

DEBT TRANSPARENCY REPORT SUMMARY

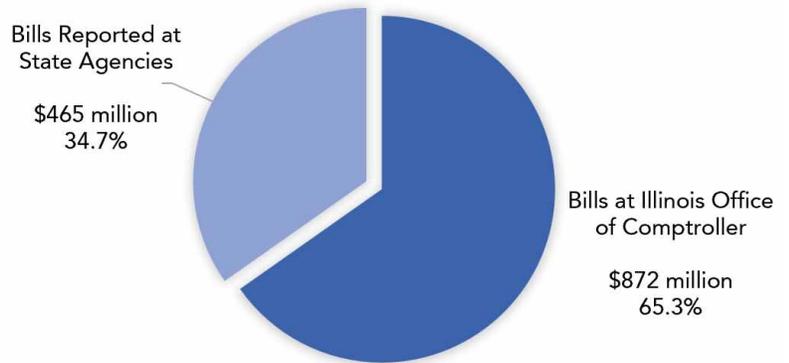
Vol. 5, No. 11

Period Ending October 31, 2022

SUMMARY

- Estimated 10/31/2022 accounts payable totaled \$1.337 billion for General Funds and Health Insurance Reserve Fund (HIRF) (\$16 million increase from prior month)^{1,2}
- Agencies reported \$465 million in General Funds and HIRF bills on hand (\$66 million decrease from prior month)¹
- Net pending vouchers and transfers at the Illinois Office of Comptroller totaled \$872 million (\$82 million increase from prior month)¹
- Identifies approximately \$49 million in reported pending late payment interest penalties
- Oldest General Revenue Fund voucher pending at the Illinois Office of Comptroller at end of 10/31/2022 was 6 days

Estimated General Funds Accounts Payable¹
as of October 31, 2022
Total = \$1.337 billion



Debt Transparency Report Summary Vol. 5, No. 11 identifies liabilities from General Funds and the Health Insurance Reserve Fund (HIRF) for the state's total accounts payable.^{1,2} Liabilities and details of other state funds utilized by state agencies can be found in agencies' individual submissions available in the [Debt Transparency Reports](#) section at illinoiscomptroller.gov.

Eighty-two state agencies and universities responded for the October 2022 reporting period in time for their data to be included in this publication. Twenty-four agencies reported zero liabilities.

¹The General Funds accounts payable 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 Illinois Office of Comptroller, adjusted for transfers pending from the General Funds to HIRF to eliminate double-counting, and vouchers and late payment interest penalties reported as held at state agencies for the General Funds and HIRF. Amounts may not sum to total due to rounding.

²The 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. The 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](#).

AGENCY DTA SUBMISSIONS

Bills Held at State Agencies: \$465 Million

Agencies reported \$363 million in General Funds liabilities and late payment interest penalties as of October 31, 2022. This amount reflects liabilities not yet sent to the Illinois Office of Comptroller but eligible to be sent because the agencies approved invoices or pending interest payments.

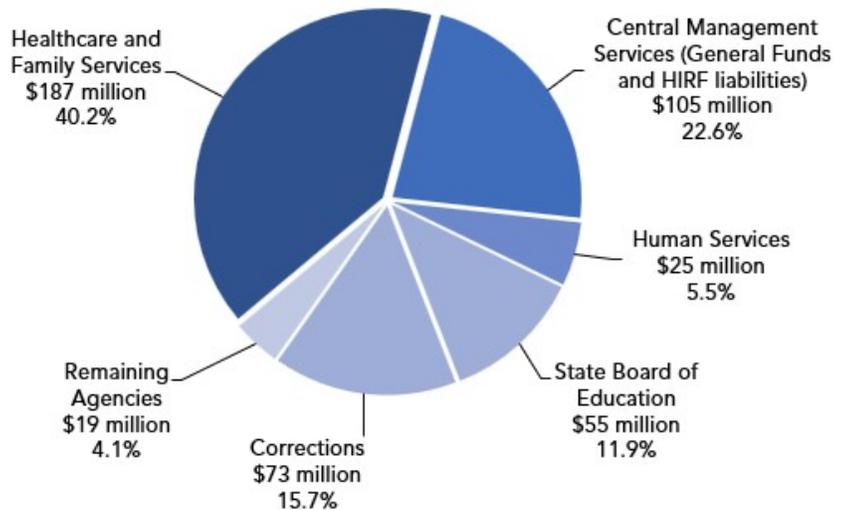
The five state agencies with the largest liabilities reported \$446 million in General Funds liabilities and HIRF liabilities, making up 95.9% of the total reported amount of bills pending at agencies.

