## ILLINOIS Budget Report Card

ILLINOIS WAS ONE of only two states—Kansas was the other—to receive average grades of D or below in budget maneuvers, legacy costs, and reserve funds for fiscal 2015 through 2019. Illinois posted D averages in budget maneuvers and reserve funds but a D-minus, the worst grade possible, in legacy costs, which includes public employee pensions and other postemployment benefits (OPEB), mainly health care. At 39 percent, Illinois's pension funding ratio in 2019 was 32 percentage points below the total for all states and the lowest of the fifty. Illinois also failed to provide adequate OPEB funding. With a liability of $54.5 billion at the end of fiscal 2019, it delivers these benefits on a pay-as-you-go basis.

The state, which failed to enact a budget in 2016 and 2017, also consistently used one-time measures to pay for recurring operating expenditures. They included deferring payment of vendor bills to future years, issuing bonds to pay down the bill backlog, and including assumed proceeds from a planned asset sale as revenues. In reserve funds, their D average reflects deficits in general fund balances, minimal rainy day fund balances, and a failure to link reserves to revenue volatility.

The one bright spot for Illinois was its B in transparency. The grade was buoyed in 2019 by the disclosure, for the first time, of at least $25 billion in deferred infrastructure maintenance costs for buildings, universities, roads, bridges, and schools. Only four other states make similar disclosures.

### EAST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

| | BUDGET FORECASTING | BUDGET MANEUVERS | LEGACY COSTS | RESERVE FUNDS | TRANSPARENCY |
|---|---|---|---|---|---|
| Illinois | C | 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: Preparing for the Storm* at VolckerAlliance.org.

# ILLINOIS Budget Report Card, Fiscal 2015–19

## BUDGET FORECASTING

| CATEGORY GRADE | 2015 | 2016 | 2017 | 2018 | 2019 | TREND '15 | '16 | '17 | '18 | '19 |
|---|---|---|---|---|---|---|---|---|---|---|
| | B | D | D | B | B | | | | | |
| Consensus Revenue Forecasts | X | X | X | X | X | | | | | |
| Multiyear Expenditure Forecasts | ✓ | X | X | ✓ | ✓ | ● | | | ● | ● |
| Multiyear Revenue Forecasts | ✓ | X | X | ✓ | ✓ | | | | | |
| Revenue Growth Projections | ✓ | X | X | ✓ | ✓ | | | | | |
| 5-YEAR AVERAGE C | | | | | | | ● | ● | | |

## BUDGET MANEUVERS

| CATEGORY GRADE | 2015 | 2016 | 2017 | 2018 | 2019 | TREND '15 | '16 | '17 | '18 | '19 |
|---|---|---|---|---|---|---|---|---|---|---|
| | D | D | D | D- | D- | | | | | |
| Deferring Recurring Expenditures | X | X | X | X | X | | | | | |
| Revenue and Cost Shifting | X | X | X | X | X | | | | | |
| Funding Recurring Expenditures with Debt | X | X | X | X | X | | | | | |
| Using Asset Sales and Up-Front Revenues | ✓ | ✓ | ✓ | X | X | ● | ● | ● | | |
| 5-YEAR AVERAGE D | | | | | | | | | ● | ● |

## LEGACY COSTS

| CATEGORY GRADE | 2015 | 2016 | 2017 | 2018 | 2019 | TREND '15 | '16 | '17 | '18 | '19 |
|---|---|---|---|---|---|---|---|---|---|---|
| | D | D | D | D | D | | | | | |
| Public Employee OPEB Funding | X | X | X | X | X | | | | | |
| Public Employee Pension Funding | X | X | X | X | X | | | | | |
| Public Employee Pension Funded Ratio* | 40% | 36% | 38% | 39% | 39% | | | | | |
| 5-YEAR AVERAGE D | | | | | | ● | ● | ● | ● | ● |

## RESERVE FUNDS

| CATEGORY GRADE | 2015 | 2016 | 2017 | 2018 | 2019 | TREND '15 | '16 | '17 | '18 | '19 |
|---|---|---|---|---|---|---|---|---|---|---|
| | C | C | D | D | D | | | | | |
| Positive Reserve or General Fund Balance | ✓ | ✓ | X | X | X | | | | | |
| Reserve Funds Disbursement Policy | X | X | X | X | X | | | | | |
| Reserve Funds Replenishment Policy | ✓ | ✓ | ✓ | ✓ | ✓ | ● | ● | | | |
| Reserves Tied to Revenue Volatility | X | X | X | X | X | | | ● | ● | ● |
| 5-YEAR AVERAGE D | | | | | | | | | | |

## TRANSPARENCY

| CATEGORY GRADE | 2015 | 2016 | 2017 | 2018 | 2019 | TREND '15 | '16 | '17 | '18 | '19 |
|---|---|---|---|---|---|---|---|---|---|---|
| | B | B | B | B | A | | | | | |
| Consolidated Budget Website | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | ● |
| Provides Debt Tables | ✓ | ✓ | ✓ | ✓ | ✓ | ● | ● | ● | ● | |
| Discloses Deferred Infrastructure Replacement Costs | X | X | X | X | ✓ | | | | | |
| Discloses Tax Expenditures | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | |
| 5-YEAR AVERAGE B | | | | | | | | | | |

## 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.