

STATE FISCAL OUTLOOK

- **George Hovanec, Medicaid Consultant**
- **CBHA Winter Conference**
- **December 8, 2020**



**SOUND,
STABLE AND
LIMITED —
THE PRITZKER
PLAN**

During his first year in office, the Governor put in place a financial framework that could have returned Illinois to financial stability.

- Used the permanent increase in the income tax passed in the Rauner administration.
- Made modest cuts to state programs while embracing education reform.
- Introduced the concept of a graduated income and put it on the November ballot as an amendment to the State Constitution



THE GOVERNOR'S PLAN FAILED

- An unexpected pandemic resulted in massive revenue losses for the state
- The graduated income tax was soundly defeated



THE END IS NOT NEAR

- The operating deficits are estimated to be between \$4 billion to \$5 billion over the next five years.
- If the Governor and General Assembly did nothing for the next 18 months, it would still be better than the worst period in the states' history.
- Absent remedial action, finances could collapse but that would take many years.



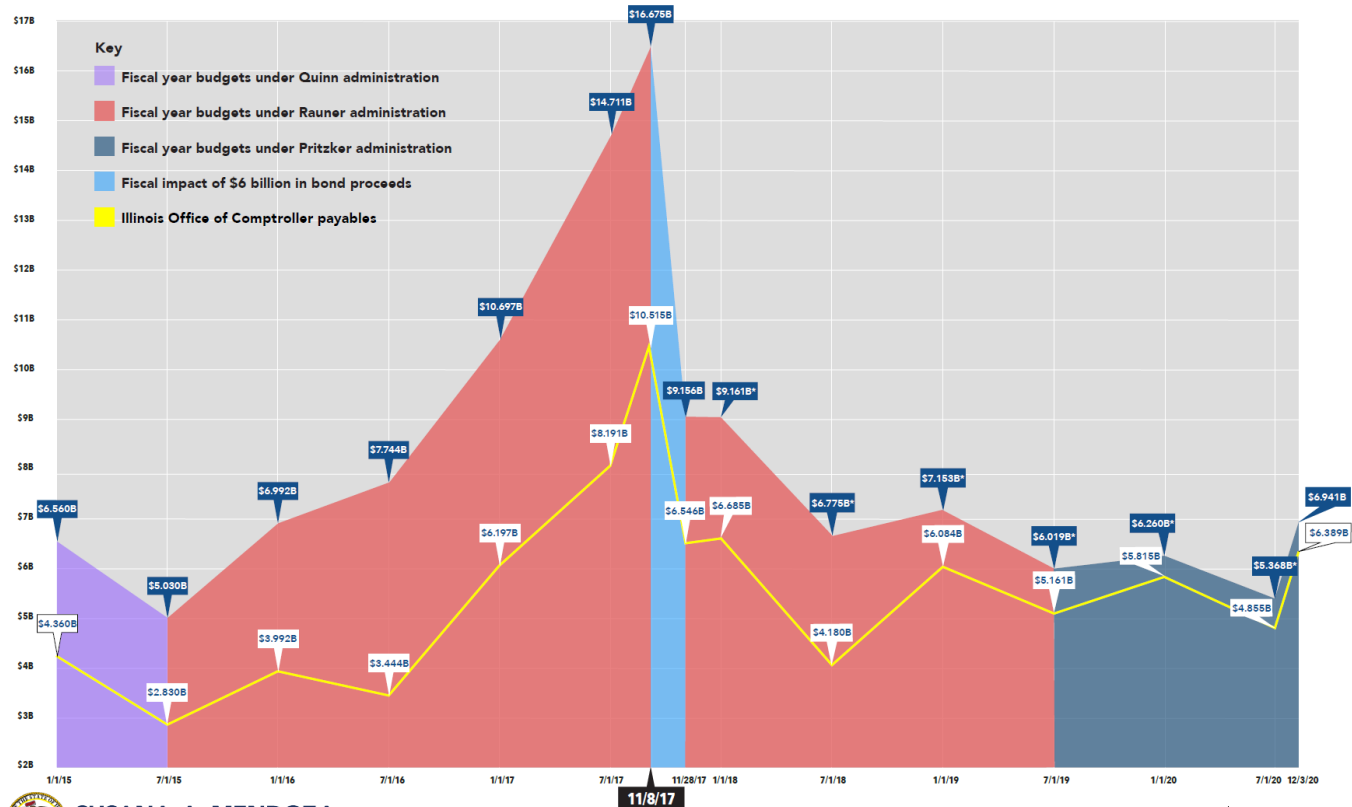
THE WEEDS — THE DEFICIT

Fiscal Year	2021	2022	2023	2024	2025	2026
Deficit	3,918	4,802	4,686	4,826	4,479	4,211
FAIR TAX	1,274	3,000	3,066	3,133	3,202	3,273
Difference	2,644	1,802	1,620	1,693	1,277	938

MORE WEEDS — THE BACKLOG

BACKLOG VOUCHER REPORT (BVR)

Illinois General Funds backlog over time (includes estimates of state agencies' held bills)



SUSANA A. MENDOZA
ILLINOIS STATE COMPTROLLER

Source: Illinois Office of Comptroller's End-of-Day Balance Tables
*Adjusted backlog based on Debt Transparency Report agency submissions.
Bills are not processed on non-business days or State holidays. Debt Transparency Report Summary and Agency Submissions.
All dates as of 8 am

INTERIM STEPS

In order not to decimate the healthcare industry, schools, and social service programs during the pandemic, the Governor and General Assembly agreed to a FY 2021 budget that relied on interfund borrowing and borrowing from the federal reserve.

Both forms of borrowing have been used in the first third of the fiscal year and it is anticipated that more borrowing will occur because of the recent dramatic rise in bills held by the Comptroller.

Since borrowing needs to be repaid and only compounds future year problems a more permanent solution needs to be found.

POSSIBLE SOLUTIONS

- Federal Bailout
- Increase in current taxes
- Major Cuts – across the board or targeted
- Expansion of the tax base by closing loopholes
- Once the state gets to junk bond status, give up on full funding of pensions
- All the above



IS MEDICAID THREATENED? YES BUT

- Although Medicaid is a large piece of the state budget most of the funding for Medicaid is through provider taxes
- As long as the ACA stays in place and CMS does not tighten its regulations on permissible taxes the program is largely self funded
- Existing court cases and consent decrees slows the process of making cuts
- With Democrats controlling the Statehouse, they do not want to cut healthcare
- Increased rates or unmanaged growth in the Medicaid program is not on the table



THE REAL WORK OF GOVERNMENT

- Getting power
- Staying in power

RESET

- Caucus Leadership
- Legislative Redistricting
- 2022 Election
- Future Ambitions
- Social Justice
- Transformation
- Other Must Haves
- Bipartisan or Not

REIMAGINE

- Always Winter, Never Christmas
- Taxing out
- Pension Reckoning
- Keep What You Have
- Ask for Anything But Don't Expect It

RESHAPE

- Do It Yourselfes
- The General Assembly is a Tool, not a solution
- The Administration is a Tool, not a solution
- Congress is a tool, not a solution
- The President is a tool and not a solution