



Governor's Office of Management and Budget
Office of the Governor
Springfield, Illinois, 62706

January 26, 2014

Honorable Members of the General Assembly,

I am writing to you today with encouraging news. Over the past five years we have worked together and made progress on many critical issues, from reforming our pension systems to overhauling Medicaid, and we have made tough choices and focused on policies that drive our economy forward. Thanks to this collaboration, we are projecting that the state's backlog of bills will be down to \$5.6 billion at the end of this fiscal year. That is more than 43 percent lower than the \$9.9 billion backlog at the peak of the recession.

We believe that it is important for the public and the legislature to have accurate information about the status of the state's unpaid bills. You will find on our website, www.budget.illinois.gov, a report with detailed information on the status of the state's unpaid bills. The report will be updated on the 15th of each month. Attached you will find copies of the data as of Dec. 31, 2013. Comptroller Judy Baar Topinka's staff has been very helpful vetting these numbers with my staff.

This data shows the impact of the important steps we have taken together. Previous budgets under-appropriated obligations the state had already agreed to pay. That action pushed bills off to future years – the so-called “Section 25” bills. We have worked together to reduce that practice. The Group Health Insurance backlog is about all that remains. As of Dec. 31, state agencies reported \$760 million in bills outstanding for Group Health Insurance. The Comptroller reported \$812 million in Group Health Insurance bills being held by her office. Other than Group Health, the bills that once stacked up at agencies are now being processed to the Comptroller in a timely manner.

The Department of Healthcare and Family Services' (HFS) Medical Schedule Status report shows that since July of 2013, HFS has been processing bills to the Comptroller within 30 days and has sufficient FY14 appropriation to cover them all. So from July 2013 forward, bills in-process at HFS are included as a footnote on our monthly report, not added into the total of "bills outstanding" because they are being processed in a timely manner. In December, the figure for GRF and related fund bills in-process at HFS was about \$800 million. Medicaid bills held longer-term at the Comptroller's office are included in the total of "bills outstanding."

We include in the total of unpaid bills \$112 million for back wages the state has been court-ordered to pay its employees but which has not yet been appropriated. That appears under "Other bills (Tax refunds + back wages)."

If the outstanding bills are paid down – and not allowed to pile up again – the amount of bills making their way through the state's payment system in any 30-day period (\$3 billion or 10 percent of the state's general-funds budget) will be in line with private-sector benchmarks. Thank you for your collaboration and feel free to contact me with questions.

Yours very truly,

A handwritten signature in black ink, appearing to read "Jerome Stermer". The signature is fluid and cursive, with the first name "Jerome" being more prominent than the last name "Stermer".

Jerome Stermer

Acting Director