

ILLINOIS Budget Report Card



ILLINOIS HAS BECOME synonymous with “broken budget process” and failed even to pass a budget in 2016 and 2017. Though budgets were enacted for fiscal 2018 and 2019, the state has not weaned itself from one-time actions to achieve fiscal balance.

In budget maneuvers, the state received a D average for 2016 through 2018, with a D-minus, the lowest mark possible, for 2018. The drop reflected the assumption that \$300 million would be contributed to revenues from the sale of the Thompson Center, a Chicago complex housing state offices, stores, and restaurants. The planned sale was shelved after budget enactment, leaving the state with a hole and showing the risk of counting on one-time revenues that may not be repeated or even realized. Illinois was also one of only eight states to fund recurring expenditures with debt in 2018.

Illinois received a three-year average of D-minus in legacy costs. It was one of only seven states that failed to make contributions in line with actuarial recommendations for public worker pensions and other postemployment benefits, principally health care, in all three years studied. As of 2017, Illinois had set aside only 38.4 percent of the assets needed to meet its pension obligations, the third-worst funding level, behind Kentucky and New Jersey.

Forty-five states reported a positive balance in rainy day or other reserve funds in fiscal 2018, while Illinois was one of five with barely any rainy day assets – a driver of its D average in that category. In fiscal 2017, its rainy day fund would have covered the state’s needs for two hours, according to Comptroller Susana Mendoza.

Illinois also scored a D average in budget forecasting, despite some improvements that lifted its annual grade to a B in 2018. Since then, the governor’s Office of Management and Budget and the legislature’s Commission on Government Forecasting and Accountability have been obliged by statute to produce multiyear revenue and expenditure forecasts designed to help the executive and legislative branches detect potential budget challenges.


EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


| | BUDGET FORECASTING | BUDGET MANEUVERS | LEGACY COSTS | RESERVE FUNDS | TRANSPARENCY |
|------------|--------------------|------------------|--------------|---------------|--------------|
| Illinois | D | D | D- | D | B |
| Indiana | C | A | B | A | C |
| Michigan | B | B | C | A | B |
| Ohio | D | B | C | C | B |
| Wisconsin | D | B | A | B | B |
| US AVERAGE | C | B | C | B | B |


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


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| BUDGET FORECASTING | | | | |
|---|---------------------------------|------|----------------|---|
| | 2016 | 2017 | 2018 | |
|  | CATEGORY GRADE | D | D | B |
| | Consensus Revenue Forecasts | X | X | X |
| | Multiyear Expenditure Forecasts | X | X | ✓ |
| | Multiyear Revenue Forecasts | X | X | ✓ |
| | Revenue Growth Projections | X | X | ✓ |
| 3-YEAR AVERAGE | | D | 3-YEAR TREND ↗ | |

| BUDGET MANEUVERS | | | | |
|---|--|------|----------------|---|
| | 2016 | 2017 | 2018 | |
|  | CATEGORY GRADE | D | D | D |
| | Deferring Recurring Expenditures | X | X | X |
| | Revenue and Cost Shifting | X | X | X |
| | Funding Recurring Expenditures with Debt | X | X | X |
| | Using Asset Sales and Up-Front Revenues | ✓ | ✓ | X |
| 3-YEAR AVERAGE | | D | 3-YEAR TREND ↘ | |

| LEGACY COSTS | | | | |
|---|---------------------------------------|------|----------------|-----|
| | 2016 | 2017 | 2018 | |
|  | CATEGORY GRADE | D | D | D |
| | Public Employee OPEB Funding | X | X | X |
| | Public Employee Pension Funding | X | X | X |
| | Public Employee Pension Funded Ratio* | 36% | 38% | 38% |
| 3-YEAR AVERAGE | | D | 3-YEAR TREND — | |

| RESERVE FUNDS | | | | |
|---|--|------|----------------|---|
| | 2016 | 2017 | 2018 | |
|  | CATEGORY GRADE | C | D | D |
| | Positive Reserve or General Fund Balance | ✓ | X | X |
| | Reserve Funds Disbursement Policy | X | X | X |
| | Reserve Funds Replenishment Policy | ✓ | ✓ | ✓ |
| | Reserves Tied to Revenue Volatility | X | X | X |
| 3-YEAR AVERAGE | | D | 3-YEAR TREND ↘ | |

| TRANSPARENCY | | | | |
|---|---|------|----------------|---|
| | 2016 | 2017 | 2018 | |
|  | CATEGORY GRADE | B | B | B |
| | Consolidated Budget Website | ✓ | ✓ | ✓ |
| | Provides Debt Tables | ✓ | ✓ | ✓ |
| | Discloses Deferred Infrastructure Replacement Costs | X | X | X |
| | Discloses Tax Expenditures | ✓ | ✓ | ✓ |
| 3-YEAR AVERAGE | | B | 3-YEAR TREND — | |

KEY

| | |
|---|------------------------------|
| ✓ | Followed best practice |
| X | Did not follow best practice |

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* SOURCE Bloomberg; 2017 data also used for 2018.