

# Fiscal Focus



**DANIEL W. HYNES**  
STATE OF ILLINOIS COMPTROLLER

QUARTERLY • JULY/AUGUST/SEPTEMBER 2003 ISSUE

Comptroller Hynes' office strives to assist taxpayers and the people of Illinois. This report is designed to provide fiscal information of general interest.

## Development of the Fiscal Year 2004 State Budget

Like most of the states, Illinois began fiscal year 2004 in a very serious financial position. There are confirmed backlogs of unpaid bills, short-term borrowing of \$1.5 billion that needs to be repaid by May of next year, and revenues must meet or exceed the budget estimate to relieve the situation. However, it wasn't as if this crisis happened overnight.

Illinois' current fiscal difficulties developed over a number of years. During the later half of the 1990's, Illinois experienced a dramatic increase in revenues primarily fueled by exceptional economic growth. From fiscal year 1995 through fiscal year 2000, General Funds revenues had an average annual increase of \$1.190 billion while spending grew an average of \$1.151 billion. With the recession that began in fiscal year 2001, the financial position of the state has steadily deteriorated. In fact, for the first time in a half century, the state has suffered two consecutive years of revenue declines. And even though spending decreased in fiscal year 2003, fiscal year 2004 starts with a major budget deficit. How did this happen?

Budgets are predicated on a revenue estimate that determines the resources available to spend. The past two years saw initial budgets with what turned out to be overly optimistic revenue estimates. Few anticipated that revenues would actually decline. While the financial problem began in fiscal year 2001, it wasn't until the next year that it ballooned into a fiscal crisis. Fis-



*COVER STORY continued, page 8*

### Dear Readers:

This issue of *Fiscal Focus* highlights some of the major components of the state's recently enacted budget for fiscal year 2004 (July 1, 2003 - June 30, 2004). Dramatic shortfalls in revenues have challenged the Governor and the General Assembly to come up with a package of revenue and expenditure changes to balance the budget.

General Funds base revenues for fiscal year 2003 were down \$292 million below fiscal year 2002, the second straight year revenues have declined from the previous year. There are few prospects for a quick recovery in calendar year 2003. In order to balance the fiscal year 2004 state budget, the Governor made a number of proposals ranging from fee increases and pension obligation bonds to spending cuts and agency consolidations.

General Funds appropriations are actually up \$986 million over fiscal year 2003 to a total of \$23.319 billion (see *Focus on Spending*). Department of Public Aid appropriations increased \$463 million or 9.1% and accounted for 57.9% of the total increase in code departments. All of the increase can be attributed to medical assistance grants which increased by \$473 million. The Department of Central Management Services (up \$197 million or 23.4%) received a significant increase for group insurance payments. Elementary and Secondary education also fared well in the appropriations process as funding increased \$382 million or 6.2%. Nearly \$304 million or 79.6% of the increase was for General State Aid which pushed the foundation level of funding per student up \$250 to \$4,810.

The ultimate question is whether the revenue estimate for fiscal year 2004 will be reached. Since income and sales tax collections in particular depend on the health of the national and state economies, the current economic slump will continue to adversely affect Illinois and other state governments.

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](http://www.ioc.state.il.us).

Sincerely,

Daniel W. Hynes  
Comptroller



Cover Story .....	front , 8, 9
From The Comptroller.....	2
Fiscal Smarts .....	2, 4
How Illinois Stacks Up .....	3
Local Government Line .....	5
Focus On Revenue .....	6
Focus on Spending .....	7
Cemetery Care Corner .....	10
Vital Statistics .....	11, 12, back
April 2003 Tables .....	13
May 2003 Tables .....	14
June 2003 Tables .....	15
Fiscal Forum .....	back



**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.

**Editorial Staff:** David Griffith, Writers & Analysts: Bill Dracos, Kevin Fitzpatrick, Loren Iglarsh, Bob Brock, David Griffith, Stephanie Blair, Adrienne Ohler, David Perry and Colleen Hart. Production: Rhonda Rathbone, Susan Hansen, Brenda Voyles, Frank Weitzel, Larry Hopkins and Mike Petropoulos.

Fiscal Focus is published by Comptroller Daniel W. Hynes, 201 State House, Springfield, Illinois 62706. Questions or comments may be directed to (217)782-6000.

Web Address: <http://www.ioc.state.il.us>

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by contacting the Office of the Comptroller at (217)782-6000 or calling the IOC Telecommunications Device for the Deaf (TDD) number, (217)782-1308, or by visiting the Illinois state Capitol Building, 201 State House, Springfield, Illinois.

The Illinois Office of the Comptroller is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, marital status, national origin, ancestry, age or disability in employment or in the provision of any services, programs or activities.

Printed by Authority of the State of Illinois 8/15/03 - 3,500, Job 37360



Reproduction of articles from this issue or portions thereof is allowed with proper attribution to Fiscal Focus, Illinois Office of the Comptroller.

# Fiscal Smarts

## State Government Reorganizations Underway

Facing an estimated budget shortfall of \$5 billion for fiscal years 2003 and 2004, Governor Blagojevich announced plans to reduce state spending. One of the proposed initiatives was to make state government more efficient by reorganizing and consolidating state agencies and functions. To accomplish this, a number of executive orders were announced.

Executive Order No. 7 abolished the following boards, councils, and committees:

Interagency Alcoholism and Other Drug Dependency Board, Anti-Crime Advisory Council, Construction Evaluation Council, Illinois Economic Development Board, Illinois Education Council, Furniture Fire Safety Advisory Board, Governor's Economic Policy Council, Governor's Health and Physical Fitness Advisory Committee,

Board of Sponsors-Governor's Scholars, Advisory Board-Necropsy Service to Coroners, Illinois Superconductivity Coordinating Council, and the Water Resource Advisory Committee.

In Executive Order No. 9, the governor consolidated three separate agencies into the Department of Revenue: the Department of Lottery, the Liquor Control Commission and the Racing Board. Unlike EO 7, this action will preserve the functions of the three agencies. Within the Department of Revenue in fiscal year 2004, the Lottery will continue to implement and regulate the state lottery, generating funds for education. The Liquor Control Commission will continue to regulate licensed businesses that manufacture, distribute and sell alcoholic

*FISCAL SMARTS continued, page 4*

# HOW Illinois Stacks Up

## New Tax Burden Comparisons Released

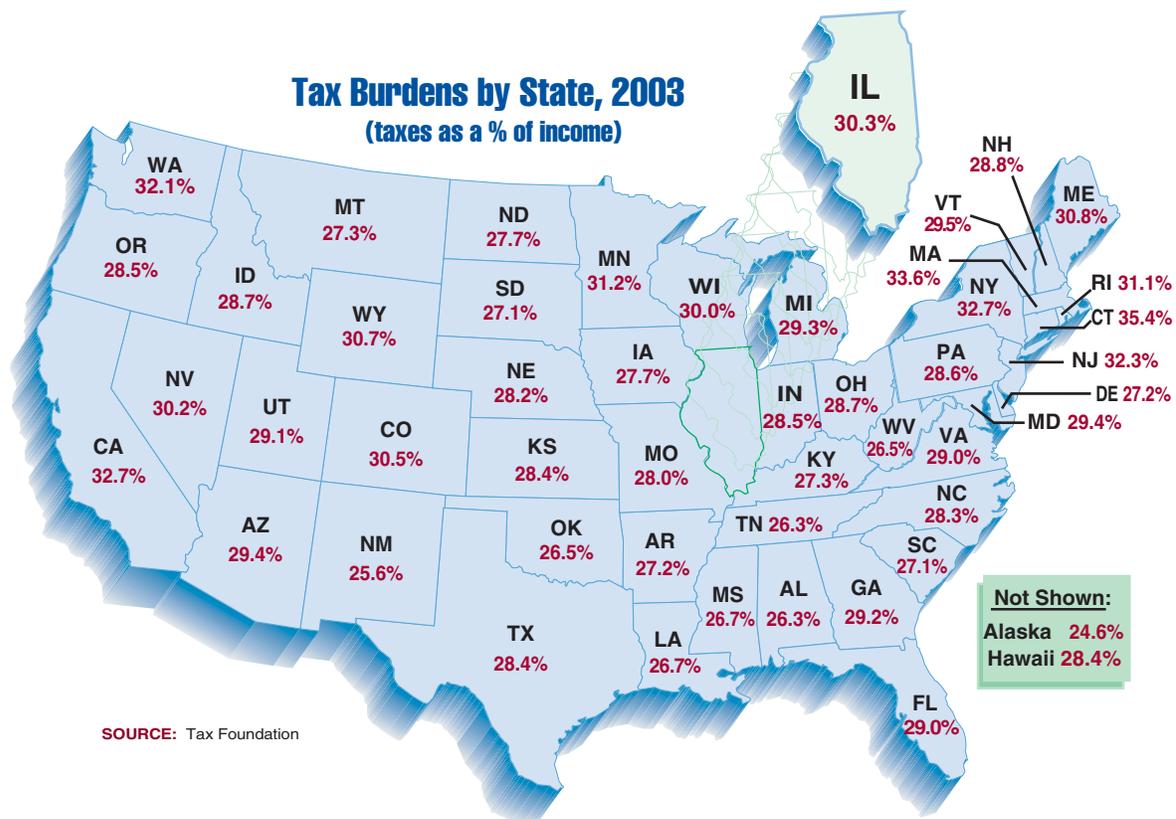
Many states are battling budget problems, and while some are proposing little or no spending growth, other states are increasing taxes as a way to balance budgets. For states that already have a high tax burden, this could create even more strain on taxpayers. The Tax Foundation ranked the tax burden of all fifty states. This comparison includes federal, state, and local taxes as a percentage of income for each state.

