

DEBT TRANSPARENCY REPORT SUMMARY

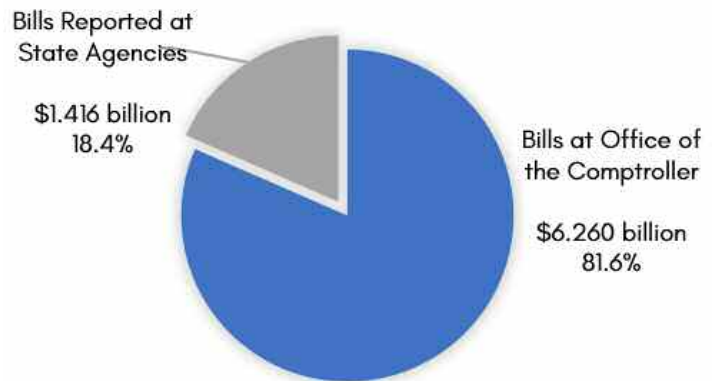
No. 10

Period Ending September 30, 2018

SUMMARY

- Estimated 9/30/18 backlog of bills totaled \$7.676 billion for General Funds and Health Insurance Reserve Fund (HIRF) (\$171 million increase from prior month)^{1,2}
- Agencies reported \$1.416 billion in General Funds and HIRF bills on hand (\$104 million decrease from prior month)¹
- Net pending vouchers and transfers at the Office of the Comptroller totaled \$6.260 billion (\$275 million increase from prior month)
- More than \$1.5 billion in estimated unfunded liabilities at agencies for fiscal year 2019
- Identifies \$606 million in reported pending late payment interest penalties

Estimated General Funds Bill Backlog^{1, 2} as of September 30, 2018 Total = \$7.676 billion



The following report, Debt Transparency Report Summary No. 10, identifies liabilities from General Funds and the Health Insurance Reserve Fund (HIRF) for the state's bill backlog totals.^{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.

All 83 state agencies and universities responded for the September 2018 reporting period by the time of this publication. Twenty-six agencies reported zero liabilities.

¹ The 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, 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 bill backlog total, about \$405 million of the more than \$533 million to date in interfund borrowing from other state funds, permitted for cash management purposes under Public Act 100-0023, remains outstanding; almost \$128 million has been repaid through September 30, 2018. The backlog also does not include \$200 million invested through September 30, 2018 from other state funds under Public Act 100-1107 that must be repaid at a market-based interest rate of approximately 3.5 percent.

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](#).

AGENCY DTA SUBMISSIONS

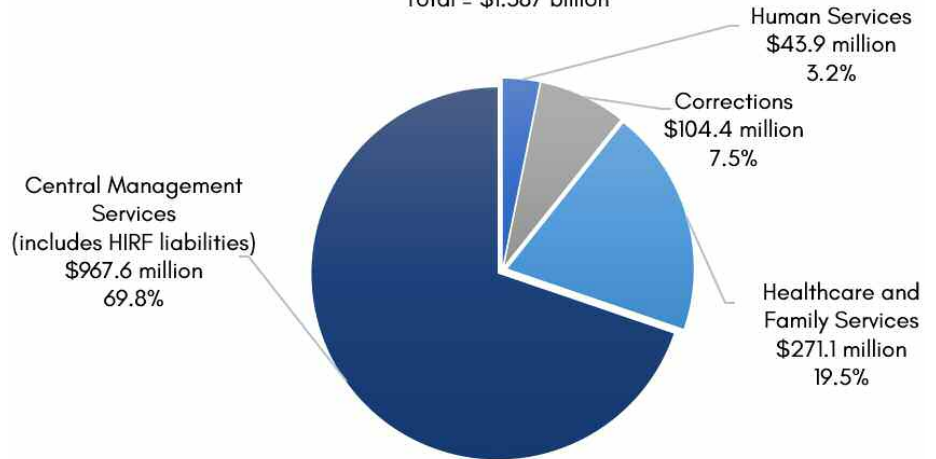
Bill Backlog at State Agencies: \$1.416 Billion⁴

Agencies reported more than \$448 million in General Funds liabilities and late payment interest penalties as of September 30, 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 interest payments.

