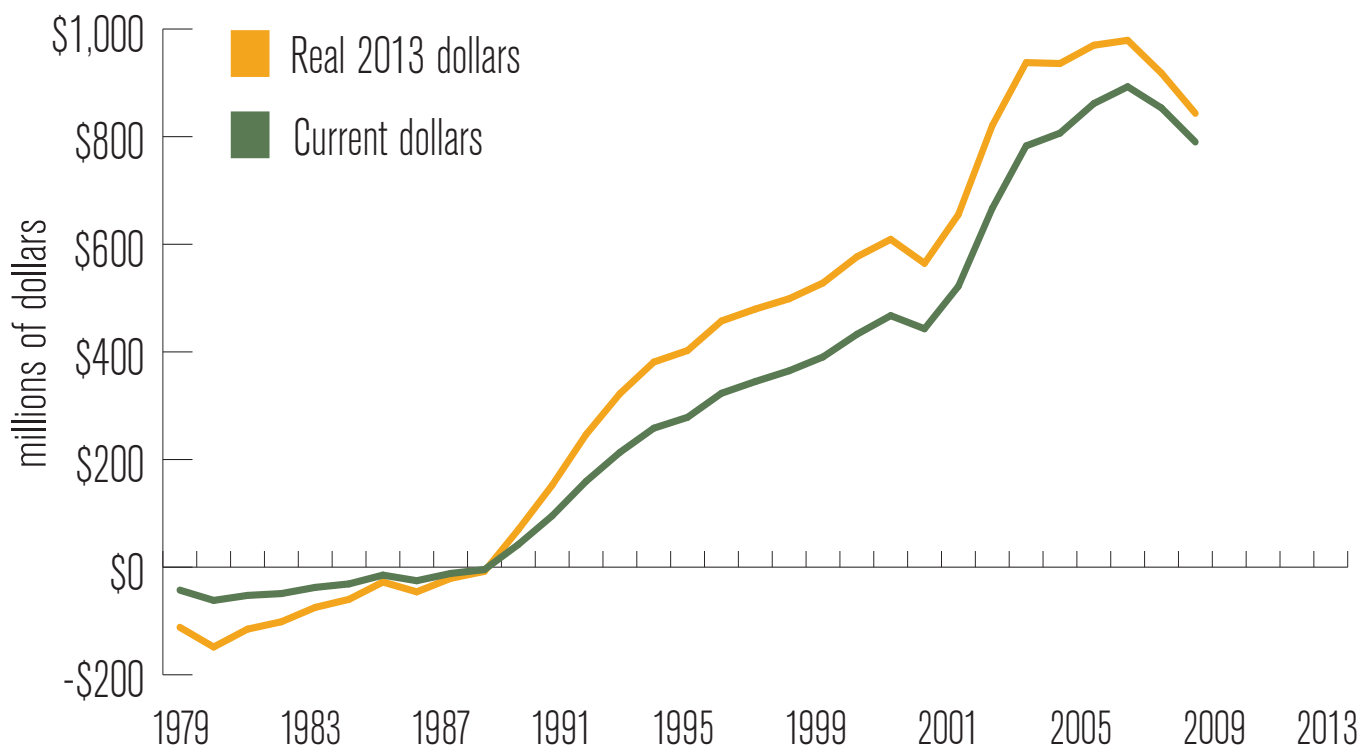
Source: U.S. Department of Commerce: Bureau of Economic Analysis, Illinois Policy Institute

Chart 7 shows how much state-government spending could have been reduced if state workers were to meet taxpayers halfway on the benefits side by cutting the benefit ratio to 60 percent from 120 percent. In calendar year 2013, this adjusted benefits ratio would have saved taxpayers up to \$1 billion or more.

Chart 7

IL would have up to \$1 billion in state budget savings with state-government benefits at half of the national average

Private and public benefits ratio equal to half of the national average, 1973-2013



Source: U.S. Department of Commerce: Bureau of Economic Analysis, Illinois Policy Institute

Reducing wages and salaries would also provide a significant down payment toward achieving the important goal of putting the Illinois pension system on a more sustainable path.

Illinois wages-and-salaries ratio by state government function

This section of the study will delve deeper into the functions of Illinois state government to better pinpoint the areas where state wages and salaries are most out of line with the private sector relative to the national average. Given the large gap for state government wages and salaries between Illinois and the national average, it is not surprising that this situation exists for 14 government functions, as shown in Table 1 for fiscal year 2013. Potential wage-and-salary savings are shown in Table 2 and necessary percent reduction in wages and salaries in Table 3.

Table 1

IL wages-and-salaries ratios exceed national average in 14 government functions

Wages-and-salaries ratios by government function, fiscal year 2013

Government function	National average	Wages-and-salaries ratio	Illinois	
			Percentage point difference	Rank
Total	-7%	-4%	3%	25
Financial administration	8%	22%	14%	14
Other government administration	3%	42%	40%	3
Judicial and legal	27%	92%	65%	4
Police protection - officers	54%	72%	18%	9
Police - other	-5%	38%	43%	4
Correction	1%	27%	24%	6
Highways	7%	26%	18%	10
Public welfare	-9%	23%	32%	5
Health	-1%	47%	47%	2
Hospitals	6%	15%	9%	14
Social-insurance administration	-3%	23%	25%	7
Parks and recreation	-30%	7%	37%	6
Other education	-3%	14%	16%	17
Other and unallocable	9%	21%	13%	13

Source: U.S. Department of Commerce: Bureau of Economic Analysis, U.S. Census Bureau, Illinois Policy Institute

Table 2

IL would see nearly \$1 billion in budget savings for all funds from right-sizing wage and salary ratios

Budget savings by government function, millions of dollars, fiscal year 2013

Government function	Potential budget savings	
Total	Up to	\$973
Financial administration	Up to	\$46
Other government administration	Up to	\$55
Judicial and legal	Up to	\$114
Police protection - officers	Up to	\$24
Police - other	Up to	\$36
Correction	Up to	\$176
Highways	Up to	\$92
Public welfare	Up to	\$193
Health	Up to	\$70
Hospitals	Up to	\$57
Social-insurance administration	Up to	\$31
Parks and recreation	Up to	\$10
Other education	Up to	\$18
Other and unallocable	Up to	\$52

Source: U.S. Department of Commerce: Bureau of Economic Analysis, U.S. Census Bureau, Illinois Policy Institute

Table 3

Percent reduction in wages and salaries required to equal national average

Fiscal year 2013

Government function	Current wages and salaries per job	Adjusted wages and salaries per job	Percent reduction in wages and salaries per job
Financial administration	\$65,598	\$58,099	11%
Other government administration	\$76,689	\$55,330	28%
Judicial and legal	\$103,763	\$68,575	34%
Police protection - officers	\$92,614	\$82,749	11%
Police - other	\$74,546	\$51,382	31%
Correction	\$67,704	\$54,643	19%
Highways	\$67,753	\$57,864	15%
Public welfare	\$66,421	\$49,074	26%
Health	\$79,033	\$53,549	32%
Hospitals	\$61,949	\$57,352	7%
Social-insurance administration	\$66,112	\$52,549	21%
Parks and recreation	\$57,832	\$37,996	34%
Other education	\$61,214	\$52,525	14%
Other and unallocable	\$65,414	\$58,607	10%

Source: U.S. Department of Commerce: Bureau of Economic Analysis, U.S. Census Bureau, Illinois Policy Institute

- Financial administration** (Illinois ranks 14th highest nationally in this function): Includes officials and central staff agencies concerned with tax assessment and collection, accounting, auditing, budgeting, purchasing, custody of funds and other finance activities.
 - o Lowering the wages-and-salaries ratio of 22 percent to the national average of 8 percent would save up to \$46 million or more. This would require a reduction in the average wages and salaries per job of 11 percent to \$58,099 from \$65,598.
- Other government administration** (Illinois ranks third highest nationally in this function): Includes administrative functions not included in financial, social insurance, judicial and legal administration.

- o Lowering the wages-and-salaries ratio of 42 percent to the national average of 3 percent would save up to \$54 million or more. This would require a reduction in the average wages and salaries per job of 28 percent to \$55,330 from \$76,689.
- **Judicial and legal** (Illinois ranks fourth highest nationally in this function): Includes courts (criminal and civil) and activities associated with courts, legal services and legal counseling of indigent or other needy persons.
 - o Lowering the wages-and-salaries ratio of 93 percent to the national average of 27 percent would save up to \$114 million or more. This would require a reduction in the average wages and salaries per job of 34 percent to \$68,575 from \$103,763.
- **Police protection/officers** (Illinois ranks ninth highest nationally in this function): Includes employees of general police, sheriff, state police and other governmental departments that preserve law and order, protect persons and property from illegal acts, and work to prevent, control, investigate and reduce crime.
 - o Lowering the wages-and-salaries ratio of 72 percent to the national average of 53 percent would save up to \$24 million or more. This would require a reduction in the average wages and salaries per job of 11 percent to \$82,749 from \$92,614.
- **Police/other** (Illinois ranks fourth highest nationally in this function): Includes police functions other than for police officers.
 - o Lowering the wages-and-salaries ratio of 38 percent to the national average of -5 percent would save up to \$36 million or more. This would require a reduction in the average wages and salaries per job of 31 percent to \$51,382 from \$74,546.
- **Correction** (Illinois ranks sixth highest nationally in this function): Includes all institutional and non-institutional correctional activities. Institutional activities are residential institutions or facilities for the confinement, correction and rehabilitation of convicted adults or juveniles adjudicated delinquent or in need of supervision, and for the detention of adults and juveniles charged with a crime and awaiting trial. Non-institutional correctional activities consist of pardon, probation and parole activities.
 - o Lowering the wages-and-salaries ratio of 26 percent to the national average of 1 percent would save up to \$176 million or more. This would require a reduction in the average wages and salaries per job of 19 percent to \$54,643 from \$67,704.
- **Highways** (Illinois ranks 10th highest nationally in this function): Includes the maintenance, operation, repair and construction of highways, streets, roads, alleys, sidewalks, bridges, tunnels, ferry boats and related structures, including those operated on a toll basis.
 - o Lowering the wages-and-salaries ratio of 26 percent to the national average of 7 percent would save up to \$92 million or more. This would require a reduction in the average wages and salaries per job of 15 percent to \$57,864 from \$67,753.
- **Public welfare** (Illinois ranks fifth highest nationally in this function): Includes employees engaged in all public welfare activities, including the administration of public assistance and providing direct assistance such as Medicaid and TANF (Temporary Assistance to Needy Families) cash assistance.
 - o Lowering the wages-and-salaries ratio of 23 percent to the national average of -9 percent would save up to \$193 million or more. This would require a reduction in the average wages and salaries per job of 26 percent to \$49,074 from \$66,421.

- **Health** (Illinois ranks second highest nationally in this function): Includes provision of services for the conservation and improvement of public health, other than hospital care.
 - o Lowering the wages-and-salaries ratio of 47 percent to the national average of -1 percent would save up to \$70 million or more. This would require a reduction in the average wages and salaries per job of 32 percent to \$53,549 from \$79,033.
- **Hospitals** (Illinois ranks 14th highest nationally in this function): Includes hospital facilities providing in-patient medical care and institutions primarily for care and treatment of handicapped (rather than education), which are directly administered by a government, including those operated by public universities.
 - o Lowering the wages-and-salaries ratio of 15 percent to the national average of 6 percent would save up to \$57 million or more. This would require a reduction in the average wages and salaries per job of 7 percent to \$57,352 from \$61,949.
- **Social insurance administration** (Illinois ranks seventh highest nationally in this function): Includes administration of unemployment compensation systems.
 - o Lowering the wages-and-salaries ratio of 23 percent to the national average of -3 percent would save up to \$31 million or more. This would require a reduction in the average wages and salaries per job of 21 percent to \$52,549 from \$66,112.
- **Parks and recreation** (Illinois ranks sixth highest nationally in this function): Includes provision and support of recreational and cultural-scientific facilities maintained for the benefit of residents and visitors.
 - o Lowering the wages-and-salaries ratio of 7 percent to the national average of -30 percent would save up to \$10 million or more. This would require a reduction in the average wages and salaries per job of 34 percent to \$37,996 from \$57,832.
- **Other education** (Illinois ranks 17th highest nationally in this function): Includes employees in support of special programs and institutions primarily for: Training and education (rather than care) of the blind, deaf or other handicapped, programs for adult, vocational or special education that operate outside school systems, educational activities not assignable to other education functions.
 - o Lowering the wages-and-salaries ratio of 14 percent to the national average of -3 percent would save up to \$18 million or more. This would require a reduction in the average wages and salaries per job of 14 percent to \$52,525 from \$61,214.
- **Other and unallocable** (Illinois ranks third highest nationally in this function): Includes employees engaged in activities that are not applicable to other employment functions or are multifunctional such as voter registration and elections, economic development and code enforcement.
 - o Lowering the wages-and-salaries ratio of 21 percent to the national average of 9 percent would save up to \$52 million or more. This would require a reduction in the average wages and salaries per job of 10 percent to \$58,607 from \$65,414.

Possible taxpayer savings

Right-sizing Illinois state-government payrolls along these lines could save up to \$1 billion a year.

However, not all of the potential wage-and-salary savings will flow to the general funds because some positions are paid for by dedicated state funds, such as the gas tax to fund highways, or by the federal government, such as unemployment insurance.

Consequently, as shown in Table 4, the estimated wage-and-salary savings to the general funds for fiscal year 2015 for bringing state government pay in line with other state governments is up to \$780 million.

Table 4

Illinois would see up to \$780 million in general funds budget savings from right-sizing state-government wages-and-salaries ratios to national average
Budget savings by government function, millions of dollars, fiscal year 2013

Government function	Potential budget savings	
Total	Up to	\$780
Financial administration	Up to	\$41
Other government administration	Up to	\$49
Judicial and legal	Up to	\$112
Police protection - officers	Up to	\$22
Police - other	Up to	\$34
Correction	Up to	\$186
Highways	Up to	\$0
Public welfare	Up to	\$208
Health	Up to	\$36
Hospitals	Up to	\$59
Social-insurance administration	Up to	\$4
Parks and recreation	Up to	\$2
Other education	Up to	\$11
Other and unallocable	Up to	\$17

Source: U.S. Department of Commerce: Bureau of Economic Analysis, U.S. Census Bureau, Illinois Policy Institute

Table 5

Illinois would see up to \$443 million in general funds budget savings from right-sizing Illinois state government wages and salaries to parity with Illinois private-sector wages and salaries

Millions of dollars, fiscal year 2015

Government function	Potential budget savings	
Total	Up to	\$443
Financial administration	Up to	\$23
Other government administration	Up to	\$28
Judicial and legal	Up to	\$64
Police protection - officers	Up to	\$13
Police - other	Up to	\$19
Correction	Up to	\$106
Highways	Up to	\$0
Public welfare	Up to	\$118
Health	Up to	\$20
Hospitals	Up to	\$34
Social-insurance administration	Up to	\$2
Parks and recreation	Up to	\$1
Other education	Up to	\$6
Other and unallocable	Up to	\$10

Source: U.S. Department of Commerce: Bureau of Economic Analysis, U.S. Census Bureau, Illinois Policy Institute

Alternatively, as shown in Table 5, adjusting the average Illinois state-government wages and salaries to equal the average Illinois private-sector wages and salaries would yield general funds payroll savings of up to \$443 million in fiscal year 2015.

