



Comptroller Daniel W. Hynes

JULY 2002 ISSUE



Fiscal FOCUS

QUARTERLY

IN THIS ISSUE

Fiscal Smarts

...PAGE 2



IN THIS ISSUE

Focus On Revenue

...PAGE 8



IN THIS ISSUE

Focus On Spending

...PAGE 9



IN THIS ISSUE

Vital Statistics

...PAGE 15



State Governments Battle Fiscal Problems

Illinois' budget problems are not unique. State governments are facing unprecedented fiscal problems. Budget shortfalls are widespread and state officials are scrambling to minimize the damage. According to an April 2002 survey conducted by the National Conference of State Legislatures (NCSL), only 7 states claimed not to have faced a budget shortfall in fiscal year 2002. Weak revenue growth was cited as the major factor contributing to the shortfalls, but spending overruns also were evident. Thirty-three states said that expenditures exceeded the amounts budgeted for fiscal year 2002.

According to the National Association of State Budget Officers (NASBO), the combined budget gap for all of the states for fiscal year 2002 is between \$40-50 billion. States have responded to close the budget gaps using a variety of actions: 26 states used across-the-board cuts, 22 used rainy day funds, 11 laid off employees, 10 reorganized programs, 3 used early retirement plans, and 33 used a number of 'other' methods.

COVER STORY continued, page 5

Dear Readers:

This issue of *Fiscal Focus* highlights some of the major components of the state's recently enacted budget for fiscal year 2003 (July 1, 2002–June 30, 2003). Dramatic shortfalls in revenues prompted the Governor to convene an overtime session of the General Assembly to come up with a package of tax increases and spending cuts to balance the budget.

General Funds revenues for fiscal year 2002 were down \$502 million or 2.1 percent below fiscal year 2001, and there are no prospects for a quick recovery in the last half of calendar year 2002. In order to balance the fiscal year 2003 state budget, the General Assembly enacted (and the Governor signed) legislation to increase cigarette taxes by 40 cents per pack, increase the riverboat wagering tax and admissions tax, 'decouple' corporate taxable income from the federal income tax, and eliminate the diversion of .4% of sales tax collections to Illinois counties and municipalities.

General Funds appropriations are down over \$1 billion from \$23.4 billion in fiscal year 2002 to \$22.3 billion in fiscal year 2003. Spending cuts were made across the board with substantial reductions in higher education, and in the Departments of Human Services, Public Aid, Revenue, Corrections, Children and Family Services, and State Police. The impact of these reductions will be noticed by taxpayers across Illinois. This is one of the reasons I have been pursuing structural changes to improve Illinois' financial stability. It is my belief that controlling growth in state spending, continuing to save for a rainy day, paying down our debts, and improving the budget process can help Illinois avoid the kind of budget problems faced this year.

Your comments about this or our other publications are always welcome. Your input can be sent directly, or via the web site at www.ioc.state.il.us.

Sincerely,

Daniel W. Hynes
Comptroller



Cover Story	cover, 5, 10, 11, 12, 13
From The Comptroller	2
Fiscal Smarts	2, 4
How Illinois Stacks Up	3
Local Government Line	6, 14
Cemetery Care Corner	7
Focus On Revenue	8, 13
Focus on Spending	9
Fiscal Forum	13
Vital Statistics	15, 16
April 2002 Tables	17
May 2002 Tables	18
June 2002 Tables	19
Publication Request Form	back cover



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 Smarts

Special Depreciation Allowance Does Not Apply to Illinois Income Tax Liability

The recently enacted federal Job Creation and Worker Assistance Act of 2002 contains a temporary depreciation bonus that will have a significant impact on federal corporate income tax collections. Because of the linkage between federal income tax liability and Illinois liability, the reduced federal tax liability would have been mirrored in lower Illinois corporate income tax liability. Given Illinois' revenue shortfall, the General Assembly instead opted to decouple from this federal tax break and require companies to eliminate their bonus depreciation when computing Illinois tax liability.

The temporary depreciation bonus simply allows business purchases of eligible property a 30% deduction on the adjusted basis of qualified property in the first year. Eligible

property must have been acquired between September 11, 2001, and September 10, 2004, and placed in service by December 31, 2004. Since depreciation is a cost of business, accelerating the rate of depreciation will increase business expenses and reduce taxable corporate income. The benefit from bonus depreciation will be greatest for businesses investing in machinery and equipment. With the shift toward a knowledge-based high tech economy, the benefit will be less for high tech and service companies relying on human capital. The Congressional Joint Committee on Taxation estimates this provision will have a negative \$96.9 billion impact on federal revenues over its first three years.

FISCAL SMARTS continued, page 4

HOW Illinois Stacks Up

Individual Income Taxes Down 14 Percent Nationally

In the late 1990's the driving force behind increasing state government revenues was the individual income tax. Now, almost every state is experiencing declining revenues from this source and they are being forced to find other means to support their budgets or cut back on their spending.

For the first four months of calendar year 2002, total collections, which include income from withholding, estimated payments and payments with returns, have been 14 percent below figures of a year ago.

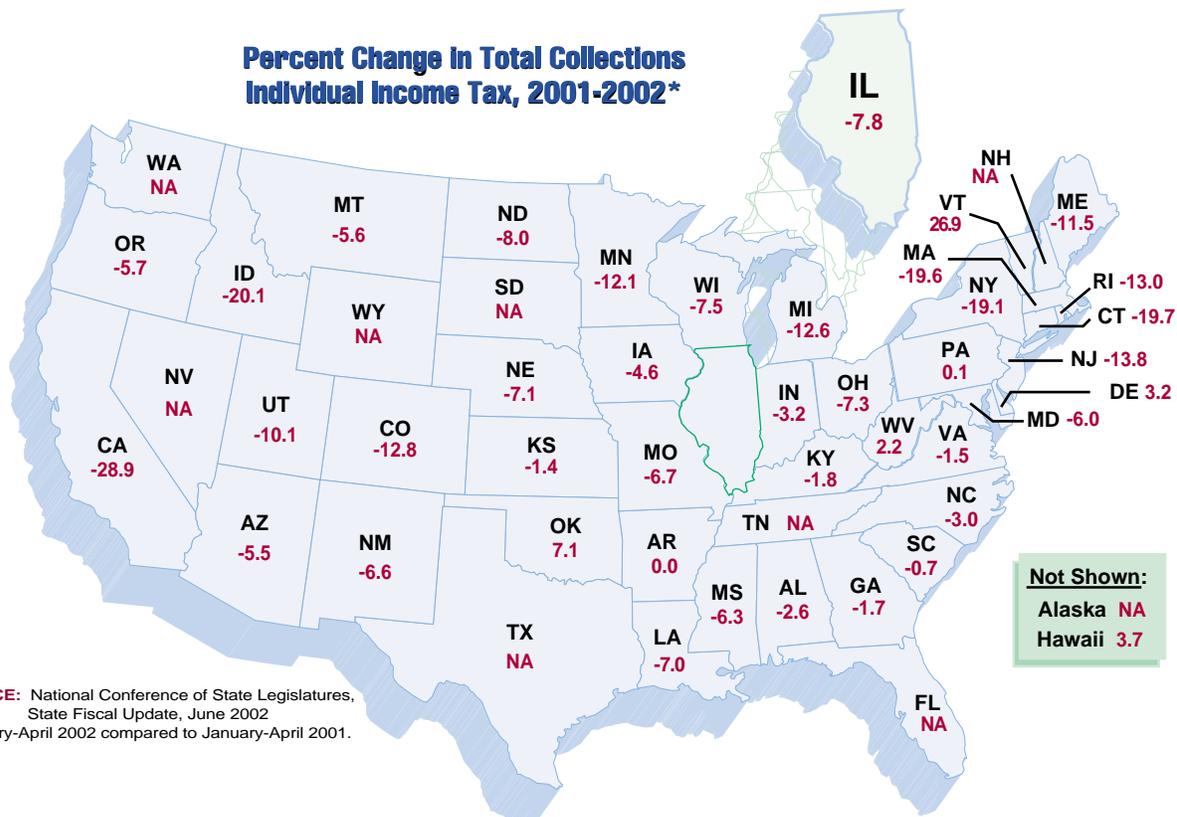
Of the forty-one states that collect revenue from individual income taxes, only seven states: Vermont (26.9%), Oklahoma (7.1%), Hawaii (3.7%), Delaware (3.2%), West Virginia (2.2%), Pennsylvania (0.1%) and Arkansas (0.0%) either realized growth or remained flat from last year. Illinois (-7.8%) was one of the

remaining thirty-four states that experienced negative growth in revenues from the individual income tax and ranked 28th. Nine states don't collect revenue from the individual income tax.

Regionally, all areas have encountered a decline in individual income taxes. In the Far West, California was down 28.9 percent and Idaho down 20.1 percent. In the Northeast, Connecticut, Massachusetts and New York had decreases of over 19 percent. The Midwest had two states, Michigan and Minnesota, with 12 percent decreases. The Southeast fared better with no states having double-digit reductions. Reasons cited for the decline in revenues from the individual income tax include a decrease in capital gains and income from interest and dividends, a drop in estimated payments, and a decline in bonuses and stock options that are largely market-related. All of these reasons and more are the result of a weaker economy that is producing little to no increase in revenues.

The economy is struggling now and the next several months will be a testament to whether the individual income tax will rebound quickly. The National Association of State Budget Officers (NASBO) has suggested that it may take 12-18 months before state government revenues start to improve. ■

**Percent Change in Total Collections
Individual Income Tax, 2001-2002***



SOURCE: National Conference of State Legislatures, State Fiscal Update, June 2002
*January-April 2002 compared to January-April 2001.

Fiscal Smarts concluded from page 2

Accelerating the depreciation that can be charged against the purchase of a capital good reduces the amount of depreciation that can be credited to that item in future years. The Joint Committee on Taxation estimates that \$81.1 billion of reduced federal revenues from the depreciation bonus will be recovered in future years.

Impact on Illinois

Computation of the Illinois corporate income tax begins with federal taxable income, so a reduction in federal taxable income also reduces Illinois income tax liability. As part of Illinois' revenue enhancement effort for the fiscal 2003 budget, PA 92-603 will decouple Illinois from the accelerated depreciation tax break. For taxable years 2001 and thereafter, taxpayers

Illinois corporate

Impact on Illinois Tax Liability*	
Fiscal Year	Estimated Liability Effects of Special Depreciation Allowance (Millions)
2002	\$159
2003	\$378
2004	\$270

* Source: Center on Budget and Policy Priorities approximations based on JCT estimates.

must add an amount equal to the bonus depreciation deduction to their federal taxable income (or adjusted gross income in the case of individuals owning businesses taking advantage of the break). Illinois' corporate income tax revenues are notoriously difficult to estimate. The Center on Budget and Policy Priorities has tried to estimate the impact of bonus depreciation on Illinois tax revenue based on the Joint Committee on Taxation estimate. According to the center, decoupling will save Illinois a loss of \$159 million in taxes owed for fiscal year 2002, \$378 million in fiscal year 2003 and \$270 million in fiscal year 2004.

