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Letter of Comment No. 105
File Reference: REC
Project No. 3-20
Date Received: 02/26/2021

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Thomas Morrison
State Representative • 54th District
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February 25, 2021

David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board

Re: Projects 3-20 and 3-25

Dear Director Bean:

For eleven years I have proudly represented Illinois' 54th House district. I currently serve on the following committees: Elementary/Secondary Education: Administration, Licensing, & Charters, Elementary/Secondary Education: School Curriculum & Policies, Energy & Environment, Insurance, and Personnel & Pensions.

Illinois' well-documented fiscal problems have put its present and future residents on a disastrous path. Failure to take responsible steps means funding for education, infrastructure, public safety, and human services—core functions of state government—will continue to disintegrate.

The largest fiscal problem facing state and local residents—the pension crisis—led me to become Illinois' first non-public employee to opt out of the state's lucrative legislator pension plan. Over 70 other Illinois legislators and statewide officials have now done the same. Those of us still serving recognize the peril we're in and are committed to helping save our state, rather than blithely attempting to maintain an unsustainable status quo.

The Illinois budget includes six budgeted funds, the largest being the General Revenue fund. I understand that the accounting for this fund is included in the governmental funds statements section of the Illinois 2019 Comprehensive Annual Financial Report. As I review the general fund balance sheet I do not see any mention of the state's unfunded pension liability. As a former small business owner, the balance sheet of my company included **all** of its assets and liabilities. Why is this not the case for Illinois' general fund balance sheet?

The general fund accounts for the majority of the state's tax revenues and program support expenses. The expenses related to employee compensation—compensation that includes retirement benefits—is incurred by the general fund. Despite contributions from the general fund to the pension systems, however, there is no line item for pension liabilities on the general fund balance sheet.

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I have heard local governments talk of reserves in their general fund. Based on what I found in Illinois' CAFR, I wonder and am concerned if these reserves really exist. I suspect that they only exist on paper because any general fund balance most likely would be more than offset by the government's unfunded pension liabilities. Anyone else who looks at state and local government financial statements must be similarly bewildered.

I understand that your board is reviewing these unclear accounting practices. I urge you to require governments to provide a general fund balance sheet that includes all of the fund's liabilities and a general fund income statement that includes all of the expenses incurred from the government's operations. Without this information, neither our elected officials, staff, nor constituents can understand the true costs of governmental operations or the resources needed by the general fund to pay for our liabilities.

Sincerely,

A handwritten signature in black ink that reads "Rep. Tom Morrison" with a long horizontal flourish extending to the right.

Representative Tom Morrison