

State Bankruptcy: First Puerto Rico into bankruptcy, next Illinois? Don't laugh. In some ways, Illinois' fiscal crisis is just as bad as bankrupt Puerto Rico's. And it's going to get a lot worse before it gets better.

Illinois is nearly \$15 billion in arrears on its bills and really has no way to pay up. It already has the lowest credit rating of any state, and could become the first state ever to get a "junk" rating on its debt, which would make borrowing to address its problems very difficult at best, and prohibitively costly at worst.

Even so, the Democrat-controlled legislature can't bring itself to agree with Republican Gov. Bruce Rauner about anything.

"I don't know what part of 'We are in massive crisis mode' the General Assembly and the governor don't understand," said Comptroller Susana Mendoza, a Democrat. "This is not a false alarm. The magic tricks run out after a while, and that's where we're at."

Politico sums it up nicely: "Illinois has compiled \$14.6 billion in unpaid bills. It's running a deficit of \$6 billion and its pension liability has soared to \$130 billion."

Meanwhile, the state is already under several court orders to pay certain bills, so as others come due the money won't be there. It's a severe problem.

Not surprisingly, the Democrats would like higher taxes to fill the budget holes. Republican Rauner wants a variety of changes, intended to make the state more appealing to investors and less vulnerable to its abysmal political class, including term limits, a temporary property-tax freeze and workers' compensation reform.

The sad thing is, other states are also struggling to pay their bills. A 2016 study by the Mercatus Center at George Mason University named four other states, in addition to Illinois, that were in particularly bad fiscal shape: Kentucky, New Jersey, Massachusetts

and Connecticut, "largely owing to the low amounts of cash they have on hand and their large debt obligations."

"Each of the bottom five states exhibits serious signs of fiscal distress," the Mercatus report said. "Though their economies may be stronger than Puerto Rico's, allowing them to better navigate fiscal crises, their large liabilities still raise serious concerns."

At the heart of it all is the so-called Blue State model of governance of the Democratic Party. It views government as an ever-expanding and always-available ATM to meet all needs, social and otherwise, with a ready supply of taxpayer cash.

This includes lavish underfunded public-employee pensions, which have created massive fiscal problems for many states across the country.

A study by Moody's Investors Service last year found that net pension liabilities continued to soar in 2015, the latest year for which data are available.

"Total U.S. state aggregate adjusted net pension liabilities totaled \$1.25 trillion, or 119% of revenue for the 2015 fiscal year," the report said. As bad as that is, Moody's also predicted that the amount of unfunded liabilities at the state level would soar 40% to \$1.75 trillion this year.

It wouldn't be so bad if the states were responsibly addressing the problem. But they aren't. A new study out this month from North Carolina State University finds that states are using a variety of tricks and gimmicks to paper over their financial liabilities and to fool taxpayers about the true extent of what they owe. It's a dangerous game.

And it's unsustainable. To paraphrase the late economist Herb Stein: If something can't continue, it won't.

The problem is, an implicit part of the Blue State model of governance is that it's never anyone's fault, other than stingy taxpayers, when a state falls into arrears or begins showing chronic deficits. It won't take long for states to adopt the same attitude that some banks have had: "We're too big to fail. Time for a federal bailout."

Sorry, but that would be a major mistake.

Bailing out failure only leads to more failure. While it is horribly run, Illinois is a wealthy state that can't make up its mind about its priorities. But that's what budgeting and taxing are about: priorities. State politicians need to sit down and get real about their difficulties and learn what every family learns: You can't have everything you want, and you have to live within your means.

A bailout should be out of the question. As Ted Dabrowski, vice president of policy for the Illinois Policy Institute, argued last week in IBD, "A federal intervention on that scale would permanently damage healthy competition among states for people, jobs and ideas."

Those politicians who don't get their fiscal acts together shouldn't be objects of national pity or of federal charity from Congress. They should be scorned for their irresponsibility. And their citizens should understand that they are in large part to blame for electing promise-you-everything politicians who have turned their states into fiscal hellholes.

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