



# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

## Illinois: Crisis Without End?

Laurence Msall  
President, the Civic Federation  
June 24, 2011





# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

## About the Civic Federation

- Non-profit government research organization founded in 1894
- Funded by major corporations, professional service firms and foundations in the Chicagoland region
- Purpose:
  - To serve as a technical resource, providing nonpartisan research and information
  - To promote rational tax policies and efficient delivery of quality government services
  - To offer solutions which guard against excessive taxation, enhance financial reporting and improve the quality of public expenditures

[www.civicrofederation.org](http://www.civicrofederation.org) for more information



# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

## Presentation Overview

- How Did Illinois get its National Reputation?
- The FY2012 State of Illinois Budget
- Unfinished Business



## Illinois is a Case Study in what NOT to do to End a Fiscal Crisis

- Illinois was unprepared for economic downturn
  - No reserves, huge unfunded pension liability
  - Dysfunctional government, including arrest of Governor Rod Blagojevich
  - New Governor Pat Quinn immediately faced a multi-billion budget shortfall
- FY2009, FY2010 and FY2011 budgets were balanced with pension borrowing, ignoring bills and gimmicks



## Consequences of Ongoing Crisis

- The State's bond rating is currently the second-lowest in the nation
- According to the Pew Center on the States, Illinois' pension funding ratio was the worst in the nation in 2009 and has since fallen to 45%
- Pension borrowing has increased debt service costs by \$1 billion annually through 2019 and tripled the state's bonded indebtedness since 2002



# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

## The Enacted FY2012 Budget

- The \$33.2 billion General Funds operating budget appears on paper to be balanced
- Incorporates hidden liabilities—costs that will be incurred, but not covered in the budget
- The State will pay its pension contributions without borrowing for the first time since FY2009
- FY2012 Illinois pension contribution + debt service on pension bonds = 18% of the operating budget



# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

## State of Illinois General Funds Budget Plan Summary: FY2011 Estimated and FY2012 Approved (in \$ millions)

	FY2011 Estimated	FY2012 Approved*
Total Revenues	\$ 30,530	\$ 33,173
Total Expenditures**	\$ 33,567	\$ 33,250
<b>Operating Surplus (Deficit)</b>	<b>\$ (3,037)</b>	<b>\$ (77)</b>
Borrowing for Operations	\$ 4,913	\$ -
<b>Operating Surplus (Deficit) After Borrowing</b>	<b>\$ 1,876</b>	<b>\$ (77)</b>
Accumulated Deficit from Prior Years	\$ (6,314)	\$ (4,438)
<b>Total Surplus (Deficit)</b>	<b>\$ (4,438)</b>	<b>\$ (4,515)</b>

## State of Illinois General Funds Accounts Payable: FY2011 Estimated and FY2012 Projected (in \$ millions)

	FY2011 Estimated	FY2012 Projected
Accounts Payable Beginning of Year	\$ (6,444)	\$ (4,568)
Paydown (Increase) in Accounts Payable	\$ 1,876	\$ (77)
<b>Accounts Payable End of Year</b>	<b>\$ (4,568)</b>	<b>\$ (4,645)</b>

**Unpaid  
Bills**

\*Passed by Illinois General Assembly as of May 2011 but not signed by Governor.

\*\*Final estimate of FY2012 legislatively required transfers not yet available.



# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

## Hidden Liabilities

- The approved FY2012 budget does not pay down \$3.3 billion in existing liabilities outside of the General Funds and will cause some of them to grow

State of Illinois Hidden Liabilities Going Into the FY2012 Budget (in \$ millions)	
Category	Estimated Amount
Business Tax Refunds	\$ (879)
State Employee Health Bills	\$ (1,100)
Medicaid Bills	\$ (1,300)
<b>Total</b>	<b>\$ (3,279)</b>

- Anticipated Medicaid costs are underfunded by over \$1 billion, delaying payments to vendors
- Unpaid tax refunds will grow because inadequate income tax revenues will be set aside in FY2012





# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

## Unfinished Business

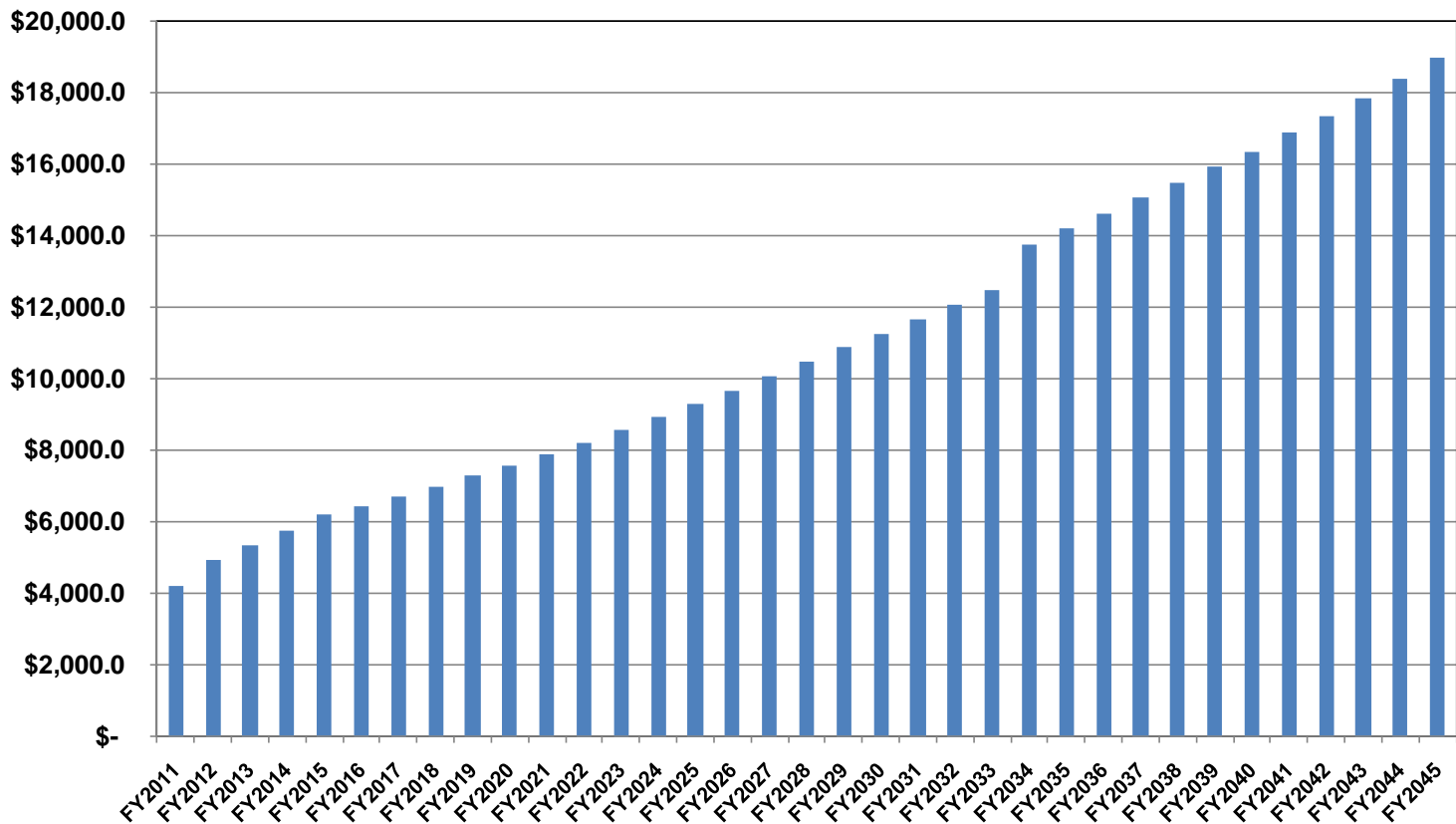
- Vast increase in casino gaming in Illinois was approved but is being held in the Senate due to opposition from the Governor
- A proposal to cut State costs by requiring all retirees to pay a portion of their health insurance premiums stalled in the General Assembly
- Deadline for action on legislation to reform pensions for current employees was extended until November 2011



# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

**State of Illinois Retirement Systems Projected Total State Contributions:  
FY2011-FY2045 (in \$ millions)\***



\*Includes contributions from General Funds and Other State Funds.

