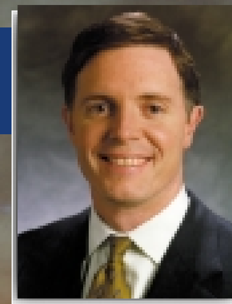
State of Illinois
COMPTROLLER
Daniel W. Hynes

Comptroller Daniel W. Hynes
JANUARY/FEBRUARY 2000 ISSUE



Fiscal Focus

How Well Is State Government Doing?

THE PUBLIC ACCOUNTABILITY PROJECT

One of the priorities of the Comptroller' office is to improve the accountability of state governmental agencies to the public they serve. That is, to make sure that state resources are spent for the proper purposes, but also to report on the efficiency, effectiveness, and outcomes of government programs. To this end, the Comptroller has launched the Public Accountability Project, which, in cooperation with the Governor's Office of Strategic Planning, has instituted a process by which state agencies annually report on their performance in carrying out their statutory missions. The effect of this type of reporting - sometimes called *managing for results* or *performance reporting* - is two-fold. First, state agencies become more customer-oriented and therefore more effective. Second, the public will become more aware of the missions and accomplishments of state agencies.

COVER STORY continued, page 8

FROM THE COMPTROLLER

Dear Readers:

Happy New Year! With the new year, I am excited to present to you a new look to Fiscal Focus. My hope is that the new look will make Fiscal Focus more attractive to read while maintaining the quality of information provided. We have added additional tables in the Vital Statistics section to provide a more detailed look at the state's fiscal condition.

This issue of Fiscal Focus contains information found in many of the reports we have issued over the first part of the new year. The cover story takes a look at our Service, Efforts and Accomplishment reporting with an example from the Department on Aging. With our designation as an experimental site by the Governmental Accounting Standards Board (GASB), we are on the cutting edge of governmental accountability.

In the Fiscal Smarts section, we look at the state's fiscal condition in terms of balances, and in the Focus on Revenue section we examine the seasonal deviations in General Funds revenues. Both of these sections underline the importance of establishing a Rainy Day Fund now, while the economy is good. I have reintroduced the Rainy Day Fund bill with compromises addressing the concerns of policy makers voiced last year.

Tobacco settlement payments to the 50 states for the next 25 years are also listed. I have proposed the Taxpayers FIRST plan that would provide a rebate to families who need it most. Under the plan, public health and anti-smoking programs should also receive $180 million annually. A key to the program is using cigarette tax revenues to fund a portion of these programs and recognizing that if smokers wean themselves from smoking, the state needs to wean itself from relying on cigarette tax receipts.

I would like to hear from you on these ideas and the new look of Fiscal Focus. Our Office can be reached at (217)782-6000 or (312)814-2451 or by e-mailing us at www.ioc.state.il.us.

Sincerely,

Daniel W. Hynes
Comptroller

Fiscal Focus

Fiscal Focus is one of the ways the Comptroller's Office strives to assist taxpayers and the people of Illinois. This monthly report is designed to provide fiscal information of general interest and in compliance with state statutes.

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Fiscal $marts

Overview of Fiscal Year 1999 General Funds Financial Activity

Fiscal year 1999 was another year of budgetary records for Illinois state finance. The new General Funds records include:

- Largest revenue increase— $1.690 billion (8.5%)
- Highest end-of-year cash balance — $1.351 billion
- Largest spending increase (excluding short-term borrowing) — $1.855 billion
- Highest budgetary balance — $503 million
- Longest string of positive budgetary balances over the last 25 years
- Longest string of budgetary improvement, seventh consecutive year

Much of the good budgetary news was made possible by a strong economy, which turned in another sterling performance. Total nonagricultural employment grew to a record 5.941 million. The state's unemployment rate averaged only 4.3%, the third consecutive year below 5.0%. And Illinois personal income climbed 5.5%.

General Funds GAAP Balance and Cash-Basis Budgetary Balance (Millions of Dollars)

Fiscal Year	GAAP Balance	Budgetary Balance
1986	(261)	(153)
1987	(587)	(319)
1988	(355)	(76)
1989	(74)	148
1990	(557)	(191)
1991	(1,368)	(666)
1992	(1,656)	(887)
1993	(1,916)	(630)
1994	(1,595)	(422)
1995	(1,204)	(341)
1996	(952)	(292)
1997	(443)	45
1998	(213)	356
1999	(303)	503

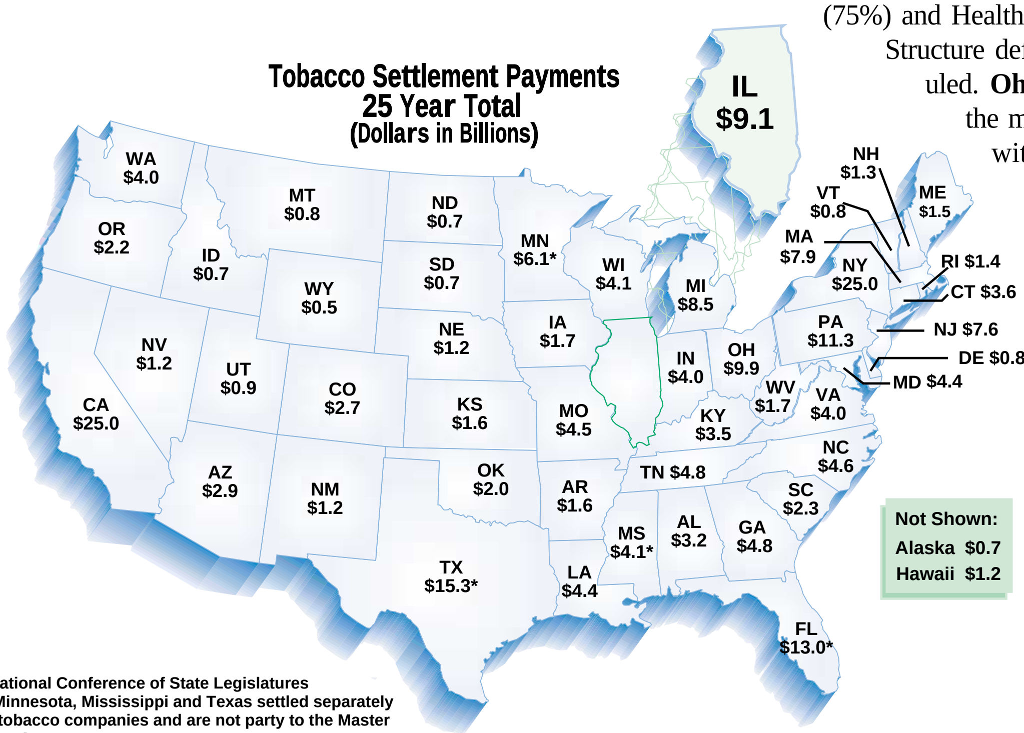
FISCAL SMARTS continued, page 6

How Illinois Stacks up

Tobacco Settlement Payments

In 1994, the State of Mississippi filed suit against the tobacco industry in order to obtain restitution for their health care costs due in part to smoking-related illnesses. Since that time, Attorneys General from 46 other states also joined in the fight against the tobacco companies and on November 23, 1998, the Master Tobacco Settlement Agreement, totaling $206 billion, was signed. Each state that achieved State-Specific Finality will receive a percentage of the tobacco payments over the next 25 years. Mississippi, Minnesota, Florida, and Texas reached separate settlement agreements with the tobacco companies.

Many states are now wrestling with the question of what to do with the annual payments in order to receive the most benefit. Legislators, governors, and constitutional officers all have proposals on how to spend, distribute, save, and/or invest the settlement payments and these proposals vary greatly from state to state.



Source: National Conference of State Legislatures
*Florida, Minnesota, Mississippi and Texas settled separately with the tobacco companies and are not party to the Master Settlement Agreement.

Tobacco Settlement Payments to Illinois (Dollars in Millions)

Year	Annual Payment
2000	$ 410.1*
2001	322.2**
2002	386.9**
2003	390.6**
2004-2007	326.0
2008-2017	332.5
2018-2025	372.5***
Total	**$9,118.5**

*Year 2000 annnual payment of $410.1 million includes 1998 initial payment of $111.7 million plus the year 2000 payment.

**Years 2001-2003 include part of the initial (up front) payments plus the respective year payments.

***After year 2025, Illinois will receive a base annual payment in perpetuity of $372.5 million.

SOURCE: Illinois Economic and Fiscal Commission.

As of September 1999, 23 states, including the states that reached separate settlement agreements, either had enacted enabling legislation or appropriations acts concerning how the money should be spent. At that time, Health Care (51%) was to receive the majority of the allocated settlement payments. Education (14%) and Tobacco Control and Smoking Cessation Programs (7%) were not expected to receive as much.

A review of Midwestern states' plans on how to spend the tobacco settlement money follows:

Indiana: A plan is being developed but ideas are focusing on health care and tobacco treatment programs. **Iowa:** A board has been created to study how to allocate the funds, but the Governor wants to use some of the money for treatment of adolescent substance abuse. **Kentucky:** Legislature was not in session in 1999. **Michigan:** The settlement money would go towards Scholarships (75%) and Health Care (25%). **Missouri:** Trust Fund Structure deferred to 2000, Fall hearings scheduled. **Ohio:** A task force recommended that the money be divided into 7 Trust Funds with 45% going for Primary and Secondary School Facilities. **Wisconsin:** The Governor's proposal includes $23.5 million for Tobacco Prevention and Cessation and $56.6 million for BadgerCare, a new state health insurance plan for uninsured working families.

