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State budget crisis hitting local businesses' bottom line

By **TIM LANDIS**

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More than two-thirds of local businesses say state budget problems and late payments have hurt their bottom line.

A spring economic survey by the University of Illinois Springfield also found that business owners believe chronic financial problems at the state will remain a major challenge in the coming year.

"It has an effect on everybody, as well as the negative connotations nationwide. When people ask where you're from, and you say 'Illinois,' you get that, 'Oh,'" said Sheryl Daugherty, co-owner of Arizona Tile Co. in Springfield.

Daugherty also co-chairs the Small Business Network of the Greater Springfield Chamber of Commerce.

A sample of 180 Sangamon County businesses included in an April update from the chamber found that only the national recession has had a greater negative effect than the state's budget crisis.

Nonetheless, the survey also found that local business owners are in a somewhat better mood than last fall, though they expect the economic recovery to be slow.

More than a quarter expect at least some business growth this year, up 4 percentage points from a September survey. Nearly three-fourths expect the economy to stay about the same or to continue its decline.

"Things are looking better, but they are not real confident yet," said Patty Byrnes with the Center for State Policy and Leadership at UIS.

It isn't so much that businesses are shutting down because of late state payments, said Kevin Lust, director of the Small Business Development Center at Lincoln Land Community College.

But he said state problems affect overall confidence.

"I haven't heard the stories, 'We're gonna close because we're not getting paid by the state.' What I have heard is that it's hard to make plans for a business when they have no idea when the money is going to come in," said Lust.

Chronic late payments also affect business start-ups, he said.

"There's a great reluctance on people's part to do business with the state, where once that was a very attractive place to be," said Lust.

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Backlog of unpaid bills expected to grow to \$5.5 billion

As of the end of March, the state of Illinois owed nearly \$4.5 billion in unpaid bills, and the figure is expected to grow to \$5.5 billion by June, according to an April update from the state comptroller's office.

The report says the slow economic recovery and the lapse of the federal economic-stimulus program are behind the projected increase. At the end of March 2009, the backlog totaled \$3.4 billion.

Comptroller's spokeswoman Carol Knowles said separate figures are not kept, but small businesses probably are included in several categories where the most money is owed. The major backlogs as of Monday included:

- * \$1.3 billion, elementary and secondary education
- * \$794 million, social services
- * \$709 million, higher education
- * \$637 million, local governments and transportation
- * \$424 million, Medicaid reimbursements

The business mood

What businesses expect for the Sangamon County economy in the next 12 months:

- * 7 percent, decrease quite a bit
- * 30 percent, decrease a little
- * 36 percent, stay the same
- * 26 percent, increase a little
- * 1 percent, increase quite a bit.

Source: University of Illinois at Springfield (based on March sample responses of 180 businesses with 10 or more employees)

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