Impact on Federal Tax Liability*	
Federal Fiscal Year	Estimated Liability Effects of Special Depreciation Allowance (Billions)
2002	-\$35.3
2003	-\$32.4
2004	-\$29.2
2005	\$0.1
2006	\$19.0
2007	\$18.3
2008	\$15.4
2009	\$11.6
2010	\$8.0
2011	\$5.3
2012	\$3.4

Source: Federal Joint Committee on Taxation (JCT)

Illinois is not alone in decoupling from bonus depreciation. A June 20th survey reports nineteen states had already decoupled and ten additional states (including Illinois at the time) were advancing legislation to decouple. Among neighboring states, Indiana, Iowa and Kentucky had decoupled, Missouri had sent legislation to the governor to decouple for one year, and a decoupling bill had advanced in the legislature in Wisconsin.

Normally one of the desirable aspects of the Illinois income tax system is its simplicity because it is so closely tied to the federal system. With respect to the federal depreciation bonus, it was decided that it was worth sacrificing some of the simplicity in computing Illinois tax liability in order to maintain revenue levels during a period of great fiscal stress in the state budget. ■

September 11, 2001

Comptroller Daniel W. Hynes joined his and other state employees in a ceremony dedicating a new flag pole to the memory of the victims of the September 11, 2001 terrorist attacks carried out in New York, Washington D.C. and Pennsylvania.

"All of us remember September 11, 2001 as if it happened yesterday," Hynes said. "Immediately after the terrorist attacks many of you took the initiative to ensure that we would never forget the fellow Americans whose lives were lost that day." The Comptroller's employees and Illinois Department of Employment Security employees raised \$2,000 through the sale of American Flag pins, raffles and special lunches last fall. The funds were used to purchase a new flagpole and a commemorative plaque outside the IOC operations building at 325 W. Adams.



LEFT TO RIGHT: Illinois Air National Guard 183rd Fighter Wing Weapons Safety NCO/IOC Director Bob Brock, T Sgt Matthew Allen, M Sgt B.G. Wright, State Comptroller Daniel W. Hynes, Firefighters Local 37 President Doc Underwood, Police Benevolent and Protective Association Number 5 Vice-President Bob Markovic, M Sgt Michael Irwin, and T Sgt Dean Ablen.

A contest was held in which employees suggested inscriptions for the plaque. The submission by Brenda Voyles, a more than 20-year-veteran of the IOC, was chosen, and was read by Comptroller Hynes Tuesday. It reads: "In memorial to September 11, 2001 - Let us not for-

SEPTEMBER 11 continued, page 14

Double Whammy

States were faced not only with plugging fiscal year 2002 budget gaps, but also with forming and adopting fiscal year 2003 budgets based on declining revenue estimates. Revenue estimates are bleak for fiscal year 2003 which, for most states, begins on July 1, 2002. On the one hand, economic forecasts have suggested the recession that began in March 2001 may be over. After a surge in first-quarter growth (5.8%), forecasts have been revised calling for growth of 2.5%, 3.2%, and 3.4% for the second, third and fourth quarters of the year, respectively.

On the other hand, however, NASBO points out that states still may face a 12-18 month lag before revenues start to improve. Based on the recession of the early 1990s, state revenue growth did not improve for up to 18 months following the start of a national economic recovery. To make matters worse, the current budget shortfalls are larger than the ones experienced in 1991-1992.

Revenues Continue Decline

Revenues are down across the country. In many states fiscal year 2002 revenues did not grow as fast as estimated. In some cases the revenues collected were less than the collections in the previous fiscal year. The chart on quarterly tax revenues shows the negative change not only in sales taxes, but also in corporate and personal income

taxes. Perhaps the most surprising change has been the drop off in personal (individual) income taxes. Data for the first four months of calendar year 2002 indicate that individual income tax revenues are running 14 percent below 2001. (See *How Illinois Stacks Up*).

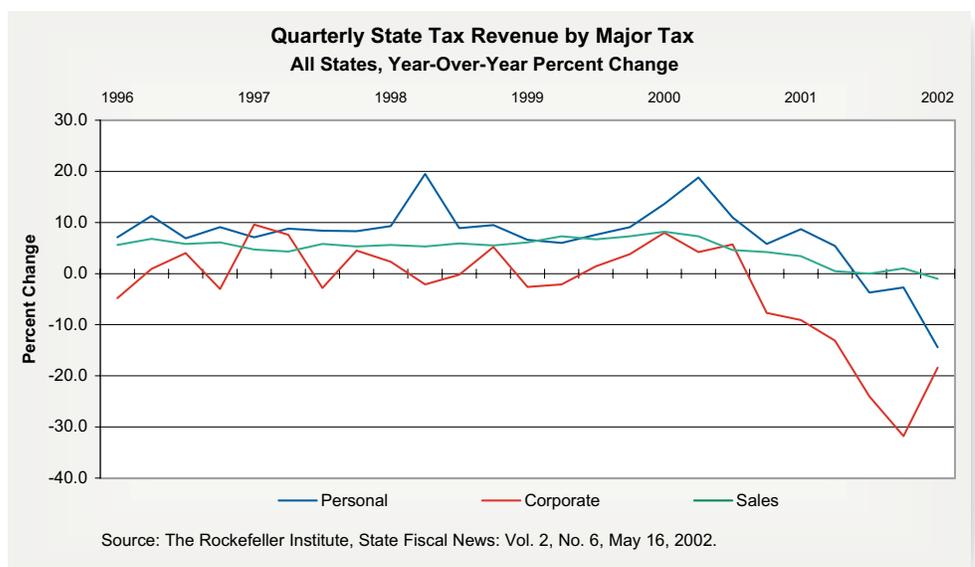
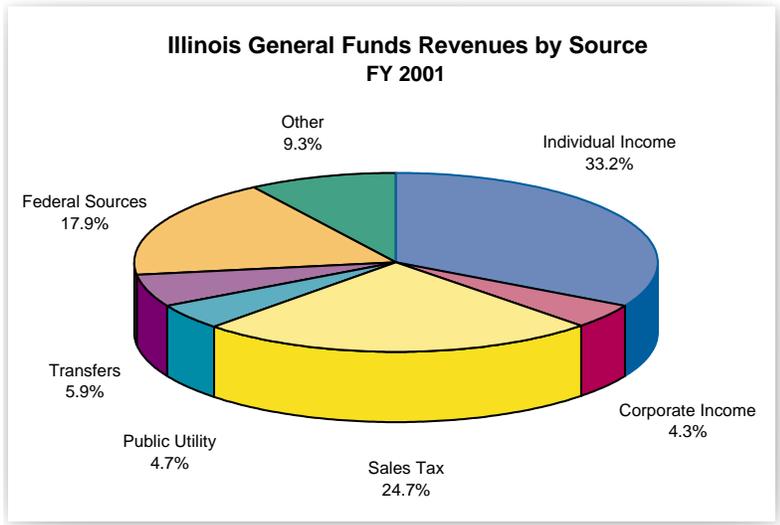
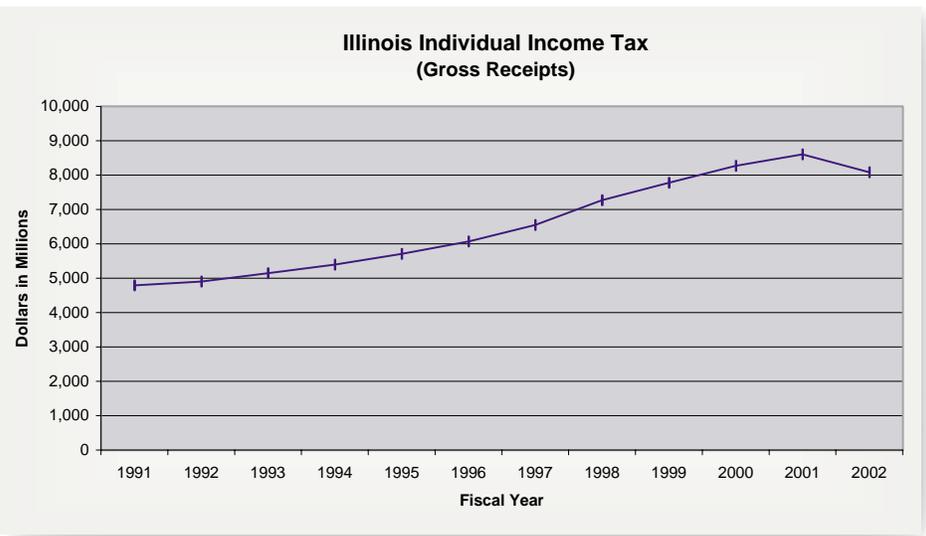
The NCSL survey reports that states say they will not be able to pinpoint the exact causes of the income tax decline until later in the year when more research can be conducted. One explanation that has

received early attention is that the drop in stock market profits subsequently led to a drop in income and income taxes owed.

Whatever the causes, the drop in individual income tax revenues nationally follows a pattern where such revenues had increased at an average of 9 percent per year from fiscal year 1995 to fiscal year 2001. This reduction, coupled with the fact that individual income tax revenues have become a major source of total general funds revenues for many states, has left states scrambling to keep their budgets balanced.

Spending

State government spending levels are usually based on the amount of revenues estimated to be available in the upcoming year. If actual revenues fall short of the estimates, spending can be reduced in an



LOCAL Government Line

Local Governments Lose Photoprocessing Tax Revenue

The recent budget-balancing legislation enacted by the General Assembly eliminated one source of revenue for Illinois local governments. That source, usually referred to as photoprocessing revenue, was established in 1988 to make up for the revenue lost from the exemption of photoprocessing machinery and equipment from the sales tax. Each month 0.4 percent of the total sales tax collections had been set aside to be distributed to counties and municipalities based on their share of the state population.

Overview

Local governments in Illinois receive revenues from a variety of sources including local taxes and intergovernmental receipts from the state. Municipal and county governments receive the majority of revenues or receipts through revenue sharing programs administered by the state. The primary revenue sharing taxes generated and collected by the state include the motor fuel, income, sales and use, and gaming taxes. The following table indicates the total revenues disbursed to local governments including the amounts for each revenue sharing program.

In fiscal year 2001, Local Governments received a total of \$4.5 billion, or \$361 per

Illinois resident through revenue sharing programs. The local share of sales and use taxes provided the largest amount of funds for local governments (\$1.5 billion). The state income tax is the revenue source

Governor to consider spending cuts and tax increases in every area of the budget. This shortfall led policymakers to reexamine the \$4.5 billion that is shared with local governments. Two proposals that were considered and reviewed included a reduction in the municipal and county shares of the state income tax (commonly known as the Local Government Distributive Fund or LGDF), and a complete elimination of the photoprocessing revenue. The Illinois Municipal League, an association that represents the interests of cities, villages, and towns throughout Illinois, lobbied heavily against initial proposed cuts.