In **Illinois,** the Tobacco Settlement Recovery Fund was established to receive the settlement funds, which as of January 11, 2000, totaled $215.4 million. Illinois is expected to receive a total of $410 million by the end of 2000. Several proposals on

HOW ILLINOIS STACKS UP continued, page 6

FOCUS On Revenue

Seasonal Deviations in General Funds Revenues

Because of the state's tax structure, in particular the income tax, large deviations in the flow of revenue to the General Funds are prevalent, yet fairly predictable each fiscal year. Over the past five fiscal years, revenues to the General Funds in the second half of the fiscal year have exceeded revenues in the first half of the year by an average of $1.092 billion. Under these same parameters, revenues from personal and corporate income taxes in the second half are on average $1.134 billion higher than the first half and account for all of the seasonal deviation in revenue flow to the General Funds.

General Funds Revenues By Month (Dollars in Millions)

	5-Year Monthly Average	5-Year Quarterly Average
July	$1,414	
August	1,571	
September	1,682	$4,667
October	1,419	
November	1,275	
December	1,688	$4,382
January	1,747	
February	1,309	
March	1,701	$4,756
April	1,875	
May	1,738	
June	1,773	$5,385

Income Tax Revenues By Month (Dollars in Millions)

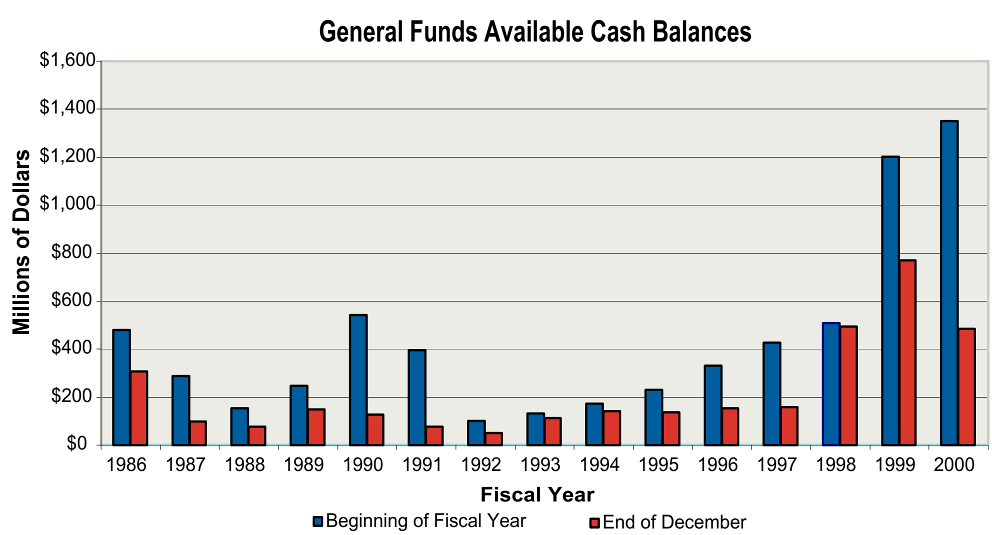
	5-Year Monthly Average	5-Year Quarterly Average
July	$431	
August	449	
September	696	$1,576
October	449	
November	415	
December	636	$1,500
January	743	
February	469	
March	653	$1,864
April	881	
May	743	
June	722	$2,346

The flow of income tax dollars into the state's General Funds is largely driven by the April 15th final payment deadline which falls in the last quarter of the fiscal year. While April is always the largest revenue month for income taxes, on average five of the top six income tax revenue months are in the second half of the fiscal year. In addition to April, these six include January, May, June, September, and March. On a quarterly basis, a five-year average of $2.346 billion is receipted in the fourth quarter (April, May, and June), $1.864 billion in the third quarter, $1.576 billion in the first quarter, and $1.500 billion in the second quarter.

Although the flow of revenue is skewed to the last half of the fiscal year, spending is more evenly spread across the year. As a result of the seasonal deviation in revenues, the available cash balance in the General Funds has declined from the beginning of the fiscal year (July 1) to the end of December for sixteen consecutive years. The decline in fiscal year 2000 was the most severe totaling $866 million (from $1.351 billion to $485 million).

The drop in the cash balance during the first half of the year is particularly evident in the General Revenue Fund, the state's basic operating fund paying at least a portion of the operating budget of every major agency. Between the start of the fiscal year and the end of December, the General Revenue Fund cash balance dropped from $1.016 billion to $220 million, reaching a low of $131 million on December 21st.

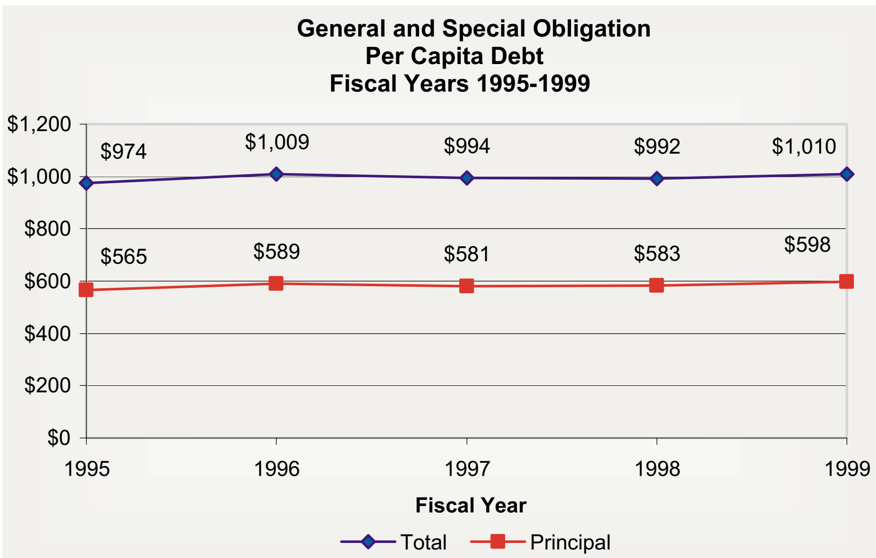
Given the seasonal nature of the tax structure, the state is forced to rely on high available cash balances at the beginning of the fiscal year to protect itself from well-established seasonal cash flow problems. High cash balances at the beginning of the year also must act as a buffer of sorts against recession since Illinois is one of only four states in the nation that do not have some type of Rainy Day or Budget Stabilization Fund. A review of the early 1990's provides a snapshot of the pitfalls of insufficient cash balances and the absence of contingency reserves including costly short-term borrowing, program cuts, layoffs, interfund transfers, and large-scale delays in payments to people who do business with the state.



FOCUS On Spending

Per Capita Debt Increases Again

The cost each Illinois citizen (man, woman, and child) would have to bear if the State would pay off its outstanding general and special obligation debt is $1,010. The thought that each person "owes" over a thousand dollars may be a surprise to many readers, but the per capita measure is a common indicator of the relative indebtedness of a state. Perhaps more important than the amount itself is the fact that after two years of decline, the per capita debt has increased $18 from fiscal year 1998 to fiscal year 1999. The $18 dollar increase is a net total of a $15 increase in the per capita principal portion of the outstanding debt, and a $3 increase in the interest portion. Since fiscal year 1995, total per capita debt in Illinois has increased $36 (or 3.7%).



This fact is just one of many in the recently published Bonded Indebtedness and Long Term Obligations, 1999 Annual Report. The report is available from the Office of the Comptroller, or through the web site at http://www.ioc.state.il.us. Additional information in the report is summarized below.

Overview

Total outstanding principal for bonded indebtedness of the State of Illinois at June 30, 1999, was approximately $30.1 billion (net of defeased bonds). During the last five years, this amount has increased $5.6 billion (or 23%) from the $24.5 billion reported at June 30, 1995.

Of the principal outstanding as of June 30, 1999, the State is committed to repay $7.2 billion "directly" and $1.0 billion "indirectly". In addition, the State is "morally obligated and/or contingently" liable to repay $4.2 billion of principal. The remaining $17.7 billion is classified as "conduit" debt and does not require the State to commit resources to be used for repayment.

General and Special Obligation Debt

General and special obligation bonds are commonly referred to as direct debt because the State is directly obligated for repayment. In fiscal year 1999, the State issued $663 million of direct debt ($603 million general obligation bonds and $60 million special obligation bonds), excluding refunding bonds. The unspent portion of the proceeds from these bonds at June 30, 1999, was $521 million. During the prior fiscal year, the State issued $598 million of general obligation bonds, exclusive of refunding bonds. The average amount of general and special obligation bonds issued for the past five fiscal years has been $639 million annually.

As of June 30, 1999, the State was authorized to issue $20.6 billion of general obligation bonds (inclusive of refunding bonds) and $3.1 billion of special obligation bonds (exclusive of refunding bonds). Of the authorized amount for general and special obligation bonds, $13.1 billion and $2.2 billion, respectively, have been issued. Also, an additional $1.2 billion of special obligation refunding bonds have been issued.

