

# FISCAL FOCUS

Comptroller Daniel W. Hynes

July/August 1999

## What's New...

- This Month's Fiscal Focus includes three new sections:

Fiscal Forum . . . . .p.6

Cemetery Care Corner . .p.7

Economic Outlook . . . .p.11

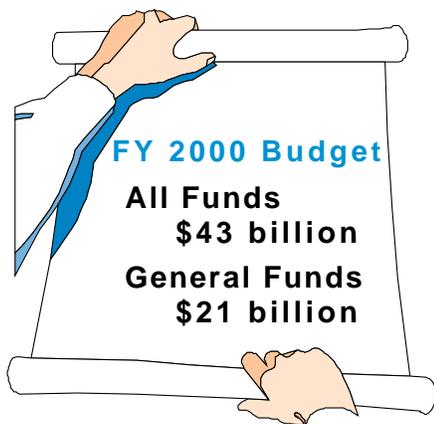
## Cover Story...

### State Budget in Place to Start the New Millennium

With \$43 billion in spending authority, a budget blueprint is in place for the 2000 fiscal year. Compared to budget negotiations in recent years, the fiscal year 2000 budget session took on a unique perspective. Due to the state's strong financial position, the customary budget wrangling between proponents of education, social services, and other functions of state government for previously scarce General Funds dollars, did not surface as an issue in this year's session.

Highlighting the spring session was an aggressive new state infrastructure plan and changes to the state's gaming laws.

Titled Illinois FIRST, the new public works program is designed to meet critical infrastructure needs including highway and bridge improvement, upgrading of mass transit systems, adding more classrooms and improving existing



COVER STORY continued, page 8



## A Note From Dan Hynes

Dear Reader:

The General Assembly adjourned at the end of May after passing the Governor's Illinois FIRST program, a major gaming bill, and the Fiscal Year 2000 budget. This issue of Fiscal Focus provides an analysis of each of these initiatives and the impact each will have on the State's fiscal condition now and in the future.

Additionally, we are introducing some new sections to keep you informed about other areas of our Office and our state's economy as a whole. FISCAL FORUM is a new section seeking your input on important fiscal issues facing the State. We encourage you to let us know what you think, you can indicate your preferences at our web site [www.ioc.state.il.us](http://www.ioc.state.il.us). CEMETERY CARE CORNER updates you on what the Cemetery Care Department is currently working on, and the Economic Outlook Section provides a look at one of the many issues affecting the economy and the direction it is headed.

As always, we value your input. Please feel free to contact my Office at any time if you have concerns you would like addressed.

Sincerely,

Daniel W. Hynes  
Comptroller

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FY 1999 General Funds Revenues-  
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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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## Illinois FIRST and Statutory Gaming Changes: Estimating the Financial Impact on the General Revenue Fund

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

A certain amount of this reduction can be attributed to the statutory gaming changes. However, it is more difficult to isolate the impact due strictly to Illinois FIRST because portions of the end product were linked to final budget negotiations. Although the fiscal

to be used for replacing Illinois license plates. However, since that fee increase is not effective until January 1, 2000, the fund was front-loaded with a \$10 million transfer from the General Revenue Fund included in one of the budget implementation bills.

The Fund for Illinois' Future was also created as part of Illinois FIRST and intended to facilitate the pay-as-you-go portion of the program. That fund has no direct revenue source but is funded by the movement of money from elsewhere. The FIRST legislation included two transfers from the General Revenue Fund — \$260 million in June 1999 and another \$260 million in July 2000. Another \$25

year 2000 budget and Illinois FIRST were presented separately, final budget negotiations produced a package of legislative actions that blurs the line between the original and final products. For example, the Governor's original budget included a proposal to shift \$20 million of spending by the Secretary of State from the Road Fund to the General Revenue Fund. The Illinois FIRST initiative increased the spending shift to \$50 million in fiscal years 2000 through 2003 and \$100 million thereafter. The question is whether all or part of this negative impact on the General Revenue Fund should be attributed to Illinois FIRST.