For the LGDF, the General Assembly had discussed lowering the local governments' share of the revenue from 1/10th to 1/11th of the total net income tax collections which would allow the state to retain an additional \$84 million that would have gone to municipalities and counties. The Illinois Municipal League

LOCAL GOVERNMENT LINE continued, page 14

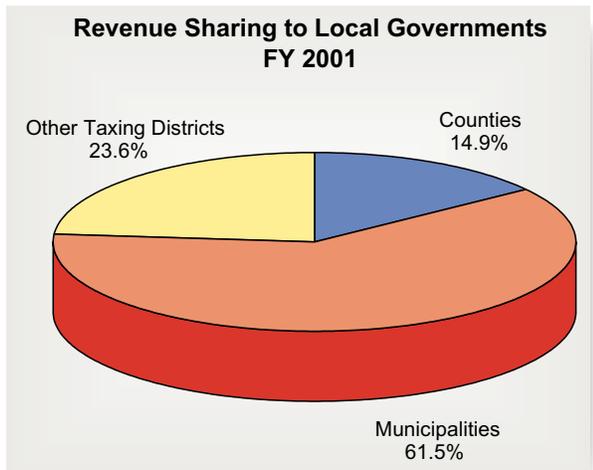
Disbursements to Illinois Local Governments		
	FY 2000	FY 2001
Taxes Collected for Local Governments	\$ 1,475,262,577	\$ 1,556,918,575
Revenue Sharing with Local Governments		
Gaming Taxes	1,398,348	1,399,754
Income Tax (LGDF)	889,438,124	905,630,279
Photoprocessing (LGDF)	24,072,993	25,799,993
Local Share of Use Tax	161,653,835	188,501,747
Sales Tax Transfers/Local Transportation	206,685,259	217,423,278
Local Share of Sales and Use Taxes	1,457,021,644	1,504,462,759
Motor Fuel Taxes	572,500,000	606,364,005
Replacement Taxes	1,041,563,463	1,006,863,767
Tax Increment Financing	16,664,078	16,920,833
Sub Total - Revenue Sharing	\$ 4,370,997,743	\$ 4,473,366,414
Grand Total	\$ 5,846,260,320	\$ 6,030,284,988

SOURCE: Illinois Department of Revenue, *State of Illinois Payments to Local Governments, Fiscal Year 2001*.

for the second largest revenue sharing program (\$905 million). Municipal and county governments are allocated ten percent of the total receipts from income taxes based on their population relative to the total state population. When the economy is growing and wages increase, local governments share in the growth. Conversely, when the economy is performing poorly, municipalities and counties may see their revenues decrease.

State Budget Crisis

While formulating the budget for fiscal year 2003, the state faced a severe revenue shortage that forced the General Assembly and the



CEMETERY

Care Corner

Comptroller's New Initiatives

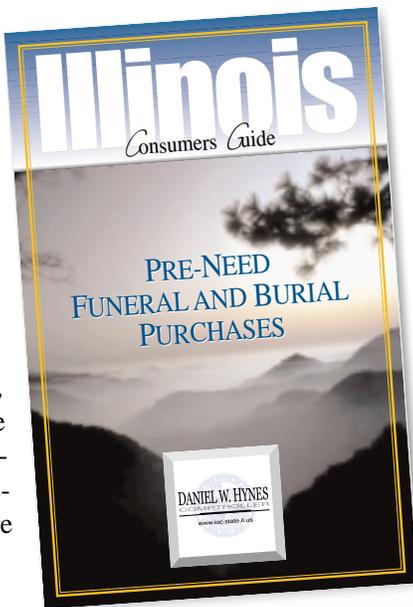
Consumers Guide for Pre-Need Funeral and Burial Purchases

In cooperation with leaders from the cemetery and funeral home industries, the Office of the Comptroller recently released a revised consumers guide for pre-need funeral and burial purchases. This guide is designed to aid consumers by clearly outlining their legal rights and protections under Illinois law when making a funeral or burial purchase before the time of need. This guide reflects Illinois law as of January 1, 2002, and must be presented to all consumers before pre-need contracts are signed.

This publication includes specific contract information such as merchandise and covered services, cancellation requirements, and refund policies. As well as answering other frequently asked questions, the consumers guide provides additional contacts within the funeral home industry should further information be necessary.

For a copy of the *Illinois Consumers Guide for Pre-Need Funeral and Burial Purchases*, please call the Comptroller's Office toll-free at 1-877-203-3401, or e-mail us at ccbt@mail.ioc.state.il.us. This

guide and other consumer related publications are available through a free download from our website at www.ioc.state.il.us. This guide is also available in Spanish for mailing or downloading.



Electronic <e> Filing

The Comptroller's Cemetery Care & Burial Trust Division is pleased to introduce a new <e> filing system for the submission of Annual Reports. This initiative, which will be available to all cemeteries, funeral homes, and sellers of pre-need merchandise by the end of summer 2002, is one component in the Comptroller's overall plan to increase statutory compliance through the use of technology.

In an effort to improve communication between the Comptroller's Office and licensees, the user friendly program was designed in December of 2001. The system has undergone extensive testing to ensure that it will be both accurate and secure. While only licensees whose assets exceed \$100,000 will initially be required to file electronically, the Comptroller encourages all cemetery and funeral home licensees to take advantage of this new program. Benefits include decreased copying and mailing costs, a more efficient and convenient method of filing reports, and prevention of any delinquencies due to late filing.

Advantages to the <e> filing system within the Comptroller's Office include less time spent manually entering data, as well as online access to updated financial information for our auditors throughout the state. The Comptroller's Office will provide training sessions for licensees and associations statewide to assist them in learning the new <e> filing system.

Nearly \$1 billion in trust funds is reported to the Comptroller's Office each year. In addition to improving the processing of this information, the <e> filing system will act as a safe, convenient tool for every licensee who files an Annual Report.

For additional information about <e> filing, please contact us toll-free at 1-877-203-3401 or e-mail us at ccbt@mail.ioc.state.il.us. ■

DANIEL W. HYNES
STATE OF ILLINOIS COMPTROLLER
oversees the state's private cemetery
and funeral home industry.

Public Act 92-675,
which will take effect
July 1, 2003, provides
new authority to the
Comptroller's Office
to license and inspect
crematories.



From Record Highs to Record Lows

Fiscal year 2002 stands in sharp contrast to the three prior years as state finance passed from record revenue growth and record high cash balances to falling revenue and record payment delays.

Three years ago, at the end of fiscal year 1999, the *Focus on Revenue* touted the strength of the economy and state finance. That strength produced \$1.690 billion in 'base' revenue growth - the largest single-year increase on record.* It also resulted in an end-of-year General Funds cash balance of \$1.351 billion, the highest to date. That balance included \$1.016 billion in the General Revenue Fund (the state's largest operating fund). Fiscal year 1999 also marked the seventh consecutive year that most of the state's major revenue sources outperformed expectations.

The string of good fiscal and economic news continued in fiscal year 2000 with revenue sources continuing to perform better than expected. That year General Funds revenue jumped \$1.576 billion, second only to the 1999 growth. At the end of the year, the available cash balance stood at a record \$1.517 billion, including \$997 million in the General Revenue Fund (GRF).

Both revenue growth and end-of-year balances slipped in 2001 as revenue growth slowed to little more than half the growth

of the prior two years and end-of-year balances fell. Although revenue increased \$856 million, that growth was the lowest dollar increase since fiscal year 1994 and the slowest percent increase (3.7%) since 1991 (3.3%). This slower growth was due to a six-month sales tax exemption on purchases of motor fuel during the first half of the year and to falling receipts during the

During fiscal year 2002, a faltering state economy and anemic revenue performance sent state finance into a tailspin. When the budget was passed, General Funds revenues were expected to grow \$894 million or 3.7%. By the time the fiscal year began, the state's economy had already been in recession for about three months. As the recession deepened, revenues dropped in nine of the twelve months of the year and in each of the last six months. Over the year, 'base' revenues actually declined \$728 million - \$1.622 billion less than originally expected. Cash shortages and payment delays began in late August 2001 and continued throughout the year.

The weakness was widespread and especially evident in the sources most closely tied to the economy. Personal income taxes dropped \$525 million while corporate income taxes fell \$233 million. Sales taxes grew \$93 million over the year, but this growth is misleading. If receipts are adjusted to reflect the prior-year exemption for motor fuel,

sales tax receipts would have been down as well.

At the end of June, the General Funds cash balance stood at only \$256 million with a GRF balance of \$0.09 (nine cents). As a result, there were \$781 million in GRF bills on hand that could not be paid due to a lack of cash at the end of the year. These bills

Fiscal Year	Estimated Revenue	Actual Revenue	Estimated Growth	Actual Growth	Difference
1989		\$ 12,133			
1990	\$ 13,009	12,841	\$ 876	\$ 708	\$ (168)
1991	13,471	13,261	630	420	(210)
1992	14,532	14,032	1,271	771	(500)
1993	14,523	14,750	491	718	227
1994	15,410	15,587	660	837	177
1995	16,622	17,002	1,035	1,415	380
1996	17,713	17,936	711	934	223
1997	18,660	18,854	724	918	194
1998	19,504	19,984	650	1,130	480
1999	21,384	21,674	1,400	1,690	290
2000	22,560	23,250	886	1,576	690
2001	24,060	24,106	810	856	46
2002	25,000	23,378	894	(728)	(1,622)

Estimates reflect the first estimates for the fiscal year released by the Bureau of the Budget following enactment of the new year's budget.

last quarter of the year due an economic slowdown. These factors, along with a surge in spending during the first half of the year, resulted in a cash shortage and subsequent payment delays during most of February, March, and April. The General Funds balance fell to \$1.126 billion while the GRF balance sank to \$683 million.



Fiscal Year 2003 Spending Authority by Agency

As a result of the looming fiscal crisis, possibly the most austere General Funds budget ever will be implemented in fiscal year 2003. General Funds appropriations as passed by the General Assembly total \$22.313 billion for fiscal year 2003. This represents a decrease of \$1.096 billion or 4.7% from fiscal year 2002.

Of the \$1.096 billion decline, code departments accounted for 65.8% or \$721 million of the cuts. The Department of Human Services (down \$228 million or 6.0%) and the Department of Public Aid (down \$151 million or 2.9%) took the largest dollar hits. Only the Department on Aging (up \$11 million or 4.6%) and the Department of Central Management Services (up \$81 million or 10.6%) garnered increased appropriation levels from the General Funds for fiscal year 2003. The net \$81 million increase at Central Management Services includes a \$91 million increase for Group Insurance.

Higher education appropriation reductions totaled \$133 million or 5.0% from the 2002 fiscal year. The University of Illinois (down \$49 million or 6.1%) and the Illinois Student Assistance Commission (down \$41 million or 9.7%) had the largest dollar declines. Elementary and secondary education, which received the smallest cuts of any sector of state government, saw a decline of \$74 million or 1.2%.