During fiscal year 1999, the General Assembly increased general obligation statutory authorizations by $5.3 billion (which includes $2.0 billion for highway construction and improvements and $1.0 billion for school infrastructure). Of the amount of authorizations, $866 million was appropriated for new projects (up from $463 million in fiscal year 1998). Total appropriations, including reappropriations from previous years, have increased $524 million in the same time period. Bonds issued increased by $5 million compared to fiscal year 1998. This increase includes an increase of $51 million in current interest bonds and a decrease of $46 million in College Savings Bonds.

In fiscal year 1999, special obligation bonds were issued in the amount of $60 million for the Build Illinois projects. This compares with last year in which no new bonds were issued.

How Illinois Stacks Up concluded

how to spend the money have been recommended and some have been introduced in the General Assembly. The Illinois Comptroller has proposed *Taxpayers First,* a blend of tax relief, public health spending and financial investing. *Taxpayers First* would deposit 50% of the first year's proceeds ($205 million) in a health care trust fund and the other 50% would go to public health and anti smoking initiatives. Thereafter, $280 million would be returned to taxpayers in the form of a rebate and the remaining funds would continue to go to public health and anti smoking programs.

For more information contact the Comptroller's Office at (217) 782-6000 or (312) 814-2451, or e-mail us at www.ioc.state.il.us.

Fiscal Smarts continued

In spite of the budgetary performance, however, the 1999 General Funds GAAP balance fell for the first time in five years. Two major factors in the deterioration of the General Funds GAAP balance were an increase in Section 25 liabilities payable from future year's appropriations and a $285 million end-of-year transfer from the General Revenue Fund (GRF) to the Fund for Illinois' Future (FIF). After falling substantially from 1995 through 1997, Section 25 deferred liabilities increased in each of the last two years, reaching $752 million in 1998 and $894 million in 1999. The $142 million growth in 1999 included a $126 million *increase* under the state's Medicaid program and a $16 million *increase* under the group health insurance program for employees, retirees, and their dependents administered by the Department of Central Management Services. The $285 million transfer from GRF to FIF was made pursuant to law and was intended to provide initial funding for the Illinois FIRST program. Absent these factors, the General Funds GAAP balance would have improved significantly.

The fact that the GAAP deficit worsened in fiscal year 1999 demonstrates there is room for improvement. But in order to improve its fiscal health, the State faces several challenges. To keep balances at acceptable levels and payment cycles under control, resources must continue to be directed to these purposes. The ability to allocate resources will be constrained on the one hand by revenue growth and on the other hand by competing budgetary needs.

Some current economic forecasts are predicting a slowing in economic growth over the next few years and since revenue growth generally mirrors the strength of the economy, the record revenue growth of the past few years may not be repeated. In fact, fiscal year 2000 revenues are currently expected to grow $1.268 billion (compared to $1.690 billion growth for 1999), including higher receipts from a liquor tax increase and higher transfers in due to dockside gambling for the riverboat gaming industry.

Recently enacted tax expenditures will also restrain future General Fund revenue growth. These include a doubling of the personal exemption from the income tax and a change in the method used to apportion corporate income to Illinois, effective for tax years 1998 and beyond. These tax breaks are phased-in over three years, but when the phase-in is complete, they are expected to reduce the tax base by more than $350 million annually. In addition, there is a new business income tax credit linked to income generated as the result of new jobs, effective for tax years 1999 and after. This new credit, known as the Illinois Economic Development for a Growing Economy (EDGE) Tax Credit, was enacted in response to similar programs adopted in other states.

Two of the major legislative packages passed by the General Assembly during its Spring session were the Governor's Illinois FIRST initiative and changes to the state's gaming laws. When viewed as a whole, these packages are expected to reduce General Fund resources by an estimated $1.091 billion from fiscal year 1999 through 2005. This impact is comprised of $1.077 billion in additional resources and $2.168 billion in additional spending and transfers out.

On the spending side of the budget, fiscal improvements will be competing with the needs of programs such as education and those administered by the Departments of Human Services, Corrections, Children and Family Services, and Public Aid. One area that bears close scrutiny is the growth of medical costs and the deferral of those costs to future years especially after two consecutive increases in those deferrals.

FISCAL SMARTS continued on back cover, page 16

Fiscal Forum

Last month's Fiscal Forum was based on an article concerning the Illinois State Toll Highway Authority and asked readers their opinion about discontinuing the collection of tolls. The question and the distribution of our readers' responses are presented below.

Should the state raise taxes in order to make toll highways into freeways?

YES	16%
NO	84%

This month's question concerns available cash balances. After reading Fiscal Smarts, do you think the State should create a Rainy Day Fund to help avoid future tax increases, short-term borrowing, mid-year budget reductions or delays in paying bills?

YES ❑ NO ❑

To respond to this question, simply log onto the Comptroller's web site at www.ioc.state.il.us.

Local Government Line

Fiscal Responsibility Report Cards Available

The Local Government Division of the Comptroller's Office recently released the FY 1998 Fiscal Responsibility Report Card Act Summary. This report includes summary and detailed data on the revenues, expenditures, fund balances and debt for more than 5,200 units of local government that submitted information to the Office of the Comptroller.

Pursuant to State statutes, the Comptroller's Office collects Annual Financial Reports (AFRs) from general purpose and special district units of local government. With the addition of the Fiscal Responsibility Report Card Act, the Comptroller is required to provide an annual report to the General Assembly and County Clerks regarding the revenues and expenditures of local governments, excluding school districts. The intent of the Act is not only to provide a fiscal analysis of local governments, but also to serve as a means for assessing the fiscal health of Illinois local governments, as well as holding local officials accountable for their financial decisions.

Summary Findings

The report contains data for 5,235 local government units including counties, municipalities, townships, fire protection districts, park districts, public library districts, and other special purpose districts. During FY 1998, $14.4 billion in revenues were collected by these units, or about $1,215 per person. Property taxes accounted for $4.5 billion, or 31.2% of the total revenues collected, followed by other local taxes ($2.5 billion/17.5%), other local sources ($2.1 billion/14.3%), and the state sales tax ($1.2 billion/8.3%).

Local government expenditures were reported to total $14 billion during FY 1998, or approximately $1,179 per person. Expenditures for public safety totaled $4.5 billion or 31.8% of all expenditures, followed by spending for general government ($2.7 billion/19.1%), public works and transportation ($1.9 billion/13.7%) and debt service ($1.6 billion/11.1%).

The ratio of all governmental type fund balances to expenditures was 68%, indicating that most units of local government were collecting taxes and retaining fund balances in a healthy manner.

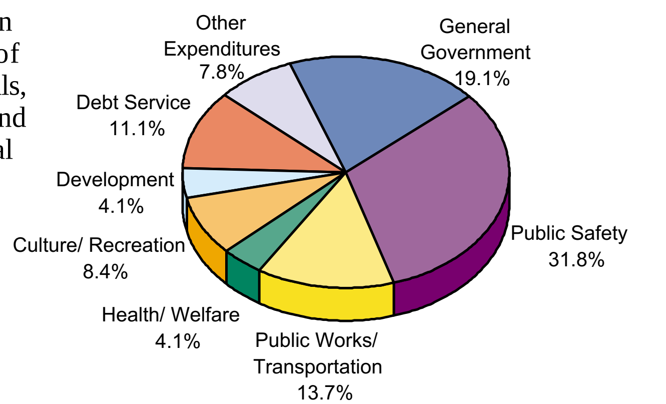
Training Conferences

Implementation of new editing procedures resulted in better error detection in the AFRs submitted by local governments. The accuracy in reporting deteriorated for those units with appropriations under $200,000. This observation underscores the need for assistance and training for local officials to improve the accuracy of small government reporting. In addition, the large number of local governments in Illinois, high levels of turnover among local officials, diverse demographics and varied levels of financial support must be addressed to maintain accurate levels of reporting for local governments in Illinois.

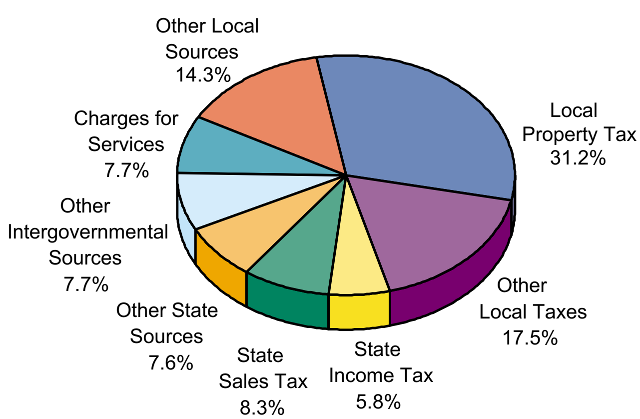
To improve the accuracy of financial reporting, the Local Government Division will be holding biannual conferences to provide educational training on a variety of subjects. The training conferences will include: understanding and correctly filling out Annual Financial Reports, sending financial data electronically, understanding the Fiscal Responsibility Report Card, and a variety of other local government topics.

The FY 1998 Fiscal Responsibility Report Cards and other detailed information for local governments submitting AFRs is available on the Comptroller's web site: www.ioc.state.il.us.

