OFFICE OF THE COMPTROLLER
STATE OF ILLINOIS

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COMPTROLLER

June 20, 2017

The Honorable Bruce Rauner
Governor of Illinois
207 State House
Springfield, IL 62706

Dear Governor Rauner:

As Illinois' Chief Fiscal and Accountability Officer, my Office is responsible for managing the state's financial accounts as well as providing the public and the state's elected leadership with objective and timely data concerning the state's difficult fiscal condition. As you are quite aware, I have been very vocal regarding these issues and the budgetary impasse since assuming office six months ago; however we are now reaching a new phase of crisis.

Accordingly, I must communicate to you at this time the full extent of our dire fiscal straits and the potential disruptions that we face in addressing even our most critical core responsibilities going forward into the new fiscal year. My Office has very serious concerns that, in the coming weeks, the State of Illinois will no longer be able to guarantee timely and predictable payments in a number of areas that we have to date managed (albeit with extreme difficulty) despite an unpaid bill backlog in excess of $15 billion and growing rapidly.

We are effectively hemorrhaging money as the state's spending obligations have exceeded receipts by an average of over $600 million per month over the past year.

My cause for alarm is rooted in the increasing deficit spending combined with new and ongoing cash management demands stemming from decisions from state and federal courts, the latest being the class action lawsuit filed by advocates representing the Medicaid service population served by the state's Managed Care Organizations (MCOs). As of June 20, the MCOs, and their provider networks, are owed a total of more than $3.1 billion in overdue bills at the Comptroller's Office. There is no question that these obligations should be paid in a timelier manner and that the payment delays caused by the state's financial condition negatively impact the state's healthcare infrastructure. We are currently in court directed discussions to reach a workable and responsive payment schedule going forward, but any acceleration of the timing

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of those payments under the current circumstances will almost certainly affect the scheduling of other payments, regardless of other competing court orders and Illinois statutory mandates.

For the record, however, and as a message to the financial markets, please know that debt service payments will not be delayed or diminished going forward and I will use every statutory avenue or available resource to meet that commitment. It is a necessary pledge in order to attempt to avoid further damage to our already stressed credit ratings and to make possible the additional debt financing that we all know will be required to achieve some measure of stability going forward. Ultimately it is the only way that we can preserve what remains of our ability to provide vital services to our states most at risk populations.

Currently, more than 90 percent of Illinois' monthly spending, on average, is directed toward core functions of state government mandated by court orders, consent decrees, or state law including continuing appropriations. These include certain Medicaid programs, debt service, payroll, K-12 General State Aid and state pension contributions. With the inevitable cash management impact related to the outcome of the MCO lawsuit, this Office will soon be facing the prospect of deciding which court order or statutory mandate the state can accommodate. I hope we can all agree that this is more than an unprecedented situation; it is simply unacceptable.

Even absent pressure from additional court orders, we still foresee unmanageable financial strains, beginning in July, that will severely limit any payments in core areas not under court mandate or consent decree that provide essential services to the state's most vulnerable individuals, including but not limited to, long-term care, hospice, and community care and supportive living centers serving the senior community, and ambulatory and other critical medical supplies for the poor and disabled.

In large part, through careful cash management and effective stewardship of the state's General Revenue Fund, our Office has made every effort to triage this crisis in a way that has prioritized and enabled some hardship payments to the state's most vulnerable citizens and the programs that serve them while still meeting core obligations. That ability will eventually cease.

It is critical that the state's fiscal situation be addressed immediately before the cash shortages this summer cause further deterioration. I am available to discuss this situation, and possible remedies, with you personally, as a group in a leaders meeting or individually at your earliest convenience.

In the meantime, I will be meeting and communicating with other public stakeholder groups to share these same warnings.

My closing message is simple: The state can no longer function without a responsible and complete budget without severely impacting our core obligations and decimating services

to the state's most in need citizens. We must put our fiscal house in order. It is already too late. Action is needed now.

I eagerly await your response as to next steps for furthering this discussion. Please have your staff contact Amanda Prentice in my office at [redacted] to arrange your scheduling availability.

Respectfully Submitted,

Susana A. Mendoza
Comptroller, State of Illinois

CC: President Cullerton
Leader Radogno
Speaker Madigan
Leader Durkin
All Other Members of the General Assembly