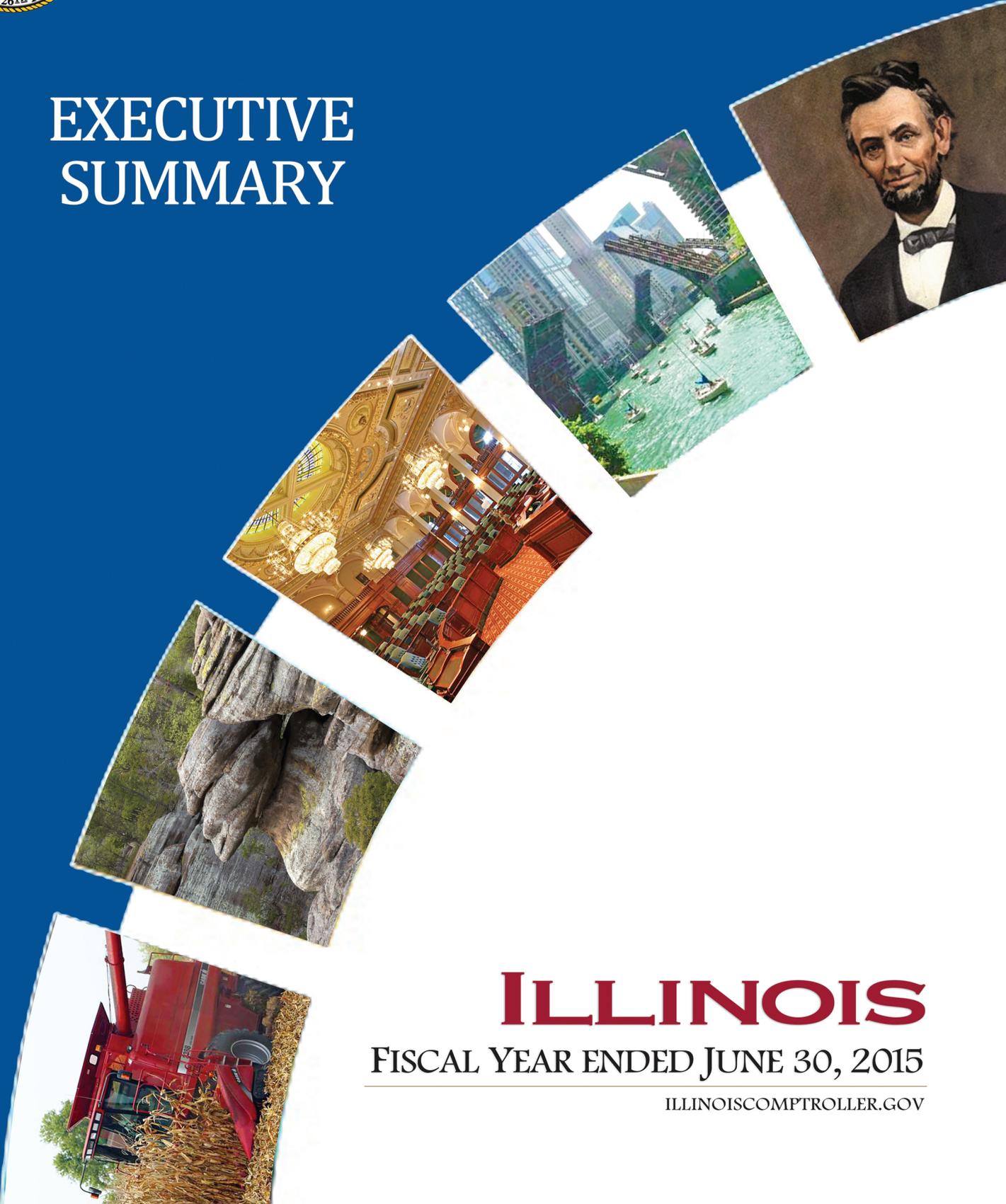




**LESLIE GEISSLER MUNGER**  
ILLINOIS COMPTROLLER

# EXECUTIVE SUMMARY



**ILLINOIS**  
FISCAL YEAR ENDED JUNE 30, 2015

[ILLINOISCOMPTROLLER.GOV](http://ILLINOISCOMPTROLLER.GOV)



STATE OF ILLINOIS  
COMPTROLLER  
LESLIE GEISSLER MUNGER



March 2016

## *A Message to Illinois Taxpayers*

I am pleased to provide this *Executive Summary*, a companion piece to Illinois' *Comprehensive Annual Financial Report*, with useful and understandable information about the fiscal condition of the State of Illinois. This report, also known by the financial community as Illinois' popular annual financial report, is compiled to enhance public understanding of the state's financial statements.

This summary combines information from the state's *Comprehensive Annual Financial Report* prepared in accordance with Generally Accepted Accounting Principles (GAAP) for government, and cash basis budgetary information contained in the *Traditional Budgetary Financial Report*. Both of those reports can be accessed at our website, [www.illinoiscomptroller.gov](http://www.illinoiscomptroller.gov), or by calling (217) 782-6000 or (312) 814-2451.

Under the GAAP reporting system, revenues accrue to the period in which they are earned and expenditures are counted against the period in which the liability was obligated. Under the cash basis reporting system, revenues and expenditures are compared for the budgetary period regardless of when they were incurred. The State of Illinois budgets on a cash basis.

In this *Executive Summary*, as in past reports, we review the economic and fiscal climate in which future budgets will be considered. It is valuable for policy-makers to understand these issues in order to make informed decisions. It is also a useful resource for taxpayers to measure the effectiveness of governmental programs.

The fiscal year 2015 report notes that Illinois' cash position improved as the budgetary deficit decreased by \$1.031 billion from a deficit of \$3.931 billion to a deficit of \$2.900 billion. The state's General Fund GAAP balance ended fiscal year 2015 with a negative balance of \$6.853 billion, indicating that the state's GAAP deficit increased by \$175 million compared to the prior year. Section 25 liabilities – essentially fiscal year 2015 medical bills paid for with fiscal year 2016 appropriations – fell this year, totaling \$1.913 billion as of June 30, 2015.

I hope you find this report to be informative and useful. Please share with us any suggestions or comments you have about this report and its contents.

Sincerely,

Leslie Geissler Munger  
State Comptroller





Government Finance Officers Association

**Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting**

Presented to

**State of Illinois**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO



# TABLE OF CONTENTS

---

## INTRODUCTION

Page

- State Government Background .....1
- Economic Outlook .....3
- Year-End Economic Summary Charts .....4
- Year-End Fiscal Summary Charts .....5

## GAAP BASIS

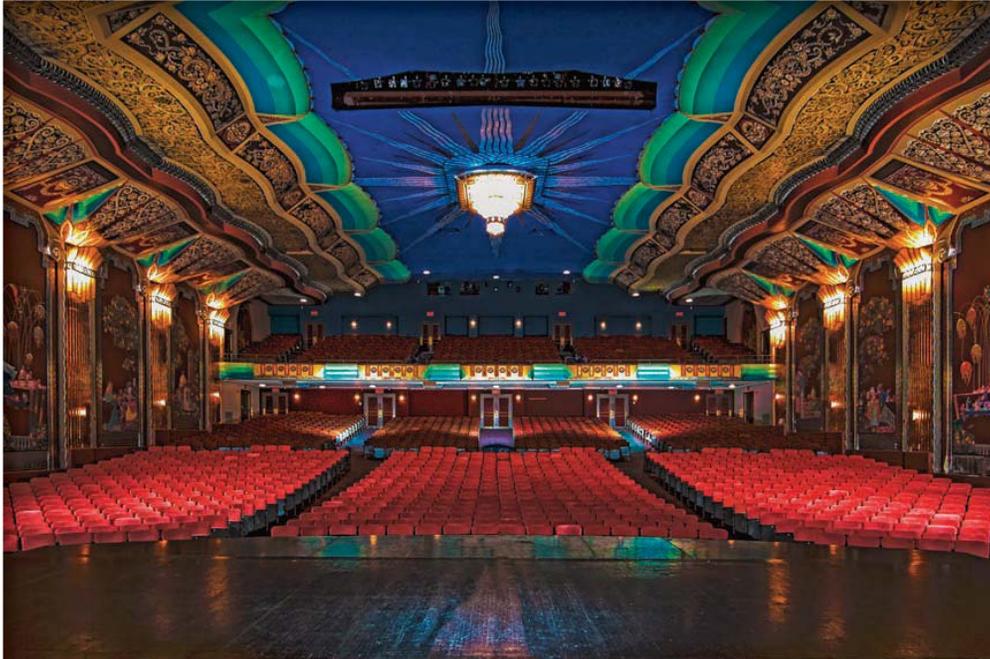
- GAAP Basis Financial Information Summary .....6
- Governmental Fund Revenues .....9
- Governmental Activity Expenditures .....10
- Business-Type Activity Revenues and Expenses .....11

## BUDGETARY BASIS

- Fiscal Summary .....12
- General Funds Base Revenue .....14
- General Funds Base Spending .....16
- Fiscal Climate .....18

Printed by Authority of the State of Illinois  
 By the State of Illinois  
 1/2016- 140 Job No. 45060  
 Cost per Copy \$1.91





Paramount Theatre, Aurora, Illinois



The Chicago Lighthouse, Chicago, Illinois

# STATE GOVERNMENT BACKGROUND

Geographically located in the central portion of the United States, Illinois is a diverse state that covers almost 56,000 square miles of land. Many of Illinois' approximately 12.9 million inhabitants live in urban areas, although there is a strong rural presence in the state as well. A little over one-fifth or about 2.7 million of the state's residents live in Chicago, the third largest city in the country. Seven other municipalities have populations exceeding 100,000: Aurora, Elgin, Joliet, Naperville, Peoria, Rockford, and the state's capital of Springfield. A further 21 municipalities have populations estimated to be in excess of 50,000.

The framework of government for Illinois and its residents is set forth by the state's Constitution. Since joining the Union in 1818, Illinois government has evolved through four Constitutions. The current Constitution, adopted and ratified in 1970, recognized three main branches of state government. The executive branch has six elected officers: a Governor, Lieutenant Governor, Attorney General, Secretary of State, Comptroller, and Treasurer. The legislative branch includes two chambers, a Senate with one senator from each of the 59 Senate districts, and a House of Representatives with one representative from each of the 118 House districts. The judicial branch consists of a seven-member Supreme Court, Appellate Courts in five judicial districts and Circuit Courts in twenty-four judicial circuits.

Responsibility for most of the day-to-day operations of state government and its programs resides in the executive branch, with the Governor overseeing the largest portion. Under the purview of the Governor there were twenty-two major departments in fiscal year 2015 including Human Services, Transportation, Healthcare and Family Services, and Revenue. There are also numerous other smaller agencies, and over one hundred miscellaneous boards and commissions under the jurisdiction of the Governor. In addition, the other five elected officers under the executive branch oversee their respective agencies. State government agencies combined directly employed a total of 64,470 persons at the end of fiscal year 2015, 415 more than one year earlier. The Departments of Human Services (13,441), Corrections (12,684), Transportation (5,487), and the Secretary of State (4,101) accounted for over half (55.4%) of all direct government employees.

