



Illinois General Fund Spending in FY2016: How Elected Officials Cut Billions in Core Service Expenditures While Worsening the Deficit—All Without Casting a Vote

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1. INTRODUCTION: THE FY2016 GENERAL FUND BUDGET LACKS TRANSPARENCY AND ACCOUNTABILITY

Illinois' fiscal year (FY) 2016 ended without a comprehensive, annual, General Fund budget being passed by the General Assembly and signed into law by Governor Bruce Rauner. Instead, crucial services were funded—or not—through a hodgepodge of court authorizations and a series of partial appropriations. The normal budgeting process, in which legislators and the Governor publicly weigh priorities and make decisions to which they can be held accountable, for the most part did not occur. As a result, many significant cuts were made to core services like Health Care, Public Safety, and Human Services, without either a vote by the General Assembly, or a gubernatorial proposal or veto to do so. The public, as a result, was denied the type of transparency and accountability that should form an integral part of the budgeting process.

Indeed, the following cuts from FY2015 spending levels were made in FY2016, which no elected official had to go on record as supporting:

- A **\$467 million**, or **27.3 percent**, year-to-year cut to Public Safety;
- A **\$508 million**, or **10.2 percent**, year-to-year cut to Human Services.
- A **\$364 million**, or **5.5 percent**, year-to-year cut to Healthcare, as of the publication of this report. (This cut may not be final. See further explanation in Section Five.)

When those cuts are added to the **\$1.318 billion**, or **67.9 percent**, year-to-year cut to Higher Education the General Assembly passed and the Governor signed into law, spending on essential current services in FY2016 was down by **\$2.911 billion**, or **12.7 percent**, from FY2015. And that does not account for the state's failure to pay any Group Health costs in FY2016. Group Health is insurance coverage the state provides to its workers. In the FY2015 General Fund budget, the Group Health liability was \$1.565 billion. Although no General Fund Group Health payments were made in FY2016, the liability is estimated at \$1.726 billion for the year.

Even though decision makers never passed a complete FY2016 General Fund budget, and despite the significant year-to-year cuts made to core services, the state still managed to authorize \$33.555 billion in FY2016 General Fund expenditures. Of that total, \$12.071 billion was authorized through continuing appropriations for "Hard Costs" over which there is no discretion, like debt service. The payout of Hard Costs, which are authorized by pre-existing legislation, is standard practice for any fiscal year, and does not create transparency or accountability issues. After all, the underlying continuing appropriations are contained in legislation that was previously voted on by the General Assembly and signed by into law by a Governor.

However, of the remaining \$21.484 billion in FY2016 General Fund spending on current services, only \$7.121 billion—or one-third—was authorized through the standard public budgeting process, which requires both the

General Assembly to vote on the appropriations in question, and the Governor to then sign those appropriations into law. **That means fully two-thirds of the FY2016 General fund spending on current services was neither transparent to the public, nor made in a manner that permits the public to hold state elected officials accountable.**

Predictably, this lack of transparency and accountability in the budget process did not lead to an improvement in the state's fiscal condition. Indeed, by the end of FY2016, the accumulated General Fund deficit had reached **\$9.41 billion**, an increase of **\$3.44 billion** from the final FY2015 deficit of **\$5.97 billion**.¹ This growth in the deficit is noteworthy not just because of its magnitude—jumping by over 57 percent on a year-to-year basis—but also because it reversed the positive trend of annually decreasing General Fund deficits the state had realized in each of the four preceding fiscal years.²

True, this negative reversal in the state's General Fund deficit position was largely attributable to the loss of some \$5 billion in recurring, annual revenue that resulted from the phase-out of the temporary tax increases created in 2011 under the Taxpayer Accountability and Budget Stabilization Act (**TABSA**), Public Act (**PA**) 96-1496. However, this shortfall could have been mitigated or eliminated if decision makers had passed a full FY2016 budget that included new revenues to make up for the losses scheduled to occur under TABSA. Yet both the Governor and General Assembly avoided the responsibility to lessen or eliminate the revenue cliff TABSA created, which effectively permitted nearly \$3 billion in year-to-year cuts to occur, as well as two-thirds of all General Fund spending authority to be created, with neither legislative nor gubernatorial action.

Unfortunately, the bad fiscal news for FY2016 does not end with the **\$3.44 billion** growth in the accumulated General Fund deficit. It also includes additional failures in both transparency and accountability, which are revealed by the unusually large gap between *authorized* and *actual* spending for FY2016. Historically, actual General Fund spending in a fiscal year aligns closely with the total spending authorized for that year through the appropriations process. For example, as recently as FY2014 actual General Fund spending totaled 98.99 percent of authorized spending.

This makes sense, because the appropriations process is conducted through a series of public hearings, and ultimately nine out of ten dollars of General Fund spending on services covers the core areas of Education, Healthcare, Human Services, and Public Safety. Once public hearings are held that establish final appropriations for these core services, the accountable thing for state government to do is to make the investments it publically committed to make. The final General Fund budget enacted for each fiscal year does, however, contain a line item for "Unspent Appropriations", which permits, but also effectively limits, the executive branch's authority to reduce authorized spending, to the specific dollar amount identified therein.

In FY2016, however, the State of Illinois has actually made just **93.2 percent** of the General Fund expenditures on current services which were authorized for the year, leaving **6.8 percent**—or **\$1.468 billion**—unused. Because the deadline to submit Medicaid vouchers to the Comptroller for payment is October 31st, it is possible that some of those unexpended FY2016 General Fund appropriations will still be made. However, even if the entire gap between authorized and actual Healthcare spending is closed, FY2016 will end with \$576 million in unused authorized spending on Human Services, or 11.4 percent of total authorized spending in that service category; and \$73 million in Public Safety, or 5.5 percent of total authorized spending in that category.

