



DEBT TRANSPARENCY REPORT SUMMARY

No. 2

Period Ending January 31, 2018

SUMMARY

- Estimated 1/31/18 backlog of bills totaled \$9.213 billion for General Funds and Health Insurance Reserve Fund (HIRF) (\$36 million less than prior month)¹
- Agencies had a net \$2.876 billion in General Funds and HIRF bills on hand (almost \$400 million more than prior month)
- Pending vouchers and transfers at the Office of the Comptroller totaled \$6.336 billion (more than \$400 million less than prior month)
- Agencies reported more than \$2.3 billion in unfunded liabilities for fiscal year 2018 (no significant change)
- Identifies nearly \$950 million in late-payment interest penalties (\$50 million increase)

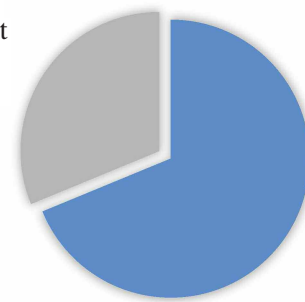
Estimated General Funds Bill Backlog ¹

as of January 31, 2018

Total = \$9.213 billion

Bills Reported at
 State Agencies

\$2.876 billion
 (31.2%)



Bills at Office of
 the Comptroller

\$6.336 billion
 (68.8%)

This Debt Transparency Report is a summary of significant findings from agency submissions to the Office of the Comptroller for the reporting period ending January 31, 2018.¹ 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.²

Eighty-three of 84 state agencies and universities responded for the reporting period ending January 31, 2018, by the time of this publication. Twenty-three 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 of bills held at the state agency level, liabilities with insufficient appropriations and reports of late-payment interest penalties; and a summary of bills pending at the Office of the Comptroller by category.

¹The 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. Total backlog for the December 2017 reporting period is adjusted after accounting for late submissions.

²The 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](#).



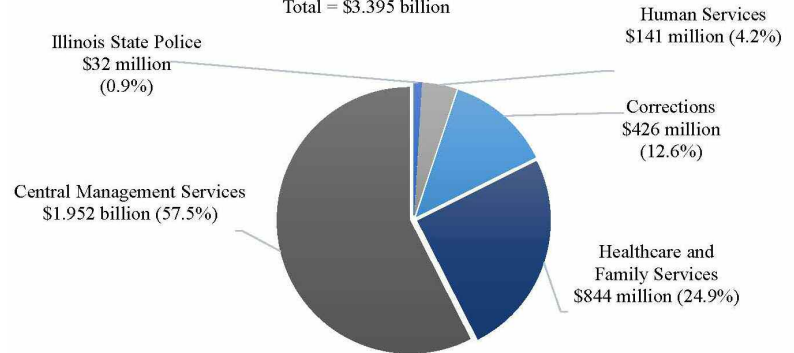
AGENCY DTA SUBMISSIONS

Bill Backlog at State Agencies: \$2.876 Billion

Responding agencies reported \$1.512 billion in General Funds liabilities and late-payment interest penalties as of January 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 Department of Healthcare and Family Services (HFS) reported liabilities of \$844 million. Central Management Services (CMS) reported \$1.719 billion in Health Insurance Reserve Fund (HIRF) liabilities for bills related to state’s Group Health Insurance program, an increase of \$326 million from December 2017, and \$205 million in obligations pending for late-payment interest on bills that have already been released for payment by the Comptroller.

State Agencies with Largest General Funds Liabilities

General Funds, Includes Late Payment Interest
 as of January 31, 2018
 Total = \$3.395 billion



Adding these General Funds and HIRF amounts totals \$3.436 billion. This is an increase of bills held at the agencies of \$477 million from the end of December 2017 after late December submissions were included, primarily due to increases in held amounts at CMS and HFS.³ The accompanying graphic highlights the state agencies with the largest reported liabilities payable from General Funds and HIRF.