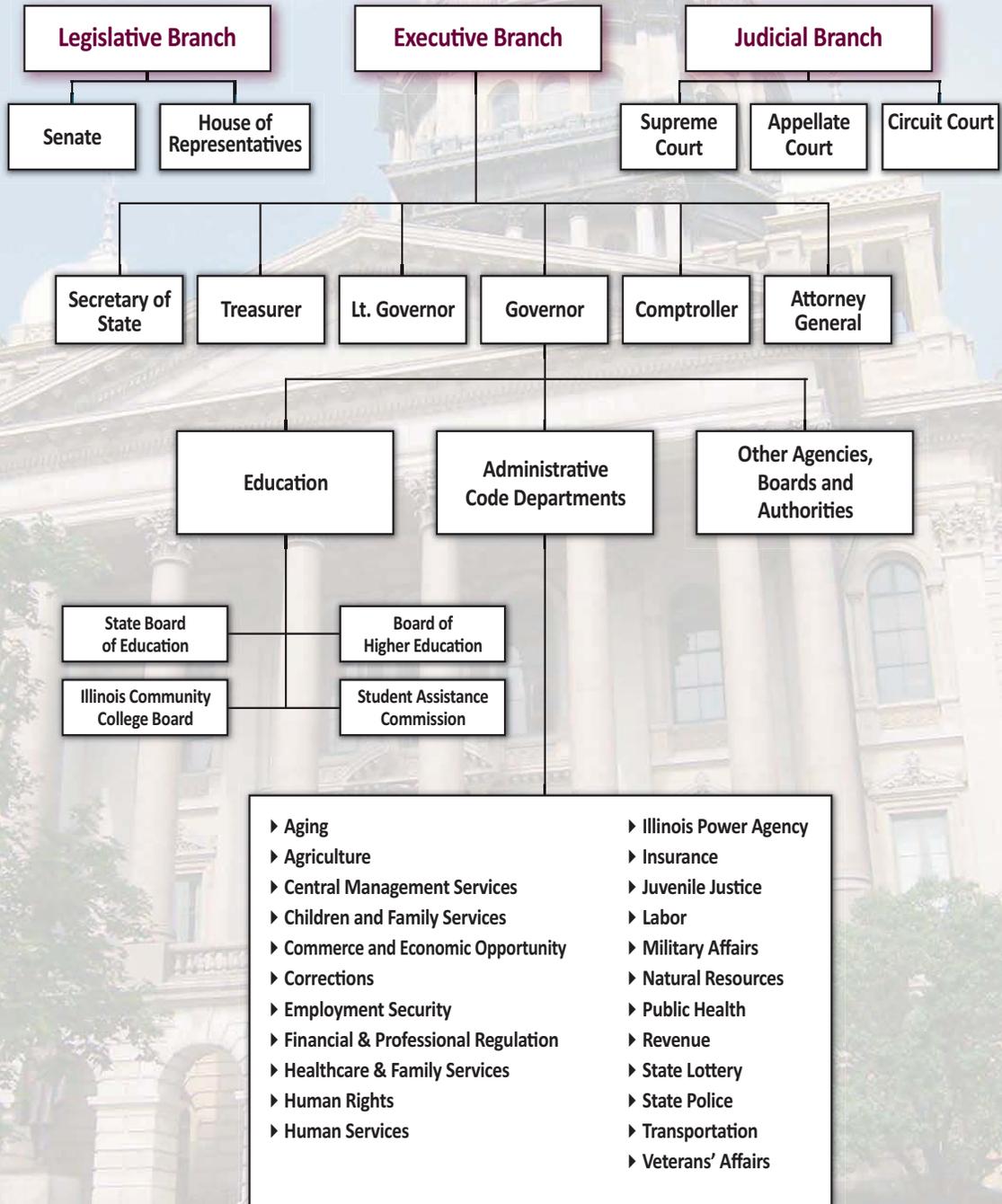
Oversight of the elementary and secondary education system in Illinois is the responsibility of the State Board of Education whose nine members are appointed by the Governor, with the consent of the Senate. The Board sets state educational policies and guidelines for schools, with local school boards administering educational services throughout 859 school districts and nearly 3,800 schools. In fiscal year 2015, over 2.0 million public school children were instructed by approximately 130,000 full-time, certified teachers throughout Illinois.

The 16-member Board of Higher Education plans and coordinates higher education policy for all sectors of Illinois Higher Education. Administration of Illinois' public universities and community colleges is conducted by ten boards including: the Boards of Trustees of the University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, and the Community College Board. During the 2015 fiscal year, over 527,000 students were enrolled in Illinois' public colleges and universities, and thousands more were enrolled in independent institutions.

In addition to education, medical assistance and highway maintenance and construction are the largest state programs. At the end of fiscal year 2015, the count of enrolled individuals for which the Department of Healthcare and Family Services provided comprehensive means-tested medical coverage was over 3.0 million. The Department of Transportation administers the state's highway program through nine district offices and is responsible for more than 16,000 highway miles.

Total expenditures for governmental funds (on the modified accrual basis of accounting) for these major programs and all other operations of state government in fiscal year 2015 were \$69.5 billion or approximately \$5,390 for every person in Illinois. Total state revenues for the year on the modified accrual basis were \$65.4 billion for the governmental funds with income taxes (\$19.9 billion), federal revenues (\$22.0 billion), and sales taxes (\$11.0 billion) as the largest sources. The largest functions of spending in the governmental funds included Health and Social Services (\$29.0 billion), and Education (\$17.2 billion). ■

# ELECTORATE



In fiscal year 2015, the Illinois economy slowly continued to recover from the effects of the recession. The employment measures of Illinois economic activity showed signs of improvement during the fiscal year, as did Illinoisans' personal income. Illinois' non-agricultural employment (derived from recently revised survey data from Illinois companies) averaged 5.903 million workers in fiscal year 2015, an increase of over 65,000 jobs or 1.1% above 2014 employment, but still 142,000 jobs or 2.4% below peak employment of 6.045 million jobs in fiscal year 2001. A second Illinois employment estimate, obtained through household surveys, also showed an increase in Illinois employment. In fiscal year 2015, according to these surveys, on average 6.096 million Illinoisans were employed, an increase of 100,000, or 1.7%, from the prior year employment level.

Over the last several years, the average Illinois unemployment rate decreased from 9.1% in fiscal year 2013 to 8.2% in fiscal year 2014 and then to 6.2% in fiscal year 2015. The decreased unemployment rate was caused by the increase in employment levels and the decline in the average number of unemployed from 539 thousand in fiscal year 2014 to 405 thousand in fiscal year 2015. In fiscal year 2015 the average Illinois unemployment rate was still higher than the 4.5% average rate for fiscal year 2007.

In fiscal year 2015 the manufacturing sector was basically stagnant. Average manufacturing employment of 577,600 jobs decreased slightly by 900 jobs from the prior year. Manufacturing employment was still down 329,000 jobs or 36.3% from the most recent peak manufacturing employment of 906,600 jobs during fiscal year 1998.

Illinois' economic performance can be fairly comprehensively measured by the change in state personal income adjusted for inflation. This value increased 2.0% in fiscal year 2015 as nominal personal income rose 2.7% following modest employment growth and the consumer price index was up 0.7%. Revised state personal income adjusted for inflation had decreased 0.2% in fiscal year 2014.

## **Fiscal Year 2016 and Beyond**

The first quarter of fiscal year 2016 has seen a continuation of slow economic growth in Illinois. The average Illinois unemployment rate was 5.5% through September of the fiscal year, and employment as measured through the household survey was up over 85,000, or 1.4%, from

its prior year level. The payroll employment data showed continued improvement with employment increasing slightly by 36,600 or 0.6% from its prior year level. This slow economic growth is expected to continue for the remainder of fiscal year 2016.

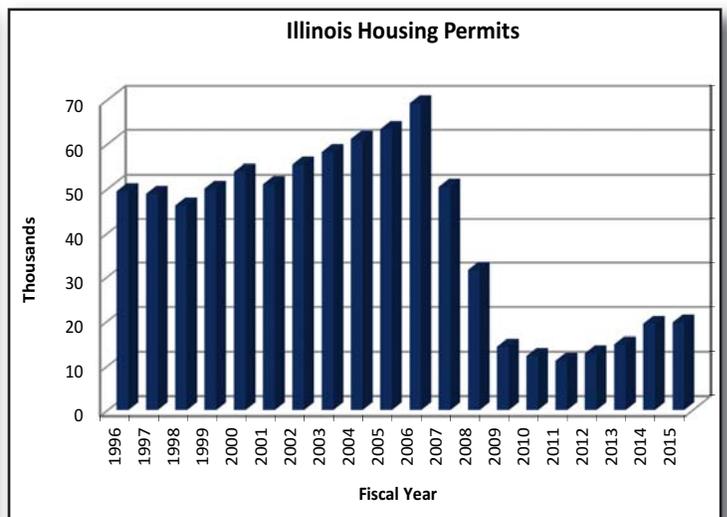
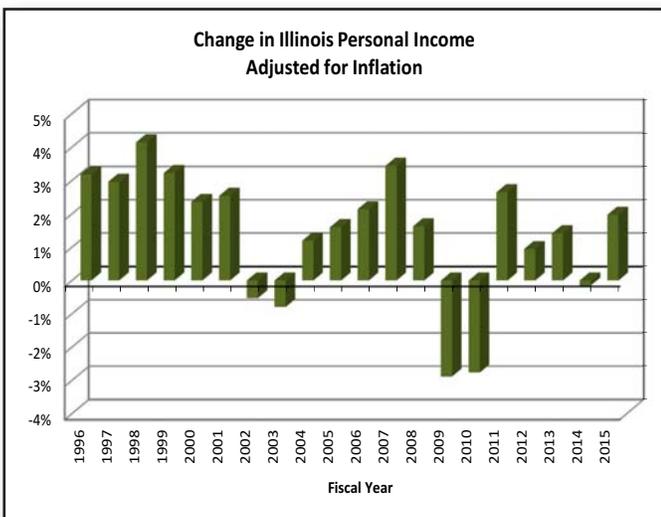
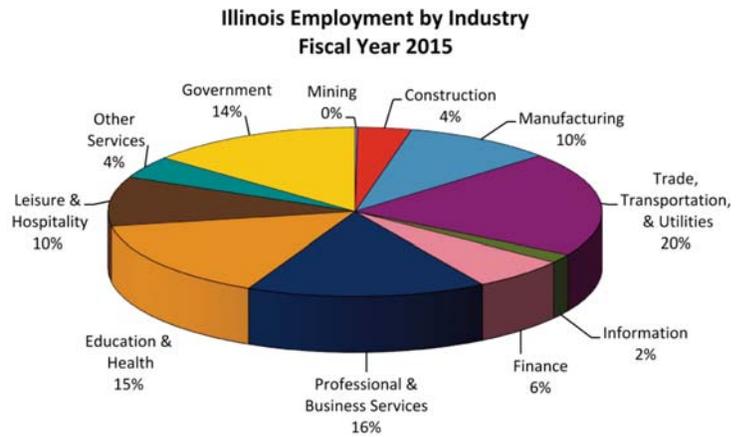
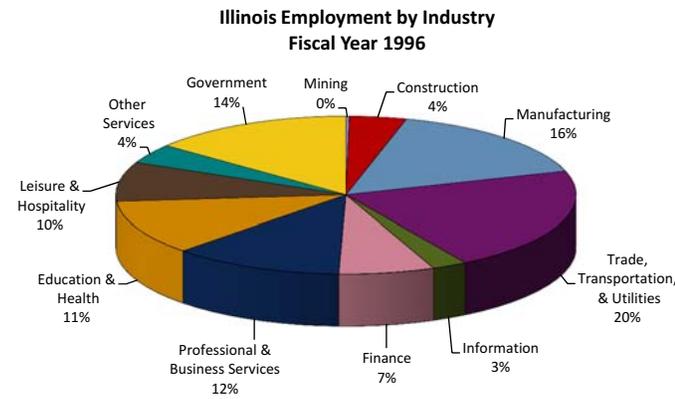
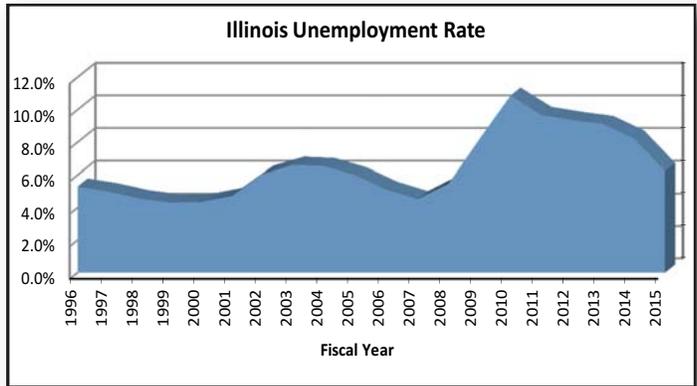
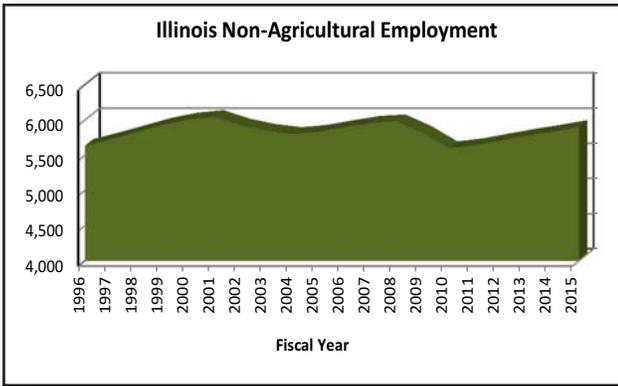
While continuing to improve its economic health, Illinois can take advantage of its many strengths. Home to 34 of the Fortune 500 companies in 2015, Illinois is the business and financial center of the Midwest. Illinois is tightly integrated into the international economy. With exports of \$68 billion in calendar year 2014, Illinois ranked 5th highest among the states including a Top 5 ranking for agricultural exports. To thrive in such a competitive climate, Illinois is maintaining superior transportation and communication infrastructures, providing educational and training opportunities to support a skilled and adaptable labor force, and fostering businesses that create and transfer new technologies into the workplace.

