A Record of Fiscal Mismanagement

• **Spending** - Out of control spending continues as the budget grows year after year without the recurring revenues to support it.

• **Borrowing** – The policy of bloated borrowing puts Illinois’ financial health at serious risk. This “credit card” philosophy has dire long-term consequences for taxpayers.

• **Debt** – Borrowing leads to long-term debt. Paying off these long-term loans takes away revenues for education, health care, and other vital state services.
Uncontrolled Spending

• Spending has increased almost $3.5 billion in less than 4 years.

• The budget is growing much faster than our ability to pay for it.

• We are spending money that we do not have.
Uncontrolled Spending

GRF Appropriations

FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07
$19,866 $21,294 $22,719 $23,409 $22,335 $23,483 $23,851 $24,571 $25,760

Millions

Ryan Blagojevich
How has the governor been paying for this uncontrolled spending?

**Borrowing**

- Governor Blagojevich has increased General Bond Debt from $7.6 to $20.3 billion...a 167% increase.

- This administration has also raided Illinois’ pension systems by $3.5 billion.

- Medicaid debt has ballooned to $1.5 billion.
A Legacy of Debt

General Obligation Debt Outstanding

Billions

FY92  FY93  FY94  FY95  FY96  FY97  FY98  FY99  FY00  FY01  FY02  FY03  FY04  FY05  FY06 Est.  FY07 Est.

Edgar  Ryan  Blagojevich
Cost of Borrowing

• $1.7 billion per year out of the General Revenue Fund to repay this massive debt.

• This is double what was owed when the governor took office.

• Put in perspective, Illinois now spends more money paying off long term debt than it does on funding either the Department of Children and Family Services or the Department of Corrections.
The chart above represents the principal and interest on debt service payments on General Obligation bonds. These numbers include pension obligation bonds.

The FY07 debt service payments are $1.7 billion.
Pension Raids

• 2007 is year two of a five-year pension raid of $3.5 billion.

• Illinois currently has an unfunded liability of approximately $39 billion.

*Current assets are $58 billion against $97 billion in liabilities for an unfunded liability of $39 billion.
Illinois currently has the worst funded pension system in the U.S.

![Bar chart showing Midwest States Unfunded Liability](chart.png)
Why should it matter to you?

• Taxpayers are obligated to pay back the loans against the pension systems.

• Every $1 we pull out today costs us $11 to repay.

• Fund Raid cost to state taxpayers: $38.5 billion

• Raiding a teacher’s pension is like having your Social Security raided.
Fund Raids

- Since 2004, Democrats have raided more than $1.5 billion from dedicated funds to increase spending.

- Many of these funds help pay for vital programs that assure the safety and security of Illinois citizens.
Five Outrageous Fund Raids

1) $1.3 million from the Veterans’ Rehabilitation Fund

2) $38.4 million from the DCFS Children’s Services Fund

3) $258,068 from Coal Mining Regulatory

4) $467,182 from the Sex Offender Registration and State Sex Offender DNA ID System Funds.

5) $468,715 from the DUI Prevention Fund.
Unsustainable Medicaid Growth

- Illinois’ Medicaid program is growing at an uncontrollable rate.

- Medicaid liability under Governor Blagojevich has increased $2 billion from $6.4 to $8.6 billion.

- Increased over 30% in less than 4 years.
Skyrocketing Medicaid Liability

In Billions

<table>
<thead>
<tr>
<th>Year</th>
<th>Liability (in billions)</th>
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<tbody>
<tr>
<td>FY99</td>
<td>4.51</td>
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<tr>
<td>FY00</td>
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<td>8.25</td>
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<tr>
<td>FY07</td>
<td>8.6</td>
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</table>
Financing Medicaid on business

• By extending the billing cycle, many small businesses like the corner drugstore, are forced to wait months to be reimbursed for services they have already provided.

• Payment of Medicaid bills are pushed into the next year to the tune of $1.5 billion.

• Pharmacies, nursing homes, hospitals and doctors are financing this borrowing by the state.
Pushing Off Medicaid Bills

Medicaid Bills Pushed Off Into Next Fiscal Year

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>$ Millions</th>
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<tbody>
<tr>
<td>FY1996</td>
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<tr>
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<td>FY2004</td>
<td>490</td>
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<tr>
<td>FY2005</td>
<td>580</td>
</tr>
<tr>
<td>FY2006 Est.</td>
<td>660</td>
</tr>
</tbody>
</table>
Medicaid Growth in 20 years

State Budget in 20 Years
(assuming current Medicaid growth rates and overall budget growth of 3.5%)

- Medicaid: 39%
- All Other: 61%

Yellow: Medicaid  Green: All Other
Business Community Suffering

• The governor’s policies are killing the business community in Illinois.
• According to Moody’s, Illinois has the 3rd highest bond debt in the nation, and 6th highest in debt per person.
• Illinois is ranked 46th out of 50 states in “Friendly Business Climate.”
• In 2005, Illinois had the 4th worst job growth rate in the nation.
Third Party Quotes

“Illinois needs to put its financial house on the most solid footing possible before committing itself to a lot of new and long-term programs that almost inevitably grow more costly over time.”

-Daily Herald

“Big Ideas, Empty Wallet”

-Chicago Tribune

“Too often this governor reminds us of the kid in the toy store, reaching for the new plaything before he’s even torn off the wrapping of the old one, and never paying attention to the price tag. At some point, a responsible parent just has to step in and say no.”

-The Beacon News

“Not only is Illinois not taking care of its current and past spending obligations, it is creating new and potentially larger future obligations. We cannot stress enough how important it is for the future of Illinois that current responsibilities be taken care of before shouldering new spending commitments.”

-The Civic Federation of Chicago
Illinois House Republicans: A Common Sense Approach

Back to the Basics

- Stop spending hundreds of millions of tax dollars on new programs—regardless of how well meaning. Our state, like the families of this state, must balance it’s budget before taking on new responsibilities.

- Reform the budget process, make it a bi-partisan process. 3/5ths for new tax increases and spending.

- Stop borrowing from pharmacies, physicians, nursing homes and hospitals. They provide services to our most vulnerable citizens…they should be paid.

- Stop the pension raids, we have a responsibility to both taxpayers and those who are in the pension system.

- Create a long-term plan to deal with our over-reliance on borrowing and one-time revenues.
Questions