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# Institute for Illinois' Fiscal Sustainability at the Civic Federation

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## ILLINOIS' FY2013 BUDGET STARTS TO PAY DOWN MULTIBILLION DOLLAR BACKLOG OF UNPAID BILLS

### *State's severely underfunded pension systems remain a threat*

(CHICAGO) –An analysis released today by the Institute for Illinois' Fiscal Sustainability at the Civic Federation estimated the State's FY2013 budget could reduce the existing backlog of unpaid bills by roughly \$1.3 billion, but warned that the reduction may be difficult to achieve. The State's \$33.0 billion operating budget reflects significant steps to rein in the costs of Medicaid but fails to address the unsustainable costs of the State's pension systems. The full 58-page analysis is available at [www.civicfed.org/iifs](http://www.civicfed.org/iifs).

“This progress, while important, only begins to address the severe damage inflicted on Illinois' finances over many years of fiscal recklessness,” said Laurence Msall, president of the Civic Federation. “The General Assembly has yet to reach consensus on a solution to the ongoing pension funding crisis and serious questions remain about the State's ability to achieve the savings projected in this budget.”

The budget assumes over a billion dollars in service cuts to the State's Medicaid program, which will be very difficult to achieve. Certain projections, including \$350 million in savings related to improved verification of program eligibility, may be unrealistic and program reductions face resistance from legislators and recipients. Federal approval is also required for certain savings provisions. The budget also assumes group health insurance savings based partly on legislation that eliminates premium-free health insurance for retirees, but these changes are currently tied up in the collective bargaining process.

The FY2013 budget has an operating surplus of \$1.4 billion, assuming the projected savings are achieved. However, the budget is incomplete because it only includes funding for approximately half a year of group insurance and does not include \$300 million of the resources needed for full funding of Medicaid costs. If measures to increase funding to these areas are approved later in the fiscal year without a corresponding adjustment to revenues, the projected operating surplus would decline. The State's backlog of unpaid bills, although reduced by the FY2013 budget, remains substantial. Even if all the projected savings are achieved, a \$7.6 billion backlog of unpaid bills will remain at the end of FY2013.

The State has reduced its agency appropriations over the past five years, but these cuts have been offset by a steep rise in pension costs. Total pension-related payments represent 20.1% of General Funds expenditures in FY2013, up from 9.0% in FY2009. “Fixing this broken system must be the legislature's highest priority. There is no excuse for delay,” said Msall.

The full analysis of the FY2013 State of Illinois enacted budget includes a summary of budget negotiations from the release of the Governor's three-year budget projection in January 2012 to the special session called in August to address the State's pension crisis.

*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](http://www.civicfed.org/iifs) for more information.*



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