Elected Officials General Funds office budgets were cut by \$69 million or 20.9% with \$60 million of the cuts occurring at the Secretary of State's office. Most of the \$60 million decline in the Secretary of State's budget was offset by an increase in Road Fund appropriations. Other sectors of state government include the legislative branch whose General Funds appropriations were reduced by \$4 million or 4.8% and the judicial branch which was reduced by \$6 million or 1.7%. All other agencies declined by \$90 million or 30.1%. ■

General Funds Appropriations by Agency
Fiscal Years 2002 and 2003
Dollars in Millions

	Fiscal Year		\$ Change	% Change
	2002	2003		
General Assembly	\$51.703	\$48.530	(3.173)	(6.1)
Other Legislative	28.826	28.164	(0.662)	(2.3)
Total, Legislative	80.529	76.694	(3.835)	(4.8)
Supreme Court	298.682	288.106	(10.576)	(3.5)
Judges Retirement System	25.232	29.148	3.916	15.5
Office of the State Appellate Defender	17.248	18.396	1.148	6.7
Other Judicial	5.349	5.085	(0.264)	(4.9)
Total, Judicial	346.511	340.735	(5.776)	(1.7)
Governor	11.009	10.375	(0.634)	(5.8)
Lt. Governor	3.138	2.981	(0.157)	(5.0)
Attorney General	42.826	40.710	(2.116)	(4.9)
Secretary of State	192.851	133.229	(59.622)	(30.9)
Comptroller	55.776	54.397	(1.379)	(2.5)
Treasurer	23.633	18.663	(4.970)	(21.0)
Total, Elected Officials	329.233	260.355	(68.878)	(20.9)
Aging	243.212	254.299	11.087	4.6
Agriculture	79.246	51.798	(27.448)	(34.6)
Central Management Services	759.825	840.558	80.733	10.6
Children and Family Services	925.466	838.049	(87.417)	(9.4)
Commerce and Community Affairs	112.769	87.958	(24.811)	(22.0)
Natural Resources	157.508	138.462	(19.046)	(12.1)
Corrections	1,303.220	1,206.608	(96.612)	(7.4)
Employment Security	8.926	8.921	(0.005)	(0.1)
Human Rights	7.454	6.864	(0.590)	(7.9)
Human Services	3,802.542	3,574.504	(228.038)	(6.0)
Insurance	0.493	0.278	(0.215)	(43.6)
Labor	7.200	6.698	(0.502)	(7.0)
Military Affairs	14.776	14.290	(0.486)	(3.3)
Nuclear Safety	0.786	0.297	(0.489)	(62.2)
Professional Regulation	1.713	0.457	(1.256)	(73.3)
Public Aid	5,264.676	5,113.491	(151.185)	(2.9)
Public Health	134.780	122.771	(12.009)	(8.9)
Revenue	250.374	152.154	(98.220)	(39.2)
State Police	249.057	194.517	(54.540)	(21.9)
Transportation	99.186	90.110	(9.076)	(9.2)
Veteran's Affairs	41.245	40.834	(0.411)	(1.0)
Total, Code Departments	13,464.454	12,743.918	(720.536)	(5.4)
Arts Council	19.977	18.957	(1.020)	(5.1)
Capital Development Board	40.385	27.270	(13.115)	(32.5)
Comprehensive Health Insurance Board	32.000	0.000	(32.000)	(100.0)
Court of Claims	47.239	44.772	(2.467)	(5.2)
Environmental Protection Agency	30.220	26.241	(3.979)	(13.2)
Historic Preservation	17.875	15.750	(2.125)	(11.9)
Illinois Violence Prevention	17.523	3.401	(14.122)	(80.6)
Industrial Commission	11.494	10.734	(0.760)	(6.6)
Emergency Management	22.966	12.546	(10.420)	(45.4)
All Other	58.083	48.448	(9.635)	(16.6)
Total, Other Agencies	297.762	208.119	(89.643)	(30.1)
Total, Elem. & Sec. Education	6,226.621	6,152.292	(74.329)	(1.2)
Board of Higher Education	347.390	367.668	20.278	5.8
Chicago State University	44.028	41.531	(2.497)	(5.7)
Eastern Illinois University	54.818	51.883	(2.935)	(5.4)
Governor's State University	28.046	26.351	(1.695)	(6.0)
Northeastern Illinois University	45.397	42.585	(2.812)	(6.2)
Western Illinois University	65.048	61.126	(3.922)	(6.0)
Illinois State University	93.385	87.673	(5.712)	(6.1)
Northern Illinois University	118.176	110.937	(7.239)	(6.1)
Southern Illinois University	249.933	234.717	(15.216)	(6.1)
University of Illinois	803.625	754.917	(48.708)	(6.1)
Community College Board	372.665	354.096	(18.569)	(5.0)
Student Assistance Commission	423.752	382.782	(40.970)	(9.7)
Math and Science Academy	16.527	13.459	(3.068)	(18.6)
Civil Service Merit	1.441	1.393	(0.048)	(3.3)
Total, Higher Education	2,664.231	2,531.118	(133.113)	(5.0)
Total, General Funds	\$23,409.341	\$22,313.231	(1,096.110)	(4.7)

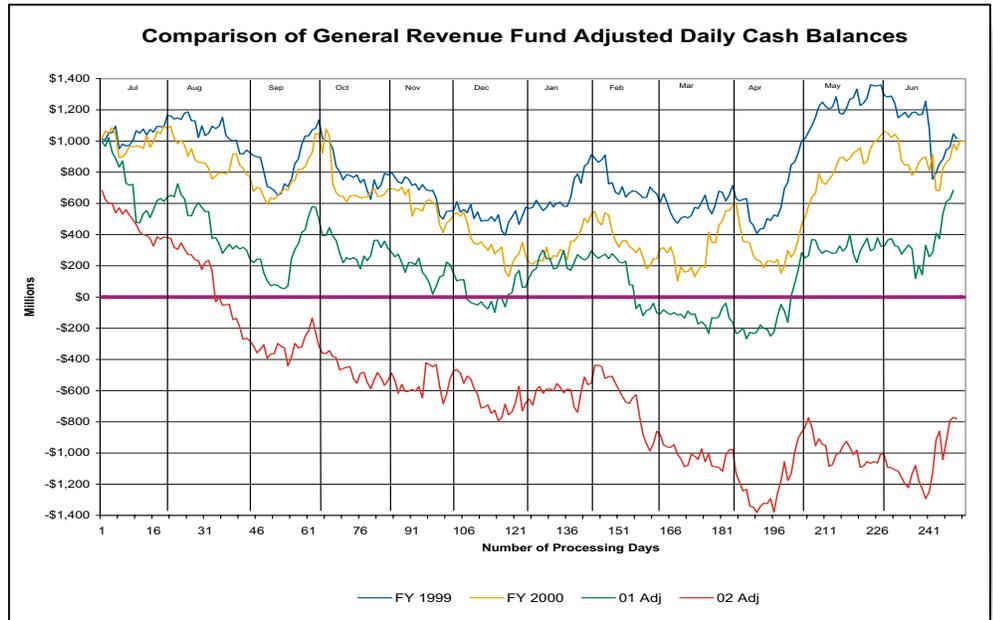
Source: Comptroller and Bureau of the Budget records.

attempt to keep the budget balanced. In fact, many states are making cuts in their budgets. However, some expenditures are not as easy to cut as others. The nation's governors are again complaining about the Medicaid program. According to the NASBO survey, state Medicaid spending in fiscal year 2002 is up 13.4 percent over fiscal year 2001, and fiscal year 2001 expenditures were up 11 percent over the previous fiscal year. This increase is led by outpatient prescription drugs spending which has increased an average of 18 percent annually over the past three years.

State Reactions

Despite the fall off in revenues, states are not rushing to raise taxes. A few have increased cigarette taxes and a few have postponed tax cuts that were being phased in. Instead, many states are turning to other alternatives. Spending cuts are being implemented and higher education and aid to local governments are the prime targets for reductions. Rainy day funds are being drawn down and trust funds with high balances are being 'raided' to sweep excess funds into the general funds.

Some states have also 'securitized' their tobacco settlement payments by borrowing against their future shares of the settlement to raise cash to help balance their budgets. Note that there may be revenue



losses with this approach, too. A recent report by the Council of State Governments indicates that states are expected to receive 20% less than originally predicted through 2010 because of declining cigarette consumption.

ILLINOIS' BUDGET STRUGGLES

After weeks of stalemate, the Illinois General Assembly finally agreed to a \$53 billion State budget. Although they went two days into an 'overtime' period that required a three-fifths majority vote, legislators enacted various tax proposals to help fund the budget. Despite the General

Assembly's actions, the Governor believed the bottom line was too high and decided to cut an additional \$557.2 million in General Funds spending.

The Governor used his veto powers to reduce spending, and then asked the General Assembly not to override his changes. The Governor's cuts were wide-ranging and included areas such as elementary and secondary education, higher education, corrections, and human services. The General Assembly accepted almost all of the Governor's changes but added back \$53.1 million. Overall, the spending reductions, coupled with tax increases and other revenue enhancements, were approved in an attempt to balance the fiscal year 2003 budget.

REVENUE ADJUSTMENTS Cigarette Taxes

The Governor asked for a 50-cents per pack increase in cigarette taxes, but the General Assembly stopped short of that by enacting an increase of 40-cents per pack. This increase is expected to raise an additional \$230 million. [Signed by the Governor, PA 92-536]. One possible risk with increasing cigarette taxes is that some smokers may quit or reduce the amount of cigarettes they purchase, thereby reducing the tax revenues collected by the state. However, a recent study of 17 states that increased cigarette taxes found that even

State Experiences with Cigarette Tax Increases

State	Date	Tax Increase (per pack)	New Tax (per pack)	State Consumption Decline	Revenue Increase (percent)	Revenue Increase (millions)
Alaska	Oct-97	\$0.71	\$1.00	-13.5%	202.0%	\$28.7
California	Jan-99	\$0.50	\$0.87	-18.9%	90.7%	\$555.4
Hawaii	Jul-98	\$0.20	\$1.00	-8.1%	19.9%	\$6.4
Illinois	Dec-97	\$0.14	\$0.58	-8.9%	19.0%	\$77.4
Maine	Nov-97	\$0.37	\$0.74	-15.5%	66.7%	\$30.8
Maryland	Jul-99	\$0.30	\$0.66	-16.3%	52.5%	\$68.0
Massachusetts	Oct-96	\$0.25	\$0.76	-14.3%	28.0%	\$64.1
Michigan	May-94	\$0.50	\$0.75	-20.8%	139.9%	\$341.0
New Hampshire	Jul-99	\$0.15	\$0.52	-10.4%	27.1%	\$19.6
New Jersey	Jan-98	\$0.40	\$0.80	-16.8%	68.5%	\$166.6
New York	Mar-00	\$0.55	\$1.11	-20.2%	57.4%	\$365.4
Oregon	Feb-97	\$0.30	\$0.78	-8.3%	77.0%	\$79.8
Rhode Island	Jul-97	\$0.10	\$0.71	-1.5%	16.2%	\$8.6
South Dakota	Jul-95	\$0.10	\$0.33	-5.6%	40.4%	\$6.1
Utah	Jul-97	\$0.25	\$0.52	-25.7%	71.0%	\$17.6
Vermont	Jul-95	\$0.24	\$0.44	-16.3%	84.2%	\$11.7
Wisconsin	Nov-97	\$0.15	\$0.59	-6.5%	25.8%	\$52.9

Sources: Orzechowski & Walker, *Tax Burden on Tobacco (2002)* and state revenue offices.

with a decline in consumption, tax revenues increased.

