

DEBT TRANSPARENCY REPORT SUMMARY

Vol. 2, No. 1

Period Ending December 31, 2018

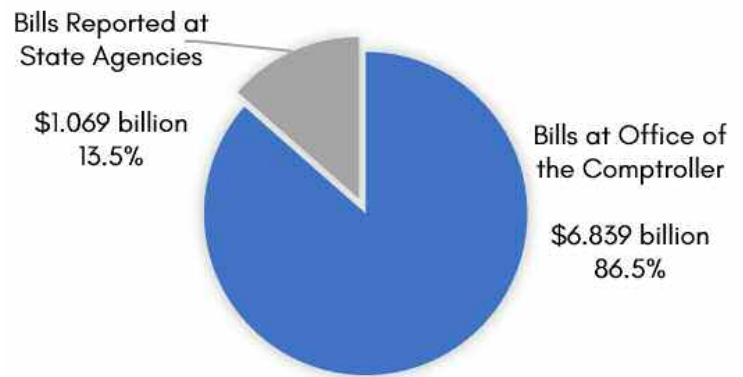
SUMMARY

- Estimated 12/31/18 backlog of bills totaled \$7.908 billion for General Funds and Health Insurance Reserve Fund (HIRF) (\$441 million increase from prior month)^{1,2}
- Agencies reported \$1.069 billion in General Funds and HIRF bills on hand (\$3 million decrease from prior month)¹
- Net pending vouchers and transfers at the Office of the Comptroller totaled \$6.839 billion (almost \$444 million increase from prior month)
- More than \$1.5 billion in estimated unfunded liabilities at agencies for fiscal year 2019
- Identifies \$450 million in reported pending late payment interest penalties

Estimated General Funds Bill Backlog¹

as of December 31, 2018

Total = \$7.908 billion



Debt Transparency Report Summary Vol. 2, No. 1 identifies liabilities from General Funds and the Health Insurance Reserve Fund (HIRF) for the state's bill backlog totals.^{1,2,3} Liabilities and details of other state funds utilized by state agencies can be found in agencies' individual submissions available in the [Debt Transparency Reports](#) section at illinoiscomptroller.gov.

All 83 state agencies and universities responded for the December 2018 reporting period by the time of this publication. Twenty-nine agencies reported zero liabilities.

For a one-year review of the Debt Transparency Act and its report summaries, an overview of the state's ongoing fiscal challenges, including the state's bill backlog, and current and future financial pressures facing the state, please read the Office of the Comptroller's "[Special Report on Illinois' Finances and Future](#)", an addendum to Debt Transparency Report Summary Vol. 2, No. 1.

¹ The estimated General Funds backlog total is comprised of pending vouchers and transfers from the General Funds and the Health Insurance Reserve Fund (for state employee insurance costs) at the Office of the Comptroller, adjusted for transfers pending from the General Funds to HIRF to eliminate double-counting, and vouchers and interest payments reported as held at state agencies for the General Funds and HIRF.

² While not included in the bill backlog total, about \$655 million of the more than \$783 million to date in interfund borrowing from other state funds, permitted for cash management purposes under Public Act 100-0023, remains outstanding; almost \$128 million has been repaid through December 31, 2018. The backlog also does not include \$685 million of the \$700 million invested through December 31, 2018 from other state funds under Public Act 100-1107 that must be repaid at a market-based interest rate of approximately 3.7 percent; \$15 million, plus interest, was repaid December 14, 2018.

³ The General Funds pay for the state's primary operations and school funding obligations and have accounted for most of the state's payment delays. The General Revenue Fund (GRF) is the largest of the seven funds that make up this group. The HIRF is highly dependent on GRF transfers to fund insurance-related obligations. Vouchers payable from other non-General Funds are typically processed without delay if the funds have sufficient balances. Additional information on General Funds and other state funds is available at the [Comptroller's website](#).

AGENCY DTA SUBMISSIONS

Bill Backlog at State Agencies: \$1.069 Billion

Agencies reported more than \$340 million in General Funds liabilities and late payment interest penalties as of December 31, 2018. This amount reflects liabilities that have not yet been sent to the Office of the Comptroller but are eligible to be sent because the agency has an approved invoice or pending interest payments.