The distinction between Illinois FIRST and the new state budget is complicated further by the movement of resources from the General Revenue Fund to funds established under the Illinois FIRST legislative package as well as the use of those resources. That package created the Motor Vehicle License Plate Fund to receive a portion of the increased vehicle title transfer fee

The Estimated Financial Impact of Illinois FIRST and Statutory Gaming Changes on the General Revenue Fund (Millions of Dollars)

	Fiscal Year						
	1999	2000	2001	2002	2003	2004	2005
<b>Estimated Resource Additions:</b>							
<b>Illinois FIRST:</b>							
Elimination of the sales tax transfer to the Road Fund (assumes 4% growth)	0.0	25.0	105.5	109.8	114.1	118.7	123.5
Liquor tax increase	0.0	80.0	80.0	80.0	80.0	80.0	80.0
<b>Total</b>	0.0	105.0	185.5	189.8	194.1	198.7	203.5
<b>Estimated Resource Reductions:</b>							
<b>Illinois FIRST:</b>							
Reduction in Secretary of State spending from the Road Fund	0.0	50.0	50.0	50.0	50.0	100.0	100.0
Maximum financial assistance for RTA (SCIP bonds)	0.0	0.0	16.0	35.0	54.0	73.0	93.0
Transfer to School Infrastructure Fund	0.0	30.0	60.0	60.0	60.0	60.0	60.0
Transfer to Motor Vehicle Lic. Plate Fund	0.0	10.0	0.0	0.0	0.0	0.0	0.0
Transfer to the Fund for Illinois' Future	285.0	0.0	260.0	0.0	0.0	0.0	0.0
Additional transfers for debt service from increase in bond programs	0.0	0.0	17.8	20.8	33.2	45.1	65.4
<b>Horse Racing:</b>							
Hold harmless support - GRF support for Special Funds	0.0	17.5	34.9	34.9	34.9	34.9	34.9
<b>Riverboat Gambling:</b>							
Hold harmless support - Education	0.0	0.0	0.0	47.0	47.0	47.0	47.0
<b>Total</b>	285.0	107.5	438.7	247.7	279.1	360.0	400.3
<b>Total Financial Impact</b>	-285.0	-2.5	-253.2	-57.9	-85.0	-161.3	-196.8

# How Illinois Stacks Up

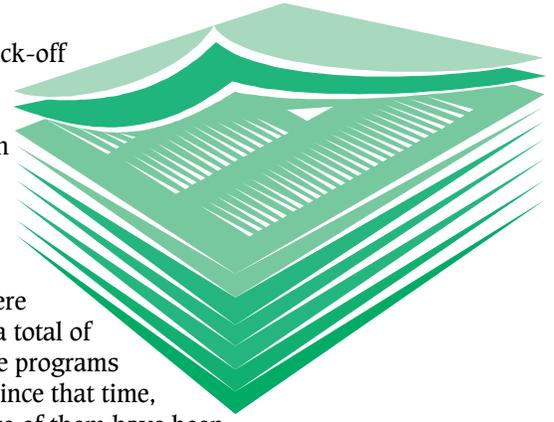
## State Income Tax Check-off Programs

Voluntary income tax check-offs are a way in which many states generate revenue for charitable causes. Every state that has a broad-based income tax has at least one check-off program. For 1998 state income tax returns, 41 states had a total of 177 check-off programs available to taxpayers.

According to a Federation of Tax Administrators survey, the three most popular check-off programs are for non-game wildlife (36 states), child abuse prevention (20 states) and political contributions (21 states). Based on that same survey, the non-game wildlife check-off was the most productive with a 1998 US average contribution of \$8.99 followed by child abuse at \$8.50 and political contributions at \$2.20.

Illinois' check-off programs first appeared on the 1983 income tax return with three programs. There have been a total of twenty-nine programs presented since that time, but only five of them have been