This creates at least two major issues. First, it means that comparing *authorized* spending in FY2015 and FY2016 can be misleading. For example, after all court orders and consent decrees for the year are taken into account, authorized spending for Healthcare in FY2016 increased by 1.8 percent over FY2015 levels. However, to date, actual spending on Healthcare has decreased by **5.5 percent** from FY2015 levels, an outcome that is not apparent from simply comparing year-to-year budgeted appropriations. This highlights the lack of transparency in the FY2016 General Fund Budget.

Of even greater concern, it is not clear exactly who made the decisions to spend less than was authorized by court order and/or consent decree, what legal authority permitted the decision to spend less than authorized, or how the decision to underspend on one service category, rather than another, was made.

2. TOTAL FY2016 SPENDING AUTHORITY

2.1 The Basic Structure of the Illinois General Fund Budget

Historically, General Fund spending in Illinois, just like all other states, falls into one of two categories. First, there are “Hard Costs”: spending required by law and over which elected officials have no discretion. In Illinois, there are three primary Hard Costs: debt service owed to third parties; pension payments mandated by statute that include both normal cost and debt service components; and “statutory transfers” such as sharing state income tax revenue with local governments and funding Medicaid accounts.³

Second, there are appropriations for expenditures on current services over which there is some discretion. The most significant current service expenditures in Illinois—annually accounting for over 90 percent of all General Fund spending on current services—cover the four core areas of Education, Healthcare, Human Services, and Public Safety. Figure 1 shows the FY2015 General Fund budget for Illinois, broken down by Hard Costs and current services.

Figure 1
FY2015 Illinois General Fund Budget (Hard Costs and Current Services)
(\$ Millions)

HARD COSTS	Enacted Budget
Pension Contributions	\$6,191
Statutory Transfers	\$2,449
Debt Service on Bonds	\$2,192
Hard Costs Grand Total	\$10,832
GENERAL FUND	Enacted Budget
K-12 Education	\$6,262
Early Education	\$293
Higher Education	\$1,950
Human Services	\$5,134
Healthcare	\$6,826
Public Safety	\$1,735
Group Health	\$1,565
Other	\$1,232
Governor Discretionary	\$57
Gross Appropriations	\$25,054
Less Unspent Appropriations	(\$562)
General Fund Grant Total	\$24,492
ALL GENERAL FUND SPENDING	\$35,324

Source: CTBA analysis, COGFA

FY2015 remains the last year state decision makers enacted a complete General Fund budget through the traditional budget process.

2.2 FY2016 Spending

The maximum amount of General Fund spending for FY2016 is \$33.555 billion, or roughly **\$1.77 billion** less overall than FY2015. That difference, however, does not adequately convey how significantly spending on current services was cut in FY2016. That is because it combines two different categories of spending. The first is Hard Costs for things like debt service and other mandatory expenditures, items over which there is no discretion. The second category of spending covers the provision of current services—where nine out of ten dollars goes to the

core areas of Education, Healthcare, Social Services, and Public Safety. It is this second category, current services, that saw significant cuts.

While total year-to-year spending declined in FY2016 by **\$1.77 billion** from FY2015 levels, spending on Hard Costs actually increased by \$1.239 billion. In contrast, General Fund spending on current services was cut in FY2016 by some \$3 billion from FY2015 levels. How the state got to that point is notable. Indeed, expenditures for the FY2016 General Fund was authorized via a combination of:

- i) Continuing appropriations covering \$12.071 billion in spending on Hard Costs;
- ii) Enacted appropriations covering \$7.121 billion in spending on current services (primarily PreK, K-12, and Higher Education);
- iii) Court orders and consent decrees, which collectively, authorized \$13.858 billion in spending on current services; and
- iv) Some \$50.5 million in spending which there is no clear legal authority.

By logical extension then, any investment in a current public service or program that was made in FY2015 but was not authorized pursuant to continuing appropriation, court order, consent decree or a vote of the General Assembly signed by the Governor, was automatically cut. In FY2016, that cut which totaled nearly **\$3 billion**, was significant, representing over **12 percent** from FY2015 levels.

Moreover, it is important to note that the \$33.555 billion in total General Fund spending authorized for FY2016 represents the *maximum* spending possible, but is not what the state actually spent. Figure 2 provides an overview of total FY2016 General Fund authorized spending.

Figure 2
FY2016 General Fund Authorized Maximum Spending
(\$ Millions)

Item	Amount (\$ Millions)
Hard Cost Subtotal	\$12,071
Authorized General Fund Spending on Current Services	\$21,484
Total Maximum Spending Authorized	\$33,555

Of that \$33.555 billion, \$12.071 billion was for Hard Costs like debt service payments to the pension systems, which traditionally have been authorized by continuing appropriations. That leaves \$21.484 billion in FY2016 spending for current services—fully \$13.858 billion of which, or almost 65 percent, was not authorized pursuant to appropriations voted on by the General Assembly and signed into law by the Governor. Instead, the majority of General Fund Spending for current services in FY2016 was authorized by court orders and consent decrees. This effectively rendered the FY2016 General Fund budget the least transparent and accountable in Illinois state history.

3. HOW ILLINOIS AUTHORIZED A TOTAL OF \$33.5 BILLION IN FY2016 GENERAL FUND EXPENDITURES

3.1 FY2016 Hard Costs

Fully \$12.071 billion of the General Fund spending in FY2016 was non-discretionary, and was authorized—as it traditionally has been—under pre-existing statutes to cover Hard Costs. The largest of these Hard Costs was the continuing appropriation for Pensions and Retiree Healthcare, in the amount of \$6.795 billion. Other “Statutory Transfers,” i.e. legally required transfers of money from the General Fund to other state funds, comprised another \$3.148 billion of the FY2016 Hard Costs total.⁴ Finally, Debt Service, or contractually obligatory payments for existing state general obligation bonds, made up \$2.129 billion of FY2016 Hard Cost spending. Figure 3 shows the FY2016 Hard Costs.