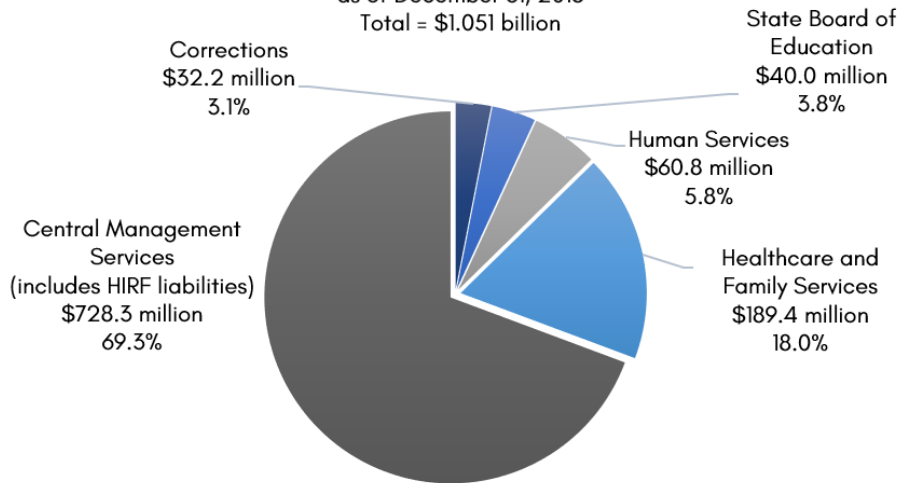
The five state agencies with the largest liabilities reported \$1.051 billion in General Funds liabilities and Health Insurance Reserve Fund (HIRF) liabilities, making up more than 98 percent of the total reported agency backlog. The Department of Central Management Services (CMS) reported almost \$724 million in HIRF liabilities for bills related to the state’s Group Health Insurance Program and almost \$4.5 million in obligations pending at the agency for late payment interest penalties from principal payments on HIRF bills that have already been made. These amounts represent an increase of almost \$24 million compared to combined HIRF liabilities and late payment interest penalties from November 2018.

Reporting agencies’ total unpaid bill backlog, based on their General Funds and HIRF liabilities, including late payment interest penalties owed on bills released for payment by the Office of the Comptroller, totaled nearly \$1.069 billion for the December 2018 period, representing a decrease of \$3 million compared to agencies’ November 2018 liabilities.^{4,5} This \$1.069 billion reflects the lowest reported agency backlog since December 2010. It has been incorporated into the estimated backlog of bills reported daily on the Comptroller’s website and will remain as static input to this calculation until the next DTA monthly report.

Combining this \$1.069 billion with the nearly \$6.839 billion in bills at the Office of the Comptroller, the total estimated General Funds and HIRF bill backlog for December 31, 2018 was more than \$7.908 billion, an increase of almost \$441 million from the end of November 2018.

State Agencies with Largest General Funds/HIRF Liabilities

Includes Late Payment Interest Penalties
as of December 31, 2018
Total = \$1.051 billion



⁴ Compared to November 2018, liabilities and late payment interest penalties increased by almost \$24 million in CMS’ HIRF and by more than \$30 million at the Department of Human Services, while decreasing by about \$38 million at the Department of Healthcare and Family Services, by \$18 million at the Department of Corrections, and by \$3.5 million at the State Board of Education.

⁵ As of December 31, 2018, the cash balance in the HIRF was about \$42 million.

Insufficient Appropriations/Funding Shortfall: \$1.5 Billion

As of December 31, 2018, agencies estimated potential shortfalls of more than \$75 million in General Funds appropriations for fiscal year 2019, reported almost entirely by the Department of Human Services.⁶

While the Health Insurance Reserve Fund has sufficient expenditure authority enacted by the Legislature, the Department of Central Management Services (CMS) has more than \$1.44 billion in bills that it may not have sufficient appropriated deposits from the General Revenue Fund (GRF) to cover.⁷ As a result, the Office of the Comptroller believes it is appropriate to include this \$1.44 billion Group Health Insurance Program liability as an appropriation shortfall since additional GRF appropriations would be required to pay down the liability. The fiscal year 2019 budget agreement does not appear to include an appropriation to address this \$1.44 billion shortfall.

UNIVERSITY REPORTING

State universities reported that through December 2018, vouchers reflecting nearly \$936 million, or 84.7 percent, of the total \$1.105 billion fiscal year 2019 General Funds university appropriations had been sent to the Office of the Comptroller. At the end of December, the Office of the Comptroller was holding \$448.6 million in payments for universities. No amounts for universities were included in state agency backlog estimates.

Interest Penalties: \$450 Million

For the December 2018 reporting period, state agencies reported more than \$81 million in late payment interest penalties for all funds and types, including amounts owed after the vendor received the original payment, and estimated amounts based on what may have accumulated on vouchers still held by the agencies on December 31. Almost \$31 million in late payment interest penalties from the General Funds and Health Insurance Reserve Fund (HIRF) was factored into the agency backlog estimate of \$1.069 billion because the payments could be released by the respective agencies.