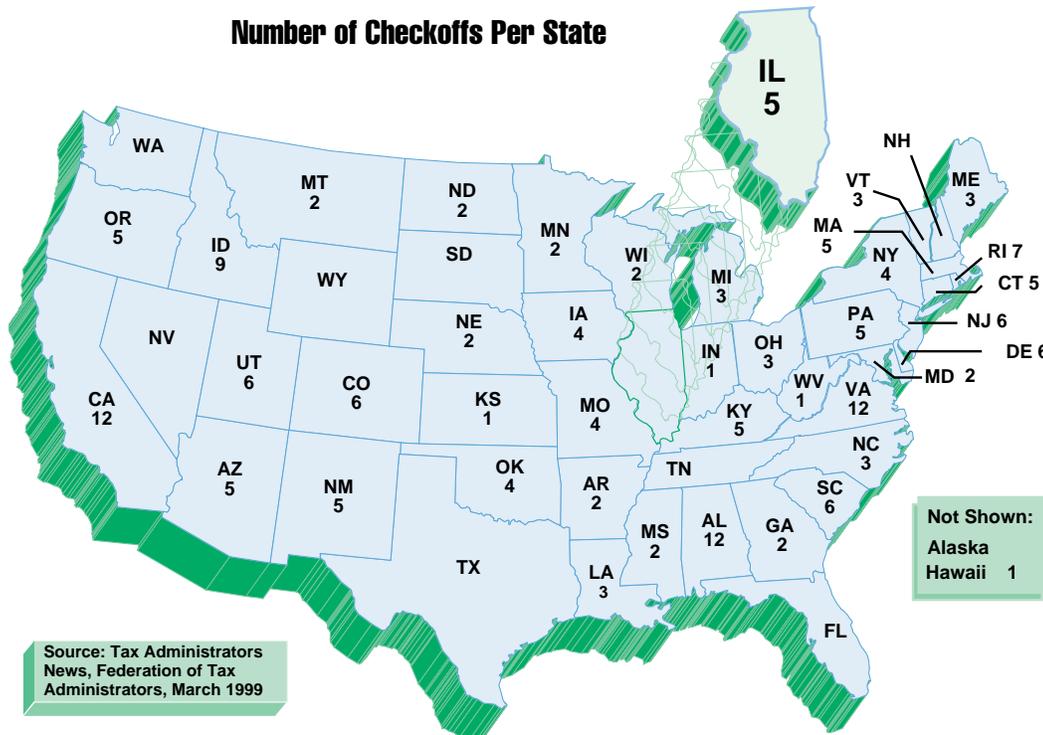
able to sustain \$100,000 in annual donations necessary to remain on the return for subsequent years. These five are Wildlife Preservation, Child Abuse, Alzheimer's Research, Assistance to the Homeless, and Breast and Cervical Cancer Research. Illinois does not offer a check-off for political contributions.



Program	Total Donations	Total Contributors	Average Contribution
Wildlife Preservation	\$ 178,688	17,028	\$ 10.49
Child Abuse	138,290	15,808	8.75
Alzheimer's	102,721	11,209	9.16
Assistance to the Homeless	115,011	12,621	9.11
Breast & Cervical Cancer Research	110,965	12,958	8.56
Children's Cancer	86,248	11,635	7.41
American Diabetes	74,133	9,019	8.22
Mental Health Research	57,093	7,669	7.44

(The first five programs were offered on the 1998 tax returns filed in 1999 and they have made the \$100,000 required to remain on the 1999 income tax form to be filed in 2000. There will also be an addition of the Prostate Cancer Research Fund along with a change in name of the Breast and Cervical Cancer Research Fund to the Penny Sevens Breast and Cervical Cancer Research Fund).

Number of Checkoffs Per State



Source: Tax Administrators News, Federation of Tax Administrators, March 1999

A breakdown of Illinois' check-off programs for tax year 1997 (5,372,871 returns) is presented in the table above.

Donations totaled \$863,149 for the 1997 tax year and of the 5,372,871 million returns filed in 1998, there were 40,321 returns (less than 1% of the total) that had at least one check-off program marked. Participation in the check-off programs remains low and the amounts collected are small compared to the total personal income tax liability of \$6,254,034,726 in tax year 1997.



# Focus On Revenue

## FY 1999 General Funds Revenue Exceeds Expectations

During fiscal year 1999, General Funds revenue jumped \$1.690 billion - the largest single-year increase on record. For the seventh consecutive year, many of the state's major revenue sources out performed expectations.

When the fiscal year 1999 budget was presented in February 1998, General Funds revenues were expected to grow \$1.067 billion or 5.4%. By the time the fiscal year 1999 budget was signed by the Governor, estimated revenue growth had been raised to \$1.4 billion or 7.0% (July 1998). This growth included \$228 million in personal income tax, \$206 million in sales tax, and \$449 million in federal aid, as well as growth in public utility, cigarette, insurance, riverboat gaming taxes, and other sources.

The July 1998 estimate of fiscal year 1999 revenue reflected several factors. These included stronger than expected economic

growth during fiscal year 1998, the anticipation of slightly lower economic growth for fiscal year 1999, the annualization of public utility and cigarette tax increases implemented in fiscal year 1998, and the restructuring of the insurance and riverboat gaming taxes.