Riverboat Gambling Taxes

An adjustment was made to the wagering tax on the adjusted gross receipts of riverboats. Current law had a sliding scale with five steps: the tax rate was 15 percent on adjusted gross receipts (AGR) up to \$25 million, 20 percent on AGR up to \$50 million, 25 percent on AGR up to \$75 million, 30 percent on AGR up to \$100 million, and 35 percent on AGR over \$100 million. The newly enacted law provides for seven progressive steps in the wagering tax rate

Changes to Riverboat Wagering Tax

Adjusted Gross Receipts	Old Law	New Law
Up to \$25 million	15%	15%
Up to \$50 million	20%	22.5%
Up to \$75 million	25%	27.5%
Up to \$100 million	30%	32.5%
Up to \$125 million	35%	37.5%
Up to \$150 million	NA	45%
Over \$150 million	NA	50%

ranging from 15 percent on the AGR up to \$25 million, all the way to 50 percent on the AGR over \$150 million.

In addition, the legislature voted to increase the admissions tax from \$2 per person admitted to \$3 per person. Local governments under whose jurisdiction the riverboat is operating will continue to receive \$1 of the per person admission tax. It is estimated that the higher riverboat gambling taxes will raise about \$134 million for the state. [Signed by the Governor, PA 92-595]

Decoupling

Congress enacted an economic stimulus package with an improved federal bonus depreciation rule to help spur business spending. Unfortunately, since the Illinois tax code is 'coupled' to the federal system (e.g., businesses use their federal taxable income as the starting point for Illinois tax returns), it was reported that the federal tax breaks could cost the state approximately \$807 million over three years. (See *Fiscal Smarts*). Local governments could also lose revenue because portions of the cor-

porate income tax are deposited in various funds that support local governments. For example, Personal Property Replacement Tax payments are funded primarily by corporate income taxes. However, the General Assembly voted to block these tax breaks and the corresponding revenue losses by decoupling from the federal system. [Signed by the Governor, PA 92-603]

Tobacco Settlement Securitization

Based on the Master Tobacco Settlement Agreement that was signed in 1998, states that were a party to the agreement will receive annual payments over a 25-year period. It has been estimated that Illinois could receive about \$9.1 billion from the settlement with annual payments in the \$300-400 million range. To accelerate the receipt of a portion of the funds, a plan referred to as 'securitization' was enacted. Although optional for the Governor to pursue, the plan would allow the state to issue general obligation bonds in fiscal year 2003 to bring in \$750 million, and the bonds would be secured by the tobacco settlement funds estimated to be received in future years. Fifty percent of the proceeds would go to the General Revenue Fund to build the cash balance and fifty percent would be deposited in the Budget Stabilization Fund. [Signed by the Governor, PA 92-596]

Photoprocessing Revenue

A portion of Illinois' sales tax was earmarked to the Local Government Distributive Fund that provides revenue to counties and municipalities. Commonly identified as photoprocessing revenue, 0.4 percent of sales tax collections were set aside each month to be distributed to counties and municipalities based on their share of the total state population. The General Assembly

voted to change this by allowing the state to keep the local government share worth about \$25 million annually. (See *Local Government Line*). [Signed by the Governor, PA 92-600]

Transfers

Like other states, Illinois is moving excess funds to the General Funds. Monies from fund balances in 28 special state funds will be transferred to the General Revenue Fund providing a one-time influx of \$165 million. [Signed by the Governor, PA 92-600]

Short-Term Borrowing

During budget negotiations, the Governor and leaders of the General Assembly asked

Interfund Transfers to the General Revenue Fund (Dollars in Millions)

Fund	Amount
Securities Audit and Enforcement Fund	\$ 14.00
General Professions Dedicated fund	11.00
Underground Storage Tank Fund	12.00
Fire Prevention Fund	10.00
Grade Crossing Protection Fund	9.00
Downstate Public Transportation Fund	10.00
Nursing Dedicated and Professional Fund	7.00
Traffic and Criminal Conviction Surcharge Fund	6.00
Renewable Energy Resources Trust Fund	5.00
School Technology Revolving Loan Fund	5.00
Audit Expense Fund	2.00
Conservation 2000 Fund	8.00
Drivers Education Fund	5.00
Motor Vehicle Theft Prevention Trust Fund	4.00
Park and Conservation Fund	2.00
Insurance Producer Administration Fund	4.00
Agricultural Premium Fund	4.00
Health Facility Plan Review Fund	4.00
State Police Services Fund	3.00
Savings and Residential Finance Regulatory Fund	1.75
Insurance Financial Regulation Fund	1.00
Real Estate License Administration Fund	0.25
Illinois Health Facilities Planning Fund	2.00
Natural Areas Acquisition Fund	2.00
Appraisal Administration Fund	2.00
Real Estate Recovery Fund	1.00
Open Space Lands Acquisition and Development Fund	29.00
Illinois Aquaculture Development Fund	1.00
	\$165.00

Comptroller Hynes and Treasurer Topinka to agree to short-term borrowing. Both the Comptroller and Treasurer refused to sign off on short-term borrowing until a budget was enacted. The Comptroller was concerned that the borrowing would be used

COVER STORY continued page 12

to address the budget shortfall, essentially using borrowed funds for operations. After the budget was finally enacted Comptroller Hynes, Treasurer Topinka and Governor Ryan reached a joint agreement on a \$1 billion short-term borrowing plan to help clear the backlog of unpaid bills and the outstanding individual income tax refunds that the State has owed taxpayers since April. Individuals and businesses providing goods and services to the State have had to wait months for the money they are owed. The borrowed funds will allow the backlog to be reduced during the first half of the fiscal year and avoid as much as \$75 million in interest penalties on overdue bills. The borrowed funds must be repaid by June 30, 2003.

EXPENDITURE ADJUSTMENTS

Total General Funds appropriations for fiscal year 2003 are \$22.3 billion which is a reduction of about \$1.1 billion or 4.7% from the \$23.4 billion appropriated for fiscal year 2002. From a functional perspective, higher education absorbed a \$133 million cut. From an agency perspective, the Departments of Human Services (- \$228 million), Public Aid (- \$151 million), Revenue (- \$98 million) and Corrections (- \$97 million) had sizable decreases. (See *Focus on Spending*).

Layoffs, Reductions and Early Retirement

The Governor maintained that any serious attempt to balance the budget would necessitate reductions in personnel costs. Ideas that circulated included unpaid furlough days, cutbacks in the number of state government employees through layoffs, and an early retirement incentive (ERI) package. The General Assembly voted to support an early retirement plan, the first since 1991, and the State Employees Retirement System (SERS) is currently mailing information to all employees who would be eligible to participate. SERS estimates that as many as 20,500

employees may meet the requirements of the law, and that 7,300 may actually retire. According to the Administration, the projected cost savings for fiscal year 2003 resulting from the ERI is \$65 million. [Note: When ERI was last offered in 1991, 4,605 state employees retired.]

The uncertainty about how many state employees may take advantage of ERI means that there is uncertainty about the cost savings that might be realized. It is also not clear how many job positions will be eliminated from the state workforce. The American Federation of State, County

es and maintenance. The Monetary Award Program (MAP) may have to be constrained by cutting off applications or by reducing the amount of each grant. MAP grants to undergraduates in their fifth year of college have already been eliminated.

Corrections Cuts

The Department of Correction's (DOC) budget was cut approximately \$96 million. The largest reduction is the \$28.6 million to be saved by closing the Sheridan Correctional Center, while another \$15 million will be saved by not opening the Thompson Correctional Center as scheduled. Additional facility closures include the Valley View juvenile prison in St. Charles, the Ed Jenison Prison Work Camp and other camps and youth centers in Hanna City and Greene County. DOC plans to cut about 2,400 jobs including 500 of its sergeants.

Human Services Cuts

General Funds appropriations for the Department of Human Services (DHS) decreased \$228 million from \$3.8 billion in fiscal year 2002 to \$3.6 billion in fiscal year 2003. Some offices of the Department of Human Services and the Department of Children and Family Services (DCFS) will be closed and state employees laid off. The closures include the Zeller Mental Health Center in Peoria and eight regional DHS offices. A 2 percent cost-of-living raise for people who care for the mentally ill and developmentally disabled was eliminated, as was an AIDS/HIV prevention program for minorities.

Education Cuts

General Funds appropriations for elementary and secondary education were cut \$74 million from the \$6.2 billion budget level in fiscal year 2002. One third of this cut comes from general state aid to schools,

Agenda for Financial Stability in Illinois

- **Controlling Growth in State Spending**
 - Hold spending to 99% of estimated revenue
 - Allow reasonable growth for inflation and new initiatives
 - Set aside 1% savings for Rainy Day Fund
- **Saving for a Rainy Day**
 - Improved Budget Stabilization Fund (Rainy Day Fund)
 - Establish permanent funding stream = 1% of estimated revenues
 - Provide mechanism for use of fund during fiscal difficulties
 - Cap fund at 4% of estimated revenues, excess for debt reduction
- **Paying Down Our Debts**
 - After Rainy Day Fund reaches cap, 1% of estimated revenues to Early Debt Retirement Fund
 - Pay off deferred liabilities on-hand, e.g. deferred Medicaid bills
 - Pay down unfunded liability of State retirement systems
 - When cost effective, pay down bonded indebtedness
- **Improving the Budget Process**
 - Truth-in-Revenue: Create Revenue Estimating Council to certify revenues for budget
 - Quarterly budget check-ups
 - Truth-in-Spending: Pay bills as they come in rather than pushing them into future years

and Municipal Employees estimates that 3,300 state jobs may be eliminated because of the latest budget cuts.

Higher Education Cuts

Also reduced was the \$2.6 billion budget for higher education which was cut by \$133 million. The decreases will affect state universities, community colleges, and student financial aid. The cuts to individual campuses average about 6.1 percent and could lead to actions such as eliminating classes, increasing class sizes, staff layoffs, and reducing or deferring purchas-

COVER STORY concluded, page 13

but most of the reductions are in categorical grants. Funds for special education and transportation were cut as well as monies for reading improvement, crisis intervention, safety education and science.

Conclusion

Illinois' effort to balance the state budget due to unexpected revenue shortfalls is not entirely unique. Almost all of the other

states have had to adjust their budgets in the face of current economic conditions. However, the situation Illinois faces is not entirely due to the economy. As shown in the chart on page 10, there has been a steady annual erosion in the daily cash balance. This pattern suggests that Illinois would have faced some financial difficulties in fiscal year 2002 even if the economy had performed better.

The Comptroller's Agenda for Financial Stability in Illinois was proposed last year to help the state establish a sound financial base. The combination of controlling growth in state spending, saving for a rainy day, paying down debts, and improving the budget process could go a long way in helping Illinois confront any economic downturns. Illinois taxpayers deserve financial stability from their state government. ■



Focus On Revenue continued from page 8

were carried over to July and will require the use of fiscal year 2003 resources. This is the first time since 1993 that bills have been carried over to the next year due to cash shortages.