The need to act now

As shown in Chart 3, the gap between state-government wages and salaries and private-sector wages and salaries is growing at an alarming rate. In fact, the pay gap could double (to 14 percent from 7 percent) in just a few years if terms similar to the existing contract persist.

The only sure way to prevent the disparity from growing is for the governor to insist on instituting an immediate across-the-board pay freeze for three years. This would create budget savings of approximately \$150 million over the three-year period in the general funds based on a projection of the growth in payroll from the previous five years.

The expiration of the current state-government labor contract provides opportunities to find real savings for the next fiscal year.

To bring Illinois back to the national wages-and-salaries ratio for state-government workers nationwide and save \$780 million would result in a 27 percent across-the-board reduction in general-funds payrolls.

Or, a 15 percent across-the-board reduction in general-funds payrolls could be used to reach parity with the Illinois private sector and save up to \$443 million.

Either could be implemented immediately or over a period of time. Of course, with the more refined estimates provided in Tables 1, 2 and 3, the payroll reductions could be targeted to the problem areas first such as in “Judicial and legal,” “Health” and “Police - other.”

Additionally, lower wages and salaries will also result in lower benefits, since a significant factor in determining a state employee’s pension is their retiring wage or salary level. Reducing wages and salaries would provide a significant down payment toward achieving the important goal of putting the Illinois pension system on a more sustainable path.

Finally, policymakers should remember that the best course of action is to grow the private sector, boosting income and employment. Policymakers must pursue pro-growth economic policies – such as lower regulations, lower taxes and secure property rights – that will promote economic development by allowing private-sector businesses to better compensate and hire additional employees. Such policies are a win-win for the private and public sectors.

Methodology

The employment and compensation data used in this study are from the Bureau of Economic Analysis’ Regional Economic Accounts. All calculations were performed by the authors. The data exclude farm and proprietorship income, as well as dividends, interest, rents and personal current transfer receipts. The data were adjusted for inflation using the GDP deflator.

Calculating State Government Compensation Ratios: All data are from the Bureau of Economic Analysis, Regional Economic Accounts, “State Annual Personal Income” interactive database, which is available at bea.gov/regional/spi/.

1. To derive total supplemental benefits for any industry, find the industry line in Table SA05N (Personal Income by Major Source and Earnings by NAICS Industry) and subtract the same industry line from Table SA07N (“Wage and Salary Disbursements by NAICS Industry”).
2. Average private-sector compensation is derived by adding “private wage and salary disbursements” (see table SA07N) and “supplements to wages and salaries” (see table SA05N), then dividing by private sector employment. Total supplemental income for private sector employees can also be derived by taking “private earnings” (see table SA05N) and subtracting “private wage and salary disbursements” (see table SA07N) and “nonfarm proprietors income” (see table SA05N).
3. Private-sector employment comes from Table SA25N (“total full-time and part-time employment by NAICS industry”), and equals “private employment” minus “nonfarm proprietors employment.”
4. Total state government employee compensation is “wage and salary disbursements” (see table SA07) plus “supplemental income,” which is equal to “personal income” (see table SA05N) minus “wage and salary disbursements.”

5. State-government employment is from Table SA25.
6. Number of state-government jobs per 100 was calculated by dividing total state-government employment by total private-sector employment.
7. Compensation ratios are created by dividing the average state-government compensation by job by the average private-sector compensation per job.
8. Wage-and-salary ratios are created by first dividing wage and salary disbursements for state-government workers (see table SA07N) by state-government employment to derive an average state-government wage and salary per job. Next, the same is done with private-sector jobs (see table SA07N) to obtain an average private-sector salary. Finally, the average state-government salary per job was divided by the average private-sector salary.
9. Benefit ratios for state-government employees are created by first subtracting state “wage and salary disbursements by NAICS industry” (see table SA07N) from “personal income by major source and earnings by NAICS industry” (see table SA05N) to derive total supplemental benefits for state personnel. Next, this remainder is divided by total state-government employment to obtain average public-sector benefits. The same is done with private-sector employees (see table SA05N), to obtain average private-sector benefits. Finally, public-sector benefits are divided by private-sector benefits to obtain a public-sector employee benefit ratio.

The data for wages and salaries by government function are from the Annual Survey of Public Employment & Payroll published by the U.S. Census Bureau. The data can be found here: census.gov/govs/apes/. The definitions for the government functions were taken from the 2006 Classification Manual found here: www2.census.gov/govs/pubs/classification/2006_classification_manual.pdf.

The payroll data in this survey, while providing more details by government function, are also limited in their temporal scope. The payroll data are derived from one month’s earnings in March. This study extrapolates it to a year by multiplying by 12. However, the extrapolation is subject to biases due to differences in payroll in the other non-surveyed months. Generally, these data show smaller payrolls than the more comprehensive measure from the Bureau of Economic Analysis.

As such, the results derived from this survey are applied to the findings using the BEA data for purposes of consistency and comprehensiveness.

To estimate the payroll savings for the general funds, data was used from the “Fiscal Year 2015 Agency Fact Sheets” that show agency headcounts by fund – general funds, other state funds and federal funds. The data can be found here: illinois.gov/gov/budget/Documents/Budget%20Book/FY%202015%20Budget%20Book/FY%202015%20Agency%20Budget%20Fact%20Sheets.pdf.

The agencies were matched as closely as possible to the government functions as defined by the Census Bureau. See Table 6. Then a ratio was applied based on the headcount attributed to the general funds as a percent of the total headcount. For example, the estimated payroll for financial administration is 88.6 percent paid through the general funds.

Table 6

Agency allocation by function

Judicial and legal	Illinois Supreme Court and Illinois Court System, Office of the Appellate Defender, Office of the State's Attorneys Appellate Prosecutor, Judicial Inquiry Board, Court of Claims, Guardianship and Advocacy Commission, Human Rights Commission, Illinois Criminal Justice Information Authority
Police protection - officers	Department of State Police, Illinois State Police Merit Board
Police - other	Department of State Police, Illinois State Police Merit Board
Correction	Department of Corrections
Highways	Department of Transportation
Public welfare	Department of Human Services, Department of Aging, Department of Veterans' Affairs
Health	Department of Healthcare and Family Services, Department of Public Health
Hospitals	University of Illinois
Social-insurance administration	Department of Employment Security, Department of Labor, Illinois Labor Relations Board, Department of Commerce and Economic Opportunity
Parks and recreation	Illinois Gaming Board, Department of The Lottery, Illinois Historic Preservation Agency, Illinois Racing Board, Illinois Arts Council
Other education	Board of Higher Education, State Board of Education
Other and unallocable	Office of the Governor, Office of the Lieutenant Governor, Office of the Attorney General, Illinois Worker's Compensation Commission, Illinois Commerce Commission, Illinois Emergency Management Agency, Department of Military Affairs, Department of Insurance, Department of Financial and Professional Regulation, Department of Central Management Services

To bring the data more up to date, the amounts were multiplied by the change in the headcount from fiscal year 2013 to fiscal year 2015. For financial administration, the change in the headcount was only 0.2 percent.

Overall, due to the aggregated nature of the agency data used to construct these estimates, the general funds estimates should be viewed as a guidepost and actual savings could be higher or lower depending on how well the agency data actually match up to the survey's government function definitions.

Endnotes

¹ Biggs, Andrew G., "Overpaid or Underpaid? A State-by-State Rankings of Public Employee Compensation," AEI Economic Policy Working Paper 2014-04, April 24, 2014. http://www.aei.org/wp-content/uploads/2014/04/-biggs-overpaid-or-underpaid-a-statebystate-ranking-of-public-employee-compensation_112536583046.pdf

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State-employee health insurance: Opportunities for reform

Naomi Lopez Bauman, Director of Health Policy

Executive summary

Illinois has a budget crisis. State workers' generous health-insurance benefits make up \$3 billion of the state's budget. Illinois government can continue to provide excellent health insurance to state workers while bringing the costs more in line with what is common in the private sector, and also what is compatible with the Affordable Care Act. By retooling the health-insurance offerings available to state workers, taxpayers stand to save \$1 billion while still offering a competitive, generous benefit.

State-government employees are provided generous health-insurance plans – often with no deductibles – and contribute only a small share toward that coverage.

State-government employees pay between \$68 and \$211 per month for individual coverage that is far more generous than almost every option currently being sold to the public. Coverage that includes two or more dependents is as low as \$132 per month and does not exceed \$287, depending on the type of plan selected and the employee's salary.

Overall, active state-government employees are paying approximately 17 percent of the total cost of health-insurance coverage for themselves and their dependents. That is a smaller share of the total than what a private-sector worker in Illinois might pay. For example, a worker participating in an employer-sponsored insurance plan, or ESI, contributed an average of 22 percent of premiums for individual coverage and almost 26 percent of premiums for family coverage in 2013.¹

Three changes must be made:

First, state-government employees should shoulder a larger share of their health-insurance coverage costs. Those costs should be tied to the actual health-care coverage costs, not salary.

Second, health-insurance plans for state-government workers should be brought closer in line with the coverage that average Illinoisans have access to, and the amount they pay for that coverage.

Third, workers should have an expanded range of plan choices, portability of coverage and an ability to establish employee-owned health savings accounts.

Introduction

The State Employees Group Insurance Program, or SEGIP, has a budget of almost \$3 billion for fiscal year 2015, which includes \$1.7 billion from the General Revenue Fund with the remaining \$1.3 billion coming from a variety of other sources, including member contributions and contributions from state colleges and universities.^{2,3} While active and retiree members, as well as dependents for both groups, participate in the program, this report only examines active members and their dependents.

Given the state's current spending crisis, as well as the program's \$1.5 billion in unpaid bills to health providers,⁴ state employees' generous health-insurance benefits are facing increasing scrutiny.

Despite some modest accommodations by state workers in their most recent contract negotiations, state-employee health premiums continue to be out of line with other states and with the vast majority of private-sector employers. Not only are the state-employee contributions lower than what the average Illinoisan pays for their own private or health-insurance exchange plans, but dependent coverage is just as generous as the employee's.

Furthermore, growing public dissatisfaction with the Affordable Care Act, or ACA, which the state-government employees' union enthusiastically supported both nationally and in Illinois,⁵ has only highlighted the variance between the health-insurance coverage options available to state-government workers and the Illinois taxpayers who fund them.

The current union contracts with the state expire in July, and contract negotiations are quickly approaching. The goal of negotiations related to health-insurance benefits must center on bringing these benefits in line with what the average Illinoisan pays for his or her own coverage, understanding that health benefits are an important component of an employee's total compensation.

SEGIS

Illinois' state-government employees are eligible to participate in the State Employees Group Insurance Program, or SEGIP. The program offers medical, dental, vision and life-insurance coverage for state employees, retirees and their dependents. This report focuses on the non-retiree medical coverage only. Retiree health-insurance coverage is not addressed in this report.

There are approximately 103,000 active employee plan members and 132,000 dependents participating in the SEGIP. Of that total, about 36,000 employees are subject to the state's collective-bargaining agreement with the American Federation of State, Federal, County and Municipal Employees, or AFSCME, which is the state's largest public-sector union.⁶ The remaining plan members include other state employees, state university employees, college insurance program enrollees, teachers and other local employees.⁷

For fiscal year 2015, state-government employees pay anywhere between \$68 and \$211 in insurance premiums per month, depending on which of the seven plan options they choose and their annual salary.⁸

Employee health-plan contributions for individual coverage

Employee annual salary	QCHP monthly employee contribution	Managed care/ monthly employee contribution
<\$30,200	\$93	\$68
\$30,201 - \$45,600	\$111	\$86
\$45,601 - \$60,700	\$127	\$103
\$60,701 - \$75,900	\$144	\$119
\$75,901 - \$100,000	162	\$137
\$100,001 +	\$211	\$186

Source: Illinois Department of Central Management Services

State health benefits vs. private-sector, employer-sponsored insurance in Illinois

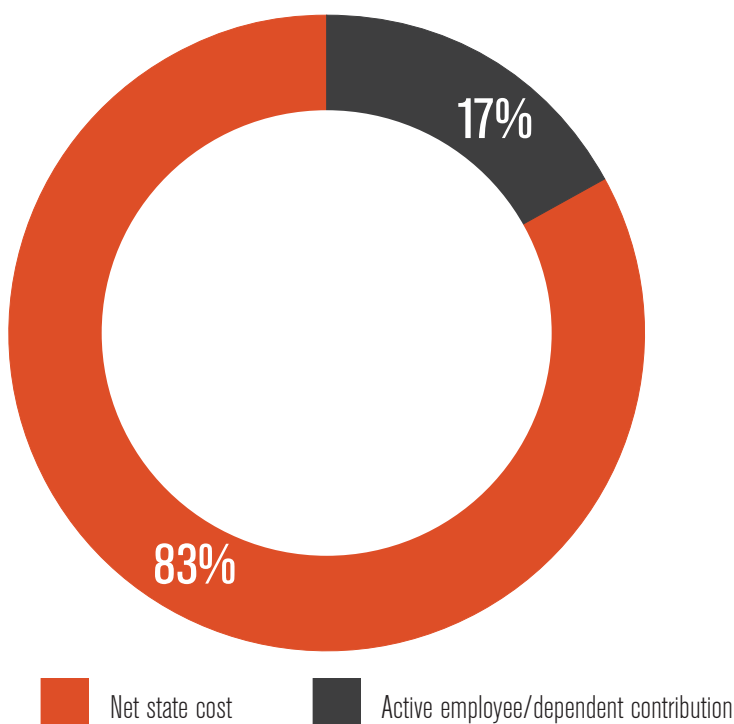
Individuals in the private sector are contributing a share that is 29 percent more for individual coverage and 53 percent more for family coverage than state-government workers contribute.⁹

Illinoisans who participated in private-sector, employer-sponsored insurance plans contributed an average of 22 percent of premiums for individual coverage and almost 26 percent of premiums for family coverage in 2013.¹⁰

For state-government employees, monthly premiums for both members and their dependents are the equivalent of about 17 percent, or one-sixth, of the total health-insurance premium. State tax funds cover the remaining 83 percent.¹¹

