

DEBT TRANSPARENCY REPORT SUMMARY

No. 4

Period Ending March 31, 2018

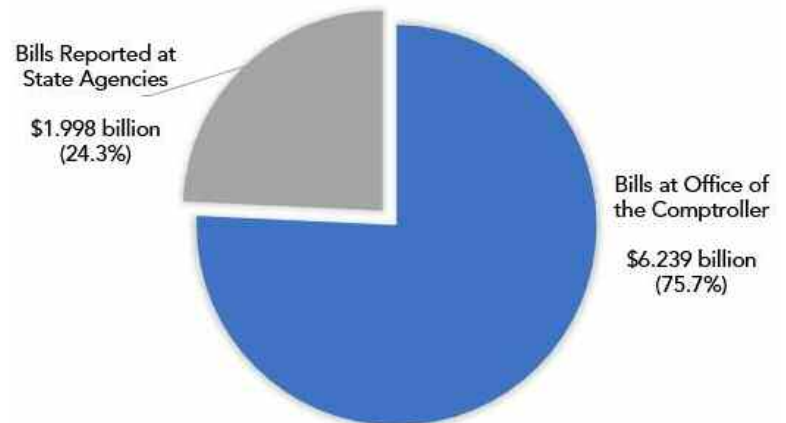
SUMMARY

- Estimated 3/31/18 backlog of bills totaled \$8.237 billion for General Funds and Health Insurance Reserve Fund (HIRF) (\$419 million less than prior month)¹
- Agencies had a net \$1.998 billion in General Funds and HIRF bills on hand (\$211 million less than prior month)
- Pending vouchers and transfers at the Office of the Comptroller totaled \$6.239 billion (\$208 million less than prior month)
- Agencies reported more than \$2.5 billion in unfunded liabilities for fiscal year 2018
- Identifies \$881 million in reported late payment interest penalties

Estimated General Funds Bill Backlog¹

as of March 31, 2018

Total = \$8.237 billion



Debt Transparency Report Summary No. 4 is a summary of significant findings from agency submissions to the Office of the Comptroller for the reporting period ending March 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

All 84 state agencies and universities responded for the reporting period by the time of this publication. Twenty-six 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 divided 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. While not included in the bill backlog total, more than \$516 million to date in interfund borrowing from other state funds, permitted for cash management purposes under Public Act 100-0023, must be repaid.

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](#).

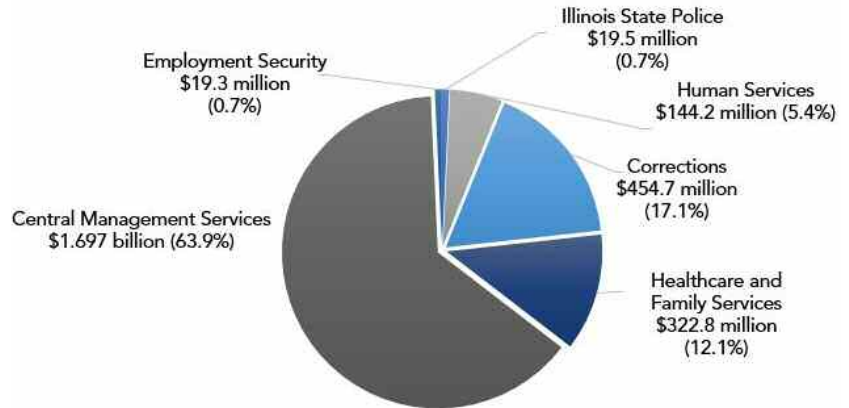


AGENCY DTA SUBMISSIONS

Bill Backlog at State Agencies: \$1.998 Billion

Responding agencies reported \$1.015 billion in General Funds liabilities and late payment interest penalties as of March 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 late payment interest penalties. The largest liabilities were reported by the Department of Corrections at \$454.7 million and the Department of Healthcare and Family Services (HFS) at \$322.8 million. Central Management Services (CMS) reported \$1.557 billion in Health Insurance Reserve Fund (HIRF) liabilities for bills related to the state's Group Health Insurance program (an increase of \$10 million from February 2018) and \$116 million in obligations pending for late payment interest penalties on HIRF bills that have already been released for payment by the Comptroller.