For 2003 the states with the highest tax burden include Connecticut (35.4%), Massachusetts (33.6%), New York (32.7%), California (32.7%), and New Jersey (32.3%). States with the lowest tax burden are Alaska (24.6%), New Mexico (25.6%), Alabama (26.3%), Tennessee (26.3%), and Oklahoma (26.5%). Illinois ranks 12th among all fifty states with a tax burden of 30.3%.

Illinois also has one of the highest tax burdens among Midwestern states. Minnesota has the largest burden with 31.2%, and all other neighboring states have a tax burden lower than Illinois. These include Wisconsin (30.0%), Ohio (28.7%), Indiana (28.5%), Iowa (27.7%), Michigan (29.3%), Kentucky (27.3%), and Missouri (28.0%).

However, Illinois ranks lower when comparing total state taxes per capita. In a 2002 Census Bureau report, Illinois placed 24th with a total of \$1,782.47 per capita. States that ranked the highest were Hawaii (\$2,747.75), Delaware (\$2,692.15), Connecticut (\$2,610.25), Minnesota (\$2,577.11), and Vermont (\$2,487.84). States that ranked the lowest were Oregon (\$1,459.41), South Carolina (\$1,399.64), Tennessee (\$1,345.06), Texas (\$1,316.00), and South Dakota (\$1,283.20).

The difference in Illinois' rankings (12th vs. 24th) is attributed to the basis of comparison in the reports. In the Tax Foundation's study, states are compared by all taxes collected as a percentage of total income reported. This includes federal, state and local taxes. The Census Bureau compares the total taxes collected by a state divided by the population of the state, which does not include federal and local taxes. ■



beverages in the state, and also work to reduce youth access to tobacco products. The Racing Board will continue to regulate the horse racing industry and pari-mutuel wagering at the state's racetracks, off-track betting facilities, the Brown County Fair, and Illinois and DuQuoin State Fairs. The Board will also test horses for prohibited substances, license race-track participants and supervise all on-track activities. The consolidation of the Department of Lottery, Illinois Racing Board, and the Liquor Control Commission is estimated to save \$2.1 million in fiscal year 2004.

In Executive Order No. 10, the governor consolidated agency legal functions into a central Law Office within the Department of Central Management Services (CMS) in an effort to increase the quality, consistency and efficiency of the state's legal activities. While some adjudicatory legal staff may remain with an agency, all legal work related to personnel, procurement, state statutes, federal laws and regulations, bond financing and other common legal issues will be moved to the new central Law Office. Consolidated legal services are estimated by the governor to save \$5.5 million in fiscal year 2004 and an estimated \$11.0 million in fiscal year 2005.

In addition, the governor consolidated agency internal auditing functions within CMS. The state's audit consolidation is intended to improve efficiency and create a management tool for additional streamlining, accountability and risk management in agency operations. This is estimated to save \$5.0 million in fiscal year 2004 and another \$10.0 million in fiscal year 2005. Savings will be achieved by reducing headcount, administrative costs

and duplicative software licenses.

Facilities management functions also will be consolidated within CMS. Agencies under the governor occupy 43 million square feet of space. Maintenance, repair, security, utilities, and other facilities management functions cost these agencies an estimated \$416 million per year. The consolidation of these functions could generate savings of \$14.0 million in fiscal year 2004 and an estimated \$30 million in fiscal year 2005. Savings are expected to be achieved through improved staff scheduling, consolidating energy contracts, energy utilization management and economies of

State Agency Reorganizations		Estimated Savings FY 2004
Executive Order 7	Abolish selected boards, councils, etc.	\$5.0 million
Executive Order 9	Merge Lottery Department, Liquor Control Comm., and Racing Board with Department of Revenue.	\$2.1 million
Executive Order 10	Consolidate legal, internal auditing, and facilities management under Central Management Services.	\$24.5 million
Executive Order 11	Consolidate workforce programs in Commerce and Economic Opportunity.	\$16 million
Executive Order 12	Merge Department of Nuclear Safety with Illinois Emergency Management Agency.	\$0.7 million
Public Act 93-205	Merge existing finance authorities into the Illinois State Finance Authority.	\$0.2 million

scale for outside contractors.

With Executive Order No. 11, the governor directed that the Workforce Investment Act and the Trade Adjustment Assistance Act and associated programs at the Department of Employment Security, the Current Workforce Training Grant at the Illinois Community College Board, as well as the Prairie State 2000 Authority, be consolidated with the Department of Commerce and Economic Opportunity, (formerly known as Department of Commerce and Community Affairs). In addition, the Governor is proposing that the Jobs for Illinois Graduates program at the State Board of Education be consolidated into CEO to achieve savings by reducing administrative costs. The overall savings from these

consolidations are projected to be just under \$16 million.

The governor signed Executive Order No. 12, consolidating the Department of Nuclear Safety with the Illinois Emergency Management Agency planning to achieve a cost savings of \$704,600 due to the elimination of eight full-time positions.

Not all of the governor's organizational efforts have been directed to reducing the number of state entities. Executive Order No. 16 creates the Illinois Integrated Justice Information System Implementation Board, a 26-member advisory group established to coordinate the adoption and implementation of plans to integrate the justice information systems in Illinois. Members are to serve without compensation, but shall be reimbursed for their expenses.

In addition to executive orders, legislation was enacted to reorganize state government. Senate Bill 1075 (Public Act 93-205) transfers the functions from previously existing authorities to the newly created Illinois Finance Authority.

The authorities are: the Illinois Development Finance Authority, the Illinois Farm Development Authority, the Illinois Health Facilities Authority, the Illinois Educational Facilities Authority, the Illinois Community Development Finance Corporation, the Illinois Rural Bond Bank, and the Research Park Authority. This consolidation could save an estimated \$234 thousand.

As with any proposed change, it is too early to determine the actual impact of these actions on the state budget. Hopefully, when the dust has settled on the fiscal year 2004 budget, it will be possible to move beyond the early estimates to see how much money was actually saved by the reorganizations. ■

# LOCAL Government Line

## Brownfields

The Environmental Protection Agency defines brownfields as abandoned, idled, or under-used industrial, and commercial facilities where expansion or redevelopment is complicated by real or perceived environmental contamination. Often these properties, which were once the source of jobs and economic benefits to communities, are now abandoned for fear of contamination and the liability associated with them. Brownfields range in size from huge bankrupt industrial parks to tiny gas stations atop underground storage tanks. While often seen as an inner city problem, they are just as likely to be located in medium size towns, older suburbs, or isolated rural areas. Though estimates vary, there are at least 100,000 such properties in the United States, with some studies suggesting the number may be closer to half a million.

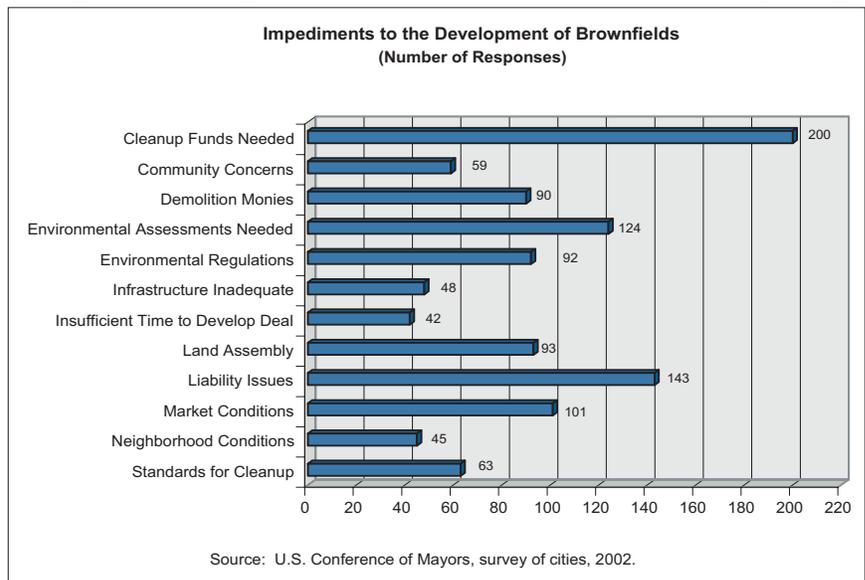
Brownfields can have many dangers associated with them, such as debris, dilapidated buildings, and some cases toxic chemicals. Some dangers are easy to see. Broken windows and glass and rotted floors can be easily detected. Toxic chemicals are not visible and are harder to detect. The effects are not just felt by the area immediately surrounding the brownfields. The effects can extend well into neighboring communities. Brownfields polluted by hazardous materials present direct threats to human health particularly when contaminants extend through the air and water into

surrounding properties. Due to the flow of oil and other hazardous material in the ground, rivers, and aquifers may be contaminated and effect millions of people. The side effects range from rashes from swimming to fish being killed.

There are several roadblocks to restoring brownfields to economic health. One of the frequently cited barriers is the liability that a business may have to assume if they purchase the contaminated site. The Comprehensive Environmental

cannot be located. If that is the case, the Superfund law allows the EPA to get the money from the current owner, current occupant, and in some cases even the bank that loaned the money to the business. Consequently, this has made developers and lenders wary of land that even has the suggestion of chemical contamination.

Of course there are some other impediments to this type of development. In addition to the liability issue mentioned above, impediments include lack of funding for cleanup, requirements for expensive environmental assessments and uncertainty over cleanup standards. A survey taken by the U. S. Conference of Mayors asked city officials to respond regarding their opinions of impediments to brownfield development. The most frequently identified impediment (82% of cities surveyed) was the lack of cleanup funds. The second and third were liability issues (59%) and the need for environmental assessments (51%).



