CTBA | Center for Tax and Budget Accountability

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# ILLINOIS FY 2011 OPERATING AND TOTAL DEFICIT REMAINING UNDER HB 859, SA 1, 2, 3.

***Updated: July 1, 2010***

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| *Spending* | |
| Carry Forward of Unpaid Bills | $6.0 B |
| Repayment of Debt/Prior Fund Transfers | $4.61 B |
| General Fund Approps | $24.9 B |
| Required Pension Payment | $ 3.52 B |
| **Total Revenue Needed** | **$39.03 B** |
| *Revenue* | |
| Recurring | |
| Estimated 2011 Own Source Gen Fund Revenue | $21.412 B |
| Estimated 2011 Federal Transfers | $5.295 B |
| Total Recurring Revenue | $26.707 B |
| **FY 2011 Operating Deficit** | **(-$12.323 B)** |
| Operating Deficit as % of Total GRF Approps | 49.5% |
| One-Time, Nonrecurring Revenue/Debt | |
| Securitization of Tobacco Litigation Proceeds | $1.2 B |
| Tax Amnesty Program | $.250 B |
| Raiding Special Funds | $1.0 B |
| Carry Forward of Federal ARRA Transfers | $0.0 B |
| Total One-Time Nonrecurring Revenue | $2.45 B |
| One-Time Revenue as % of Total GRF | 9.8% |
| **Minimum Remaining Deficit** | **(-$9.873 B)** |
| As Percentage of Total GRF Approps | 39.7% |

This report updates the analysis of the FY2011 estimated state budget deficit CTBA previously published on June 9, 2010. This adjustment from the prior analysis includes the Governor's July 1, 2010 Emergency Budget Act cuts of $1.4 B. These cuts reduce prior General Revenue Appropriations of $26.32 B to $24.9 B.

In CTBA's May 26, 2010, analysis, it was estimated that in FY2011, Illinois would receive around $650 million in federal stimulus funding under the ARRA. This was based in large part on the assumption that Congress would continue the increased Federal Medicaid Assistance Program (FMAP) matching rates initially passed as part of the stimulus under the ARRA. Congress, however, has elected not to do so. Because of this, it is estimated Illinois will lose all the additional revenue it anticipated receiving under the ARRA in FY2011, and will receive about $80 million less in base federal transfers to the General Fund than estimated by the Governor.

Moreover, as of June 8, 2010, the state legislature had adjourned without raising or borrowing the revenue needed to fund its pension systems. According to the Commission on Government Forecasting and Accountability's (COGFA) May 2010 *Monthly Briefing*, the new recertified (after the passage of SB1946) FY2011 pension contribution across all five state systems is $3.52 B. COGFA estimates that not making this FY2011 pension payment will end up costing the state $12.4 B more in pension payments by 2045.

As shown above, including the state's obligation to make this $3.52 B pension payment increases Illinois' FY2011 Operating Deficit to $12.32 B (49.5% of the total $24.9 B GRF), while accounting for both the loss of one-time ARRA revenue and the unfunded pension obligation increases the Minimum Remaining Deficit to $9.87 B (39.7% of GRF), from the amounts for said deficits initially estimated in CTBA's May 26, 2010, analysis.

Consider that, excluding pensions, over 90% of the General Fund is spent on four areas: Education; Healthcare; Human Services; and Public Safety. The General Fund is the area of the budget that elected officials have the most discretionary authority over. So, if the budget is to be "balanced" in part by not making the required pension payment in FY2011, that still leaves the state with a $6.35 B deficit for FY2011, which equates to 25.5% of the GRF. Hence, the aforesaid four core public service areas, all of which are critical to Illinoisans, will not only have to be on the chopping block, they will have to absorb most of the cuts.

As a final note, in FY2010 direct GRF appropriations for human services were cut by 38% from FY2009. However, a substantial part of these reduced, direct, GRF appropriations for human services were subsequently added back into the FY2010 budget through the $2.23 B in "Governor Discretionary Human Services" allocations the General Assembly granted to Governor Quinn for FY2010. Unfortunately, those discretionary allocations granted to the Governor were funded by diverting tax revenue that would have been used to make the FY2010 pension payment, after the state elected to borrow the roughly $3.5 B needed to make said pension payment in FY2010. In other words, if the General Assembly did not borrow to make its pension payments in FY2010, Human Services would in all likelihood have suffered the full 38% cut reflected in the reduced, direct appropriations for that year.

As things stand now, unless the General Assembly borrows the revenue needed to make its FY2011 pension payment, or is even more irresponsible and skips making the payment all together, there is no revenue to cover fully 39.7% of the General Fund appropriations in FY2011. The latest figures from the Governor's show cuts in human services funding by 7.9% from FY2009 (DHS -11.7%, DCFS -6.0%, Aging 18.6%). CTBA estimates that even after including these cuts, unless more revenue is raised or borrowed the state's FY2010 $ 6.0 B back log of unpaid bills including its required pension payments will increase to $9.87 billion by the end of FY2011.

All spending and revenue data above are based on CTBA analysis of the budget that passed on May 25, 2010. Final data are subject to change, based upon budgetary changes. Text of HB 859, and Senate Amendments 1, 2, and 3 are available on the Illinois General Assembly website: http://www.ilga.gov.

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