DEBT TRANSPARENCY REPORT SUMMARY

Vol. 3, No. 8

Period Ending July 31, 2020

SUMMARY

- Estimated 7/31/2020 backlog of bills totaled $6.421 billion for General Funds and Health Insurance Reserve Fund (HIRF) ($179 million increase from prior month)\(^1\),\(^2\)
- Agencies reported $1.643 billion in General Funds and HIRF bills on hand ($1.130 billion increase from prior month)\(^1\)
- Net pending vouchers and transfers at the Illinois Office of Comptroller totaled $4.778 billion ($951 million decrease from prior month)
- At least $1.155 billion in estimated unfunded liabilities at agencies for fiscal year 2021
- Identifies approximately $357 million in reported pending late payment interest penalties

Debt Transparency Report Summary Vol. 3, No. 8 identifies liabilities from General Funds and the Health Insurance Reserve Fund (HIRF) for the state’s total estimated bill backlog.\(^1\),\(^2\),\(^3\) 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.

Following executive orders issued by Governor Pritzker related to the COVID-19 coronavirus pandemic, which the Illinois Office of Comptroller recognized may limit agencies’ compliance with the IOC’s reporting requirements, the IOC extended the regular deadline for agency submissions for the July 2020 reporting period. Eighty-two of 83 state agencies and universities responded for the July 2020 reporting period by the time of this publication. Twenty agencies reported zero liabilities.

\(^1\) The estimated General Funds bill 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 Illinois Office of Comptroller, adjusted for transfers pending from the General Funds to HIRF to eliminate double-counting, and vouchers and interest payments reported as held at state agencies for the General Funds and HIRF.

\(^2\) While not included in the estimated bill backlog total, about $1.05 billion of the nearly $1.5 billion to date in interfund borrowing from other state funds, permitted for cash management purposes under Public Act 101-0636, remains outstanding as of August 24, 2020; about $440 million has been repaid to date. The backlog also does not include $1.2 billion in short-term borrowing in June 2020 through the Federal Reserve Bank’s Municipal Liquidity Facility that must be repaid with interest by the end of fiscal year 2021.

\(^3\) The 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.
Bills Held at State Agencies: $1.643 Billion

 Agencies reported $1.512 billion in General Funds liabilities and late payment interest penalties as of July 31, 2020. 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 $1.597 billion in General Funds liabilities and Health Insurance Reserve Fund (HIRF) liabilities, making up 97% of the total reported amount of bills pending at agencies. The Department of Central Management Services (CMS) reported $110 million in HIRF liabilities for bills related to the state’s Group Health Insurance Program and $20 million in obligations pending at the agency for late payment interest penalties from principal payments on HIRF bills that have already been made. These amounts represent a more than $24 million decrease compared to combined HIRF liabilities and HIRF late payment interest penalties from June 2020.

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 $1.643 billion for the July 2020 period, representing an increase of $1.130 billion compared to agencies’ June 2020 liabilities. This $1.643 billion has been incorporated into the estimated bill backlog reported daily on the Comptroller’s website and will remain as static input to this calculation until the next DTA monthly report.

After combining this $1.643 billion with the $4.778 billion in payables at the Illinois Office of Comptroller, the total estimated General Funds and HIRF bill backlog for July 31, 2020 was $6.421 billion, an increase of $179 million from the end of June 2020. The increase in the total reported liabilities of state agencies is primarily due to the Department of Healthcare and Family Services’ reported General Funds liabilities and late payment interest penalties increasing from $193 million in June to $1.307 billion in July. HFS attributes this increase to the timing of the receipt of fee-for-service Medical Assistance claims and where managed care payments, about $1 billion, were in the bill payment process at the end of the July 2020 reporting period.

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4 Compared to June 2020, liabilities and late payment interest penalties increased by $1.113 billion at the Department of Healthcare and Family Services, $40 million at the Department on Aging and $5 million at the Department of Human Services, and decreased by $38 million at the Department of Central Management Services and by $2 million at the Department of Corrections.

5 At the end of the day July 31, 2020, the cash balance in the HIRF was $41 million.
Insufficient Appropriations/Funding Shortfall: $1.2 Billion

While the Health Insurance Reserve Fund has sufficient expenditure authority, the Department of Central Management Services (CMS) reports about $1.155 billion in bills that it may not have sufficient appropriated deposits from the General Revenue Fund (GRF) to cover for the fiscal year. As a result, the Illinois Office of Comptroller believes it is appropriate to include this $1.155 billion Group Health Insurance Program liability as an appropriation shortfall since additional GRF appropriations would be required to pay down the liability.

Interest Penalties: $357 Million

For the July 2020 reporting period, state agencies reported $31 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 July 31. About $24 million in late payment interest penalties from the General Funds and Health Insurance Reserve Fund (HIRF) was factored into the agency liabilities estimate of $1.643 billion 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 (almost entirely related to the Group Health Insurance Program) with $26 million, Healthcare and Family Services with $3 million and Corrections with $1 million. As of July 31, 2020, another $297 million in late payment interest penalty vouchers from all funds was pending at the Illinois Office of Comptroller. The aggregate of outstanding accrued and pending late payment interest penalties at agencies and the IOC totaled $357 million for the reporting period, with an additional $7 million in estimated late payment interest penalties on vouchers still held by agencies.

Additionally, the Illinois Office of Comptroller paid $4 million in late payment interest penalties in July 2020 to begin the new fiscal year. The IOC processed about $259 million in late payment interest penalties in fiscal year 2020.7

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6 According to data provided in the Governor’s fiscal year 2021 operating budget book.

7 Includes prompt pay interest penalties and timely pay interest penalties.
Estimated Pending Liabilities

Agencies reported $1.664 billion in liabilities incurred by the state for the General Funds and the Health Insurance Reserve Fund but not yet invoiced. These are estimates, not actual bills, so they are not reported in the Illinois Office of Comptroller’s backlog or the agencies’ estimated liabilities. Further details may be obtained by contacting each respective state agency.

As mentioned in previous DTA report summaries, long-term care providers believe hundreds of millions of dollars in payments are owed for services, due to the delay in agency processing of patients seeking eligibility for Medicaid services. Of the $1.167 billion in reported General Funds estimated pending liabilities at the Department of Healthcare and Family Services as of July 31, the department attributed about $30 million to costs related to processing long-term care applications.

BILLS ON HOLD AT THE ILLINOIS OFFICE OF COMPTROLLER

Pending at IOC: $4.778 Billion

The pending bill backlog at the Illinois Office of Comptroller changes every day as payments are made from the state’s General Funds. At the end of the July 2020 reporting period, the amount of General Funds/Health Insurance Reserve Fund (HIRF) bills pending totaled $4.828 billion.

After adjusting the HIRF total down by the $50 million in pending transfers from the General Revenue Fund (GRF) included in the backlog at the Illinois Office of Comptroller, the net estimated bill backlog at the Illinois Office of Comptroller totaled $4.778 billion on July 31, 2020. GRF transfers to HIRF must be backed out of the total to ensure the transfer amount is not counted twice.

Detailed breakouts are shown in the Composition of Bills at the Illinois Office of Comptroller chart. These totals include $256 million in vouchers for General Funds and HIRF late payment interest penalties pending at the Illinois Office of Comptroller.