

Fiscal Focus

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COMPTROLLER

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A Closer Look at State Operations Spending

Operational spending provides the foundation for state government to provide services to the residents of Illinois. Whether it is to pay a state employee's salary, buy paper and postage, or keep a computer running with a database of automobile titles and drivers' licenses, dollars spent for operational costs are a basic component of state government. [See definitions on page 3.]

As further detailed below, the largest part of operations spending is for personal services, and the Early Retirement Initiative (ERI) offered in 2002 resulted in an immediate reduction in state employees and concomitant reductions in spending for personal services, commodities, equipment, telecommunications and so forth. Total personal services spending was \$99.6 million lower in fiscal year 2007 than it was in fiscal year 2002. Despite this reduction, a component of personal services, regular positions spending, increased by \$33.9 million. Notable in this increase for regular positions spending was a shift away from the General Funds to other appropriated funds, especially the Road Fund.

Expenditures for group insurance increased as costs of medical coverage continue to move up, as did spending for retirement to meet the requirements of Illinois' 1995 pension funding plan. Also, spending for contractual services, lump sums and automotive equipment increased to levels higher than in fiscal year 2002. Even areas where operations spending was lower in fiscal year 2007 than in fiscal year 2002, such as telecommunications, commodities and equipment, have had increases since fiscal year 2004, the first full year after the ERI.

Similar to the case with spending for regular positions, there was a shift away from the General Funds in supporting total operations spending. In fiscal year 2002, the General Funds accounted for 57.2% of total state operations spending, but by fiscal year 2007 that percentage had dropped to 51.1%.

The following is an analysis of major categories of operational spending. Only expenditures from appropriated accounts were analyzed, and higher education expenditures were excluded. [A review of operations spending for higher education is presented separately on page 7.]

Personal Services

The largest area of operations spending and one of the slowest growing is personal services. Personal services spending includes salaries for regular state employees under the regular positions line and salaries for judges, elected officials and extra help under other personal services. As shown in the table on page 3, total appropriated spending for personal services of \$3.893 billion in fiscal year 2007 was about \$100 million lower than in fiscal year 2002, but it was \$221 million more than in fiscal year 2004, the first full year of annualized savings from the ERI. The growth occurred even though personal services spending has been significantly impacted by the ERI which reduced the number of state employees by approximately 12,000.

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Dear Readers:

Fiscal year 2008 got off to a rocky start when the Governor and the General Assembly could not agree on a 12-month state budget. A one-month budget was passed to keep state government operating in July, but the threat of a government shutdown loomed until the legislature finally passed a budget in August. The governor used his amendatory veto power to reduce or eliminate funding for many programs and services, but overall, General Funds appropriations for fiscal year 2008 totaled \$27.5 billion, an increase of \$1.5 billion over fiscal year 2007. Only in January 2008 was the fiscal year 2008 budget process finalized with the enactment of Public Act 95-707 that permitted major budget funding initiatives to be implemented.

The possibility of a government shutdown, however, as well as delays in the issuance of state payments, highlighted the number of people affected by state government operations. Whether paying state employees' salaries, buying paper and postage, or maintaining a computer database of automobile titles and drivers' licenses, dollars spent for operational costs are a basic component of state government.

This issue of *Fiscal Focus* examines state spending for operations since fiscal year 2002. Although the Early Retirement Initiative (ERI) helped to reduce the number of state employees by 12,175 between fiscal year 2002 and fiscal year 2003, by fiscal year 2007 personal services expenditures had grown. Since fiscal year 2004, the first full year of annualized savings from the ERI, total personal services spending grew \$221 million. In fact, spending for regular positions (one component of personal services) increased \$312.9 million compared to 2004. A closer look indicated that personal services spending out of the General Funds declined, but personal services spending from other funds, particularly the Road Fund, increased.

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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 report is designed to provide fiscal information of general interest.

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Budget Implementation Bill Finalizes Fiscal Year 2008 Spending Plan

On January 10, 2008, the Illinois General Assembly approved Governor Blagojevich's amendatory vetoes of the budget implementation bill (Senate Bill 783) that allowed that measure to become law. The resulting Public Act 95-707 contained statutory revenue and budgetary language that permitted full implementation of the fiscal year 2008 spending plan. The appropriations bill underlying the fiscal year 2008 budget plan was signed by Governor Blagojevich on August 23, 2007, following several months of an overtime session. Public Act 95-11 contains a total operating budget of \$59.5 billion and General Funds appropriations of \$27.5 billion. This represents an increase in General Funds appropriations of \$1.5 billion or 5.7% over fiscal year 2007. On average, General Funds appropria-

tions have increased 4% each year over the last 10 years in Illinois (see chart on page 8).

The \$27.5 billion General Funds budget takes into account gubernatorial reduction vetoes that amended the budget passed by the General Assembly by over \$470 million. These reductions, which the governor wants redirected toward expanded health care programs, consisted mainly of a \$287 million reduction in state agency appropriations and a \$183 million elimination of member initiatives (projects spearheaded by individual legislators to benefit their districts).

Budget Timeline

The governor's original fiscal year 2008 budget proposal, which was presented to the Gen-

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After a decline in personal services spending of \$321 million or 8.1% from fiscal year 2002 to fiscal year 2004 due to ERI, slight increases of \$18 million (0.5%) and \$39 million (1.1%) occurred in fiscal years 2005 and 2006 respectively. In fiscal year 2007, spending jumped \$164 million or 4.4%. The small increases in 2005 and 2006 were due to a further decline in employee headcount of between 2,500 and 3,000 from post ERI levels.

Although total personal services spending increased by \$221 million since fiscal year 2004, “regular position” spending increased even more growing by \$312.9 million or 9.4% while “other personal services” spending declined by \$91.9 million or 2.5%. The decline in other personal services is largely due to the discontinuance by the state of paying most of the employees’ share of retirement contributions (commonly called the “pickup”). Another component of the other personal services category is contractual payroll employees, and expenditures for this item declined as well from \$39.0 million in fiscal year 2004 to \$34.6 million in fiscal year 2007.

What’s Included in State Operations?

State government expenditures can be grouped in six major categories: operations, awards and grants, permanent improvements, transportation and related construction, debt service and refunds. The operations category includes the costs of running state government on a day-to-day basis, and the amount of operations spending is often used as a measure of the size of state government.

The operations category has smaller subcategories that reflect what is required to administer state government activities. Without getting too technical, these terms are explained below:

Personal Services – salaries/wages paid to employees.

Retirement – payments by the state for its share of contributions to employee retirement systems.

Social Security – payments by the state for its share of federal Social Security and Medicare taxes.

Group Insurance – payments by the state for medical and life insurance costs.

Contractual Services – payments for items incidental to agency operations such as postage, subscriptions and rental of property or equipment. This wide-ranging subcategory also includes items such as petty cash fund reimbursements, purchases of computer soft-

ware, and payments for legal fees and other professional or artistic services.

Travel – payments for transportation, mileage, lodging, meals and other reimbursable expenses incurred by official travel by state employees.

Commodities – payments for articles of a consumable nature such as paper, pens and pencils.

Printing – payments for materials, supplies and services resulting in the dissemination of printed information.

Equipment – payments for the acquisition or replacement of visible tangible personal property of a non-consumable nature.

Electronic Data Processing – payments for lease, rental or purchase of computer devices, supplies and services.

Telecommunications – payments for the lease, rental or purchase of telecommunications equipment such as telephones, radios, and teletypes.

Operation of Automobile Equipment – payments for the operation, maintenance and repair of automotive equipment.

Lump Sums – payments for any valid expenditure object where no object breakdown is provided in the appropriations.

Also notable is the shift away in funding over the time period reviewed from General Funds with a higher utilization of

other appropriated funds for personal services. From fiscal year 2002 to fiscal year 2007, General Funds personal services spending declined by \$272 million or 9.6% while personal services spending from other funds increased \$172 million or 14.9%. A closer look at the increase in spending for personal services from other funds indicates that the majority of the increase was from the Road Fund. The increase began in fiscal year 2003 when the statutory limit on using Road Fund monies for the Secretary of State and the Illinois State Police was increased.

Employee Headcount

Looking back over the last ten years, it is evident that after increasing during the

Personal Services Spending*

Dollars in Millions

	2002	2003	2004	2005	2006	2007
Regular Positions						
General Funds	2,540.1	2,360.4	2,200.9	2,195.7	2,254.6	2,365.2
Other Appropriated Funds	1,063.0	1,167.7	1,123.2	1,177.3	1,199.3	1,271.8
Total Regular	\$ 3,603.1	\$ 3,528.1	\$ 3,324.1	\$ 3,373.0	\$ 3,453.9	\$ 3,637.0
Other Personal Services						
General Funds	296.8	277.3	265.7	244.4	213.7	199.7
Other Appropriated Funds	93.0	101.5	82.5	72.9	61.3	56.6
Total Other	\$ 389.8	\$ 378.8	\$ 348.2	\$ 317.3	\$ 275.0	\$ 256.3
Total, Personal Services	\$ 3,992.9	\$ 3,906.9	\$ 3,672.3	\$ 3,690.3	\$ 3,728.9	\$ 3,893.3

*Excludes Higher Education

Source: Comptroller's records.

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late 1990s, state government is operating now with far fewer employees. At the end of fiscal year 2007, there were 72,312 state employees, 11,275 or 13.5% less than at the end of fiscal year 1998. As previously mentioned, the early retirement incentives offered during fiscal year 2003 are the primary reason for the substantial drop in the number of state

higher than 2002. The headcount for the Department of Central Management Services increased by 359 or 25.5% while the number of employees for the Department on Aging (not shown in table) increased by 26 or 20.3%. The increase for Central Management Services occurred in part because of the transfer and consolidation of various agency posi-

(JRS), the General Assembly Retirement System (GARS), the State Universities Retirement System (SURS) and the Teachers' Retirement System (TRS, for teachers outside of the City of Chicago). Due to the appropriation language, payments to TRS and a portion of those to SURS are actually counted as grant spending not operational spending as is the case with the other systems' payments and, therefore, are not included in the operational spending tables in this issue. However, recent payments and expected fiscal year 2008 contributions to all five systems are included in the accompanying table for illustrative purposes.

Legislation enacted in 1995 provided a plan for moving the pension systems to a

Employee Headcount by Agency
As of June 30th - Agencies Over 1,000

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Human Services	19,023	15,515	15,580	14,510	14,857	14,485
Corrections*	17,047	13,920	14,419	14,003	13,695	13,212
Transportation	8,028	7,423	6,870	6,406	6,354	6,612
Secretary of State	4,774	4,433	4,374	4,341	4,527	4,630
State Police	3,849	3,467	3,407	3,401	3,466	3,498
Children & Family Services	4,325	3,659	3,653	3,488	3,419	3,278
Healthcare and Family Services**	2,864	2,436	2,433	2,267	2,429	2,483
Natural Resources	2,630	2,181	2,449	2,123	2,158	2,193
Revenue	2,416	1,966	2,342	2,092	2,110	2,130
Judicial	2,442	2,432	2,441	2,460	1,878	1,925
Toll Highway	2,110	1,913	1,890	1,855	1,744	1,795
Central Management Services	1,406	1,225	1,276	1,813	1,812	1,765
Employment Security	2,189	1,964	2,035	1,891	1,808	1,714
Legislative	1,397	1,338	1,344	1,310	1,279	1,363
Veterans' Affairs	1,171	1,107	1,161	1,091	1,118	1,160
Environmental Protection	1,317	1,200	1,248	1,167	1,147	1,124
Public Health	1,361	1,184	1,203	1,136	1,139	1,112
All Other	9,072	7,883	7,287	7,292	7,963	7,833
Total	87,421	75,246	75,412	72,646	72,903	72,312

*Includes Department of Juvenile Justice in fiscal year 2007.
**Department of Public Aid prior to fiscal year 2006
Source: Comptroller's records.

State Retirement Contributions
Excluding Pension Funding Bond Proceeds
All State Funds
(\$ in millions)

	2006	2007	Est. 2008
SERS	\$ 210.5	\$ 358.8	\$ 560.1
JRS	29.2	35.2	46.9
GARS	4.2	5.2	6.8
TRS	534.3	737.7	1,041.3
SURS	166.6	252.1	340.3
	\$ 944.8	\$ 1,389.0	\$ 1,995.4

employees. From fiscal year 2002 to fiscal year 2003 alone, the state workforce declined by 12,175. State employee headcount was at its highest at the end of fiscal year 2001 with 89,097, 16,785 or 23.2% higher than it is currently.

