

Institute for Illinois' Fiscal Sustainability at the Civic Federation

177 North State Street, Suite 400, Chicago, IL 60601 • 312.201.9066 fax 312.201.9041 • civicfed.org



Board of Directors

Steven H. Abbey
David A. Abel
Catherine M. Adduci
Allan Ambrose*
A.G. Anglum*
Adrienne Archia*
Murray E. Ascher*
Alicia Berg
Brian A. Bernardoni
Roger Bickel
J.D. Bindenagel
Douglas H. Cameron
Whitney Carlisle
Timothy L. Christen
Robert J. Christie
Richard A. Ciccarone*
Jerry Cizek III ☼
Nancy J. Clawson
Lew Collins
Elizabeth G. Coolidge
Mary Culler
Omar Daghestani
Kevork M. Derderian ☼
Julian C. D'Esposito
Jon B. DeVries
Thomas H. Donohoe
Martin L. Eisenberg
Brian D. Fabes
Timothy J. Faerber
Timothy Fair
Stephen B. Friedman
Charles R. Gardner*
Carol W. Garnant ☼
Sarah Garvey*
Anthony Gedeller
Ronald J. Gidwitz
Peter G. Glick
Judith A. Gold*
Andrew F. Gottschalk*
Patrick J. Hagan*
Philip Hale
M. Hill Hammock*
Albert C. Hanna
David Hickerson
Patricia M. Holden
Bruce T. Hopple
Margaret Houlihan Smith
Lorna Brett Howard
Lori Iglesias
Bennett Johnson III
James H. Kane
William Ketchum
Jim Kranjc*
Betsy LaVelle
Stephen Legatzke
Michael A. Lovett
William Mack*
Glenn Mazade
Thomas McNulty ☼
Fred H. Montgomery*
Timothy E. Moran
Monica M. Mueller
Michael E. Murphy ☼
Bert Nuehring*
Michael F. O'Brien
Holly O'Connor
Gregory O'Leary
Sarah Pang
Robert Pasin
Dorice Pepin
Donovan Pepper
Moirra Pollard
Bruce V. Rauner
Alexander I. Rorke
Scott Saef ☼
John C. Sciacotta
Patrick Sheahan
James E. Spiotto*
Caryn Stancik
Barbara Stewart ☼
Eugene S. Sunshine
Theodore M. Swain*
Kent A. Swanson*
Courtney A. Thompson
Allen Truesdell
Thomas C. Vanden Berk
Robert S. Vihon*
Daniel Wagner
Sue E. Wallace*
John F. Ward ☼
John L. Ward
Jeffrey D. Warner
Andrew L. Weil
Jerrold Wolf
William Young
Philip Zinn*

Immediate Release - Monday, September 26, 2011

For more information, contact Laurence Msall, 312-201-9044

TOTAL ILLINOIS BUDGET DEFICIT SET TO GROW IN FY2012 *Major Tax Increase, Cuts to Appropriations Did Not Fix State's Finances*

(CHICAGO) The Institute for Illinois' Fiscal Sustainability at the Civic Federation released its analysis of the enacted FY2012 State budget today. The report found that the spending plan will increase Illinois' total general operating deficit to \$5.0 billion by June 2012. The shortfall would be even larger if the State had not significantly underfunded Medicaid costs and business tax refunds. The full 56-page report is available at civicfed.org/iifs.

The \$5.0 billion projected year-end General Funds deficit includes an accumulated deficit from prior years of \$4.6 billion and a FY2012 operating gap between revenues and expenditures of \$454 million. However, FY2012 Medicaid costs are underfunded by as much as \$1.7 billion. A loophole in the State's budgetary law allows lawmakers to pay FY2012 Medicaid expenses in FY2013, effectively pushing current year expenditures off into the next fiscal year. The FY2012 budget also does not set aside enough income tax revenue to pay down a backlog of refunds the State owes to businesses, thus boosting the amount of revenue Illinois can spend on its operations.

The State is expected to end FY2012 with \$5.5 billion in unpaid bills to vendors and local governments. An additional multi-billion dollar payment backlog exists that is related to business tax refunds, employee and retiree health care and Medicaid. "While the budget process was somewhat improved this year, the Civic Federation cannot say the State of Illinois is better off," said Laurence Msall, president of the Civic Federation. "By the end of FY2012, the State will have a payment backlog that could require over eight billion dollars in State money to pay off. The State's finances have not been fixed."

While the State has decreased agency appropriations by \$298 million or 1.2% since FY2008, these efforts were more than offset by an increase in pension contributions of \$1.98 billion and increased debt service costs of \$1.14 billion on pension obligation bonds over the same time period. Fully 17.4% of the General Funds budget of \$33.6 billion in FY2012 will go to pension-related payments.

"This budget plainly demonstrates the need for further pension reform by the State of Illinois," said Msall. "Neither dramatic increases in revenue nor painful cuts to appropriations were enough to offset the increased costs imposed on the State by its underfunded pensions." The Federation continues to urge the General Assembly and Governor to explore changes to pension benefits not yet earned by current employees as a way to reduce the cost of the pension program and set the State on a more fiscally sound path.

The full analysis of the FY2012 State of Illinois enacted budget includes a concise summary of over six months of budget negotiations and detailed descriptions of trends associated with the deficit, revenues, expenditures and debt.

The Institute for Illinois' Fiscal Sustainability at the Civic Federation is made possible by a generous grant from the John D. and Catherine T. MacArthur Foundation. The Institute's mission is to improve the State's decision-making process by providing timely fiscal policy analysis and recommendations to State officials, the media, and the public through education and digital outreach. Please visit www.civicfed.org/iifs for more information.

Officers

Thomas Livingston
Chairman
Mark Davis
Vice Chairman
Susan McKeever
Vice Chairman
Eileen Mitchell
Vice Chairman
Joseph B. Starshak
Treasurer
Laurence J. Msall
President
Lise Valentine
Vice President
*Executive Committee
☼ Past Chairmen's Council