IL taxpayers foot the bill for health-insurance premiums

State employee/dependent costs and contributions for fiscal year 2014

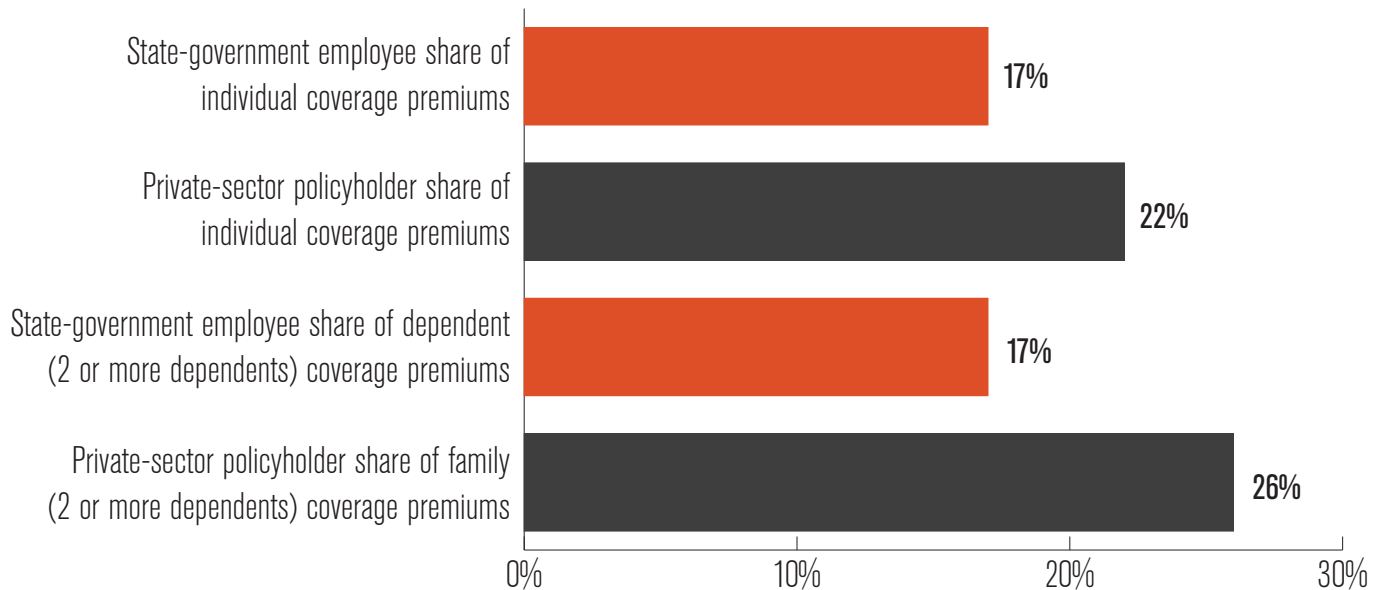


Source: Author's calculations, Commission on Government Forecasting and Accountability

Even before accounting for the fact that the state health-insurance plans are some of the most generous available, these state-government workers pay a far smaller share for superior coverage than their private-sector neighbors.

State-government workers get a better deal on premiums

Average share of health-insurance premiums, state employee vs. average private-sector worker in IL



Sources: Author's calculations, Commission on Government Forecasting and Accountability, Agency for Healthcare Research and Quality

Per the AFSCME contract with the state of Illinois, employees who are laid off are eligible to receive full health, dental and vision coverage with full premiums for the employee and dependents paid by the state. Employees receive one month of paid premiums for every year of service from a minimum of six months to a maximum of 24 months.¹² Should the state of Illinois be forced into imposing future layoffs, this is another fringe benefit that should be explored and brought in line with the private sector.

As part of the AFSCME collective-bargaining agreement with the state, contribution amounts for employee and dependent contributions are adjusted annually and are tied to salary thresholds. Those thresholds are adjusted based on the Consumer Price Index, not the actual cost of providing health insurance to workers.¹³ As a result, state-government employees' contributions have been kept artificially low compared to the rising health-plan costs. Taxpayers have been forced to absorb the higher costs.

In addition, the premium contributions are regressive and in direct opposition to the union's claim of wanting the rich to "pay their fair share."¹⁴ For example, state-government employees earning more than \$100,00 per year are only paying 2.3 to 2.7 times the premium contribution required by those state-government employees earning less than \$30,200 per year. Lower-wage state employees might pay about 3.7 percent of their annual salary for individual health-insurance coverage while the highest-paid state-government employees could pay about 2 percent.¹⁵

Plan quality

Not only do taxpayers pay the lion's share of both employee and dependent coverage premiums, the plan coverage options are lavish. Plans are rated by "actuarial value," which refers to how much of the total medical expenses the plan pays across all of its plan membership.

The average actuarial value of Illinois' plans is 93 percent. This is exceptionally generous. In 2013, 80 percent of Illinois state employees participating in a SEGIP plan were enrolled in a plan with a \$0 deductible. And no state plan had an individual plan deductible of \$1,500 or more.¹⁶

Compare that to the private sector, where in 2013, 85 percent of employees were enrolled in plans with a deductible.¹⁷ The average private-sector deductible was \$1,301 for individual coverage and \$2,584 for family coverage.¹⁸

The average Illinois state-employee option in 2013 had a higher actuarial value – in other words, a plan that would pay a greater share of medical claims – than any option now available on the health-insurance exchange that was established by the ACA, commonly known as ObamaCare.¹⁹

The ACA exchange plans have actuarial values of 60, 70, 80 or 90 percent and are categorized under "metal tiers." The average actuarial value across the SEGIP plans is higher than the most generous ACA exchange plan. Put another way, the average state-employee plan is so generous that it is not available as an ACA-compliant plan.

Actuarial value of ACA health-insurance plans vs. average Illinois SEGIP plan

Plan	Actuarial value*
ACA bronze	60 percent
ACA silver	70 percent
ACA gold	80 percent
ACA platinum	90 percent
Average of Illinois state-employee plans	93 percent**

*A variation of +/- 2 percent is allowed for each ACA metal tier.

**The average actuarial value of the Illinois SEGIP plans was calculated using Milliman's actuarial valuation calculation tool, which may vary slightly from the U.S. Department of Health and Human Services actuarial valuation tool.

Source: U.S. Department of Health and Human Services, The Pew Charitable Trusts and the John D. and Catherine T. MacArthur Foundation

The stunningly high value of the state's high-end health-insurance plans are set to trigger an excise tax on the value of these plans. Commonly known as the "ObamaCare Cadillac tax," the ACA imposes a 40 percent excise tax on employer plans with a value above \$10,200 for an individual plan and \$27,500 for a family plan. For health coverage provided through collective-bargaining agreements, the \$27,500 threshold applies to both individual and family plans.²⁰ Since the Cadillac tax takes effect in 2018, which is just one fiscal year after the upcoming budget, some state-employee health plans will be subject to this tax if values are not reduced.²¹

According to the state's own actuarial report, health-care costs are already expected to increase by 5 percent in future years. However, the Cadillac tax is predicted to cause health-insurance costs to increase at a higher rate of 5.6 percent.²²

Instead of passing these cost increases on to their employees, private-sector employers are offering less generous plan options to avoid the Cadillac tax.²³ The state of Illinois should follow suit in order to avoid this harsh penalty. The 40 percent excise tax on insurance plans will be passed on to Illinois taxpayers and offers no additional health benefits to state-government employees. The purpose of this excise tax is to upend the most lavish of health plans. There is no reason that state taxpayers should bear any of these additional costs.

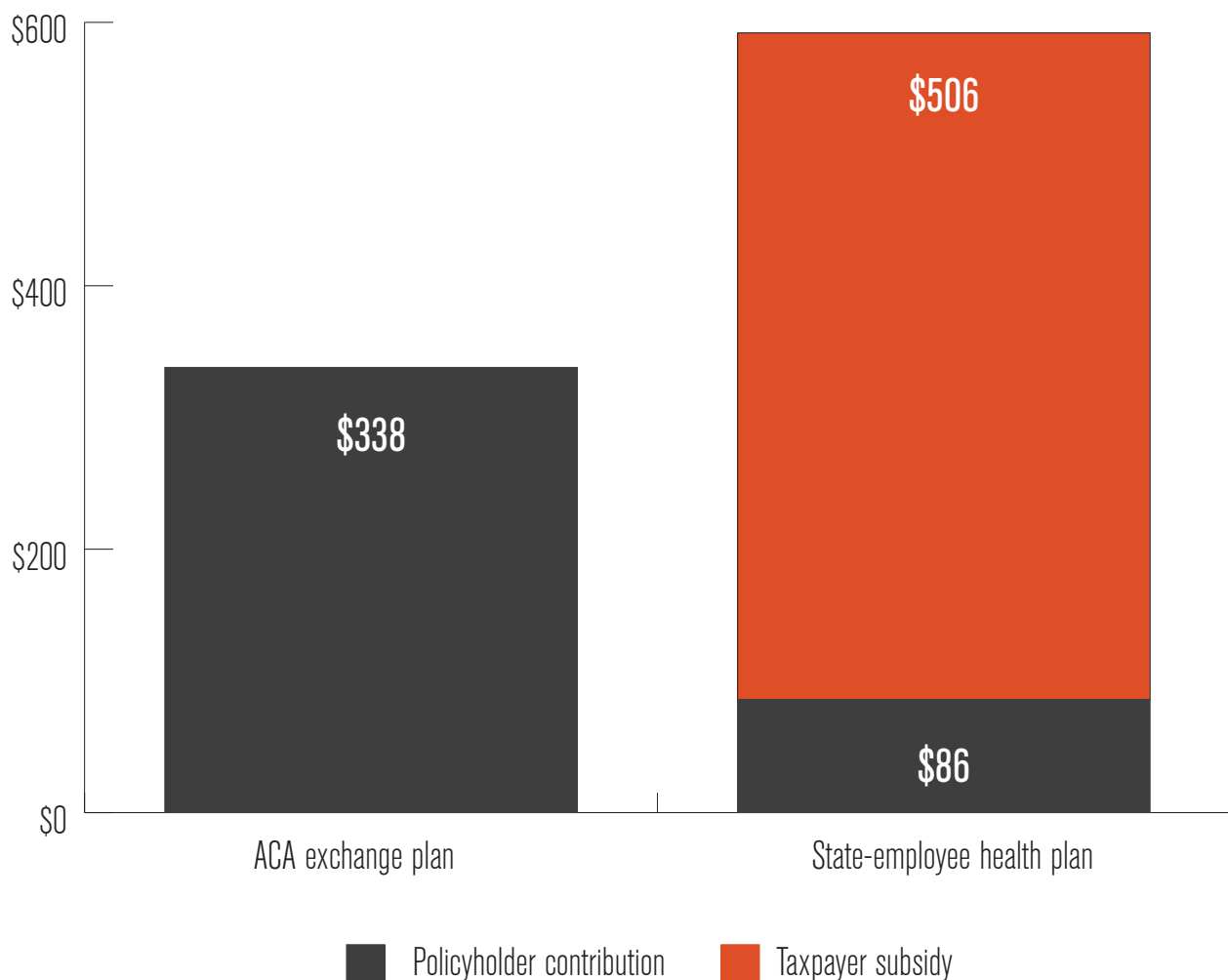
How SEGIP compares

To roughly illustrate what someone purchasing health insurance on their own would spend for a state-employee plan of roughly comparable quality, this report examined monthly health-insurance premiums for families in three scenarios, all with a \$40,000 per year income, and compared them to a state-employee managed care plan.

In the first scenario, the individual purchasing similar coverage privately receives no federal subsidy for their coverage. The state employee pays about one-fourth of what the Illinois individual pays for similar coverage.

Scenario 1

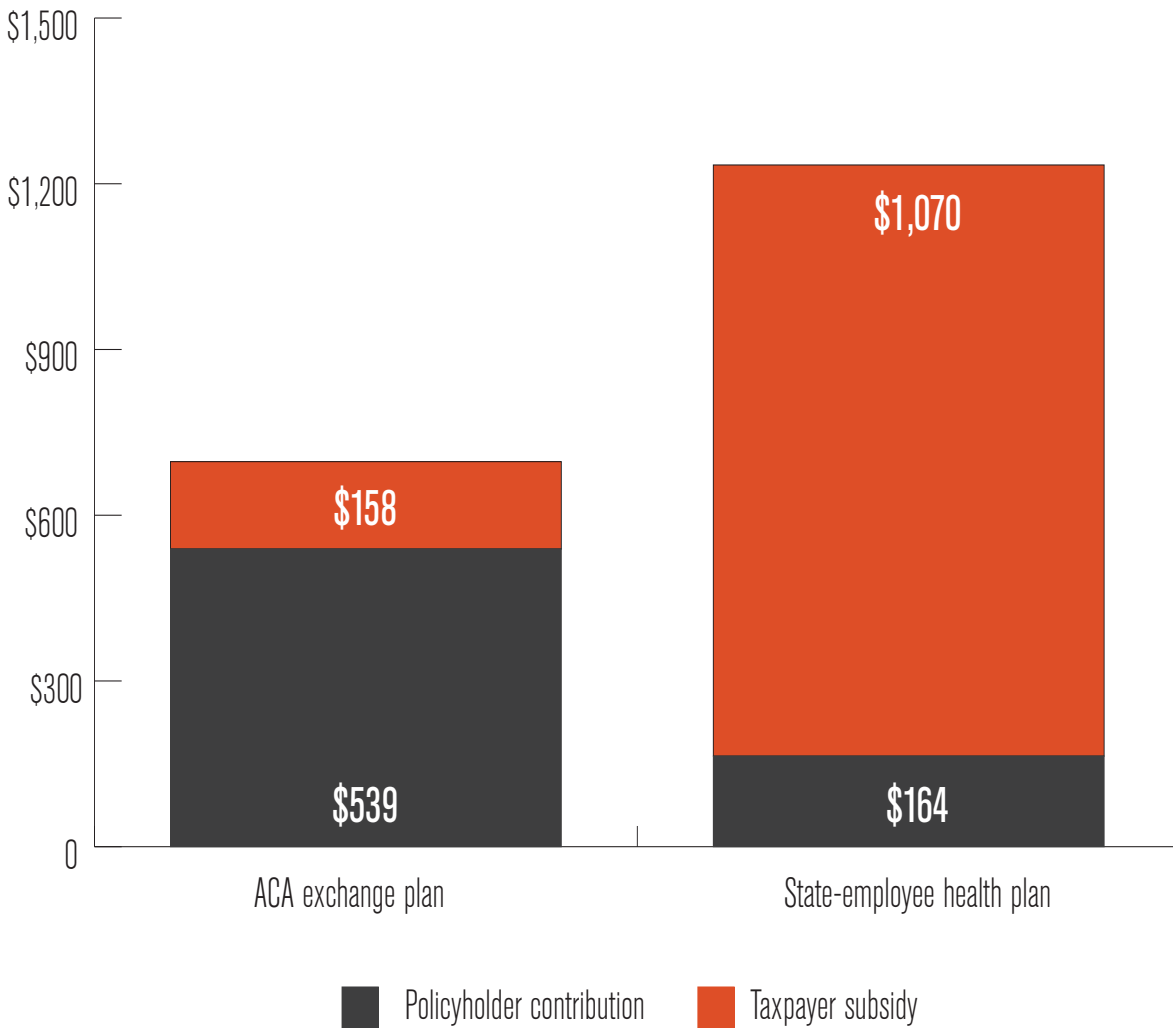
Monthly premiums for a single, 40-year-old nonsmoker with \$40,000 annual income enrolled in mid-priced ACA-compliant platinum plan vs. SEGIP managed care plan



