GENERAL ASSEMBLY
STATE OF ILLINOIS

February 21, 2013

Honorable Pat Quinn
Governor, State of Illinois
207, State House
Springfield, IL 62706

Honorable John Cullerton
President, Illinois State Senate
327, State House
Springfield, IL 62706

Honorable Michael J. Madigan
Speaker, Illinois House of Representatives
300, State House
Springfield, IL 62706

Dear Governor Quinn, President Cullerton and Speaker Madigan:

The fiscal blueprint outline in the FY14-FY16 Three Year Budget Projection foretells difficult choices which will confront members of the General Assembly in developing budgets for FY14 and beyond. There is no doubt that the spending plan utilized for FY14 will have a direct impact on longer term actions needed to pass balanced budgets in future years. Similarly, substantive policy actions and implementation of reforms will shape these same budgetary pressures.

Despite budgetary frameworks for FY12 and FY13 which provided resources for the payment of old bills, the backlog of unpaid vouchers remains at near record highs. The inability to pay down the backlog is largely a reflection of unresolved items which will increase liabilities beyond available resources.

For FY14, the All Funds certified pension contribution will increase to \$6.7 billion. The failure to enact comprehensive pension reform represents a lost opportunity to reduce GRF spending by over \$1 billion. As a result, the certified pension payment alone will consume more than all of the natural general revenue growth expected for FY14.

The unresolved status of the AFSCME contract has resulted in increased spending pressures for the Group Insurance program and operational lines throughout state agencies. Beyond the fiscal impact to the state, employees in unions have faced financial and emotional uncertainty due to the lack of a collective bargaining agreement. \$300 million in Group Insurance savings built into the FY13 have not been secured and the backlog of unpaid bills in the Group Insurance program alone stands at over \$2 billion. The inability to negotiate agreements on salary and benefit parameters has resulted in additional administrative spending and less for programs and bill payment.

The enactment of comprehensive Medicaid reforms in the SMART Act provides a blueprint for the difficult decisions which lie ahead. With over $1.6 billion in estimated savings, these reforms represent a crucial step in addressing the unsustainable growth trend of Illinois' Medicaid program. Nevertheless, lack of prompt and direct action with the pace and the completeness of implementation of these reforms represent an additional pressure on the budget which must be addressed. Employing previously authorized technological improvements will increase efficiencies and enhance communications between agencies to improve care as the program is redesigned.

Finally, as care models have begun to focus more on in home services, the Community Care Program (CCP) has grown as an alternative to facility based care. Unfortunately, past practices in the Medicaid program which led to payment delays appear to also be taking root in the Community Care Program. Entering FY13, the program had a backlog of $173 million in unpaid bills. Although reforms were enacted to address this structural imbalance, the enacted reforms, like many reforms contained in the SMART Act, remain to be implemented and an additional $150 million will be added to the CCP backlog by the end of the fiscal year.

Combined, these pressures represent over $2 billion in lost savings. While a bipartisan approach has been undertaken to enact many solutions, full execution of these solutions requires unreserved follow through by the majority party which is in charge of the Executive branch and both chambers of the General Assembly.

Recent experience shows that additional revenues will not lead to a meaningful reduction in the bill backlog. The solution lies in confronting these pressures and fully implementing reforms to reduce the level of spending. With FY13 already more than half over, it is imperative that actions to address these concerns be implemented without delay. Deferring these actions to be part of the FY14 budget discussions will simply continue the erosion of the state's fiscal condition entering the new fiscal year.

We look forward to your response on how you plan to address these FY13 issues.

Tom C

Sincerely,
Tom Cross
House Republican Leader

Christine Radogno

Christine Radogno
Senate Republican Leader

TC/CR:mlb