Since fiscal year 2002, by far the agency hardest hit was the Department of Human Services which lost 4,538 employees over the last six years and accounted for 30.0% of the total drop in employee headcount. Other agencies with significant drops include the Department of Corrections (down 3,835 or 22.5%) and the Department of Transportation (down 1,416 or 17.6%). Among the largest percent decreases was the Department of Children and Family Services (down 1,047 or 24.2%).

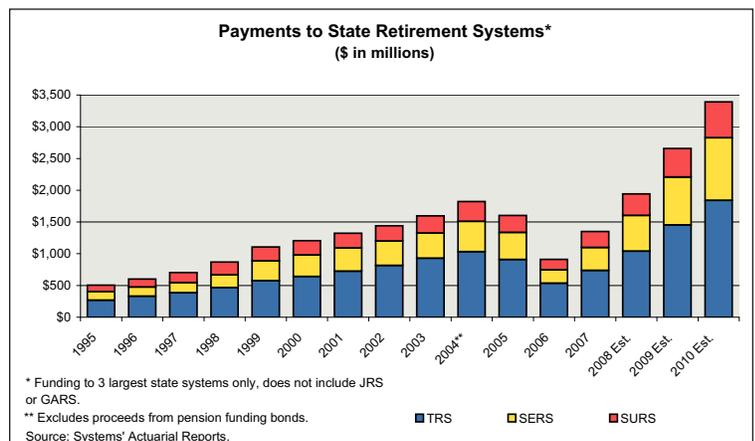
Despite the losses most agencies experienced due to the ERI, a couple of agencies have increased headcount to a level

tions such as public information, audit, legal and information technology. The Department on Aging's headcount increase was related to the transfer of the Senior Citizen Circuit Breaker and Pharmaceutical Assistance Program staff from the Department of Revenue.

Retirement

During recent years, retirement contributions to the state pension systems have been one of the fastest growing areas of state operational spending. The five state retirement systems include the State Employees' Retirement System (SERS), the Judges' Retirement System

90% level of funding system liabilities by 2045; it included a steep ramp up in contributions during the early years of the plan until payments (as a percent of payroll) level out in 2010. As seen in the



graph (which excludes JRS and GARS due to their relatively small size), contributions from all state funds to the retire-

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ment systems more than tripled between fiscal year 1995 and fiscal year 2003. Payments are primarily from the General Funds, but not exclusively. In fiscal year 2004, state contributions increased further and an additional \$7.3 billion was infused into the state retirement systems from the sale of pension funding general obligation bonds. This large infusion of proceeds helped to reduce the necessary contributions for fiscal year 2005.

For fiscal year 2006 and fiscal year 2007, contributions to the systems were statutorily restructured with payments reduced below those recommended by the systems' actuaries. The legislation that reduced those payments also provided for a revised ramp to the 2010 levels envisioned in 1995. In fiscal year 2008, projected contributions to the systems are expected to grow by over \$600 million as the state attempts to return to the 1995 funding schedule. Retirement expenditures are expected to grow over \$700 million a year during the next two fiscal years absent any changes to the 1995 funding plan, reaching nearly \$3.5 billion by fiscal year 2010.

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Special Note

To analyze state expenditures for operations, it is common to first look at spending according to the major objects, or line-items, as appropriated by the General Assembly. When appropriations bills are signed into law, the Comptroller's Office assigns an expenditure authority account code to each line-item. These codes can be used to tabulate expenditures once they have been made. For example, to see how much had been spent for personal services, one could total the amounts spent by Illinois state agencies that were coded as "personal services," or to see how much was spent for operations, one could add up all of the amounts coded as operations spending.

Given the difficulty of identifying and backing out all such transactions, we have subdivided the cover story into separate sections based on key expenditure categories such as personal services, retirement, group health insurance, contractual services and lump sums.

In addition, actual expenditures may differ from the major objects in state appropriations bills because state agencies have some discretion as to how funds are spent. The classic example of this is broad-based lump sum appropriations. Absent any other information, it would be impossible to determine how agencies spent their lump sum appropriations. But the

State Government Operations Expenditures*
Detailed Object - \$ in Millions

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	3,992.9	3,906.9	3,672.4	3,690.3	3,728.9	3,893.3
Retirement	390.9	398.0	376.2	558.4	303.1	461.1
Social Security	254.9	250.1	236.5	239.9	246.0	259.1
Group Insurance	876.4	947.7	1,141.3	1,208.3	1,334.1	1,370.8
Contractual Services	1,466.8	1,408.6	1,412.8	1,436.0	1,700.5	1,751.6
Travel	46.4	38.4	37.0	36.1	38.1	39.4
Commodities	219.2	192.5	198.5	177.5	176.6	199.3
Printing	33.2	29.2	28.2	27.7	23.3	20.3
Equipment	90.9	59.0	63.9	66.1	57.3	77.9
Electronic Data Processing	27.9	23.5	22.6	16.3	21.9	28.8
Telecommunications	230.0	210.0	206.0	214.7	196.0	210.6
Automotive Equipment	65.2	65.7	65.1	70.7	81.9	91.0
Lump Sums	1,515.4	1,730.4	2,045.4	2,133.2	2,176.5	2,313.6
TOTAL	9,210.1	9,260.0	9,505.9	9,875.2	10,084.2	10,716.8

* Excludes higher education.

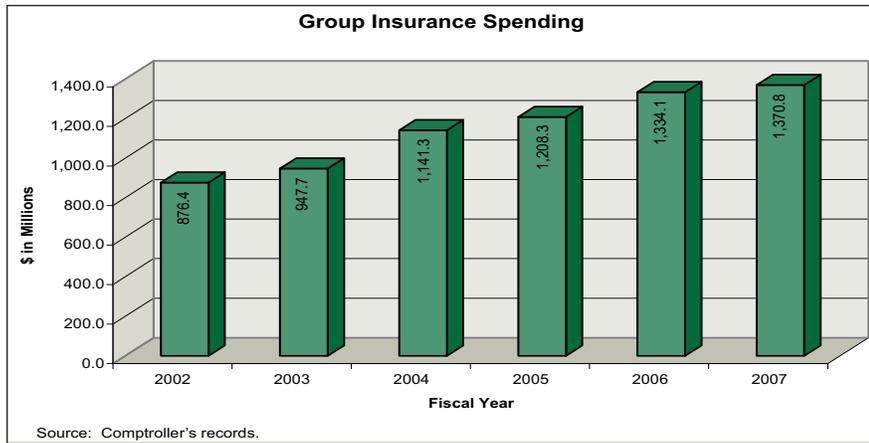
Source: Comptroller's records.

However, this approach has some potential drawbacks. The Statewide Accounting Management System keeps track of the receipt and expenditure of monies for hundreds of state funds. While the system may do an excellent job at that, it may provide misleading information to researchers extracting data. For example, appropriations for state agencies include a line-item for group insurance payments for the agencies' employees. When agencies "spend" that money the transaction is recorded as an expenditure for group insurance and the dollars are receipted into the Health Insurance Reserve Fund (HIRF) controlled by the Department of Healthcare and Family Services (DHFS). DHFS is the agency that makes payments for healthcare services provided to state employees, so when DHFS issues a payment to a healthcare vendor, the transaction is also recorded as an expenditure for group insurance. Similarly, the state has some revolving funds and payment consolidation funds where transactions involving monies going into and out of a fund are recorded as expenditures.

Comptroller's Office adds a detailed object code that provides some additional information on how lump sums have been spent. The addition of a detailed object code permits the recording of how much of a lump sum expenditure is made for items such as personal services or equipment or travel.

Other examples include situations where state agencies not only spend for personal services out of their personal services line-item, but also spend money for personal services from lump sums or even from non-operations categories such as permanent improvements or awards and grants. Without detailed object coding, such spending would be missed. In short, examining spending by major object may undercount actual expenditures, whereas using detailed object codes provides a more accurate look at spending.

For the purposes of this article, expenditures by detailed object (not major object) were used as the unit of analysis.



Contractual Services - Selected Items

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Professional and Artistic Services	354.5	319.1	310.8	349.9	333.3	361.1
Rental Real Property	154.0	157.5	154.6	154.9	154.4	155.2
Auditing and Management Services	128.3	127.3	144.4	149.5	120.2	147.5
Hospital and Medical Services	101.4	106.1	112.2	118.2	135.6	129.5
Purchase of Investments	118.5	118.9	121.2	95.5	110.9	95.2
Statistical and Tabulation Services	62.8	70.3	76.8	74.7	78.3	79.2
Electricity	61.1	61.0	57.7	65.5	61.3	70.1
Computer Software	59.9	56.4	55.5	47.3	52.9	60.6
Repair and Maintenance	65.8	62.8	64.3	59.7	61.1	56.4
Postage and Postal Charges	43.7	36.2	36.0	37.8	42.5	42.3
Travel	46.4	38.4	37.0	36.1	38.1	39.4
Gas	16.9	20.0	25.3	40.5	39.0	32.9
Legal Fees	24.0	15.2	12.1	10.3	14.9	16.8
Contractual - Not Elsewhere Classified	125.5	114.8	100.1	94.6	99.4	100.0
Other	150.4	143.0	141.8	137.6	147.9	154.2
TOTAL	1,513.2	1,447.0	1,449.8	1,472.1	1,489.8	1,540.4

Source: Comptroller's records. Excludes higher education and revolving funds' consolidation payments.

Group Health Insurance

The fastest growing area of operations spending is for employee and retiree health care (known as “group insurance”) due to substantial increases in medical costs. In fiscal year 2007, \$1.371 billion was spent on group insurance from appropriated funding, an increase of \$494 million or 56.4% since fiscal year 2002. Group insurance spending has increased each year over the last ten fiscal years. The mechanism for paying insurance claims allows for monies to be transferred from various state funds into the Health Insurance Reserve Fund (HIRF) along with employee and retiree contributions. Claims are then paid for from the HIRF. Transfers from the General Revenue Fund account for

the largest portion of funding with \$1.118 billion transferred in fiscal year 2007.

Contractual Services

Contractual services include some of the more mundane items of operations spending such as real property rent,

repair and maintenance, utilities and postage. However, expenditures for legal services, auditing and management services, and professional and artistic services are also part of this line item.

Overall, spending for contractual services increased \$277.8 million from fiscal year 2002 to fiscal year 2007. However, that increase includes revolving funds' consolidation payments that skew the data. If the revolving funds' payments are excluded, then spending for contractual services has been relatively flat, increasing by \$27.2 million or 1.8% from fiscal year 2002 to fiscal year 2007. The largest dollar increase occurred in hospital and medical services where fiscal year 2007 expenditures of \$129.5 million were \$28.1 million more than in fiscal year 2002. Most of these expenditures were made by the Departments of Corrections and Juvenile Justice for medical services provided to persons in state facilities.

Expenditures for auditing and management services increased \$19.2 million during the six-year period to reach a total of \$147.5 million in fiscal year 2007, and spending for statistical and tabulation services increased \$16.4 million to a total of \$79.2 million. Agencies with sizeable expenditures for statistical and tabulation services in fiscal year 2007 included the Departments of Healthcare and Family Services (\$25.7 million), Human Services (\$14.2 million), and Employment Security (\$10.8 million). Agencies with sizeable expenditures for auditing and management services included the Departments of Healthcare and Family Services (\$63.2 million), Children and Family Services (\$17.8 million) and Transportation (\$10.8 million). [See page 11 for more details.]