Figure 3
FY2016 General Fund Authorized Hard Costs⁵ (\$ Millions)

Item	Amount (\$ Millions)
Pensions and Retiree Healthcare	\$6,795
Statutory Transfers	\$3,148
Debt Service	\$2,129
Total	\$12,071

3.2 FY2016 Appropriations for Current Services Enacted via Traditional Budget Process

Over the course of FY2016, the General Assembly did pass four different appropriation bills that were signed into law by the Governor. This legislation collectively appropriated \$7.121 billion of spending for current FY2016 services, as summarized in Figure 4. That is in stark contrast to FY2015, which, as noted previously, saw \$24.492 billion in General Fund spending on current services appropriated by the General Assembly and signed into law by the Governor, with another \$10.832 billion made up of Hard Costs, for a total General Fund budget of \$35.324 billion. The much lower total appropriated for current service expenditures in FY2016 reflects just how significantly FY2016 deviates from the standard, public budget process.

Figure 4
Public Acts (PA) Containing FY2016 General Fund Appropriations (\$ Millions)

	PA 99-5 (HB 3763)	PA 99-491 (SB 2039)	PA 99-502 (SB 2059)	PA 99-524 (SB 2047)	FY2016 Total Appropriation
<i>Date Signed into Law</i>	6/24/2015	12/7/2015	4/25/2016	6/30/2016	
Healthcare	\$0	\$0	\$0	\$0	\$0
Early Childhood Education	\$314	\$0	\$0	\$0	\$314
K-12 Education	\$6,177	\$0	\$0	\$0	\$6,177
Higher Education	\$0	\$0	\$600	\$1	\$601
Human Services	\$0	\$18	\$0	\$0	\$18
Public Safety	\$0	\$0	\$0	\$0	\$0
Group Health	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$10	\$0	\$0	\$10
Public Act Total	\$6,491	\$28	\$600	\$1	\$7,121

As of July 1, 2015, the first day of FY2016, the only current services covered by the state's General Fund budget that had enacted appropriations for the full fiscal year were Early Childhood (\$314 million) and K-12 Education (\$6.177 billion). The following three appropriation bills, which collectively authorized an additional \$629 million in spending on current services in FY2016, were subsequently passed by the General Assembly and signed into law by the Governor:

- (i) PA 99-491, which passed in December 2015, appropriated a total of \$28 million, including \$18 million for Human Services;
- (ii) PA 99-502, which passed in April 2016, appropriated \$600 million for Higher Education; and
- (iii) PA 99-524, which passed at the end of June 2016, appropriated an additional \$1 million for Higher Education.

Taken together, these were the only FY2016 appropriations for spending on current services that passed via the traditional budgeting process, and hence were subject to public input and scrutiny. However, as indicated previously in this report, ultimately a total of \$33.555 billion in FY2016 General Fund spending on current services

was authorized for FY2016. As detailed in Section 3.3 below, after accounting for the \$12.071 billion in Hard Costs authorized by preexisting statutes, that left fully \$14.362 billion of the \$21.484 billion in FY2016 General Fund spending on current services, that was authorized neither by preexisting statute, nor by the traditional budgeting process.

3.3 FY2016 Current Service Spending Authorized by Court Orders and Consent Decrees

The \$13.858 billion in FY2016 General Fund spending for current year services authorized by consent decrees and court orders bears particular scrutiny, because it falls outside the scope of standard budgeting practice. CTBA determined this level of spending for FY2016 using data from the Comptroller's office obtained through a Freedom of Information Act request. See Appendix A for a more detailed explanation of CTBA's methodology.

A consent decree is a binding legal agreement between two parties and sanctioned by a court, which resolves a dispute without the court making a finding of wrongdoing by either. Such agreements were used to authorize \$7.718 billion in FY2016 General Fund spending on current services, the vast majority of which—\$6.669 billion—was for Healthcare, largely in payments to Medicaid providers. Consent decrees also authorized another \$121 million in FY2016 spending on Public Safety, and \$928 million on various Human Services.⁶

A court order is a ruling by a judge or panel of judges that compels one of the litigants in a judicial proceeding to perform an action—in this case, compelling the State of Illinois to authorize spending on current FY2016 services.⁷ Court orders led to \$5.191 billion in authorized spending on current services for FY2016.⁸ The largest category of authorized spending on current services covered by court orders was Human Services, at \$3.168 billion, followed by Public Safety at \$1.196 billion. Court orders also authorized \$280 million in funding for Healthcare, \$26 million for Higher Education, \$16 million for K-12 Education, and \$505 million for "Other," which includes a variety of state and legislative agencies and boards, like the Governor's Office of Management and Budget.⁹ In addition, some \$949 million in spending was authorized for Human Services that the Comptroller has labeled as authorized under both consent decree and court order (see Appendix A for more detail).

3.4 FY2016 Continuing Appropriations for Current Services

As indicated previously, a continuing appropriation is a law that gives the Comptroller and Treasurer the statutory authority to "spend funds in the event the legislature fails to appropriate or appropriates an insufficient amount for a specified purpose."¹⁰ Hence, spending under a continuing appropriation is mandatory and not subject to the standard annual budgeting process. Consequently, even if lawmakers fail to budget for an item that is funded through a continuing appropriation during the normal budget process, that spending will still take place. Operational expenses for Illinois' General Assembly, for example, are subject to a continuing appropriation. Continuing appropriations for current services—as opposed to Hard Costs—accounted for \$495 million in authorized General Fund spending in FY2016.

3.5 Unauthorized FY2016 Spending on Services and Growth in Accrued FY2016 Liabilities for Group Health

In analyzing Comptroller data, CTBA found \$9 million in FY2016 Human Services spending the Comptroller made that was not clearly attributable to consent decrees, court orders, continuing appropriations, or enacted appropriations signed by the Governor. Thus, CTBA has categorized this \$9 million as "no clear authority."