Local Governments
FY 1998 Expenditures By Function
All Units (including Cook County and the City of Chicago)



Local Governments
FY 1998 Revenue By Source
All Units (including Cook County and the City of Chicago)



The instrument for this process is Service Efforts and Accomplishments (SEA) Reporting as ordained by the Governmental Accounting Standards Board (GASB), the agency designated to set standards for financial reporting by state and local governments. Recognizing the incompleteness of traditional financial reporting, the GASB has begun an initiative to stimulate SEA reporting by state and local governments. The goal of SEA reporting is to improve financial reports by linking information on the performance of government programs with the usual financial data. SEA reporting examines not only the financial resources allocated to programs, but also their missions and goals - plus quantifiable measurements of how they have met those missions and goals.

Traditional governmental financial reporting and budgeting are designed to report to the public on how financial resources are acquired and used by governments and to ensure that resources made available to state agencies are used in accordance with the laws and policies enacted by the General Assembly and the Governor. How many people did we employ, and how much equipment we purchase? How many more will we use this year than we did last year? Did expenditures fall within the amounts appropriated? These are the types of questions answered by these traditional financial practices.

Missing from the traditional financial practices, however, is a review of how well our state agencies use their resources to accomplish the assignments given them in the laws and policies set by elected officials. What, in the broad sense, did taxpayers get for the money they spent? Were resources used effectively? Are our children well schooled? Are our highways safe and efficient? Do we do a good job of keeping our air and water clean?

SEA reporting is in its experimental stages and the GASB is monitoring the experimentation by governments under their purview before issuing standards. At present, no generally accepted standards have been set for this type of reporting. Illinois has been designated (and now re-designated) by the GASB as an official "experimentation site" for SEA reporting. Therefore, the evolutionary process of instituting performance reporting in Illinois is also the process for setting standards

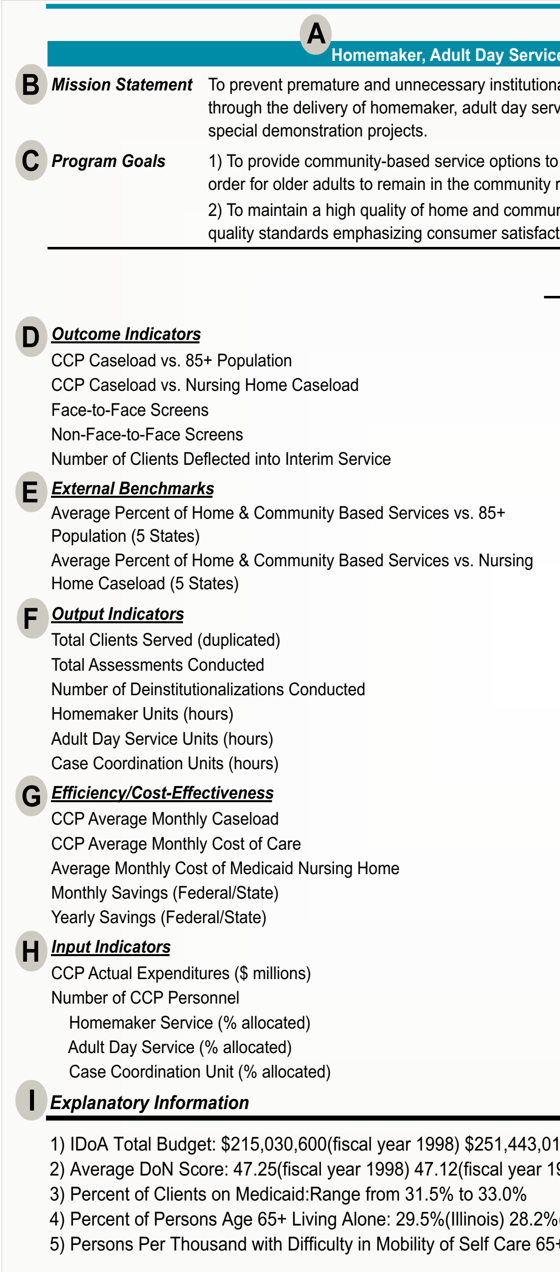
Fiscal Year 1999 SEA Reporting Expanded

The Public Accountability Report for fiscal year 1999 is the third issued by the Illinois Office of the Comptroller, and it expands the coverage to nineteen of the largest agencies in state government. The report is the product of a newly instituted and formalized reporting process with the top state agencies in Illinois government. That process, along with an effort to expand the range of information collected, have created a larger, expanded report. Currently available at the Comptroller's web site (http://www.ioc.state.il.us), the report offers information beyond the typical financial data on the programs administered by these agencies, and presents the opportunity to ask questions about what State government is and is not accomplishing.

Key features of the 1999 report include the following:

- **Formal reporting process.** With the cooperation of the Governor's Office of Strategic Planning, the Comptroller initiated a process to incorporate nineteen of the largest departments and agencies in state government into the SEA reporting system. Together the budgets of these nineteen agencies represent over 85% of the state budget for fiscal year 1999.

  The first SEA Reporting Conference in Illinois State government, conducted with the assistance of the Department of Accountancy at the University of Illinois at Springfield, began a process of preparing these selected agencies to compile their performance reports. With input and direction from the Office of the Comptroller and the Governor's Office of Strategic Planning, the agencies chose key programs on which to report and identified the mission statements, goals, and key indicators that reflect their performance. These nineteen reports are the first compiled by the agencies themselves.


A Homemaker, Adult Day Servic

B Mission Statement To prevent premature and unnecessary institutiona through the delivery of homemaker, adult day serv special demonstration projects.

C Program Goals 1) To provide community-based service options to order for older adults to remain in the community r 2) To maintain a high quality of home and commun quality standards emphasizing consumer satisfact

D *Outcome Indicators*
CCP Caseload vs. 85+ Population
CCP Caseload vs. Nursing Home Caseload
Face-to-Face Screens
Non-Face-to-Face Screens
Number of Clients Deflected into Interim Service

E *External Benchmarks*
Average Percent of Home & Community Based Services vs. 85+ Population (5 States)
Average Percent of Home & Community Based Services vs. Nursing Home Caseload (5 States)

F *Output Indicators*
Total Clients Served (duplicated)
Total Assessments Conducted
Number of Deinstitutionalizations Conducted
Homemaker Units (hours)
Adult Day Service Units (hours)
Case Coordination Units (hours)

G *Efficiency/Cost-Effectiveness*
CCP Average Monthly Caseload
CCP Average Monthly Cost of Care
Average Monthly Cost of Medicaid Nursing Home
Monthly Savings (Federal/State)
Yearly Savings (Federal/State)

H *Input Indicators*
CCP Actual Expenditures ($ millions)
Number of CCP Personnel
Homemaker Service (% allocated)
Adult Day Service (% allocated)
Case Coordination Unit (% allocated)

I *Explanatory Information*
1) IDoA Total Budget: $215,030,600(fiscal year 1998) $251,443,01
2) Average DoN Score: 47.25(fiscal year 1998) 47.12(fiscal year 1
3) Percent of Clients on Medicaid:Range from 31.5% to 33.0%
4) Percent of Persons Age 65+ Living Alone: 29.5%(Illinois) 28.2%
5) Persons Per Thousand with Difficulty in Mobility of Self Care 65+

- **Survey of public opinion on state government services.** One of the goals of SEA reporting (and performance reporting generally) is to make agencies more aware of their customers. Customer satisfaction, as gauged in customer satisfaction surveys, is recognized in SEA reporting as a key indicator of performance. For state government, the customer is the public.

A few state agencies do survey their direct consumers on a limited basis, and the results of those surveys are reflected in their individual SEA reports. This year's Public Accountability Report, however, contains the results of a statewide survey of public opinion on our state's performance in key programmatic areas. Carried out by the Center for Governmental Studies at Northern Illinois University, the survey gauges the public's attitudes about the importance of certain programmatic areas as well as their opinion on how well the state addresses those areas.

- **Mission statements, goals, and external benchmarks.** Integrated into the SEA reporting format this year are mission statements, goals, and external benchmarks. This information supplies an overall context for the reported programs. Mission statements and goals set expectations about the outcomes programs strive to reach. External benchmarking looks at the performance of comparable programs in other states (or national norms) to see how our programs rank.
- **Summaries of program areas.** Like the Illinois State Budget, the Public Accountability Report is broken

COVER STORY continued, page 10

Department on Aging

rvice, Case Coordination Unit

utionalization of older adults in Illinois. This shall be accomplished
service, case management, and services made available through

ns to vulnerable elderly and to support and promote independence in
nity rather than to enter a nursing facility.
nmunity-based services by assuring implementation of minimum
sfaction, processes and outcomes.

	Fiscal Year 1998 Actual	Fiscal Year 1999 Target	Fiscal Year 1999 Actual
	19.1 %	19.1 %	19.2 %
	41.1 %	33.0 %	42.3 %
	97.5 %	95.0 %	97.2 %
	2.5 %	5.0 %	2.8 %
	6,612	6,612	6,195
	18.6 %	18.6 %	18.6 %
g	25.7 %	25.7 %	25.7 %
	417,418.0	439,200.0	429,635.0
	154,001.0	154,001.0	154,884.0
	356.0	356.0	385.0
	13,800,683.4	15,207,736.0	14,488,837.4
	2,034,040.0	2,236,752.0	2,131,016.0
	576,000.0	620,525.0	591,191.5
	34,785.0	36,600.0	35,803.0
	$349.5	$392.2	$382.0
	$1,690.0	$1,814.4	$1,814.4
	$46.6	$52.1	$51.3
	$559.6	$624.6	$615.4
	$145.9	$172.2	$164.1
	24.0	24.0	24.0
	82.4 %	83.7 %	83.7 %
	6.5 %	6.1 %	6.1 %
	11.2 %	10.2 %	10.2 %

3,010(fiscal year 1999)
ar 1999)

.2%(U.S.)
e 65+: 201.4(Illinois) 201.1(U.S.)