Lump Sums

In some cases the General Assembly appropriates funds

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Operations						
Personal Services & Fringe Benefits	248.5	1,003.5	1,175.0	1,233.7	265.5	305.2
Contractual Services	310.8	271.9	326.4	282.1	287.4	363.6
Prof & Artistic	149.1	121.0	122.9	99.3	103.2	170.8
Audit & Management	53.9	52.3	97.6	90.9	74.2	70.3
Legal Fees	10.1	4.9	5.4	3.2	3.1	3.5
Travel	6.5	4.7	4.8	4.9	5.0	4.3
Commodities	42.0	37.8	34.7	28.9	25.8	23.7
Equipment	22.3	17.5	23.9	27.2	21.8	25.5
EDP	3.6	2.5	5.4	2.7	4.7	5.7
Telecommunications	22.4	11.3	15.5	28.6	33.9	43.1
Automotive	2.0	1.7	1.8	2.0	2.4	2.7
Lump Sums	3.2	3.6	23.3	3.9	2.7	1.8
Other						
Awards and Grants	350.2	344.7	269.0	351.4	379.4	415.9
Permanent Improvements	14.3	8.4	7.2	7.8	9.0	5.6
Transport Construction	0.9	0.9	1.7	2.6	8.8	5.4
Refunds	4.4	5.0	1.4	1.1	7.1	3.6
Total	1,031.1	1,713.5	1,890.1	1,976.9	1,053.5	1,206.1

Source: Comptroller's records. Excludes higher education and interfund transfers.

The substantial difference in personal services expenditures in fiscal years 2003-2005 is attributable to state contributions to group insurance that were coded as lump sums in these years.

The increase in lump sum expenditures in fiscal year 2004 is attributable to \$21.8 million in efficiency initiatives for the Department of Central Management Services.

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for agency operations as a lump sum with no breakout by common spending objects. This may occur because of the nature of a project or because there is a lack of historical spending data to provide guidance in allocating an appropriation. However, when expenditures are made from lump sum appropriations, the expenditures are recorded by a detailed object code when the payments are sent to the Comptroller's Office for processing. This coding provides some additional information on how lump sums have been spent.

From fiscal year 2002 to fiscal year 2007, lump sum expenditures increased \$175 million or 17%. For operational lines, the largest dollar increases were \$56.7 million for personal services (from \$248.5 million to \$305.2 million) and \$52.8 million for contractual services (from \$310.8 million to \$363.6 million). In terms of percentage increases, spending for telecommunications increased 92.4% to a total of \$43.1 million in fiscal year 2007 and spending for electronic data processing increased 58.3% to a total of \$5.7 million.

Lump sum expenditures also supported functions other than operations. Spending for awards and grants out of lump sums increased \$65.7 million, from \$350.2 million in fiscal year 2005 to \$415.9 million in fiscal year 2007. ■

State Spending on Higher Education Operations

Excluded from the data in the cover story is operational spending at the state's universities and higher education agencies as this area is often considered to be separate from traditional state government operations. Additionally, since the universities have other "locally held" (i.e., not held in the state treasury) resources such as tuition to use for operational costs, inclusion of only state appropriated spending in a large summary table such as the one included in the cover story special note could be misleading when looking for trends in operational costs.

According to the Illinois Board of Higher Education's (IBHE) *Annual Report of Public University*

and the State Universities Civil Service System and Retirement System. The spending is broken out by detailed object according to Office of the Comptroller records although in fiscal years 2002-04, the state provided the universities with lump sum appropriations for operations rather than allocating the state dollars among the different operations lines.

Roughly 70-80% of state dollars go to fund salary costs at the universities. The next largest amount spent is on university retirement costs – it should be noted that the retirement line here only reflects the General Funds portion of retirement spending, which has declined over the last few years.

Appropriated Higher Education Operations Expenditures Detailed Object - \$ in Millions

	2002	2003	2004	2005	2006	2007
Personal Services	\$1,345.2	\$1,254.9	\$1,201.0	\$1,178.3	\$1,170.8	\$1,193.4
Retirement	233.8	254.7	224.0	119.6	88.0	67.0
Social Security	14.6	13.2	13.9	14.5	14.9	15.8
Group Insurance	45.2	50.5	50.7	43.9	45.5	46.0
Contractual Services	100.4	78.2	54.9	81.0	94.4	94.2
Travel	1.8	1.5	0.8	1.2	0.9	1.0
Commodities	6.9	5.4	3.2	5.8	5.9	5.8
Printing	2.7	2.4	1.5	2.1	2.0	2.2
Equipment	20.0	13.0	5.6	13.9	9.9	10.5
Electronic Data Processing	0.2	0.1	0.1	0.1	0.2	0.3
Telecommunications	34.5	31.3	9.0	10.0	10.0	10.0
Automotive Equipment	2.3	2.0	0.9	1.5	1.8	1.9
Lump Sums	25.4	35.7	28.5	19.3	25.0	33.8
Total	\$1,833.0	\$1,742.9	\$1,594.1	\$1,491.2	\$1,469.3	\$1,481.9

Source: Comptroller's records.

Revenues and Expenditures: Fiscal Year 2007, state appropriated fiscal year 2007 revenues of \$1.336 billion were only 24.5% of the total revenues received by Illinois' public universities. The balance of the \$5.45 billion total was generated by sources such as the university income funds (primarily tuition revenues), governmental gifts and contracts, private gifts, grants and contracts, and sales/service revenue, some of which can only be spent on restricted purposes.

The accompanying table includes state appropriated higher education operations spending from fiscal year 2002 through fiscal year 2007. It includes operational spending, primarily from the General Funds, for the state's universities, the Illinois Student Assistance Commission, the IBHE, the Illinois Community College Board, the Illinois Math and Science Academy,

Amounts provided to the State Universities Retirement System (SURS) from other state funds are considered grant spending due to the language of the appropriations (see the section on retirement in the cover story for the total SURS funding).

After drops in state funding in fiscal years 2003 and 2004, state spending for higher education operations has remained around \$1.4 billion excluding payments to SURS, with nearly \$1.2 billion going to salary costs every year. However, according to IBHE's report, total salary costs at the state's universities have risen from \$2.455 billion in fiscal year 2003 to \$2.895 billion in fiscal year 2007, an increase of nearly 18%. Other areas of universities' operational spending have also increased during this time. As a result, revenues from other sources, such as tuition, have had to fill in the gap.

Budget continued from page 2

eral Assembly in March 2007, was an ambitious document, calling for universal health care for all Illinoisans, a multi-billion dollar expansion in elementary and secondary education funding, increased funding for pension obligations and increases in appropriations for most state agencies. To support this budget plan, the governor proposed a new gross receipts tax (GRT) on business transactions, along with the leasing of the state's lottery program. In its original form, it was estimated that the GRT would have generated \$6 billion annually

budget was passed to keep the state operating for the first month of the year. As July stretched into August, however, little progress had been made on a full-year budget, and fears of a government shut-down loomed again. Comptroller Hynes warned that according to the Illinois Constitution, the state would no longer be authorized to issue most payments absent a legally approved budget or court order.

The latter, which was issued by a Christian County Circuit Court on August 10, covered only state employee paychecks, how-

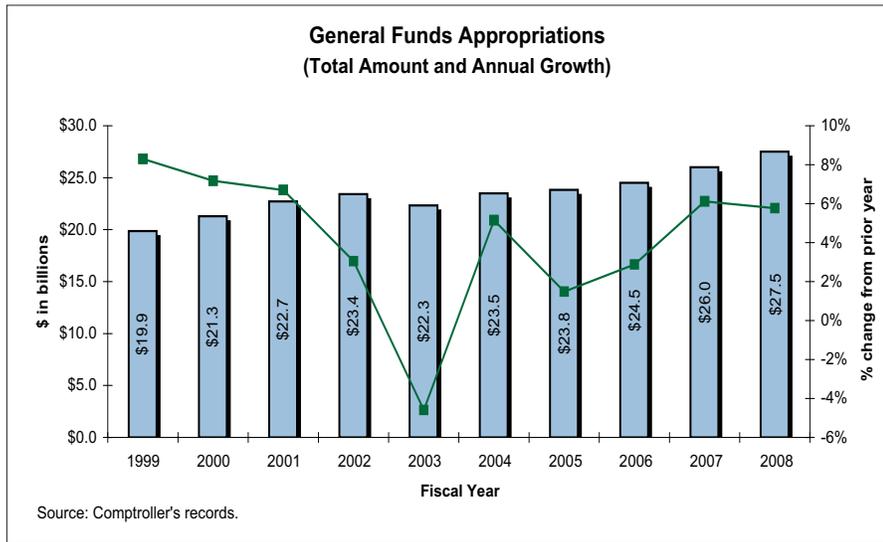
see a moderate to substantial increase in funding from fiscal year 2007 levels. An overview of the General Funds appropriations is included in the table on page 9. Many agencies, in fact, have appropriations that exceed the amounts originally proposed by the governor.

Education

Elementary and secondary education received almost \$552 million in additional General Funds appropriations from the final budget. Most of the increase is earmarked for General State Aid, Special Education, transportation reimbursements, Early Childhood education, and grants for the teachers' retirement system. This marks an 8.4% increase over last year's funding and includes money for a foundation level increase of \$400 to \$5,734 per pupil as provided in Public Act 95-707.

Higher Education General Funds appropriations decreased \$70.8 million or -3.1% from fiscal year 2007. The majority of this decrease is due to a \$116.8 million reduction in General Funds appropriations for the State Universities Retirement System, which is more than offset by increased appropriations from another state fund to cover the statutorily required state contribution. Most universities and the Illinois Community College Board received a moderate increase in General Funds appropriations of 2% or less, and the Illinois Student Assistance Commission, which provides loans and grants to low-income college students, had an increase of 7.0% or \$28.2 million.

Elementary, secondary, and post-secondary education were affected by the governor's vetoes - education funding was reduced by more than \$102 million. The governor's elementary and secondary education vetoes decreased grant funding for programs such as fast growth schools, charter school start up costs, school safety, and arts and foreign language education. The governor's higher education vetoes focused on university operations, although some grant funding was also eliminated.



when fully implemented and the lease of the state lottery would have realized \$10-15 billion. The governor also proposed a large capital program expansion to be funded by the GRT.

As the General Assembly worked on its own budget proposals, other issues including utility rate relief and mass transit funding were part of the mix as well. The state's leadership was at odds for much of the session, with a House resolution that showed no support for the governor's gross receipts tax plan, the House passing a budget in May that was rejected by a Senate resolution, and the governor threatening to veto any budget that did not include significant funding for expanded health care.

As the end of fiscal year 2007 approached, it became clear that the legislature was at an impasse, making a government shut-down a real possibility. A one-month

ever, and the comptroller remained unable to issue payments to Illinois' school districts, social service providers, and thousands of vendors doing business with the state.

Finally, the fiscal year 2008 budget was passed by the legislature on August 10 and signed by Governor Blagojevich on August 23, thus avoiding a government shut down. Included with the signed budget, the governor issued an amendatory veto message in which he removed over \$470 million worth of appropriations that had been approved by the legislature. Legislative action during the fall restored only about \$8 million of the \$470 million of the budget cuts.

Fiscal Year 2008 Appropriation Highlights

The fiscal year 2008 post-veto budget will allow many of the state's larger agencies to

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General Funds Appropriations by Agency/Group				
Fiscal Years 2007 and 2008				
Dollars in Millions				
	Fiscal Year		\$ Change	% Change
	2007	2008 *		
Legislative	79.0	88.6	9.6	12.2%
Judicial	337.5	360.0	22.5	6.7%
Elected Officials	317.2	330.5	13.3	4.2%
Code Departments				
Aging	426.5	459.7	33.2	7.8%
Agriculture	49.3	49.2	(0.1)	-0.2%
Central Management Services	106.4	83.9	(22.5)	-21.1%
Children and Family Services	775.9	896.8	120.9	15.6%
Commerce and Community Affairs	106.1	123.4	17.3	16.3%
Corrections	1,126.1	1,236.3	110.2	9.8%
Employment Security	15.3	15.1	(0.2)	-1.3%
Healthcare and Family Services	7,764.8	8,117.4	352.6	4.5%
Human Rights	7.7	9.7	2.0	26.0%
Human Services	3,997.6	4,135.1	137.5	3.4%
Illinois Power Agency	0.0	1.3	1.3	100.0%
Juvenile Justice	116.6	126.3	9.7	8.3%
Labor	6.1	7.3	1.2	19.7%
Military Affairs	15.1	15.1	0.0	0.0%
Natural Resources	86.0	84.6	(1.4)	-1.6%
Public Health	149.2	159.6	10.4	7.0%
Revenue	154.2	158.4	4.2	2.7%
State Police	200.2	217.0	16.8	8.4%
Transportation	120.7	134.9	14.2	11.8%
Veterans' Affairs	42.0	54.7	12.7	30.2%
Code Departments Subtotal	15,265.7	16,085.8	820.1	5.4%
Other Agencies	1,209.7	1,343.7	134.0	11.1%
Elementary & Secondary Education	6,533.6	7,085.1	551.5	8.4%
Higher Education	2,273.1	2,202.3	(70.8)	-3.1%
General Funds Total	\$26,015.8	\$27,496.0	\$1,480.2	5.7%

* Fiscal year 2008 appropriations reflect an increase in the mandated pension contribution rate from 11.526% to 16.561% to fund agency retirement payments.
Source: Comptroller's records as of 1/14/2008.