Response, Compensation, and Liability Act - CERCLA (commonly referred to as "Superfund") was designed to identify places that had been contaminated with chemical waste and to make people who generated the waste pay for cleaning it up. Often times the original owner

So what are the benefits for developing these sites? According to the survey, the benefits include tax base growth (cited by 80% of the cities), improved population capacity through neighborhood revitalization (76%), job creation (72%), and

*LOCAL GOVERNMENT LINE continued, back page*



## Fee Revenue Enhancements for Fiscal Year 2004

The fiscal year 2004 budget process included the first ever systematic reevaluation of Illinois fee rates. It may also mark the first time that fee rate increases could have a positive impact on revenue for the General Funds.

The main legislation increasing fee revenues was Public Act 93-32 (SB 1903). Among the agencies whose fee rates were increased in this Act were the Secretary of State, Office of Banks and Real Estate, Department of Financial Institutions, Department of Revenue, Department of Insurance, Environmental Protection Agency, Department of Agriculture, Capital Development Board, and the Commerce Commission. Liquor Control Board fees were increased in other legislation. The Governor's Office of Management and Budget (GOMB) estimates that Public Act 93-32 will raise \$16.6 million in insurance taxes and fees, \$5.0 million in additional corporate franchise taxes, \$125.0 for the Environmental Trust Fund, with \$291.3 million generated by the remaining increases.

The list of changes is extensive. Many of the fees with increased rates are business fees such as those charged to financial institutions, issuers of securities, or companies needing EPA permits. The table contains a selection of the rate increases

that illustrates the wide variety of fees impacted by this legislation.

Fee revenues historically have been primarily deposited into dedicated funds. According to the fiscal year 2002 Comptroller's "Fee Imposition Report", only 2% of fee collections went to the General Funds with 29% to Special State

General Funds revenue shortfalls and the resultant budget cuts have given agencies additional incentives to advocate increasing the share of their budget from dedicated fee revenues versus from the General Funds. During the 1990's, several state agencies, including EPA, Insurance, Professional Regulation, and Financial

Institutions had significant shifts in the share of agency spending that came from funds receiving dedicated revenues.

To meet the need for additional monies for the General Funds, the fiscal 2004 budget legislation authorizes transfers from various Highway and Special State Funds. In addition, the director of the Governor's Office of

Management and Budget is permitted to transfer amounts from Treasury held funds not to exceed the lesser of 8% of the revenues to be deposited into the fund during the year or 25% of the beginning balance in the fund. Road Funds transfers cannot exceed 5% of their deposits. No transfers shall reduce the available balance below the amount remaining unexpended and unreserved. The director of GOMB is also given authority to allocate additional amounts from the fee increases between the General Revenue Fund and the fund that would otherwise be entitled to receive the fee revenues. ■

Fee Name	Initial Rate	New Rate
Industrial Comm Oper Fund Surcharge	-	1.5%
Retail Tire Fee	\$1.00	\$2.50
Additional Traffic or Criminal Fine	-	\$4
Industrial Commission Operating Fund Fee	-	0.045%
Secretary of State Bad Check Fee	\$2	\$25
Capitol Development Board Contract Admin Fee	1.5%	3%
Lobbyist Registration Fee	\$50	\$100 to \$300
Air Pollution Permit Fee	\$100 - \$2,500	\$200 - \$3,500
Driver's Record Fee	\$6	\$12
Additional Vanity Plate Fees	0	\$47
Drunk Driving License Reinstatement	\$250	\$500
Articles of Incorporation	\$75	\$150

Funds, 34% to Highway Funds, 11% to State Trust Funds (largely Toll Highway Authority revenues), and 24% to locally held funds (largely university tuition and fees and bonding authority fees).

Authority to charge fees was commonly granted in the same statute and at the same time authority to regulate an activity or provide a service was granted. In theory, those being regulated or those receiving the government service would be most willing to support imposition of the fee if it was restricted to helping pay for the new program.



## Fiscal Year 2004 Spending Authority by Agency

General Funds appropriations for fiscal year 2004 were increased by nearly one billion dollars compared to fiscal year 2003. General Funds appropriations passed by the General Assembly and signed by the Governor total \$23.319 billion for fiscal year 2004. This represents an increase of \$986 million or 4.4% from fiscal year 2003.

Of the \$986 million increase, code departments accounted for 81.1% or \$800 million. Department of Public Aid appropriations increased \$463 million or 9.1% and accounted for 57.9% of the total increase in code departments. All of the increase can be attributed to medical assistance grants which increased by \$473 million. The Department of Human Services (up \$128 million or 3.6%) and the Department of Central Management Services (up \$197 million or 23.4%) also received triple digit increases. The significant increase at Central Management Services is for group insurance payments while the \$128 million increase at Human Services includes a \$107 million increase in awards and grants.

Elementary and secondary education also fared well in the appropriations process as funding increased \$382 million or 6.2%. Nearly \$304 million or 79.6% of the increase was for General State Aid which pushed the foundation level of funding per student up \$250 to \$4,810. The only other sector of state government which

received increased appropriations was the judiciary. Fiscal year 2004 General Funds spending authority for the judiciary increased \$9.514 million or 2.8%.

Higher education appropriations reductions totaled \$111 million or 4.4% from the 2003 fiscal year. The University of Illinois (down \$58 million or 7.7%) and Southern Illinois University (down \$18 million or 7.5%) had the largest dollar declines.

Elected Officials General Funds office budgets were cut by \$17 million or 6.4% with \$10 million of the cuts occurring at the Secretary of State's office. The legislative branch also incurred a cut of 0.2% or \$109,000.

All other agencies of state government not included in the aforementioned sec-

General Funds Appropriations by Agency  
Fiscal Years 2003 and 2004  
Dollars in Millions

	Fiscal Year		\$	%
	2003	2004	Change	Change
General Assembly	\$44,415	\$44,258	(0.157)	(0.4)
Other Legislative	28,164	28,212	0.048	0.2
<b>Total, Legislative</b>	<b>72,579</b>	<b>72,470</b>	<b>(0.109)</b>	<b>(0.2)</b>
Supreme Court	288,106	288,103	(0.003)	(0.0)
Judges Retirement System	29,148	34,996	5.848	20.1
Office of the State Appellate Defender	18,396	19,053	0.657	3.6
Other Judicial	5,085	8,097	3.012	59.2
<b>Total, Judicial</b>	<b>340,735</b>	<b>350,249</b>	<b>9.514</b>	<b>2.8</b>
Governor	10,375	8,552	(1.823)	(17.6)
Lt. Governor	2,981	2,516	(0.465)	(15.6)
Attorney General	40,710	39,489	(1.221)	(3.0)
Secretary of State	133,229	123,427	(9.802)	(7.4)
Comptroller	26,283	24,277	(2.006)	(7.6)
State Officers Salaries	28,112	27,591	(0.521)	(1.9)
Treasurer	18,663	17,870	(0.793)	(4.2)
<b>Total, Elected Officials</b>	<b>260,353</b>	<b>243,722</b>	<b>(16.631)</b>	<b>(6.4)</b>
Aging	254,299	263,031	8.732	3.4
Agriculture	51,798	45,534	(6.264)	(12.1)
Central Management Services	843,353	1,040,594	197.241	23.4
Children and Family Services	838,049	819,433	(18.616)	(2.2)
Office of Inspector General	0.000	4.126	4.126	N/A
Commerce and Community Affairs	86,467	64,759	(21.708)	(25.1)
Natural Resources	135,235	104,419	(30.816)	(22.8)
Corrections	1,206,591	1,270,029	63.438	5.3
Employment Security	8,921	16,773	7.852	88.0
Human Rights	6,864	6,244	(0.620)	(9.0)
Human Services	3,574,036	3,701,892	127.856	3.6
Insurance	0.278	0.000	(0.278)	(100.0)
Labor	6,698	6,036	(0.662)	(9.9)
Military Affairs	14,290	15,149	0.859	6.0
Nuclear Safety	0.297	0.000	(0.297)	(100.0)
Professional Regulation	0.458	0.000	(0.458)	(100.0)
Public Aid	5,113,491	5,576,430	462,939	9.1
Public Health	125,521	118,392	(7.129)	(5.7)
Revenue	152,154	172,722	20,568	13.5
State Police	194,419	198,986	4,567	2.3
Transportation	89,736	80,892	(8.844)	(9.9)
Veteran's Affairs	40,834	37,958	(2.876)	(7.0)
<b>Total, Code Departments</b>	<b>12,743,789</b>	<b>13,543,399</b>	<b>799,610</b>	<b>6.3</b>
Arts Council	18,957	17,894	(1.063)	(5.6)
Capital Development Board	26,287	12,400	(13.887)	(52.8)
Court of Claims	51,784	35,707	(16.077)	(31.0)
Environmental Protection Agency	26,241	2,797	(23.444)	(89.3)
Historic Preservation	15,691	13,739	(1.952)	(12.4)
Illinois Violence Prevention	3,401	3,304	(0.097)	(2.9)
Industrial Commission	10,734	4,023	(6.711)	(62.5)
Emergency Management	12,611	7,899	(4.712)	(37.4)
All Other	46,939	37,214	(9.725)	(20.7)
<b>Total, Other Agencies</b>	<b>212,645</b>	<b>134,977</b>	<b>(77,668)</b>	<b>(36.5)</b>
<b>Total, Elem. &amp; Sec. Education</b>	<b>6,176,263</b>	<b>6,557,868</b>	<b>381,605</b>	<b>6.2</b>
Board of Higher Education	364,918	358,201	(6.717)	(1.8)
Chicago State University	41,531	40,251	(1.280)	(3.1)
Eastern Illinois University	51,883	47,610	(4.273)	(8.2)
Governor's State University	26,351	24,180	(2.171)	(8.2)
Northeastern Illinois University	42,585	39,078	(3.507)	(8.2)
Western Illinois University	61,126	56,091	(5.035)	(8.2)
Illinois State University	87,674	80,452	(7.222)	(8.2)
Northern Illinois University	110,937	101,799	(9.138)	(8.2)
Southern Illinois University	234,717	217,204	(17.513)	(7.5)
University of Illinois	754,917	697,026	(57.891)	(7.7)
Community College Board	354,096	338,014	(16.082)	(4.5)
Student Assistance Commission	382,782	398,355	15,573	4.1
All Other	13,459	18,111	4,652	34.6
<b>Total, Higher Education</b>	<b>2,526,976</b>	<b>2,416,372</b>	<b>(110,604)</b>	<b>(4.4)</b>
<b>Total, General Funds</b>	<b>\$22,333,340</b>	<b>\$23,319,057</b>	<b>985,717</b>	<b>4.4</b>

Source: Comptroller and Bureau of the Budget records.

tors had their appropriations reduced by \$78 million or 36.5%. The Environmental Protection Agency's General Funds spending authority was reduced by \$23 million or 89.3% as much of the agency's funding was shifted to fee revenues. Reductions in other agencies include a \$16 million or 31.0% decrease for the Court of Claims and a \$14 million or 52.8% decrease for the Capital Development Board. ■

**Cover Story** continued from front page

cal year 2002 revenues were \$1.6 billion below the original estimates for the year. As a result, the end of year available balance in the General Funds fell \$870 million from \$1.126 billion to \$256 million. Because of the low balance, there were \$781 million in bills on hand as of June 30th, 2002.