Agencies reporting the largest late payment interest penalties, including estimated amounts, were the departments of CMS (primarily related to the Group Health Insurance Program) with \$28.3 million, Innovation and Technology with \$22.9 million, Healthcare and Family Services with \$18.7 million, and Corrections with \$9.4 million. As of December 31, 2018, another \$333.7 million in late payment interest penalty vouchers from all funds was pending at the Office of the Comptroller. The aggregate of outstanding accrued and pending late payment interest penalties at agencies and the Office of the Comptroller totaled approximately \$450 million for the reporting period.

Additionally, the Office of the Comptroller paid \$98.8 million in late payment interest penalties in December 2018. In total, between January 1, 2018 and December 31, 2018, the Office of the Comptroller released more than \$711 million in late payment interest penalties.

⁶ The Department of Human Services reported \$75 million in insufficient funding, the Department of Military Affairs reported \$175,000, and the State Board of Education reported \$112,000. When state agencies accrue liabilities, they cannot voucher for these obligations and submit them to the Office of the Comptroller without sufficient appropriations enacted by the Legislature and Governor. Moreover, the Comptroller cannot release all vouchers pending without sufficient revenues to support the state's spending commitments.

⁷ According to data provided in the Governor's fiscal year 2019 budget book.

Estimated Pending Liabilities

Agencies reported \$1.477 billion in liabilities incurred by the state for the General Funds and the Health Insurance Reserve Fund but not yet invoiced. These are estimates, not actual bills, so they are not reported in the Office of the Comptroller’s backlog or the agencies’ backlog estimate totals. Further details may be obtained by contacting each respective state agency.

As mentioned in previous DTA report summaries, long-term care providers believe hundreds of millions of dollars in payments are owed for services, due to the delay in agency processing of patients seeking eligibility for Medicaid services. Of the \$1.055 billion in reported estimated General Funds pending liabilities at the Department of Healthcare and Family Services as of December 31, the department attributed about \$32 million to costs related to processing long-term care applications.

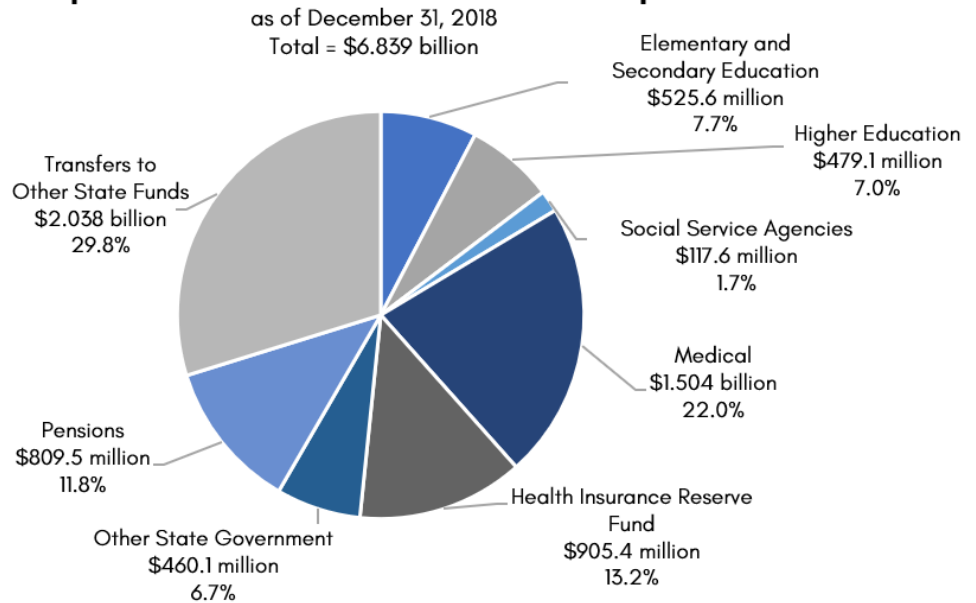
BILLS ON HOLD AT THE OFFICE OF THE COMPTROLLER

Pending at IOC: \$6.839 Billion

The pending bill backlog at the Office of the Comptroller changes every day as payments are made from the state’s General Funds. At the end of the December 2018 reporting period, the General Funds/HIRF bills pending totaled \$6.989 billion.

After adjusting the Health Insurance Reserve Fund (HIRF) total down by the \$150 million in pending transfers from the General Revenue Fund (GRF) included in the backlog at the Office of the Comptroller, the net estimated unpaid bill backlog at the Office of the Comptroller totaled \$6.839 billion on December 31, 2018. GRF transfers to HIRF must be backed out of the total to ensure the transfer amount is not counted twice.

Composition of Bills at the Office of the Comptroller



Detailed breakouts are shown in the image above. These totals include approximately \$325 million in vouchers for General Funds and HIRF late payment interest penalties pending at the Office of the Comptroller.