* Base revenue is defined as total revenue less any short-term infusion of revenue that has to be repaid. These include interfund loans and short-term borrowing. ■

**General Funds Revenues By Source
Fiscal Year 2002
(Dollars in Millions)**

Sources	July '01 Estimate FY 2002	Actual FY 2002	Estimate Growth	Actual Growth	Difference Act. - Est.
Income	\$ 9,405	\$ 8,274	\$ 373	\$ (758)	\$ (1,131)
Personal	8,350	7,471	354	(525)	(879)
Corporate	1,055	803	19	(233)	(252)
Sales	6,400	6,051	442	93	(349)
Public Utility	1,200	1,104	54	(42)	(96)
Cigarette	400	400	0	0	0
Liquor	130	122	6	(2)	(8)
Inheritance	395	329	34	(32)	(66)
Insurance	250	272	4	26	22
Corporate Franchise	150	159	4	13	9
Interest	275	136	1	(138)	(139)
Cook IGT	245	245	0	0	0
Other	535	550	94	109	15
Total, State Sources	\$ 19,385	\$ 17,642	\$ 1,012	\$ (731)	\$ (1,743)
Federal Aid	\$ 4,180	\$ 4,258	\$ (140)	\$ (62)	\$ 78
Transfers-In:					
Riverboat Gaming	\$ 465	\$ 470	\$ 5	\$ 10	\$ 5
Lottery	510	555	9	54	45
Other	460	453	8	1	(7)
Total Base Revenues	\$ 25,000	\$ 23,378	\$ 894	\$ (728)	\$ (1,622)
Transfer from Budget Stabilization Fund	0	226	0	226	226
Total Revenues	\$ 25,000	\$ 23,604	\$ 894	\$ (502)	\$ (1,396)

Source: The July 2001 estimate of FY 2002 General Funds revenue is based on the Bureau of the Budget's July 2001 Quarterly Financial Report.

Fiscal Forum

Our last question concerned one of the issues state governments face in supporting higher education. Namely, should the State provide more student financial help? The question and the responses from our readers are presented below.

Should the State provide more student financial assistance to help counter increases in tuition and fees?

YES...77.5% NO...22.5%

The question for this issue of *Fiscal Focus* concerns estimating revenues to establish a State budget. Should Illinois create a Revenue Estimating Council (members to include the Director of the Bureau of the Budget, Director of the Economic and Fiscal Commission, and the Comptroller) to develop a consensus, binding revenue estimate for the next fiscal year?

YES NO

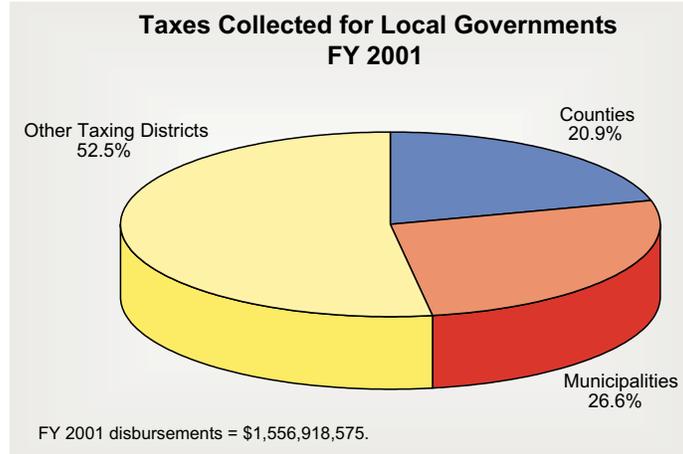
To respond to this question, simply log onto the Comptroller's Web site at www.ioc.state.il.us. ■

(IML) successfully lobbied against this proposal and it was not enacted.

However, the General Assembly did vote to eliminate the municipal and county share of the state's photoprocessing revenue. This program designated that 0.4% of revenues from sales tax collections be distributed to municipalities and counties based on their share of the state's population. Initially the Illinois Municipal League opposed all cuts to municipal governments. However, the consistent revenue shortfalls were devastating to the state budget, and the IML changed their position to support a one-time cut to the photoprocessing revenue. At this time, the distribution of this revenue to local governments has been eliminated with no plans for it being reinstated.

slowdown.

Brookfield Village in suburban Cook County is expected to lose \$41,428 due to the elimination of the photoprocessing revenue. David Owen, Village Manager, indicated that it amounted to the loss of a salary and the Village may subsequently



into reserve funds. It is generally recommended that local governments maintain a three- to six-month reserve in case of emergencies.

Overall, this reduction will hurt the municipal and county governments that have not been able to build reserves for economic slow downs. Approximately 233 municipalities have less than the three months of general funds reserved. This makes mandated reductions in revenue sources particularly difficult, especially when coupled with a natural decline in revenues. However, most municipalities will not be affected. In fact, 511 cities in Illinois have been able to compile more than a six-month reserve in general funds.

The counties and municipalities of Illinois depend on the state government for a significant portion of their revenues. This year with revenues declining at every level of government, the General Assembly made some tough choices on spending cuts. Despite the relatively small amount of money that the photo processing tax accounted for, its loss will be felt across Illinois. ■

Impact on Local Governments

The photoprocessing revenue represented approximately 0.6% of the total revenue sharing funds or \$26 million or nearly \$2.07 per Illinois resident. Although the amount seems low, many governments were hit doubly hard by the elimination of these funds and from declines in sales and income taxes brought on by the economic

be forced to lay someone off.

Another city that was counting on the photoprocessing revenue was East Moline. James Hughes, the city finance director, stated that he thought the loss of funds may force the city to raise property taxes.

With the economic slowdown cutting in to the revenues of Illinois' local governments, many will surely be tempted to dip

September 11 continued from page 4

get our heroes - past, present and future - who have sacrificed to keep us safe and our country free." Firefighters Local 37 President Doc Underwood, Police Benevolent and Protective Association Number 5 Vice-President Bob Markovic, and Illinois Air National Guard 183rd Fighter Wing Weapons Safety NCO Bob Brock unveiled the plaque. "Today we proudly raise this flag to honor lives lost, spirits renewed and the unity of a nation solidified," Hynes said. "I am proud of your selfless contribution to remember a day too important in our nation's history to ever forget." Herbert Dennis, manager of the IDES Job Training Division also participated in the event. Ironworkers Local No. 46, Operative Plasterers and Cement Masons Local No. 18, donated time and materials to make the project possible. ■



Plaque donated by Funky's Trophy Place, Sherman, IL

Vital Statistics

The Heartbeat of Illinois' Finance

Where's The Bottom?

From a financial standpoint, fiscal year 2002 will be remembered for the anemic General Funds revenue performance which sent the state's fiscal position into a tailspin. Among the General Funds revenue lowlights are the fact that revenues declined in nine out of the twelve months of the fiscal year and in each of the last six months. On a quarterly basis, General Funds revenues declined by \$328 million or 5.6% in the third quarter and \$315 million or 4.4% in the fourth quarter. For the year, 'base' revenues (total revenues minus rainy day dollars) were \$728 million or 3.0% below fiscal year 2001 and over \$1.6 billion below the original estimates for fiscal year 2002. Unfortunately, there is no solid evidence that revenue performance has turned the corner.

As a result of anemic revenues, a \$781 million backlog of unpaid bills is being carried into the new fiscal year for the first time since the end of fiscal year 1993. Payment delays plagued the General Funds for nearly the entire fiscal year and reached as much as 35 days in mid-June. The delays going into fiscal year 2003 total 28 business days, or almost six weeks. This does not include delays or processing time at the agency level, which in some instances can add up to two months to the payment cycle.

At the end of June, the General Funds cash balance was \$256 million, or \$870 million less than what was in the bank at the end of fiscal year 2001. The dramatic drop in the cash balance was concentrated in the General Revenue Fund (the state's largest operating fund) where the cash balance dropped from \$683 million to \$0 over the

year, accounting for nearly 79% of the drop in the General Funds balance. In addition to the lack of a balance on June 30, 2002, there were \$781 million in bills on hand that could not be paid. The resulting effective General Revenue Fund (GRF) balance is almost \$1.5 billion below last year's ending balance.

Over the April-June quarter, revenues usually outpace spending demands by a wide margin resulting in an increase in the cash balance. While the GRF cash position also improved this year, that improvement moved the effective cash position from a negative \$1.132 billion at the end of March to a negative \$781 million at the end of June.

Revenues

General Funds revenues for fiscal year 2002 were \$23.604 billion, \$502 million or 2.1% below fiscal year 2001 revenues. This decline includes the \$226 million transfer from the Budget Stabilization Fund. Excluding this transfer, General Funds 'base' revenues were down \$728 million or 3.0% from the prior year. After declining by \$85 million or 0.8% in the first half of fiscal year 2002, 'base' revenues decreased by \$328 million or 5.6% in the third quarter and \$315 million or 4.4% in the fourth quarter.

The weakness in revenues was evident in those receipt sources tied most directly to the economy. Individual income taxes fell \$525 million (6.6%) and corporate income taxes decreased \$233 million (22.5%). The drop in the stock market and an increase in unemployment affected

individual income taxes while corporate profits were down which impacted business tax returns. Receipts from individual income taxes declined in nine of the twelve months of the fiscal year. During the last quarter, individual income taxes were down \$393 million accounting for almost 75% of the decline for the year. Corporate income tax receipts were down in eight of the months for the year.

Investment income was down \$138 million or 50.4% due primarily to lower investable balances and interest rates as the Federal Reserve lowered interest rates throughout the year in an effort to stimulate the economy.

Sales tax receipts increased by \$93 million or 1.6%. This growth is misleading because it does not account for the fiscal year 2001 six-month sales tax exemption for motor fuel. During the six months of the year (August to January) which would have been impacted by the exemption, sales tax receipts increased \$129 million. If tax receipts were adjusted for this factor, sales taxes would have also declined for the year. During the last five months of fiscal year 2002, sales taxes were down \$33 million.

Federal sources decreased \$62 million or 1.4% because of reduced federally reimbursable spending. Other sources declining were public utility taxes, inheritance tax receipts, and liquor taxes.

Sources reflecting an increase included other tax receipts which were up \$109 million or 24.7% due to a \$114 million increase in the deposit from the Build Illinois escrow account. Gambling fared well with Lottery

VITAL STATISTICS continued page 16

Fund and Gaming Fund transfers up \$54 million and \$10 million respectively. Insurance taxes were up due in part to the decline in corporate income taxes which are allowed as deductions. Corporate franchise taxes also increased.

Expenditures

At the end of fiscal year 2002, General Funds spending totaled \$24.474 billion, \$23 million or 0.1% below last year. The \$23 million decrease includes an \$85 million increase in lapse period spending, a \$277 million decrease in spending from current year appropriations, and a \$169 million increase in transfers out. Last year transfers out included a \$260 million transfer from the General Revenue Fund for the Illinois FIRST Program. This year, transfers out included a \$226 million transfer for repayment to the Budget Stabilization Fund.

