



# DEBT TRANSPARENCY REPORT SUMMARY

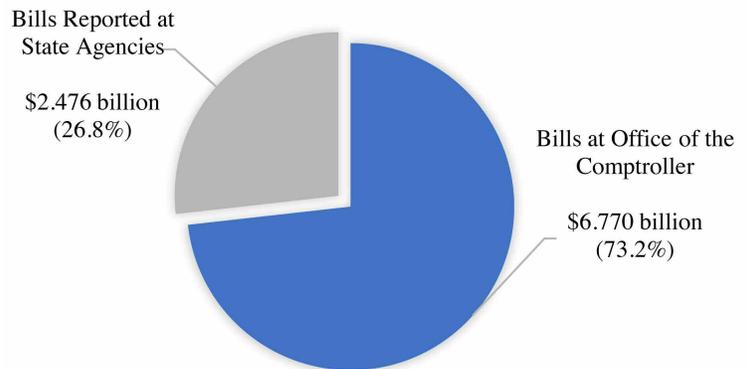
Period Ending December 31, 2017

## SUMMARY

- Estimated 12/31/17 backlog of bills totaled \$9.246 billion for General Funds and Health Insurance Reserve Fund (HIRF)<sup>1</sup>
- Agencies had a net \$2.476 billion in General Funds and HIRF bills on hand
- Pending vouchers and transfers at the Office of the Comptroller totaled \$6.77 billion
- Agencies reported more than \$2.3 billion in unfunded liabilities for fiscal year 2018
- Identifies nearly \$900 million in late interest penalties

## Estimated General Funds Bill Backlog <sup>1</sup>

as of December 31, 2017  
 Total = \$9.246 billion



The Debt Transparency Report is a summary of significant findings from the first state agency submission to the Office of the Comptroller under the requirements of the Debt Transparency Act (DTA) (30 ILCS 105/9.08). While the DTA submissions include reporting from all fund sources, this Summary Report is focused on liabilities identified from General Funds and HIRF for the bill backlog totals.<sup>2</sup>

Eighty state agencies and universities responded for the reporting period ending December 31, 2017, of which 24 agencies reported zero liabilities. Agencies' individual submissions are available on [The Ledger](#).

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. This report is broken into two parts: findings from DTA submissions including bills held at the state agency level, liabilities with insufficient appropriations and reports of late interest penalties; and a summary of bills pending at the Office of the Comptroller by category.

<sup>1</sup> 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.

<sup>2</sup> The General Funds pay for the state's primary operations and funding for 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 Ledger.



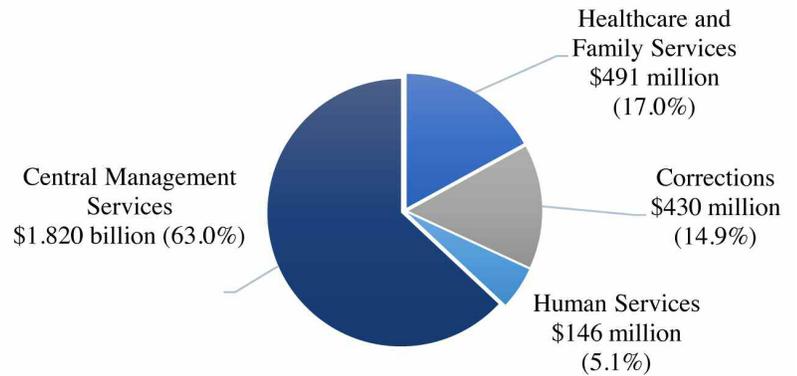
AGENCY DTA SUBMISSIONS

**Bill Backlog at State Agencies: \$2.476 Billion**

Responding agencies reported \$1.163 billion in General Funds liabilities as of December 31, 2017. This amount includes liabilities that have not 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. Central Management Services (CMS) reported an additional \$1.393 billion in Health Insurance Reserve Fund liabilities for bills related to the state’s Group Health Insurance program and \$399.5 million in obligations pending for late payment interest on bills that have already been released for payment by the Comptroller. Adding General Funds and HIRF liabilities together totals \$2.956 billion. The accompanying graph highlights the state agencies with the largest reported liabilities payable from General Funds.

**State Agencies with Largest General Funds Liabilities**

General Funds, Includes Late Payment Interest  
 as of December 31, 2017  
 Total = \$2.888 billion



After adjusting the HIRF total down by the \$480 million in pending transfers from the General Revenue Fund (GRF, the fund from which most bills are paid) reflected in the backlog at the Office of the Comptroller, the net estimated unpaid bill backlog at state agencies totaled \$2.476 billion as of December 31, 2017.