Chicago is the transportation crossroads of the United States. It is home to O'Hare Airport which was again ranked as one of the World's Busiest Airports in 2014 as well as being the hub for the national rail and highway networks. Through expanding private networks and the state initiatives such as the Illinois Century Network which links educational institutions throughout the state, Illinois is creating an environment where high quality information links are universally available for educational, job training, commercial, and industrial purposes.

Illinois' educational resources include private universities such as the University of Chicago and Northwestern University as well as the twelve-campus public system. In fiscal year 2015, Illinois private institutions served thousands of students with over another 190,000 served by the public universities. A statewide system of community colleges (337,000 students) and other training resources provide many additional educational opportunities.

Associated with these education institutions are important scientific research centers, such as the Argonne National Laboratory, the Fermi National Accelerator Lab, and the National Center for Supercomputing Applications at the University of Illinois. In addition, Illinois based corporations operate major labs in electronics, mechanical engineering and the biosciences and Illinois based venture capital firms specialize in identifying and financing promising innovations from these labs. ■

# YEAR-END ECONOMIC SUMMARY



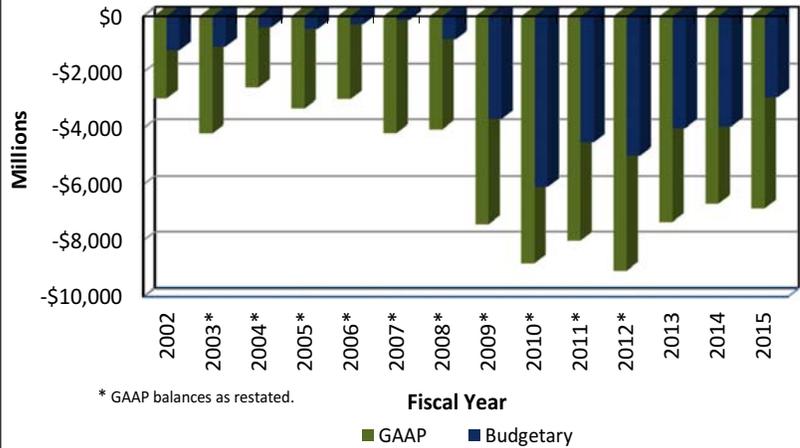
# YEAR-END FISCAL SUMMARY

## Fiscal Activity General Funds

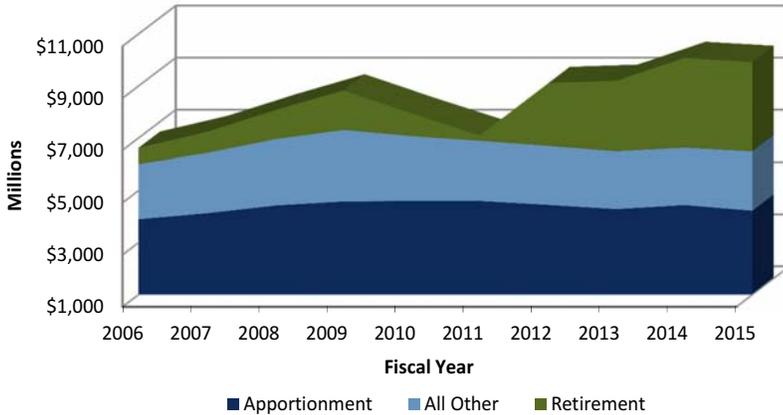
### Budgetary Cash Basis

(in millions)	FY 2014	FY 2015	Change
Beginning Cash			
Balance	\$ 154	\$ 74	\$ (80)
Revenues	\$ 37,043	\$ 36,617	\$ (426)
Expenditures	\$ 37,123	\$ 36,070	\$ (1,053)
Ending Cash			
Balance	\$ 74	\$ 621	\$ 547
Lapse Period			
Transactions	\$ 4,005	\$ 3,521	\$ (484)
Budgetary			
Balance	\$ (3,931)	\$ (2,900)	\$ 1,031

## General Funds Group GAAP and Budgetary Balances



## Elementary and Secondary Education Grant Spending General Funds



## Major Unfunded and Long Term Liabilities

(in millions)	FY 2014	FY 2015
Net Pension Liability*	\$ 108,363	\$ 108,665
General Obligation Bonds	\$ 29,019	\$ 26,960
Build Illinois and Civic Center Bonds	\$ 3,064	\$ 2,814
Illinois Railsplitter Authority Bonds	\$ 1,310	\$ 1,233
Net Other Post-Employment Benefit Obligation	\$ 10,492	\$ 11,975

\* FY2014 was restated due to implementation of GASB68.

## G.O. Bond Rating

Moody's	Baa1
S&P	A-
Fitch	BBB+

(as of February 2016)

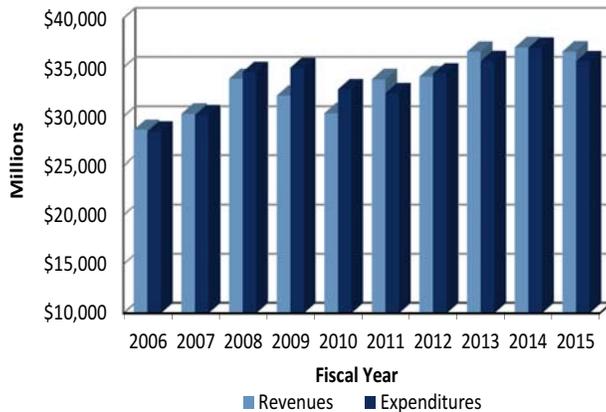
## Section 25 Liabilities

(in millions)	6/30/14	6/30/15	Change
Liabilities	\$2,051	\$1,913	(\$138)

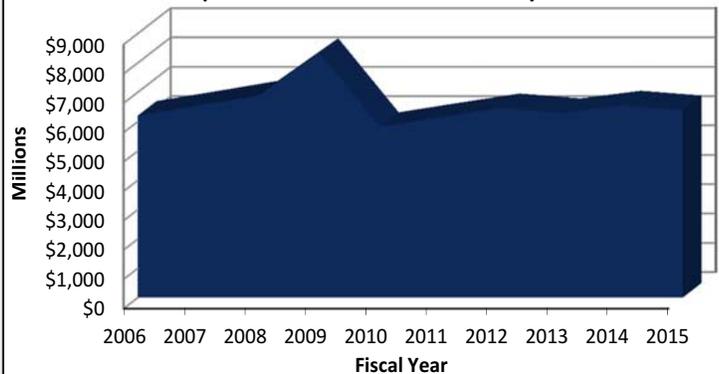
## Taxes Receivable

(in millions)	6/30/14	6/30/15	Change
Gross Balance	\$3,736	\$3,800	\$64
Uncollectibles	\$1,137	\$1,220	\$83

## Revenues and Expenditures General Funds



## Medical Assistance Grant Spending General Funds Department of Healthcare and Family Services



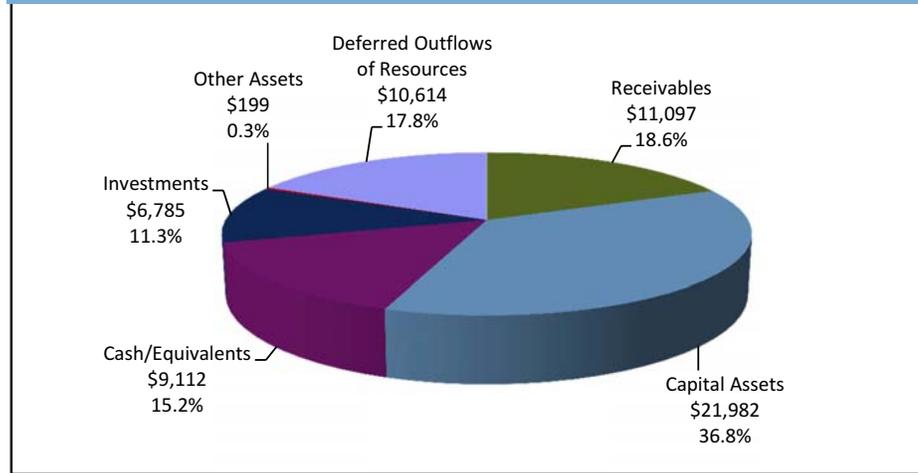
# FINANCIAL INFORMATION SUMMARY

The following information has been condensed from the statements included in the State of Illinois *Comprehensive Annual Financial Report* (CAFR).

## ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Total assets and deferred outflows of resources of the State of Illinois at June 30, 2015, were approximately \$59.8 billion, a decrease of \$74 million from June 30, 2014. Capital assets, which include items such as land, buildings, equipment, and infrastructure, comprised approximately \$22.0 billion (36.8%) of the state's total assets.