A *Program*

An agency completes a form for each program. SEA reporting looks at programs and how well they perform, not line items or spending.

B *Mission Statement*

Each agency provides a general statement of the program's purpose or reason for being. It should be derived from state law or another authoritative source. A mission statement should define what the program aims to do, why and for whom.

C *Program Goals*

Each program should have several goals that give a broad, but clear statement of the general outcomes or results that it was designed to accomplish.

D *Outcome Indicators*

Outcomes represent the accomplishments in SEA. These are the meat of the SEA report, where agencies attempt to provide a few simple, quantifiable measures that sum up the program's performance at a glance. The targets in the second column identify the numerical objectives for the year as set by the department for the program.

In this example, the Department on Aging identified five outcome indicators. The first two indicate how well the program keeps seniors out of nursing homes by presenting its caseload as a percentage of Illinois' over-85 population and of the total nursing home population. The next two (Face-to-Face Screens) indicate that the department surpassed it objective of providing a face-to-face (rather than a phone) interview to 95% of the nursing home applicants. The last outcome indicator shows that, in raw numbers, 6,195 seniors were deflected from nursing homes through the CCP in the course of fiscal year 1999.

E *External Benchmarks*

The SEA form asks agencies to provide three types of comparative data: previous year's figures, current-year targets, and external benchmarks. External benchmarks give the reader another indication of the program's accomplishments by comparing them with, for example, similar programs in other states or a national average. Here the Department on Aging compares the Illinois' CCP caseload as a percentage of the over-85 and nursing home populations to an average from five other states.

F *Output Indicators*

These are more traditional activity measures that agencies have used for years to justify their budgets. They measure the quantity of the work produced by the program. What they do not measure is whether that work has accomplished its purpose.

G *Efficiency/Cost Effectiveness*

These measures are intended to give an indication as to how efficiently a program delivers its outputs or its results. Usually, efficiency indicators are expressed as a ratio of costs per output or outcome that can then be compared from year to year or compared with other programs. These comparisons might suggest where to look for efficiencies or whether a program's failure to produce results could be due to insufficient resources.

H *Input Indicators*

Inputs are budget items like expenditures or staffing that represent what has been invested in the program in order to obtain the desired results.

I *Explanatory Information*

The numbers may not tell the whole story. This section of the form affords the agency the opportunity to disclose additional or clarifying information related to the program. This may include uncontrollable, external factors that affect its performance, such as demographic data or budget cuts or a change in the law or policy.

down into six program areas: Education, Human Services, Public Safety, Environment and Business Regulation, Economic Development and Infrastructure, and Government Services. All state agencies are assigned to one of these program areas. For the first time, the Public Accountability Report presents summary data that convey basic inputs (expenditures and staffing) and key outcomes for these program areas as a whole. This type of overall reporting links agencies within the same program area to common outcomes that, individually, they may only indirectly affect.

The Goals of Public Accountability

In broad terms, the Public Accountability Project seeks to:

- **Make State government more result-oriented.** State agencies should be judged on what they are accomplishing, rather than merely the volume of their activities. SEA reporting enables agencies to measure the effectiveness of the services they provide to taxpayers and to gauge how their outcomes and efficiency stack up against other entities offering the same services.

- **Increase public awareness of the efficacy of State government programs.** Budget and financial information is generally available. Information about the success or failure of certain services or programs is made public from time to time on a piecemeal basis. The Public Accountability Report aims to make readily available, to the public and decision makers, comprehensive information - in a simple, understandable format - on the results state government attains through the programs it offers to the public.

- **Facilitate informed decision-making on the allocation of State resources.** A comprehensive review of the results attained by state government programs can bring about an approach to budgeting that allows programs to be judged by the results they produce. SEA reporting reveals whether a program is performing up to expectations as laid out in its mission and goals. Also, by comparing its resources and results to similar programs in other states or a national average (external benchmarking), SEA reporting can provide guidance as to whether our programs are performing up to standard and whether additional resources are warranted or necessary.

- **Increase public accessibility to information on state government programs.** Accountability is impossible unless the public receives lucid information on the activities of government and then can avail themselves of opportunities to have input into decision-making. This report and survey attempt to meet this need. Other avenues for both disseminating information and collecting input need to be explored. The Illinois Office of the Comptroller encourages all citizens to make suggestions for improving the report.

Case Study: The Department on Aging's Community Care Program

Let's take a closer look at the reporting form with a specific example, the Department on Aging's Community Care Program (CCP). Keep in mind, Service Efforts and Accomplishments (SEA) reporting looks at programs, not agencies or line items as in a budget review. The SEA form is designed to highlight the outcomes that a program is attempting to achieve. The Department on Aging's Community Care Program (CCP) is a good example for demonstrating how to read an SEA report because the program has a single, clear purpose: enabling seniors to stay out of nursing homes. The program screens all seniors on their way to nursing homes to determine which of them, with some help, are able to live in a setting with less intensive care. [see example form and the nine related section descriptions on pages 8–9]

What conclusion can one reach about the CCP based on the data presented here? First it must be stated that SEA data are not yet audited or verified in any manner. The information is provided by the agencies, and they vouch for its accuracy and authenticity. The reporting done by the Department on Aging on the CCP example shown here suggests that the program is efficacious. Through the efforts of the program 6,195 of Illinois' elderly were diverted from nursing homes into less expensive care provided at their homes. Moreover, the percentage of older citizens receiving community-based services (as opposed to residing in nursing homes), in both the general population and the over-85 group, is higher in Illinois than in the other five states reported.

Summary

SEA reporting attempts to adapt for public offices a process that has been used in the private sector to make companies more productive and consumer conscious. It is sometimes referred to as *managing for results* or *performance measurement.* This type of reporting forces program directors and managers to revisit the basics - why their program exists, what are its essentials, and how well does it function - then put them into a format that the average person can understand. While the fiscal year 1999 Public Accountability Report, the third issued by the Office of the Comptroller, expands and formalizes the SEA reporting process, this type of reporting is still in an experimental stage. The Comptroller will continue to work with the Government Accounting Standards Board (GASB) to develop standards for this type of reporting.

Economic FOCUS

Fiscal Year 1999

Fiscal year 1999 was another strong year for the Illinois economy with healthy increases in employment and personal income. The Illinois unemployment rate averaged 4.3% during the year, the lowest since fiscal year 1974 when the average rate was 4.0%.

Illinois' non-agricultural employment averaged 5.941 million workers in fiscal year 1999. This was an increase of 110 thousand jobs or 1.9% over fiscal year 1998 employment. Illinois has now experienced seven consecutive years of employment growth. During this period, Illinois has added 726,000 non-agricultural jobs (a 13.9% increase).

A more comprehensive measure of Illinois' economic performance is the increase in state personal income adjusted for inflation. Illinois personal income adjusted for inflation grew 3.7% in fiscal year 1999, the eighth consecutive year this indicator has increased. Nominal personal income increased 5.5%, which was partially offset by a 1.7% increase in the consumer price index during the year. This was only the third time during the 1990's that Illinois personal income adjusted for inflation grew more than 3%.

Fiscal Year 2000 and Beyond

Illinois' economy has continued to perform well during the first part of fiscal year 2000. The state unemployment rate has remained at or below 4.7% during the first five months of the fiscal year; while, average Illinois non-agricultural employment was up 52,000 or 0.9% over its year earlier level during that period.

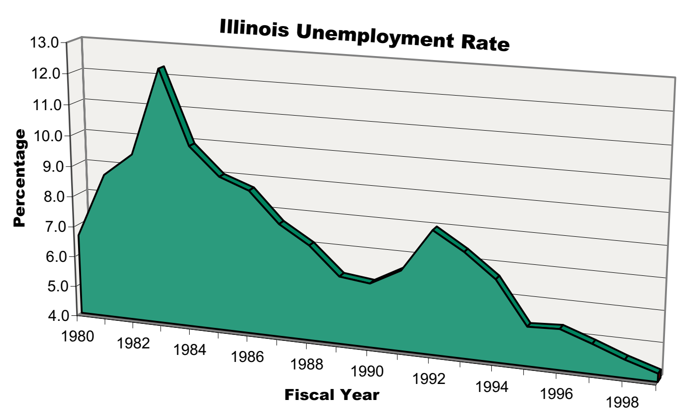
The strong performance of the Illinois economy during fiscal year 1999 was in spite of challenges to some of Illinois' traditionally key economic sectors. Weak economies in Asia and Latin America have had a negative impact on Illinois exports which declined 1.1% between calendar 1997 and calendar 1998. In addition, bumper crop production and lower exports have forced down grain prices, reducing incomes in the Illinois farm sector and decreasing demand for agricultural supplies, such as farm equipment, produced in Illinois. Weakness in these sectors is carrying over into 2000.