Healthcare and Human Services

The largest single agency increase in the budget in terms of dollars was to the Department of Healthcare and Family Services (DHFS), which realized a net total funding increase of \$352.6 million or 4.5% for a total General Funds appropriation of \$8.1 billion. DHFS funds, among other things, the state's Medicaid program and group health insurance for state employees. Most of this increase (\$351 million) was for medical services, with the largest increases going to hospitals, pharmacies, and physicians.

Although the net total for DHFS increased, the governor's amendatory veto actually diminished some health care funding approved by the legislature. Reduction vetoes to DHFS' budget included cuts to hospitals (reduction of \$40 million) and long-term care (reduction of \$50 million). However, as the state is allowed to roll over Medicaid bills into future fiscal years for payment, these vetoes may not translate into actual program reductions but may

increase payment delays to medical providers.

General Funds appropriations for the Department of Human Services increased by 3.4% to \$4.1 billion in fiscal year 2008. Within the Department of Human Services, an increase of \$85.4 million or 8.5% will go toward operations, while grant lines in the department increased \$52.3 million or 1.8%. However, the governor's vetoes did reduce funding for DHS operations and grants lines by \$84.9 million from the level passed by the General Assembly.

Other human service agencies, such as the Department on Aging and the Department of Children and Family Services (DCFS), also received a General Funds increase in fiscal year 2008. The Department on Aging received an overall increase of \$33.2 million in funding, the majority of which will be funneled into the Community Care Program, the program that enables seniors to remain in their homes rather than receive nursing home care. The Department of Children and Family Services (DCFS) came out ahead with \$120.9 million in new

General Funds appropriations. However, this increase is primarily to offset the reduction in available money in another state fund.

Public Safety and Transportation

Illinois' public safety agencies saw an expansion of General Funds appropriations. The Department of Corrections (DOC) received a 9.8% increase from fiscal year 2007, bringing its total General Funds appropriations to \$1.24 billion. However, this agency also had budget vetoes affecting 15 of its correctional centers, reducing appropriations primarily for prison staffing expenditures. The relatively new Department of Juvenile Justice, now separated from the DOC, saw a funding increase of \$9.7 million or 8.3%, although eight youth centers had budgets reduced by the governor's vetoes. Total vetoes for both the DOC and the Juvenile Justice Department add up to nearly \$16 million. In addition to the DOC and Juvenile Justice increases, the General Funds budget for the State Police rose from \$200.2 million to \$217.0 million, up 8.4% from last year.

The Illinois Department of Transportation (IDOT) saw a moderate increase of \$14.2 million in appropriations from the state's General Funds, although this agency's funding comes primarily from other state funds aside from the General Funds. For fiscal year 2008, IDOT's largest appropriations were for \$4.463 billion from the Road Fund and nearly \$1.5 billion from the State Construction Account. IDOT's General Funds appropriation was reduced by \$6 million by the governor's vetoes, eliminating primarily local government transportation and infrastructure projects.

Pensions

Spread across many programmatic areas of the budget, payments to the state's five retirement systems, the State Employees' Retirement System (SERS), the Judges' Retirement System (JRS), the General Assembly Retirement System (GARS), the State Universities Retirement System (SURS) and the Teachers' Retirement Sys-

Budget continued from page 9

tem (TRS, for teachers outside of the City of Chicago) increased significantly in fiscal year 2008. Estimated to total \$1.995 billion, pension appropriations are up \$606 million across all state funds, with most of the increase occurring in the General Funds. (These increased contribution rate of 16.561% to SERS drove part of the appropriation increases to the state's agencies discussed earlier.) This amount meets the contributions certified by the systems' actuaries.

Agencies with Funding Losses

A few state agencies had General Funds budgets below fiscal year 2007 levels. Central Management Services was hit by a \$22.5 million decrease in funding from fiscal year 2007. The Department of Natural

Resources encountered a loss of \$1.4 million and the Illinois Emergency Management Agency received a reduction of \$2.2 million from last year; however, a large part of these agencies' activities are funded by other state funds. The Illinois Arts Council received a cut of \$4.6 million in its art program grants lines. The Capital Development Board, which received a \$150 million General Revenue Fund supplemental last year to make construction grants to school districts, will receive no General Funds support this fiscal year.

Revenue Changes

To support the new fiscal year's General Funds budget, base revenue growth of approximately \$1.5 billion in income and sales taxes was anticipated. There are no

current published revenue forecasts by the Governor's Office but at mid-year corporate income tax receipts are down from last year by over 5% and sales tax growth is flat.

The full impact of this apparent slowdown on the budget structure is not yet clear.

To some extent, this slowdown may be partially offset by the closure of certain corporate tax loopholes by Public Act 95-233. As reported by the Commission on Government Forecasting and Accountability, the unofficial budget estimate was that these loophole closures may generate up to \$90 million in fiscal year 2008. Public Act 95-707 should generate an estimated \$268 million in income tax revenue through the recalculation of Income Tax Refund fund allocations. That Act will also allow the

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Overview of Vetoes

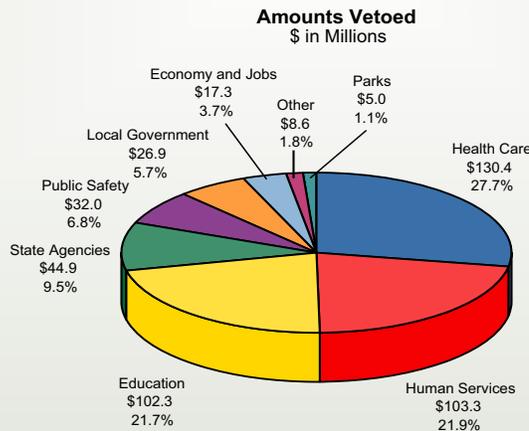
In August 2007, Governor Blagojevich signed the fiscal year 2008 operating budget, but not without first issuing hundreds of line-item vetoes that eliminated or reduced over \$470 million in state spending from the enrolled budget. \$463 million was vetoed from the fiscal year 2008 General Funds budget, while over \$7 million came from other funds. The vetoes marked a 2% decrease in the enrolled General Funds Budget that had passed the legislature. To put this in perspective, the General Funds appropriations tend to increase somewhere between 1% and 5% each year.

According to allocations utilized by the Center for Tax and Budget Accountability, the following is a categorical breakdown of the General Funds vetoes: Education, \$102 million; Health Care and Human Services, \$234 million; State Agen-

cies, \$45 million; Economy and Jobs, \$17 million; Parks, \$5 million; Local Governments, \$27 million; Public Safety, \$32 million; and Other, \$8 million.

In analyzing this pie chart, it is important to note that in fiscal year 2008, \$22.6 billion, or about 82% of all General Funds appropriations will go to education and healthcare and human services. Therefore, it is not surprising that in order to achieve a sum of \$463 million, a majority of the budget vetoes would need to come from these corresponding categories.

After the enactment of the budget, many entities appealed to the legislature and the governor to reinstate their funding, however, in the fall legislative session days designed to review the Governor's cuts, only approximately \$8 million in vetoed funding was restored by both houses of the legislature.



Source: Center for Tax and Budget Accountability.

Professional Service Charges

Although state payroll-related expenditures get the most attention when studying state operating costs, a significant amount is also spent on professional service contracts. These contracts allow the state to hire firms and individuals with special skills such as in accounting, law, or advertising for specific projects. In fiscal year

When an agency submits a voucher to the Comptroller's office, a detailed object code is included describing the expenditure. In fiscal year 2007, spending on non-medical professional contracts included \$148 million for auditing and management consultant services, \$17 million for legal fees, and \$361 million for other professional and artistic services.

ples include veterinary fees, stipends, charges for commodity testing and grading, clergymen's fees, payments for expert witnesses, engineering fees, and payments to interpreters and entertainers. Nine agencies had over \$10 million in spending from this object in fiscal year 2007.

The Environmental Protection Agency and Healthcare and Family Services each had other professional and artistic services spending in excess of \$50 million. The largest portion of EPA spending was from the Vehicle Inspec-

Spending on Auditing and Management Services Fiscal Year 2007	
Agency	Expenditures
Healthcare and Family Services:	
General Revenue Fund	\$ 38,706,454
Child Support Administrative Fund	15,543,193
Public Aid Recoveries Trust Fund	7,471,622
Other Funds	1,469,913
Children and Family Services	17,759,753
Auditor General	16,143,539
Transportation	10,823,338
Central Management	7,444,489
Human Services	6,460,789
Employment Security	5,478,439
State Board of Education	4,416,239
Public Health	4,229,228
State Board of Elections	2,256,133
Corrections	1,866,329
Environmental Protection Agency	1,237,002
Commerce and Economic Opportunity	1,303,250
Other Agencies	4,927,242
Total	\$ 147,536,953

Excludes higher education.

Auditing and Management Consulting Services

Spending for auditing and management consulting services includes charges rendered for auditing, accounting, data processing, and other management related consultants. It does not include the cost of software purchases which has a separate contractual listing. Although thirteen agencies reported at least \$1 million in spending on this object, the largest portion of auditing and management services spending (\$63 million or 43%) was by the Department of Healthcare and Family Services which administers state medical and child support enforcement programs. As would be expected, the Auditor General spent a significant amount (\$16 million) on auditing and management services. The other two agencies spending over \$10 million were the Department of Children and Family Services (\$18 million) and the Department of Transportation (\$11 million).

2007, spending on non-medical professional services totaled \$525 million. Thirteen agencies spent at least \$10 million on this category and four agencies spent at least \$50 million. The top four were led by the Department of Healthcare and Family Services (formerly the Department of Public Aid) which spent \$116 million in fiscal year 2007 followed by the Environmental Protection Agency with \$55 million, the Department of Corrections with \$52 million, and the State Board of Education with \$50 million.

Spending on non-medical contractual services increased from \$461 million to \$515 million between fiscal year 2003 and fiscal year 2005, before dropping to \$468 million in fiscal year 2006 and climbing to \$525 million in fiscal year 2007. A \$29 million increase in Healthcare and Family Services spending accounted for over half of the fiscal year 2007 increase in spending.

Spending on Legal Services Fiscal Year 2007	
Agency	Expenditures
Revenue	\$ 2,272,839
Healthcare and Family Services	2,203,756
Employment Security	1,489,969
Central Management	1,371,786
State's Attorneys Appellate Prosecutor	1,239,996
Corrections	1,234,302
Children and Family Services	1,214,539
Transportation	1,072,458
Other	4,657,904
Total	\$ 16,757,549

Excludes higher education.

Legal Services

Spending on legal service contracts totaled \$17 million in fiscal year 2007. Eight agencies spent over \$1 million on the purchase of legal services lead by the Department of Revenue with purchases of \$2.3 million. The Attorney General had \$123 thousand in spending on legal fees and the only judicial agency included in the list is the State's Attorneys Appellate Prosecutor's Office with spending of \$1.2 million.

Other Professional and Artistic Services

A wide range of services can be provided as other professional and artistic services. Exam-

Spending on Other Professional and Artistic Services Fiscal Year 2007	
Agency	Expenditures
Environmental Protection Agency:	
Vehicle Inspection Fund	\$ 32,102,331
Hazardous Waste Fund	9,311,721
Solid Waste Management Fund	3,724,790
U S Environmental Protection Fund	3,361,954
Used Tire Management Fund	2,181,992
Other	2,665,811
Healthcare and Family Services:	
Child Support Administrative Fund	41,217,801
General Revenue Fund	6,287,997
Drug Rebate Fund	2,019,702
Other	1,389,356
Corrections	49,013,448
State Board of Education	45,325,372
Revenue:	
State Lottery Fund	24,469,640
Other	4,018,483
Transportation	24,673,247
Commerce and Economic Opportunity:	
Tourism Promotion Fund	18,358,102
Other	5,266,444
Children and Family Services	17,716,428
Human Services	11,770,845
State Police	9,761,311
Juvenile Justice	9,360,733
Natural Resources	8,832,658
Public Health	8,061,829
Supreme Court	3,557,470
Secretary of State	3,297,701
Agriculture	2,688,270
Central Management	2,432,057
Financial and Professional Regulation	1,482,572
Attorney General	1,287,700
Other	5,431,503
Total	\$ 361,069,268

Excludes higher education.

tion Fund which funds emission inspections of vehicles in specified areas of the state. Most Healthcare and Family Service spending was from the Child Support Administrative Fund used for administrative expenses incurred in trying to collect child support payments.