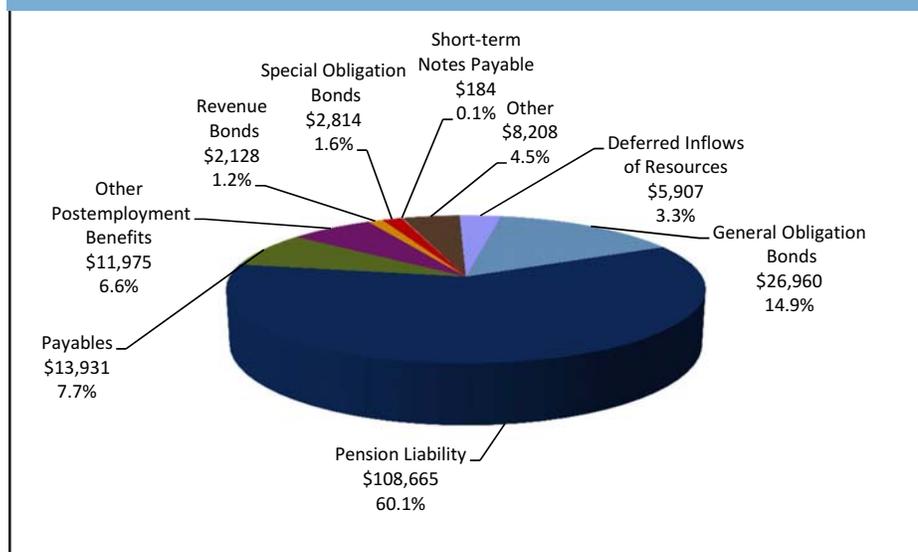
**Total Assets and Deferred Outflows of Resources  
(Primary Government)  
June 30, 2015  
Dollar Amounts in Millions**



## LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Total liabilities and deferred inflows of resources of the state were approximately \$180.8 billion at June 30, 2015, an increase of \$3.3 billion from June 30, 2014. The state's largest liability balances are the net pension liability of \$108.7 billion (60.1%) and the general and special obligation debt liability of \$29.8 billion (16.5%).

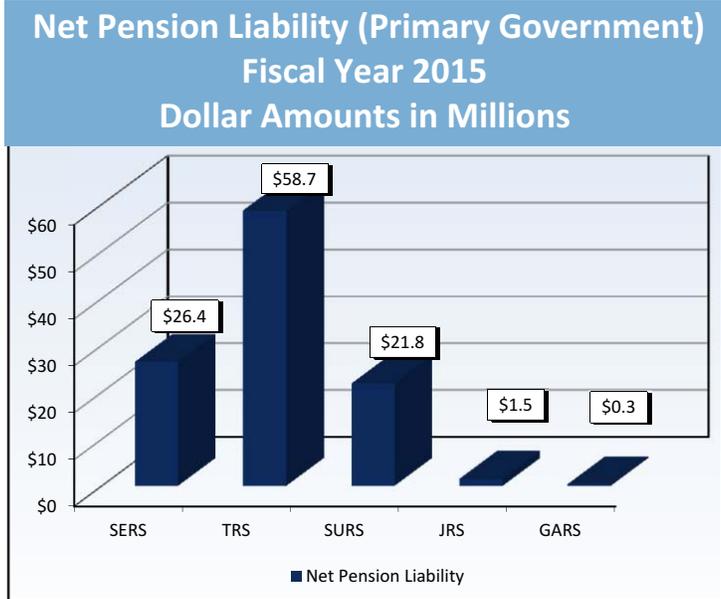
**Total Liabilities and Deferred Inflows of Resources  
(Primary Government)  
June 30, 2015  
Dollar Amounts in Millions**



# LIABILITIES

## Net Pension Liability

The net pension liability recorded by the State of Illinois at June 30, 2015, was \$108.7 billion, an increase of approximately \$300 million from June 30, 2014 balance of \$108.4 billion, as restated. This amount represents the state's proportionate share of the net pension liability related to the five pension trust funds, which excludes the net pension liability allocated to the state's component units under the SERS plan, as well as, the liability allocated to employers under the TRS plan. The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary position.



## Funding Policy

Member contributions for the state's five pension trust funds are based on fixed percentages set by statute ranging from 4.0% to 12.5%. The state's funding requirements have been established by statute (Public Act 88-593) effective July 1, 1995, and provide for a systematic 50-year funding plan with an ultimate goal to achieve "90% funding" of the systems' liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the state to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the state's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funding level is achieved, absent any subsequent legislative changes. However, Public Act 94-0004 decreased the required funding levels for fiscal years 2006 and 2007 to \$938.4 million and \$1.375 billion, respectively, and required the state's contribution to increase in equal annual increments from fiscal year 2008 to 2010 so that by fiscal year 2011, the state would be contributing at the rate otherwise required by state law.

Actual contributions varied slightly from contributions required by statute mainly because of differences between estimated and actual federal contributions. However, the State met its funding requirement established by statutory law for the fiscal year ended June 30, 2015. The current statutory law includes a "continuing appropriation" which means that the state must automatically provide funding to the pension systems based on actuarial cost requirements and amortization of the unfunded liability without being subject to the General Assembly's appropriation process. In addition, contributions to the Teachers' Health Insurance Security Fund can reduce required contributions to Teachers' Retirement System for school districts. However, the State's funding plan does not conform to Actuarial Standards of Practice, and although the statutory contribution requirements were met, the statutory funding method generates a contribution requirement that is less than a reasonable actuarial determined contribution.

## General and Special Obligation Bonds

General obligation bonds are backed by the full faith and credit of the State and special obligation bonds are supported and repaid only by a dedicated State revenue source. Both are considered direct debt of the State. There were no bonds issued by the State during fiscal year 2015. The increase in outstanding general and special obligation bonds since 1980 is shown to the right. The large increase between fiscal years 2000 and 2005 is due to the issuance of \$10 billion in general obligation bonds in 2003 to reduce the state's net pension obligation. Additional bonds were sold for pension payments in fiscal years 2010 and 2011 that contributed to the increase in the debt outstanding.

**General and Special Obligation Debt Outstanding Selected Years**  
Dollar Amounts in Billions



## Debt Administration

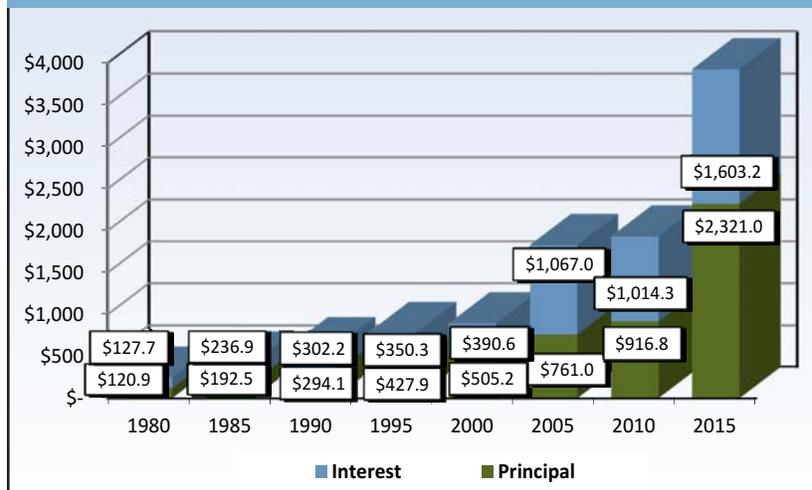
The State's general obligation bond ratings were A3 with a Negative Outlook by Moody's Investor Services, A- with a Negative Outlook by Standard and Poor's, and A- with a Negative Outlook by Fitch as of June 30, 2015. Since June 30, 2015, the Moody's rating was downgraded to Baa1 with a Negative Outlook, and the Fitch rating was downgraded to BBB+ with a Stable Outlook.

The State's special obligation – Build Illinois Bonds – ratings were A3 with a Negative Outlook by Moody's Investor Services, AAA with a Stable Outlook by Standard and Poor's, and AA+ with a Stable Outlook by Fitch Ratings as of June 30, 2015. Since June 30, 2015, the Moody's rating was downgraded to Baa1 with a Negative Outlook.

## Debt Service

Debt service principal and interest costs of \$2.321 billion and \$1.603 billion, respectively, were paid in fiscal year 2015 for general and special obligation bonds. The dramatic increase in debt service since fiscal year 1980, which parallels the increase in general and special obligation bonds outstanding, and includes the sale of bonds for pension contributions, is displayed in the chart below.

**Debt Service Selected Years**  
Dollar Amounts in Millions



# GOVERNMENTAL FUND REVENUES

## NET POSITION

Net position is reported as the difference between the state's non-fiduciary assets plus deferred outflows of resources less liabilities less deferred inflows of resources. When examined over time, increases or decreases in net position measure whether the state's financial position is improving or deteriorating. Illinois' net position was (\$121.0) billion at June 30, 2015. This represents a \$3.4 billion decrease compared to the beginning fund balance, as restated, of (\$117.6) billion. The state has \$15.2 billion of net position invested in capital assets, \$8.7 billion of restricted net position, and (\$144.9) billion of unrestricted net position.

## GOVERNMENTAL FUND REVENUES

Governmental funds are funds generally used to account for tax supported activities of the State. The governmental activities within these funds are presented on the modified accrual basis of accounting, with revenues being recognized when they are both measurable and available, for the following governmental fund types: the General (which includes the general revenue account, education assistance account, common school account, and three medical services accounts); special revenue; capital projects; debt service; and permanent.\* The General fund serves as the State's primary operating fund.

Revenues from various sources for fiscal year 2015 for governmental funds are as follows.

Fiscal year 2015 governmental funds revenues increased by \$372 million (0.6%) from fiscal year 2014 revenues. State-imposed taxes including income, sales, motor fuel, public utility, riverboat, hospital assessment, and miscellaneous other taxes remained the largest overall revenue source for fiscal year 2015, comprising 58.6% of total governmental fund revenues, and decreased \$507 million (1.3%). Federal government revenues comprise 33.6% of total governmental fund revenues.

### Income Taxes

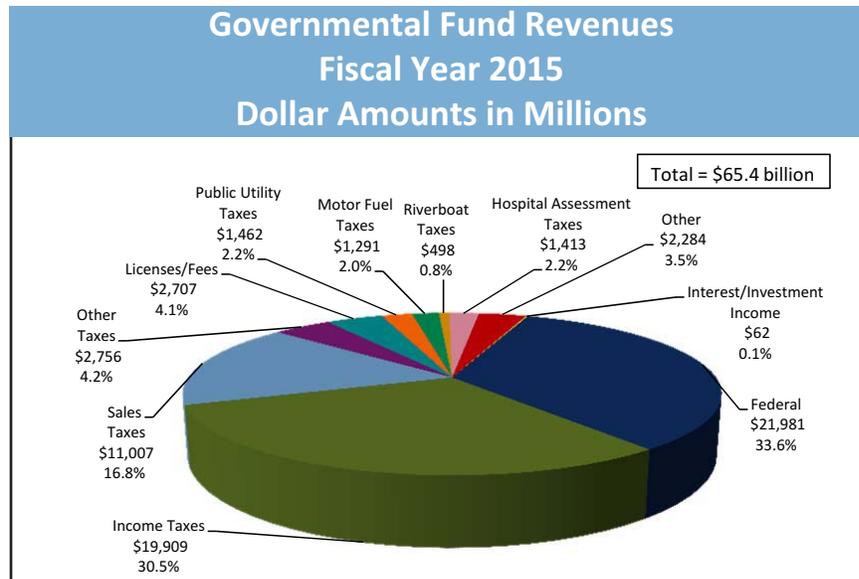
Income tax revenues for fiscal year 2015 were \$19.9 billion which is a \$1.0 billion (5.0%) decrease from fiscal year 2014 income tax revenues of \$20.9 billion.

### Sales Taxes

Sales taxes of \$11.0 billion remained the second largest tax revenue source for fiscal year 2015. Sales taxes increased \$404 million (3.8%) from fiscal year 2014.

### Federal Government Revenues

Federal government revenues increased \$1.4 billion (6.8%) from \$20.6 billion in fiscal year 2014 to \$22.0 billion in fiscal year 2015, and continued as the second largest overall revenue source behind taxes for the state's governmental funds.



\*Note: The Comptroller's Office publishes a number of reports, including sections of this *Executive Summary*, that summarize the General Fund revenues and expenditures on a cash basis. These reports are available on the website at [www.illinoiscomptroller.gov](http://www.illinoiscomptroller.gov) or by request.