Conditions did not improve in fiscal year 2003. The year began with a backlog of unpaid bills requiring short-term borrowing of \$700 million to help cover lapse period spending of \$1.476 billion. Once again revenue estimates were overly optimistic as the economy continued to under perform. Even though there were one-time revenue enhancements, primarily transfers from other funds, fiscal year 2003 base revenues were almost \$1.6 billion short of original expectations. Spending constraints, including early retirement, were implemented to help compensate for the revenue loss. This was not enough as the backlog of unpaid bills continued to grow during the year. By April and into May payment delays reached over \$2 billion and the state borrowed another \$975 million to reduce the backlog of unpaid bills. Even with all these measures, at the end of June 2003 there were \$874 million in bills on hand and \$975 million in borrowing to be repaid.

Fiscal year 2004 is beginning in far worse shape than the prior year and budgeting for

the year was difficult. Revenue estimates for fiscal year 2004 in the Illinois State Budget Book presented in April totaled \$26.725 billion. This represents an increase of \$3.158 billion over the fiscal year 2003 estimate.

Base revenues are expected to increase \$95 million while the remaining \$3.063 billion was generated from deficit reduction sources. Let's briefly examine those revenues. Income taxes decline an estimated

and salaries would increase 3.5% and the S&P 500 would increase 10% for the year. Corporate earnings are estimated to be up 10%. Sales taxes are projected to grow 3.8% or \$227 million. Other projections include; inheritance tax down \$60 million, investment income up \$30 million, Cook County intergovernmental transfer up \$55 million, and all other cash receipts down \$79 million. Estimated transfers in decline \$175 million while federal sources increase \$170 million.

Pension obligation bonds generate the largest deficit reduction source. In May 2003 the state issued \$10 billion in Pension Obligation Bonds with \$300 million transferred to the General Funds and an estimated \$1.6 billion in fiscal year 2004. One-time revenue enhancements of \$673 million include; \$233 million for asset sales and leasebacks, \$40 million from a tax amnesty program, \$350 million from the sale of the tenth riverboat gaming license, and \$50 million for cigarette tax adjustments. Recurring revenue increases are projected to generate \$1.234 billion. User fee increases result in an additional \$342 million and administrative

chargebacks to other state funds generates \$330 million. An estimated \$323 million will come from elimination of tax loopholes and \$240 million from increased gaming taxes and liquor sales tax adjustments.

	FY2003	FY2004	Increase/Decrease Amount	Percent
<b>STATE SOURCES:</b>				
<b>CASH RECEIPTS:</b>				
Income Taxes				
Individual.....	\$ 7,397	\$ 7,277	\$ (120)	(1.6) %
Corporate.....	753	800	47	6.2
Total, Income Taxes.....	8,150	8,077	(73)	(0.9)
Sales Taxes.....	6,053	6,280	227	3.8
<b>Other Sources</b>				
Public Utility Taxes.....	1,035	1,035	0	0.0
Cigarette Taxes.....	400	400	0	0.0
Inheritance Tax (gross).....	240	180	(60)	(25.0)
Investment Income.....	70	100	30	42.9
Insurance Tax & Fees.....	300	300	0	0.0
Cook County Intergovernmental Transfer	385	440	55	14.3
Corporate Franchise Tax & Fees.....	165	170	5	3.0
Liquor Gallonage Taxes & Fees.....	125	125	0	0.0
Other Taxes, Licenses, Fees & Earnings	390	306	(84)	(21.5)
Total, Other Sources.....	3,110	3,056	(54)	(1.7)
<b>TOTAL, CASH RECEIPTS.....</b>	<b>17,313</b>	<b>17,413</b>	<b>100</b>	<b>0.6</b>
<b>TRANSFERS IN FROM OTHER STATE FUNDS:</b>				
Lottery Fund.....	560	560	0	0.0
State Gaming Fund.....	575	585	10	1.7
All Other Funds.....	600	415	(185)	(30.8)
<b>TOTAL, TRANSFERS IN.....</b>	<b>1,735</b>	<b>1,560</b>	<b>(175)</b>	<b>(10.1)</b>
<b>TOTAL, STATE SOURCES.....</b>	<b>19,048</b>	<b>18,973</b>	<b>(75)</b>	<b>(0.4)</b>
<b>TOTAL, FEDERAL SOURCES.....</b>	<b>4,075</b>	<b>4,245</b>	<b>170</b>	<b>4.2</b>
<b>TOTAL, BASE REVENUES.....</b>	<b>23,123</b>	<b>23,218</b>	<b>95</b>	<b>0.4</b>
<b>Deficit Reduction Sources</b>				
One-time Revenues.....	0	673		
Recurring Revenues.....	0	1,234		
One-time Transfers.....	144	0		
Pension Obligation Bonds.....	300	1,600		
<b>TOTAL, REVENUES.....</b>	<b>\$ 23,567</b>	<b>\$ 26,725</b>	<b>\$ 3,158</b>	<b>13.4 %</b>

\$73 million (individual down \$120 million and corporate up \$47 million). A larger percentage of income taxes are dedicated to the Refund Fund to eliminate the backlog that was generated during the past few years. Overall, the economic assumptions for individual income taxes are that wages

COVER STORY continued page 9

This revenue estimate results in \$23.078 billion available for appropriations in the fiscal year 2004 budget plan. Beginning with an estimated available balance of \$275 million (actual was \$317 million) and revenues of \$26.725 billion with an ending balance of \$450 million, means expenditures will total \$26.550 billion. Starting with the \$26.550 billion available, subtract estimates for prior year lapse period spend-

for public safety (\$79 million) and government services (\$72 million) are offset by declines in higher education (down \$99 million), environment and business regulation (\$67 million) and economic development (\$45 million).

Obviously, the items influencing the budget have not improved significantly since the budget was proposed in the spring.

Repayment of the \$975 million GRF loan will have to be factored into the spending plan. While most of the proposed revenue enhancements were passed by the General Assembly, a few were not or were modified. Therefore, some of the revenue estimates may in all likelihood be difficult to reach. In addition, fiscal year 2003 actual base revenues came in \$337 million below estimates. All but three sources of revenue were overestimated.

	Fiscal Year	
	2003	2004
Cash (Appropriation) Basis:		
Beginning (Cash) Balance	\$ 256	\$ 275
Plus: Revenues	23,567	26,725
Less: Expenditures	(23,548)	(26,550)
Ending Balance	275	450
Available Cash	23,548	26,550
Prior Year Lapse Period Spending	(1,476)	(1,875)
Legislative Transfers Out	(2,076)	(2,880)
Current Year Lapse Period Spending	1,875	850
Permanent Lapse	475	418
Refunded Warrants	17	15
Appropriations	\$ 22,363	\$ 23,078

Source: Fiscal Year 2004 Budget Book.

ing (\$1.875 billion) and transfers out of the General Funds (\$2.88 billion). Next estimates for current year lapse period spending (\$850 million), permanent lapses or appropriation authority that is not used (\$418 million) and refunded warrants or prior year adjustments (\$15 million) are added to the figure. The result is the amount of appropriations authority available for the fiscal year or in this case \$23.078 billion.

Included in this appropriations figure is an estimated \$65 million in cost saving initiatives so the final budget appropriations amount for the General Funds is \$23.143 billion. This would be an increase of \$780 million over fiscal year 2003 recommended appropriations of \$22.363 billion. Proposed appropriations for elementary and secondary education would provide an additional \$207 million while human services including Medicaid would receive \$630 million more. Additional increases

Other than cigarette taxes where the amount is set by law, only sales taxes and insurance taxes surpassed their estimate by \$6 million and \$13 million respectively. Income taxes came in \$71 million below projections, individual \$56 million less and corporate down \$15 million. Federal sources of revenue were \$135 million below the \$4.075 billion estimate. Transfers from other funds came in \$52 million less with Lottery Fund transfers down \$20 million, riverboat gaming transfers down \$21 million and all other down \$11 million. Other notable overestimates of revenue include: Cook County intergovernmental transfer \$30 million, public utility taxes \$29 million, and corporate franchise tax and fees \$23 million.

What the \$337 million overestimate of fiscal year 2003 revenues means is that fiscal year 2004 revenues will be lower than originally estimated if all economic variables and other considerations are left

unchanged. If the fiscal year 2004 revenue estimate does not change it implies a much stronger growth in revenues than initially expected.

