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From this week's In Other News

Illinois enters a state of insolvency

By: [Paul Merrion](#), [Greg Hinz](#) and [Steven R. Strahler](#) January 18, 2010

As Illinois' fiscal crisis deepens, the word "bankruptcy" is creeping more and more into the public discourse.

"We would like all the stakeholders of Illinois to recognize how close the state is to bankruptcy or insolvency," says Laurence Msall, president of the Civic Federation, a fiscal watchdog in Chicago.

"Bankruptcy is the reality that looms out there," Republican gubernatorial candidate Andrew McKenna Jr. says.

While it appears unlikely or even impossible for a state to hide out from creditors in Bankruptcy Court, Illinois appears to meet classic definitions of insolvency: Its liabilities far exceed its assets, and it's not generating enough cash to pay its bills. Private companies in similar circumstances often shut down or file for bankruptcy protection.

"I would describe bankruptcy as the inability to pay one's bills," says Jim Nowlan, senior fellow at the

TAX DRAIN

Illinois is projecting a decline of almost \$1 billion in cash receipts for fiscal 2010. Here's where some of the biggest losses are:

- ↓ **\$460 million** Sales tax
- ↓ **\$417 million** Income tax