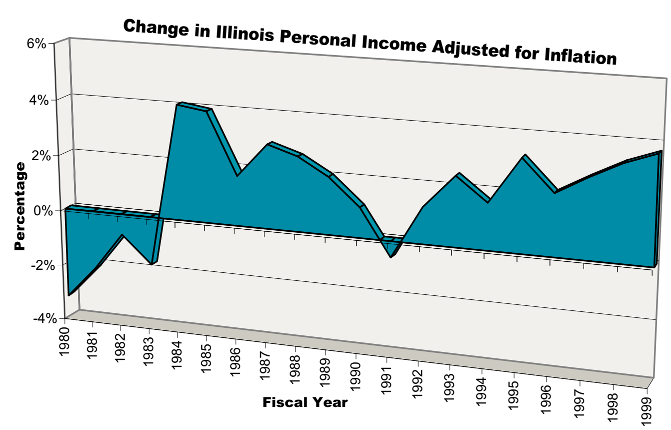
To thrive despite such adversity, Illinois must take advantage of rapidly changing technology and the globalization of the world economy. These offer both new opportunities for Illinois companies and put them at risk if they are unable to meet competition from international rivals or aggressive new start-up companies. Illinois leaders have adopted various economic policies to strengthen Illinois' infrastructure, upgrade the skills of Illinois employees, and take advantage of Illinois' inherent economic strengths.

Illinois is already a major center for scientific research. Illinois is home to major government research laboratories such as the Argonne National Laboratory and the Fermi National Accelerator Lab, major private corporate research labs, several large private research universities and the state's network of nine public universities which includes the National Center for Supercomputing Applications at the University of Illinois. The goal of government and university policy is to increase the availability of venture capital in Illinois ($439 million was provided to Illinois start-ups during fiscal year 1999), and create an entrepreneurial-friendly environment through the creation of research parks and business incubators which will encourage the in-state commercialization of discoveries made by researchers at these organizations.

As rapidly decreasing communications costs make communications access a key condition for participating in the information revolution, a second Illinois goal is to make Illinois a communications hub of the nation. Through expanding private networks and the state financed Century Network linking educational institutions throughout the state, Illinois is moving toward an environment where high quality information links are universally available in Illinois for educational, job training, commercial, and industrial purposes.

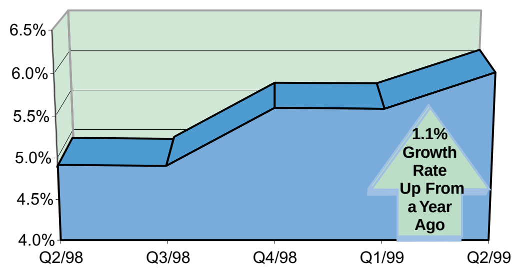
ECONOMIC FOCUS continued on back cover, page 16



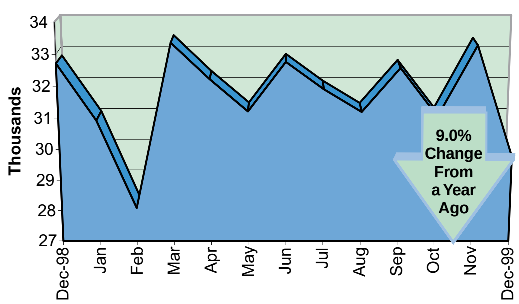


Illinois Stats: **Economic and Financial**

Illinois Personal Income
Change From Prior Year (Reported Quarterly)

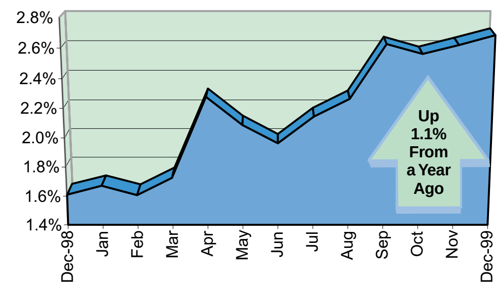


New Claims Unemployment Insurance

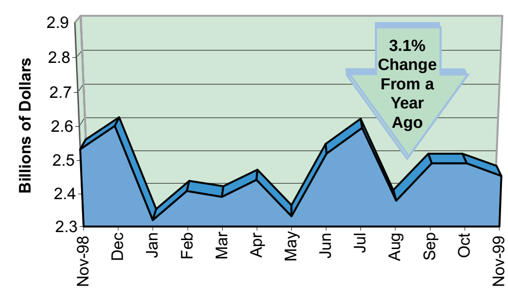


The December Illinois unemployment rate equaled 4.1%, the thirty-fifth consecutive month this rate has been below 5.0%. The December Illinois rate was equal to the December national rate, 0.1% less than the November Illinois rate, and 0.1% below its prior year level. Inflation remained modest in December with the national Consumer Price Index up 2.7% from its year earlier level. Finally, the December Chicago Purchasing Managers Index (54.6) remained above the 50 level that indicates equal numbers of reports of increasing economic activity and decreasing activity for the eleventh consecutive month.

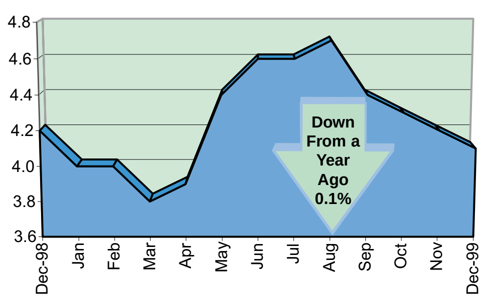
Inflation Rate
Change From Prior Year



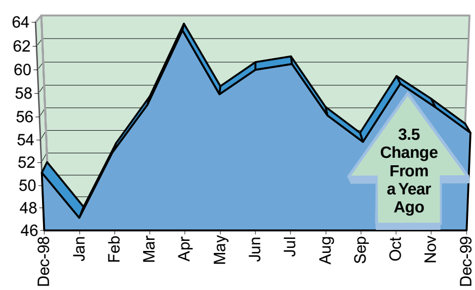
Illinois Direct Exports



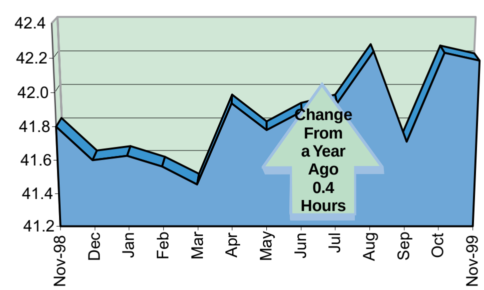
Illinois Unemployment Rate



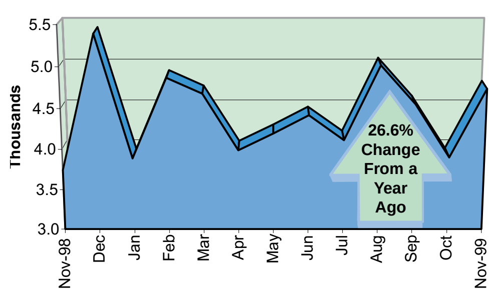
Chicago Purchasing Managers Index



Average Hours Worked Illinois Manufacturing

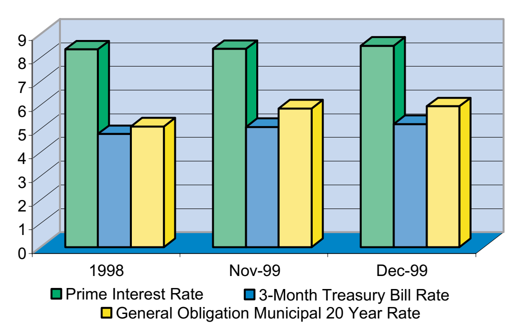


Illinois Housing Permits



The latest Standard & Poor's DRI forecast of the U.S. economy continues the ideals of healthy economic growth and sustained low inflation into calendar 2001. Over the next five quarters, U.S. real Gross Domestic Product (GDP) is expected to increase at annual rates varying between 2.8% and 3.7% each quarter. Despite this healthy rate of economic growth, the inflation rate is forecast to remain under 2.5% during the same period.

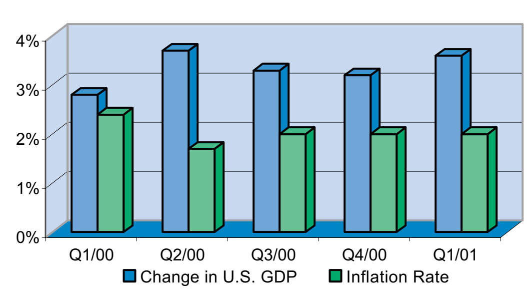
Interest Rate Trends



Sources:

Illinois Department of Employment Security:
Hours Worked in Manufacturing, Unemployment Insurance Claims
U.S. Census Bureau:
Direct Exports, Housing Permits
U.S. Bureau of Labor Statistics:
Unemployment Rates, Consumer Price Index
U.S. Bureau of Economic Analysis:
Personal Income
Purchasing Managers Association of Chicago:
Purchasing Mangers Index
Standard & Poor's *DRI*:
Economic Forecasts
Federal Reserve System:
Interest Rates

Economic Outlook



A Monthly Look At State Finance

Vital Statistics

The Heartbeat of Illinois' Finance

Through seven months of fiscal year 2000, the available cash balance in the General Funds totaled $784 million, $322 million or 29.1% below last January and $567 million or 42.0% below the $1.351 billion balance at the beginning of the fiscal year. All of the decline in the balance from last January can be attributed to the General Revenue Fund as the cumulative balance in the three school funds is up $82 million over last year while the balance in the General Revenue Fund is down $404 million.