Source: Author's calculations based on mid-level platinum plan for scenario policyholder

Scenario 2

Monthly premiums for married, 40-year-old, nonsmoking couple with \$40,000 annual income enrolled in mid-priced ACA-compliant platinum plan vs. SEGIP managed care plan

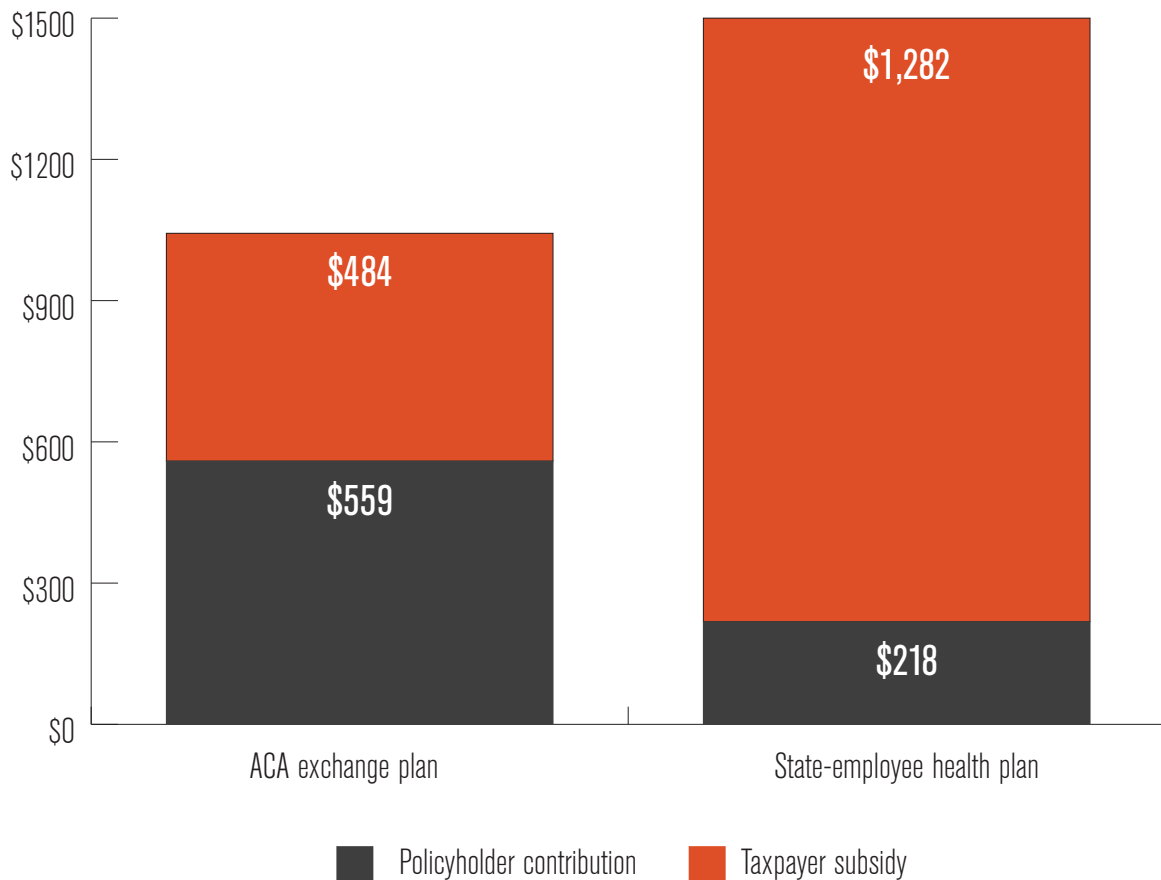


Source: Author's calculations based on mid-level platinum plan for scenario policyholder

In the second scenario, the married couple receives a subsidy that covers about 23 percent of the total premium. Under a similar state-government employee health plan, the state-government worker pays less than one-third of what the Illinois couple pays for a similar plan.

Scenario 3

Monthly premiums for married, 40-year-old, nonsmoking couple with two children with \$40,000 annual income enrolled in mid-priced ACA-compliant platinum plan vs. SEGIP managed care plan



Source: Author's calculations based on mid-level platinum plan for scenario policyholder

In the third scenario, the family receives a subsidy that covers about 43 percent of the total premium. Under a similar state-government employee health plan, the state-government worker pays less than half of what the Illinois family pays for a similar plan.

In each of these scenarios, the state-government worker is getting a far better deal than many of the Illinoisans who are purchasing coverage on their own. Not only do the state's health-benefits packages offer much richer benefits than the average Illinoisan receives, state-government employees are paying a much smaller share for these benefits.

Recommendations

Despite a severe spending crisis and an anemic economy, Illinois' active state employees and their dependents enjoy some of the most generous health-insurance benefits in the country. The state is spending almost \$3 billion in fiscal year 2015 for health-insurance benefits for active and retiree members and their dependents, with about \$1.7 billion coming from general revenues and the remaining \$1.3 billion coming from a variety of other sources, including member contributions.²⁴

Not only are the state-employee contributions lower than what the average Illinoisan pays for their own private or health-insurance exchange plans, but dependent coverage is every bit as generous as the employee's.

That is why Illinois should:

1. Realign premium sharing

- Provide a health-insurance benefit based on a specified dollar amount, rather than a percentage of the total plan cost. This would also make these costs more manageable from year to year, as well as provide more transparency as far as the total value of state-government employees' compensation packages.
 - Providing a flat-rate contribution for active employees of \$4,000, indexed for inflation, could save more than \$1 billion per year in general revenue funds.
 - A flat-rate contribution of \$3,500 for active employees plus \$1,000 for dependents could save more than \$900 million per year in general revenue funds.
- Increase employee and dependent cost sharing to more closely align with the private sector.
 - Increasing active employee and dependent cost sharing to 25 percent for individual and dependent plans, for example, could save the state \$135 million per year in general revenue funds.

It should be noted that, under current ACA law, the state of Illinois would be subject to an “employer shared responsibility payment” of about \$2,000 per employee (full-time at 30 or more hours per week) who enrolled in the federal health-insurance exchange if they were not offered qualified and affordable coverage by the state.²⁵ The cost of the shared responsibility payment would be just over \$200 million per year, but the cost of providing health insurance to current employees would disappear.

2. Realign plan coverage

- The state can no longer afford to provide overly generous health-insurance plans, especially when those plans are better than what is being offered to the average Illinoisan.
- More savings will be realized if individual and dependent coverage take-up rates decline. For example, some state employees and their dependents might choose other options, such as a spouse's employee-sponsored insurance or coverage in the federal health-insurance exchange.
- If any ObamaCare “Cadillac taxes” are triggered because plan values are not realigned, those costs should become the responsibility of state-government employees, not Illinois taxpayers.

3. Advance consumer-driven options

- Rather than simply limiting plan choices to lower-cost options in an effort to better control the state's costs, allowing for more consumer-driven health plans could provide a superior alternative by giving employees more options for selecting the plan that best fits their needs and preferences.
 - The state should offer innovative health-coverage approaches, such as health savings accounts and health reimbursement arrangements, that would allow state employees more control and true ownership over their health-care benefits while reducing costs.

- o The state of Indiana has already charted a course on this approach. The state currently offers two consumer-driven health plan options, as well as one PPO plan.²⁶

These approaches would not only assist the state in controlling and predicting health-insurance costs, it should also provide for more innovative and numerous options for employees.

Conclusion

Illinois state employees should pay a larger share of their health-insurance costs, but they should also have more choice and control over their plans. Providing flat-rate contributions for active employees and their dependents could save the state \$1 billion per year.

Consumer-driven health-insurance options, such as health savings accounts, health reimbursement arrangements and other defined-contribution plans should be additional options. This step would require nothing more than making these options available under the state health-insurance plan.

The path Illinois takes will have far-reaching effects on the state's fiscal health, as well as on the burden that taxpayers have been asked to bear.

Endnotes

¹ Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2013 Medical Expenditure Panel Survey-Insurance Component, Tables X.C, X.C.1, X.D, and X.D.2 at meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_10/2013/ic13_xc_e.pdf

² CMS estimates the program liability at \$2.6 billion for fiscal year 2015 and COGFA estimates it to be \$2.7 billion. Commission on Government Forecasting and Accountability, "FY 2015: Liabilities of the State Employees' Group Health Insurance Program," March 2014, p. 2 at cgfa.ilga.gov/Upload/FY2015GroupInsuranceReport.pdf

³ Commission on Government Forecasting and Accountability, "FY 2015 Liabilities of the State Employees' Group Health Insurance Program," March 2014, p. 5 at cgfa.ilga.gov/Upload/FY2015GroupInsuranceReport.pdf

⁴ There is approximately \$1.5 billion in additional unpaid bills to providers, which are often paid many months late due to the program's ongoing budget shortfalls. This liability is often rolled over to the next fiscal year. According to the state's own estimate, it takes the state approximately seven months to pay managed care providers. Payments for non-preferred medical providers can exceed one year. Commission on Government Forecasting & Accountability, "FY 2015 Liabilities of the State Employees' Group Health Insurance Program," March 2014, p. 1 at cgfa.ilga.gov/Upload/FY2015GroupInsuranceReport.pdf

⁵ See, for example, Council 31 AFSCME at afscme31.org/news/what-health-care-reform-means-for-illinois and AFSCME at afscme.org/issues/health-care/resources/document/What-Does-the-ACA-Mean-for-You.pdf

⁶ Hegy, Justin, “Looming AFSCME Negotiations Means Big Battle for Illinois’ Next Governor,” Illinois Policy Institute, May 14, 2014, at illinoispolicy.org/looming-afscme-negotiations-means-big-battle-for-illinois-next-governor

⁷ Commission on Government Forecasting and Accountability, “FY 2015 Liabilities of the State Employees’ Group Health Insurance Program,” March 2014, p. 24 at cgfa.ilga.gov/Upload/FY2015GroupInsuranceReport.pdf

⁸ Illinois Department of Central Management Services, “FY2014 and FY2015, Employee Health Contributions” at <https://www2.illinois.gov/cms/Employees/benefits/StateEmployee/Pages/FY2014Rates.aspx>

⁹ Author’s calculations, Commission on Government Forecasting & Accountability, “FY 2015 Liabilities of the State Employees’ Group Health Insurance Program,” March 2014, p. 15 at cgfa.ilga.gov/Upload/FY2015GroupInsuranceReport.pdf and Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2013 Medical Expenditure Panel Survey-Insurance Component, Tables X.C, X.C.1, X.D, and X.D.2 at meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_10/2013/ic13_xc_e.pdf

¹⁰ Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2013 Medical Expenditure Panel Survey-Insurance Component, Tables X.C, X.C.1, X.D, and X.D.2 at meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_10/2013/ic13_xc_e.pdf

¹¹ Author’s calculations, Commission on Government Forecasting & Accountability, “FY 2015 Liabilities of the State Employees’ Group Health Insurance Program,” March 2014, p. 15 at cgfa.ilga.gov/Upload/FY2015GroupInsuranceReport.pdf

¹² AFSCME Labor Contract with the State of Illinois, Appendix A, Section 11, p. 14 at www2.illinois.gov/cms/Employees/Personnel/Documents/emp_afscme_chg_appendixA.pdf

¹³ AFSCME Labor Contract with the State of Illinois, Appendix A, Section 11, p. 1 at www2.illinois.gov/cms/Employees/Personnel/Documents/emp_afscme_chg_appendixA.pdf

¹⁴ See afscme31.org/pdfs/We-can-build-A-Better-Illinois.pdf

¹⁵ Author’s calculations based on Illinois Department of Central Management Services, “FY 2014 and FY 2015 Rates, Employee Health Contributions” at www2.illinois.gov/cms/Employees/benefits/StateEmployee/Pages/FY2014Rates.aspx

¹⁶ Pew Charitable Trusts and the John D. and Catherine T. MacArthur Foundation, “State Employee Health Plan Spending: An examination of premiums, cost drivers, and policy approaches,” August 2014, p. 35 at pewtrusts.org/~media/Assets/2014/08/StateEmployeeHealthCareReportSeptemberUpdate.pdf?la=en

¹⁷ Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2013 Medical Expenditure Panel Survey-Insurance Component, Table II.F.1. at meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2013/ic13_jia_f.pdf

¹⁸ Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2013 Medical Expenditure Panel Survey-Insurance Component, Tables II.F.2. and II.F.3. at meps.ahrq.gov/mep-sweb/data_stats/summ_tables/insr/state/series_2/2013/ic13_ia_f.pdf

¹⁹ U.S. Department of Health and Human Services, “Actuarial Value Calculator Methodology,” at <https://cms.gov/CCIIO/Resources/Files/Downloads/av-calculator-methodology.pdf> and The Pew Charitable Trusts and the John D. and Catherine T. MacArthur Foundation, “State Employee Health Plan Spending: An examination of premiums, cost drivers, and policy approaches,” August 2014, p. 35 at pewtrusts.org/~media/Assets/2014/08/StateEmployeeHealthCareReportSeptemberUpdate.pdf?la=en. The average actuarial value of the Illinois SEGIP plans was calculated using Milliman’s actuarial valuation calculation tool, which may vary slightly from the U.S. Department of Health and Human Services actuarial valuation tool. A variation of +/- 2 percent is allowed for each ACA metal tier, which means that a plan with an actuarial value of more than 92 percent is non-compliant.

²⁰ Troy, Tevi D. and Wilson, D. Mark, “The Impact of the Health Care Excise Tax on U.S. Employees and Employers,” American Health Policy Institute, 2014 at americanhealthpolicy.org/Content/documents/resources/Excise_Tax_11102014.pdf

²¹ Gabriel, Roeder, Smith & Company, “Illinois State Employees Group Insurance Program, GASB no. 45 Actuarial Valuation Report,” as of June 30, 2013, p. 1 at cgfa.ilga.gov/Upload/SEGIP_GASB45_2013_Final.pdf

²² Gabriel Roeder Smith & Company, “Illinois State Employees Group Insurance Program, GASB no. 45 Actuarial Valuation Report,” as of June 30, 2013, p. 4 at cgfa.ilga.gov/Upload/SEGIP_GASB45_2013_Final.pdf

²³ Troy, Tevi D. and Wilson, D. Mark, “The Impact of the Health Care Excise Tax on U.S. Employees and Employers,” American Health Policy Institute, 2014 at americanhealthpolicy.org/Content/documents/resources/Excise_Tax_11102014.pdf

²⁴ CMS estimates the program liability at \$2.6 billion for fiscal year 2015 and COGFA estimates it to be \$2.7 billion. Commission on Government Forecasting and Accountability, “FY 2015: Liabilities of the State Employees’ Group Health Insurance Program,” March 2014, p. 2 at cgfa.ilga.gov/Upload/FY2015GroupInsuranceReport.pdf

²⁵ Federal Register, Feb. 12, 2014, vol. 79. no. 29, at [gpo.gov/fdsys/pkg/FR-2014-02-12/pdf/2014-03082.pdf](https://www.gpo.gov/fdsys/pkg/FR-2014-02-12/pdf/2014-03082.pdf)

²⁶ Invest in Your Health Indiana, “Health Plan Options” at investinyourhealthindiana.com/openenrollment/consumer-driven-health-plans

State-employee health benefits: Avoiding the ObamaCare ‘Cadillac tax’

Naomi Lopez Bauman, Director of Health Policy

Executive summary

The problem: Under the Affordable Care Act, or ACA, the federal government imposes an excise tax on high-value, employer-provided health-insurance coverage, commonly referred to as “Cadillac” plans.¹ Originally scheduled to go into effect in 2013, the Obama administration has delayed levying the “Cadillac tax” until 2018.²

The value of some health-insurance plans for Illinois’ active state employees and their dependents is so generous that it could trigger the ObamaCare “Cadillac tax” penalty, costing taxpayers \$2 billion over the next 20 years, and another \$1 billion for retiree health insurance.