The four state agencies with the largest liabilities reported \$1.387 billion in General Funds liabilities and Health Insurance Reserve Fund (HIRF) liabilities, making up 98 percent of the total reported agency backlog. The Department of Central Management Services (CMS) reported almost \$949 million in HIRF liabilities for bills related to the state's Group Health Insurance Program and more than \$18 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 decrease of \$495 million compared to combined HIRF liabilities and late payment interest penalties from August 2018.

State Agencies with Largest General Funds/HIRF Liabilities

Includes Late Payment Interest Penalties
as of September 30, 2018
Total = \$1.387 billion



Reporting agencies' total unpaid bill backlog, based on their General Funds and HIRF liabilities, including late payment interest penalties owed on bills released for payment by the Office of the Comptroller, totaled \$1.416 billion for the September 2018 period, representing a decrease of \$566 million compared to agencies' August 2018 liabilities.^{4,5,6,7} This \$1.416 billion has been incorporated into the estimated backlog of bills reported daily on the Comptroller's website. It will remain as static input to this calculation until the next DTA monthly report.

Because most HIRF-related bills are now with the Office of the Comptroller, the HIRF transfer backed out of the agency backlog amount in previous months is now backed out of the Office of the Comptroller backlog total for the September 2018 Report Summary.

⁴In previous summary reports, the pending HIRF transfer amount at the Office of the Comptroller was deducted from the reported agency backlog, thereby reducing agencies' reported backlog to calculate a net state agencies backlog. For the September 2018 Report Summary, the amount has been deducted from the HIRF payables at the Office of the Comptroller. The change in calculation is due to most pending HIRF-related bills now residing at the Office of the Comptroller rather than at CMS.

⁵An amendment submitted by the Department of Children and Family Services after the August 2018 Report Summary was published reflected a reduction of \$1 million in the agency's General Funds liability.

⁶Compared to August 2018, liabilities and late payment interest penalties decreased by \$495 million in CMS' HIRF, \$45 million at the Department of Human Services, \$10 million at the Department of Corrections, and \$18 million at the Department of Healthcare and Family Services.

⁷As of September 30, 2018, the cash balance in the HIRF was about \$93 million.

Insufficient Appropriations/Funding Shortfall: \$1.5 Billion

As of September 30, 2018, agencies estimated potential shortfalls of \$60 million in General Funds appropriations for fiscal year 2019, reported almost entirely by the Department of Human Services.⁸

While the Health Insurance Reserve Fund has sufficient expenditure authority enacted by the Legislature, the Department of Central Management Services (CMS) has more than \$1.44 billion in bills that it may not have sufficient appropriated deposits from the General Revenue Fund (GRF) to cover.⁹ 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. The fiscal year 2019 budget agreement does not appear to include an appropriation to address this \$1.44 billion shortfall.

UNIVERSITY REPORTING

State universities reported that through September 2018, vouchers reflecting more than \$460.0 million, or 41.7 percent, of the total \$1.105 billion fiscal year 2019 General Funds university appropriations had been sent to the Office of the Comptroller. Through September 2018, universities reported almost \$22.7 million in fiscal year 2018 General Funds lapse period spending. At the end of September, the Office of the Comptroller was holding \$374.2 million in payments for universities. No amounts for universities were included in state agency backlog estimates.

Interest Penalties: \$606 Million

For the September 2018 reporting period, state agencies reported \$88.5 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 on September 30. More than \$50 million in late payment interest penalties from the General Funds and Health Insurance Reserve Fund (HIRF) was factored into the agency backlog estimate of \$1.416 billion because the payments could be released by the respective agencies.

Agencies reporting the largest late payment interest penalties were the departments of CMS (primarily related to the Group Health Insurance Program) with \$33.7 million, Innovation and Technology with \$21.2 million, Corrections with \$15.2 million, and Healthcare and Family Services with \$16.4 million. As of September 30, 2018, another \$482.7 million in late payment interest penalty vouchers from all funds was pending at the Office of the Comptroller. The aggregate of outstanding accrued and pending late payment interest penalties at agencies and the Office of the Comptroller totaled approximately \$606 million for the reporting period.

Additionally, the Office of the Comptroller paid \$64.8 million in late payment interest penalties in September 2018. In total, between January 1, 2018 and September 30, 2018, the Office of the Comptroller released \$472.9 million in late payment interest penalties.