Economic growth did not slow. In fact, growth accelerated during the last half of the fiscal year (January - June). The impact of this increase in economic activity is evident in the higher growth registered for the personal income (\$151 million higher) and sales taxes (\$129 million higher). For the year,

these two sources actually increased 5.5% and 6.4% respectively compared to the anticipated 3.3% and 3.9%. Between them, the public utility, insurance, and riverboat gaming taxes produced \$90 million more than earlier anticipated.

General Funds Revenues By Source (Dollars in Millions)										
Sources	Actual	July '98	Actual	Estimated Growth		Actual Growth		Difference		
	FY 1998	Estimate FY 1999	FY 1999	\$	%	\$	%	\$	%	
<b>Income</b>	\$ 7,983	\$ 8,215	\$ 8,347	232	2.9	364	4.6	132	1.7	
Personal	6,847	7,075	7,226	228	3.3	379	5.5	151	2.2	
Corporate	1,136	1,140	1,121	4	0.4	-15	-1.3	-19	-1.7	
<b>Sales</b>	5,274	5,480	5,609	206	3.9	335	6.4	129	2.4	
Public Utility	912	980	1,019	68	7.5	107	11.7	39	4.3	
Cigarette	346	403	403	57	16.5	57	16.5	0	0.0	
Liquor	57	56	57	-1	-1.8	0	0.0	1	1.8	
Inheritance	251	260	347	9	3.6	96	38.2	87	34.7	
Insurance	91	170	208	79	86.8	117	128.6	38	41.8	
Corporate Franchise	118	120	117	2	1.7	-1	-0.8	-3	-2.5	
Interest	182	180	212	-2	-1.1	30	16.5	32	17.6	
Cook IGT	152	233	218	81	53.3	66	43.4	-15	-9.9	
Other	218	337	228	119	54.6	10	4.6	-109	-50.0	
S-T Borrowing	0	0	0	0	N/A	0	N/A	0	N/A	
<b>Total, State Sources</b>	\$ 15,584	\$ 16,434	\$ 16,765	850	5.5	1,181	7.6	331	2.1	
<b>Federal Aid</b>	\$ 3,324	\$ 3,773	\$ 3,718	449	13.5	394	11.9	-55	-1.7	
<b>Transfers-In:</b>										
Riverboat Gaming	\$ 170	\$ 227	\$ 240	57	33.5	70	41.2	13	7.6	
Lottery	560	570	540	10	1.8	-20	-3.6	-30	-5.4	
Other	346	380	411	34	9.8	65	18.8	31	9.0	
<b>Total Revenues</b>	\$ 19,984	\$ 21,384	\$ 21,674	1,400	7.0	1,690	8.5	290	1.5	

Note: The July 1998 estimate of FY 1999 General Funds revenue is based on the Bureau of the Budget's July 1998 Quarterly Financial Report.



# Focus On Spending

## Fiscal Year 2000 Spending Authority

General Funds appropriations as passed by the General Assembly total \$20.923 billion for fiscal year 2000. This represents an increase of \$1.055 billion or 5.3% over fiscal year 1999 spending authority. Of the increase, \$601 million is for awards and grants, \$449 million is for operations and all other appropriations are up \$5 million.

Appropriations for awards and grants are \$14.521 billion and account for

69.4% of the total compared to \$6.274 billion or 30.0% for operations. These percentages are little changed from last year and are only slightly different when compared to fiscal year 1990. At that time, awards and grants accounted for 68.8% of total General Funds spending authority with 30.8% to operations.

With the major portion of the General Funds budget consumed by grants to the state's social service programs and education, these areas are generally the focal point in crafting the state budget. For fiscal year 2000, these two functions of state government accounted for all of the increase in grant authority.

Collectively, the state's education entities received increased grant authority of \$403 million or 7.0% in fiscal year 2000 and accounted for slightly more than two-thirds (67.1%) of the increase in total awards and grants appropriations as well as 38.2% of the increase in total General Funds appropriations. Individually, the State Board of Education received a \$300 million increase for grants to school districts, while appropriations to the Teacher's Retirement systems are up \$66 million and grants for higher education are \$37 million more than last year.