Finally, General Funds appropriations for fiscal year 2004 total \$23.319 billion. This is \$176 million higher than the \$23.143 billion proposed in the budget. Also, the appropriations are \$986 million more than last year's figure. (See *Focus on Spending*) It should be noted that fiscal year 2003 appropriations came in under the budget recommended amount.

It was hoped that early retirement would reduce payrolls and other related costs for fiscal year 2004. While personal services appropriations are down, other operational costs as well as grants for education and Medicaid will resume their growth after decreases in fiscal year 2003.

In the end it is still the revenue estimate that is the wild card for the fiscal year 2004 budget. On the positive side, it appears there will be approximately \$700 million more in federal revenues available. While on the other hand, the decline in fiscal year 2003 revenues indicates that the economy has yet to rebound. Harder to project are the sale of assets and the effects from tax and fee increases. For example, will the sale of the riverboat license generate \$350 million? The tax increase on riverboat gambling is estimated to provide an additional \$200+ million at a time when gambling revenues have stagnated and in some cases declined.

As mentioned earlier, any overestimate of revenues will have a serious impact on the fiscal year 2005 budget. Reliance on one-time revenue generators also creates challenges for the budget next year. Billions of dollars will be needed in fiscal year 2005 to offset the pension bond transfers and sale of assets. So while it is hoped the estimates are accurate, the state still faces a serious fiscal problem. ■

# CEMETERY

## Care Corner

### Comptroller Works to Prevent West Nile Virus

During the summer of 2002, Illinois led the nation in reported cases of the West Nile Virus - 800 cases of the disease were confirmed, 64 of which resulted in fatalities. Surveys conducted by the Centers for Disease Control concluded that 10% of those infected had recently visited a cemetery.

Given his responsibility for the oversight of more than 2,000 cemeteries and funeral homes throughout the state, Comptroller Hynes has launched an educational program to prevent the spread of West Nile in cemeteries this summer.

The West Nile Virus was first discovered in the United States during the summer of 2001. The disease is spread by mosquitoes that feed on infected

people infected with West Nile never become ill. Those who do usually experience flu-like symptoms, or in very serious cases, high fever, muscle weakness and confusion. Anyone can contract the disease, but those over 50 years of age are especially at risk.

officials and area health departments to announce a public service campaign for the prevention of West Nile. The goals of this effort are to raise public awareness of the problem and eliminate cemeteries as breeding grounds for mosquitoes. Letters were sent to all cemeteries licensed

by the Comptroller with guidelines on preventing the spread of West Nile, and precautions that should be taken by cemetery staff to protect themselves from the disease. A brochure was also created by the Comptroller's office to educate patrons during their visits to cemeteries this summer. These recommendations include:

- Wearing insect repellent containing at least 25% DEET.
- Avoiding cemetery grounds between dusk and dawn when mosquito activity is highest.
- Removing standing water from vases and flower pots.
- Keeping grass and weeds as short as possible.
- Reporting any dead birds to the local health department.

More information about the West Nile Virus as it relates to cemeteries is available by contacting the Comptroller's Cemetery Care Hotline at (877) 203-3401. West Nile brochures are also available upon request. ■

**DANIEL W. HYNES**  
COMPTROLLER  
www.ioc.state.il.us

## WEST NILE VIRUS PREVENTION GUIDE FOR CEMETERIES

**HOW CAN I PROTECT MYSELF FROM WEST NILE WHEN VISITING A CEMETERY?**

- Limit visits at dusk and dawn, when mosquito activity is highest.
- Wear shoes, socks, long pants, and long sleeves at all times. Loose fitting, light-colored clothing is best.
- Use mosquito repellent containing at least 25-35% DEET on clothing and skin.
- Refrain from placing flower pots, vases, or other items that could collect water on graves during summer and early fall. Standing water is a breeding ground for mosquitoes, and can therefore increase the spread of the disease.

**HOW IS THE WEST NILE VIRUS CONTRACTED?**  
Mosquitoes contract the West Nile Virus after feeding on infected birds, and can then spread the disease to humans and other animals. In 2002, 100 of Illinois' 102 counties reported cases of the West Nile Virus in animals.

**WHAT ARE THE SYMPTOMS OF WEST NILE?**  
Many people who contract West Nile will never become ill. Some will experience flu-like symptoms such as fever, headache and body aches. In severe cases, symptoms include high fever, stiff neck, confusion and muscle weakness.

**WHO IS AT RISK FOR CONTRACTING WEST NILE?**  
Anyone can contract the disease. Infants, young children, and those over the age of 50 are at greater risk than the general population. Those with chronic diseases such as cancer or heart disease may be at higher risk for serious infection.

**WHAT IS THE WEST NILE SEASON?**  
The West Nile Virus can be contracted anytime during mosquito season. In 2002, most cases were reported in late summer and early fall.

**WHO CAN I CONTACT FOR MORE INFORMATION?**  
Cook County Department of Public Health Alert Hotline (708) 492-2185 ..... www.cookcountypublichealth.org  
Lake County Health Department (847) 377-8130 ..... www.co.lake.il.us/health/westnile.htm  
Illinois Department of Public Health (217) 782-5830 ..... www.idph.state.il.us/cnvhealth/wnv.htm  
City of Chicago Department of Public Health ..... (312) 747-9809 www.cityofchicago.org/Health/WestNileVirus/wnvirusfacts.html

For information on cemeteries, contact:  
Illinois Office of the Comptroller  
Cemetery Care Hotline  
(877) 203-3401

Printed by Authority State of Illinois, June 2003, 5/0001

DANIEL W. HYNES  
COMPTROLLER

On June 19, 2003, Comptroller Hynes held a press conference with other local

# Vital Statistics

The Heartbeat of Illinois' Finance

## General Funds Revenues Decline for Second Straight Year

During fiscal year 2003, General Funds “base” revenues (total revenues less short-term borrowing) declined for the second consecutive year, falling \$292 million or 1.2%. This number is misleading because it includes \$465 million in extraordinary revenues including \$165 million in transfers from other state funds and \$300 million resulting from the sale of Pension Obligation Bonds. If these resources are removed as well, General Funds revenues would have been down \$757 million, compared to last fiscal year’s \$728 million decline. This is the first time in a half century that the state has suffered two consecutive years of revenue declines.

For the year, total revenues were up \$1.383 billion or 5.9%. This increase was aided by a \$1.675 billion increase in short-term borrowing, including \$700 million in July 2002 and \$975 million in May 2003. The July borrowing, as well as a \$226 million loan from the Budget Stabilization Fund, were repaid during the fiscal year as required by state law. The May borrowing will have to be repaid from fiscal year 2004 resources.

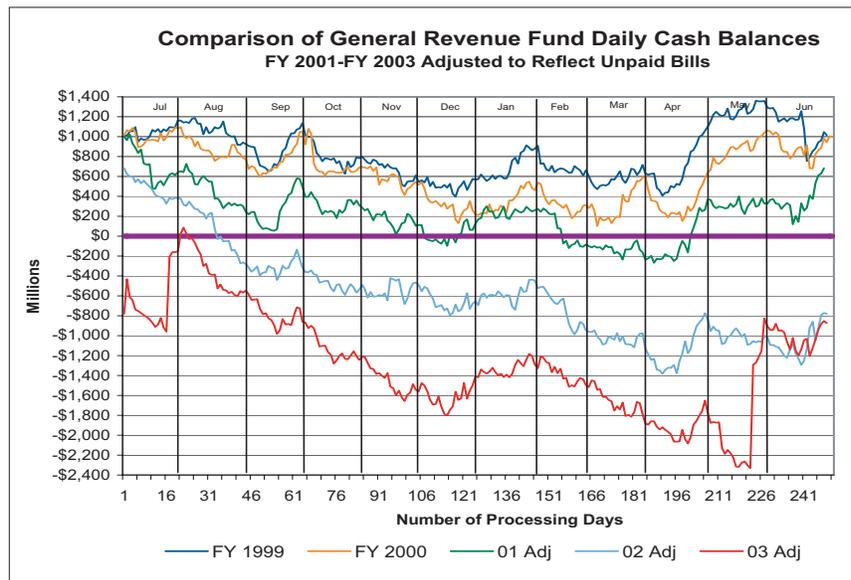
In spite of the infusion of extraordinary revenues, short-term borrowing and rainy-day dollars, fiscal year 2003 ended with \$874 million in unpaid bills, up from \$781 million at the end of last year. Payment delays plagued the General Funds for all but five days during the

concentrated in the three school funds that are included in the General Funds group. In the General Revenue Fund (the state’s largest operating fund) the cash balance increased from \$0 to \$1 million over the year. In addition to the lack of a balance on June 30, 2003, there were \$874 million in bills on hand that could not be paid, resulting in an effective General Revenue Fund (GRF) balance of a negative \$873 million compared to a negative \$781 million last year (see graph). If the May 2003 short-term borrowing proceeds are taken into consideration, the GRF cash position would have been a negative \$1.848 billion, \$1.067 billion worse than at the end of last year.

### Base Revenues Decline 1.2%

Total revenues for fiscal year 2003 were \$24.987 billion. Excluding \$1.675 billion in short-term borrowing and \$226 million from the Budget Stabilization Fund, base revenues totaled \$23.086 billion. Base revenues for the year were \$292 million or 1.2% below last year’s figure. Federal sources fell \$318 million while state sources increased only \$26 million. Fiscal year 2003 marks the second consecutive year of a decrease in base revenues.

State cash receipts decreased by \$479 million and were offset by an increase in transfers-in of \$505 million. The decline in cash receipts was once again tied to those sources impacted by the economy. Individual income taxes were down \$130 million or 1.7% and corporate income taxes fell 8.1% or \$65 million. Sales tax receipts increased only \$8 million or 0.1%. The economy continued to deteriorate at the beginning of the year and has since leveled



year and reached a high of 52 days during parts of April and May. The delays going into fiscal year 2004 total 44 business days compared to 29 days at the end of last year.