After adjusting the HIRF total down by the \$560 million in pending transfers from the General Revenue Fund included in the backlog at the Office of the Comptroller, the net estimated unpaid bill backlog at state agencies totaled \$2.876 billion as of January 31, 2018.

This \$2.876 billion will be incorporated into the estimated backlog of bills reported daily on the Comptroller’s Ledger webpage. It will remain as static input to this calculation until the next DTA monthly report. Combining this \$2.876 billion with the \$6.336 billion in bills at the Office of the Comptroller, the estimated total backlog for January 31, 2018 was \$9.213 billion, a decrease of \$36 million from the end of December 2017.

Insufficient Appropriations/Funding Shortfall: \$2.3 Billion

A separate category is in the Office of the Comptroller’s DTA reporting requirements to identify projected shortfalls in agencies’ appropriations for the current fiscal year relative to their expected liabilities. As of January 31, 2018, state agencies estimated potential shortfalls of \$1.019 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 DHS, \$420 million for operations for the Department of Corrections, \$98 million for the Department of Human Services, and \$15 million for Illinois State Police.⁴ In many cases, these appropriations will be needed for the agency to process to the Comptroller all the held bills reported by the agencies as described above.

While the HIRF has sufficient expenditure authority enacted by the Legislature, as reported by CMS, 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 \$1.019 billion in unappropriated liabilities

³ As of January 31, 2018, the balance in the HIRF stood at \$403 million. In January, CMS sent to the Comptroller limited vouchers for outstanding health care payments that are still held at CMS, but forwarded more than \$200 million in vouchers for late-payment interest penalties. HFS attributes its increase to timing variances, of which a portion of January’s managed care payments will be sent to the Office of the Comptroller in February.

⁴ 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.



identified by agencies results in at least a \$2.3 billion shortfall in appropriations in fiscal year 2018 to eliminate the backlogs at the agencies.

Interest Penalties: \$946 Million

As of January 31, 2018, state agencies reported \$554 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 \$476 million from the General Funds or Health Insurance Reserve Fund (HIRF) was factored into the agency backlog estimate of \$2.876 billion because the payments could be released by the agency. Agencies with the largest totals were the departments of Healthcare and Family Services with \$236 million, Central Management Services (primarily related to the Group Health Insurance Program) with \$249 million, and Corrections with \$51 million. Additionally, another \$362 million in late-payment interest vouchers was pending at the Office of the Comptroller as of January 31, 2018, an increase of \$246 million, primarily due to CMS's submission of late-payment interest bills to the Office of the Comptroller. An estimated \$30 million was owed on bills pending at the Office of the Comptroller. As of January 31, 2018, the overall aggregate of accrued and pending late-payment interest penalties totaled approximately \$946 million. The balance of owed interest is expected to grow as payment delays continue.

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. Based on state universities' submissions and Office of the Comptroller data, as of January 31, 2018, vouchers reflecting \$965.3 million, or 89 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 11 percent is expected to be submitted by the end of the fiscal year. At the end of January 2018, the Office of the Comptroller was holding \$560.9 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, the agencies were asked to identify liabilities incurred by the state but not yet properly invoiced (identified as "pending"). Agencies reported \$1.050 billion in estimated liabilities for the General Funds and the Health Insurance Reserve Fund. This includes estimates of \$702.9 million at the Department of Healthcare and Family Services and \$227.0 million at the Department of Human Services. 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.

BILLS ON HOLD AT THE OFFICE OF THE COMPTROLLER

Pending at IOC: \$6.336 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 January 31, 2018 reporting period (the same reporting period as the DTA submissions), the snapshot of the General Funds/HIRF bills pending totaled \$6.336 billion. The make-up of bills pending included Elementary and Secondary Education at \$706 million, Higher Education at \$705 million, Medical at \$783 million, Social Services at \$475 million, interfund transfers at \$2.148 billion, and other state government at \$1.520 billion. These totals include approximately \$344 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 January 31, 2018
 Total = \$6.336 billion