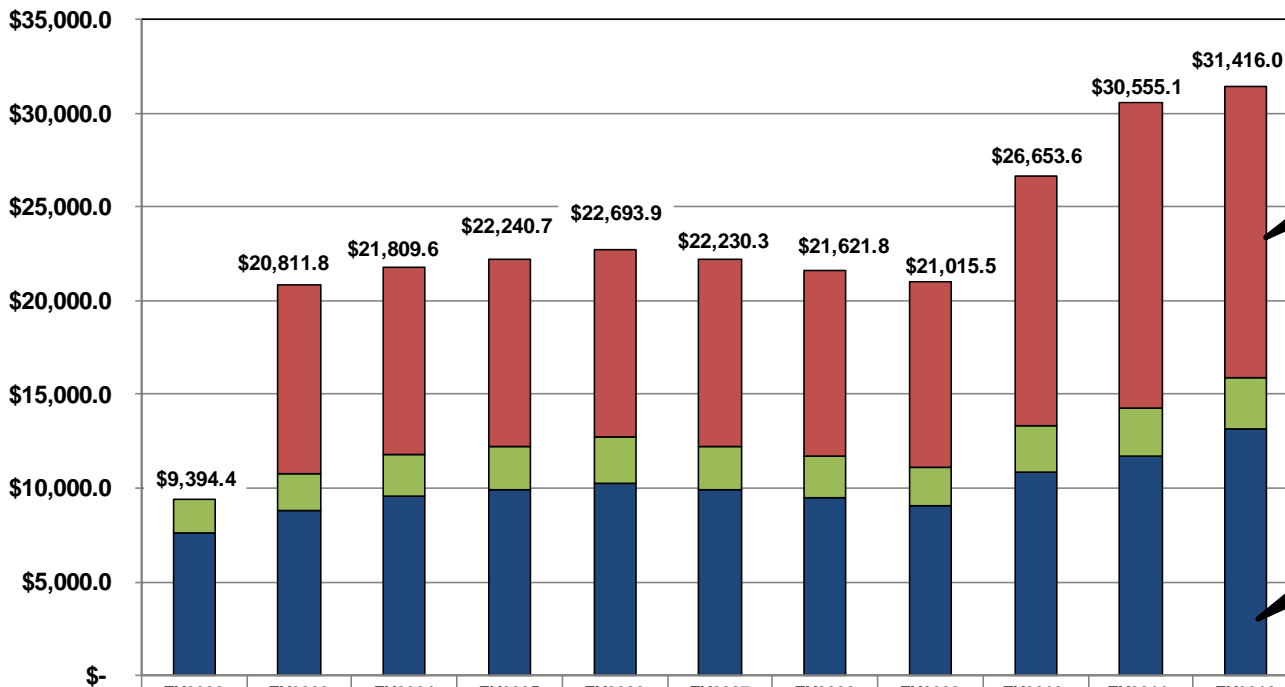
Source: Commission on Government Forecasting and Accountability, *A Report on the Financial Condition of the Illinois State Retirement Systems* as of June 30, 2010, March 2011, p. 91.



# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

**State of Illinois: Total Bonded Debt FY2002-FY2012**  
(in \$ millions)



**Pension Bonds**

**Capital Bonds**

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Total Existing Debt	\$9,394.4	\$20,811.8	\$21,809.6	\$22,240.7	\$22,693.9	\$22,230.3	\$21,621.8	\$21,015.5	\$26,653.6	\$30,555.1	\$31,416.0
Pension Bonds	\$-	\$10,000.0	\$10,000.0	\$10,000.0	\$10,000.0	\$10,000.0	\$9,950.0	\$9,900.0	\$13,316.0	\$16,272.8	\$15,479.6
Build Illinois/Civic Center	\$1,764.5	\$1,999.2	\$2,253.3	\$2,347.7	\$2,442.5	\$2,304.6	\$2,208.9	\$2,063.7	\$2,443.6	\$2,553.3	\$2,749.9
GO Capital Bonds	\$7,629.9	\$8,812.6	\$9,556.3	\$9,893.0	\$10,251.4	\$9,925.7	\$9,462.9	\$9,051.8	\$10,894.0	\$11,729.0	\$13,186.5

Source: Illinois State Budgets FY2005-FY2012.



# The Civic Federation

RESEARCH \* INFORMATION \* ACTION \* EST. 1894

## Questions?