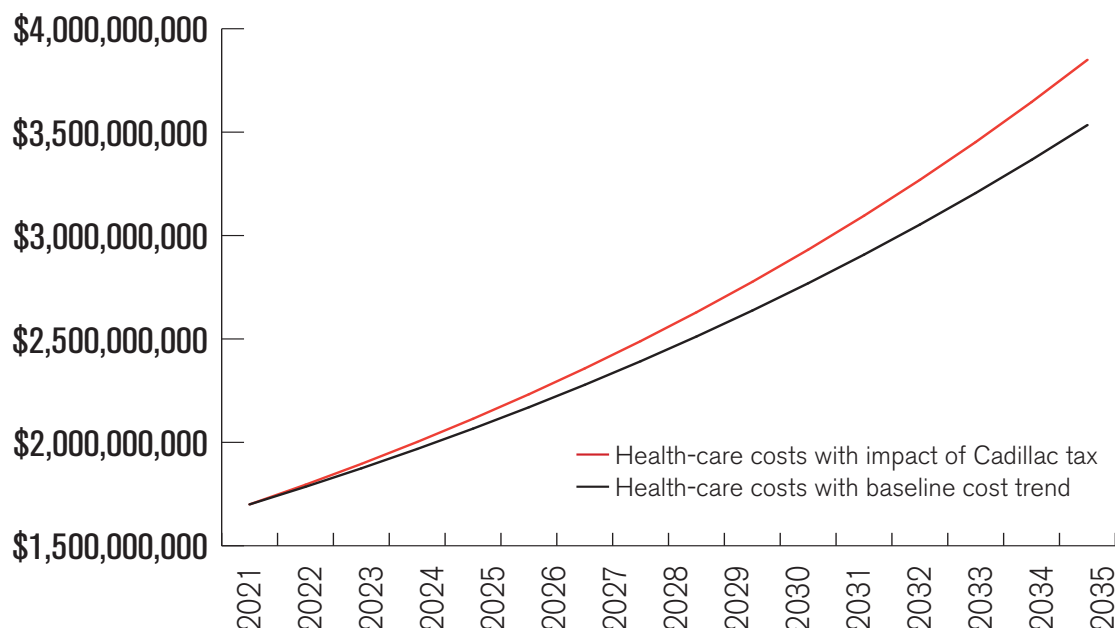
The Illinois Policy Institute has shown that the state’s insurance offerings are not only out of line with what is offered in the private sector, but also that the Cadillac-tax penalty will further squeeze out spending on the state’s priorities while offering no additional health benefits to government employees.³

Our solution: Illinois government should restructure its health-insurance offerings to be more in line with what is offered in the private sector, and in a way that does not trigger the federal tax penalty.

Why this works: The state is in the midst of a budget crisis. Taxpayers should not pay an unnecessary excise tax on state employees’ health-insurance plans.

Budget impact of the Cadillac tax

Active state employee health-care costs with and without the Cadillac tax, 2020-2035*



Source: Author’s calculations based on data from the Commission on Government Forecasting and Accountability and Gabriel Roeder Smith & Company

* Calculations assume a cost trend, or change in the cost of health care, of 5 percent. The impact trend, or the cost trend plus the impact of the new tax, is assumed to be 5.6 percent. The base cost was \$1.7 billion beginning in 2020. See Gabriel Roeder Smith & Company, “Illinois State Employees Group Insurance Program, GASB no 45 Actuarial Valuation Report,” June 30, 2013, p. 4 at cgfa.ilga.gov/Upload/SEGIP_GASB45_2013_Final.pdf for a brief discussion of the excise tax.

The problem

The Affordable Care Act, or ACA, commonly known as ObamaCare, imposes a steep excise tax, otherwise known as the “Cadillac tax,” on the most generous employer-sponsored health-insurance plans. The purposes of the tax are to discourage lavish plans and generate federal revenue.

The state of Illinois offers high-value health-insurance coverage to state employees. High-value plans are those that offer coverage for most of a patient’s medical claims, often having little or no deductible and low or no copays. The ACA imposes a 40 percent excise tax on employer plans beginning in 2018 with a value of more than \$10,200 for an individual plan and \$27,500 for a family plan. For health coverage provided through collective-bargaining agreements, the \$27,500 threshold applies to both individual and family plans.⁴

The table below shows the value of Illinois government-worker health-insurance premiums for individuals and families.

Health-insurance premiums for Illinois government workers

Annual premiums (weighted), fiscal year 2015

Membership	Quality Care Health Plan	HMO (four plans)	Open Access Plan (two plans)
Active employee	\$11,640	\$8,316	\$9,516
Active employee with two dependents	\$16,800	\$11,712	\$13,956

Source: Commission on Government Forecasting and Accountability

The state’s Quality Care Health Plan for an individual already exceeds the \$10,200 threshold for individuals. And the Quality Care Health Plan that includes dependents could conceivably be the first plan to exceed the \$27,500 family-plan threshold, when taking health-care inflation into account.⁵

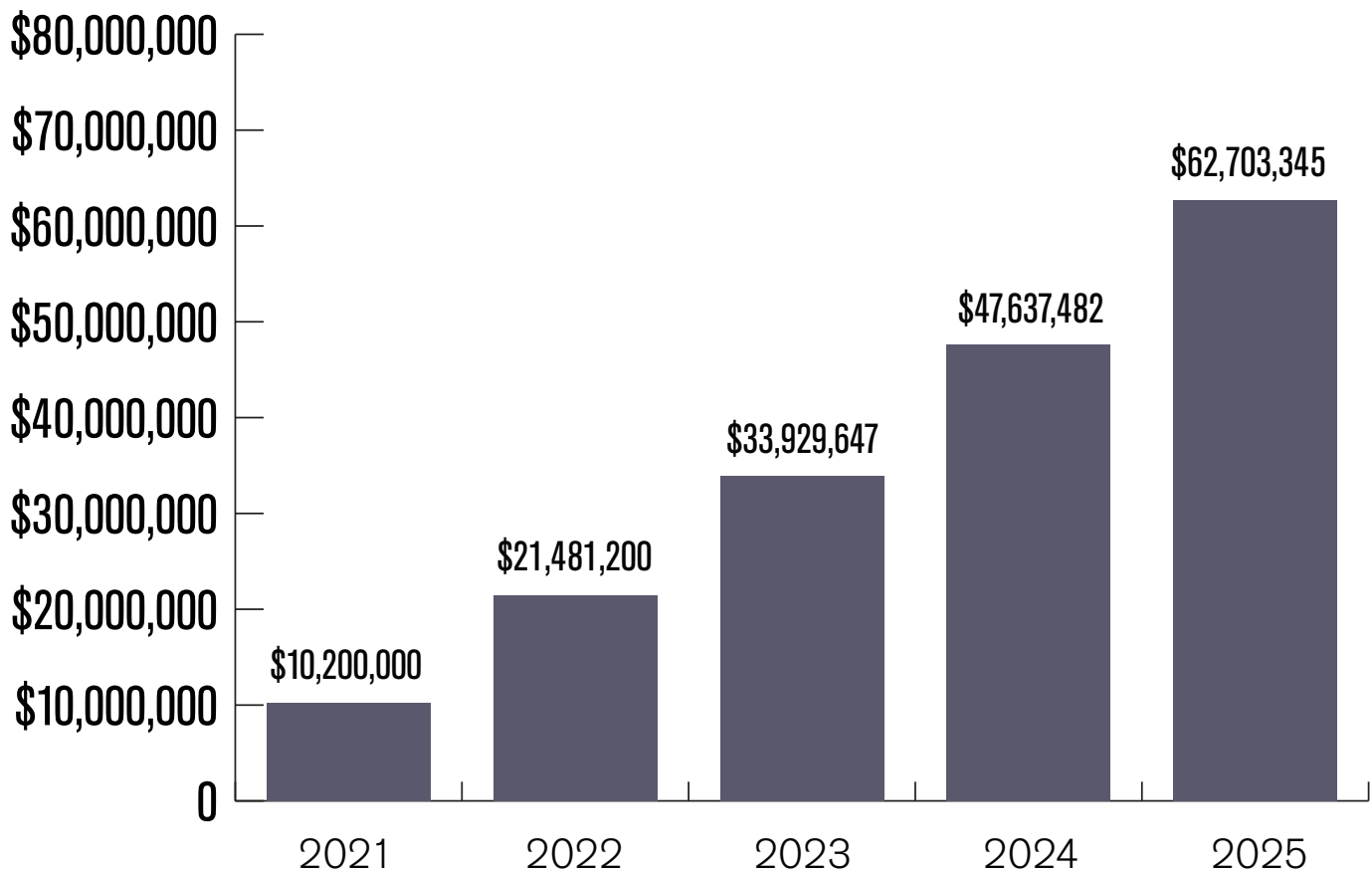
The Cadillac tax is scheduled to take effect in 2018. If the state continues to offer the current plan options, some state-employee health plans will be subject to this tax in the near term while other plans will trigger the excise tax in the long term.

That is because the allowable health-plan value is based on the inflation rate. Since the health-care inflation rate tends to outpace inflation for other goods and services,⁶ over time, more and more plans are likely to be hit with this tax.

The cost to taxpayers as a result of this tax on health plans for active employees could total \$2 billion through 2035.⁷ This is the estimated difference between what the state will spend on active employee and dependent health-care coverage and what it state will spend once the Cadillac tax is added to the cost. While the tax is imposed on the health plan, these increased costs will likely be passed on to taxpayers and would offer no additional health benefits to state-government employees. More immediately, the cost of the Cadillac tax could total more than \$175 million through 2025.⁸

Annual budget impact of the Cadillac tax: \$175M by 2025

Active state employee health-care impact of the Cadillac tax, 2021-2025*



Author's calculations based on data from the Commission on Government Forecasting and Accountability and Gabriel Roeder Smith & Company

* Calculations assume a cost trend, or change in the cost of health care, of 5 percent. The impact trend, or the cost trend plus the impact of the new tax, is assumed to be 5.6 percent.

As it turns out, taxpayers may already be on the hook for the Cadillac tax on retiree health plans. At present, about 86,000 eligible retirees and 40,000 of their dependents can enroll in state-sponsored plans for full health benefits (for those under age 65) and supplemental coverage (for those 65 years and older) with an average contribution of 12 percent of the plan's total cost.⁹ This is virtually unheard of in the private sector.

While the Illinois Supreme Court ruled in *Kanerva v. Weems* that retiree health benefits are a function of the pension system and therefore covered by the Illinois Constitution's pension clause, an upcoming ruling from the Illinois Supreme Court could determine whether those benefits are absolute or can be altered. Depending on the outcome of a legal challenge to changes to state-employee retiree pension benefits, Illinois taxpayers may be forced to fully shoulder another \$1 billion through 2035 in Cadillac taxes on retiree health plans.¹⁰

Our solution

The primary purpose of the Affordable Care Act, or ACA, Cadillac tax is to upend generous employer-sponsored health plans. Instead of passing the cost of the Cadillac tax on to their employees, many private-sector employers are already offering less generous plan options to avoid the Cadillac tax entirely. The state of Illinois should follow suit rather than pass on the penalty cost to taxpayers, who are already shouldering the burden for expensive health insurance offered to state employees.

Health-insurance coverage similar to the "silver" tier plan, as defined by the ACA, could provide more modest benefits.

Every dollar the state spends on the Cadillac tax is money that cannot be directed toward actual health-care services for the state's neediest citizens. To ensure that taxpayer resources are directed to only the highest priorities, the state of Illinois should not offer health-insurance options to active employees that could trigger the ObamaCare Cadillac tax.

Should the state continue to offer these plans as an option, state employees should shoulder all of the costs imposed by the Cadillac tax.

Why this works

Illinois taxpayers cannot afford to shoulder the additional cost of the Cadillac tax, especially when these resources do nothing to improve patient care or health outcomes. Since health-care inflation tends to outpace inflation for other goods and services, more and more plans will become subject to this tax in the future. Avoiding this tax altogether or passing any additional costs resulting from the tax on to employees will ensure that Illinois taxpayers are not saddled with these additional costs.

Endnotes

¹ Health Affairs and Robert Wood Johnson Foundation, “Health Policy Brief: Excise tax on ‘Cadillac’ plans. To slow growing costs and finance and finance expanded coverage, the ACA imposes an excise tax on high-cost health plans to take effect in 2018,” Sept. 12, 2013, p. 1 at healthaffairs.org/healthpolicybriefs/brief_pdfs/healthpolicybrief_99.pdf

² Ibid.

³ Lopez Bauman, Naomi, “Budget Solutions 2016: State-employee health insurance: Opportunities for reform,” Illinois Policy Institute, Feb. 11, 2015, at illinoispolicy.org/reports/budget-solutions-2016-state-employee-health-insurance-opportunities-for-reform/

⁴ Troy, Tevi D. and Wilson, Mark D., “The Impact of the Health Care Excise Tax on U.S. Employees and Employers,” American Health Policy Institute, 2014, p. 2 at americanhealthpolicy.org/Content/documents/resources/Excise_Tax_11102014.pdf

⁵ Commission on Government Forecasting and Accountability, “FY 2015: Liabilities of the State Employees’ Group Health Insurance Program,” March 2014, p. 19 at cgfa.ilga.gov/Upload/FY2015GroupInsuranceReport.pdf

⁶ Gabriel Roeder Smith & Company, “Illinois State Employees Group Insurance Program, GASB no 45 Actuarial Valuation Report,” as of June 30, 2013, p. 4 at cgfa.ilga.gov/Upload/SEGIP_GASB45_2013_Final.pdf

⁷ Health Affairs and Robert Wood Johnson Foundation, “Health Policy Brief: Excise tax on ‘Cadillac’ plans. To slow growing costs and finance and finance expanded coverage, the ACA imposes an excise tax on high-cost health plans to take effect in 2018,” Sept. 12, 2013, p. 3 at healthaffairs.org/healthpolicybriefs/brief_pdfs/healthpolicybrief_99.pdf

⁸ Author’s calculations based on data from the Commission on Government Forecasting and Accountability and Gabriel Roeder Smith & Company. Calculations assume a health cost trend of 5 percent and an impact trend of 5.6 percent. The base cost was \$1.7 billion beginning in 2020.

