

SB 642

Haine-Luechtefeld-Maloney-Forby/Bradley-Mautino

Public University Working Cash Borrowing Authority

Position: Support

- Our public universities are currently owed more than \$840.0 million by the state of Illinois and have collectively received only 25.6% of their FY10 appropriations eight months into the fiscal year. Senate Bill 642 seeks to provide legal authority to the governing boards of the various public universities to engage in cash flow borrowing as an additional financial tool to cope with delayed state reimbursements.
- Despite the Comptroller's best efforts to manage this cash flow crisis, he simply cannot guarantee to the state's public universities that even the minimum amount of state funds necessary to meet their monthly payroll obligation can be made available by a certain date.
- This uncertainty and unpredictability in reimbursements has been due largely to the drastic decline in state revenues during The Great Recession and has created a situation where our public universities are now undertaking emergency mid-year budget cuts and other cost saving measures in order to preserve cash for operations.
- The public universities seeking this authority have balanced operating budgets based on the appropriation level approved by the state legislature; however, the majority of their unrestricted operating revenues are derived from state appropriations, making timely state payments absolutely critical to running these large and complex organizations.
- This legislation will provide all of our public university campuses the temporary authority (through August 31, 2010) to borrow money (for working cash purposes) in anticipation of receiving payments from the State of Illinois. The legislation requires these monies to be repaid within 12 months and provides maximum limits based on the outstanding funds owed the universities.
- The *Chicago Sun-Times* has editorialized in favor of this legislation and aptly summed up the problem by writing in part that:

"It doesn't seem likely that the legislature will suddenly find a way to balance the state's declining revenues with its mounting pile of overdue bills. So the legislature should...allow public universities to keep going by borrowing against the money appropriated by the state, but not yet paid....It's not an ideal solution but the falling-off point is nearly here and we need a way to keep the state's higher education from going over the edge."
- **PROPOSERS:** All Illinois Public Universities, the Illinois AFL-CIO, AFSCME, SEIU, Illinois Education Association; University Professionals of Illinois/IFT Lo. 4100.
- **OPPONENTS:** None Known