Finally, in addition to the FY2016 General Fund expenditures that have been made pursuant to the various authorizations detailed previously in this report, the state owes an estimated \$1.726 billion for the Group Health Insurance Program ("**Group Health**") Illinois provides to current and retired state and university employees. The Group Health liability is paid for from a number of revenue sources including members' contributions, the Road Fund, public universities, as well as the General Fund.¹¹ Member contributions are set in employee contracts, and the General Fund normally covers 60 percent of the cost of Group Health.¹² While no FY2016 General Fund spending has been authorized for Group Health, there are \$1.726 billion in liabilities that are currently estimated to be incurred for the year, and which the state will legally have to pay. As a result, CTBA has not included Group Health as authorized spending in FY2016, but since it is a legal liability, CTBA has included this cost in the FY2016 deficit calculation.

3.6 Breakdown of How All FY2016 General Fund Spending on Current Services Was Authorized

Figure 6 summarizes the spending for current year services in FY2016 by both major program category and legal authorization. Nearly two-thirds of total spending on current services (65 percent), or \$13.858 billion, was authorized by consent decrees and court orders—meaning it was authorized outside the traditional public budgeting process. This is historic, as prior to FY2016, virtually all spending for current services was authorized through the public budgeting process, via either current or continuing appropriation.

Figure 6
Total FY2016 Authorized Spending by Category (\$ Millions)

Category	Appropriation	Consent Decree	Court Order	Consent Decree/Court Order	Continuing Appropriation	No Clear Authority	FY2016 Authorized Spending
Healthcare	\$0	\$6,669	\$280	\$0	\$0	\$0	\$6,950
Early Childhood Education	\$314	\$0	\$0	\$0	\$0	\$0	\$315
K-12 Education	\$6,177	\$0	\$16	\$0	\$0	\$0	\$6,193
Higher Education	\$601	\$0	\$26	\$0	\$0	\$0	\$627
Human Services	\$18	\$928	\$3,168	\$949	\$0	\$9	\$5,072
Public Safety	\$0	\$121	\$1,196	\$0	\$0	\$0	\$1,317
Group Health	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$10	\$0	\$505	\$0	\$495	\$0	\$1,010
Legal Authorization Total	\$7,121	\$7,718	\$5,191	\$949	\$495	\$9	\$21,484
% Legal Authorization	33.1%	35.9%	24.2%	4.4%	2.3%	<0.1%	

4. FY2016 AUTHORIZED GENERAL FUND SPENDING COMPARED TO FY2015

From FY2015 to FY2016, total authorized General Fund spending declined significantly, by a total of **\$3.57 billion**, or **14.2 percent**, from \$25.054 billion to \$21.484 billion, as detailed in Figure 7.

Higher Education suffered the largest year-to-year reduction in authorized appropriations, declining by some **\$1.323 billion**, or nearly **68 percent**. This was largely because unlike other program areas—such as Human Services, Public Safety, and Healthcare—no consent decrees or court orders authorized significant spending for Higher Education. As a result, virtually all FY2016 funding for Higher Education was authorized when the General Assembly passed and the Governor signed into law, just \$601 million in FY2016 appropriations—less than one-third of the General Fund investment made in FY2015. While this **\$1.3 billion** cut to High Education is so drastic that it cannot be justified on good policy grounds, at least it was authorized by a public vote, and signed by Governor Rauner, in PA 99-502 and PA 99-524, and hence allows voters to hold elected officials accountable for disinvesting in state institutions of higher learning.

Figure 7
FY2016 Maximum Authorized General Fund Spending Compared to FY2015 Enacted Budget
(\$ Millions)

Category	FY2015 Enacted Budget ¹³	FY2016 Maximum Authorized Spending	Year-to-Year Difference (\$)	Year-to-Year Difference (%)
Healthcare	\$6,826	\$6,950	\$124	1.8%
Early Childhood Education	\$293	\$315	\$22	7.5%
K-12 Education	\$6,262	\$6,193	(\$69)	-1.1%
Higher Education	\$1,950	\$627	(\$1,323)	-67.8%
Human Services	\$5,134	\$5,072	(\$62)	-1.2%
Public Safety	\$1,735	\$1,317	(\$418)	-24.1%
Other	\$1,232	\$1,010	(\$222)	-18.0%
Governor's Discretionary	\$57	\$0	(\$57)	-100.0%
Group Health	\$1,565	\$0	(\$1,565)	-100.0%
Total Authorized	\$25,054	\$21,484	(\$3,570)	-14.2%

After Higher Education, the largest cuts in authorized spending were for Public Safety (\$418 million, or 24.1 percent) and "Other" (\$222 million, or 18 percent). There were relatively small declines in K-12 Education and Human Services (\$69 million and \$62 million, respectively, or just over 1 percent each). Interestingly, authorized spending actually increased for Healthcare (by \$124 million, or 1.8 percent)—an increase that may never actually materialize, as discussed in Section 6 below—and for Early Childhood Education (by \$22 million, or 7.5 percent).

5. THE SIGNIFICANT IMPACT OF BELOW-AUTHORIZED SPENDING IN FY2016

While \$33.555 billion was the maximum spending authorized for FY2016, as of September 30, 2016, actual spending for the year was some \$1.468 billion less. This differential between authorized and actual spending is represented in Figure 8 as "Unspent Appropriations," which is the standard way this item is categorized in a final budget that is enacted through the traditional, public budgeting process.

Typically, the Unspent Appropriations line provides the executive branch with the authority to reduce actual spending below what was appropriated, but solely to the dollar limits identified therein. Since there was no comprehensive budget enacted for FY2016, however, there was no line item for Unspent Appropriations for the FY2016 General Fund. Despite this lack of executive authority to spend less than what was authorized, CTBA, using Comptroller data, found that actual FY2016 expenditures as of the end of September were \$1.468 billion less than authorized. Hence, to make comparisons with prior fiscal years, CTBA is categorizing this amount as "Unspent Appropriations" in this report.