The decrease in spending from current year appropriations is due to the lack of available cash to make payments. At the end of June, the Comptroller's office was holding \$781 million in vouchers due to the lack of cash in the General Funds compared to \$10 million in vouchers last June. Had cash been available, fiscal year 2002 General Funds spending would be up \$758 million or 3.1% - not down \$23 million or 0.1%.

Awards and grants spending increased \$275 million or 1.8% while operations increased \$308 million or 4.6%, transfers out increased \$169 million, vouchers payable increased \$771 million and all other spending decreased \$4 million.

Expenditures exceeded revenues by \$870 million in fiscal year 2002 resulting in a decrease in the available cash balance from \$1.126 billion at the beginning of the fiscal year to \$256 million at the end.

Of the \$275 million increase in grant spending, the State Board of Education was up \$219 million while Teachers' Retirement System grants increased by \$89 million and higher education increased by \$87 million. Both Public Aid and the Department of Human Services grant spending declined from the prior year by \$117 million and \$10 million respectively.

Spending for operations totaled \$6.939 billion for fiscal year 2002, \$308 million higher than comparable expenditures last year. Higher education operations are up 5.1% or \$85 million, while all other operations increased \$223 million (4.5%).

Looking Ahead

Is the worst of the financial news behind us? The short-term answer depends in part on spending demands during the first quarter. It also depends on both the amount and timing of revenue growth in fiscal year 2003. There is little doubt that first quarter spending demands will be unusually large. During the first quarter, spending demands generally exceed resources resulting in a sizeable drop in the available cash balance. This year, that mismatch will be compounded by the fact that \$781 million in unpaid bills has been carried forward from June. When combined with normal lapse period spending, the fiscal year 2002 General Funds bud-

etary balance (ending cash minus lapse period spending) will drop to an all-time low. This will put additional strain on 2003 finances as more of the current year's resources are used to pay last year's bills.

Although forecasts are generally calling for economic growth in fiscal year 2003, most of that growth is expected to occur during the last half of the year. Because of the close link between the state's largest revenue sources and the economy, there seems to be little reason to expect to see a sizeable jump in 'base' revenue early in the year. Given the extended string of monthly declines in income and sales taxes, it is not clear that this trend is behind us.

While the economy might not add much to state coffers early in the year, there are three planned infusions of revenue that will help cash flow. The first is the transfer of approximately \$160 million of 'surplus' balances from other state funds to the GRF on July 1. These amounts do not have to be repaid. The second is the transfer of \$226 million from the Budget Stabilization Fund. The third is a planned short-term loan.

These measures will likely alleviate, but not completely eliminate, the cash flow difficulties. Both the transfer from the Budget Stabilization Fund and the short-term loan have to be repaid by the end of the year and effectively shift resources from the end of the year to the beginning. The repayment requirements mean that payments for everyday operations will likely be delayed during the last half of the year. ■

Don't forget to visit the Comptroller's Tent at the Illinois State Fair August 9-18!



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

	Ten Months			
	Apr. 2002	FY 2002	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 145	\$ 1,126	\$(391)	(25.8) %
Revenues	2,447	19,134	(223)	(1.2)
Expenditures	2,235	19,903	(394)	(1.9)
Ending Balance	\$ 357	\$ 357	\$(220)	(38.1) %
General Revenue Fund				
Available Balance	\$ 31	\$ 683	\$(314)	(31.5) %
Revenues	2,107	16,313	(288)	(1.7)
Expenditures	2,016	16,874	(474)	(2.7)
Ending Balance	\$ 122	\$ 122	\$(128)	(51.2) %
Common School Special Account Fund				
Available Balance	\$ 54	\$ 66	\$(3)	(4.3) %
Revenues	118	1,251	24	2.0
Expenditures	111	1,256	21	1.7
Ending Balance	\$ 61	\$ 61	\$ 0	0.0 %
Education Assistance Fund				
Available Balance	\$ 43	\$ 355	\$(60)	(14.5) %
Revenues	113	882	(30)	(3.3)
Expenditures	56	1,137	63	5.9
Ending Balance	\$ 100	\$ 100	\$(153)	(60.5) %
Common School Fund				
Available Balance	\$ 17	\$ 21	\$(15)	(41.7) %
Revenues	372	2,452	147	6.4
Expenditures	314	2,398	70	3.0
Ending Balance	\$ 75	\$ 75	\$ 62	476.9 %

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)

	Ten Months			
	Apr. 2002	FY 2002	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 939	\$ 6,215	\$(272)	(4.2) %
Corporate	129	661	(213)	(24.4)
Total, Income Taxes	\$ 1,068	\$ 6,876	\$(485)	(6.6) %
Sales Taxes	471	5,028	95	1.9
Other Sources:				
Public Utility Taxes	97	918	(10)	(1.1)
Cigarette Taxes	33	333	0	0.0
Inheritance Tax (gross)	17	270	(24)	(8.2)
Liquor Gallonage Taxes	9	101	3	3.1
Insurance Taxes and Fees	51	216	21	10.8
Corporation Franchise Tax and Fees	10	127	8	6.7
Investment Income	10	121	(115)	(48.7)
Cook County IGT	45	222	0	0.0
Other	23	189	1	0.5
Total, Other Sources	\$ 295	\$ 2,497	\$(116)	(4.4) %
Total, Cash Receipts	\$ 1,834	\$ 14,401	\$(506)	(3.4) %
Transfers In:				
Lottery Fund	\$ 87	\$ 463	\$ 70	17.8 %
State Gaming Fund	35	380	5	1.3
Protest Fund	0	5	(3)	(37.5)
Other Funds	125	347	(2)	(0.6)
Total, Transfers In	\$ 247	\$ 1,195	\$ 70	6.2 %
Total, State Sources	\$ 2,081	\$ 15,596	\$(436)	(2.7) %
Federal Sources:				
Cash Receipts	\$ 361	\$ 3,243	\$ 3	0.1 %
Transfers In	5	69	(16)	(18.8)
Total, Federal Sources	\$ 366	\$ 3,312	\$(13)	(0.4) %
Total, Base Revenues	\$ 2,447	\$ 18,908	\$(449)	(2.3) %
Transfer from Budget Stabilization Fund	0	226	226	N/A
Total, Revenues	\$ 2,447	\$ 19,134	\$(223)	(1.2) %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Ten Months			
	Apr. 2002	FY 2002	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 584	\$ 4,260	\$ 128	3.1 %
Elem. & Sec. Education:				
State Board of Education	347	3,897	106	2.8
Teachers Retirement	68	684	73	11.9
Total, Elem. & Sec. Education	\$ 415	\$ 4,581	\$ 179	4.1 %
Human Services	178	2,254	(3)	(0.1)
Higher Education	38	795	108	15.7
All Other Grants	110	1,274	36	2.9
Total, Awards and Grants	\$ 1,325	\$ 13,164	\$ 448	3.5 %
Operations:				
Other Agencies	\$ 430	\$ 4,331	\$ 204	4.9 %
Higher Education	118	1,623	82	5.3
Total, Operations	\$ 548	\$ 5,954	\$ 286	5.0 %
Transfers Out	\$ 47	\$ 1,535	\$(338)	(18.0) %
All Other	\$ 2	\$ 46	\$(1)	(2.1) %
Vouchers Payable Adjustment	\$ 313	\$(796)	\$(789)	N/A
Total, Base Expenditures	\$ 2,235	\$ 19,903	\$(394)	(1.9) %
Repayment to Budget Stabilization Fund	0	0	0	0.0
Total, Expenditures	\$ 2,235	\$ 19,903	\$(394)	(1.9) %

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

	Ten Months			
	Apr. 2002	FY 2002	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 203	\$ 2,053	\$ 94	4.8 %
Other Personal Services	22	220	8	3.8
Total, Personal Services	\$ 225	\$ 2,273	\$ 102	4.7 %
Contribution Retirement	42	422	22	5.5
Contribution Social Security	14	146	8	5.8
Contribution Group Insurance	75	540	11	2.1
Contractual Services	38	451	10	2.3
Travel	2	19	(1)	(5.0)
Commodities	11	110	1	0.9
Printing	0	8	1	14.3
Equipment	1	25	(11)	(30.6)
Electronic Data Processing	6	43	4	10.3
Telecommunications	4	47	6	14.6
Automotive Equipment	1	15	0	0.0
Other Operations	129	1,855	133	7.7
Total, Operations	\$ 548	\$ 5,954	\$ 286	5.0 %

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

	Ten Months			
	Apr. 2002	FY 2002	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 269	\$ 2,425	\$ 182	8.1 %
All Other	78	1,472	(76)	(4.9)
Public Aid	584	4,260	128	3.1
Human Services	178	2,254	(3)	(0.1)
Higher Education:				
Student Assistance Commission	24	399	26	7.0
Community College Board	10	297	46	18.3
Other	4	99	36	57.1
Teacher's Retirement	68	684	73	11.9
Children and Family Services	46	566	(22)	(3.7)
Aging	19	191	7	3.8
Revenue	2	87	(4)	(4.4)
All Other	43	430	55	14.7
Total, Awards and Grants	\$ 1,325	\$ 13,164	\$ 448	3.5 %

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

	Eleven Months			
	May 2002	FY 2002	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 357	\$ 1,126	\$ (391)	(25.8) %
Revenues	1,922	21,056	(447)	(2.1)
Expenditures	1,987	21,890	(380)	(1.7)
Ending Balance	\$ 292	\$ 292	\$ (458)	(61.1) %
General Revenue Fund				
Available Balance	\$ 122	\$ 683	\$ (314)	(31.5) %
Revenues	1,650	17,963	(474)	(2.6)
Expenditures	1,713	18,587	(520)	(2.7)
Ending Balance	\$ 59	\$ 59	\$ (268)	(82.0) %
Common School Special Account Fund				
Available Balance	\$ 61	\$ 66	\$ (3)	(4.3) %
Revenues	127	1,378	25	1.8
Expenditures	123	1,379	27	2.0
Ending Balance	\$ 65	\$ 65	\$ (5)	(7.1) %
Education Assistance Fund				
Available Balance	\$ 100	\$ 355	\$ (60)	(14.5) %
Revenues	87	969	(41)	(4.1)
Expenditures	49	1,186	86	7.8
Ending Balance	\$ 138	\$ 138	\$ (187)	(57.5) %
Common School Fund				
Available Balance	\$ 75	\$ 21	\$ (15)	(41.7) %
Revenues	270	2,722	98	3.7
Expenditures	315	2,713	81	3.1
Ending Balance	\$ 30	\$ 30	\$ 2	7.1 %

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)