⁹ Commission on Government Forecasting and Accountability, “FY 2015: Liabilities of the State Employees’ Group Health Insurance Program,” March 2014, pp. 8, 15 at cgfa.ilga.gov/Upload/FY2015GroupInsuranceReport.pdf

¹⁰ Author’s calculations based on data from the Commission on Government Forecasting and Accountability and Gabriel Roeder Smith & Company. Calculations assume a health cost trend of 5 percent and an impact trend of 5.6 percent. The base cost was \$900 million beginning in 2020.

*Reining in out-of-control-spending and borrowing***Spending problem: Illinois increased staff salaries, Medicaid budget, more in fiscal year 2015**

Kristina Rasmussen, Executive Vice President

The political leaders in charge of putting the state budget together last spring were acutely aware that part of the 2011 income-tax increase would be phased out at the start of 2015 – halfway through the fiscal year – yet chose to grow spending in a number of areas.

Within the General Revenue Fund, more than 100 specific line-item appropriations saw increases between fiscal year 2014 and fiscal year 2015. This encompasses spending that state budgeters coded as the same type from one year to the next.

Taxpayer contributions to the pension system climbed. Staff salaries rose in certain departments and Social Security contributions went up. Medicaid spending grew, as did programmatic and grants spending.

Beyond this, more than 800 new line-item appropriations popped up in fiscal year 2015 that hadn't existed the year before, including \$70,000 for the Daily Egyptian Newspaper – a publication run by students at Southern Illinois University – and \$250,000 for the State Bicentennial Commission.

Budgeters made a bad bet when they assumed the tax hike would be make permanent and they could continue to spend at will, and now Illinoisans are paying the price.

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
Department Of Agriculture	Social Security	\$19,100	\$36,000	88%
Department Of Agriculture	Social Security	\$134,000	\$155,400	16%
Department Of Agriculture	Contractual services	\$18,000	\$67,000	272%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
Department Of Agriculture	Personal services	\$1,500,000	\$1,625,000	8%
Department Of Agriculture	Personal services	\$250,000	\$435,800	74%
Department Of Children And Family Services	Refunds	\$5,500	\$11,500	109%
Department Of Children And Family Services	Family preservation	\$1,692,400	\$2,192,400	30%
Department Of Children And Family Services	Institution and group home care and prevention	\$137,934,600	\$140,434,600	2%
Department Of Children And Family Services	Foster homes and specialized foster care	\$131,745,800	\$134,945,800	2%
Department Of Commerce And Economic Opportunity	DCEO job training programs	\$9,000,000	\$10,000,000	11%
Department Of Commerce And Economic Opportunity	Business and community development	\$5,065,000	\$7,500,000	48%
Department Of Healthcare And Family Services	Medical assistance: other related medical services	\$140,048,700	\$140,790,600	1%
Department Of Healthcare And Family Services	Medical assistance: federal Medicare expansion Part B premiums	\$25,911,200	\$28,278,900	9%
Department Of Healthcare And Family Services	Medical assistance: podiatrists	\$3,228,000	\$5,614,000	74%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
Department Of Healthcare And Family Services	Medical care: hemophilia	\$1,446,800	\$4,275,700	196%
Department Of Healthcare And Family Services	Medical assistance: transportation	\$44,298,900	\$48,208,400	9%
Department Of Healthcare And Family Services	Medical assistance: hospice care	\$62,731,500	\$76,247,300	22%
Department Of Healthcare And Family Services	Medical assistance: Medicare Part B premiums	\$361,327,900	\$387,164,500	7%
Department Of Healthcare And Family Services	Medical assistance: supportive living facilities	\$110,798,500	\$138,927,100	25%
Department Of Healthcare And Family Services	Medical assistance: division of specialized care for children	\$48,548,200	\$107,036,500	120%
Department Of Healthcare And Family Services	Medical assistance: skilled and intermediate long-term care	\$762,454,000	\$996,326,500	31%
Department Of Healthcare And Family Services	Medical assistance: health maintenance organizations/ managed care entities	\$738,064,200	\$3,080,240,600	317%
Department Of Human Services	ARC of Illinois Life Span Project	\$382,200	\$482,200	26%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
Department Of Human Services	Westside Health Authority crisis intervention	\$200,000	\$300,000	50%
Department Of Human Services	Aid to the aged, blind or disabled	\$29,548,700	\$29,748,700	1%
Department Of Human Services	Welcoming centers	\$533,500	\$1,033,500	94%
Department Of Human Services	Best Buddies	\$500,000	\$1,000,000	100%
Department Of Human Services	Homeless youth services	\$3,598,100	\$4,598,100	28%
Department Of Human Services	Addiction prevention and related	\$25,000	\$1,025,000	4000%
Department Of Human Services	Addiction treatment services	\$50,940,500	\$53,888,500	6%
Department Of Human Services	Youth programs	\$8,800,000	\$13,800,000	57%
Department Of Human Services	Comprehensive Community Services	\$11,046,400	\$16,546,400	50%
Department Of Human Services	Addiction treatment/ Medicaid eligible - care coordination	\$7,033,800	\$17,033,800	142%
Department Of Military Affairs	Social Security	\$123,400	\$126,700	3%
Department Of Military Affairs	Social Security	\$457,000	\$473,400	4%
Department Of Military Affairs	Personal services	\$1,612,800	\$1,657,200	3%
Department Of Military Affairs	Personal services	\$5,974,300	\$6,187,600	4%
Department Of Military Affairs	Lincoln's Challenge	\$2,200,000	\$2,765,200	26%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
Department Of Revenue	Shared services initiative and other operational expenses	\$1,870,800	\$1,922,900	3%
General Assembly Retirement System	Retirement	\$13,856,000	\$15,809,000	14%
Illinois Community College Board	Veterans' grants reimbursements	\$750,000	\$1,287,800	72%
Illinois Community College Board	Alternative Schools Network	\$6,300,800	\$6,950,800	10%
Illinois Criminal Justice Information Authority	Bullying prevention	\$264,900	\$464,900	76%
Illinois Emergency Management Agency	Contractual services	\$44,600	\$45,000	1%
Illinois Emergency Management Agency	Social Security	\$24,300	\$25,400	5%
Illinois Emergency Management Agency	Personal services	\$318,000	\$332,100	4%
Illinois Emergency Management Agency	Social Security	\$60,300	\$75,300	25%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
Illinois Emergency Management Agency	Personal services	\$787,600	\$983,500	25%
Illinois Historic Preservation Agency	Operational expenses of the Lewis and Clark Historic Site in Madison County	\$243,300	\$550,900	126%
Illinois Independent Tax Tribunal	Operational expenses	\$437,500	\$803,800	84%
Illinois Labor Relations Board	Equipment	\$500	\$900	80%
Illinois State Police Merit Board	Commodities	\$5,000	\$6,000	20%
Illinois State Police Merit Board	Personal services	\$422,500	\$440,500	4%
Illinois Student Assistance Commission	Monetary Award Program	\$373,198,100	\$373,254,500	0%
Judges Retirement System	Retirement	\$126,808,000	\$133,982,000	6%
Judicial Inquiry Board	Travel	\$7,750	\$7,800	1%
Office Of The Auditor General	Electronic data processing	\$37,000	\$50,000	35%
Office Of The Secretary Of State	Commodities	\$24,000	\$24,800	3%
Office Of The Secretary Of State	Travel	\$38,500	\$39,500	3%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
Office Of The Secretary Of State	State paid retirement	\$105,500	\$110,500	5%
Office Of The Secretary Of State	Commodities	\$966,300	\$972,400	1%
Office Of The Secretary Of State	State paid retirement	\$1,003,600	\$1,009,900	1%
Office Of The Secretary Of State	Annual per capita grants to all school districts to establish and operate qualified school libraries	\$214,700	\$225,000	5%
Office Of The Secretary Of State	Operation Of auto equipment	\$442,000	\$457,000	3%
Office Of The Secretary Of State	Personal services	\$56,600	\$84,500	49%
Office Of The Secretary Of State	Social Security	\$355,300	\$408,100	15%
Office Of The Secretary Of State	Contractual services	\$418,800	\$505,700	21%
Office Of The Secretary Of State	Printing	\$483,600	\$571,500	18%
Office Of The Secretary Of State	Social Security	\$3,838,500	\$3,934,300	2%
Office Of The Secretary Of State	Contractual services	\$13,770,800	\$13,870,200	1%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
Office Of The Secretary Of State	Social security	\$8,910,900	\$9,027,900	1%
Office Of The Secretary Of State	Personal services	\$5,250,800	\$5,480,700	4%
Office Of The Secretary Of State	Personal services	\$49,581,800	\$49,930,000	1%
Office Of The Secretary Of State	Capitol complex security	\$3,200,000	\$3,700,000	16%
Office Of The Secretary Of State	Contractual services	\$18,307,100	\$19,174,800	5%
Office Of The State Appellate Defender	Electronic data processing	\$796,500	\$1,010,000	27%
Office Of The State Comptroller	Personal services	\$10,096,300	\$10,096,400	0%
Office Of The State's Attorneys Appellate Prosecutor	Personal services	\$125,100	\$125,300	0%
Office Of The State's Attorneys Appellate Prosecutor	State paid retirement	\$4,800	\$5,100	6%
Office Of The State's Attorneys Appellate Prosecutor	State paid retirement	\$33,800	\$58,900	74%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
Office Of The State's Attorneys Appellate Prosecutor	Social Security	\$67,400	\$107,400	59%
Office Of The State's Attorneys Appellate Prosecutor	Personal services	\$966,600	\$1,469,400	52%
Prisoner Review Board	Commodities	\$12,100	\$12,600	4%
Prisoner Review Board	Printing	\$3,500	\$5,200	49%
Prisoner Review Board	Electronic data processing	\$27,300	\$40,300	48%
Prisoner Review Board	Contractual services	\$142,900	\$179,000	25%
Southwestern Illinois Development Authority	Replenishment of a draw on the debt service reserve fund backing bonds issued on behalf of Children's Center for Behavioral Development and related trustee and legal expenses	\$234,530	\$1,111,600	374%
State Board Of Education	Special education - personnel reimbursement, 14-13.01	\$440,200,000	\$440,500,000	0%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
State Board Of Education	Arts and foreign language education	\$1	\$500,000	49999900%
State Board Of Education	Illinois Coalition for Immigrant and Refugee Rights parent mentoring program	\$1,000,000	\$1,500,000	50%
State Board Of Education	After School Matters	\$2,000,000	\$2,500,000	25%
State Board Of Education	Agricultural education	\$1,250,000	\$1,800,000	44%
State Board Of Education	District consolidation costs/ supplemental payments to school districts 18-8.2, 18-8.3, 18-8.5, 18-8	\$2,500,000	\$3,385,500	35%
State Board Of Education	Bilingual education	\$61,381,200	\$63,681,200	4%
State Board Of Education	Targeted initiatives	\$350,000	\$3,200,000	814%
State Board Of Education	Early childhood education	\$293,962,400	\$300,192,400	2%
State Board Of Education	Special education - student transportation reimbursement, 14-13.01 (b)	\$440,500,000	\$450,500,000	2%
State Board Of Education	Special education - private tuition, 14-7.02	\$218,947,700	\$230,192,400	5%

105 line-item appropriations saw spending growth from General Revenue Fund

Agency	Line-item appropriation	FY 2014 enacted	FY 2015 enacted	Spending growth
State Board Of Education	Student assessments	\$27,400,000	\$44,600,000	63%
State Employees' Retirement System	Retirement	\$1,097,360,220	\$1,136,479,500	4%
State Universities Retirement System	Retirement	\$1,311,766,000	\$1,347,200,000	3%
Supreme Court	Operational expenses	\$238,221,198	\$344,821,200	45%
Teachers' Retirement System	State contribution to the Public School Teachers' Pension and Retirement Fund of Chicago, per Section 17-127 of the Illinois Pension Code	\$11,903,000	\$12,145,000	2%

Debt service on state bonds diverts billions from essential programs

Robert Steere, Senior Fellow

The problem with borrowing is that what you borrow today, you have to pay back, with interest, tomorrow. Tomorrow has arrived in Illinois. The high, ongoing cost of debt service on bonds issued years ago is eating away at Illinois' budget, taking scarce dollars from essential state programs.

According to the fiscal year 2015 budget summary¹ from the Commission on Government Forecasting and Accountability, the cost of debt service in fiscal year 2015 is nearly \$4 billion on outstanding bond debt of more than \$30 billion. The debt service amounts to more than 11 percent of the state's anticipated revenues for the fiscal year – 11 percent that can't be used for essential programs.

This debt problem in Illinois has snowballed since fiscal year 2002. Before then, outstanding debt had never exceeded \$10 billion, annual debt service had always been less than \$1 billion and debt service amounted to less than 5 percent of the state's general revenues.

But, in fiscal year 2003, state leaders began the unhealthy practice of using general obligation bond debt not to pay for long-term capital projects, but to pay for unfunded liabilities of the state pension funds. In short, they borrowed to pay old debts – like using one credit card to pay for another. And they did it in a big way.

The state issued \$10 billion in general obligation bonds in fiscal year 2003 to pay a portion of its pension obligations, thus more than doubling the amount of bonds outstanding to nearly \$21 billion. As a result, annual debt service rose dramatically in fiscal year 2004, and continued to rise over the next five years until annual debt service reached more than \$2 billion in fiscal year 2008.

In fiscal years 2010 and 2011, the state again issued general obligation bonds totaling more than \$7 billion to pay a portion of its pension liabilities. Outstanding debt jumped to more than \$30 billion by the end of fiscal year 2011, and annual debt service skyrocketed to \$3.2 billion from under \$2 billion the previous year.

During this same time period, the state was issuing more and more bonds to cover the costs of the Illinois First and Illinois Jobs Now programs – massive economic development programs that included a mix of state capital projects, local-government projects and economic-development support for private businesses. Many of these expenditures had little direct value to the state.

Primarily as a result of these nontraditional uses of bond debt, the state began fiscal year 2015 saddled with more than \$30 billion in bond debt requiring \$4 billion, or 11 percent of its general funds budget, to pay the annual debt service. This represents nearly a 400 percent growth in debt service, more than 300 percent growth in outstanding bond debt, and more than 200 percent growth in debt service as a percentage of general revenues since 2002.

The state can't keep shirking its fiscal responsibilities by issuing excessive debt for purposes other than essential long-term capital needs of the state. The new administration would be wise to rein in the use of state debt in the coming years, and eliminate the use of state debt for other purposes that are not a direct benefit to the state. This means reining in the use of bonds for Illinois Jobs Now and refusing to use bonds to pay the state's retirement contributions.

If this is done, the state's debt service liability will steadily decline over the years, and more of the budget will be available for essential state services.