Among the remaining agencies with significant other professional and artistic services spending, Revenue's spending is primarily for the State Lottery and Commerce and Economic Opportunity's spending is largely for tourism promotion. ■

State Employee Payroll: More Than Just a Paycheck

Much more is involved in paying State of Illinois employees than just generating payroll warrants or electronic direct deposit documents. Each time employees' payrolls are processed, the state, as an employer, also pays a share of employees' group health and life insurance, retirement, Social Security taxes, and Medicare taxes.

For fiscal year 2007 state employees' salaries and wages accounted for \$3.9 billion, or approximately 36.3% of the state's operations spending. Social Security and Medicare contributions totaled \$259.1 million. This amount is paid at the combined rate of 7.65% of payroll for each employee, with 6.2% for Social Security and 1.45% withheld for Medicare. The amount paid by the state for the employer contribution for group insurance was \$1.4 billion.

Retirement for state employees is covered in part by contributions from the state. The percent of payroll for the employer's contribution

is determined annually by an actuarial consultant and certified by the State Employees' Retirement System (SERS) board.

Employee Benefit Options

The state does not assume all of the benefit costs for employees. Rather, the costs are shared between the government and the employees. Most state employees have a share of the cost of their health insurance coverage taken out of their salaries and wages. This is not a mandatory deduction as a provision exists for employees to opt out of the State Employees Health Insurance Program, which covers health, dental, vision and pharmacy. There is an additional contribution required in order for dependents to receive health coverage. Both the employee and all dependents must be enrolled in the same plan. There are three health benefit coverage options available: Health Maintenance Organizations (HMOs), Open Access Plan

(OAP), and Quality Care Health Plan (QCHP).

Basic term life insurance for state employees, payable at one times the annual salary, is available at no extra cost to the employee. Life insurance can be purchased for up to eight times the annual salary of the employee, for an additional fee. Upon initial hire, up to four times the annual salary can be purchased with no statement of health verification.

In addition to sharing the cost of group health insurance, employee retirement costs are also shared between the employees and the state, using varying percentages. Employees with Social Security benefits pay 4% of their salary, while employees without social security benefits are required to pay 8% of their salary. Some employees, like state policemen, firefighters and others in more risky professions pay 12.5% of their salary. For security employees of the Departments of Correc-

State Employee Payroll continued, page 13

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governor the discretion to utilize other education funds to make General State Aid to Education payments, in effect freeing up General Revenue Fund dollars.

Outlook

Although the fiscal year 2008 budget is now in place, it remains to be seen if a cap-

ital bill will be funded. This issue will affect the fiscal health of the state depending on the structure of the programs and the source of revenues found to fund it.

Illinois is clearly not out of its fiscal difficulties yet. Although the state was able to end fiscal year 2007 with no backlog of bills in its General Funds, payment delays

and bill backlogs have grown steadily through the first six months of the fiscal year. If revenue growth falters or if spending continues to outpace incoming revenues, fiscal year 2008 could be a year of increasing financial difficulties that will spill over into the next fiscal year. ■

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tions and Human Services and for air pilots and state highway maintainers, 8.5% is required with Social Security coverage and 12.5% is required without Social Security. In a few cases, the state also pays (“picks up”) a portion of the employee cost.

Additional benefit programs exist for state employees, some of which offer various tax benefits. Flexible spending accounts are available to state employees that serve as tax-free options to help pay for medical or dependent care expenses. The Deferred Compensation Program provides state employees with pre-tax investment options allowing them to save for the future. Through the Commuter Savings Program, state employees can deduct commuting and parking expenses pre-tax by using payroll deduction.

Payroll Calculations

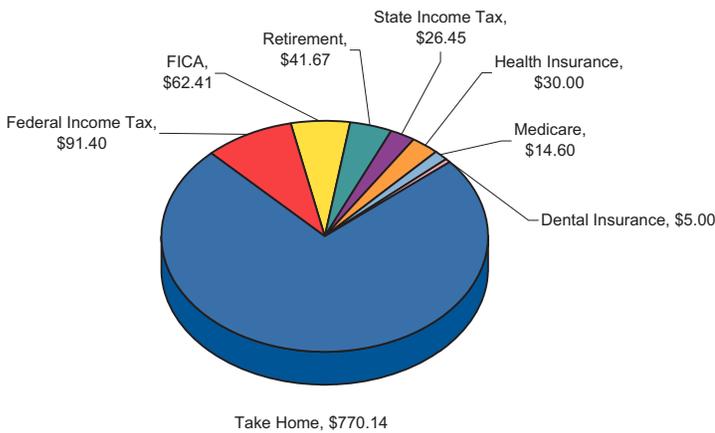
An employee’s gross pay is reduced by various deductions in order to reach net pay. Exemptions, non-taxable benefits (i.e., health and dental insurance and retirement) and more must be deducted before the calculations are made for federal and state income taxes. Federal income taxes are withheld based on the information reported by employees on their W-4 forms. The amount varies depending on marital status and the number of withholding allowances available for each employee. The Internal Revenue Service (IRS) publishes tables annually to show the withholding amounts. State employees’ salaries and wages are taxed at 3% of federal adjusted gross income for state income tax. Social Security and Medicare taxes are withheld at 6.2% and 1.45% respectively for a total of 7.65%. This percentage matches the

employer’s share and combines for a total of 15.3% to the federal government. Social Security has a base limit on wages of \$97,500 for 2007.

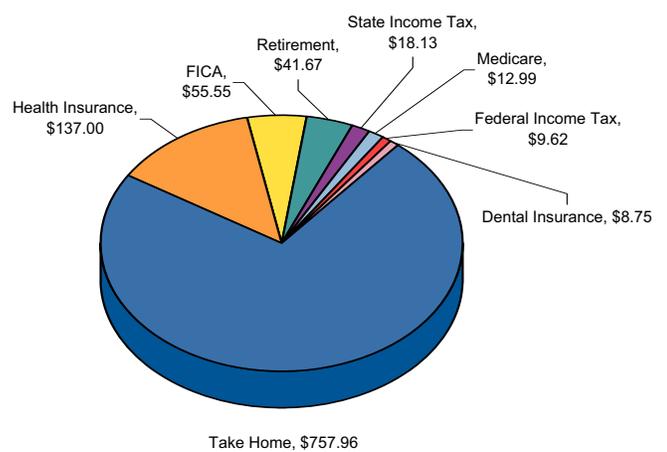
Employees may also deduct from their payroll to purchase savings bonds. Child support payments, garnishments and union dues are among other things that may also affect an employees’ net pay.

The following pie charts take a closer look at the costs of state employee benefits per pay period, by comparing payroll deductions for persons with different incomes and marital status. For these examples, the employees were assumed to be full-time, paid twice a month, and earning annual salaries of \$25,000 and \$55,000. It was assumed the single employee claimed one exemption and the married employee claimed three exemptions. ■

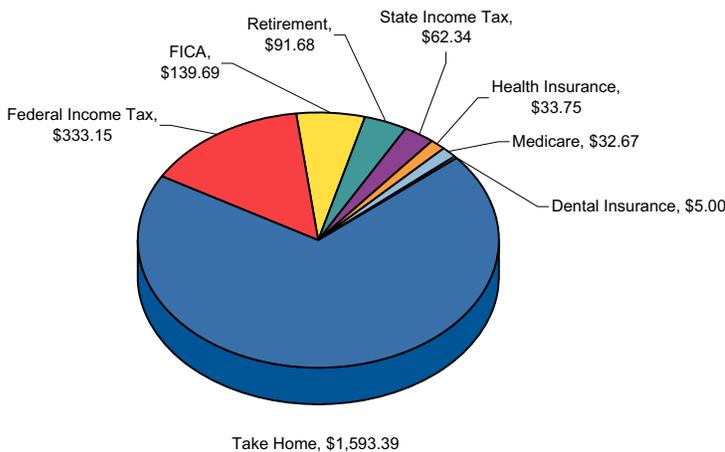
\$25,000 Single - \$1,041.67 Gross



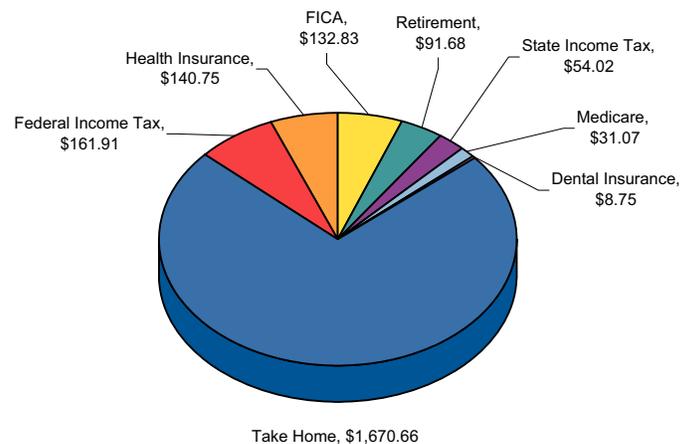
\$25,000 Married - \$1,041.67 Gross



\$55,000 Single - \$2,291.67 Gross



\$55,000 Married - \$2,291.67 Gross



State Government Employment Levels

State government employees are necessary so that the state's business and public service are carried out to the fullest. They are important to keeping state government running efficiently and effectively. However, the number of state government employees varies widely among the different states due to a few factors such as how centralized the state government is, how dependent the state is on local governments, and the size of the state.

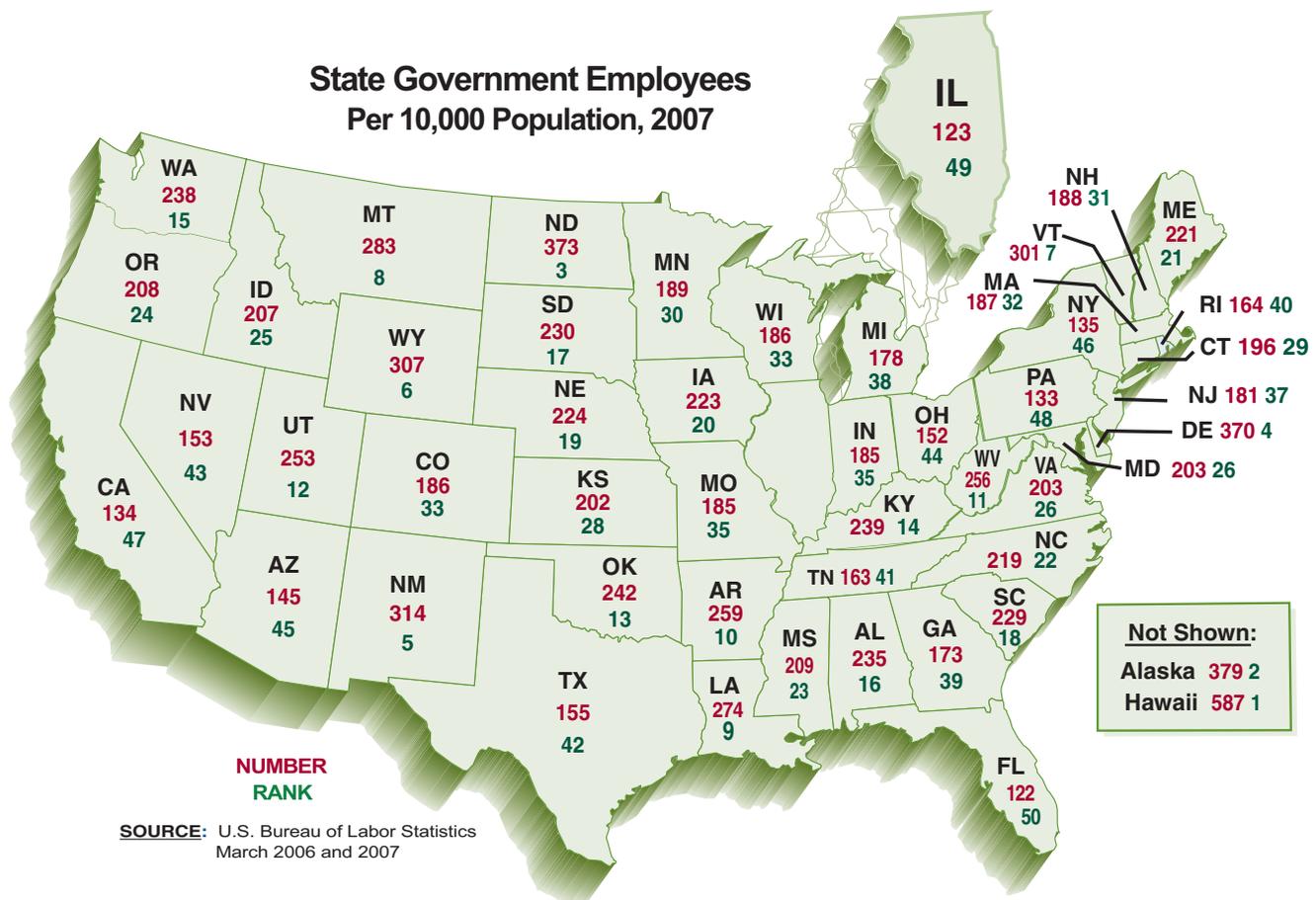
According to U.S. Bureau of Labor Statistics (BLS) data on state government employees per 10,000 population in 2007, Illinois was second to last with 123 and Hawaii had the highest ratio of state government employees with 587. (Hawaii is unusual due to the fact that there is little local government with most functions run by the state. For example, elementary and secondary education employees are state government employees.) Alaska (379),

