



OFFICE OF THE COMPTROLLER
STATE OF ILLINOIS

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**COMPTROLLER MENDOZA THANKS LEGISLATORS FOR THEIR
BIPARTISAN VOTE TO PASS A BUDGET**

PLEDGES TO ATTACK THE RAUNER BACKLOG

SPRINGFIELD – Hi, I am Illinois Comptroller Susana Mendoza and I would like to give you an update on the State Budget. The good news is: For the first time in more than two years, we have one. The bond rating agencies can rest assured the state can continue honoring its commitments to bond-holders and the pension funds.

Ten Republicans and 61 Democrats just voted to override Governor Rauner's veto of this bi-partisan, compromise budget. It has aspects that make both sides unhappy, but that's a part of compromise. Legislators of both parties came together to put an end to the fiscal stalemate. They put the needs of the state ahead of the political. They stood up to the inexcusable threats of violence against them.

Three years ago, bond rating agencies said Illinois was on the right track, paying down its backlog of unpaid bills. This chart shows the backlog was down to \$5 billion at the end of fiscal year 2015. There is plenty of blame to go around with both parties, for the decades of fiscal mismanagement. And while the Governor is not to blame for the debt he inherited in the purple section, rather than fix it, in his two years reflected by the red section, Governor Rauner has tripled that unpaid backlog to \$15 billion, as reflected in the red section. He burdened taxpayers with more than \$800 million in late payment interest penalties that our citizens will still be paying off years after Governor Rauner has moved on.

Ignoring the \$15 billion Rauner Backlog won't make it go away. In fact, the late payment interest penalties alone grow by \$2 million a day. This package cuts nearly \$3 billion in state spending. That's nearly \$1 billion more in cuts than Governor Rauner proposed. By averting junk bond status, taxpayers will save hundreds of millions of dollars in future borrowing.

While universally disliked, the tax rate of 4.95% -- the rate Governor Rauner previously agreed to in negotiations and has supported for months -- would have been bigger down the road had this bill not



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passed today. It is a 32% increase in taxes, to help manage Governor Rauner's 200% increase to the bill backlog. Failure to act has a cost.

At any time in the last 2½ years, Governor Rauner could have proposed cuts to state spending to match state revenues, or proposed revenue hikes so we could pay our bills, or a combination thereof. Instead, in just the past year, he charged \$600 million more of your tax money every month to the state's credit line. More than we could possibly afford.

His two unbalanced budgets were \$3 - \$4 billion out of balance. Article 8 Section 2(a) of the Constitution says that it's the Governor's job – to introduce and pass a balanced budget; a duty he repeatedly ignored. He fully embraced deficit spending, but now refuses to pay for it. Eight credit downgrades in record speed. Illinois teetering on the brink of junk status. That's why so many Republican legislators voted to end the stalemate and to save the state.

This budget will not solve all our problems tomorrow. We haven't won the lottery. We lost it and haven't even gotten it back yet. The truth is, it will take us years to pay off the \$15 billion Rauner Backlog.

This is the baton that our office has been handed and we are prepared to run with it and do the best we can to stabilize our finances. Please be assured that in the coming days, weeks and months, my office will implement this budget in a way that best protects taxpayers. We will manage the budget and attack the Rauner Backlog in a way that gives confidence to the markets and the people of our state, with transparency and accountability.

Our bipartisan Debt Transparency bill, which awaits the Governor's signature, will give a true monthly account of the state's accrued debt. This is just one way my office is bringing new accounting transparency to the budget process for the years to come.

We will start by leveraging federal matching dollars to pay down interest-accruing debt as quickly as possible.

State businesses will have the stability and predictability they need to begin hiring again.

Our state's schools and universities will receive critical funds, giving them the chance to open on-time in the Fall, giving parents and students the confidence and peace of mind they so desperately need.

State vendors will still have to wait longer than they'd like to be caught up on payments -- but there is finally a path forward.

And as the state's chief fiscal and accountability officer, I will continue to serve as a fiercely independent watchdog of our state's finances and update you along the way.



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The bipartisan actions we witnessed over the last few days are a glimmer of hope of what we can achieve when working together. This is not the end. It's just a start. Reforms must be a part of stabilizing our finances. But rebuilding trust will be key to any progress or agreed upon reforms. No matter our differences, I hope we can agree that our state is worth fighting for. We have a long and bumpy road ahead towards good fiscal health, but we'll get there, step by step, together.

Thank you for your time.

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