

## An Overview of Illinois' Budget Crisis

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For almost two years, the democratically-controlled Illinois legislature and the Illinois Republican governor have been waging a war that has resulted in Illinois going almost one full year without a state budget. During this time, Illinois continued to operate thanks to a hodgepodge of court orders, consent decrees, and a stopgap budget. While the stopgap was national news since the state was the last state to pass a budget, it was still only a stopgap, designed to let the state hobble through the November elections without having to return to Springfield.

How did Illinois get to this point? In 2011, the state passed a temporary income tax, and after Democrat Pat Quinn lost the 2014 Gubernatorial Election to Bruce Rauner, Quinn and the democratically-controlled General Assembly let the income tax expire. Rauner refused to negotiate on the budget and any potential sources of new revenue unless portions of his Turnaround Agenda were enacted into law. The Democrats believe the Turnaround Agenda is too extreme and a standoff ensued.

After FY 16 started without a budget, many groups turned to the courts for relief, and Illinois was able to operate without a budget thanks to court orders and consent decrees keeping the most basic spending going. The problem lies in the fact that the court orders and consent decrees have the state spending money based on the FY 2012 and FY 2013 levels; levels that were now too high since the tax increase expired. At the 11th hour, the Governor and the legislative leaders were able to pass a stopgap budget to get Illinois through the 2016 General Election. However, Illinois continues to rack up debt despite the stopgap. As of this writing, the state is \$8.5 billion behind in bill payments, and Moody's projects that number will grow to \$14 billion absent any action by Illinois to address the structural deficit.

Once the General Assembly returns to Springfield, just seven days after Election Day, legislators will have their work cut out for them. Most of the stopgap will run out on December 31, 2017, and it was assembled without any new revenue. In the stopgap, Chicago Public Schools were appropriating money to meet its pension obligations on the condition that a bipartisan comprehensive pension reform bill capable of withstanding constitutional challenge be passed after the election. However, many doubt this General Assembly and the Governor will be able to accomplish anything in a bipartisan manner after the negativity of this election cycle.

The Illinois General Assembly is scheduled to be in session for six days after Election Day. A lame duck session in early January 2017, before the new General Assembly is sworn in, could be timed far enough after the election for the leaders to move past the partisan rhetoric and put the interests of the State ahead of any ill feelings. The Democrats have a super-majority in both chambers. While the election could take the democratic super-majority, it is impossible for the Senate Democrats to lose their majority. This means regardless of what happens in the election,

the Democrats are needed for any negotiated compromise before the new General Assembly. The stopgap budget came to fruition once Governor Rauner agreed to temporarily set aside his

Turn Around agenda. Since he is likely to renew his push for his reforms, a long term solution seems unlikely to come easily since the Democrats are philosophically opposed to most everything the Governor has proposed. At least one legislator is on record as stating he believes Illinois will be forced to rely on stopgap budgets until 2019. Facing a structural deficit, Illinois' leaders need to put politics aside to bring long term stability to the state. In the meantime, expect every interest group doing business in Illinois to be in Springfield for the foreseeable future advocating to get as much as they can (or to minimize any potential losses).