



OFFICE OF THE GOVERNOR

ROD BLAGOJEVICH - GOVERNOR

NEWS

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Governor Blagojevich Announces Plan to Manage Fiscal Year 2009 Budget Deficit

***\$2 billion deficit to be eliminated by emergency budget powers,
increased federal stimulus, and further administrative reductions***

CHICAGO – Citing the impact of the national economic crisis on Illinois' revenues, Governor Rod R. Blagojevich today announced a four-part plan to manage the State's \$2 billion fiscal year 2009 budget deficit.

The Governor's proposed plan includes passage of the Emergency Budget Act, which would give the Governor and other constitutional officers added authority to help them make additional cuts, a request to Congress for increased federal stimulus aid, and further administrative reductions in the state agencies. In addition to these budget solutions, the Governor is also proposing short-term borrowing which will help manage the State's cash flow and pay providers in a more timely matter.

"Today we have more difficult decisions to make. Illinois' finances, like many other states across the nation, have felt consequences of the poor national economy. And like a family who has seen their income cut dramatically, we need to take fiscally responsible action to ensure the state can pay all of our bills and provide the core services that Illinoisans need," said Governor Blagojevich.

Illinois is not alone in facing a FY09 budget shortfall due to lower than projected revenues. Yesterday, the New York Times reported that California faces an \$11 billion shortfall and is concerned about paying bills this spring, New York has proposed \$5.2 billion in "savings," and Ohio may need a federal loan to cover unemployment costs. In total, 31 states and the District of Columbia are facing mid-year budget gaps, according to the Center on Budget and Policy Priorities.

The Governor's plan includes the following components:

Continued Belt Tightening – The Governor has already taken fiscally responsible steps by reducing the FY09 budget passed by the General Assembly by \$1.4 billion, ordering all agencies

to reduce spending by 3%, reducing the cost of core services, and decreasing headcount. The state will continue to find efficiencies and savings in the agencies through further reserves and spending freezes while still providing Illinoisans with core services.

Emergency Budget Act – The Governor will propose legislation to give him the authority to hold back in contingency reserve as much as 8 percent of total appropriation and distributions for all General Fund spending, including agencies under the Governor, the State Board of Education, higher education, state pension funds, and funding to local governments. In addition to the rights granted the Governor, the Emergency Budget Act provides similar powers and responsibilities to the Lieutenant Governor, Attorney General, Secretary of State, Comptroller and Treasurer with respect to each constitutional officer’s own budget.

Increased Federal Stimulus – Today Governor Blagojevich will send a letter to U.S. congressional leadership detailing the effects that the poor economic condition has had on Illinois. The letter focuses on the areas that the State has identified with the greatest impact and requests more than \$1 billion annually over the next three years. An infusion of federal dollars would not only help to alleviate the projected revenue shortfall for fiscal year 2009, but also help Illinois stabilize its weakening economy by putting dollars into the hands of consumers, investing in infrastructure, and ensuring the State can pay its bills in a more timely manner.

The letter to congressional leaders asked for assistance to promoting President-Elect Barack Obama’s stimulus agenda by:

- stimulating consumer spending with dollars for programs like Low Income Home Energy Assistance Program (LIHEAP), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF) cash assistance and the extension of Unemployment Insurance benefits – all which will have an immediate impact on the lives of our residents will stimulate the economy,
- investing in infrastructure and create good paying construction jobs, and
- protecting state services with direct cash assistance, as well as a temporary increase in the Federal Medical Assistance Percentage (FMAP), the federal share of the Medicaid health care program.

Short-Term Borrowing – While short-term borrowing will not solve the budget deficit, the state needs to pay vendors on time and manage the state’s uneven cash flow. The Governor, the Comptroller and the Treasurer are currently working together on the borrowing plan. In May 2003, the state borrowed \$1.5 billion to pay Medicaid assistance, medical providers of long term care, refund fund, and state aid payments to K-12 schools. Short-term borrowing has been used in other years since to manage cash flow and ensure the state’s payment obligations are met timely.

“While I am dedicated to ending the year with a budget that works, I know I cannot do this alone. I am asking for support from state legislators and constitutional officers to help manage this budget in a way that continues to provide the services and programs that Illinois families need,” continued Governor Blagojevich.