Endnotes

¹ Commission on Government Forecasting and Accountability, "State of Illinois Budget Summary, Fiscal Year 2015," Sept. 8, 2014, at <http://cgfa.ilga.gov/Upload/FY2015BudgetSummary.pdf>

Medicaid reform

Improve health care for Medicaid patients while controlling costs for taxpayers

Naomi Lopez Bauman, Director of Health Policy

Executive summary

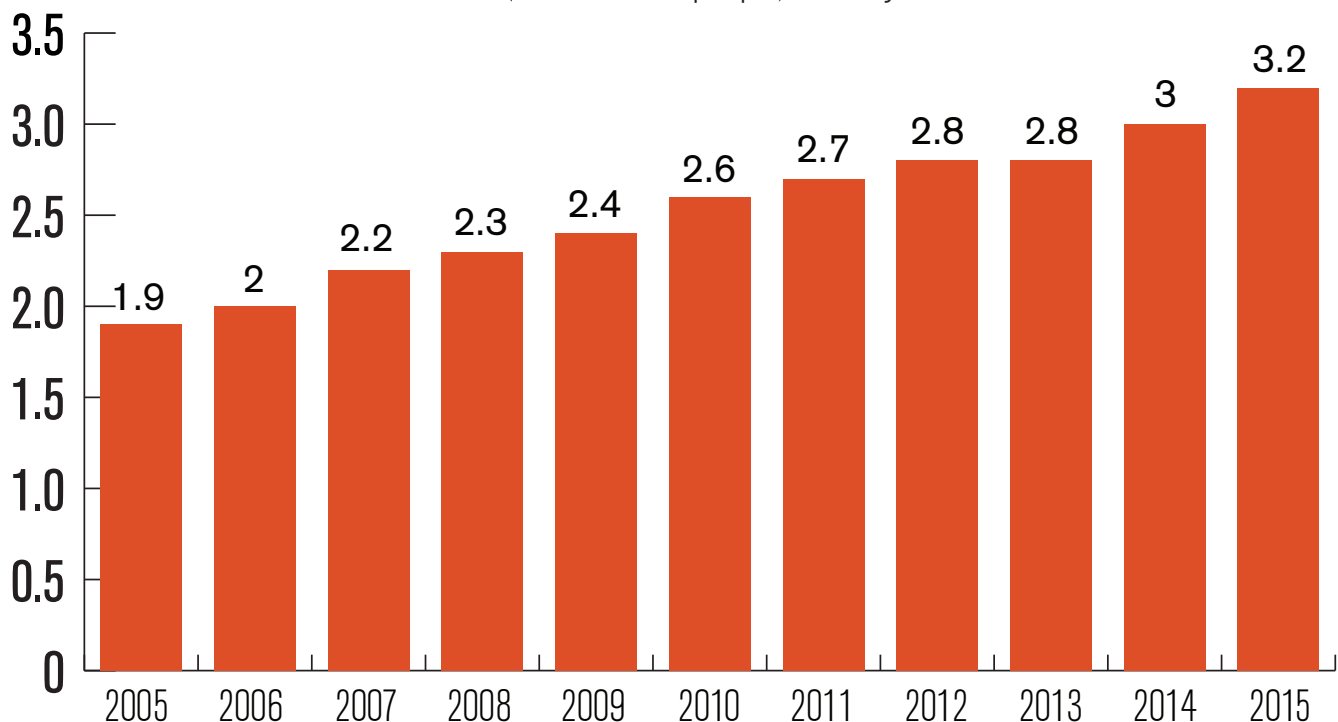
The problem: In fiscal year 2015, the Illinois Medicaid program will spend almost \$13 billion in general and related funds, with about half coming from federal funds – \$20 billion if all funds are counted.¹ Despite this spending, the program is increasingly failing to meet the medical needs of Illinois' most vulnerable population. The state's recent Medicaid expansion to cover primarily able-bodied adults – triggered by the Affordable Care Act – compounds the problem of rapidly increasing costs in this program. Worse, it threatens the state's long-term economic well-being and ability to deliver quality health coverage to those who need it most.

Our solution: Currently, Illinois' Medicaid program is administered as a federal-state partnership program in which enrollees receive full benefits with little to no cost for services. Instead, it should be transformed into a sliding-scale premium-assistance program that targets resources to those who need them most.

Why this works: The state must ensure that priority is given to those Medicaid patients with the greatest needs, while simultaneously using its Medicaid dollars in a more effective manner. A premium-assistance program would give Medicaid patients more control over meeting their own health-care needs and preferences.

Medicaid enrollment surges 68 percent over past 10 years in Illinois

Medicaid enrollment (in millions of people), fiscal years 2005-2015



Source: Illinois Department of Healthcare and Family Services

The problem

Low reimbursement rates and payment delays: About half of Illinois' Medicaid patients are enrolled in "fee for service" arrangements, in which doctors and hospitals are reimbursed for services they provide at a specified rate.² Even though someone has a Medicaid card, they often have to find a doctor who is willing to accept new Medicaid patients. If they are able to find one, they often have to wait – for months, in some cases – to obtain an appointment.

There are a variety of reasons why many physicians are not accepting new Medicaid patients. The slow payment process and low reimbursements are two of the leading reasons. In Illinois, Medicaid pays about 54 percent of what the federal Medicare program pays for similar services.³ Only six states have lower fees than Illinois.⁴ These fees generally do not even cover the actual costs incurred by medical providers to fulfill these services.⁵ These payment problems make it difficult for doctors to take on additional Medicaid patients. As such, it is not uncommon for doctors' offices to put a cap on how many Medicaid patients they will accept, and for people to be turned away or wait weeks or months for an appointment.

Limited access and worse outcomes: These factors have created an environment in which Medicaid enrollees have medical coverage but limited access to care. Children on Medicaid, for example, are six times more likely than privately insured patients to be denied an appointment to see a specialist.⁶ If and when Medicaid patients receive care, they frequently suffer worse outcomes than both privately insured and uninsured patients.⁷ The ability to access care can have a significant impact on early diagnosis, as well as on patients' health-care outcomes.

Illinois' Medicaid program is wrought with waste and fraud: A 2013 state audit found between 15 to 20 percent of Medicaid cases to be overdue for eligibility redetermination, with an estimated 12 percent ineligible (due to inadequate verification or redetermination) enrolled in the program. Not only were many cases overdue for eligibility reverification, but in some cases, the reverification process had not been conducted in several years.⁸ In the state's most recent report from the auditor general, there were 4,933 deceased individuals remaining on the state's rolls more than 60 days after their deaths.⁹ As the state shifts its Medicaid population into managed care, the state will be paying for all enrollees – eligible or ineligible – so long as they remain on Illinois' Medicaid rolls. Lax redetermination not only perpetuates waste and fraud in the program, it diverts precious funds away from the neediest patients, squeezes out spending in other priority areas and violates the trust of taxpayers who foot the bill for the program.

Medicaid expansion puts the able-bodied before the vulnerable: As part of the Affordable Care Act, states were able to choose to expand Medicaid eligibility to residents earning up to 138 percent of the federal poverty level, or \$16,105 per year for a single person. The expansion population is primarily made up of able-bodied, working-age adults and is covered primarily by federal dollars.¹⁰ Rather than allow individuals with incomes between 100 to 138 percent of poverty level to receive federal tax-credit subsidies for the purchase of private coverage on the federal health-insurance exchange, they are automatically thrown into the Medicaid program.

Illinois chose to expand its Medicaid program under the Affordable Care Act in 2013. While the state pays roughly half of the costs for the original Medicaid population, with the federal government picking up the other half, the tab for the expansion population is picked up almost entirely by the federal government. As a result, if the state sought to rein in Medicaid spending, it would need to cut about \$2 in Medicaid spending on the traditional Medicaid population to save \$1 of state spending. But because the federal government is picking up most of the tab for the expansion population, state would need

to cut up to \$10 in Medicaid spending on the expansion population to save \$1 in state spending. In other words, services for the most vulnerable Medicaid populations will be first in line for budget cuts.¹¹ Childless, able-bodied adults will be last.

The Medicaid expansion essentially puts the state's neediest and most vulnerable in line for services behind able-bodied adults.

Our solution

- **Premium assistance:** Premium-assistance models – through which Medicaid recipients pay a share of the plan premium and contribute to their health savings account – provide recipients with a defined contribution toward the purchase of private health insurance. Using the funds in this personal medical savings account, individuals can select the insurance that best fits their needs and preferences. If Medicaid patients paid a share of health-insurance premium costs and copays based on income, this approach – which would curb overutilization – has the potential to save more than \$1 billion per year.¹² The state's total annual liability for this portion of the program from general funds is about \$7 billion.¹³
- **Workers gain more control over their own health care:** After paying for the insurance premium, Medicaid patients could use remaining funds in the account for health-care expenses such as doctor-visit copays, prescription drugs and hospital stays. The poorest enrollees would receive full subsidies based on the average insurance premium and deductible cost by age in Illinois, but the subsidies would gradually phase out for those who can afford to pay a portion of their health-care cost.¹⁴
- **Eligibility verification:** The state should reinstate a private vendor to verify Medicaid eligibility and weed out fraud. Additional and continuous front-end and point-of-service verification should also be considered.
- **Roll back the expansion:** The Medicaid expansion was passed with the promise that, if the federal government did not fulfill its promise to pay, the state could opt out of the expansion. Should the federal government reduce the state's reimbursement rate below 90 percent, the expansion should be rolled back.

Why this works

These solutions would:

- Give the most vulnerable Illinoisans the freedom to choose health plans that meet their needs based on price, range of options and quality.
- Offer actual access to health care, not just meaningless coverage.
- Ensure that precious resources are not misdirected. Every dollar in waste, fraud and abuse is a dollar not being spent on patient care.
- Provide protection for the state's taxpayers and the state's most vulnerable patients should federal Medicaid reimbursement levels change.

Endnotes

¹ While there is no single Medicaid appropriation in the Illinois state budget and the program operates from multiple agencies (primarily from Department of Healthcare and Family Services), the medical assistance spending by the Department of Healthcare and Family Services provides a good approximation of total Medicaid spending in the state. This totals approximately \$20 billion for fiscal year 2015. Medicaid spending from general and related funds is about \$13 billion. See Illinois Department of Healthcare and Family Services, "Presentation to House Human Services Appropriations Committee," April 10, 2014, pp. 8, 12 at illinois.gov/hfs/SiteCollectionDocuments/Budget2015HouseApprop.pdf

² Venteicher, Wes, "Illinois Medicaid shifts 1.4 million to managed care," Chicago Tribune, Jan. 2, 2015 at chicagotribune.com/news/ct-medicaid-managed-care-20150102-story.html

³ Lopez Bauman, Naomi, "Why Medicaid coverage does not equal care," Illinois Policy Institute, July 2014 at illinoispolicy.org/reports/why-medicaid-coverage-does-not-equal-care/

⁴ The Henry J. Kaiser Foundation, "Medicaid to Medicare Fee Index for 2012," at kff.org/medicaid/state-indicator/medicaid-to-medicare-fee-index/

⁵ Lopez Bauman, Naomi, "Why Medicaid coverage does not equal care," Illinois Policy Institute, July 2014 at illinoispolicy.org/reports/why-medicaid-coverage-does-not-equal-care/

⁶ Joanna Bisgaier, M.S.W., and Karin V. Rhodes, M.D., "Auditing Access to Specialty Care for Children with Public Insurance," New England Journal of Medicine, June 16, 2011, at nejm.org/doi/full/10.1056/NEJMsa1013285

⁷ Roy, Avik, "The Medicaid Mess: How Obamacare makes it worse," Manhattan Institute for Public Policy Issues 2012, no. 8, March 2012 at manhattan-institute.org/html/ir_8.htm

⁸ KPMG and Illinois Auditor General, "Single Audit Report for The Year Ended June 30, 2012," pp. 73-76 at auditor.illinois.gov/Audit-Reports/Performance-Special-Multi/Statewide-Single-Audit/FY12-Single-Audit-Full.pdf

⁹ Sickich performed as special assistant auditors for the Auditor General, State of Illinois, "State of Illinois Department of Healthcare and Family Services Financial Audit for the Year Ended June 30, 2014," p. 40 at auditor.illinois.gov/Audit-Reports/Compliance-Agency-List/DHFS/FY14-DHFS-Fin-Full.pdf

¹⁰ Lopez Bauman, Naomi, "Why Rauner should rollback Illinois' Medicaid expansion ASAP," Illinois Policy Institute, Jan. 6, 2015, at illinoispolicy.org/why-rauner-should-roll-back-illinois-medicaid-expansion-asap/

¹¹ Ingram, Jonathan, "Who is on the ObamaCare Chopping Block," Foundation for Government Accountability, July 17, 2014, at thefga.org/2014/07/whos-on-the-obamacare-chopping-block/

¹² There is a wide variety of options for cost-sharing and adding copays to Medicaid participation. For example, the monthly cost of Medicaid coverage for an expansion enrollee is \$882 per person per month. If these enrollees were required to contribute an average of 20 percent of that cost, \$1 billion would be saved (500,000 expansion enrollees x \$882 x 12 months x .20 = \$1,058,400,000).

¹³ Illinois Department of Healthcare and Family Services, "Presentation to House Human Services Appropriations Committee," April 10, 2014, p. 21 at illinois.gov/hfs/SiteCollectionDocuments/Budget2015HouseApprop.pdf

¹⁴ Ingram, Jonathan, "Medicaid Solutions: Florida's Medicaid Cure for Illinois' Ailing Program," Illinois Policy Institute Research Report, March 6, 2013, at illinoispolicy.org/reports/medicaid-solutions-floridas-medicare-cure-for-illinois-ailing-program/

Reforming education spending

Reform education spending: Eliminate loopholes in General State Aid formula

Ted Dabrowski, Vice President of Policy

The problem

At a time when massive budget deficits threaten to cut into funding for classrooms, Illinois cannot continue to give away subsidies to a select few districts that benefit from the complex structure of the state's education-finance formula.

Some school districts take advantage of loopholes in Illinois' education formula, called the General State Aid, or GSA, formula, to appear less wealthy, thereby receiving more means-based state aid than they otherwise would.

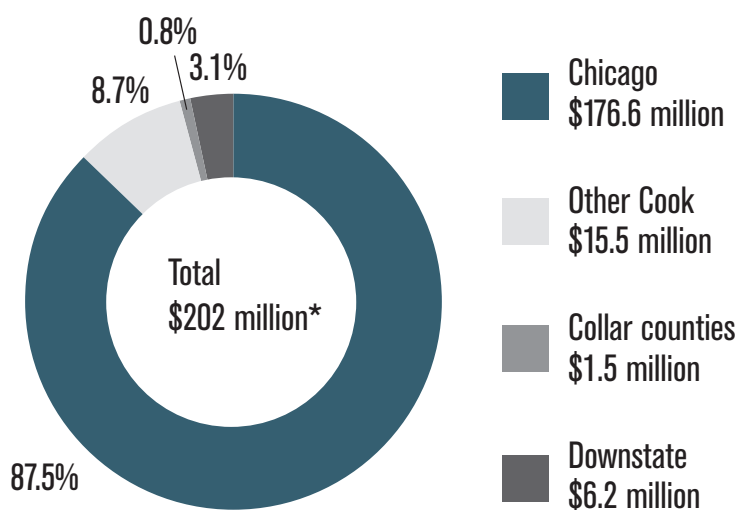
Districts do this by underreporting their true local property wealth when applying for means-based support from the state. Due to loopholes in the GSA formula – one for property tax-capped districts and another for districts that operate in tax increment financing, or TIF, districts – school districts are able to underreport their property wealth and receive more education funding.