At the end of June, the General Funds cash balance was \$317 million, \$61 million more than what was in the bank at the end of fiscal year 2002. The minor improvement in the cash balance was

## Vital Statistics continued from page 11

off. Unemployment increased early in the year and remains high. Stocks continued to decline during the first half of the year but have increased slightly since then.

Other notable changes in cash receipts include public utility taxes which fell \$98 million as telecommunication taxes decreased by \$122 million and gas taxes increased \$24 million. Inheritance taxes declined \$92 million due to the change in federal law. Investment income was down \$70 million due to lower investable balances and interest rates. The decrease in all other receipts was due to the \$265 million drop in transfers from the Build Illinois Escrow Account which was depleted last year. Insurance taxes increased \$41 million due in part to the decline in corporate income taxes which are allowed as deductions. Cook County inter governmental transfers were up \$110 million due to a new agreement.

The transfers-in increase was primarily from one-time factors. A new transfer from the Pension Contribution Fund totaled \$300 million. Pension bonds were issued this year with a portion used to support the General Revenue Fund. There were \$165 million in surplus transfers from various funds and riverboat gambling transfers were up \$84 million due to a tax increase.

Federal transfers were down primarily due to a decline in social service block grant monies. Federal cash receipts decreased due to a decline in federally reimbursable spending as well as other deviations in federal draws or deposits.

### Base Expenditures Down 1.1%

At the end of fiscal year 2003, General Funds spending totaled \$24.926 billion, \$452 million or 1.8% above last year. The \$452 million increase includes a \$710 million increase in transfers to repay short-term borrowing. As a result, base expenditures decreased by \$258

million or 1.1% from the prior year. At the end of fiscal year 2003, General Funds base expenditures (which excludes \$936 million in transfers to repay short-term borrowing) totaled \$23.990 billion, \$258 million or 1.1% below last year. This stands in sharp contrast to the first half of the year when spending grew \$58 million. Through the first half of fiscal year 2003, grant spending was up \$272 million while operations spending decreased by \$164 million. In the second half of the year, grant spending declined by \$671 million while operations spending decreased by another \$214 million compared to last year.

For the year, spending from current year appropriations decreased by \$676 million. The decrease in spending from current year appropriations is due to both lower appropriation levels and other spending restrictions imposed as it became evident that revenues were underperforming. General Funds appropriations for fiscal year 2003 of \$22.335 billion are \$1.075 billion below fiscal year 2002.

The bulk of the spending slowdown occurred in Medicaid. Through the first half of the fiscal year, Medicaid spending was up \$430 million or 17.4%. This jump was due to a concentrated effort to dedicate short-term borrowing dollars to the backlog of Medicaid vouchers in an effort to maximize federal matching dollars returned to the General Revenue Fund. In the second half of the year, Medicaid spending declined by \$527 million to finish the year down \$97 million or 1.9%. The slowdown was expected as Medicaid had exhausted 58.8% of its appropriations through the first half of the fiscal year compared to only 48.7% in the first half of fiscal year 2002.

Other areas of grant spending which declined include the State Board of Education (down \$22 million or 0.4%), Department of Human Services (down \$97 million or 1.9%), higher education

(down \$70 million or 7.9%) and all other grants (down \$273 million or 19.2%). The only large area of grant spending that increased was teacher's retirement which was up \$110 million or 13.4%.

Spending for operations totaled \$6.561 billion for fiscal year 2003, \$378 million lower than comparable expenditures last year. Higher education operations decreased 4.8% or \$84 million, while all other operations decreased \$294 million or 5.7%. Over half (\$197 million or 52.1%) of the decrease in operations spending was for personal services and reflects the impact of the early retirement program.

### What Lies Ahead?

Over the course of the fiscal year, the state's GRF cash position was clearly much worse than last year. Unfortunately, one question is just as applicable to the current situation as it was last year. Is the worst of the financial news behind us? Just as last year, the answer depends on the economy, revenue enhancements and spending controls.

In the short-term, cash flow is likely to be worse than last year due primarily to three factors. First, unpaid bills carried over to the next year are higher than in 2002. Second, there is no infusion of short-term borrowing planned. Although early July will see about \$154 million in surplus transfers and another \$226 million loan from the Budget Stabilization Fund, there will not be a trip to the short-term bond market. Third, since 2003 Medicaid spending authority was all but exhausted in May, there is likely to be a surge in Medicaid spending demands during the summer in an effort to reduce payment cycles below their end-of-year levels.

Will the economy grow as expected? Perhaps a better question is whether the economic declines will end. During fiscal year 2003, the economy failed to produce the growth that was expected.

*VITAL STATISTICS continued, back page*

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

	Apr. 2003	Ten Months			
		FY 2003	Change From Prior Year		
			\$	%	
<b>Total General Funds</b>					
Available Balance	\$ 124	\$ 256	\$(870)	(77.3)	%
Revenues	2,245	19,562	428	2.2	
Expenditures	2,155	19,604	(299)	(1.5)	
Ending Balance	\$ 214	\$ 214	\$(143)	(40.1)	%
<b>General Revenue Fund</b>					
Available Balance	\$ 31	\$ 0	\$(683)	(100.0)	%
Revenues	1,933	16,718	405	2.5	
Expenditures	1,917	16,671	(203)	(1.2)	
Ending Balance	\$ 47	\$ 47	\$(75)	(61.5)	%
<b>Common School Special Account Fund</b>					
Available Balance	\$ 55	\$ 37	\$(29)	(43.9)	%
Revenues	123	1,248	(3)	(0.2)	
Expenditures	114	1,221	(35)	(2.8)	
Ending Balance	\$ 64	\$ 64	\$ 3	4.9	%
<b>Education Assistance Fund</b>					
Available Balance	\$ 24	\$ 198	\$(157)	(44.2)	%
Revenues	118	960	78	8.8	
Expenditures	62	1,078	(59)	(5.2)	
Ending Balance	\$ 80	\$ 80	\$(20)	(20.0)	%
<b>Common School Fund</b>					
Available Balance	\$ 14	\$ 21	\$ 0	0.0	%
Revenues	316	2,350	(102)	(4.2)	
Expenditures	307	2,348	(50)	(2.1)	
Ending Balance	\$ 23	\$ 23	\$(52)	(69.3)	%

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)

	Apr. 2003	Ten Months			
		FY 2003	Change From Prior Year		
			\$	%	
<b>Revenues:</b>					
State Sources:					
Cash Receipts:					
Income Taxes:					
Individual	\$ 908	\$ 6,080	\$(135)	(2.2)	%
Corporate	124	598	(63)	(9.5)	
Total, Income Taxes	\$ 1,032	\$ 6,678	\$(198)	(2.9)	%
Sales Taxes	495	5,015	(13)	(0.3)	
Other Sources:					
Public Utility Taxes	117	866	(52)	(5.7)	
Cigarette Taxes	33	333	0	0.0	
Inheritance Tax (gross)	16	205	(65)	(24.1)	
Liquor Gallonage Taxes	9	103	2	2.0	
Insurance Taxes and Fees	56	249	33	15.3	
Corporation Franchise Tax and Fees	11	118	(9)	(7.1)	
Investment Income	5	56	(65)	(53.7)	
Cook County IGT	45	288	66	29.7	
Other	17	286	97	51.3	
Total, Other Sources	\$ 309	\$ 2,504	\$ 7	0.3	%
Total, Cash Receipts	\$ 1,836	\$ 14,197	\$(204)	(1.4)	%
Transfers In:					
Lottery Fund	\$ 48	\$ 427	\$(36)	(7.8)	%
State Gaming Fund	43	470	90	23.7	
Other Funds	41	479	127	36.1	
Total, Transfers In	\$ 132	\$ 1,376	\$ 181	15.1	%
Total, State Sources	\$ 1,968	\$ 15,573	\$(23)	(0.1)	%
Federal Sources:					
Cash Receipts	\$ 271	\$ 3,033	\$(210)	(6.5)	%
Transfers In	6	30	(39)	(56.5)	
Total, Federal Sources	\$ 277	\$ 3,063	\$(249)	(7.5)	%
<b>Total, Base Revenues</b>	\$ 2,245	\$ 18,636	\$(272)	(1.4)	%
Short-Term Borrowing	0	700	700	N/A	
Transfer from					
Budget Stabilization Fund	0	226	0	0.0	
Total, Revenues	\$ 2,245	\$ 19,562	\$ 428	2.2	%

**GENERAL FUNDS ANALYSIS OF EXPENDITURES**  
(Dollars in Millions)

	Apr. 2003	Ten Months			
		FY 2003	Change From Prior Year		
			\$	%	
<b>Expenditures:</b>					
Awards and Grants:					
Public Aid	\$ 498	\$ 4,307	\$ 47	1.1	%
Elem. & Sec. Education:					
State Board of Education	326	3,965	68	1.7	
Teachers Retirement	78	776	92	13.5	
Total, Elem. & Sec. Education	\$ 404	\$ 4,741	\$ 160	3.5	%
Human Services	195	2,247	(7)	(0.3)	
Higher Education	35	705	(90)	(11.3)	
All Other Grants	77	975	(299)	(23.5)	
Total, Awards and Grants	\$ 1,209	\$ 12,975	\$ (189)	(1.4)	%
Operations:					
Other Agencies	\$ 373	\$ 4,024	\$(307)	(7.1)	%
Higher Education	104	1,557	(66)	(4.1)	
Total, Operations	\$ 477	\$ 5,581	\$(373)	(6.3)	%
Regular Transfers Out	\$ 167	\$ 1,551	\$ 16	1.0	%
All Other	\$ 3	\$ 19	\$(27)	(58.7)	%
Vouchers Payable Adjustment	\$ 124	\$(897)	\$(101)	N/A	
<b>Total, Base Expenditures</b>	\$ 1,980	\$ 19,229	\$ (674)	(3.4)	%
Transfers to Repay Short-Term Borrowing	175	375	375	N/A	
Total, Expenditures	\$ 2,155	\$ 19,604	\$(299)	(1.5)	%

