

# Debt Transparency Act: HB 3649

## MOTION TO OVERRIDE

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### **Purpose**

The state's unprecedented fiscal challenges require a full weighing of outstanding vouchers and the ramifications of the \$15 billion-plus unpaid bill backlog. House Bill 3649 seeks to provide a more accurate accounting of bills being held by each state agency and the late payment interest penalties the state is accruing.

### **Background:**

After appropriations are made and services are provided, each state agency sends bills to the Comptroller for payment. However, if vouchers for payment are held at the agency level due to a lack of appropriation or processing delays, these liabilities remain largely hidden from the Comptroller, legislators and taxpayers.

The state's Prompt Payment Act, which assigns a 1% per month penalty to bills that are 90 days past due, applies to a currently unknown number of the bills being held by the agencies.

Current reporting requirements to the Comptroller are limited because state law only requires agencies to report on October 1 of each year the aggregate amount of bills being held on the previous June 30. This data, which is ultimately published on the Comptroller's website, is grossly outdated by the time it is received and does not accurately reflect the real-time situation.

### **House Bill 3649**

House Bill 3649 requires, on a monthly basis, each state agency to report to the Comptroller the amount of bills being held, the liabilities for which there are appropriations, and those liabilities subject to late payment interest penalties. These reports will be shared on the Comptroller's website.

The Debt Transparency Initiative is in line with private sector best practices. The bill received strong bi-partisan support because a true accounting of the bill backlog will allow:

- Better management of the state's finances by anticipating future liabilities.
- Legislators to make better policy decisions about how to tackle the growing backlog and accruing interest penalties.
- Taxpayers to see where their money is being spent: on an estimated \$900 million in late payment interest penalties last fiscal year.

Supporters Include:

The Office of the Comptroller  
Better Government Association  
Illinois Campaign for Political Reform  
Taxpayers' Federation of Illinois  
Truth in Accounting  
The *Chicago Sun-Times*  
The *Northwest Herald*  
The *State Journal-Register*  
The *Herald & Review*

The *Daily Herald*  
The *Peoria Journal-Star*  
The *Alton Telegraph*  
The *Moline Dispatch/Rock Island Argus*  
The *Quad City Times*  
The *Quincy Herald-Whig*  
The *Jacksonville Journal-Courier*  
The *Southern Illinoisan*  
The *Joliet Herald-News*

## **Editorial Boards are Weighing in on the Debt Transparency Act**



### **Our View: General Assembly needs to override veto of Debt Transparency Act**

August 19, 2017

**“...It’s dumbfounding to think such a policy isn’t already in place...**

This is a best practice in any thriving business. Companies know they need to have accurate, up-to-date balance sheets if they are to make smart decisions that will benefit their business...

**If Illinois is ever truly going to become more fiscally sound, it needs a real-time, accurate amount of what its debts and liabilities are...**

...this should **transcend partisan politics**. The pattern of holding bills at the agency level is nothing new: Mendoza believes agencies in former Democratic Gov. Pat Quinn’s administration did so when Republican Judy Baar Topinka was comptroller as well. It was wrong then, it’s wrong now. **It cannot continue.**

We encourage the General Assembly to override the governor’s veto and **get this long overdue, best-practice accounting policy in place.”**

### **Our View: Overriding this veto is a no-brainer**

October 22, 2017

**“[The Debt Transparency Act] should transcend the D or R after a lawmaker’s name...It’s** baffling any lawmaker voted against this in the first place. State agencies currently are only required to annually report, in October, how much they owe but haven’t submitted as of June 30. Comptroller Susana Mendoza said she recently received this year’s report: One page that said \$7.5 billion in bills are sitting in state agencies. It was already outdated. **No one truly concerned about transparency can think the status quo on this is acceptable.**

The state can’t navigate toward financial stability without having an accurate picture of what debt is on the horizon...Whoever is in charge of the state’s checkbook can’t have surprises like that. **Any successful business would consider accurate balance sheets a best practice;** state lawmakers serious about better serving their constituents should want that too.

The comptroller can’t keep having surprises. Monthly reports are not too much to ask for. We hope legislators **overturn this veto** when it comes for a vote.”

# Daily Herald

## Editor: Rauner misses opportunities with veto of debt-transparency law

August 22, 2017

“...missed opportunity was the chance to stand behind a process that would **give Illinoisans more up-to-date reports of the state's financial picture...**

...lawmakers need a more definite picture of the state's financial status as they contemplate legislation, and taxpayers need to have that as they evaluate lawmakers and the actions of government.

**The past-due balance of bills on the state's ledger is an unqualified embarrassment for everyone in state government...**

No action is going to get such a huge backlog under control immediately, but no opportunity to make the process more manageable should be overlooked...

**...lawmakers should take it on themselves to create a more reliable and up-to-date system of accounting for the state's bills.”**



## Editorial: Put politics aside, override governor's veto

August 22, 2017

“...this is at its heart a **good-government bill that does what a fiscally responsible state ought to have been doing from the beginning.**

The governor also said he is worried about the costs associated with switching to monthly reporting. We worry about the continued high cost of not doing so.