The Department of Central Management Services (CMS) reported \$102 million in HIRF liabilities for bills related to the state's Group Insurance Program and \$0 in obligations pending at the agency for late payment interest penalties from principal payments on HIRF bills that have already been made. This amount represents a \$1 million decrease compared to combined HIRF liabilities and HIRF late payment interest penalties from September 2022.

Agency General Funds/HIRF Liabilities Breakout

Includes Late Payment Interest Penalties
as of October 31, 2022
Total = \$465 million

Amounts may not sum to total or to 100% due to rounding.



Reporting agencies' total liabilities, based on their General Funds and HIRF liabilities, including late payment interest penalties owed on bills released for payment by the Illinois Office of Comptroller, were \$465 million for the October 2022 period, representing a \$66 million decrease compared to agencies' September 2022 liabilities.^{3,4} This \$465 million in agency-reported total liabilities has been incorporated into the accounts payable reported daily on the IOC website and will remain as static input to this calculation until the next DTA monthly report.

After combining this \$465 million with the \$872 million in General Funds and HIRF payables at the Illinois Office of Comptroller, the total estimated General Funds and HIRF accounts payable for October 31, 2022 was \$1.337 billion, a \$16 million increase from the end of September 2022.

³ Compared to September 2022, liabilities and late payment interest penalties decreased by \$87 million at the Department of Healthcare and Family Services, by \$46 million at the Department of Human Services, and by \$1 million at the Department of Central Management Services; they increased by \$49 million at the Department of Corrections and by \$11 million at the State Board of Education.

⁴ At the end of the day October 31, 2022, the cash balance in the HIRF was \$123 million.

Interest Penalties: \$49 Million

For the October 2022 reporting period, state agencies reported \$2 million in late payment interest penalties for all funds and types, 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 as of October 31. Just \$223,000 in late payment interest penalties from the General Funds and HIRF was factored into the reported agency liabilities of \$465 million because the payments could be released by the respective agencies.

Agencies reporting the largest late payment interest penalties, including estimated amounts on vouchers held by the agencies, were the departments of CMS with \$860,000, Natural Resources with \$706,000 and Public Health with \$284,000. As of October 31, 2022, another \$47 million in late payment interest penalty vouchers from all funds was pending at the IOC.

The aggregate of outstanding accrued and pending late payment interest penalties at agencies and the IOC totaled \$49 million for the reporting period, with an additional \$1 million in estimated late payment interest penalties on vouchers still held by agencies.

Additionally, the IOC paid nearly \$1 million in late payment interest penalties in October 2022.⁵

Estimated Pending Liabilities

Agencies reported \$1.478 billion in liabilities incurred by the state for the General Funds and HIRF but not yet invoiced. These are estimates, not actual bills, so they are not reported in the IOC's amount of bills pending or the agencies' estimated liabilities.

UNIVERSITY REPORTING

State universities reported that through October 2022, vouchers reflecting \$613 million, or 50.2%, of the more than \$1.221 billion in fiscal year 2023 General Funds university appropriations had been sent to the Illinois Office of Comptroller.

Northeastern Illinois University reported more than \$1 million in insufficient appropriations for the remainder of fiscal year 2023 and Western Illinois University reported less than \$1 million in insufficient appropriations. More information may be found in each university's DTA submission.

At the end of October, \$187 million in General Funds payments for universities was pending at the IOC. No amounts for universities were included in state agency liability estimates.

⁵ Includes prompt pay interest penalties and timely pay interest penalties, including prompt pay interest penalties incurred paid out of a future year appropriation.

