

DEBT TRANSPARENCY REPORT SUMMARY

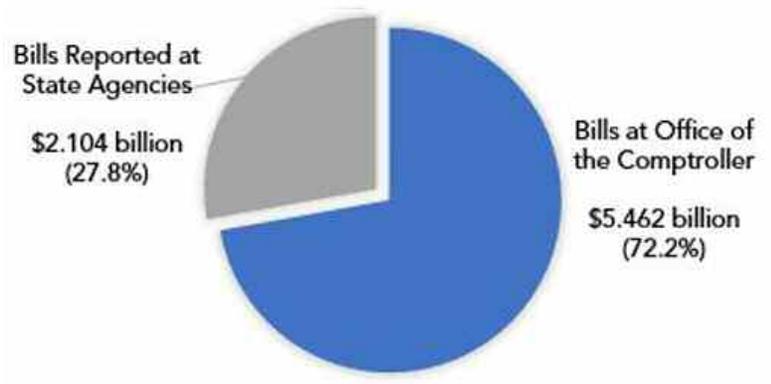
No. 6

Period Ending May 31, 2018

SUMMARY

- Estimated 5/31/18 backlog of bills totaled \$7.566 billion for General Funds and Health Insurance Reserve Fund (HIRF) (\$406 million increase from prior month)¹
- Agencies had a net \$2.104 billion in General Funds and HIRF bills on hand (\$58 million increase from prior month)
- Pending vouchers and transfers at the Office of the Comptroller totaled \$5.462 billion (\$348 million increase from prior month)
- Agencies reported more than \$2.5 billion in unfunded liabilities for fiscal year 2018
- Identifies \$787 million in reported pending late payment interest penalties

Estimated General Funds Bill Backlog¹
as of May 31, 2018
Total = \$7.566 billion



Debt Transparency Report Summary No. 6 is a summary of significant findings from agency submissions to the Office of the Comptroller for the reporting period ending May 31, 2018.¹ While the submissions required under the Debt Transparency Act include reporting from all fund sources, this Summary Report is focused on liabilities identified from General Funds and HIRF for the bill backlog totals.²

All 83 state agencies and universities³ responded for the reporting period by the time of this publication. Twenty-seven agencies reported zero liabilities. Agencies' individual submissions are available in the [Debt Transparency Reports](#) section of the Comptroller's newly redesigned website at illinoiscomptroller.gov.

The information collected from agencies' submissions allows the Office of the Comptroller to present a more complete picture of the state's current outstanding bills by adding updated agency-level information to what is pending at the Office of the Comptroller.

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, and vouchers and interest payments reported as held at state agencies for the General Funds and HIRF, adjusted for transfers pending from the General Funds to HIRF to eliminate double-counting. While not included in the bill backlog total, almost \$400 million of the more than \$527 million to date in interfund borrowing from other state funds, permitted for cash management purposes under Public Act 100-0023, remains outstanding; almost \$112 million was repaid in April 2018 and \$16 million was repaid in May 2018.

² 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. 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](#).

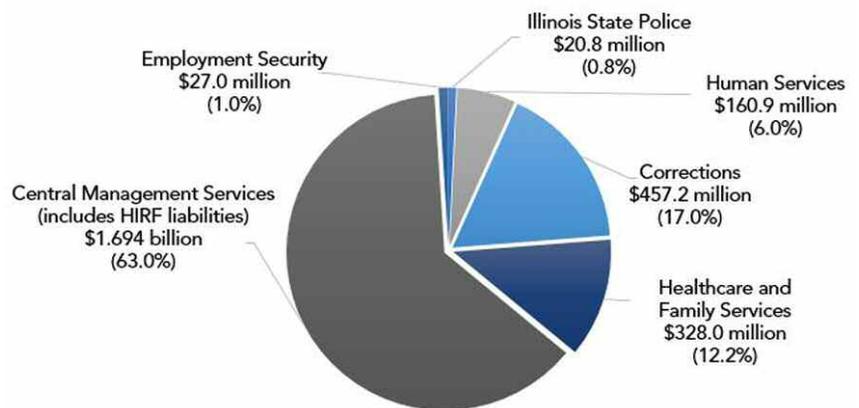
³ The Joint Committee on Administrative Rules had been reporting regularly, but as a legislative agency, statute exempts the agency from the reporting requirements.