One final note on FY2016 spending for current services, even though FY2016 ended on June 30, 2016, the state Comptroller's office, on whose data this report is based, is still receiving Medicaid bills for FY2016 through October 31.¹⁴ As a result, it is likely that the \$1.468 billion in Unspent Appropriations—and specifically, the \$825 million in Healthcare Unspent Appropriations—will decline. In this report, CTBA is reporting the Unspent Appropriation figure as of the end of September.

After accounting for Unspent Appropriations, actual General Fund Spending in FY2016 was \$32.087 billion, which is \$3.237 billion or 9.2 percent less than total General Fund spending in FY2015. That is a dramatic reduction in spending on current services, given that Illinois already ranked low compared to other states in FY2014 spending, coming in 39th nationally in General Fund expenditures as share of GDP.¹⁵ As indicated previously, however, year-to-year Hard Cost expenditures in FY2016 actually rose from FY2015 levels, meaning all the aforesaid spending cuts were to current services.

Figure 8
FY2016 General Fund Spending (\$ Millions)

Item	Amount (\$ Millions)
Hard Cost Subtotal ¹⁶	\$12,071
General Fund Spending on Current Year Services	\$21,484
<i>Unspent Appropriations</i>	<i>(\$1,468)</i>
Total Spending	\$32,087

Indeed, after accounting for Unspent Appropriations, actual General Fund spending for current services in FY2016 declined from \$21.484 billion to \$20.017 billion. That in turn means spending on current services in FY2016 will be some **\$2.911 billion**—or over **12.7 percent**—less than FY2015.

Figure 9 compares authorized FY2016 spending to actual FY2016 expenditures.

Figure 9
FY2016 Maximum Authorized General Fund Spending vs. Actual Expenditures (\$ Millions)

Category	FY2016 Maximum Authorized Spending	FY2016 Actual Expenditures	Difference (\$)	Difference (%)
Healthcare	\$6,950	\$6,207	(\$743)	-10.7%
Early Childhood Education	\$315	\$315	(\$0)	0%
K-12 Education	\$6,193	\$6,193	(\$0)	0%
Higher Education	\$627	\$622	(\$3)	-1.3%
Human Services	\$5,072	\$4,496	(\$576)	-11.4%
Public Safety	\$1,317	\$1,244	(\$73)	-5.5%
Other	\$1,010	\$939	(\$71)	-7.0%
Total Actual General Fund Spending	\$21,484	\$20,017	(\$1,468)	-6.8%

Two service categories were singled out for particularly significant cuts to their respective authorized General Fund spending levels: Healthcare and Human Services. Indeed, through the end of September, actual General Fund spending for Healthcare in FY2016 was **\$743 million**, or **10.7 percent**, less than the maximum authorization for FY2016, as shown in Figure 9. (However, the Comptroller is still receiving some Medicaid bills as late as October 31, which may reduce the final figure, as explained above.) Similarly, **\$576 million** of authorized Human Services appropriations went unspent in FY2016, representing **11.4 percent** of all authorized spending. This pushed actual General Fund spending on Human Services below FY2015 levels.

Troublingly for taxpayers and voters, it is also unclear:

- **Who made the decisions to spend less on Healthcare and Human Services than was authorized by court order and consent decrees;**
- **Why and under what legal authority those decisions were made; and**
- **How and why the particular programs subjected to these cuts were chosen.**

Figure 10, which compares actual General Fund expenditures in FY2015 to FY2016, accounts for unspent appropriations, and hence provides a more accurate picture of year-to-year changes.

Figure 10
FY2016 Actual General Fund Spending Compared to FY2015 (\$ Millions)

Category	FY2015 Expenditures ¹⁷	FY2016 Expenditures	Year-to-Year Difference (\$)	Year-to-Year Difference (%)
Healthcare	\$6,571	\$6,207	(\$364)	-5.5%
Early Childhood Education	\$293	\$315	\$22	7.5%
K-12 Education	\$6,251	\$6,193	(\$58)	-0.9%
Higher Education	\$1,940	\$622	(\$1,318)	-67.9%
Human Services	\$5,004	\$4,496	(\$508)	-10.2%
Public Safety	\$1,711	\$1,244	(\$467)	-27.3%
Other	\$1,157	\$939	(\$218)	-18.8%
Governor's Discretionary	\$0	\$0	\$0	
Sub Total: Current Services	\$22,928	\$20,016	(\$2,911)	-12.7%
Group Health	\$1,565	\$0	(\$1,565)	-100.0%
TOTAL GENERAL FUNDS EXPENDITURES	\$24,493	\$20,016	(\$4,476)	-18.3%

As indicated previously, after accounting for unspent appropriations, the year-to-year comparisons for Healthcare and Human Services change significantly. While authorized spending for Healthcare (shown in Figure 6) indicated an *increase* of 1.2 percent from FY2015 to FY2016, as of September 30, actual expenditures for Healthcare have *decreased* by 5.5 percent, or \$364 million, from year-to-year. Similarly, while authorized General Fund spending for Human Services appeared to decline in FY2016 by just 1.2 percent from FY2015 levels, actual expenditures reveal that the true year-to-year General Fund cut was 10.2 percent, or \$508 million at the end of September.¹⁸

As troublesome as these cuts to core services may be, the issue of how they were determined is also problematic. Not a single member of the General Assembly voted to reduce spending on Healthcare, Human Services, or Public Safety, and the Governor did not sign these cuts into law. Thus, no elected official is on record voting for these cuts, and indeed no public justification has been offered for them. Effectively, to date \$1.468 billion in authorized FY2016 spending on core services was never made, without a single elected official having to put his or her name to that decision.