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

	Apr. 2003	Ten Months			
		FY 2003	Change From Prior Year		
			\$	%	
<b>Personal Services:</b>					
Regular Positions	\$ 171	\$ 1,927	\$(126)	(6.1)	%
Other Personal Services	20	209	(11)	(5.0)	
Total, Personal Services	\$ 191	\$ 2,136	\$(137)	(6.0)	%
Contribution Retirement	41	435	13	3.1	
Contribution Social Security	12	139	(7)	(4.8)	
Contribution Group Insurance	74	580	40	7.4	
Contractual Services	36	445	(6)	(1.3)	
Travel	1	15	(4)	(21.1)	
Commodities	6	78	(32)	(29.1)	
Printing	1	7	(1)	(12.5)	
Equipment	1	18	(7)	(28.0)	
Electronic Data Processing	3	38	(5)	(11.6)	
Telecommunications	4	47	0	0.0	
Automotive Equipment	2	16	1	6.7	
Other Operations	105	1,627	(228)	(12.3)	
Total, Operations	\$ 477	\$ 5,581	\$(373)	(6.3)	%

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

	Apr. 2003	Ten Months			
		FY 2003	Change From Prior Year		
			\$	%	
<b>State Board of Education:</b>					
General State Aid	\$ 260	\$ 2,362	\$(63)	(2.6)	%
All Other	66	1,603	131	8.9	
Public Aid	498	4,307	47	1.1	
Human Services	195	2,247	(7)	(0.3)	
Higher Education:					
Student Assistance Commission	23	362	(37)	(9.3)	
Community College Board	10	281	(16)	(5.4)	
Other	2	62	(37)	(37.4)	
Teacher's Retirement	78	776	92	13.5	
Children and Family Services	25	465	(101)	(17.8)	
Aging 18		188	(3)	(1.6)	
Revenue	1	4	(83)	(95.4)	
All Other	33	318	(112)	(26.0)	
Total, Awards and Grants	\$ 1,209	\$ 12,975	\$(189)	(1.4)	%

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

	Eleven Months			
	May 2003	FY 2003	Change From Prior Year	
			\$	%
<b>Total General Funds</b>				
Available Balance	\$ 214	\$ 256	\$ (870)	(77.3) %
Revenues	3,145	22,707	1,651	7.8
Expenditures	3,099	22,703	813	3.7
Ending Balance	\$ 260	\$ 260	\$ (32)	(11.0) %
<b>General Revenue Fund</b>				
Available Balance	\$ 47	\$ 0	\$ (683)	(100.0) %
Revenues	2,865	19,583	1,620	9.0
Expenditures	2,881	19,552	965	5.2
Ending Balance	\$ 31	\$ 31	\$ (28)	(47.5) %
<b>Common School Special Account Fund</b>				
Available Balance	\$ 64	\$ 37	\$ (29)	(43.9) %
Revenues	130	1,378	0	0.0
Expenditures	129	1,350	(29)	(2.1)
Ending Balance	\$ 65	\$ 65	\$ 0	0.0 %
<b>Education Assistance Fund</b>				
Available Balance	\$ 80	\$ 198	\$ (157)	(44.2) %
Revenues	88	1,048	79	8.2
Expenditures	29	1,107	(79)	(6.7)
Ending Balance	\$ 139	\$ 139	\$ 1	0.7 %
<b>Common School Fund</b>				
Available Balance	\$ 23	\$ 21	\$ 0	0.0 %
Revenues	310	2,659	(63)	(2.3)
Expenditures	308	2,655	(58)	(2.1)
Ending Balance	\$ 25	\$ 25	\$ (5)	(16.7) %

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

**GENERAL FUNDS REVENUES**  
(Dollars in Millions)

	Eleven Months			
	May 2003	FY 2003	Change From Prior Year	
			\$	%
<b>Revenues:</b>				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 630	\$ 6,710	\$ (117)	(1.7) %
Corporate	26	625	(62)	(9.0)
Total, Income Taxes	\$ 656	\$ 7,335	\$ (179)	(2.4) %
Sales Taxes	521	5,536	(2)	(0.0)
Other Sources:				
Public Utility Taxes	87	953	(54)	(5.4)
Cigarette Taxes	33	366	0	0.0
Inheritance Tax (gross)	15	220	(80)	(26.7)
Liquor Gallonage Taxes	11	113	2	1.8
Insurance Taxes and Fees	3	252	35	16.1
Corporation Franchise				
Tax and Fees	14	132	(9)	(6.4)
Investment Income	4	60	(69)	(53.5)
Cook County IGT	44	332	110	49.5
Other	30	316	110	53.4
Total, Other Sources	\$ 241	\$ 2,744	\$ 45	1.7 %
Total, Cash Receipts	\$ 1,418	\$ 15,615	\$ (136)	(0.9) %
Transfers In:				
Lottery Fund	\$ 42	\$ 469	\$ (30)	(6.0) %
State Gaming Fund	40	510	90	21.4
Other Funds	62	541	169	45.4
Total, Transfers In	\$ 144	\$ 1,520	\$ 229	17.7 %
Total, State Sources	\$ 1,562	\$ 17,135	\$ 93	0.5 %
Federal Sources:				
Cash Receipts	\$ 602	\$ 3,635	\$ (78)	(2.1) %
Transfers In	6	36	(39)	(52.0)
Total, Federal Sources	\$ 608	\$ 3,671	\$ (117)	(3.1) %
<b>Total, Base Revenues</b>	<b>\$ 2,170</b>	<b>\$ 20,806</b>	<b>\$ (24)</b>	<b>(0.1) %</b>
Short-Term Borrowing	975	1,675	1,675	N/A
Transfer from				
Budget Stabilization Fund	0	226	0	0.0
Total, Revenues	\$ 3,145	\$ 22,707	\$ 1,651	7.8 %

**GENERAL FUNDS ANALYSIS OF EXPENDITURES**  
(Dollars in Millions)

	Eleven Months			
	May 2003	FY 2003	Change From Prior Year	
			\$	%
<b>Expenditures:</b>				
Awards and Grants:				
Public Aid	\$ 525	\$ 4,832	\$ 35	0.7 %
Elem. & Sec. Education:				
State Board of Education	366	4,331	18	0.4
Teachers Retirement	78	854	102	13.6
Total, Elem. & Sec. Education	\$ 444	\$ 5,185	\$ 120	2.4 %
Human Services	196	2,443	(13)	(0.5)
Higher Education	88	793	(80)	(9.2)
All Other Grants	101	1,076	(263)	(19.6)
Total, Awards and Grants	\$ 1,354	\$ 14,329	\$ (201)	(1.4) %
Operations:				
Other Agencies	\$ 378	\$ 4,403	\$ (356)	(7.5) %
Higher Education	71	1,628	(56)	(3.3)
Total, Operations	\$ 449	\$ 6,031	\$ (412)	(6.4) %
Regular Transfers Out	\$ 285	\$ 1,836	\$ 34	1.9 %
All Other	4	22	(28)	(56.0)
Vouchers Payable Adjustment	\$ 806	\$ (91)	\$ 844	N/A
<b>Total, Base Expenditures</b>	<b>\$ 2,898</b>	<b>\$ 22,127</b>	<b>\$ 263</b>	<b>1.2 %</b>
Transfers to Repay Short-Term Borrowing	201	576	576	N/A
Total, Expenditures	\$ 3,099	\$ 22,703	\$ 813	3.7 %

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

	Eleven Months			
	May 2003	FY 2003	Change From Prior Year	
			\$	%
<b>Personal Services:</b>				
Regular Positions	\$ 176	\$ 2,103	\$ (153)	(6.8) %
Other Personal Services	21	230	(12)	(5.0)
Total, Personal Services	\$ 197	\$ 2,333	\$ (165)	(6.6) %
Contribution Retirement	42	477	13	2.8
Contribution Social Security	13	151	(9)	(5.6)
Contribution Group Insurance	76	656	46	7.5
Contractual Services	33	478	(13)	(2.6)
Travel	1	16	(5)	(23.8)
Commodities	8	86	(35)	(28.9)
Printing	1	8	(1)	(11.1)
Equipment	0	19	(7)	(26.9)
Electronic Data Processing	2	41	(5)	(10.9)
Telecommunications	4	51	1	2.0
Automotive Equipment	1	17	0	0.0
Other Operations	71	1,698	(232)	(12.0)
Total, Operations	\$ 449	\$ 6,031	\$ (412)	(6.4) %

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

	Eleven Months			
	May 2003	FY 2003	Change From Prior Year	
			\$	%
<b>State Board of Education:</b>				
General State Aid	\$ 261	\$ 2,623	\$ (71)	(2.6) %
All Other	105	1,708	89	5.5
Public Aid	525	4,832	35	0.7
Human Services	196	2,443	(13)	(0.5)
Higher Education:				
Student Assistance Commission	12	374	(33)	(8.1)
Community College Board	70	350	(16)	(4.4)
Other	6	69	(31)	(31.0)
Teacher's Retirement	78	854	102	13.6
Children and Family Services	48	513	(70)	(12.0)
Aging	17	205	(5)	(2.4)
Revenue	0	4	(83)	(95.4)
All Other	36	354	(105)	(22.9)
Total, Awards and Grants	\$ 1,354	\$ 14,329	\$ (201)	(1.4) %