AGENCY DTA SUBMISSIONS

Bill Backlog at State Agencies: \$2.104 Billion

Agencies reported almost \$1.042 billion in General Funds liabilities and late payment interest penalties as of May 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 largest liabilities were reported by the Department of Corrections at \$457.2 million and the Department of Healthcare and Family Services (HFS) at \$328.0 million. Central Management Services (CMS) reported \$1.694 billion, which includes \$1.652 billion in Health Insurance Reserve Fund (HIRF) liabilities for bills related to the state's Group Health Insurance program and more than \$20 million in reported obligations pending at the agency for late payment interest penalties from principal payments on HIRF bills that have already been made.

State Agencies with Largest General Funds/HIRF Liabilities
Includes Late Payment Interest Penalties
as of May 31, 2018
Total = \$2.688 billion



Agencies' General Funds and HIRF liabilities, combined with late payment interest penalties released for payment by the Comptroller, total \$2.714 billion for the May 2018 period — a \$58 million increase in the amount of bills reported held at the agencies at the end of April 2018.⁴ While overall General Funds late payment interest penalties decreased by nearly \$62 million from April, overall General Funds liabilities increased by almost \$100 million.⁵ HIRF liabilities and late payment interest penalties increased by \$21 million. The graphic above highlights the state agencies with the largest reported liabilities payable from General Funds and HIRF.

After adjusting the HIRF total down by the \$610 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 state agencies totaled \$2.104 billion as of May 31, 2018. GRF transfers to HIRF must be backed out of the total to ensure the transfer amount is not counted twice.

This \$2.104 billion will be incorporated into the estimated backlog of bills reported daily on the Comptroller's website. It will remain as static input to this calculation until the next DTA monthly report. Combining this \$2.104 billion with the \$5.462 billion in bills at the Office of the Comptroller, the estimated total backlog for May 31, 2018 was \$7.566 billion, an increase of \$406 million from the end of April 2018.

⁴ As of May 31, 2018, the cash balance in the HIRF stood at about \$66 million.

⁵ Department of Corrections liabilities increased by \$20 million due to an increased number of invoices for services provided in May, and HFS liabilities increased by \$80 million due to medical assistance billing variances.

Insufficient Appropriations/Funding Shortfall: \$2.5 Billion

As of May 31, 2018, agencies estimated potential shortfalls of \$1.085 billion in General Funds appropriations for fiscal year 2018. This includes a shortfall of \$443 million in GRF transfers for deposit into the Healthcare Provider Relief Fund for medical programs administered by the Department of Healthcare and Family Services (HFS) (plus a \$51 million supplemental appropriation, assumed by HFS, to fund Medicaid reimbursement adjustments included in the fiscal year 2018 budget implementation bill), \$405 million for operations for the Department of Corrections, \$98 million for the Department of Human Services, \$40 million for the Department of Central Management Services (CMS), \$27 million for the Department of Employment Security, and \$15 million for the Illinois State Police.⁶

Though these shortfalls remained in effect as of the closing date of the reporting period, the [fiscal year 2019 budget](#) passed by the General Assembly with strong bipartisan support and signed by the Governor on June 4 included supplemental appropriations. It is expected that agencies' next DTA submissions will include appropriate adjustments accounting for the enacted appropriations contained in Public Act 100-0586.