It's time to end the practice of hiding and holding bills. We continue to believe the Debt Transparency Act will do that...”

## Editorial: Transparency veto reasoning not acceptable

August 21, 2017

“...the Debt Transparency Act, one of the more sensible bills to come out of the House this session...”

Taxpayers are having to work harder than ever to pay the debt, and they deserve to know the realities of state finances down to the penny...

Lawmakers on both sides of the political fence need to do what is best for taxpayers: Demand accountability and override this veto.”



## Rich Miller on Springfield: If Rauner doesn't regret this veto, he should

October 13, 2017

“State agencies under the governor's control are required to report the amount of unpaid bills they have not yet submitted to the state's comptroller for payment. The supremely goofy "Only in Illinois" part is, the agencies are required to make that report just once a year. And the information is always badly outdated by then.

To give you an idea of how ridiculous this process is, the state's bill backlog unexpectedly grew by \$1 billion one day in May when the governor's Office of Management & Budget abruptly revealed the unpaid invoices.

The comptroller has to plan ahead to make the state's bond payments so she doesn't accidentally trigger a credit downgrade...make regular (and huge) state pension payments, and schools rely on their state funding to keep their doors open. So plopping \$1 billion in new bills on her desk without warning can cause all sorts of very real problems.

...in yet another "Only in Illinois" quirk, state law doesn't require state agencies to tell the person who pays all the bills which invoices qualify for that [interest] penalty. So all Mendoza can do is guesstimate what is owed, and she thinks it may be nearing \$1 billion.

The governor vetoed the legislation in August...It was such a transparently dishonest veto that even newspaper editorial boards that had backed Rauner at almost every turn immediately slammed him for his duplicity.

...[Rauner] never should have vetoed the legislation in the first place.”



As printed in the *Chicago Sun-Times*, column by Madeleine Doubek, Policy and Civic Engagement Director for the Better Government Association.

August 21, 2017

“... **any effort that provides a more accurate and frequent accounting of state debts ought to be embraced.** The Illinois House is expected to try to override Rauner’s veto of the debt transparency bill Wednesday. Here’s hoping it succeeds.”



### **Voice of The Southern: State needs to do the smart thing with finances**

September 12, 2017

“...decision that seems to defy sound business practice was the governor’s veto of the Debt Transparency Act. It passed the Illinois House with some bipartisan support – a notable accomplishment in Illinois’ polarized environment.

Again, the bill seems to **promote sound business practices**...we agree, that **the current law isn’t fair to taxpayers or the state’s creditors.**

As previously noted, business and government operate on two different planes. This is one of those times when the planes intersect and solid business practices should be followed. **It’s the smart, and right, thing to do.**”



### **Illinois state agencies should report their unpaid bills on a monthly basis**

October 18, 2017

“Truth in Accounting believes **taxpayers and citizens deserve truthful and timely financial reporting** in general, and we support the Debt Transparency Act.

It is **eminently reasonable to require state agencies to report on the state’s unpaid bills**...We agree with more than a few Illinois newspaper editorial boards questioning why this policy and the necessary accounting and communication systems haven’t been a standard practice in the first place. Monthly public reporting will **improve the budget process**, and promote a more timely **shared understanding of developments in state finances**...”



## Editorial: For Illinois House GOP, it's Rauner or the state

August 23, 2017

“Rauner's opposition to the Debt Transparency Act is unjustifiable from a man who pledged to bring business sense to Springfield. The legislation is simple enough: Require executive agencies to report bills every month. As things now stand, agencies must only report their debts every October. **Any business would be cooked if it managed its books in the blind, like Illinois does now.** It made so much sense, in fact, that nine House Republicans, including Tony McCombie, R-Savannah, initially supported it. They should stick by their convictions and help override Rauner's ham-fisted veto.

**This is about accurately balancing the books. Nothing more. Nothing less...**As expected, Rauner griped about such an allegedly onerous mandate. In essence, his veto is a direct assault on transparency and sound financial practices. In effect, Rauner endorsed a state operation that cuts checks without actually knowing what's owed. It's **utter madness...**”

## Editorial: Rauner's DTA veto makes less sense by the day

October 12, 2017

“...**End the surprises.** Override Gov. Bruce Rauner's veto of the Debt Transparency Act (DTA).

**It's utter madness.** So, too, was Rauner's veto message essentially arguing that monthly debt reporting is just too much work. That, alone, is a striking, nonsensical argument from a pro-business Republican governor who made countless millions in the private sector. **No corporate board would suffer such lax bookkeeping. No CEO with any interest in working for investors would permit such an egregious waste of cash.**

**No business would last long with accounting practices similar to Illinois, where debts -- and interest -- pile up behind closed doors.**

And yet, Rauner, a veracious business tycoon, expects taxpayers to foot the bill for a system that keeps the public in the dark while blowing its money on interest payments.

