State and Campus Financial Position

State Financial Issues. The state's General Revenue Fund appropriation is approximately $26 billion for operations.

- The state started FY 2010 with $2.8 billion in unpaid vouchers. There is no revenue source to pay these past due bills.
- The state used one-time funds ($5.7 billion from borrowings, $2 billion stimulus funds, $300 million fund sweeps) to help cover this year's costs.
- Even with these one-time funds, the state slips further behind with its payments. At the end of January the State had $3.2 billion in unpaid vouchers.
- In FY11 the state will need to find a source for replacement of one-time funds ($5.7 billion), growth in required pension contributions plus debt service on pension borrowings ($2 billion), almost $2 billion in stimulus funds and this does not address unpaid bills from FY10 and prior years of perhaps $4 billion.
- All of these items mean that the state will start the year with a minimum shortfall of $9 to $13 billion—or 35% to 50% of the state's operating appropriation!
- The Civic Committee of the Commercial Club describes the State as "broke" (see Illinoisisbroke.com). In January, Crain's business Weekly (using Civic Federation analysis) discussed the State's "insolvency" and "bankruptcy" possibilities.

Bond Ratings. The state has been downgraded two times this past year and now has a rating of "A."

- An "A" rating is five spots from the top of S&P rankings (AAA). As sovereign entities, states generally enjoy much higher rankings than Illinois does currently.
- The only state with a lower rating is California. Several historically weak states, such as Mississippi and North Dakota, enjoy higher ratings than Illinois.
- One ranking, "A-" separates state from the difficult to market "B" rankings.
- The university's auxiliary operations have a rating of "AA." All Illinois public universities are currently flagged as on a "credit watch."

Impact on the Campus. The state is currently $431 million behind in payments to the University. Our campus's share of this shortfall is approximately $200 million.

- The $200 million shortfall represents 28% of the Urbana campus's general operating budget: (tuition, $410 million; General Revenue Funds, $268 million; other unrestricted funds, $40 million). It is uncertain when the State will be able to fully catch up with the funding of our appropriation.
- 80-90% of these funds are for salaries.
- The State's inability to fund our appropriation has created a great challenge to meet our payroll and other operating expenses.
- The University is using all its unrestricted operating cash to meet payroll and other obligations. Other University reserves are restricted by covenant or purpose. By using our available cash balances, we are losing many millions in interest earnings.
- The very real risk of running out of operating cash by the end of the fiscal year has driven decisions by University leadership to set aside $82 million of the University's operating budget, thereby reducing expenditures and conserving cash. Savings resulting from furloughs contribute approximately 20% to this pool.