The extra money the state sends to school districts in tax-capped jurisdictions is often referred to as a Property Tax Extension Limitation Law, or PTELL, subsidy. These subsidies totaled approximately \$200 million in 2014. At their highest point in 2008, PTELL subsidies totaled more than \$800 million.¹

Most school districts that receive the PTELL subsidies are located near Cook County. Ten districts received more than 96 percent of the \$200 million in PTELL subsidies in 2014, with the majority located in Cook County and its collar counties. Only 3 percent went to downstate school districts.²

The city of Chicago is the biggest recipient of PTELL subsidies, receiving more than \$175 million in extra GSA funds in 2015. It received nearly \$500 million in PTELL subsidies in 2008, when property values were much higher in the years before the Great Recession.

Nearly 97% of FY 2015 PTELL subsidies went to Cook and collar counties



Source: Illinois State Board of Education

* Before proration

Similar to the PTELL loophole, much of the underreported property wealth by school districts in TIF jurisdictions is located in a small group of counties. In 2012, the latest year data are available, 89 percent of this underreported property from the TIF loophole was located within just 10 counties, with the vast majority in Cook County.³

89% of TIF property is found in only 10 counties

Property value excluded from GSA, FY 2012

Rank	County	Property removed	Percent of total
1	Cook	\$9,593,937,376	72.6%
2	St. Clair	\$377,737,951	2.9%
3	DuPage	\$341,936,944	2.6%
4	Will	\$296,280,574	2.2%
5	Madison	\$265,605,558	2.0%
6	Kane	\$243,304,942	1.8%
7	LaSalle	\$181,248,186	1.4%
8	Rock Island	\$180,298,543	1.4%
9	Grundy	\$154,584,641	1.2%
10	Champaign	\$147,368,212	1.1%
Top 10 counties		\$11,782,302,927	89.1%
Remaining 92 counties		\$1,435,122,755	10.9%
Total property removed		\$13,217,425,682	100%

Source: Illinois Department of Revenue

Chicago is the biggest beneficiary of the TIF loophole. The city is allowed to exclude more than \$7 billion in taxable property from its needs-based funding application to the state, allowing the city to receive an additional \$175 million in GSA funds.⁴

There is no accurate way to calculate the total subsidies granted to non-Chicago school districts, as there is no entity that tracks, by school district, the amount of underreported property values due to TIF districts.

Our solution

The state should simplify and amend the GSA formula to end the PTELL and TIF-district loopholes, and require each school district to fully report its true property wealth when requesting means-based state aid.

Why this works

Eliminating these loopholes ensures the GSA formula is efficient and achieves its goal of funding districts based on need.

The state will save at least \$275 million by ending these special subsidies (the savings from both PTELL and TIF reforms are not additive due to the structure of the funding formula). The savings can be expected to rise in future years, as property values continue to recover from the Great Recession.

Endnotes

¹Data from the Illinois State Board of Education

²Ibid

³Data from the Illinois Department of Revenue

⁴Ibid, Illinois Policy Institute calculations

*Eliminating government waste***State spent \$2.1 million on association memberships in 2014**

Kristina Rasmussen, Executive Vice President

Illinois state government spent more than \$2.1 million on “association dues” in fiscal year 2014 from general funds.¹ More than \$1.4 million has been spent on dues so far in 2015.²

As the Illinois Policy Institute’s Diana Rickert pointed out in her Chicago Tribune column, Illinois has been sending \$176,000 annually to the National Governors Association.³

Pausing association dues is an obvious place for making expenditure reductions. If the state had been learning something useful from these groups, it wouldn’t be near the bottom on so many rankings.⁴

Illinois taxpayers paid higher income taxes for four long years so that Illinois could continue to count itself a member of what amounts to clubs for government officials. This needs to stop. Much of the “best practice” information that emanates from these groups is available online or by picking up a phone and reaching out to government officials themselves.

Agency spending on association dues

Fiscal year 2014, general funds

Agency	Expended YTD
IL Legislative Research Unit	\$565,580
Supreme Court	\$264,028
Governor	\$176,200
State Board of Education	\$153,768
Natural Resources	\$133,187
Board of Higher Education	\$119,222
Human Services	\$89,969
Southern IL University	\$87,578
Legislative Reference Bureau	\$87,100
Corrections	\$43,534
Western IL University	\$39,152
IL Arts Council	\$36,630
Juvenile Justice	\$35,300
Governors State University	\$33,695
IL Math And Science Academy	\$30,691
Healthcare & Family Services	\$25,259
Agriculture	\$23,625
State Police	\$23,590
Secretary Of State	\$22,735
Revenue	\$21,005

Agency spending on association dues

Fiscal year 2014, general funds

Agency	Expended YTD
Governor's Office of Management & Budget	\$19,050
Commerce and Economic Opportunity	\$15,610
Treasurer	\$14,385
Public Health	\$13,313
General Assembly	\$13,064
Children and Family Services	\$11,284
IL Criminal Justice Info Authority	\$10,619
Veterans' Affairs	\$9,947
Auditor General	\$8,200
Procurement Policy Board	\$6,301
Off of the State Appellate Defender	\$4,500
State Board Of Elections	\$4,499
IL Labor Relations Board	\$3,958
Office Of Inspector General	\$3,943
University Of Illinois	\$3,870
Executive Ethics Commission	\$2,671
Judicial Inquiry Board	\$2,182
Legislative Information System	\$1,962
IL Community College Board	\$1,883
Aging	\$1,583
Lieutenant Governor	\$1,189
University of Illinois	\$1,170
Civil Service Commission	\$691
Central Management	\$470
Military Affairs	\$450
State University Civil Service Merit Board	\$440
Deaf and Hard of Hearing Commission	\$400
Human Rights	\$390
East St. Louis Finance Advisory Authority	\$305
State Employees' Retirement System	\$250
Labor	\$229
Architect of The Capitol	\$150

Agency spending on association dues

Fiscal year 2014, general funds

Agency	Expended YTD
Historic Preservation Agency	\$100
State Police Merit Board	\$45

Source: State of Illinois Comptroller's office

Endnotes

¹ State of Illinois Comptroller, "Association Dues, Expenditures by Fund Category, Appropriated Spending for Fiscal Year 2014" at bit.ly/1wxNhl2

² State of Illinois Comptroller, "Association Dues, Expenditures by Fund, Appropriated Spending for Fiscal Year 15" at bit.ly/1uRFHrv

³ Rickert, Diana, "Gov. Rauner, lead by example," Chicago Tribune, Jan. 12, 2015, at chicagotribune.com/news/opinion/commentary/ct-rauner-quinn-bourbonnais-perspec-0113-20150112-story.html

⁴ Lucci, Michael, "Illinois had record mass exodus in 2014," Illinois Policy Institute, Jan. 7, 2015, at illinoispolicy.org/illinois-had-record-mass-exodus-in-2014/

Illinois has already spent \$3.5M for short-term work in fiscal year 2015

Kristina Rasmussen, Executive Vice President

Thus far in fiscal year 2015 Illinois has spent nearly \$3.5 million from the state's General Funds for "extra help" from employees.¹

"Extra help" refers to compensation of employees performing work of a short-term or seasonal nature.

In fiscal year 2014, the state spent almost \$6.8 million on "extra help" from General Funds.²

Freezing spending for "extra help" now could save \$3.4 million in fiscal year 2015, with double the savings next year.

Endnotes

¹ State of Illinois Comptroller, "General Funds, Expenditures by Fund, Appropriated Spending for Fiscal Year 15" at bit.ly/1z-1Tzh0

² State of Illinois Comptroller, "General Funds, Expenditures by Fund, Appropriated Spending for Fiscal Year 14" at bit.ly/1z-1Tzh0

Taxpayer-funded tuition: \$586K spent so far in fiscal year 2015

Kristina Rasmussen, Executive Vice President

Thus far in fiscal year 2015 Illinois has spent¹ more than \$586,000 from the state's General Funds for "employee tuition and fees."

These are payments made direct to educational institutions or to reimburse employees for tuition and related educational fees for employment-related courses and studies.

In fiscal year 2014, the state spent more than \$1.7 million on "employee tuition and fees" from General Funds.

Requiring employees to pay their own tuition and fees could save \$1.1 million in fiscal year 2015, with larger savings next year.

The state has been less than transparent² in the past about the taxpayer-funded free tuition handed out to unionized state employees.

Endnotes

¹ State of Illinois Comptroller, "General Funds, Employee Tuition and Fees, Expenditures by Agency, Appropriated Spending for Fiscal Year 15" at bit.ly/15L9aYH

² Reeder, Scott, "Why \$5 million for Upward Mobility?" The Daily Journal, October 2014 at daily-journal.com/opinion/columnists/local/scott-reeder-why-million-for-upward-mobility/article_6b4bbc90-8434-5760-9812-ed22a07e43b5.html?mode=jqm

Travel-spending cuts would save taxpayers \$750K

Kristina Rasmussen, Executive Vice President

As part of a larger ethics-reform package, Illinois Gov. Bruce Rauner issued an executive order on Jan. 12 halting out-of-state travel by employees and limiting in-state travel.¹

Nearly half a million dollars could be saved from the state's general funds if out-of-state employee travel was frozen for fiscal year 2016.² Another quarter-million dollars could be saved by halting out-of-state vendor travel.³

More than \$1 million has already been spent on employees' out-of-state travel out of state in fiscal year 2015, according to a review of data from the state comptroller's office.⁴

State spends more than \$1M on out-of-state travel

Spending on out-of-state travel for state employees by state agency,
fiscal year 2015 YTD

Agency	Travel spending
Department of Public Health	\$124,335
Department of Revenue	\$97,628
Department of Commerce and Economic Opportunity	\$86,722
State Police	\$69,070
Department of Transportation	\$63,675
Department of Financial and Professional Regulation	\$59,085
State Board of Education	\$53,144
Department of Natural Resources	\$44,165
Department of Human Services	\$38,473
Department of Healthcare and Family Services	\$36,279
Attorney General	\$33,880
Student Assistance Commission	\$26,624
Department of Insurance	\$26,425
Department of Employment Security	\$22,718
General Assembly	\$22,302
Illinois Commerce Commission	\$21,496
Gaming Board	\$20,081
Department of Agriculture	\$17,815
Illinois Criminal Justice Information Authority	\$13,417
Illinois State Lottery	\$12,754
Department of Central Management Services	\$12,565

State spends more than \$1M on out-of-state travel

Spending on out-of-state travel for state employees by state agency, fiscal year 2015 YTD

Agency	Travel spending
Emergency Management Agency	\$12,493
Secretary of State	\$12,212
Department of Corrections	\$11,733
Illinois Math and Science Academy	\$9,468
Department of Veterans' Affairs	\$8,918
Board of Higher Education	\$8,704
Supreme Court	\$7,413
Department of Human Rights	\$7,120
Department of Children and Family Services	\$6,901
Department of Labor	\$6,749
Environmental Protection Agency	\$6,566
University of Illinois	\$5,640
Auditor General	\$5,595
State Board of Election	\$5,122
Office of the State Appellate Defender	\$4,937
Illinois Community College Board	\$4,784
Department of Aging	\$4,682
Illinois Arts Council	\$4,556
Historic Preservation Agency	\$4,535
Office of the Inspector General	\$3,892
Office of the Comptroller	\$3,617
Department of Military Affairs	\$3,567
Court of Claims	\$2,901
Illinois Workers' Compensation Committee	\$2,867
Office of the Treasurer	\$2,816
Legislative Information System	\$2,762
Office of the State's Attorney Appellate Prosecutor	\$2,699
Executive Ethics Commission	\$2,498
Governor's Office of Management and Budget	\$2,413
Council on Developmental Disability	\$2,350
Governor's Office	\$2,086
Legislative Reference Bureau	\$1,647
Commission on Government Forecasting and Accountability	\$1,022

State spends more than \$1M on out-of-state travel

Spending on out-of-state travel for state employees by state agency, fiscal year 2015 YTD

Agency	Travel spending
Illinois Deaf and Hard of Hearing Commission	\$713
State Employee's Retirement Commission	\$671
Capital Development Board	\$660
Racing Board	\$621
Supreme Court Historic Preservation Commission	\$317
Total	\$1,080,904

The Department of Public Health, the Department of Revenue and the Department of Commerce and Economic Opportunity were the biggest spenders. Roughly one-fifth of the spending is from general funds.⁵

So far in fiscal year 2015, state employees have been reimbursed \$3.6 million for in-state travel.⁶ The state has also spent more than \$500,000 paying vendors for out-of-state travel.⁷

In fiscal year 2014, the total amount expended on employee out-of-state travel was more than \$2.1 million.⁸ This number was dwarfed by in-state travel reimbursements, which totaled more than \$9.1 million.⁹

Freezing out-of-state travel for state employees and eliminating out-of-state vendor travel for fiscal year 2016 is an easy way to save taxpayers money. In a state budget as ugly as Illinois', every dollar counts.

Endnotes

¹ Illinois Government News Network, "Governor Rauner signs first Executive Order addressing state's fiscal crisis," Jan. 12, 2015, at www3.illinois.gov/PressReleases/ShowPressRelease.cfm?SubjectID=1&RecNum=12944

² State of Illinois Comptroller, "Out-of-state travel, employees, expenditures by fund category, appropriated spending for fiscal year 2014," at tinyurl.com/nduwprx

³ State of Illinois Comptroller, "Out-of-state travel, vendors, expenditures by fund category, appropriated spending for fiscal year 2014," at tinyurl.com/ow6vvdd

⁴ State of Illinois Comptroller, "Out-of-state travel, employees, expenditures by agency, appropriated spending for fiscal year 2015," at tinyurl.com/mdhxn32

⁵ State of Illinois Comptroller, "Out-of-state travel, employees, expenditures by fund category, appropriated spending for fiscal year 2015," at tinyurl.com/n9j3v7q

⁶ State of Illinois Comptroller, "In-state travel, employee reimbursement, expenditures by agency, appropriated spending for fiscal year 2015," at tinyurl.com/np59ypu

⁷ State of Illinois Comptroller, "Out-of-state travel, vendors, expenditures by agency, appropriated spending for fiscal year 2015," at tinyurl.com/neb9c3e

⁸ State of Illinois Comptroller, "Out-of-state travel, employees, expenditures by agency, appropriated spending for fiscal year 2014," at tinyurl.com/qye6h5h

⁹ State of Illinois Comptroller, "In-state travel, employee reimbursement, expenditures by agency, appropriated spending for fiscal year 2014," at tinyurl.com/o6trxu2

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