



STATE OF ILLINOIS
COMPTROLLER
SUSANA A. MENDOZA

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Comptroller Mendoza releases comprehensive overview of Illinois' disastrous finances

State net deficit climbs to \$126.7B, spending on health & social service programs plummets

SPRINGFIELD – With no relief in sight, Illinois' finances deteriorated at an alarming rate in fiscal year 2016 as net deficit totals spiked to a staggering \$126.7 billion, according to an annual report released on Tuesday by the Office of Illinois State Comptroller Susana A. Mendoza.

The State's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2016, paints a worsening outlook for the State's financial future on this unsustainable path.

Mendoza said the CAFR findings reflect a lawless fiscal climate.

"Volumes of research go into this report, but I can summarize our State finances in one word: Abysmal," she said. "During Governor Rauner's first two years in office, our State moved from a budget impasse to a budget crisis. This third year of his administration has the makings of a complete financial meltdown. His failure in leadership has been so spectacular that, no aspect of the State has been spared. The numbers back that up."

The 375-page report released publicly Tuesday provides numerous insights into Illinois' ongoing financial decline:

- The State's total net deficit increased by \$5.7 billion from \$121 billion in June 2015, to \$126.7 billion as of June 2016. The lion's share of that liability is a pension shortfall of \$116 billion;
- The General Fund's deficit increased by \$2.7 billion, from \$6.8 billion to \$9.5 billion;
- The State is spending less on its neediest residents: spending on health and social service programs dropped by \$834 million in FY2016;
- The 2015 expiration of the temporary tax increase cost the State \$3 billion in revenue in FY2016;
- As of June 2016, the State's total outstanding bonded debt is \$30.7 billion. The State paid \$1.5 billion in interest on its borrowing in FY2016;
- We are forced to spend more on debt service (\$3.6 billion) than on public protection and justice (\$3.1 billion);
- The backlog of delayed payments to Illinois doctors and hospitals for treating patients on state health insurance, under Section 25 liabilities, has more than doubled from \$1.9 billion to \$4.3 billion.



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While bond sales have provided the State a temporary lifeline, the cost of borrowing is going up. The State's general obligation bond ratings were not favorable last June and both Standard & Poor's and Fitch Ratings have since downgraded their ratings to BBB with a Negative Outlook.

Three years ago those bond rating agencies said the state was on the right track out of this mess. But they now universally point to Governor Rauner's failure to propose a balanced budget – or to hold budget proposals hostage to passage of his various unrelated pet projects – as the main cause of Illinois' downward financial spiral: "Illinois' fiscal crisis is, in our view, a man-made byproduct of policy ultimatums placed upon the state's budget process," Standard & Poor's wrote in its most recent critique.

Mendoza said without principled leadership and a complete budget that provides for a sustainable financial future, the outlook remains bleak.

"The Governor is required by the State Constitution to prepare and submit a balanced budget to the legislature, but last month he handed the General Assembly a proposal in which expenditures exceeded revenues by \$7 billion. Then he killed what was supposed to be a bipartisan Senate 'Grand Bargain' that could have provided a path to a better financial future. With 90 percent of State spending managed by court order, no plan to normalize our fiscal situation, and his recent establishment of 'government shutdown prevention funds,' it looks like Governor Rauner is trying to drive our State into bankruptcy," she said.

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