This \$2.476 billion will be incorporated into the estimated backlog of bills reported daily on the Comptroller’s Ledger webpage. It will remain as a static input to this calculation until the next DTA monthly report. Combining this \$2.476 billion with the \$6.770 billion in bills at the Office of the Comptroller, the estimated total backlog for December 31, 2017 was \$9.246 billion.

**Insufficient Appropriations/Funding Shortfall: \$2.3 Billion**

A separate category was included in the Office of the Comptroller’s DTA reporting requirements to identify projected shortfalls in appropriations for the current fiscal year relative to the agency’s expected liabilities. State agencies estimated potential shortfalls of \$1.035 billion in General Funds appropriations for the current fiscal year. 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, \$420 million for operations for the Department of Corrections, and \$118 million for the Department of Human Services.<sup>3</sup>

While the Health Insurance Reserve Fund has sufficient expenditure authority enacted by the Legislature, as reported by Central Management Services, the agency was holding more than \$1.3 billion in bills that it may not have sufficient appropriated deposits from the General Revenue Fund to cover. As a result, the Office of the Comptroller believes it is appropriate to include this \$1.3 billion Group Health Insurance Program liability as an appropriation shortfall since additional GRF appropriations would be required to pay down this liability. Combining the \$1.3 billion GRF shortfall for Group Health Insurance with the \$1.035 billion in unappropriated liabilities identified by agencies results in at least a \$2.3 billion shortfall in fiscal year 2018.<sup>4</sup>

<sup>3</sup> 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.

<sup>4</sup> The Governor’s Office of Management and Budget estimated earlier this fiscal year there was \$2.8 billion in carried-over liabilities from fiscal year 2017. A portion of the proceeds from the November 2017 \$6.0 billion general obligation bond sale reduced the liabilities of the Group Health Insurance Program.



**Interest Penalties: \$887 Million**

As of December 31, 2017, state agencies reported \$741 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 \$675 million from the General Funds or Health Insurance Reserve Fund was factored into the agency backlog estimate of \$2.476 billion because the payments could be released by the agency. Agencies with the largest totals were the departments of Central Management Services (primarily related to the Group Health Insurance Program) with \$434 million, Healthcare and Family Services with \$236 million, and Corrections with \$54 million. Additionally, another \$116 million in late interest vouchers were pending at the Office of the Comptroller as of December 31, 2017, and an estimated \$30 million was owed on bills pending at the Office of the Comptroller. As of December 31, 2017, the overall aggregate of accrued and pending late interest penalties totaled approximately \$887 million, not including the \$143 million in late payment interest paid by the state in calendar year 2017. The balance of owed interest is expected to grow.

**UNIVERSITY REPORTING**

Since 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 nine universities reported that through the end of December 31, 2017, vouchers reflecting \$910.3 million, or 84 percent, of the total \$1.083 billion fiscal year 2018 General Funds university appropriations had been sent to the Office of Comptroller. The remaining 16 percent is expected to be submitted by the end of the fiscal year. At the end of December 2017, the Office of the Comptroller was holding \$666.3 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.

**Estimated Pending Liabilities**

Separate from the liabilities reported above, for which agencies have bills on hand in their office, the agencies were asked to identify liabilities incurred by the state but not yet properly invoiced (identified as “pending”). Agencies reported \$1.201 billion in estimated liabilities for the General Funds and the Health Insurance Reserve Fund. This included an estimate of \$847 million from the Department of Healthcare and Family Services and the Department of Human Services at \$236 million. These are estimates, not actual bills, so they are not included in the Office of the Comptroller’s backlog or the agencies’ backlog estimate totals. State agencies used an estimation technique for these liabilities they have not yet received. Further details of this estimate can be obtained by contacting each respective state agency.

**BILLS ON HOLD AT THE OFFICE  
 OF THE COMPTROLLER**

**Pending at IOC: \$6.77 Billion**

The pending bill backlog at the Comptroller’s Office changes every day as payments are made from the state’s General Funds. As of December 31, 2017 (the same reporting period as the DTA submissions), the snapshot of the General Funds/HIRF bills pending totaled \$6.77 billion. The make-up of bills pending included: Elementary & Secondary Education at \$684 million, Higher Education at \$776 million, Medical at \$1.193 billion, Social Services at \$425 million, interfund transfers at \$2.261 billion, and other state government at \$1.431 billion. These totals include approximately \$116 million in vouchers for late interest penalties pending at IOC.

**Composition of Bills at the Office of the Comptroller**