# GOVERNMENTAL ACTIVITY EXPENDITURES

## GOVERNMENTAL ACTIVITY EXPENDITURES

Expenditures for governmental activities are presented on the modified accrual basis of accounting and are generally recognized when the fund liability is incurred regardless of when payment is made except for long-term liabilities. Expenditures for long-term liabilities are recognized in the period in which the liability has matured. Governmental fund expenditures of \$69.5 billion in fiscal year 2015 increased \$2.6 billion (3.9%) from 2014 and were \$4.1 billion more than revenues on a GAAP basis.

### Health and Social Services Expenditures

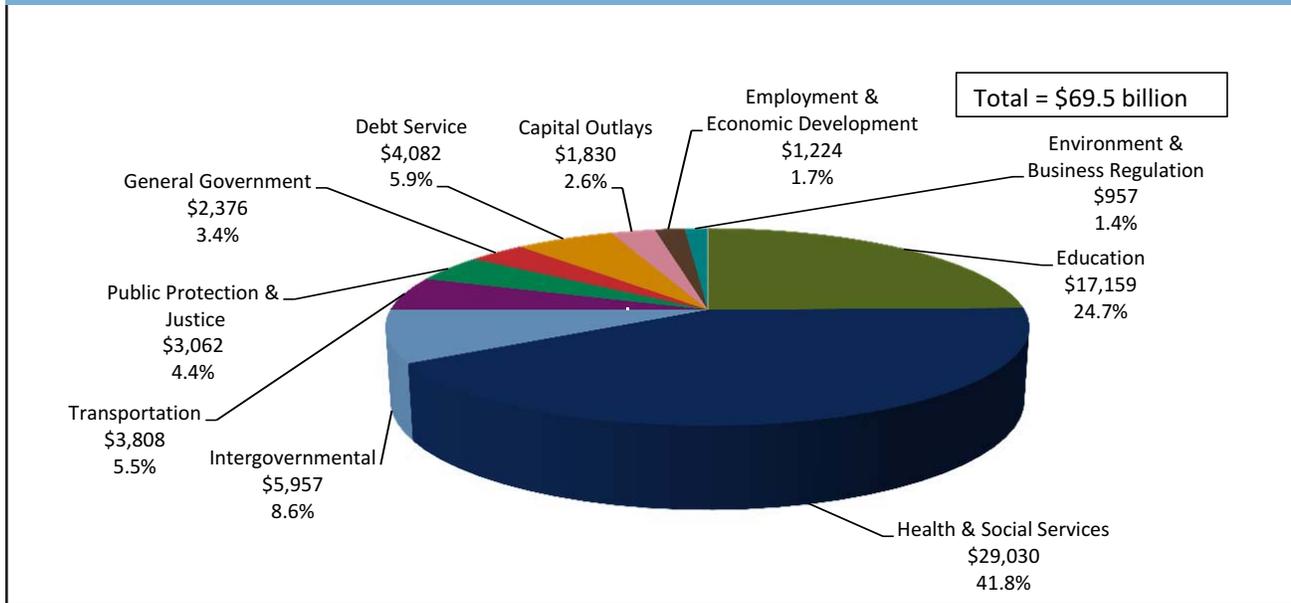
Health and social services expenditures of \$29.0 billion were the largest expenditure function for fiscal year 2015, increasing by \$2.0 billion from fis-

cal year 2014. This expenditure function is 41.8% of total governmental spending. The Department of Healthcare and Family Services accounted for the majority of the increase in governmental fund spending for the state's Medicaid Program.

### Education Expenditures

Education expenditures, including spending for both elementary and secondary education and higher education, were the second largest expenditure function in the governmental funds for fiscal year 2015. Education expenditures of \$17.2 billion decreased \$266 million (1.5%) from fiscal year 2014 on a GAAP basis and comprise 24.7% of total governmental expenditures.

Governmental Fund Expenditures  
Fiscal Year 2015  
Dollar Amounts in Millions



GAAP BASIS

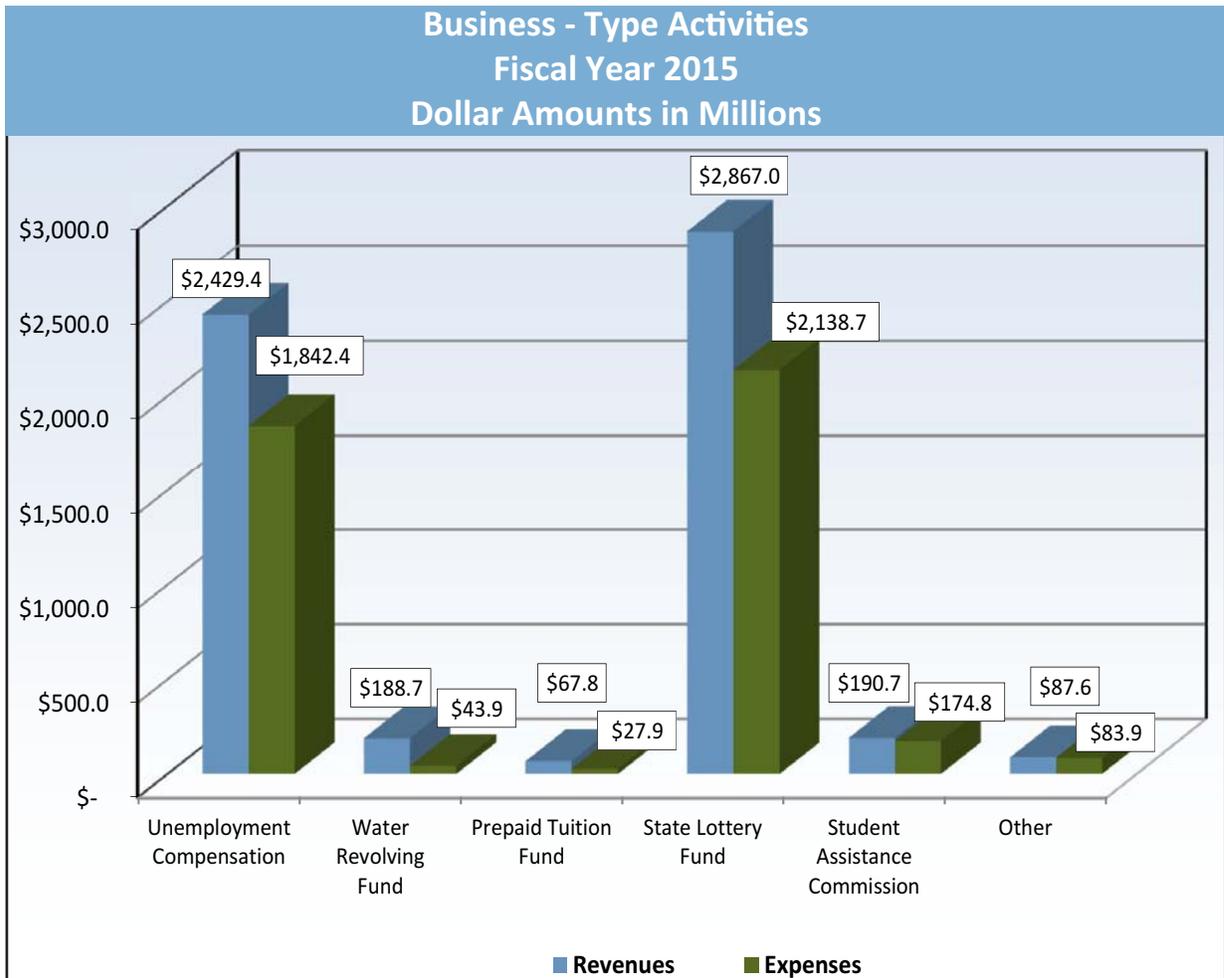
## BUSINESS-TYPE ACTIVITIES

### BUSINESS-TYPE ACTIVITY REVENUES AND EXPENSES

Revenues and expenses for the state's business-type activities are accounted for in proprietary fund types. Proprietary fund types (enterprise funds and internal service funds) are accounted for on the accrual basis. Enterprise funds are used to report activities for which a fee is charged to external users for goods or services. Internal service funds are used to report activities that provide goods or services to other funds of the state on a cost-reimbursement basis. Revenues and expenses of internal service funds are eliminated in the Statement of Activities.

The state's main business-type activities are providing unemployment insurance benefit claims, lending to local governments for drinking water and wastewater infrastructure facilities (Water Revolving Fund), operating the State Lottery, and purchasing defaulted student loans (Federal Student Fund). The revenues and expenses of each of these activities are presented in the chart below.

The excess profits of the State Lottery Fund are transferred to the Common School Fund and the Capital Projects Fund. ■



## FISCAL SUMMARY

The General Funds is Illinois' largest and most important fund group. The four funds in this group – the General Revenue Fund, Education Assistance Fund, Common School Fund, and General Revenue-Common School Special Account Fund – are significant because they account for approximately half of the appropriated budgetary revenues and expenditures of the state.

For fiscal year 2015, General Funds base revenues decreased \$880 million to \$35.888 billion. Revenues were impacted primarily by the reduction in Illinois income tax rates which took effect January 1, 2015. Base expenditures decreased \$1.355 billion for the year to \$35.346 billion. Spending decline was due primarily to reduced Medicaid spending by the Department of Healthcare and Family Services and a reduction in transfers to other funds in the State Treasury.

Fiscal year 2015 resulted in an improvement in the General Funds budgetary balance (the June 30<sup>th</sup> cash balance less amounts processed in the State's lapse period), measured on a cash basis. The balance increased from a \$3.931 billion *deficit* at the end of fiscal year 2014 to a \$2.900 billion *deficit* this year, an improvement of \$1.031 billion.

The state's General Fund GAAP balance decreased from a \$6.678 billion deficit in fiscal year 2014, to a \$6.853 billion deficit in fiscal year 2015, a decline of \$175 million. Fiscal year 2015 was the third year in a row of improvement in the General Funds budgetary balance, however, the GAAP balance deteriorated. This decrease was primarily due to the decline in revenues associated with the expiration of the temporary increase in Illinois income tax rates January 1, 2015.

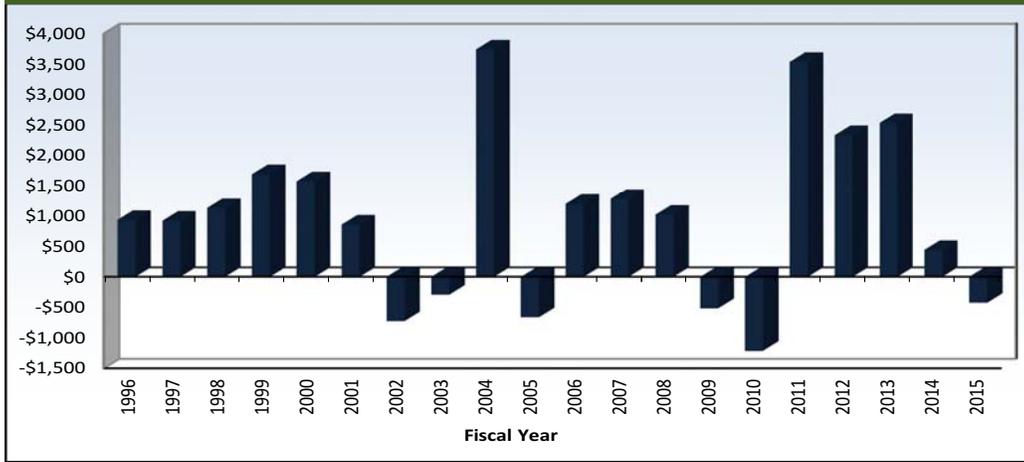
Section 25 of the State Finance Act provides the timeline for paying the state's liabilities. While the Act states that liabilities are to be paid in the fiscal year incurred, it allows certain payments (primarily employee health insurance and Medicaid) to be deferred and paid in the next fiscal year. In fiscal year 2015, Section 25 liabilities decreased from \$2.051 billion to \$1.913 billion, a drop of \$138 million. Of this total, approximately \$1.4 billion was related to deferred health insurance bills. Recent legislation establishes a timeframe to reduce Section 25 liabilities to \$0 by the end of fiscal year 2021.