VOUCHERS AND TRANSFERS PENDING AT THE ILLINOIS OFFICE OF COMPTROLLER

Pending at IOC: \$872 Million

The amount of vouchers and transfers pending at the IOC changes every day as payments are made from the state's General Funds. The General Funds and HIRF vouchers and transfers pending at the IOC totaled \$1.022 billion at the end of October 31, 2022.

After adjusting the HIRF total down by the \$150 million in pending transfers from GRF included in the accounts payable at the IOC, the net accounts payable and transfers on hold at the IOC totaled \$872 million, reflecting an increase of \$82 million, or 10%, from September 2022. GRF transfers to HIRF must be backed out of the total to ensure the transfer amount is not counted twice.

The largest decrease within the IOC payables was the amount of transfers pending to the five state pension funds, which dropped from \$177 million at the end of September to \$0 at the end of October. Additionally, only \$6,000 in HIRF vouchers were pending at the IOC as of October 31, effectively representing 0% of IOC payables.

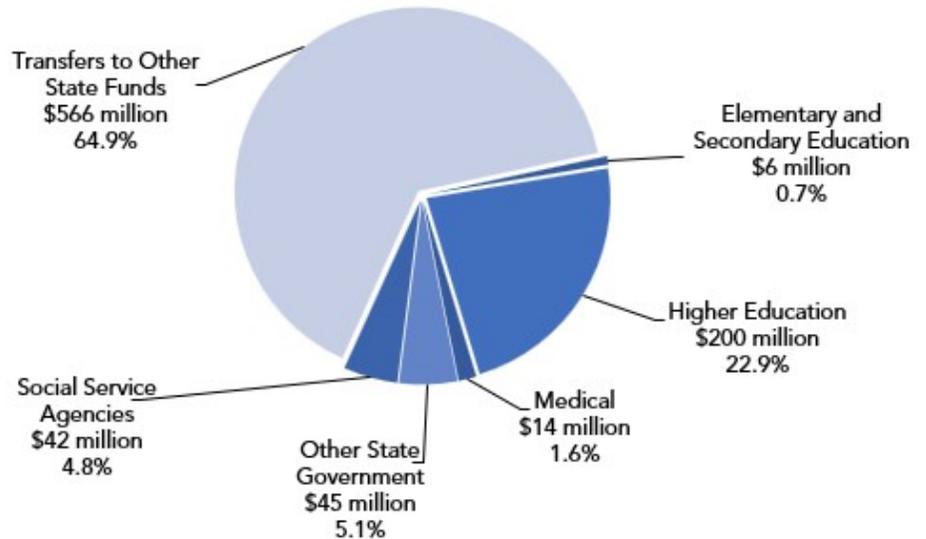
The IOC reported \$92 million in outstanding Community College Health Insurance Security Fund vouchers and transfers pending at the end of October. The fiscal year 2023 budget includes a \$25 million GRF appropriated deposit for the Community College Insurance Program, the entirety of which was expended in July. Additional resources are needed from community colleges and employee contributions to make up the shortfall.⁶ Also, \$242 million in technology-related vouchers from the Department of Innovation and Technology was pending at the IOC and will continue until additional fund receipts from other user state agencies are made. At the end of this report summary is additional analysis on the Technology Management Revolving Fund, its revenue history, and its impact on the state's Vendor Payment Program.

Composition of Bills at the Illinois Office of Comptroller

as of October 31, 2022

Total = \$872 million

Amounts may not sum to total or to 100% due to rounding.



Detailed breakouts are shown in the *Composition of Bills at the Illinois Office of Comptroller* chart.