	Eleven Months			
	May 2002	FY 2002	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 612	\$ 6,827	\$ (463)	(6.4) %
Corporate	26	687	(235)	(25.5)
Total, Income Taxes	\$ 638	\$ 7,514	\$ (698)	(8.5) %
Sales Taxes	510	5,538	95	1.7
Other Sources:				
Public Utility Taxes	89	1,007	(46)	(4.4)
Cigarette Taxes	33	366	0	0.0
Inheritance Tax (gross)	30	300	(25)	(7.7)
Liquor Gallonage Taxes	11	111	(2)	(1.8)
Insurance Taxes and Fees	1	217	20	10.2
Corporation Franchise Tax and Fees	13	141	11	8.5
Investment Income	8	129	(128)	(49.8)
Cook County IGT	0	222	0	0.0
Other	17	206	(2)	(1.0)
Total, Other Sources	\$ 202	\$ 2,699	\$ (172)	(6.0) %
Total, Cash Receipts	\$ 1,350	\$ 15,751	\$ (775)	(4.7) %
Transfers In:				
Lottery Fund	\$ 36	\$ 499	\$ 47	10.4 %
State Gaming Fund	40	420	10	2.4
Protest Fund	0	5	(4)	(44.4)
Other Funds	20	367	(5)	(1.3)
Total, Transfers In	\$ 96	\$ 1,291	\$ 48	3.9 %
Total, State Sources	\$ 1,446	\$ 17,042	\$ (727)	(4.1) %
Federal Sources:				
Cash Receipts	\$ 470	\$ 3,713	\$ 75	2.1 %
Transfers In	6	75	(21)	(21.9)
Total, Federal Sources	\$ 476	\$ 3,788	\$ 54	1.4 %
Total, Base Revenues	\$ 1,922	\$ 20,830	\$ (673)	(3.1) %
Transfer from Budget Stabilization Fund	0	226	226	N/A
Total, Revenues	\$ 1,922	\$ 21,056	\$ (447)	(2.1) %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Eleven Months			
	May 2002	FY 2002	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 537	\$ 4,797	\$ 145	3.1 %
Elem. & Sec. Education:				
State Board of Education	416	4,313	202	4.9
Teachers Retirement	68	752	81	12.1
Total, Elem. & Sec. Education	\$ 484	\$ 5,065	\$ 283	5.9 %
Human Services	202	2,456	16	0.7
Higher Education	78	873	91	11.6
All Other Grants	65	1,339	15	1.1
Total, Awards and Grants	\$ 1,366	\$ 14,530	\$ 550	3.9 %
Operations:				
Other Agencies	\$ 427	\$ 4,759	\$ 226	5.0 %
Higher Education	62	1,684	51	3.1
Total, Operations	\$ 489	\$ 6,443	\$ 277	4.5 %
Transfers Out	\$ 267	\$ 1,802	\$ (286)	(13.7) %
All Other	\$ 4	\$ 50	\$ (2)	(3.8) %
Vouchers Payable Adjustment	\$ (139)	\$ (935)	\$ (919)	N/A
Total, Base Expenditures	\$ 1,987	\$ 21,890	\$ (380)	(1.7) %
Repayment to Budget Stabilization Fund	0	0	0	0.0
Total, Expenditures	\$ 1,987	\$ 21,890	\$ (380)	(1.7) %

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

	Eleven Months			
	May 2002	FY 2002	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 203	\$ 2,256	\$ 97	4.5 %
Other Personal Services	22	242	8	3.4
Total, Personal Services	\$ 225	\$ 2,498	\$ 105	4.4 %
Contribution Retirement	42	464	24	5.5
Contribution Social Security	14	160	8	5.3
Contribution Group Insurance	70	610	28	4.8
Contractual Services	40	491	15	3.2
Travel	2	21	(1)	(4.5)
Commodities	11	121	2	1.7
Printing	1	9	1	12.5
Equipment	1	26	(15)	(36.6)
Electronic Data Processing	3	46	2	4.5
Telecommunications	4	50	4	8.7
Automotive Equipment	1	17	0	0.0
Other Operations	75	1,930	104	5.7
Total, Operations	\$ 489	\$ 6,443	\$ 277	4.5 %

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

	Eleven Months			
	May 2002	FY 2002	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 269	\$ 2,694	\$ 203	8.1 %
All Other	147	1,619	(1)	(0.1)
Public Aid	537	4,797	145	3.1
Human Services	202	2,456	16	0.7
Higher Education:				
Student Assistance Commission	8	407	22	5.7
Community College Board	68	366	51	16.2
Other	2	100	18	22.0
Teacher's Retirement	68	752	81	12.1
Children and Family Services	17	583	(29)	(4.7)
Aging	19	210	8	4.0
Revenue	0	87	(4)	(4.4)
All Other	29	459	40	9.5
Total, Awards and Grants	\$ 1,366	\$ 14,530	\$ 550	3.9 %

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

	Twelve Months			
	June 2002	FY 2002	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 292	\$ 1,126	\$ (391)	(25.8) %
Revenues	2,548	23,604	(502)	(2.1)
Expenditures	2,584	24,474	(23)	(0.1)
Ending Balance	\$ 256	\$ 256	\$ (870)	(77.3) %
General Revenue Fund				
Available Balance	\$ 59	\$ 683	\$ (314)	(31.5) %
Revenues	2,237	20,200	(529)	(2.6)
Expenditures	2,296	20,883	(160)	(0.8)
Ending Balance	\$ 0	\$ 0	\$ (683)	(100.0) %
Common School Special Account Fund				
Available Balance	\$ 65	\$ 66	\$ (3)	(4.3) %
Revenues	128	1,505	24	1.6
Expenditures	156	1,534	50	3.4
Ending Balance	\$ 37	\$ 37	\$ (29)	(43.9) %
Education Assistance Fund				
Available Balance	\$ 138	\$ 355	\$ (60)	(14.5) %
Revenues	105	1,074	(45)	(4.0)
Expenditures	45	1,231	52	4.4
Ending Balance	\$ 198	\$ 198	\$ (157)	(44.2) %
Common School Fund				
Available Balance	\$ 30	\$ 21	\$ (15)	(41.7) %
Revenues	574	3,296	118	3.7
Expenditures	583	3,296	103	3.2
Ending Balance	\$ 21	\$ 21	\$ 0	0.0 %

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)

	Twelve Months			
	June 2002	FY 2002	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 644	\$ 7,471	\$ (525)	(6.6) %
Corporate	116	803	(233)	(22.5)
Total, Income Taxes	\$ 760	\$ 8,274	\$ (758)	(8.4) %
Sales Taxes	513	6,051	93	1.6
Other Sources:				
Public Utility Taxes	96	1,104	(42)	(3.7)
Cigarette Taxes	33	400	0	0.0
Inheritance Tax (gross)	29	329	(32)	(8.9)
Liquor Gallonage Taxes	11	122	(2)	(1.6)
Insurance Taxes and Fees	56	272	26	10.6
Corporation Franchise Tax and Fees	19	159	13	8.9
Investment Income	6	136	(138)	(50.4)
Cook County IGT	23	245	0	0.0
Other	344	550	109	24.7
Total, Other Sources	\$ 617	\$ 3,317	\$ (66)	(2.0) %
Total, Cash Receipts	\$ 1,890	\$ 17,642	\$ (731)	(4.0) %
Transfers In:				
Lottery Fund	\$ 56	\$ 555	\$ 54	10.8 %
State Gaming Fund	50	470	10	2.2
Protest Fund	0	5	(4)	(44.4)
Other Funds	82	448	5	1.1
Total, Transfers In	\$ 188	\$ 1,478	\$ 65	4.6 %
Total, State Sources	\$ 2,078	\$ 19,120	\$ (666)	(3.4) %
Federal Sources:				
Cash Receipts	\$ 420	\$ 4,133	\$ (72)	(1.7) %
Transfers In	50	125	10	8.7
Total, Federal Sources	\$ 470	\$ 4,258	\$ (62)	(1.4) %
Total, Base Revenues	\$ 2,548	\$ 23,378	\$ (728)	(3.0) %
Transfer from Budget Stabilization Fund	0	226	226	N/A
Total, Revenues	\$ 2,548	\$ 23,604	\$ (502)	(2.1) %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Twelve Months			
	June 2002	FY 2002	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 243	\$ 5,040	\$ (117)	(2.3) %
Elem. & Sec. Education:				
State Board of Education	779	5,093	219	4.5
Teachers Retirement	69	821	89	12.2
Total, Elem. & Sec. Education	\$ 848	\$ 5,914	\$ 308	5.5 %
Human Services	152	2,608	(10)	(0.4)
Higher Education	12	885	87	10.9
All Other Grants	81	1,420	7	0.5
Total, Awards and Grants	\$ 1,336	\$ 15,867	\$ 275	1.8 %
Operations:				
Other Agencies	\$ 421	\$ 5,179	\$ 223	4.5 %
Higher Education	75	1,760	85	5.1
Total, Operations	\$ 496	\$ 6,939	\$ 308	4.6 %
Transfers Out	\$ 357	\$ 2,159	\$ (57)	(2.6) %
All Other	\$ 5	\$ 53	\$ (4)	(7.0) %
Vouchers Payable Adjustment	\$ 164	\$ (770)	\$ (771)	N/A
Total, Base Expenditures	\$ 2,358	\$ 24,248	\$ (249)	(1.0) %
Repayment to Budget Stabilization Fund	226	226	226	N/A
Total, Expenditures	\$ 2,584	\$ 24,474	\$ (23)	(0.1) %

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

	Twelve Months			
	June 2002	FY 2002	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 210	\$ 2,465	\$ 107	4.5 %
Other Personal Services	22	265	10	3.9
Total, Personal Services	\$ 232	\$ 2,730	\$ 117	4.5 %
Contribution Retirement	43	506	25	5.2
Contribution Social Security	14	174	8	4.8
Contribution Group Insurance	65	675	25	3.8
Contractual Services	35	526	14	2.7
Travel	2	23	(1)	(4.2)
Commodities	9	129	0	0.0
Printing	1	10	1	11.1
Equipment	1	27	(19)	(41.3)
Electronic Data Processing	3	50	3	6.4
Telecommunications	4	55	3	5.8
Automotive Equipment	1	18	0	0.0
Other Operations	86	2,016	132	7.0
Total, Operations	\$ 496	\$ 6,939	\$ 308	4.6 %

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

	Twelve Months			
	June 2002	FY 2002	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 537	\$ 3,232	\$ 237	7.9 %
All Other	242	1,861	(18)	(1.0)
Public Aid	243	5,040	(117)	(2.3)
Human Services	152	2,608	(10)	(0.4)
Higher Education:				
Student Assistance Commission	7	415	18	4.5
Community College Board	1	366	50	15.8
Other	4	104	19	22.4
Teacher's Retirement	69	821	89	12.2
Children and Family Services	22	605	(31)	(4.9)
Aging Revenue	21	231	6	2.7
All Other	1	88	(4)	(4.3)
Total, Awards and Grants	\$ 1,336	\$ 15,867	\$ 275	1.8 %

PUBLICATION REQUEST FORM...

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Comptroller Daniel W. Hynes is the chief fiscal officer for the state, managing its financial accounts, processing more than 18 million transactions a year, and performing a watchdog role to assure that all payments meet the requirements of the law. The Comptroller's Office also provides timely and accurate fiscal information and analysis to the Governor, the Illinois General Assembly, and local government officials so they can make informed budget decisions. In addition, the Office oversees the state's private cemetery and funeral home industry.

COMPTROLLER DANIEL W. HYNES

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