North Dakota (373), and Delaware (370), states with relatively low population bases, were the next highest states. The lowest state was Florida with 122 employees per 10,000. Most of the Midwestern states had ratios around 152-230.

Although there is often a push to streamline state government operations, especially in times of fiscal crisis, state government employment has grown in recent years. According to the BLS data (presented in Governing's State and Local Sourcebook, 2007), the overall trend in state government employment has been a gradual increase with 35 states increasing their number of state employees. However, during this time frame, Illinois experienced the greatest percentage loss in the number of state government employees from 2002 - 2007 with -9.4%. The next greatest loss was New Mexico at -6.80%. Nevada, one of the leading states in population growth, experi-

enced the highest employment gain with 15.80%. Other Midwestern states' experiences varied - Nebraska -3.20%, Michigan -1.00%, Missouri -0.10%, Wisconsin 0.80%, Ohio 1.70%, Iowa 2.20%, Kansas 2.40%, South Dakota 3.40%, Indiana 3.80%, Minnesota 7.00%, and North Dakota 8.70%.

There are several likely reasons why Illinois led the nation in the loss of state government employees. A major factor is the 2002 Early Retirement Incentive (ERI) program which resulted in approximately 12,000 state employees choosing to take advantage of the program and leave state employment. There have been several other smaller retirement options offered in recent years, as well as a hiring freeze, all of which have contributed to a decline in full-time state government employment in Illinois contrary to the trend seen nationwide. ■



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

	Two Months			
	August 2007	FY 2008	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 676	\$ 642	\$ 52	8.8 %
Revenues	2,538	4,793	357	8.0
Expenditures	2,618	4,839	436	9.9
Ending Balance	\$ 596	\$ 596	\$ (27)	(4.3) %
General Revenue Fund				
Available Balance	\$ 84	\$ 224	\$ 158	239.4 %
Revenues	2,193	4,139	340	8.9
Expenditures	2,196	4,282	436	11.3
Ending Balance	\$ 81	\$ 81	\$ 62	326.3 %
Common School Special Account Fund				
Available Balance	\$ 144	\$ 36	\$ (5)	(12.2) %
Revenues	150	306	(6)	(1.9)
Expenditures	215	263	7	2.7
Ending Balance	\$ 79	\$ 79	\$ (18)	(18.6) %
Education Assistance Fund				
Available Balance	\$ 417	\$ 375	\$ (88)	(19.0) %
Revenues	123	209	14	7.2
Expenditures	121	165	(8)	(4.6)
Ending Balance	\$ 419	\$ 419	\$ (66)	(13.6) %
Common School Fund				
Available Balance	\$ 31	\$ 7	\$ (13)	(65.0) %
Revenues	332	447	60	15.5
Expenditures	345	436	51	13.2
Ending Balance	\$ 18	\$ 18	\$ (4)	(18.2) %

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)

	Two Months			
	August 2007	FY 2008	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 640	\$ 1,236	\$ 67	5.7 %
Corporate	13	53	(5)	(8.6)
Total, Income Taxes	\$ 653	\$ 1,289	\$ 62	5.1 %
Sales Taxes	597	1,223	(21)	(1.7)
Other Sources:				
Public Utility Taxes	112	183	8	4.6
Cigarette Taxes	29	58	0	0.0
Inheritance Tax (gross)	37	56	9	19.1
Liquor Gallonage Taxes	13	28	1	3.7
Insurance Taxes and Fees	18	26	6	30.0
Corporation Franchise				
Tax and Fees	15	29	1	3.6
Investment Income	18	41	6	17.1
Cook County IGT	0	15	9	150.0
Other	43	83	2	2.5
Total, Other Sources	\$ 285	\$ 519	\$ 42	8.8 %
Total, Cash Receipts	\$ 1,535	\$ 3,031	\$ 83	2.8 %
Transfers In:				
Lottery Fund	\$ 47	\$ 92	\$ 10	12.2 %
State Gaming Fund	75	115	10	9.5
Other Funds	31	131	(69)	(34.5)
Total, Transfers In	\$ 153	\$ 338	\$ (49)	(12.7) %
Total, State Sources	\$ 1,688	\$ 3,369	\$ 34	1.0 %
Federal Sources	\$ 574	\$ 1,148	\$ 323	39.2 %
Total, Base Revenues	\$ 2,262	\$ 4,517	\$ 357	8.6 %
Transfer from				
Budget Stabilization Fund	276	276	0	0.0
Total, Revenues	\$ 2,538	\$ 4,793	\$ 357	8.0 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Two Months			
	August 2007	FY 2008	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 660	\$ 2,216	\$ 853	62.6 %
Elem. & Sec. Education:				
State Board of Education	494	565	(9)	(1.6)
Teachers Retirement	90	183	47	34.6
Total, Elem. & Sec. Education	\$ 584	\$ 748	\$ 38	5.4 %
Human Services	278	616	25	4.2
Higher Education	1	2	(89)	(97.8)
All Other Grants	117	262	54	26.0
Total, Awards and Grants	\$ 1,640	\$ 3,844	\$ 881	29.7 %
Operations:				
Other Agencies	\$ 419	\$ 957	\$ 55	6.1 %
Higher Education	114	205	(23)	(10.1)
Total, Operations	\$ 533	\$ 1,162	\$ 32	2.8 %
Regular Transfers Out	\$ 160	\$ 460	\$ (72)	(13.5) %
All Other	2	6	1	20.0 %
Vouchers Payable Adjustment	\$ 283	\$ (633)	\$ (406)	N/A
Total, Base Expenditures	\$ 2,618	\$ 4,839	\$ 436	9.9 %
Transfers to Repay GRF Short-Term Borrowing	0	0	0	0.0
Total, Expenditures	\$ 2,618	\$ 4,839	\$ 436	9.9 %

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

	Two Months			
	August 2007	FY 2008	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 305	\$ 588	\$ 7	1.2 %
Other Personal Services	17	33	3	10.0
Total, Personal Services	\$ 322	\$ 621	\$ 10	1.6 %
Contribution Retirement	37	69	23	50.0
Contribution Social Security	16	32	2	6.7
Contribution Group Insurance	3	140	(11)	(7.3)
Contractual Services	65	113	(33)	(22.6)
Travel	1	3	0	0.0
Commodities	10	17	0	0.0
Printing	1	1	0	0.0
Equipment	3	4	(2)	(33.3)
Electronic Data Processing	8	10	(2)	(16.7)
Telecommunications	7	10	2	25.0
Automotive Equipment	3	6	2	50.0
Other Operations	57	136	41	43.2
Total, Operations	\$ 533	\$ 1,162	\$ 32	2.8 %

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

	Two Months			
	August 2007	FY 2008	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 343	\$ 343	\$ 1	0.3 %
All Other	151	222	(10)	(4.3)
Public Aid	660	2,216	853	62.6
Human Services	278	616	25	4.2
Higher Education:				
Student Assistance Commission	0	0	(15)	(100.0)
Community College Board	0	1	(73)	(98.6)
Other	1	1	(1)	(50.0)
Teacher's Retirement	90	183	47	34.6
Children and Family Services	43	106	13	14.0
Aging	37	74	18	32.1
Revenue	2	4	1	33.3
All Other	35	78	22	39.3
Total, Awards and Grants	\$ 1,640	\$ 3,844	\$ 881	29.7 %

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

	Sept. 2007	Three Months			
		FY 2008	Change From Prior Year		
			\$	%	
Total General Funds					
Available Balance	\$ 596	\$ 642	\$ 52	8.8	%
Revenues	3,505	8,298	1,358	19.6	
Expenditures	3,340	8,179	1,246	18.0	
Ending Balance	\$ 761	\$ 761	\$ 164	27.5	%
General Revenue Fund					
Available Balance	\$ 81	\$ 224	\$ 158	239.4	%
Revenues	3,138	7,277	1,337	22.5	
Expenditures	2,997	7,279	1,315	22.0	
Ending Balance	\$ 222	\$ 222	\$ 180	428.6	%
Common School Special Account Fund					
Available Balance	\$ 79	\$ 36	\$ (5)	(12.2)	%
Revenues	145	451	(15)	(3.2)	
Expenditures	152	415	(13)	(3.0)	
Ending Balance	\$ 72	\$ 72	\$ (7)	(8.9)	%
Education Assistance Fund					
Available Balance	\$ 419	\$ 375	\$ (88)	(19.0)	%
Revenues	141	350	16	4.8	
Expenditures	107	272	(65)	(19.3)	
Ending Balance	\$ 453	\$ 453	\$ (7)	(1.5)	%
Common School Fund					
Available Balance	\$ 18	\$ 7	\$ (13)	(65.0)	%
Revenues	340	787	88	12.6	
Expenditures	344	780	77	11.0	
Ending Balance	\$ 14	\$ 14	\$ (2)	(12.5)	%

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)

	Sept. 2007	Three Months			
		FY 2008	Change From Prior Year		
			\$	%	
Revenues:					
State Sources:					
Cash Receipts:					
Income Taxes:					
Individual	\$ 836	\$ 2,072	\$ 108	5.5	%
Corporate	276	329	(15)	(4.4)	
Total, Income Taxes	\$ 1,112	\$ 2,401	\$ 93	4.0	%
Sales Taxes	581	1,804	(55)	(3.0)	
Other Sources:					
Public Utility Taxes	75	258	(3)	(1.1)	
Cigarette Taxes	29	88	1	1.1	
Inheritance Tax (gross)	14	70	(4)	(5.4)	
Liquor Gallonage Taxes	14	42	1	2.4	
Insurance Taxes and Fees	56	81	0	0.0	
Corporation Franchise					
Tax and Fees	38	67	16	31.4	
Investment Income	14	55	4	7.8	
Cook County IGT	0	15	9	150.0	
Other	29	112	6	5.7	
Total, Other Sources	\$ 269	\$ 788	\$ 30	4.0	%
Total, Cash Receipts	\$ 1,962	\$ 4,993	\$ 68	1.4	%
Transfers In:					
Lottery Fund	\$ 57	\$ 148	\$ 19	14.7	%
State Gaming Fund	60	175	10	6.1	
Other Funds	13	145	(108)	(42.7)	
Total, Transfers In	\$ 130	\$ 468	\$ (79)	(14.4)	%
Total, State Sources	\$ 2,092	\$ 5,461	\$ (11)	(0.2)	%
Federal Sources	\$ 213	\$ 1,361	\$ 169	14.2	%
Total, Base Revenues	\$ 2,305	\$ 6,822	\$ 158	2.4	%
Short Term Borrowing	1,200	1,200	1,200	N/A	
Transfer from					
Budget Stabilization Fund	0	276	0	0.0	
Total, Revenues	\$ 3,505	\$ 8,298	\$ 1,358	19.6	%

