

Illinois Budget Woes Grow; Governor, General Assembly Face Huge Challenges, Financial and Political, to Overcome

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The Illinois state budget is deteriorating while Governor Rod Blagojevich's frayed relationship with the Illinois General Assembly shows no signs of improving as both the administration and legislature attempt to hammer out next year's budget on the unhealed wounds of last year's fight.

The state is already struggling to pay its bills for the current budget. There is a backlog of nearly \$1 billion unpaid bills and most vendors need to wait 30 days or more to get paid, and some 60 days.

And next year looks worse.

Last month, the Commission on Government Forecasting and Accountability, the General Assembly's financial forecasting arm, reports that state government tax income may fall \$600 million *this* budget year, blowing a huge hole in the current budget—before—the state legislature must address a \$2 to \$3 billion hole in *next* year's budget.

In addition, Illinois Treasurer Alexi Giannoulias says the returns on the state's investment portfolio managed by his office are falling.

The legislative commission said the current state budget counted on revenue growing by \$1.6 billion this budget year, mostly the result of natural economic growth.

But the deflating economy is undermining that expected revenue growth, according to the new commission report.

The commission will make an official projection on March 5, but said it appears the state will be "struggling even to reach \$1 billion" in new money this fiscal year, which ends June 30.

Money from the personal income tax, which had been one of the few bright spots in the state's economic picture this year, has slowed. Both the state sales tax and the corporate income tax have fallen short, too.

In addition to tax income, investment income is suffering significantly, too. Illinois Treasurer Alexi Giannoulias estimates the state likely will earn \$38 million to \$50 million less this year, and drop even further next year.

In the last budget year, Illinois generated \$426 million in investment income. Next year,

the state will earn as little as \$243 million.

The dropping state revenue is reflected in the state's ability to pay its bills. The Illinois Comptroller's Office, which is responsible for paying the bills, reports a backlog of \$1 billion of unpaid bills. Based on experience, the Comptroller's office estimates the situation will only worsen.

One short-term solution is to borrow money to pay back bills. House Minority Leader Tom Cross, R-Oswego, has urged the state to obtain a short-term loan, and I support the idea, too.

Although a short-term doesn't solve the larger budget problem that the state allocates insufficient money to pay all of its health-care costs, it would get money in the hands of vendors, like local pharmacists, hospitals, and doctors, who have already provided goods and services to the state.

Governor Rod Blagojevich's office says it will consider the short-term loan idea. However, the Governor wants the legislature to approve a supplemental budget bill that will capture federal Medicaid dollars to help pay the state's growing medical expenses.

Part of the reason for the state's increasing medical costs is the Governor's unilateral and unauthorized expansion of health care services without money appropriated by the General Assembly to pay for the extra services, services which could add an additional \$450 million to \$1 billion in costs annually to the state budget.

The flagging economy is weakening the state budget and the Governor's reckless management of state finances is undermining it further. The General Assembly confronts enormous and painful challenges to patch the looming budget holes this year and next. To overcome those challenges, the legislature needs the Governor to work seriously in Springfield as a responsible partner to balance, not unbalance, the budget.