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

	June 2003	Twelve Months Change From Prior Year			
		FY 2003	\$	%	
<b>Total General Funds</b>					
Available Balance	\$ 260	\$ 256	\$ (870)	(77.3) %	
Revenues	2,281	24,987	1,383	5.9	
Expenditures	2,224	24,926	452	1.8	
Ending Balance	\$ 317	\$ 317	\$ 61	23.8 %	
<b>General Revenue Fund</b>					
Available Balance	\$ 31	\$ 0	\$ (683)	(100.0) %	
Revenues	1,963	21,546	1,346	6.7	
Expenditures	1,993	21,545	662	3.2	
Ending Balance	\$ 1	\$ 1	\$ 1	N/A %	
<b>Common School Special Account Fund</b>					
Available Balance	\$ 65	\$ 37	\$ (29)	(43.9) %	
Revenues	130	1,508	3	0.2	
Expenditures	133	1,483	(51)	(3.3)	
Ending Balance	\$ 62	\$ 62	\$ 25	67.6 %	
<b>Education Assistance Fund</b>					
Available Balance	\$ 139	\$ 198	\$ (157)	(44.2) %	
Revenues	98	1,147	73	6.8	
Expenditures	28	1,136	(95)	(7.7)	
Ending Balance	\$ 209	\$ 209	\$ 11	5.6 %	
<b>Common School Fund</b>					
Available Balance	\$ 25	\$ 21	\$ 0	0.0 %	
Revenues	584	3,244	(52)	(1.6)	
Expenditures	565	3,221	(75)	(2.3)	
Ending Balance	\$ 44	\$ 44	\$ 23	109.5 %	

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)

	June 2003	Twelve Months Change From Prior Year			
		FY 2003	\$	%	
<b>Revenues:</b>					
<b>State Sources:</b>					
Cash Receipts:					
Income Taxes:					
Individual	\$ 631	\$ 7,341	\$ (130)	(1.7) %	
Corporate	114	738	(65)	(8.1)	
Total, Income Taxes	\$ 745	\$ 8,079	\$ (195)	(2.4) %	
Sales Taxes	523	6,059	8	0.1	
<b>Other Sources:</b>					
Public Utility Taxes	53	1,006	(98)	(8.9)	
Cigarette Taxes	33	400	0	0.0	
Inheritance Tax (gross)	17	237	(92)	(28.0)	
Liquor Gallonage Taxes	10	123	1	0.8	
Insurance Taxes and Fees	61	313	41	15.1	
Corporation Franchise Tax and Fees	10	142	(17)	(10.7)	
Investment Income	6	66	(70)	(51.5)	
Cook County IGT	23	355	110	44.9	
Other	67	383	(167)	(30.4)	
Total, Other Sources	\$ 280	\$ 3,025	\$ (292)	(8.8) %	
Total, Cash Receipts	\$ 1,548	\$ 17,163	\$ (479)	(2.7) %	
<b>Transfers In:</b>					
Lottery Fund	\$ 72	\$ 540	\$ (15)	(2.7) %	
State Gaming Fund	44	554	84	17.9	
Pension Contribution Fund	300	300	300	N/A	
Other Funds	48	589	136	30.0	
Total, Transfers In	\$ 464	\$ 1,983	\$ 505	34.2 %	
Total, State Sources	\$ 2,012	\$ 19,146	\$ 26	0.1 %	
<b>Federal Sources:</b>					
Cash Receipts	\$ 269	\$ 3,904	\$ (229)	(5.5) %	
Transfers In	0	36	(89)	(71.2)	
Total, Federal Sources	\$ 269	\$ 3,940	\$ (318)	(7.5) %	
<b>Total, Base Revenues</b>	\$ 2,281	\$ 23,086	\$ (292)	(1.2) %	
Short-Term Borrowing	0	1,675	1,675	N/A	
<b>Transfer from</b>					
Budget Stabilization Fund	0	226	0	0.0	
Total, Revenues	\$ 2,281	\$ 24,987	\$ 1,383	5.9 %	

**GENERAL FUNDS ANALYSIS OF EXPENDITURES**  
(Dollars in Millions)

	June 2003	FY 2003	Twelve Months Change From Prior Year		
			\$	%	
<b>Expenditures:</b>					
<b>Awards and Grants:</b>					
Public Aid	\$ 111	\$ 4,943	\$ (97)	(1.9) %	
Elem. & Sec. Education:					
State Board of Education	740	5,071	(22)	(0.4)	
Teachers Retirement	77	931	110	13.4	
Total, Elem. & Sec. Education	\$ 817	\$ 6,002	\$ 88	1.5 %	
Human Services	118	2,561	(47)	(1.8)	
Higher Education	22	815	(70)	(7.9)	
All Other Grants	71	1,147	(273)	(19.2)	
Total, Awards and Grants	\$ 1,139	\$ 15,468	\$ (399)	(2.5) %	
<b>Operations:</b>					
Other Agencies	\$ 482	\$ 4,885	\$ (294)	(5.7) %	
Higher Education	48	1,676	(84)	(4.8)	
Total, Operations	\$ 530	\$ 6,561	\$ (378)	(5.4) %	
Regular Transfers Out	\$ 195	\$ 2,031	\$ (128)	(5.9) %	
All Other	2	24	(29)	(54.7) %	
Vouchers Payable Adjustment	(2)	(94)	676	N/A	
<b>Total, Base Expenditures</b>	\$ 1,864	\$ 23,990	\$ (258)	(1.1) %	
Transfers to Repay Short-Term Borrowing	360	936	710	N/A	
Total, Expenditures	\$ 2,224	\$ 24,926	\$ 452	1.8 %	

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

	June 2003	FY 2003	Twelve Months Change From Prior Year		
			\$	%	
<b>Personal Services:</b>					
Regular Positions	\$ 179	\$ 2,282	\$ (183)	(7.4) %	
Other Personal Services	21	251	(14)	(5.3)	
Total, Personal Services	\$ 200	\$ 2,533	\$ (197)	(7.2) %	
Contribution Retirement	42	519	13	2.6	
Contribution Social Security	12	163	(11)	(6.3)	
Contribution Group Insurance	153	809	134	19.9	
Contractual Services	27	504	(22)	(4.2)	
Travel	1	18	(5)	(21.7)	
Commodities	25	112	(17)	(13.2)	
Printing	1	9	(1)	(10.0)	
Equipment	1	19	(8)	(29.6)	
Electronic Data Processing	4	45	(5)	(10.0)	
Telecommunications	3	54	(1)	(1.8)	
Automotive Equipment	1	18	0	0.0	
Other Operations	60	1,758	(258)	(12.8)	
Total, Operations	\$ 530	\$ 6,561	\$ (378)	(5.4) %	

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

	June 2003	FY 2003	Twelve Months Change From Prior Year		
			\$	%	
<b>State Board of Education:</b>					
General State Aid	\$ 519	\$ 3,142	\$ (90)	(2.8) %	
All Other	221	1,929	68	3.7	
Public Aid	111	4,943	(97)	(1.9)	
Human Services	118	2,561	(47)	(1.8)	
<b>Higher Education:</b>					
Student Assistance Commission	2	376	(39)	(9.4)	
Community College Board	0	351	(15)	(4.1)	
Other	20	88	(16)	(15.4)	
Teacher's Retirement	77	931	110	13.4	
Children and Family Services	23	536	(69)	(11.4)	
Aging 23		227	(4)	(1.7)	
Revenue	1	5	(83)	(94.3)	
All Other	24	379	(117)	(23.6)	
Total, Awards and Grants	\$ 1,139	\$ 15,468	\$ (399)	(2.5) %	

**Local Gov't Line** concluded from page 5

removal of harmful elements from urban communities (54%). The survey respondents estimated that 576,373 new jobs and \$1.9 billion in tax revenue could be generated if their brownfields are redeveloped.

The respondents also included information on the end uses for redevelopment projects that have been completed. The results include 280 commercial projects, 269 mixed-use projects, 259 retail projects, and 156 housing development projects. In addition, there were 142 miscellaneous projects listed which included green space areas, recreational areas, schools, parking spaces, and transportation hubs.

In summary, city officials have to weigh the various costs and benefits from brownfield development. Survey respondents have indicated that, although the costs are considerable, the rewards seem to justify the costs. In particular, tax base growth and job creation are seen as very important benefits. ■

**Vital Statistics** concluded from page 12

While it is still too early to tell, recent evidence might be indicating that the economic fall is moderating, setting the stage for growth later in the year.

These concerns are similar to those raised at this time last year. Unfortunately, fiscal year 2003 "base" revenues fell almost \$1.6 billion short of original expectations. Will the economy produce revenue growth this time around? Will new revenue enhancements and the anticipated sale of state assets meet projections? Will spending controls be more effective? If all these measures meet expectations, cash flow may improve over the course of the year. However, state policy makers should be prepared to deal with another difficult year as uncertainties continue. ■

**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.

## *Fiscal Forum*

Our last question concerned a federal/state fiscal issue. Should the federal government increase the Federal Medical Assistance Percentage (FMAP) for states if the states are facing increasing Medicaid caseloads and/or costs due to downturns in the economy? The question and the responses from our readers are presented below.

Should the federal government increase the FMAP for states by 2% during difficult economic times (or economic recessions)?

**YES 68%      NO 32%**

**The question for this issue of *Fiscal Focus* concerns deficit reduction sources:**

**Should the State of Illinois sell state assets to help balance the budget?**

**YES       NO**

To respond to this question, simply log onto the Comptroller's Web site at [www.ioc.state.il.us](http://www.ioc.state.il.us). ■

# COMPTROLLER DANIEL W. HYNES

Contact us at our web address: <http://www.ioc.state.il.us>



COMPTROLLER DANIEL W. HYNES

Capitol Building  
Springfield, Illinois 62706

