

## WAS THE STATE OF ILLINOIS BUDGET REALLY BALANCED?

For more than 20 years the State has adopted "officially" balanced budgets which would mean to most people zero deficits.

The State's financial statements tell a different story. The audited balance sheet indicated:

### Accumulated deficit in net assets

**\$17.5 Billion**

Some of the Illinois Pension Fund Liabilities, that are constitutionally guaranteed, are not reported on the financial statements.

### Off Balance Sheet Obligations

**\$26.6 Billion**

**Therefore, the State is in a huge financial hole.**

### **Negative Net Worth**

**\$44.1 Billion**

*Note: The numbers above are for the fiscal year that ended June 30, 2005. These numbers were included in the state of Illinois' FY2005 audited financial statements, which were not made available to the public until June 30, 2006, some 12 months after the close of that fiscal year. It is essential that the information in the annual financial statements be available during the budget process. An estimate of the State's net worth as of June 30, 2006 should be made available by the State Comptroller during the FY 2006-07 State of Illinois budget process.*

*As Thomas Jefferson once noted, an informed electorate is the basis for a sound democracy. But how can the citizens of Illinois make sound decisions if they aren't given timely, accurate, and useful information?*

## Help make a difference

You can help us to:

- \*\* Provide the public with the information needed to make knowledgeable decisions about the state budget, including tax policy and the allocation of current and future resources.
- \*\* Publish a complete financial picture of the State of Illinois.
- \*\* Create and implement a campaign to educate the public about our state's fiscal challenges and responsibilities.

### Membership

*To join this worthwhile organization, please send your tax deductible contribution with this form to the Institute for Truth in Accounting at the address below.*

Name \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Telephone \_\_\_\_\_

Email \_\_\_\_\_

\$50    \$100    \$200    Other \_\_\_\_\_

### Institute for Truth in Accounting

1500 Skokie Boulevard, Suite 304  
Northbrook, IL 60062  
847-835-5200  
www.truthinaccounting.org

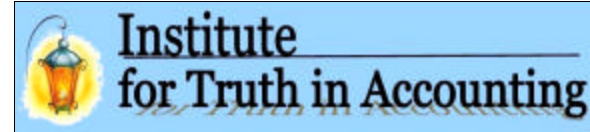
**20 X \$0**

**Equals**

**-\$44 Billion**



## Political Math and The Illinois Budget



*Searching for the truth in broad daylight*

1500 Skokie Boulevard, Suite 304  
Northbrook, IL 60062  
847-835-5200  
www.truthinaccounting.org

---

## “Balanced Budgets” Result in A Huge Financial Hole

Because the budget process of the Illinois state government (the State) is the principal vehicle through which the legislature and the governor annually allocate current and future resources, it is the State’s most important decision making process. The Constitution of Illinois requires the legislature to balance the budget. But the calculation of the State budget is complicated and confusing.

In July 2004, Illinois’ legislature passed and the governor signed a “balanced budget” for Fiscal Year (FY) 2005. Two years later, the FY 2005 audited financial statements reported that Illinois’ primary government functions ran a deficit of more than \$2 billion. For more than twenty years the State’s budgets have been “balanced,” which means the State’s deficits should have been zero. Yet the state government of Illinois is in a financial hole of more than \$44 billion.

The reason the Comprehensive Annual Financial Reports indicate large deficits, while the official State budgets have been “balanced,” is that the budgets are calculated according to rules defined by elected officials, while the audited financial report is calculated according to generally accepted accounting principles established by the independent Government Accounting Standards Board (GASB) (which has no political stake in the outcome of the financial report.) The elected officials calculate the budget essentially on a cash basis, which allows liabilities and the real state of Illinois’ finances to be hidden.

To expose the state government to a greater degree of public scrutiny and accountability, the citizens and their elected representatives must be informed of the current and long term financial consequences of the spending and revenue decisions included in the budget. Therefore the citizens and their elected officials should be given an estimate of the surplus/deficit that would be reported on the government-wide financial statements, if a proposed budget was implemented. This estimate should be calculated by the State’s Comptroller using the accrual accounting concepts outlined by the independent GASB. To be a part of the important budget process Illinois citizens and their elected officials must be given this relevant financial information.

## Why is it important to know the true financial information of the State of Illinois?

*Recent corporate accounting failures have highlighted the importance of proper accounting and reporting practices for all entities. Like the stockholders of Enron, the legislature and taxpayers of Illinois cannot make knowledgeable economic decisions without truthful and timely information. Responsible government cannot be achieved unless the public and elected officials know where they are starting financially.*

*If someone telephoned you to ask, “What direction must I drive to get to Los Angeles?” You likely would answer, “Southwest.” But, what if instead of being in Illinois, which you had assumed, the person was actually in Seattle, Washington? If the caller followed your directions, that person would end up in the Pacific Ocean.*

*If we ask our Illinois legislators, “What is the best way to allocate our state’s resources?” most would base their answer on their belief that the State has had balanced budgets for more than 20 years. But after all those years of “balanced budgets,” Illinois’ audited financial statements reported a cumulative deficit in net assets of **\$17.5 billion** and the State’s true negative net worth totaled **\$44.1 billion**. If our state senators and representatives do not understand our true financial position, we will continue to find ourselves sinking in an ocean of red ink.*

## Making Decisions with Truthful Information

Like all governmental entities, the state government of Illinois (the State) derives its just powers from the consent of the governed. It therefore has a special responsibility to report on its actions and the results of those actions. These reports must provide useful information that enables the citizens and their elected representatives to make informed decisions. To be useful, financial information must be understandable, reliable and relevant. To be relevant this information must be available on a timely basis. Because an informed electorate is the basis for a sound democracy, providing such information is an essential part of accountability in government.

To promote greater public accountability the Institute for Truth in Accounting is asking candidates for Illinois state office, including the governor and legislators, to sign **Illinois’ Public Accountability Pledge**. This pledge calls for the State’s audited annual financial report to be issued within 90 days of the fiscal year end, so the financial information included in it can be considered during the State’s budget process. The pledge also asks the State Comptroller to give the public and their elected representatives an estimate of the surplus/deficit that would appear on the State’s annual financial report, if a proposed budget is implemented.

The Institute for Truth in Accounting is working to bring greater public accountability to Illinois’ state government by encouraging the issuance of truthful and relevant financial information. Please join the Institute’s efforts to provide the public and their elected officials the information they need to make knowledgeable decisions. To join us in our efforts, please call (847) 835-5200 or visit our website at: [www.truthinaccounting.org](http://www.truthinaccounting.org)

The Institute for Truth in Accounting is a nonprofit organization with no political affiliations. Our organization is comprised of business, governmental and academic leaders who are committed to high standards of honesty and integrity, and who support these principles in the public and private sectors.

---