<b>General Funds GAAP Balance and Cash-Basis Budgetary Balance (Millions of Dollars)</b>						
Fiscal Year	General Funds				General Revenue Fund	
	GAAP Balance	Change	Budgetary Balance	Change	Budgetary Balance	Change
2001	(1,365)	(793)	300	(477)	(124)	(402)
2002	(2,948)	(1,583)	(1,220)	(1,520)	(1,470)	(1,346)
2003 *	(4,181)	(1,233)	(1,094)	126	(1,409)	61
2004 *	(2,546)	1,635	(410)	684	(569)	840
2005 *	(3,299)	(753)	(474)	(64)	(773)	(204)
2006 *	(2,970)	329	(291)	183	(802)	(29)
2007 *	(4,171)	(1,201)	(135)	156	(525)	277
2008 *	(4,035)	136	(834)	(699)	(917)	(392)
2009 *	(7,422)	(3,387)	(3,673)	(2,839)	(4,040)	(3,123)
2010 *	(8,818)	(1,396)	(6,094)	(2,421)	(6,142)	(2,102)
2011 *	(8,010)	808	(4,507)	1,587	(4,966)	1,176
2012 *	(9,078)	(1,068)	(4,984)	(477)	(4,129)	837
2013	(7,334)	1,744	(3,988)	996	(3,017)	1,112
2014	(6,678)	656	(3,931)	57	(3,295)	(278)
2015	(6,853)	(175)	(2,900)	1,031	(2,400)	895

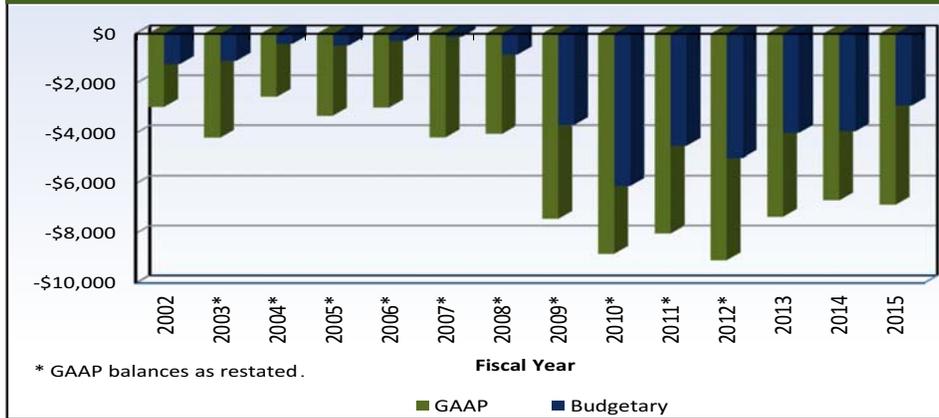
\* GAAP balance as restated.

# GENERAL FUNDS BASE REVENUE

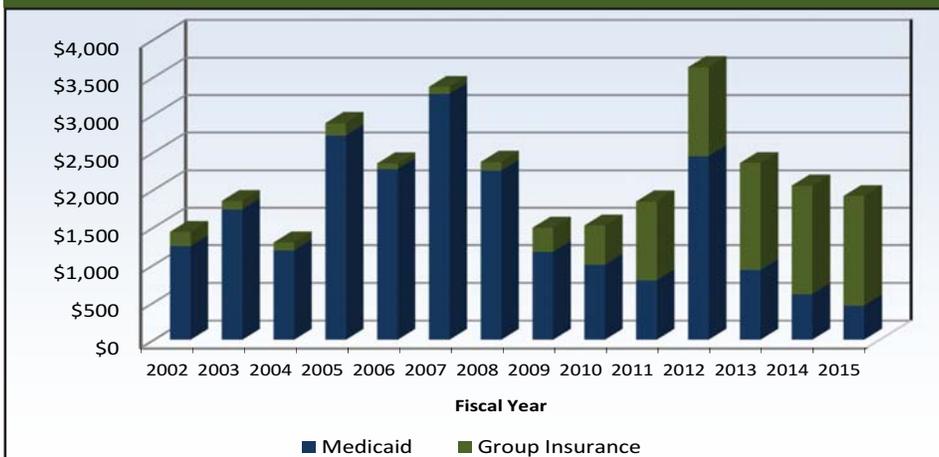
## Changes in General Funds Base Revenue Dollar Amounts in Millions



## General Funds Group GAAP and Budgetary Balances Dollar Amounts in Millions



## Section 25 Liabilities Dollar Amounts in Millions



BUDGETARY BASIS

## GENERAL FUNDS BASE REVENUE

General Funds total revenues declined \$426 million or 1.2% in fiscal year 2015, decreasing to \$36.617 billion from \$37.043 billion in fiscal year 2014. Excluding the transfer of \$275 million from the Budget Stabilization Fund and \$454 million in interfund borrowing, base revenues decreased \$880 million or 2.4%. While the economy continues to slowly improve, several factors impacted base revenues. The most significant impact was the expiration of the Illinois temporary income tax rate increase on January 1, 2015. Individual income tax rates declined from 5.0 percent to 3.75 percent and the corporate rate decreased from 7.0 percent to 5.25 percent. Additionally, federal revenues decreased as reimbursable General Funds Medicaid expenditures declined.

State sources decreased \$308 million or 0.9% as cash receipts declined \$1.137 billion and transfers in from other funds increased by \$829 million. Federal sources decreased \$572 million or 14.7%.

The tax rate decrease resulted in personal income taxes falling \$1.209 billion or 7.3% in fiscal year 2015. However, other factors tempered this decline, employment in Illinois increased by over 65,000 jobs, Illinois personal income was up 2.0%, and the stock market increased for the year. Corporate income tax receipts deposited into the General Funds for fiscal year 2015 diminished by \$478 million or 15.1%. The decline was also from the expiration of the temporary tax increase which offset the growth in before-tax corporate profits nationally of 5.0% in fiscal year 2015.

Retail sales for the year reflected the improving economy as the processing of sales tax vehicle transaction forms (auto sales) increased approximately 10.1%. As a result, revenues from the state sales tax totaled \$8.030 billion, an increase of \$354 million or 4.6%. Nationally, retail sales for the fiscal year were up 3.3%.

General Funds Revenue (Millions of Dollars)												Change From FY2014 to FY2015	
	Fiscal Year										Amount	Percent	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015			
Personal Income Tax	\$ 8,635	\$ 9,408	\$ 10,320	\$ 9,223	\$ 8,511	\$ 11,225	\$ 15,512	\$ 16,538	\$ 16,642	\$ 15,433	\$ (1,209)	(7.3) %	
Corporate Income Tax	1,428	1,750	1,860	1,710	1,360	1,851	2,461	3,177	3,164	2,686	(478)	(15.1)	
Sales Taxes	7,092	7,136	7,215	6,773	6,308	6,833	7,226	7,355	7,676	8,030	354	4.6	
Transfers In:													
Lottery Fund	670	622	657	625	625	632	640	656	668	678	10	1.5	
Riverboat Gaming*	685	685	564	430	383	324	340	345	321	292	(29)	(9.0)	
Other Transfers In	746	939	679	538	1,671	2,204	885	952	1,163	2,011	848	72.9	
<b>Total, Transfers In</b>	<b>2,101</b>	<b>2,246</b>	<b>1,900</b>	<b>1,593</b>	<b>2,679</b>	<b>3,160</b>	<b>1,865</b>	<b>1,953</b>	<b>2,152</b>	<b>2,981</b>	<b>829</b>	<b>38.5</b>	
Public Utility Taxes	1,074	1,131	1,157	1,168	1,089	1,147	995	1,033	1,013	1,006	(7)	(0.7)	
Other Tax Sources	2,304	2,266	2,392	2,110	2,066	1,864	2,056	2,118	2,218	2,421	203	9.2	
<b>Base State Sources</b>	<b>\$ 22,634</b>	<b>\$ 23,937</b>	<b>\$ 24,844</b>	<b>\$ 22,577</b>	<b>\$ 22,013</b>	<b>\$ 26,080</b>	<b>\$ 30,115</b>	<b>\$ 32,174</b>	<b>\$ 32,865</b>	<b>\$ 32,557</b>	<b>\$ (308)</b>	<b>(0.9) %</b>	
Federal Sources	4,725	4,703	4,815	6,567	5,920	5,386	3,682	4,154	3,903	3,331	(572)	(14.7)	
<b>Total Base Revenue</b>	<b>\$ 27,359</b>	<b>\$ 28,640</b>	<b>\$ 29,659</b>	<b>\$ 29,144</b>	<b>\$ 27,933</b>	<b>\$ 31,466</b>	<b>\$ 33,797</b>	<b>\$ 36,328</b>	<b>\$ 36,768</b>	<b>\$ 35,888</b>	<b>\$ (880)</b>	<b>(2.4) %</b>	
Transfer from Budget													
Stabilization Fund	276	276	276	276	276	276	275	275	275	275	0	0.0	
Interfund Borrowing	0	0	0	0	0	496	0	0	0	454	454	N/A	
Cash Flow Transfer	0	456	1,503	300	870	259	0	0	0	0	0	N/A	
Short-Term Borrowing	1,000	900	2,400	2,400	1,250	1,300	0	0	0	0	0	N/A	
<b>Total Revenue</b>	<b>\$ 28,635</b>	<b>\$ 30,272</b>	<b>\$ 33,838</b>	<b>\$ 32,120</b>	<b>\$ 30,329</b>	<b>\$ 33,797</b>	<b>\$ 34,072</b>	<b>\$ 36,603</b>	<b>\$ 37,043</b>	<b>\$ 36,617</b>	<b>\$ (426)</b>	<b>(1.2) %</b>	

\* Excludes riverboat gaming receipts.

## GENERAL FUNDS BASE REVENUE

Transfers in from other funds increased \$829 million or 38.5% for the year totaling \$2.981 billion. Lottery transfers into the Common School Fund were up \$10 million while riverboat gambling transfers decreased \$29 million. All other transfers in were up \$848 million due to fund sweeps of \$1.284 billion from other state funds. This growth was partially offset by a decline of \$334 million in transfers from the Income Tax Refund Fund.

For fiscal year 2015, public utility taxes decreased 0.7% with telecommunications tax revenues \$12 million higher, while revenues from the natural gas tax decreased \$10 million and electric tax receipts were down \$9 million. Gas and electric are consumption-based taxes and change with increases or decreases in usage.