6. FY2016 END YEAR GENERAL FUND DEFICIT

Fiscal Year 2016 was the first year in which the lower income tax rates set by TABSA were in effect for the full fiscal year. In large part because of those lower tax rates, total General Fund revenue in FY2016 was \$5 billion less than in FY2014.¹⁹ As detailed previously, even though no complete General Fund budget was ever enacted for FY2016, there was still some \$32.087 billion in expenditures made for the year—\$12.071 billion in Hard Costs, and \$20.016 billion in spending on current services.

Moreover, although it is not budgeted for, the state has accrued a contractual liability of \$1.726 billion for FY2016 Group Health insurance costs, which it has the legal obligation to pay under its various union agreements. Hence, while total FY2016 spending is currently at \$32.087 billion, final FY2016 expenditures will include this \$1.726 billion FY2016 liability, even if it is not paid until FY2017. Of course, that in turn means the accumulated deficit carry forward from FY2016 to FY2017 will have to be increased to account for the \$1.726 billion Group Health liability, further constraining FY2017 revenue that will be available to fund current services in FY2017.

Hence, total FY2016 spending will reach \$33.81 billion. However, FY2016 General Fund revenue was just \$30.37 billion, which means total spending in FY2016 will ultimately exceed revenue by \$3.443 billion. When that \$3.443 billion shortfall between actual spending and revenue is added to the \$5.97 billion accumulated deficit that carried forward from FY2015 into FY2016, the state's new accumulated deficit at the end of FY2016 increases to \$9.41 billion in FY2016.

Figure 11 delineates how CTBA arrived at the \$9.41 billion estimated accumulated deficit for FY2016. It begins with \$30.37 billion in total FY2016 General Fund revenue, and then subtracts \$12.07 billion in FY2016 Hard

Costs, leaving \$18.30 billion in available revenue for current-year services. Then it considers the Accumulated Deficit Carry Forward, or bills incurred for services in FY2015 which have not yet been paid. These add up to \$5.97 billion, leaving only \$12.33 billion in FY2016 revenue available to cover FY2016 spending on current services, bringing the accumulated deficit to **\$9.41 billion** deficit for FY2016. This means that **43.8 percent** of the \$21.74 billion in FY2016 General Fund spending on current services is deficit spending.

Figure 11
FY2016 Autopilot General Fund Budget Deficit Walk-Down (\$ Billions)

Step	Revenue	\$ Billions	Spending	\$ Billions	Remaining Revenue (Revenue – Spending)
(i)	FY2016 Revenue	\$30.37 ²⁰	FY2016 Hard Costs (Current Law)	\$12.07	\$18.30
(ii)	Revenue After Hard Costs	\$18.30	Estimated Accumulated Deficit Carry Forward from FY2015	(\$5.97) ²¹	\$12.33
(iii)	Projected Net FY2015 General Fund Revenue Available for Services	\$12.33	General Fund Service Spending (Including \$1.726 billion for Group Health)	\$21.74	(\$9.41)
Projected Accumulated FY2016 General Fund Deficit		(\$9.41)			
Projected Deficit as a Percentage of General Fund Service Appropriations		-43.8%			

7. ILLINOIS’ STRUCTURAL DEFICIT MEANS THE STATE’S FISCAL CONDITION WILL LIKELY WORSEN IN FY2017

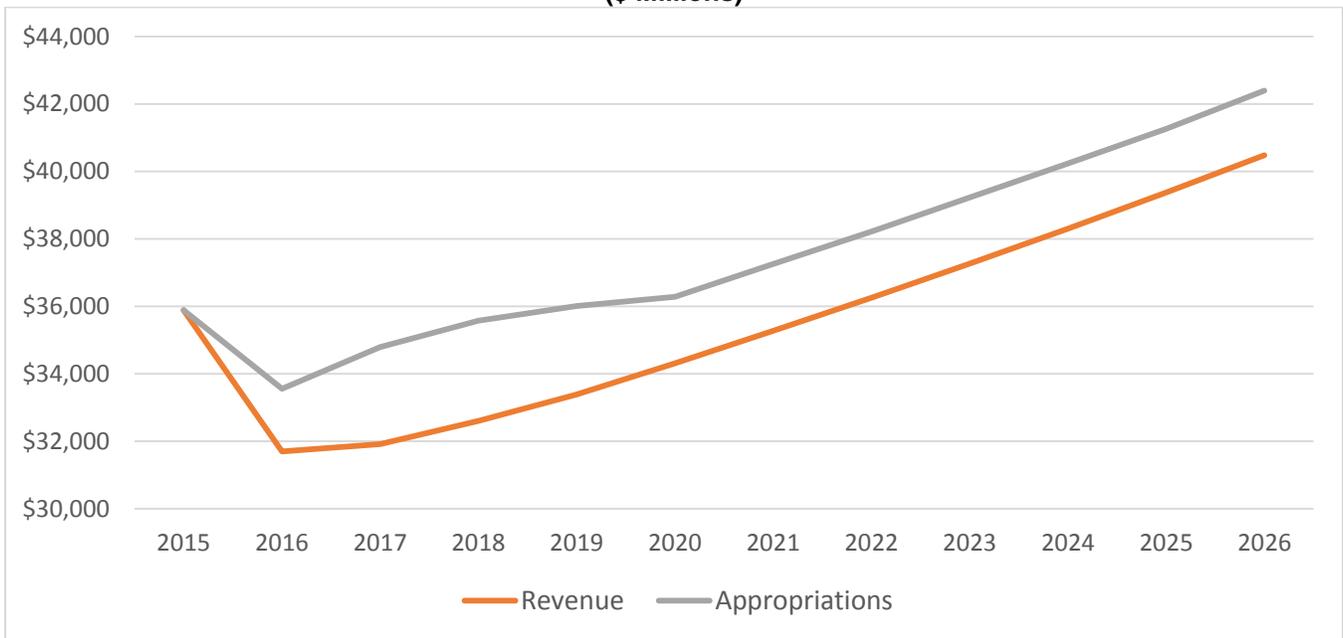
Continuing a trend that has spanned over three decades, FY2016 General Fund spending in Illinois exceeded available current revenue—even though total year to year spending was cut by over \$3 billion. As CTBA has shown previously, the primary driver of the ongoing imbalance between General Fund revenues and expenditures is the state’s flawed tax code, which does not comport with the modern economy.