⁸The Department of Human Services reported \$60 million in insufficient funding, and the Department of Agriculture reported \$3,000. When state agencies accrue liabilities, they cannot voucher for these obligations and submit them to the Office of the Comptroller without sufficient appropriations enacted by the Legislature and Governor. Moreover, the Comptroller cannot release all vouchers pending without sufficient revenues to support the state's spending commitments.

⁹According to data provided in the Governor's fiscal year 2019 budget book.

Estimated Pending Liabilities

Agencies reported \$1.314 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 Office of the Comptroller's backlog or the agencies' backlog estimate totals. 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 \$999.3 million in reported estimated General Funds pending liabilities at the Department of Healthcare and Family Services as of September 30, the department attributed about \$145 million to costs related to processing long-term care applications.

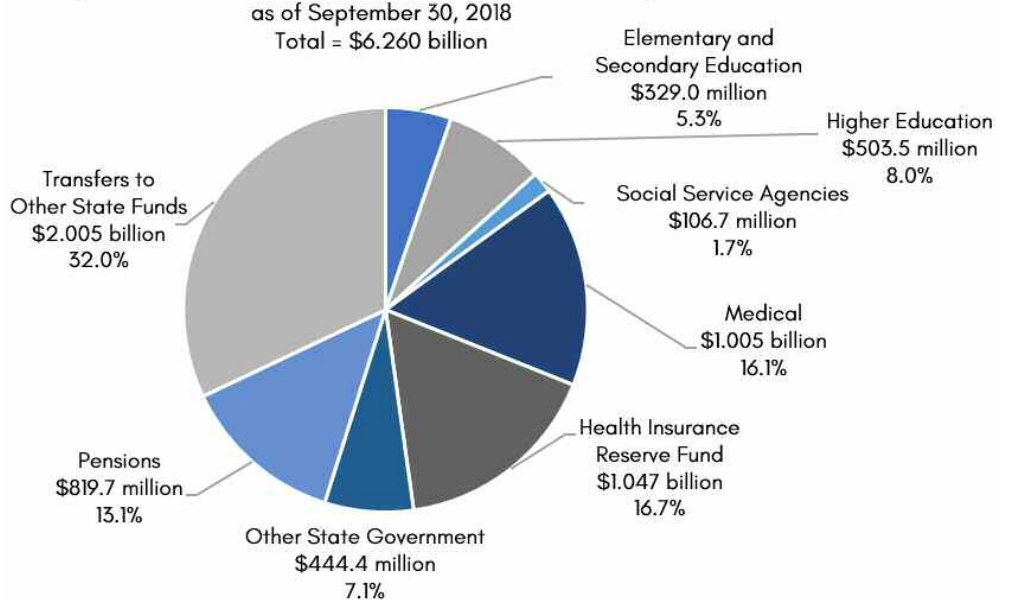
BILLS ON HOLD AT THE OFFICE OF THE COMPTROLLER

Pending at IOC: \$6.260 Billion¹⁰

The pending bill backlog at the Office of the Comptroller changes every day as payments are made from the state's General Funds. At the end of the September 2018 reporting period, the General Funds/HIRF bills pending totaled \$6.670 billion.

After adjusting the Health Insurance Reserve Fund (HIRF) total down by the \$410 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 the Office of the Comptroller totaled \$6.260 billion on September 30, 2018.¹⁰ GRF transfers to HIRF must be backed out of the total to ensure the transfer amount is not counted twice.

Composition of Bills at the Office of the Comptroller



Detailed breakouts are shown in the image above. These totals include approximately \$473 million in vouchers for General Funds and HIRF late payment interest penalties pending at the Office of the Comptroller. In previous months, the HIRF transfer had been shown in the image above and calculated as a liability in the Office of the Comptroller's backlog. Now, it is backed out to avoid double-counting and its pie piece has been replaced by "Health Insurance Reserve Fund," which represents the Office of the Comptroller's HIRF backlog, previously included as a portion of Other State Government.

¹⁰In previous summary reports, the pending HIRF transfer amount at the Office of the Comptroller was deducted from the reported agency backlog, thereby reducing agencies' reported backlog to calculate a net state agencies backlog. For the September 2018 Report Summary, the amount has been deducted from the HIRF payables at the Office of the Comptroller. The change in calculation is due to most pending HIRF-related bills now residing at the Office of the Comptroller rather than at CMS.