State Agencies with Largest General Funds/HIRF Liabilities
Includes Late Payment Interest Penalties
as of March 31, 2018
Total = \$2.658 billion



These General Funds and HIRF amounts total \$2.688 billion. This is a decrease of bills held at the agencies of \$211 million from the end of February 2018, primarily due to significant decreases in reported held amounts at the Department of Human Services, HFS, and the State Police, as well as a downward adjustment in late payment interest penalties at HFS.³ 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 \$690 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 \$1.998 billion as of March 31, 2018. GRF transfers to HIRF must be deducted from the total to ensure the transfer amount is not counted twice.

This \$1.998 billion will be incorporated into the estimated backlog of bills reported daily on the Comptroller's *The Ledger* webpage. It will remain as static input to this calculation until the next DTA monthly report. Combining this \$1.998 billion with the \$6.239 billion in bills at the Office of the Comptroller, the estimated total backlog for March 31, 2018 was \$8.237 billion, a decrease of \$419 million from the end of February 2018.

Insufficient Appropriations/Funding Shortfall: \$2.5 Billion

As of March 31, 2018, agencies estimated potential shortfalls of \$1.076 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 HFS (plus a \$51 million supplemental appropriation, assumed by HFS to fund Medicaid reimbursement adjustments included in the fiscal year 2018 budget implementation bill), \$420 million for operations for the Department of Corrections, \$98 million for the Department of Human Services, almost \$25 million for CMS, \$19 million at the Department of Employment Security, and \$15 million for the Illinois State Police. 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 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 cash 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 \$1.076 billion in unappropriated liabilities identified by agencies results in a shortfall in fiscal year 2018 appropriations of at least \$2.5 billion to eliminate the backlogs at the agencies.

³As of March 31, 2018, the balance in the HIRF stood at \$52 million. HFS attributes its decrease in General Funds liabilities to a timing variance in the receipt and processing of medical assistance bills and the decrease in late payment interest penalties to a corrective adjustment.



Late Payment Interest Penalties: \$881 Million

As of March 31, 2018, state agencies reported \$298 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 \$233 million in late payment interest penalties from the General Funds and Health Insurance Reserve Fund was factored into the agency backlog estimate of \$1.998 billion because the payments could be released by the respective agencies. Agencies with the largest totals were the departments of Healthcare and Family Services (HFS) with \$75 million, Central Management Services (primarily related to the Group Health Insurance Program) with \$142 million, and Corrections with \$60 million. Additionally, another \$553 million in late payment interest penalty vouchers was pending at the Office of the Comptroller as of March 31, 2018, an increase of \$15 million from February. An estimated \$30 million was owed on bills pending at the Office of the Comptroller. As of March 31, 2018, the overall aggregate of accrued and pending late payment interest penalties totaled approximately \$881 million. The decrease from the amount reported in February is primarily due to a corrective adjustment at HFS. Additionally, the Office of the Comptroller paid \$33.6 million in late payment interest penalties in March.

As reported in Debt Transparency Report Summary No. 1 in January, \$116 million in late payment interest penalty vouchers was pending at the Office of the Comptroller as of December 31, 2017. See analysis in special report regarding late payment interest penalties pending that will be released as an addendum to this summary report in April.

Estimated Pending Liabilities

Agencies reported \$1.059 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"). This includes estimates of \$690 million at HFS and \$249 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: \$6.239 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 March 31, 2018 reporting period, the General Funds/HIRF bills pending totaled \$6.239 billion. The makeup of bills pending included Elementary and Secondary Education at \$594.0 million, Higher Education at \$605.4 million, Medical at \$1.079 billion, Social Services at \$439.5 million, interfund transfers at \$1.498 billion, HIRF transfers at \$690.0 million, and other state government at \$1.333 billion. These totals include approximately \$541 million in vouchers for General Funds and HIRF late payment interest penalties pending at the Office of the Comptroller.

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 March 31, 2018, vouchers reflecting \$1.011 billion, or 93.3 percent, of the total \$1.083 billion fiscal year 2018 General Funds university appropriations had been sent to the Office of Comptroller. The remaining 6.7 percent is expected to be submitted by the end of the fiscal year. At the end of March 2018, the Office of the Comptroller was holding \$352 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.

Composition of Bills at the Office of the Comptroller

as of March 31, 2018
Total = \$6.239 billion