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Sept. 2007	FY 2008	Three Months		
			Change From Prior Year		
			\$	%	
Expenditures:					
Awards and Grants:					
Public Aid	\$ 491	\$ 2,706	\$ 889	48.9	%
Elem. & Sec. Education:					
State Board of Education	774	1,339	48	3.7	
Teachers Retirement	93	276	73	36.0	
Total, Elem. & Sec. Education	\$ 867	\$ 1,615	\$ 121	8.1	%
Human Services	254	870	16	1.9	
Higher Education	173	176	(7)	(3.8)	
All Other Grants	177	439	104	31.0	
Total, Awards and Grants	\$ 1,962	\$ 5,806	\$ 1,123	24.0	%
Operations:					
Other Agencies	\$ 476	\$ 1,433	\$ 112	8.5	%
Higher Education	137	342	(31)	(8.3)	
Total, Operations	\$ 613	\$ 1,775	\$ 81	4.8	%
Regular Transfers Out	\$ 228	\$ 689	\$ (133)	(16.2)	%
All Other	\$ 2	\$ 8	\$ 3	60.0	%
Vouchers Payable Adjustment	\$ (665)	\$ (1,299)	\$ (1,028)	N/A	
Total, Base Expenditures	\$ 2,140	\$ 6,979	\$ 46	0.7	%
Cash Flow Transfer - Hospital					
Provider Fund	1,200	1,200	1,200	N/A	
Transfers to Repay GRF Short-					
Term Borrowing	0	0	0	0.0	
Total, Expenditures	\$ 3,340	\$ 8,179	\$ 1,246	18.0	%

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

	Sept. 2007	FY 2008	Three Months		
			Change From Prior Year		
			\$	%	
Personal Services:					
Regular Positions	\$ 314	\$ 902	\$ 17	1.9	%
Other Personal Services	17	51	6	13.3	
Total, Personal Services	\$ 331	\$ 953	\$ 23	2.5	%
Contribution Retirement	36	105	19	22.1	
Contribution Social Security	16	47	2	4.4	
Contribution Group Insurance	110	250	16	6.8	
Contractual Services	60	173	(19)	(9.9)	
Travel	2	5	0	0.0	
Commodities	13	30	2	7.1	
Printing	0	2	1	100.0	
Equipment	1	5	(1)	(16.7)	
Electronic Data Processing	1	11	(4)	(26.7)	
Telecommunications	3	13	0	0.0	
Automotive Equipment	3	8	1	14.3	
Other Operations	37	173	41	31.1	
Total, Operations	\$ 613	\$ 1,775	\$ 81	4.8	%

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

	Sept. 2007	FY 2008	Three Months		
			Change From Prior Year		
			\$	%	
State Board of Education:					
General State Aid	\$ 342	\$ 685	\$ 1	0.1	%
All Other	432	654	47	7.7	
Public Aid	491	2,706	889	48.9	
Human Services	254	870	16	1.9	
Higher Education:					
Student Assistance Commission	85	85	(6)	(6.6)	
Community College Board	88	89	1	1.1	
Other	0	2	(2)	(50.0)	
Teacher's Retirement	93	276	73	36.0	
Children and Family Services	97	203	42	26.1	
Aging	27	101	11	12.2	
Revenue	2	6	2	50.0	
All Other	51	129	49	61.3	
Total, Awards and Grants	\$ 1,962	\$ 5,806	\$ 1,123	24.0	%

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

	Oct. 2007	Four Months			
		FY 2008	Change From Prior Year		%
			\$	%	
Total General Funds					
Available Balance	\$ 761	\$ 642	\$ 52	8.8	%
Revenues	2,630	10,928	2,003	22.4	
Expenditures	2,499	10,678	1,617	17.8	
Ending Balance	\$ 892	\$ 892	\$ 438	96.5	%
General Revenue Fund					
Available Balance	\$ 222	\$ 224	\$ 158	239.4	%
Revenues	2,268	9,545	1,950	25.7	
Expenditures	2,165	9,444	1,790	23.4	
Ending Balance	\$ 325	\$ 325	\$ 318	N/A	%
Common School Special Account Fund					
Available Balance	\$ 72	\$ 36	\$ (5)	(12.2)	%
Revenues	154	605	(15)	(2.4)	
Expenditures	147	562	(21)	(3.6)	
Ending Balance	\$ 79	\$ 79	\$ 1	1.3	%
Education Assistance Fund					
Available Balance	\$ 453	\$ 375	\$ (88)	(19.0)	%
Revenues	127	477	35	7.9	
Expenditures	123	395	(155)	(28.2)	
Ending Balance	\$ 457	\$ 457	\$ 102	28.7	%
Common School Fund					
Available Balance	\$ 14	\$ 7	\$ (13)	(65.0)	%
Revenues	361	1,148	132	13.0	
Expenditures	345	1,125	103	10.1	
Ending Balance	\$ 30	\$ 30	\$ 16	114.3	%

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)

	Oct. 2007	Four Months			
		FY 2008	Change From Prior Year		%
			\$	%	
Revenues:					
State Sources:					
Cash Receipts:					
Income Taxes:					
Individual	\$ 669	\$ 2,741	\$ 190	7.4	%
Corporate	46	375	(34)	(8.3)	
Total, Income Taxes	\$ 715	\$ 3,116	\$ 156	5.3	%
Sales Taxes	615	2,419	(58)	(2.3)	
Other Sources:					
Public Utility Taxes	93	351	20	6.0	
Cigarette Taxes	29	117	0	0.0	
Inheritance Tax (gross)	36	106	9	9.3	
Liquor Gallonage Taxes	12	54	4	8.0	
Insurance Taxes and Fees	2	83	0	0.0	
Corporation Franchise Tax and Fees	18	85	20	30.8	
Investment Income	22	77	9	13.2	
Cook County IGT	0	15	9	150.0	
Other	35	147	12	8.9	
Total, Other Sources	\$ 247	\$ 1,035	\$ 83	8.7	%
Total, Cash Receipts	\$ 1,577	\$ 6,570	\$ 181	2.8	%
Transfers In:					
Lottery Fund	\$ 55	\$ 203	\$ 28	16.0	%
State Gaming Fund	75	250	25	11.1	
Other Funds	101	246	(75)	(23.4)	
Total, Transfers In	\$ 231	\$ 699	\$ (22)	(3.1)	%
Total, State Sources	\$ 1,808	\$ 7,269	\$ 159	2.2	%
Federal Sources	\$ 522	\$ 1,883	\$ 344	22.4	%
Total, Base Revenues	\$ 2,330	\$ 9,152	\$ 503	5.8	%
Short Term Borrowing	0	1,200	1,200	N/A	
Cash Flow Transfer - Hospital Provider Fund	300	300	300	N/A	
Transfer from Budget Stabilization Fund	0	276	0	0.0	
Total, Revenues	\$ 2,630	\$ 10,928	\$ 2,003	22.4	%

GENERAL FUNDS ANALYSIS OF EXPENDITURES (Dollars in Millions)

	Oct. 2007	FY 2008	Four Months		
			Change From Prior Year		
			\$	%	
Expenditures:					
Awards and Grants:					
Public Aid	\$ 341	\$ 3,048	\$ 663	27.8	%
Elem. & Sec. Education:					
State Board of Education	434	1,773	(2)	(0.1)	
Teachers Retirement	96	372	101	37.3	
Total, Elem. & Sec. Education	\$ 530	\$ 2,145	\$ 99	4.8	%
Human Services	258	1,127	19	1.7	
Higher Education	80	256	2	0.8	
All Other Grants	133	571	146	34.4	
Total, Awards and Grants	\$ 1,342	\$ 7,147	\$ 929	14.9	%
Operations:					
Other Agencies	\$ 446	\$ 1,879	\$ 148	8.5	%
Higher Education	181	523	(5)	(0.9)	
Total, Operations	\$ 627	\$ 2,402	\$ 143	6.3	%
Regular Transfers Out	\$ 240	\$ 929	\$ 9	1.0	%
All Other	\$ 0	\$ 8	\$ 2	33.3	%
Vouchers Payable Adjustment	\$ 290	\$ (1,008)	\$ (666)	N/A	
Total, Base Expenditures	\$ 2,499	\$ 9,478	\$ 417	4.6	%
Cash Flow Transfer - Hospital Provider Fund	0	1,200	1,200	N/A	
Transfers to Repay GRF Short-Term Borrowing	0	0	0	0.0	
Total, Expenditures	\$ 2,499	\$ 10,678	\$ 1,617	17.8	%

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

	Oct. 2007	FY 2008	Four Months		
			Change From Prior Year		
			\$	%	
Personal Services:					
Regular Positions	\$ 362	\$ 1,264	\$ 78	6.6	%
Other Personal Services	17	67	7	11.7	
Total, Personal Services	\$ 379	\$ 1,331	\$ 85	6.8	%
Contribution Retirement	37	142	11	8.4	
Contribution Social Security	17	64	4	6.7	
Contribution Group Insurance	75	325	0	0.0	
Contractual Services	47	220	(8)	(3.5)	
Travel	2	7	0	0.0	
Commodities	14	44	6	15.8	
Printing	0	2	0	0.0	
Equipment	2	7	(1)	(12.5)	
Electronic Data Processing	4	16	(3)	(15.8)	
Telecommunications	6	19	3	18.8	
Automotive Equipment	4	12	3	33.3	
Other Operations	40	213	43	25.3	
Total, Operations	\$ 627	\$ 2,402	\$ 143	6.3	%

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

	Oct. 2007	FY 2008	Four Months		
			Change From Prior Year		
			\$	%	
State Board of Education:					
General State Aid	\$ 343	\$ 1,027	\$ 0	0.0	%
All Other	91	746	(2)	(0.3)	
Public Aid	341	3,048	663	27.8	
Human Services	258	1,127	19	1.7	
Higher Education:					
Student Assistance Commission	63	149	3	2.1	
Community College Board	8	97	(2)	(2.0)	
Other	9	10	1	11.1	
Teacher's Retirement	96	372	101	37.3	
Children and Family Services	74	278	81	41.1	
Aging	38	139	20	16.8	
Revenue	3	8	2	33.3	
All Other	18	146	43	41.7	
Total, Awards and Grants	\$ 1,342	\$ 7,147	\$ 929	14.9	%

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

	Five Months			
	Nov. 2007	FY 2008	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 892	\$ 642	\$ 52	8.8 %
Revenues	1,945	12,874	1,978	18.2
Expenditures	2,298	12,977	2,011	18.3
Ending Balance	\$ 539	\$ 539	\$ 19	3.7 %
General Revenue Fund				
Available Balance	\$ 325	\$ 224	\$ 158	239.4 %
Revenues	1,620	11,165	1,941	21.0
Expenditures	1,890	11,334	2,110	22.9
Ending Balance	\$ 55	\$ 55	\$ (11)	(16.7) %
Common School Special Account Fund				
Available Balance	\$ 79	\$ 36	\$ (5)	(12.2) %
Revenues	149	754	(12)	(1.6)
Expenditures	153	715	(17)	(2.3)
Ending Balance	\$ 75	\$ 75	\$ 0	0.0 %
Education Assistance Fund				
Available Balance	\$ 457	\$ 375	\$ (88)	(19.0) %
Revenues	108	585	26	4.7
Expenditures	167	562	(105)	(15.7)
Ending Balance	\$ 398	\$ 398	\$ 43	12.1 %
Common School Fund				
Available Balance	\$ 30	\$ 7	\$ (13)	(65.0) %
Revenues	325	1,473	129	9.6
Expenditures	344	1,469	129	9.6
Ending Balance	\$ 11	\$ 11	\$ (13)	(54.2) %

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)