DTA is much **more than just common sense.** It's a basic practice that would keep the public informed about how its money is spent. It's standard procedure in the very private sector which Rauner has said should be the model for state operation...”

# HERALD-WHIG

## Illinois needs to reform financial reporting

July 20, 2017

“...Clearly, this is a **common-sense approach to tracking liabilities and cash flow that would benefit Illinois government as it begins the long climb toward regaining its financial footing...**

**No successful business could be expected to run on such skimpy and outdated financial data, and no government should operate that way, either.**

**This should be about sound business practices, not a partisan issue.** Elected officials need reliable financial information, vendors and service providers deserve to know how long the line is for those awaiting payment, and **taxpayers deserve to know the magnitude of the state's debt.**

This legislation is **a step toward sound, transparent governance** and should become law.”

## Herald&Review

### Our view: Debt Transparency Act override a start

October 20, 2017

“For all our complaints about the state budget crisis and the state debt, there's one appalling fact...**We really don't know how large the debt is.**

The exact amount of a debt, as any bill-paying individual certainly understands, is at best a difficult moving target, if not an impossible task altogether...

...The fact that we don't presently have any idea about [bills for which there are appropriations and bill subject to late-payment interest penalties] is ridiculous. It's even worse than what you might consider **a classic example of governmental nonsense.**

To suggest Rauner would accept this [current] reporting arrangement in his own businesses is ludicrous. To present himself as fiscally responsible and reject a bill spelling out requirements for that responsibility is disingenuous...

Debt transparency itself solves little. There's still plenty of heavy lifting needed to further reduce the state's obligations.

But **this will act as a good start.**”



## EDITORIAL: A better way to track and pay Illinois' bills

October 11, 2017

"Illinois is sitting on a \$16 billion pile of unpaid bills. The bills won't go away. All we can do is pay them, as orderly and efficiently as possible..."

**If you ran your personal finances like that, your credit score would plunge somewhere south of absolute zero.**

What Illinois could use is a required monthly reporting to the comptroller's office of all bills held by other state agencies, instead of the current annual reporting...

Backers of the bill hope to override Rauner's veto in the legislative session scheduled to begin later this month. **We have yet to see a good argument against an override.** Monthly bill reporting to the comptroller, as dry a matter as that might be, represents an **important step toward Illinois government getting back on solid financial footing.**

... the governor should look to the world of private business. **Corporations do this kind of reporting every day.**

**This is a perfect example of how government can learn from business."**

*The*  
**HERALD-NEWS**

**NORTHWEST HERALD**

## Our View: Debtor in Denial

October 11, 2017

"Illinois state government is behaving like a debtor in denial: Trying not to pay too much attention to financial details because the story they tell is too depressing.

...the state should be required to report what it owes to creditors, how much it owes in late-payment fees, and what money is budgeted to pay those bills.

Rauner said monthly reporting on state finances would be burdensome...**[Rauner's] justification does not hold water.** Businesses large and small have the technology to track their monthly obligations, and the state should be no different. What's more, given that the state's debt disturbingly is far into the billions, **the information would seem to be quite consequential.**

**The public deserves an up-to-date accounting of the state of government finances**...Lawmakers should vote to override Rauner's veto later this year."

# Illinois Issues

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IN-DEPTH

As reported by *NPR Illinois*; column by Charles N. Wheeler III, Director of Public Affairs Reporting program at the University of Illinois Springfield.

October 3, 2017

“...Rauner conceded in his veto message that the inclination to provide more transparency about the state’s financial condition was good.

...one might wonder, would shrewd investor Bruce Rauner be satisfied if the financial officers of one of his companies learned only once a year what its total outstanding liabilities were, and then three months after the fact?

**overriding this veto ought to be a no-brainer for lawmakers looking to do taxpayers a real service.”**



## **Editorial: Who’s opposed to transparent, fiscally responsible government?**

October 20, 2017

“The Illinois Legislature must override the governor’s inexplicable veto of a good government measure known as the Debt Transparency Act....so obvious is the need here that many wrongly presumed the bill’s directives were already being carried out. **No self-respecting business would operate this way.** If it’s really so overwhelming for agencies to keep track of their bills, as the governor would have us believe, that goes a long way toward explaining why Illinois is such a national embarrassment...[Rauner] ran for office promising to wave his private sector wand over this backward state, bring it up to speed. Now that’s impossible?

As for this paperless, hyper-efficient software system (called ERP)...we’re talking years of implementation. **Illinois must get its act together now.**

This is basic, slam-dunk stuff. **It’s impossible to balance the budget, as constitutionally required, without an accurate, real-time handle on the balance sheet, on liabilities and cash flow.** The comptroller needs to know how old the bills are, whether there’s been an appropriation, whether interest penalties are accruing — in short, not fly blind — to prioritize payments, where possible. Sometimes federal matching dollars are at risk. It is nuts that the unpaid bill backlog could grow by \$1 billion or more in a single day because an agency held on to its bills. Think of a spouse running up a credit card...To [vote against this bill] is to communicate that you’re opposed to transparent, fiscally responsible government. Really?”