While the Health Insurance Reserve Fund has sufficient expenditure authority enacted by the Legislature, CMS has more than \$1.44 billion in bills that it may not have sufficient appropriated deposits from the GRF to cover. 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. Combining this \$1.44 billion shortfall in Group Health Insurance with the \$1.085 billion in unappropriated liabilities identified by agencies for the May 2018 period resulted in a shortfall in fiscal year 2018 appropriations of at least \$2.5 billion to eliminate the backlogs at the agencies.

Interest Penalties: \$787 Million

As of May 31, 2018, state agencies reported \$152 million in estimated late payment interest penalties, 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. About \$78 million in late payment interest penalties from the General Funds and Health Insurance Reserve Fund was factored into the agency backlog estimate of \$2.104 billion because the payments could be released by the respective agencies.

Agencies with the largest totals were the departments of Corrections with \$61.5 million, CMS (primarily related to the Group Health Insurance Program) with \$53 million, Innovation and Technology with \$20 million, and HFS with \$14.8

UNIVERSITY REPORTING

Because university funding is structured as reimbursements for expenditures, rather than direct payment of bills, an alternate reporting format was prescribed to summarize funding against full year allocations. The state universities reported that through May 31, 2018, vouchers reflecting more than \$1.050 billion, or 97 percent, of the total \$1.083 billion fiscal year 2018 General Funds university appropriations had been sent to the Office of the Comptroller. The remaining 3 percent is expected to be submitted by the end of the fiscal year. At the end of May 2018, the Office of the Comptroller was holding \$236.2 million in payments for universities, reflecting remaining fiscal year 2017 payments and a portion of fiscal year 2018 payments. No amounts for universities were included in state agency backlog estimates.

⁶When 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.

million. Additionally, another \$600 million in late payment interest penalty vouchers from all funds was pending at the Office of the Comptroller as of May 31, 2018, an increase of almost \$26 million from April. As of May 31, 2018, the overall aggregate of accrued and pending late payment interest penalties totaled approximately \$787 million. The \$30 million decrease from the amount reported in April is primarily due to a decrease in late payment interest penalties at the Department of Healthcare and Family Services (HFS), after the department sent a significant amount of interest vouchers to the Comptroller for payment.

Additionally, the Office of the Comptroller paid \$37.5 million in late payment interest penalties in May 2018. In total, between January 1, 2018 and May 31, 2018, the Comptroller released \$190 million in late payment interest penalties.

Estimated Pending Liabilities

Agencies reported \$1.026 billion in liabilities incurred by the state for the General Funds and the Health Insurance Reserve Fund but not yet properly invoiced (identified as "pending"). 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. State agencies used an estimation technique for these liabilities, and further details can be obtained by contacting each respective state agency.

Long-term care providers believe hundreds of millions of dollars in payments are owed for services provided while a process is conducted to determine if patients are eligible for Medicaid services. House Bill 4771, passed unanimously by the General Assembly, would direct HFS to submit vouchers for these provisionally eligible residents to the Office of the Comptroller for payment. Of the \$738 million in estimated pending liabilities at HFS, the department attributed about \$150 million to costs related to long-term care application processing through May 31.

BILLS ON HOLD AT THE OFFICE OF THE COMPTROLLER

Pending at IOC: \$5.462 Billion

The pending bill backlog at the Office of the Comptroller changes every day as payments are made from the state's General Funds. For the May 31, 2018 reporting period, the General Funds/HIRF bills pending totaled \$5.462 billion. The makeup of bills pending included Elementary and Secondary Education at \$333.9 million, Higher Education at \$275.9 million, Social Services at \$260.9 million, Medical at \$834.9 million, HIRF transfers at \$610.0 million, Other State Government at \$780.9 million, Pensions at \$683.0 million, and Interfund Transfers at \$1.682 billion. These totals include approximately \$595 million in vouchers for General Funds and HIRF late payment interest penalties pending at the Office of the Comptroller.

Composition of Bills at the Office of the Comptroller
as of May 31, 2018
Total = \$5.462 billion