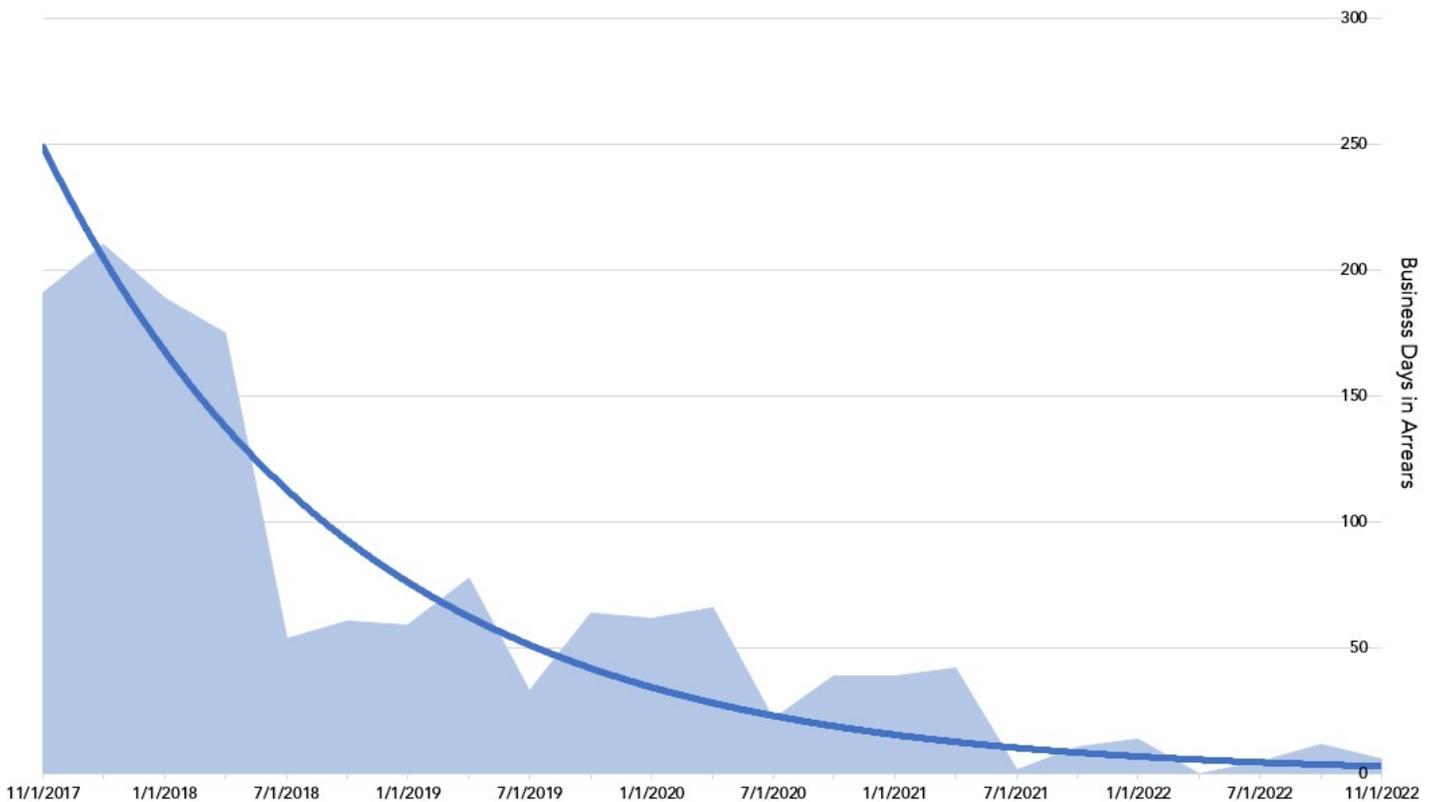
⁶According to the Governor's proposed Operating Budget for fiscal year 2023, current contributions fund just 62% of the program's liability, and without statutory changes, the backlog of bills for the Community College Health Insurance Program will continue to grow.

Oldest General Revenue Fund Voucher at IOC: 6 Business Days

At the end of the day October 31, the oldest GRF voucher at the Illinois Office of Comptroller was 6 business days. This chart shows where this compares to the end of the calendar year and the end of the fiscal year since fiscal year 2018, starting with 191 days at the end of October 2017, about a week before the State received more than \$6 billion in General Obligation bond proceeds to help pay down the record \$16.7 billion General Funds bill backlog, and including its high point of 210 days at the end of November 2017.

In addition to the General Funds accounts payable, the oldest GRF voucher at the IOC has been an important method of assessing the current financial condition of the State and the hardships faced by State vendors since September 2001, when a worsening economy began a consistent rise in the bill backlog. Steady improvement has been made to the bill payment cycle since December 2017, and today the payment cycle is within 30 days for vouchers sent to the IOC. The 30-day payment cycle does not apply to net interfund transfers, which made up \$566 million, or 64.9%, of the IOC payables as of October 31.