The significant drop in the balance through the first seven months of the fiscal year is due to a combination of factors including the seasonal flow of revenues (see Focus on Revenue pg. 4) and acceleration in the pace of spending.

Compared to fiscal year 1999, General Funds warrants issued as a percentage of appropriations are on a faster pace through seven months. Through January, 54.7% of total General Funds appropriations have been issued compared to 53.0% last year. While a 1.7 percentage point increase in the pace of warrants issued may not seem like a lot, given that General Funds appropriations for fiscal year 2000 are slightly more than $20.9 billion, the acceleration amounts to approximately $355 million. By itself, the General Revenue Fund's percentage of appropriations issued through seven months is up 2.1 percentage points from 53.1% in 1999 to 55.2% in 2000.

While the General Revenue Fund accounts for most of the activity in the General Funds and largely determines the financial stability of the Fund Group, the pace of spending from the Education Assistance Fund is also noteworthy. Through January, 68.7% of Education Assistance Fund appropriations have been issued compared to only 54.3% in 1999. Low available cash balances in the Education Assistance Fund in the early months of fiscal year 1999 delayed spending until later in the year. The combination of increased revenues to the fund from both the restructured riverboat gambling wagering tax and dockside gambling, in conjunction with decreased appropriations levels below 1998, have not only increased available cash but also will push the fund balance into record territory later in fiscal year 2000.

General Funds Revenues Through Seven Months - Up 4.7% Over FY 1999

With a $153 million or 7.9% increase in January (compared to last January), General Funds revenues of $12.814 billion through the first seven months of fiscal year 2000 are $572 million or 4.7% higher than last year. The $153 million increase in January is partly due to timing as there was one more processing day this year than last year. For the month, income tax revenues increased $114 million (individual up $107 million and corporate up $7 million), federal sources increased $34 million, and sales taxes increased $20 million with all other sources down $15 million.

Significant year-to-date increases in sales, personal income, public utility, inheritance and liquor taxes as well as transfers in were partially offset by a decline in corporate income taxes (down $62 million or 13.0%) and federal source revenues (down $61 million or 2.7%).

Sales taxes are up $234 million or 7.0% compared to the first seven months of fiscal year 1999. Personal income taxes have increased $209 million or 5.4% over last year including the $107 million increase occurring in January. Public utility taxes are up $76 million or 13.9% for the year while inheritance taxes are up $41 million or 22.7% through the first seven months of the year as a couple of large estates were settled. Liquor taxes have increased by $38 million or 105.6% due to the rate increases instituted as part of Illinois FIRST.

The strong increase in transfers in (up $132 million or 19.0%) reflects a new transfer of $76 million in surplus monies from the Income Tax Refund Fund to the General Revenue Fund in August. In addition, gaming fund transfers from riverboat gambling proceeds are up $48 million or 30.4% due in part to the implementation of dockside gambling.

General Funds Spending Through Seven Months - Up 8.5% Over FY 1999

Through January, General Funds cash spending totaled $13.381 billion, $1.043 billion or 8.5% above last year. The $1.043 billion increase includes a $615 million increase in spending for awards and grants, a $328 million increase in operations, a $68 million increase in transfers out, and a $63 million increase in all other. After seven months of fiscal year 2000, expenditures have exceeded revenues by $567 million resulting in a decrease in the available cash balance from $1.351 billion at the beginning of the fiscal year to $784 million at the end of January.

Increases in awards and grants spending include: Public Aid grants for medical assistance (up $279 million); State Board of Education grants for elementary and secondary education (up $136 million); Department of Human Services grants (up $104 million); Children and Family Services grants (up $78 million); and Teachers Retirement grants (up $30 million).

Spending for operations totaled $3.768 billion through January, $328 million or 9.5% higher than comparable expenditures last year. Higher education operations are up 5.3% or $52 million, while all other operations increased $276 million (11.2%).

A Look Ahead

A drop in the General Funds available cash balance from the beginning of the year to the end of January was expected due to the seasonal flow of revenues to the General Funds. However, the decline was amplified to some extent by accelerated spending of approximately $355 million. Look for the balance to decline further in February which is typically a slow revenue producing month with fewer processing days than other months. Beyond February, the available cash balance in the General Funds should remain fairly level until the April 15th income tax filing deadline when a huge upswing in available cash generally occurs. During fiscal years 1998 and 1999, the General Funds available cash balance increased by $781 million and $910 million respectively between April 15th and the end of May.

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES
(Dollars in Millions)

	Dec. 1999	Six Months FY 2000	Change From Prior Year $	%
Total General Funds				
Available Balance	$ 791	$ 1,351	$ 149	12.4 %
Revenues	1,944	10,731	419	4.1
Expenditures	2,250	11,597	853	7.9
Ending Balance	$ 485	$ 485	$ (285)	(37.0) %
General Revenue Fund				
Available Balance	$ 543	$ 1,016	$ 4	0.4 %
Revenues	1,672	9,186	367	4.2
Expenditures	1,995	9,982	719	7.8
Ending Balance	$ 220	$ 220	$ (348)	(61.3) %
Common School Special Account Fund				
Available Balance	$ 63	$ 68	$ 9	15.3 %
Revenues	137	757	52	7.4
Expenditures	134	759	59	8.4
Ending Balance	$ 66	$ 66	$ 2	3.1 %
Education Assistance Fund				
Available Balance	$ 159	$ 210	$ 126	150.0 %
Revenues	88	450	37	9.0
Expenditures	63	476	88	22.7
Ending Balance	$ 184	$ 184	$ 75	68.8 %
Common School Fund				
Available Balance	$ 26	$ 57	$ 12	26.7 %
Revenues	226	1,222	(131)	(9.7)
Expenditures	236	1,263	(105)	(7.7)
Ending Balance	$ 16	$ 16	$ (14)	(46.7) %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES
(Dollars in Millions)

	Dec. 1999	Six Months FY 2000	Change From Prior Year $	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	$ 537	$ 3,173	$ 102	3.3 %
Corporate	129	371	(70)	(15.9)
Total, Income Taxes	666	3,544	32	0.9
Sales Taxes	548	3,044	213	7.5
Other Sources:				
Public Utility Taxes	89	543	79	17.0
Cigarette Taxes	33	200	(3)	(1.5)
Inheritance Tax (gross)	34	188	62	49.2
Liquor Gallonage Taxes	15	62	32	106.7
Insurance Taxes and Fees	37	86	(25)	(22.5)
Corporation Franchise Tax and Fees	8	60	3	5.3
Investment Income	19	108	(10)	(8.5)
Cook County IGT	31	138	(9)	(6.1)
Other	18	123	20	19.4
Total, Other Sources	284	1,508	149	11.0
Total, Cash Receipts	$ 1,498	$ 8,096	$ 394	5.1 %
Transfers In:				
Lottery Fund	$ 26	$ 206	$ (13)	(5.9) %
State Gaming Fund	40	191	47	32.6
Protest Fund	0	3	(6)	(66.7)
Other Funds	38	326	91	38.7
Total, Transfers In	$ 104	$ 726	$ 119	19.6 %
Total, State Sources	$ 1,602	$ 8,822	$ 513	6.2 %
Federal Sources:				
Cash Receipts	$ 331	$ 1,833	$ (64)	(3.4) %
Transfers In	11	76	(30)	(28.3)
Total, Federal Sources	$ 342	$ 1,909	$ (94)	(4.7) %
Total, Revenues	$ 1,944	$ 10,731	$ 419	4.1 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Dec. 1999	Six Months FY 2000	Change From Prior Year $	%
Expenditures:				
Awards and Grants:				
Public Aid	$ 430	$ 2,238	$ 190	9.3 %
Elem. & Sec. Education:				
State Board of Education	656	2,369	248	11.7
Teachers Retirement	54	324	21	6.9
Total, Elem. & Sec. Education	710	2,693	269	11.1
Human Services	252	1,388	84	6.4
Higher Education	103	411	(2)	(0.5)
All Other Grants	153	806	78	10.7
Total, Awards and Grants	$ 1,648	$ 7,536	$ 619	8.9 %
Operations:				
Other Agencies	$ 398	$ 2,353	$ 238	11.3 %
Higher Education	158	865	36	4.3
Total, Operations	$ 556	$ 3,218	$ 274	9.3 %
Transfers Out	$ 162	$ 921	$ 74	8.7 %
All Other	$ 2	$ 63	$ 44	231.6 %
Vouchers Payable Adjustment	$ (118)	$ (141)	$ (158)	N/A
Total, Expenditures	$ 2,250	$ 11,597	$ 853	7.9 %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT
(Dollars in Millions)

	Dec. 1999	Six Months FY 2000	Change From Prior Year $	%
Personal Services:				
Regular Positions	$ 192	$ 1,118	$ (530)	(32.2) %
Other Personal Services	21	120	8	7.1
Total, Personal Services	$ 213	$ 1,238	$ (522)	(29.7) %
Contribution Retirement	39	230	24	11.7
Contribution Social Security	13	80	2	2.6
Contribution Group Insurance	44	262	17	6.9
Contractual Services	45	274	(27)	(9.0)
Travel	2	13	0	0.0
Commodities	16	73	0	0.0
Printing	1	4	0	0.0
Equipment	3	25	(7)	(21.9)
Electronic Data Processing	3	27	(1)	(3.6)
Telecommunications	4	23	(7)	(23.3)
Automotive Equipment	1	8	(1)	(11.1)
Other Operations	172	961	796	482.4
Total, Operations	$ 556	$ 3,218	$ 274	9.3 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS
(Dollars in Millions)