	Five Months			
	Nov. 2007	FY 2008	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 651	\$ 3,392	\$ 229	7.2 %
Corporate	0	375	(63)	(14.4)
Total, Income Taxes	\$ 651	\$ 3,767	\$ 166	4.6 %
Sales Taxes	593	3,012	(45)	(1.5)
Other Sources:				
Public Utility Taxes	78	429	(5)	(1.2)
Cigarette Taxes	29	146	0	0.0
Inheritance Tax (gross)	66	171	40	30.5
Liquor Gallonage Taxes	14	68	5	7.9
Insurance Taxes and Fees	10	93	9	10.7
Corporation Franchise Tax and Fees	16	101	18	21.7
Investment Income	25	103	17	19.8
Cook County IGT	56	71	9	14.5
Other	37	185	7	3.9
Total, Other Sources	\$ 331	\$ 1,367	\$ 100	7.9 %
Total, Cash Receipts	\$ 1,575	\$ 8,146	\$ 221	2.8 %
Transfers In:				
Lottery Fund	\$ 45	\$ 248	\$ 19	8.3 %
State Gaming Fund	60	310	15	5.1
Other Funds	14	260	(80)	(23.5)
Total, Transfers In	\$ 119	\$ 818	\$ (46)	(5.3) %
Total, State Sources	\$ 1,694	\$ 8,964	\$ 175	2.0 %
Federal Sources	\$ 251	\$ 2,134	\$ 303	16.5 %
Total, Base Revenues	\$ 1,945	\$ 11,098	\$ 478	4.5 %
Short Term Borrowing	0	1,200	1,200	N/A
Cash Flow Transfer - Hospital Provider Fund	0	300	300	N/A
Transfer from Budget Stabilization Fund	0	276	0	0.0
Total, Revenues	\$ 1,945	\$ 12,874	\$ 1,978	18.2 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES (Dollars in Millions)

	Five Months			
	Nov. 2007	FY 2008	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 434	\$ 3,483	\$ 517	17.4 %
Elem. & Sec. Education:				
State Board of Education	483	2,256	47	2.1
Teachers Retirement	93	465	126	37.2
Total, Elem. & Sec. Education	\$ 576	\$ 2,721	\$ 173	6.8 %
Human Services	258	1,385	62	4.7
Higher Education	131	387	4	1.0
All Other Grants	138	709	171	31.8
Total, Awards and Grants	\$ 1,537	\$ 8,685	\$ 927	11.9 %
Operations:				
Other Agencies	\$ 448	\$ 2,327	\$ 171	7.9 %
Higher Education	170	693	27	4.1
Total, Operations	\$ 618	\$ 3,020	\$ 198	7.0 %
Regular Transfers Out	\$ 127	\$ 1,056	\$ (147)	(12.2) %
All Other	1	9	3	50.0 %
Vouchers Payable Adjustment	\$ (285)	\$ (1,293)	\$ (470)	N/A
Total, Base Expenditures	\$ 1,998	\$ 11,477	\$ 511	4.7 %
Cash Flow Transfer - Hospital Provider Fund	0	1,200	1,200	N/A
Transfers to Repay GRF Short-Term Borrowing	300	300	300	N/A
Total, Expenditures	\$ 2,298	\$ 12,977	\$ 2,011	18.3 %

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

	Five Months			
	Nov. 2007	FY 2008	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 343	\$ 1,607	\$ 113	7.6 %
Other Personal Services	16	84	10	13.5
Total, Personal Services	\$ 359	\$ 1,691	\$ 123	7.8 %
Contribution Retirement	37	179	23	14.7
Contribution Social Security	16	80	5	6.7
Contribution Group Insurance	113	438	13	3.1
Contractual Services	34	253	(16)	(5.9)
Travel	2	9	1	12.5
Commodities	10	53	7	15.2
Printing	1	3	1	50.0
Equipment	1	8	(3)	(27.3)
Electronic Data Processing	2	18	(3)	(14.3)
Telecommunications	3	23	3	15.0
Automotive Equipment	1	13	2	18.2
Other Operations	39	252	42	20.0
Total, Operations	\$ 618	\$ 3,020	\$ 198	7.0 %

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

	Five Months			
	Nov. 2007	FY 2008	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 367	\$ 1,394	\$ 26	1.9 %
All Other	116	862	21	2.5
Public Aid	434	3,483	517	17.4
Human Services	258	1,385	62	4.7
Higher Education:				
Student Assistance Commission	52	200	6	3.1
Community College Board	78	175	(1)	(0.6)
Other	1	12	(1)	(7.7)
Teacher's Retirement	93	465	126	37.2
Children and Family Services	37	315	72	29.6
Aging Revenue	32	172	23	15.4
All Other	2	10	2	25.0
Total, Awards and Grants	\$ 1,537	\$ 8,685	\$ 927	11.9 %

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES

(Dollars in Millions)

	Dec. 2007	Six Months			
		FY 2008	Change From Prior Year		
			\$	%	
Total General Funds					
Available Balance	\$ 539	\$ 642	\$ 52	8.8	%
Revenues	2,321	15,195	2,074	15.8	
Expenditures	2,271	15,248	1,966	14.8	
Ending Balance	\$ 589	\$ 589	\$ 160	37.3	%
General Revenue Fund					
Available Balance	\$ 55	\$ 224	\$ 158	239.4	%
Revenues	1,930	13,095	1,995	18.0	
Expenditures	1,931	13,265	2,116	19.0	
Ending Balance	\$ 54	\$ 54	\$ 37	217.6	%
Common School Special Account Fund					
Available Balance	\$ 75	\$ 36	\$ (5)	(12.2)	%
Revenues	179	933	8	0.9	
Expenditures	170	885	(6)	(0.7)	
Ending Balance	\$ 84	\$ 84	\$ 9	12.0	%
Education Assistance Fund					
Available Balance	\$ 398	\$ 375	\$ (88)	(19.0)	%
Revenues	130	716	35	5.1	
Expenditures	102	665	(159)	(19.3)	
Ending Balance	\$ 426	\$ 426	\$ 106	33.1	%
Common School Fund					
Available Balance	\$ 11	\$ 7	\$ (13)	(65.0)	%
Revenues	357	1,830	176	10.6	
Expenditures	343	1,812	154	9.3	
Ending Balance	\$ 25	\$ 25	\$ 9	56.3	%

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. 2007	Six Months			
		FY 2008	Change From Prior Year		
			\$	%	
Revenues:					
State Sources:					
Cash Receipts:					
Income Taxes:					
Individual	\$ 698	\$ 4,090	\$ 305	8.1	%
Corporate	264	639	(37)	(5.5)	
Total, Income Taxes	\$ 962	\$ 4,729	\$ 268	6.0	%
Sales Taxes	714	3,726	31	0.8	
Other Sources:					
Public Utility Taxes	85	514	(16)	(3.0)	
Cigarette Taxes	29	175	0	0.0	
Inheritance Tax (gross)	28	200	51	34.2	
Liquor Gallonage Taxes	14	82	2	2.5	
Insurance Taxes and Fees	21	114	(33)	(22.4)	
Corporation Franchise					
Tax and Fees	15	116	20	20.8	
Investment Income	15	117	14	13.6	
Cook County IGT	16	87	25	40.3	
Other	29	214	12	5.9	
Total, Other Sources	\$ 252	\$ 1,619	\$ 75	4.9	%
Total, Cash Receipts	\$ 1,928	\$ 10,074	\$ 374	3.9	%
Transfers In:					
Lottery Fund	\$ 59	\$ 307	\$ 36	13.3	%
State Gaming Fund	60	370	15	4.2	
Other Funds	41	301	(57)	(15.9)	
Total, Transfers In	\$ 160	\$ 978	\$ (6)	(0.6)	%
Total, State Sources	\$ 2,088	\$ 11,052	\$ 368	3.4	%
Federal Sources	\$ 233	\$ 2,367	\$ 206	9.5	%
Total, Base Revenues	\$ 2,321	\$ 13,419	\$ 574	4.5	%
Short Term Borrowing	0	1,200	1,200	N/A	
Cash Flow Transfer - Hospital Provider Fund	0	300	300	N/A	
Transfer from Budget Stabilization Fund	0	276	0	0.0	
Total, Revenues	\$ 2,321	\$ 15,195	\$ 2,074	15.8	%

GENERAL FUNDS ANALYSIS OF EXPENDITURES

(Dollars in Millions)

	Dec. 2007	Six Months			
		FY 2008	Change From Prior Year		
			\$	%	
Expenditures:					
Awards and Grants:					
Public Aid	\$ 300	\$ 3,782	\$ 303	8.7	%
Elem. & Sec. Education:					
State Board of Education	744	3,001	91	3.1	
Teachers Retirement	93	558	151	37.1	
Total, Elem. & Sec. Education	\$ 837	\$ 3,559	\$ 242	7.3	%
Human Services	249	1,634	61	3.9	
Higher Education	19	405	(3)	(0.7)	
All Other Grants	137	846	157	22.8	
Total, Awards and Grants	\$ 1,542	\$ 10,226	\$ 760	8.0	%
Operations:					
Other Agencies	\$ 521	\$ 2,848	\$ 259	10.0	%
Higher Education	150	843	31	3.8	
Total, Operations	\$ 671	\$ 3,691	\$ 290	8.5	%
Regular Transfers Out	\$ 362	\$ 1,418	\$ 29	2.1	%
All Other	\$ (1)	\$ 9	\$ 2	28.6	%
Vouchers Payable Adjustment	\$ (303)	\$ (1,596)	\$ (615)	N/A	
Total, Base Expenditures	\$ 2,271	\$ 13,748	\$ 466	3.5	%
Cash Flow Transfer - Hospital Provider Fund	0	1,200	1,200	N/A	
Transfers to Repay GRF Short- Term Borrowing	0	300	300	N/A	
Total, Expenditures	\$ 2,271	\$ 15,248	\$ 1,966	14.8	%

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT

(Dollars in Millions)

	Dec. 2007	Six Months			
		FY 2008	Change From Prior Year		
			\$	%	
Personal Services:					
Regular Positions	\$ 363	\$ 1,970	\$ 172	9.6	%
Other Personal Services	16	100	11	12.4	
Total, Personal Services	\$ 379	\$ 2,070	\$ 183	9.7	%
Contribution Retirement	42	221	22	11.1	
Contribution Social Security	16	96	6	6.7	
Contribution Group Insurance	103	541	22	4.2	
Contractual Services	56	310	(1)	(0.3)	
Travel	1	10	0	0.0	
Commodities	11	64	8	14.3	
Printing	1	4	1	33.3	
Equipment	3	10	(3)	(23.1)	
Electronic Data Processing	2	20	(4)	(16.7)	
Telecommunications	6	29	5	20.8	
Automotive Equipment	3	16	3	23.1	
Other Operations	48	300	48	19.0	
Total, Operations	\$ 671	\$ 3,691	\$ 290	8.5	%

COMPARISON OF SPENDING FOR AWARDS AND GRANTS

(Dollars in Millions)

	Dec. 2007	Six Months			
		FY 2008	Change From Prior Year		
			\$	%	
State Board of Education:					
General State Aid	\$ 341	\$ 1,735	\$ 26	1.5	%
All Other	403	1,266	65	5.4	
Public Aid	300	3,782	303	8.7	
Human Services	249	1,634	61	3.9	
Higher Education:					
Student Assistance Commission	12	212	1	0.5	
Community College Board	1	176	(4)	(2.2)	
Other	6	17	0	0.0	
Teacher's Retirement	93	558	151	37.1	
Children and Family Services	75	390	87	28.7	
Aging	31	202	28	16.1	
Revenue	0	10	0	0.0	
All Other	31	244	42	20.8	
Total, Awards and Grants	\$ 1,542	\$ 10,226	\$ 760	8.0	%

DID YOU KNOW...

In fiscal year 2007, the State of Illinois spent:

- \$13.9 million on household and cleaning supplies
- \$10.0 million on office and library supplies
- \$34.3 million on gas, oil and antifreeze
- \$42.3 million on postage and postal charges
- Appropriated spending for state government operations totaled \$10.717 billion in fiscal year 2007.
- Appropriated spending for personal services totaled \$3.893 billion, or 36.3% of state government operations spending in fiscal year 2007.
- From fiscal year 1998 to 2007 the number of state employees dropped from 83,587 to 72,312, a decrease of 11,275 or 13.5%.
- Illinois ranks 49th among the states in the number of state employees per 10,000 population (123).
- After the governor's vetoes, General Funds appropriations for fiscal year 2008 total \$27.5 billion, an increase of \$1.5 billion from fiscal year 2007. ■

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