IOC General Revenue Fund Payment Cycle History
October 2017 through October 2022
Oldest GRF voucher at end of day 10/31/2022: 6 business days



OCTOBER 2022 SUPPLEMENT: TECHNOLOGY MANAGEMENT REVOLVING FUND (0304)

The Statistical Services Revolving Fund was renamed the Technology Management Revolving Fund in P.A. 100-0023, the fiscal year 2018 Budget Implementation bill. P.A. 100-0023 also provided that on July 1, 2017, or after sufficient moneys had been received by the Communications Revolving Fund to pay all fiscal year 2017 obligations payable from the fund, the balance of the Communications Revolving Fund would be transferred to the Technology Management Revolving Fund (these transfers were completed in fiscal year 2018). P.A. 100-0611 officially changed the Technology Management Revolving Fund's administering agency from the Department of Central Management Services to the Department of Innovation and Technology.

The Technology Management Revolving Fund receives its revenues from fees and other moneys received by DoIT in payment for information technology and related services performed for state agencies. Most expenditures from the fund are for software/IT costs and personnel-related costs for DoIT. Moneys in the fund are also appropriated (through the Illinois Office of Comptroller) for personnel costs for the Secretary and Assistant Secretary of DoIT and claims issued via the Court of Claims. The main fiscal year 2023 appropriation involving the Technology Management Revolving Fund is \$750 million to DoIT for administrative and program expenses, including prior years' costs. This represents a \$100 million increase over the initial fiscal year 2022 and fiscal year 2021 appropriations for the same purpose.

In recent years, Technology Management Revolving Fund expenditures have outpaced its revenues (as shown in the included tables⁷). This is especially true after the creation of DoIT and its role as the state's central IT agency. As a result, recent actions have been taken by the Legislature to increase fund revenues.

**Table 1: Technology Management Revolving Fund
Revenues and Expenditures with Supplemental Funding**

| Fiscal Year | Revenues | Expenditures | Expenditures as % of Revenues |
|--------------------|------------------|---------------------|--------------------------------------|
| 2016 | \$78,638,701.65 | \$114,518,457.80 | 145.6% |
| 2017 | \$233,621,775.59 | \$253,157,250.53 | 108.4% |
| 2018 | \$124,926,423.31 | \$269,001,570.47 | 215.3% |
| 2019 | \$273,954,269.62 | \$304,218,570.05 | 111% |
| 2020 | \$250,457,095.41 | \$388,087,478.11 | 155% |
| 2021 | \$687,612,398.55 | \$545,812,769.63 | 79.4% |
| 2022 | \$566,238,443.57 | \$570,692,338.95 | 100.8% |
| 2023 ⁷ | \$186,173,329.26 | \$190,297,159.22 | 102.2% |

P.A. 102-0016, the fiscal year 2022 Budget Implementation bill, directed a **\$100 million** GRF transfer to the Technology Management Revolving Fund (to be completed in fiscal year 2021); the fund received approximately \$67 million in State Cure Fund transfers in fiscal year 2021 and \$36.5 million in fiscal year 2022; and the fiscal year 2023 budget package included a **\$45 million** fiscal year 2022 supplemental GRF cash deposit into the Technology Management Revolving Fund. The Governor's Office of Management and Budget described the supplemental appropriation as needed to "prevent the future accrual of interest that cannot be covered by billing agencies."

The revenue amounts in the tables provided reflect actual cash receipts to the fund. They do not include receipts that have been billed by DoIT to other state agencies for services rendered that have been processed but not yet cleared, or receipts billed but not yet processed by the user agency.

⁷ As of October 31, 2022.

The enacted fiscal year 2023 budget assumes \$558.9 million in revenues to address \$564.5 million in estimated expenditures of the fund. As of November 1, 2022, total revenues were falling short at \$186.2 million compared with \$190.3 million in expenditures.