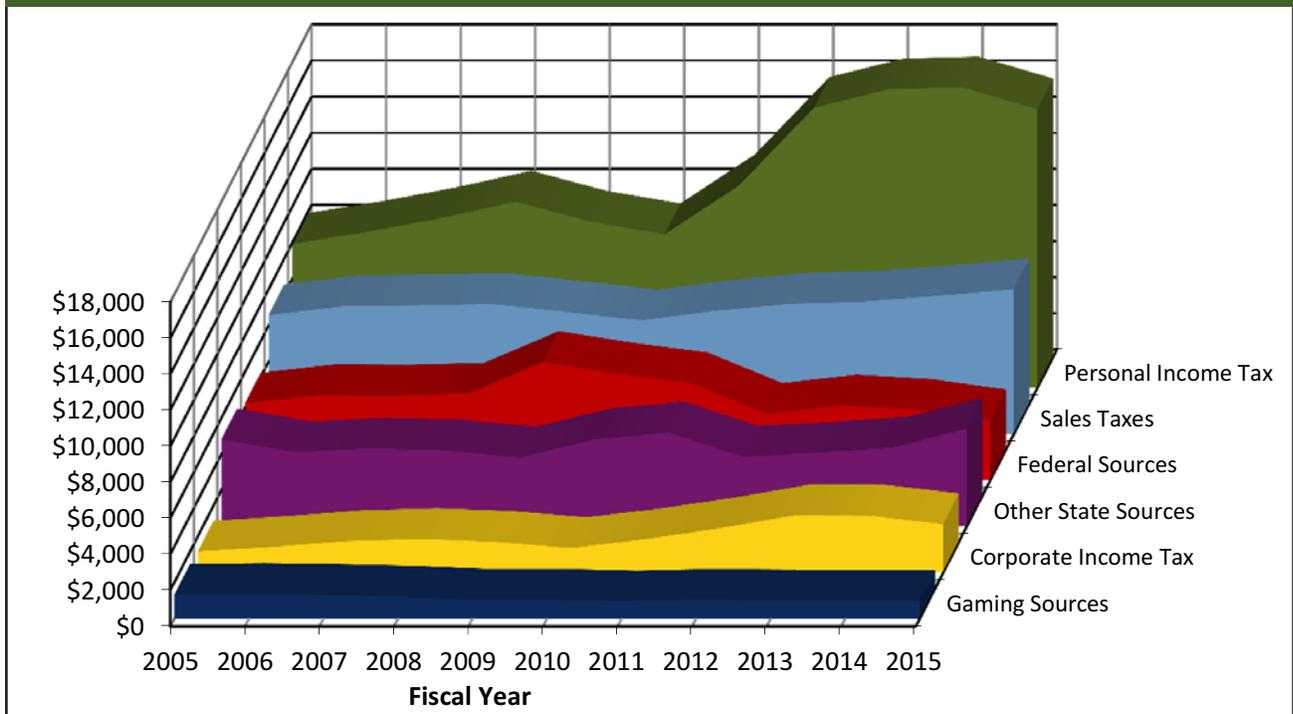
Receipts from other tax sources were up \$203 million or 9.2% for the year. There was an \$81 million

increase in deposits from the Build Illinois Escrow Account, court settlement proceeds were up \$65 million and inheritance tax receipts grew \$57 million.

Federal sources decreased \$572 million or 14.7% in fiscal year 2015 to a total of \$3.331 billion. This decline was due, in large part, to the reduction in reimbursable spending for Medicaid.

For fiscal year 2015, income and sales taxes brought in 71.4% of total General Funds total revenues, while federal sources and other sources accounted for 9.1% and 18.3%, respectively. While the economy remains a major factor in determining General Funds revenue performance, the tax rate decrease which was partially offset by fund sweeps had a significant impact.

General Funds Base Revenues  
Dollar Amounts in Millions



## GENERAL FUNDS BASE SPENDING

General Funds base expenditures for fiscal year 2015, which excludes borrowing repayments, totaled \$35.346 billion, a decrease of \$1.355 billion or 3.7% from fiscal year 2014 spending. Contributing to this decline were spending by state agencies, which decreased by \$716 million and regular transfers out, which decreased by \$639 million. Despite the fiscal year 2015 reduction, base spending from the General Funds has increased by an average of \$909 million over the last nine fiscal years.

For fiscal year 2015, the State Board of Education, the Departments of Healthcare and Family Services, Human Services, Central Management Services, Corrections, and Higher Education spending accounted for \$22.642 billion or 73.6% of all agency spending.

The State Board of Education was the highest spending agency in fiscal year 2015 with \$6.545 bil-

lion or 21.3% of total state agency spending. The State Board of Education's spending decreased by \$136 million or 2.0% from fiscal year 2014. General state aid to school districts accounts for the largest portion (64.6% or \$4.225 billion) of State Board spending. In fiscal year 2015, \$200 million for general state aid to school districts was disbursed from a newly created fund that receives a portion of the income tax.

The Department of Healthcare and Family Services (DHFS) had the second highest state agency spending in fiscal year 2015 and accounted for 21.2% of total agency spending. DHFS spending of \$6.525 billion was \$767 million, or 10.5%, less than fiscal year 2014. State employee health insurance appropriations were transferred to the Department of Central Management Services (CMS) in fiscal year 2013.

General Funds Expenditures (From Current Year Appropriations)												
By Major Agency (Millions of Dollars)												
Agency	Fiscal Year										Change from FY 2014 to FY 2015	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Amount	Percent
State Board of Education	\$ 6,045	\$ 6,472	\$ 6,995	\$ 7,357	\$ 7,273	\$ 6,912	\$ 6,739	\$ 6,539	\$ 6,681	\$ 6,545	\$ (136)	(2.0) %
Healthcare and Family Services	7,343	7,725	8,089	9,556	7,239	7,309	8,158	6,726	7,292	6,525	(767)	(10.5)
Teachers Retirement	610	814	1,110	1,527	914	256	2,494	2,790	3,529	3,479	(50)	(1.4)
Human Services	3,817	3,885	4,086	4,144	3,997	3,894	3,415	3,448	3,217	3,363	146	4.5
Higher Education	2,190	2,269	2,195	2,398	2,230	2,146	2,844	3,234	3,303	3,291	(12)	(0.4)
Central Management Services	95	105	82	74	88	96	75	1,481	1,513	1,608	95	6.3
Corrections	1,170	1,119	1,208	1,308	1,156	1,205	1,210	1,172	1,276	1,310	34	2.7
State Employees Retirement	0	0	0	0	0	39	904	1,049	1,097	1,149	52	4.7
Aging	352	421	458	537	653	646	731	1,060	935	880	(55)	(5.9)
Children and Family Services	803	771	887	906	847	840	806	721	684	672	(12)	(1.8)
Judicial Agencies	305	322	351	376	310	323	375	398	458	497	39	8.5
Secretary of State	125	131	143	144	257	259	258	250	258	292	34	13.2
State Police	173	193	210	215	265	272	271	245	286	254	(32)	(11.2)
Revenue	127	148	156	155	128	134	123	108	109	96	(13)	(11.9)
Other Agencies	958	1,136	1,201	1,091	961	1,138	894	1,093	901	813	(88)	(9.8)
Prior Year Adjustments	(10)	(11)	(14)	(14)	(17)	(22)	(88)	(21)	(60)	(11)	49	N/A
<b>Total, General Funds Warrants Issued</b>	<b>\$ 24,103</b>	<b>\$ 25,500</b>	<b>\$ 27,157</b>	<b>\$ 29,774</b>	<b>\$ 26,301</b>	<b>\$ 25,447</b>	<b>\$ 29,209</b>	<b>\$ 30,293</b>	<b>\$ 31,479</b>	<b>\$ 30,763</b>	<b>\$ (716)</b>	<b>(2.3) %</b>
Regular Transfers Out	3,059	2,973	3,201	3,185	3,304	5,070	4,259	4,942	5,222	4,583	(639)	(12.2)
<b>Base General Funds Expenditures</b>	<b>\$ 27,162</b>	<b>\$ 28,473</b>	<b>\$ 30,358</b>	<b>\$ 32,959</b>	<b>\$ 29,605</b>	<b>\$ 30,517</b>	<b>\$ 33,468</b>	<b>\$ 35,235</b>	<b>\$ 36,701</b>	<b>\$ 35,346</b>	<b>\$ (1,355)</b>	<b>(3.7) %</b>
Short-Term Borrowing Repayment	1,014	11	1,503	1,424	2,276	1,322	0	0	0	0	0	N/A
Transfer to Budget Stabilization Fund	276	276	276	276	0	276	550	275	275	275	0	0.0
Repayment of Interfund Borrowing	0	0	0	0	0	9	355	133	0	0	0	N/A
Cash Flow Transfer	0	1,356	2,400	300	870	260	0	0	0	0	0	N/A
<b>Total, General Funds Expenditures</b>	<b>\$ 28,452</b>	<b>\$ 30,116</b>	<b>\$ 34,537</b>	<b>\$ 34,959</b>	<b>\$ 32,751</b>	<b>\$ 32,384</b>	<b>\$ 34,373</b>	<b>\$ 35,643</b>	<b>\$ 36,976</b>	<b>\$ 35,621</b>	<b>\$ (1,355)</b>	<b>(3.7) %</b>

# GENERAL FUNDS BASE SPENDING

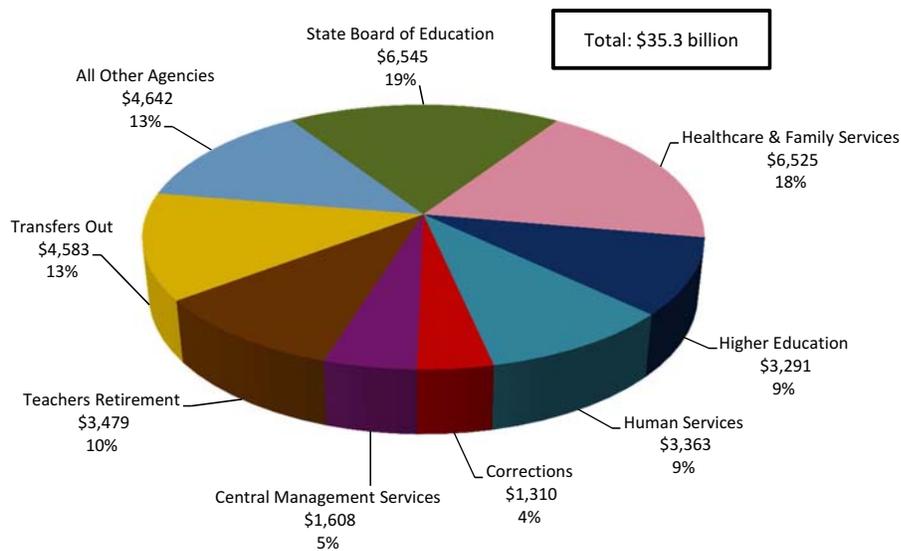
In fiscal year 2015, the Department of Human Services' spending increased to \$3.363 billion from \$3.217 billion. The Department of Central Management Services expenditures for the year totaled \$1.608 billion, an increase of \$95 million or 6.3%. The Department of Corrections fiscal year 2015 spending of \$1.310 billion was an increase of \$34 million or 2.7% from fiscal year 2014. The Department on Aging's spending decreased \$55 million or 5.9%.

Higher Education agencies' spending decreased from \$3.303 billion in fiscal year 2014 to \$3.291 bil-

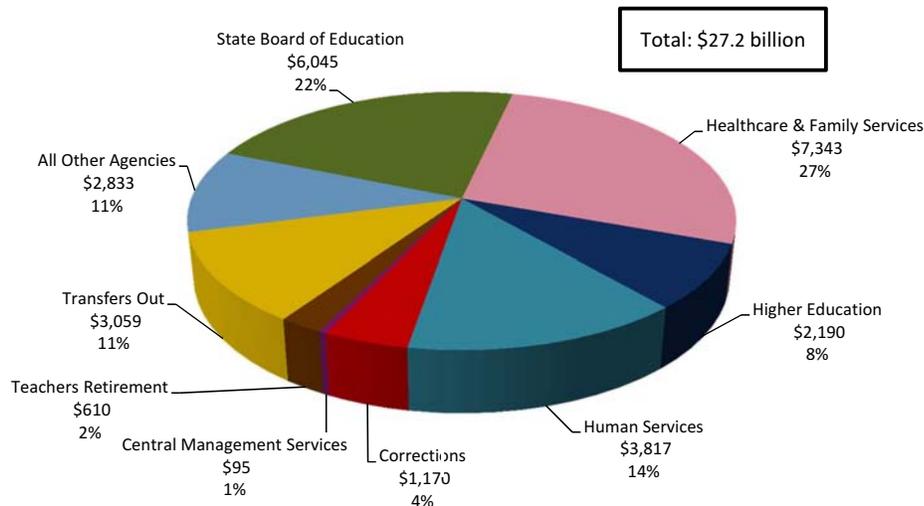
lion, a decrease of 0.4% in fiscal year 2015. The Teachers' Retirement System, which is the third largest spending agency, decreased expenditures 1.4% to \$3.479 billion in fiscal year 2015. The State Employees' Retirement System had \$1.149 billion in expenditures, a 4.7% increase from fiscal year 2014, as retirement spending from the General Funds continues to be appropriated directly to the retirement system instead of each agency.