The ongoing mismatch between annual growth in the state’s revenue sources, and the cost of maintaining service levels from one fiscal year to the next (adjusting solely for increases in inflation and population) is commonly referred to as a “structural deficit.” Figure 12 below shows the structural deficit in the Illinois General Fund budget.

Note that the structural deficit depicted in Figure 12 assumes:

- (i) the state maintains constant spending on services in real terms through FY2026, meaning that there are no changes in law and no programs are expanded, added or cut;²²
- (ii) that revenue continues to grow at historic rates.²³

Figure 12
Illinois State General Fund Structural Deficit
(\$ Millions)



8. CONCLUSION

The FY2016 General Fund budget—or more precisely the lack thereof—will go down as one of the least accountable and transparent in the history of the state of Illinois. The Governor and General Assembly failed in their constitutional responsibility to enact a budget for the full year. Given that over 90 percent of General Fund expenditures on current services cover the core areas of Education, Healthcare, Human Services, and Public Safety, that failure goes to the very essence of their responsibility to the public. Yet, despite this failure, some \$33.813 billion in FY2016 expenditures will ultimately be made, through a hodgepodge of court orders, consent decrees, continuing appropriations under prior law, contractual obligations, and even some enacted appropriations.

This has resulted in a situation where crucial services were funded—or cut substantially—without either a vote of the General Assembly or a gubernatorial proposal or veto to do so, thereby denying the level of transparency and accountability voters deserve from the governmental budgeting process.

For more information, contact the Center for Tax and Budget Accountability:

Ralph Martire, Executive Director, (312) 332-1049 or rmartire@ctbaonline.org

Bobby Otter, Budget Director, (312) 332-2151 or botter@ctbaonline.org

Daniel Hertz, Senior Policy Analyst, (312) 332-1481 or dhertz@ctbaonline.org

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APPENDIX A: METHODOLOGY FOR ANALYZING FY2016

CTBA analyzed data obtained from the Comptroller's office and the four Public Acts that contained FY2016 appropriations. The following is an overview of how CTBA analyzed the Comptroller data.

CTBA submitted a Freedom of Information Act request to the Comptroller's office for all appropriations and expenditures for fiscal years 2014-2017. The data CTBA received included every authorized spending line-item and contained a description of that line item. The data included legally authorized maximum spending amounts and actual expenditures. The line-item descriptions included information that allowed CTBA to determine whether the applicable line-item was authorized because of a continuing appropriation, consent decree, or court order. Line-items that did not fall into one of the aforementioned categories were either labeled as an appropriation or no clear legal authority. CTBA determined appropriation line-items by checking the Comptroller data against the appropriations contained in the four relevant Public Acts, and items that could not be identified as appropriations were labeled as "no clear legal authority."

A number of additional steps were taken to determine the legal authorization for line-items in the Human Services category, because line-item descriptions changed from FY2016 to FY2017. With the FY2016 data, initially, \$1.35 billion of Human Services line-items did not have an indefinable legal authorization, but when CTBA checked those line-items against the FY2017 data CTBA was able to determine that those line-items had been labeled as consent decrees or court orders in the FY2017 data, CTBA then used the legal authorizations in FY2017, for the FY2016 line-items that previously did not have a clearly identified legal authorization. In addition, CTBA noticed that a number of line-items were labeled as consent decrees in FY2016 but labeled as court orders in FY2017 and vice-versa. Hence, those line-items were re-labeled as "consent decree/court order."

The Comptroller data also identified which fund the relevant line-item pertained to, and CTBA analyzed the General Funds only data (i.e. the General Revenue Fund, Common School Fund, Education Assistance Fund, and General-Revenue Common School Special Account).

To examine spending on current year services, CTBA excluded all data for the state's pension fund contributions from its analysis and grouped agencies into nine different categories. Figure A shows CTBA's categories and the agencies that fall into each category.

Figure A
CTBA Categories and Agencies

Category	Agencies	Note
Healthcare	Department of Health and Family Services and Department of Public Health	
Early Childhood Education	State Board of Education	Determined by examining line-item descriptions.
K-12 Education	State Board of Education	Line-item for early childhood education are re-categorized.
Higher Education	Appropriations to all public universities (9), Board of Higher Education, Illinois Community College Board, Illinois Student Assistance Commission, Illinois Mathematics and Science Academy, and State Universities Civil Service System.	
Human Services	Department on Aging (DOA), Department of Children and Family Services (DCFS), the Department of Human Services (DHS), Department of Human Rights, Department of Veterans' Affairs, Human Rights Commission (HRC), and the Illinois Guardianship and Advocacy Commission.	
Public Safety	Department of Corrections (DOC), Department of Juvenile Justice (DJJ), the Illinois State Police, Department of Military Affairs, Illinois Criminal Justice Information Authority, Illinois Emergency Management Agency, Illinois State Police Merit Board, and the Prisoner Review Board.	
Group Health	Central Management Services	Determined by examining line-item descriptions.
Other	All other agencies and legislative bodies with General Fund appropriations.	Central Management Services' line-items for Group Health are re-categorized.