Table 1 includes the enacted supplemental funding for appropriations/transfers in fiscal year 2021 of \$100 million and in fiscal year 2022 of \$45 million into the Technology Management Revolving Fund. Table 2 provides the original enacted appropriations/transfers for revenues before enactment of supplemental funding in fiscal years 2021 and 2022.

**Table 2: Technology Management Revolving Fund
Revenues and Expenditures with Original Funding**

| Fiscal Year | Revenues | Expenditures | Expenditures as % of Revenues |
|--------------------|------------------|---------------------|--------------------------------------|
| 2016 | \$78,638,701.65 | \$114,518,457.80 | 145.6% |
| 2017 | \$233,621,775.59 | \$253,157,250.53 | 108.4% |
| 2018 | \$124,926,423.31 | \$269,001,570.47 | 215.3% |
| 2019 | \$273,954,269.62 | \$304,218,570.05 | 111% |
| 2020 | \$250,457,095.41 | \$388,087,478.11 | 155% |
| 2021 | \$519,837,418.38 | \$545,812,769.63 | 105% |
| 2022 | \$484,765,025.14 | \$570,692,338.95 | 117.7% |
| 2023 ⁷ | \$186,173,329.26 | \$190,297,159.22 | 102.2% |

\$236.7 Million in Principal Payments & Penalties Pending

As of October 31, 2022, the IOC had 1,514 vouchers from DoIT, payable from the Technology Management Revolving Fund, totaling \$182.2 million. Of this amount, it is estimated that \$122.8 million is more than 90 days old, of which \$98.7 million in vouchers reflecting principal payments were accruing late payment interest penalties pursuant to the State Procurement Act. In addition to the \$182.8 million in vouchers to vendors pending at the IOC, there were an additional \$47.1 million in late payment interest penalty vouchers pending and \$6.8 million in transfers to other state funds that were also pending. The IOC is unable to process these vouchers given the shortages in the Technology Management Revolving Fund.

At this level, for every month these principal payments go unpaid, nearly an estimated \$1 million in additional costs will be required. If this continues, the department estimates \$66.2 million in penalties will be owed by the end of fiscal year 2023.

Accounts Receivable from User Agencies

Since its creation, when the state centralized state technology services and support provided by DoIT, the agency has relied primarily on a funding model that depends on charging other state agencies for utilization of the department’s technological and support services. As tables 1 and 2 show, this approach is not sufficient to keep up with the department’s demands. In fact, if DoIT is unable to consistently collect enough fees from user agencies, expenditures will continue to exceed revenues and further exacerbate the problem. According to DoIT, accounts receivable from user agencies totaled nearly \$118 million. Even if this full amount were transferred today, it would still leave more than \$119 million in outstanding vouchers at the IOC.

Forced Cash Management Prioritization

Due to the uncertainty of timely receipts into the Technology Management Revolving Fund, DoIT must coordinate with the IOC to manage the cash balance in the fund so DoIT's \$14 million monthly payroll for its more than 800 employees is met and other essential expenditures are paid to appropriately maintain operations of the department. It is further acknowledged that vouchers for payrolls and ongoing essential expenditures are given priority over addressing the pending \$47.1 million in Prompt Payment Interest vouchers owed primarily to qualified purchasers in the state's Vendor Payment Program administered by CMS. **In the best interest of taxpayers, the IOC believes it doesn't make fiscal sense to prioritize these PPI vouchers ahead of principal payments pending at the IOC, which are costing taxpayers additional late payment interest penalties.**

Vendor Payment Program Dilemma

Unfortunately, this dilemma has forced several DoIT vendors to "sell" their accounts receivable as the department submits new vouchers to the IOC for payment. These vendors don't even wait to see whether the state is able to pay the vouchers within the 90-day prompt payment window. Despite the current 10-15-day payment cycle enjoyed by those vendors for programs paid from the General Revenue Fund (e.g., Group Health Insurance, Medicaid, Corrections, education, social and human services), these IT contractor vendors are the few remaining state vendors that are forced to use the state's Vendor Payment Program because their payments are paid through funds other than GRF. In fact, in fiscal year 2022, \$98.2 million was sold through the VPP to 298 DoIT vendors.