Transfers Out decreased \$639 million or 12.2% due to decreased transfers to the Healthcare Provider Relief Fund and for bond debt service payments.

**FY 2015 General Funds Expenditures**  
(\$ in millions)



**FY 2006 General Funds Expenditures**  
(\$ in millions)

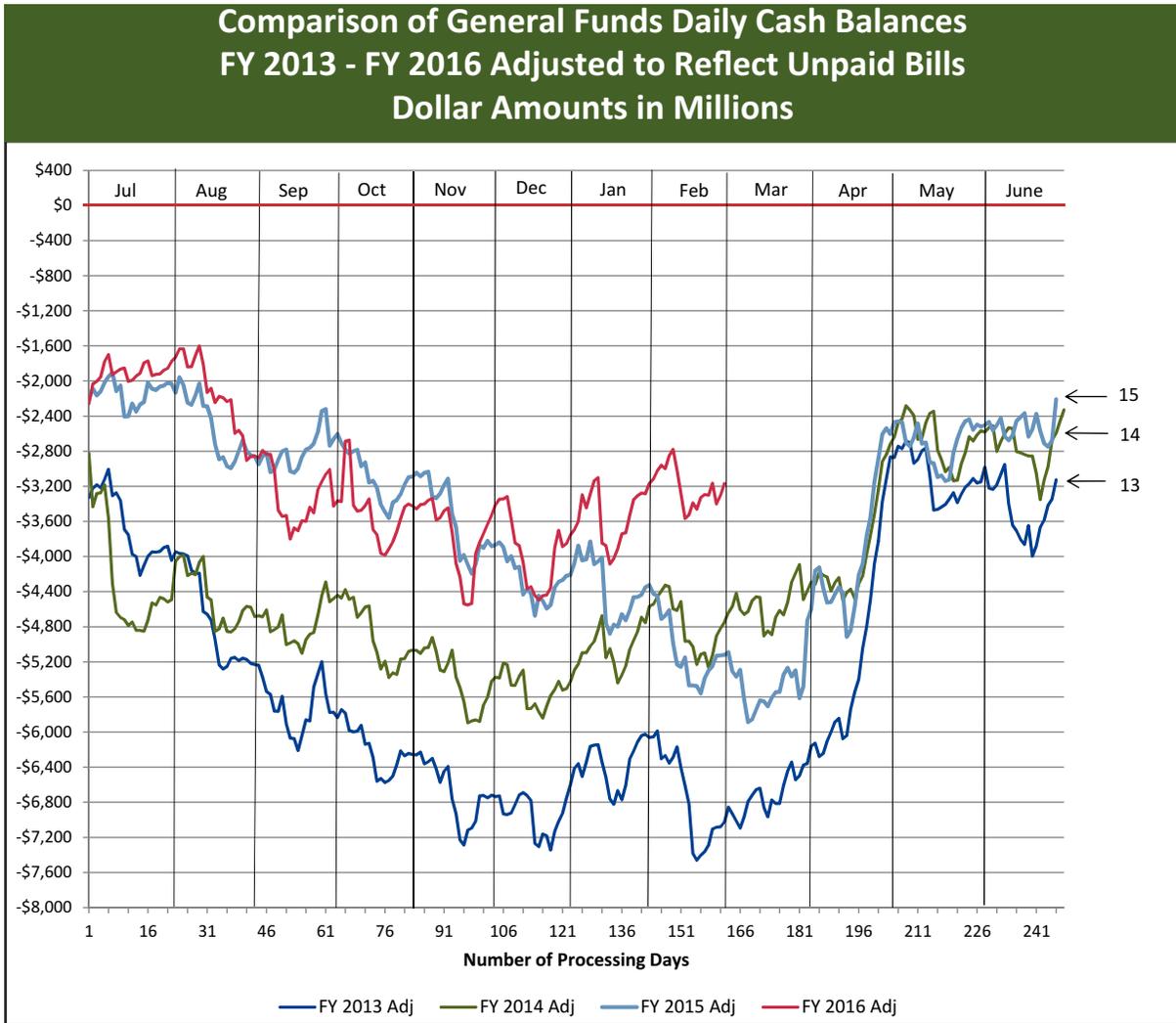


# FISCAL CLIMATE

Fiscal year 2015 began with a modest improvement in the state's fiscal position, as the backlog of payables at the Comptroller's Office (IOC) at the beginning of the year was \$876 million lower than the prior year. The backlog to start the year was \$2.404 billion compared to \$3.280 billion at the beginning of fiscal year 2014. However, this improvement was not expected to continue in fiscal year 2015 as certain revenues were projected to decline. Most significant was the projected decline in income tax revenue as the income tax rates decrease on January 1, 2015. The individual income tax rate decreased from 5% to 3.75% and the corporate income tax rate declined from 7.0% to 5.25%. In addition, the percentages allocated to the Income Tax Refund Fund were increased which further reduced the income tax revenue to the

General Funds. Additionally, the transfer of surplus revenue from the Income Tax Refund Fund to the General Revenue Fund was expected to decrease. General Funds appropriations at the start of fiscal year 2015 totaled \$31.492 billion, \$654 million less than the prior year. With revenues projected to decline more than the reduction in spending authority, the financial position for the year was expected to deteriorate.

At the end of the first quarter of fiscal year 2015, the backlog of unpaid bills at the IOC totaled \$2.717 billion. While the backlog was \$313 million higher than at the end of fiscal year 2014, it was \$1.886 billion less than at the end of September 2013.



Through September 2014, base revenues fell 5.0% as transfers in and federal revenues decreased. The transfer from the Income Tax Refund Fund was \$334 million less than the transfer in fiscal year 2014 and federal revenues diminished as Medicaid spending was shifted to other funds. Base spending was down 5.2% due to a change in the vouchering pattern by the Department of Central Management Services. Last year \$1.3 billion for employee health insurance was presented for payment in July while the agency submitted payments more evenly over the course of fiscal year 2015.

At the end of December 2014, the General Funds backlog of unpaid bills at the IOC totaled \$4.360 billion. While this was \$1.956 billion higher than at the end of fiscal year 2014, it was \$1.139 billion less than the same time in fiscal year 2014.

Through the second quarter, base revenues declined 2.6% lead by decreases in transfers in and federal revenues. While corporate income tax revenues also experienced further decline, some the decreases were partially offset by growth in individual income taxes, sales taxes, and other minor sources of revenue. Base spending was down 2.7% through the second quarter due primarily to employee health insurance payment schedule.

At the end of the third quarter (March 2015), the General Funds backlog of unpaid bills at the IOC totaled \$5.687 billion. While the backlog was \$3.283 billion higher than at the end of fiscal year 2014, it was, however, \$1.228 million more than the same time last year.

Through end of the March 2015, base revenues declined 5.7% lead by decreases in income taxes (tax rates decreased on January 1<sup>st</sup>), federal revenues and transfers in. Also, income tax revenues were diverted to two new special funds reducing the amount allocated to the General Funds. Base spending was down 6.0% through the third quarter due primarily to an increase in the backlog. Appropriations at the end of the third quarter were \$31.970 billion, down \$176 million from the prior year as vouchers presented for payment were up \$1.166 billion through the third quarter.

Through the fourth quarter, base revenues declined 2.4% lead by decreases in income taxes and federal revenues. The decreases for the year were partially offset by \$1.284 billion in one-time fund sweeps. Base spending was down 2.9% through June 2015 due primarily to transfers out and a reduction in general state aid for schools through the State Board of Education. In fiscal year 2015, \$200 million was disbursed for general state aid from a newly created fund that receives a portion on the income tax. Warrants issued for the fiscal year, including prior year adjustments, declined \$701 million while vouchers presented for payment from current year appropriations were up \$838 million. Appropriations for the year totaled \$31.799 billion, \$347 million less than fiscal year 2014.

At the end of fiscal year 2015, the General Funds backlog of unpaid bills and transfers at the IOC totaled \$2.830 billion. This was \$426 million higher than at the end of fiscal year 2014. In addition to this total, there were approximately over \$2.0 billion in outstanding liabilities – primarily state employee health insurance and Medicaid bills - that had not been received by the IOC. The improvement in the backlog from the third quarter to the end of the year was due to the fund sweeps. An interfund borrowing of \$454 million on June 30<sup>th</sup> resulted in the available cash balance being \$621 million at the end of fiscal year 2015.

Fiscal year 2015 lapse period spending of \$752 million resulted in over \$3.5 billion in fiscal year 2016 revenues and the available cash balance being used to pay prior year liabilities. On a budgetary basis, the General Funds fiscal end of year balance improved from a negative \$3.931 billion for fiscal year 2014 to a negative \$2.900 billion for fiscal year 2015, a significant improvement in the budgetary balance. A portion of this improvement is due to the borrowing of \$454 million which will have to be repaid in fiscal year 2017. Section 25 liabilities at the end of the fiscal year and carried over into fiscal year 2016, decreased slightly – totaling \$1.9 billion – however, even at this lower level, it adds to the financial challenges in fiscal year 2016.

### A Look at Fiscal Year 2016

Fiscal year 2016 began on an ominous note. There was no budget in place on July 1, except for the portion addressing elementary and secondary education. There are continuing appropriations that authorize some parts of spending (i.e. retirement systems), as well as, federally required expenditures. Since the start of the fiscal year, there have been numerous court cases which have mandated that the state pay without appropriations for services including payrolls and selected service providers. While a major portion of General Funds expenditures are accounted for, there are some areas of spending that still lack expenditure authority. At this time there are no appropriations to pay employee health insurance, funding for higher education (including scholarships and community colleges), and those expenditures supporting government operations. Also, income tax revenues are expected to continue to decline as the lower tax rates impact the entire fiscal year.

General Funds payables at the end of the first quarter were \$3.655 billion, an increase of \$825 million from the end of fiscal year 2015 and up \$938 million from the end of September 2014. While spending declined in the quarter, it was not enough to offset the decrease in revenues.

Base revenues in the first quarter decreased \$987 million or 12.2 percent. The drop in income tax revenues accounted for most of the decline in total

revenues. Minor increases in sales taxes, transfers in, and federal revenues were offset by declines in other sources. Base spending through September fell by \$766 million or 9.2 percent. Transfers out dropped \$265 million and warrants issued declined \$501 million. The fall in spending was due to many state agencies not having appropriation authority to spend.

By the end of December, payables had grown to \$3.992 billion. While the backlog was \$1.162 billion higher than at the end of fiscal year 2015, it was \$368 million less than at the end of the second quarter of last year.

By the end of the second quarter, base revenues had declined \$1.812 billion or 11.3 percent. The decrease in income tax rates at the start of 2015 impacted the first half of the fiscal year. Income tax revenues through December fell over \$2.0 billion or 23.5 percent. Base spending was down \$1.571 billion or 9.6 percent at the end of the quarter. Most of the decline was due to agencies that had not yet received an appropriation. The primary programs that did not have authority to spend included: employee health insurance, higher education, and operational expenses. At the end of December, appropriations from the General Funds were \$27.171 billion, a decrease \$4.628 billion from the prior year. ■