	Dec. 1999	Six Months FY 2000	Change From Prior Year $	%
State Board of Education:				
General State Aid	$ 369	$ 1,391	$ 73	5.5 %
Categoricals	287	978	179	22.4
Other	0	0	(4)	(100.0)
Public Aid	430	2,238	190	9.3
Human Services	252	1,388	84	6.4
Higher Education:				
Student Assistance Commission	100	246	18	7.9
Community College Board	1	151	(15)	(9.0)
Other	2	14	(5)	(26.3)
Teacher's Retirement	54	324	21	6.9
Children and Family Services	95	450	103	29.7
Aging	21	115	25	27.8
Revenue	4	28	3	12.0
All Other	33	213	(53)	(19.9)
Total, Awards and Grants	$ 1,648	$ 7,536	$ 619	8.9 %

JANUARY 2000

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES
(Dollars in Millions)

	Jan. 2000	Seven Months: FY 2000	Change From Prior Year: $	Change From Prior Year: %
Total General Funds				
Available Balance	$ 485	$ 1,351	$ 149	12.4 %
Revenues	2,083	12,814	572	4.7
Expenditures	1,784	13,381	1,043	8.5
Ending Balance	$ 784	$ 784	$ (322)	(29.1) %
General Revenue Fund				
Available Balance	$ 220	$ 1,016	$ 4	0.4 %
Revenues	1,799	10,984	493	4.7
Expenditures	1,534	11,515	901	8.5
Ending Balance	$ 485	$ 485	$ (404)	(45.4) %
Common School Special Account Fund				
Available Balance	$ 66	$ 68	$ 9	15.3 %
Revenues	130	887	58	7.0
Expenditures	122	881	69	8.5
Ending Balance	$ 74	$ 74	$ (2)	(2.6) %
Education Assistance Fund				
Available Balance	$ 184	$ 210	$ 126	150.0 %
Revenues	85	535	47	9.6
Expenditures	70	546	95	21.1
Ending Balance	$ 199	$ 199	$ 78	64.5 %
Common School Fund				
Available Balance	$ 16	$ 57	$ 12	26.7 %
Revenues	245	1,468	(105)	(6.7)
Expenditures	236	1,500	(99)	(6.2)
Ending Balance	$ 25	$ 25	$ 6	31.6 %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES
(Dollars in Millions)

Revenues:	Jan. 2000	Seven Months: FY 2000	Change From Prior Year: $	Change From Prior Year: %
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	$ 916	$ 4,089	$ 209	5.4 %
Corporate	44	415	(62)	(13.0)
Total, Income Taxes	960	4,504	147	3.4
Sales Taxes	522	3,567	234	7.0
Other Sources:				
Public Utility Taxes	80	623	76	13.9
Cigarette Taxes	33	233	(3)	(1.3)
Inheritance Tax (gross)	34	222	41	22.7
Liquor Gallonage Taxes	12	74	38	105.6
Insurance Taxes and Fees	3	90	(27)	(23.1)
Corporation Franchise Tax and Fees	16	75	7	10.3
Investment Income	24	132	(5)	(3.6)
Cook County IGT	0	138	(9)	(6.1)
Other	19	142	2	1.4
Total, Other Sources	221	1,729	120	7.5
Total, Cash Receipts	$ 1,703	$ 9,800	$ 501	5.4 %
Transfers In:				
Lottery Fund	$ 47	$ 254	$ 0	0.0 %
State Gaming Fund	15	206	48	30.4
Protest Fund	2	4	(7)	(63.6)
Other Funds	37	363	91	33.5
Total, Transfers In	$ 101	$ 827	$ 132	19.0 %
Total, State Sources	$ 1,804	$ 10,627	$ 633	6.3 %
Federal Sources:				
Cash Receipts	$ 279	$ 2,111	$ (31)	(1.4) %
Transfers In	0	76	(30)	(28.3)
Total, Federal Sources	$ 279	$ 2,187	$ (61)	(2.7) %
Total, Revenues	$ 2,083	$ 12,814	$ 572	4.7 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

Expenditures:	Jan. 2000	Seven Months: FY 2000	Change From Prior Year: $	Change From Prior Year: %
Awards and Grants:				
Public Aid	$ 415	$ 2,653	$ 279	11.8 %
Elem. & Sec. Education:				
State Board of Education	180	2,549	136	5.6
Teachers Retirement	54	379	30	8.6
Total, Elem. & Sec. Education	234	2,928	166	6.0
Human Services	191	1,579	104	7.1
Higher Education	18	428	6	1.4
All Other Grants	82	888	60	7.2
Total, Awards and Grants	$ 940	$ 8,476	$ 615	7.8 %
Operations:				
Other Agencies	$ 382	$ 2,735	$ 276	11.2 %
Higher Education	168	1,033	52	5.3
Total, Operations	$ 550	$ 3,768	$ 328	9.5 %
Transfers Out	$ 158	$ 1,079	$ 68	6.7 %
All Other	$ 19	$ 82	$ 63	331.6 %
Vouchers Payable Adjustment	$ 117	$ (24)	$ (31)	N/A
Total, Expenditures	$ 1,784	$ 13,381	$ 1,043	8.5 %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT
(Dollars in Millions)

	Jan. 2000	Seven Months: FY 2000	Change From Prior Year: $	Change From Prior Year: %
Personal Services:				
Regular Positions	$ 194	$ 1,312	$ (638)	(32.7) %
Other Personal Services	20	140	10	7.7
Total, Personal Services	$ 214	$ 1,452	$ (628)	(30.2) %
Contribution Retirement	39	269	27	11.2
Contribution Social Security	13	93	1	1.1
Contribution Group Insurance	44	306	19	6.6
Contractual Services	34	307	(38)	(11.0)
Travel	2	15	0	0.0
Commodities	10	82	(2)	(2.4)
Printing	1	5	0	0.0
Equipment	2	27	(7)	(20.6)
Electronic Data Processing	4	31	1	3.3
Telecommunications	4	27	(7)	(20.6)
Automotive Equipment	1	10	(1)	(9.1)
Other Operations	182	1,144	963	532.0
Total, Operations	$ 550	$ 3,768	$ 328	9.5 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS
(Dollars in Millions)

	Jan. 2000	Seven Months: FY 2000	Change From Prior Year: $	Change From Prior Year: %
State Board of Education:				
General State Aid	$ 123	$ 1,514	$ (46)	(2.9) %
Categoricals	57	1,035	186	21.9
Other	0	0	(4)	(100.0)
Public Aid	415	2,653	279	11.8
Human Services	191	1,579	104	7.1
Higher Education:				
Student Assistance Commission	11	258	25	10.7
Community College Board	1	151	(15)	(9.0)
Other	6	19	(4)	(17.4)
Teacher's Retirement	54	379	30	8.6
Children and Family Services	33	483	78	19.3
Aging	14	128	24	23.1
Revenue	5	33	6	22.2
All Other	30	244	(48)	(16.4)
Total, Awards and Grants	$ 940	$ 8,476	$ 615	7.8 %

ECONOMIC FOCUS concluded…

The facilities and amenities available in Illinois have made it a logical home for corporate main offices and the major law, accounting and advertising offices that serve them. In 1999, Illinois was home to 39 of the Fortune 500 companies, ranking third among the states after New York and California. The current wave of super mergers, as companies seek to increase their size in response to competitive pressures, is presenting a challenge Illinois' role as a headquarters state for major corporations. Illinois' recent loss of the headquarters of two of its largest firms through the Amoco merger with BP and the Ameritech merger with SBC Communications Inc. are a warning that no company is too large to not be a candidate for absorption by an aggressive competitor.

FISCAL SMARTS concluded…

Future budgets will also have to address other long-term issues, particularly legislated increases in funding for pensions and education. A key element for funding pensions and education was the use of continuing appropriations authority to ensure that required payments are made each year. In fiscal year 1999, the fourth year of the pension funding legislation, state employer contributions totaled $1.2 billion. By fiscal year 2003, those contributions are expected to grow to $1.6 billion. Legislation establishing a specific foundation level of $4,100 per student was enacted in fiscal year 1998. The foundation level will increase every year until reaching $4,425 in fiscal year 2001.

The drop in the GAAP balance in spite of sizeable cash-based improvements in 1999 serves as a reminder that past financial performance is no guarantee of future results, and high end-of-year cash balances and even record budgetary balances do not in themselves indicate surpluses.

The change in the state's financial position also raises interesting questions. Has fiscal discipline been the major reason for the remarkable improvements in the state's financial health over the last several years or have those improvements been more related to the growing economy's ability to produce revenue? Is there an increasing tendency to utilize continuing appropriations if the Governor and General Assembly do not reach consensus on major policy issues? Are we making long-term commitments of resources in today's environment of prosperity that will put additional strains on future budgets?

The answers to these questions are critical to the state's future fiscal health.

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