ENDNOTES

- ¹ CTBA analysis of data from the Comptroller of Illinois obtained through a FOIA request. See Appendix A for methodology.
- ² CTBA, Analysis of the FY2014 General Fund Budget, (Chicago: October 1, 2013), 8.
file:///C:/Users/BOtter/Downloads/R_2013.10.1_FY2014_Updated%20Enacted%20Illinois%20General%20Fund%20Budget%20Analysis.pdf
- ³ CTBA, *The Illinois State Budget and Tax Primer*, (Chicago: March, 2013).
http://www.ctbaonline.org/sites/default/files/reports/ctba.limeredstaging.com/node/add/repositoryreport/1384883277/R_2013.03_FINAL_FY2013%20CTBA%20IL%20Budget%20and%20Tax%20Primer.pdf
- ⁴ CTBA analysis of data from the Comptroller of Illinois obtained through a FOIA request. See Appendix A for methodology.
- ⁵ Figures for debt service are from GOMB, *FY2017 Budget Book* (Springfield, IL: March 18, 2009), 75. Figure for pensions are from CTBA's analysis of GOMB, "Fiscal Year 2017 Operating Budget Detail," February 2016. Transfers out are from GOMB, *FY2017 General Fund Transfers Out by Fund* (<https://www.illinois.gov/gov/budget/Documents/Budget%20Book/FY%202017%20Budget%20Book/GeneralFundsTransfersOutDetail.pdf>)—CTBA adjusted GOMB's reported transfer out figure to include the General Fund transfer to the Healthcare Provider Relief Fund, which has historically been categorized as a statutory transfer.
- ⁶ CTBA analysis of data from the Comptroller of Illinois obtained through a FOIA request. See Appendix A for methodology.
- ⁷ Sara Burnett, "Q&A: Illinois heading toward another year without state budget" *State Journal-Register*, May 31, 2016 (accessed September 9, 2016). <http://www.sj-r.com/article/20160531/NEWS/160539944>
- ⁸ CTBA analysis of data from the Comptroller of Illinois obtained through a FOIA request. See Appendix A for methodology.
- ⁹ CTBA analysis of data from the Comptroller of Illinois obtained through a FOIA request. See Appendix A for methodology.
- ¹⁰ Commission on Government Forecasting and Accountability (**COGFA**), *State of Illinois Budget Summary: Fiscal Year 2016* (Springfield, IL: September 9, 2015), 300
- ¹¹ Commission on Government Forecasting and Accountability, FY2016 Liabilities of the State Employees' Group Health Insurance Program, p. 7
- ¹² Commission on Government Forecasting and Accountability, FY2016 Liabilities of the State Employees' Group Health Insurance Program, p. 2
- ¹³ General Fund appropriations for FY2015 are from CTBA analysis of Governor's Office of Management and Budget (**GOMB**), "Fiscal Year 2017 Operating Budget Detail," February 2016.
- ¹⁴ PA 30 ILCS 105-25
- ¹⁵ CTBA analysis of "State Expenditure Report Examining Fiscal 2013-2015 State Spending", National Association of State Budget Officers, (Washington, DC: 2015). <http://www.nasbo.org/mainsite/reports-data/state-expenditure-report>
- ¹⁶ Figures for debt service are from GOMB, *FY2017 Budget Book* (Springfield, IL: March 18, 2016), 75. Figure for pensions are from CTBA's analysis of GOMB, "Fiscal Year 2017 Operating Budget Detail," February 2016. Transfers out are from GOMB, *FY2017 General Fund Transfers Out by Fund* (<https://www.illinois.gov/gov/budget/Documents/Budget%20Book/FY%202017%20Budget%20Book/GeneralFundsTransfersOutDetail.pdf>)—CTBA adjusted GOMB's reported transfer out figure to include the General Fund transfer to the Healthcare Provider Relief Fund, which has historically been categorized as a statutory transfer.
- ¹⁷ General Fund appropriations for FY2015 are from CTBA analysis of GOMB, "Fiscal Year 2017 Operating Budget Detail," February 2016.
- ¹⁸ Actual Human Services expenditures for all funds decreased from \$8.4 billion in FY2015 to \$6.8 billion in FY2016, a year-to-year cut of **\$1.6 billion**, or **19 percent**.
- ¹⁹ Total General Fund revenue in FY2015 was \$35.88 billion and \$30.373 billion in FY2015. FY2016 actual revenue from COGFA, *Monthly Briefing for the Month Ended: July 2016* (Springfield, IL: July, 2016), 4. FY2015 actual revenue from

COGFA, *3-Year Budget Forecast FY 2017 – FY 2019* (Springfield, IL: March, 2016), 17. Revenue excludes short-term and interfund borrowing.

²⁰ COGFA, *Monthly Briefing for the Month Ended: July 2016* (Springfield, IL: July, 2016), 4.

²¹ CTBA analysis of FY2015 appropriations using data from “Fiscal Year 2017 Operating Budget Detail,” February 2016 and actual revenue.

²² Sources for inflation and population for spending on current year services: inflation used is the Congressional Budget Office’s projection for Nominal Wage Growth for Workers Covered by Social Security (Percent) from its 2015 Long-Term Budget Outlook (<http://www.cbo.gov/publication/50250>) and population is from the Illinois Department of Public Health’s Population Projections 2014 edition. Source for pension contributions: COGFA, *Illinois State Retirement Systems: Financial Condition as of June 30, 2015* (Springfield, IL: March 2016), 99—CTBA assumed that approximately 90 percent of the state’s annual pension contributions would be via the General Fund. Debt service for bonds for FY2016-FY2019 from GOMB *Fiscal Year 2015 5 Year Blueprint Not Recommended* (Springfield, IL: March 2014) and for FY2020-FY2025 from State of Illinois Comptroller, *Fiscal Year 2014 Bonded Indebtedness and Long Term Obligations Report* (Springfield, IL: April 2015), A-1. And, statutory transfer for FY2016-2019 from GOMB *Fiscal Year 2015 5 Year Blueprint Not Recommended* (Springfield, IL: March 2014) and FY2020-FY2025 estimated by CTBA using historic Midwest CPI of approximately 2.2 percent.

²³ Growth rate for state revenue sources is approximately 2.8 percent. For the revenue growth rate for federal revenue CTBA used the Congressional Budget Office’s Nominal Wage Growth for Workers Covered by Social Security (Percent) from its 2015 Long-Term Budget, which are the same projections used for spending on current year services.