Social services grant appropriations account for the remainder of the increase in total grant spending authority. The Department of Public Aid received increased General Funds grant appropriations of \$219 million or 5.1% over fiscal year 1999 for payments to medical providers. This

*FOCUS ON SPENDING continued, page 6*

General Funds Appropriations for Operations and Grants  
FY 1990, FY 1998, FY 1999 and FY 2000  
(Dollars in Millions)

	FY 1990	FY 1998	Level Change	% Change	FY 1999	Level Change	% Change	FY 2000	Level Change	% Change
<b>Operations</b>										
Higher Education	\$ 1,113	\$ 1,393	\$ 280	25.2	\$ 1,479	\$ 86	6.2	\$ 1,575	\$ 96	6.5
Corrections	486	919	433	89.1	1,032	113	12.3	1,104	72	7.0
Human Services	0	969	969	0.0	1,012	43	N/A	1,023	11	1.1
Central Management Services	274	517	243	88.7	563	46	8.9	582	19	3.4
Children and Family Services	92	265	173	188.0	277	12	4.5	288	11	4.0
Supreme Court	129	177	48	37.2	189	12	6.8	208	19	10.1
State Police	134	183	49	36.6	207	24	13.1	218	11	5.3
Public Aid	400	109	-291	-72.8	133	24	22.0	159	26	19.5
Other	1,190	861	-329	-27.6	933	72	8.4	1,117	184	19.7
<b>Total Operations</b>	<b>\$ 3,818</b>	<b>\$ 5,393</b>	<b>\$ 1,575</b>	<b>41.3</b>	<b>\$ 5,825</b>	<b>\$ 432</b>	<b>8.0</b>	<b>\$ 6,274</b>	<b>\$ 449</b>	<b>7.7</b>
<b>Grants</b>										
Elementary & Secondary Education										
State Board of Education	\$ 3,017	\$ 4,067	\$ 1,050	34.8	\$ 4,441	\$ 374	9.2	\$ 4,741	\$ 300	6.8
Teachers Retirement System*	257	430	173	67.3	584	154	35.8	650	66	11.3
<b>Public Aid Total</b>	<b>3,411</b>	<b>3,897</b>	<b>486</b>	<b>14.2</b>	<b>4,297</b>	<b>400</b>	<b>10.3</b>	<b>4,516</b>	<b>219</b>	<b>5.1</b>
Public Aid (Medical)	2,325	3,897	1,572	67.6	4,297	400	10.3	4,516	219	5.1
Human Services	0	2,460	2,460	0.0	2,437	-23	N/A	2,420	-17	-0.7
Higher Education	448	675	227	50.7	735	60	8.9	772	37	5.0
Children and Family Services	234	671	437	186.8	620	-51	-7.6	637	17	2.7
Other	1,167	656	-511	-43.8	806	150	22.9	785	-21	-2.6
<b>Total Grants</b>	<b>\$ 8,534</b>	<b>\$ 12,856</b>	<b>\$ 4,322</b>	<b>50.6</b>	<b>\$ 13,920</b>	<b>\$ 1,064</b>	<b>8.3</b>	<b>\$ 14,521</b>	<b>\$ 601</b>	<b>4.3</b>
<b>Total Appropriations</b>	<b>\$ 12,410</b>	<b>\$ 18,345</b>	<b>\$ 5,935</b>	<b>47.8</b>	<b>\$ 19,868</b>	<b>\$ 1,523</b>	<b>8.3</b>	<b>\$ 20,923</b>	<b>\$ 1,055</b>	<b>5.3</b>

\*FY 1990 includes a \$234 million appropriation to the State Board of Education for payment to the Teacher's Retirement System.

## Fiscal Smarts Concluded

million was transferred in June as part of the budget implementation legislation. Although the movement of money occurred as a result of Illinois FIRST, it appears that much of the fiscal year 2000 spending from the Fund

## Focus on Spending Concluded

increase accounts for 36.4% of the total increase in awards and grants appropriations. The grant appropriation increase of \$17 million for the Department of Children and Family Services was offset by a \$17 million decline for the Department of Human Services.

While the growth in awards and grants appropriations can be traced to two functional areas of government, increased spending authority for operations is more widespread.

Higher education institutions received both the highest level of operations spending authority (\$1.575 billion) and the largest dollar increase (up \$96 million or 6.5%) while accounting for 25.1% of total operations appropriations

The Department of Corrections recorded both the second highest level of spending authority from the General Funds as well as the second largest dollar increase. Fiscal year 2000 operations spending authority for the Department is set at \$1.104 billion, \$72 million or 7.0% above 1999.

Among the largest agencies, the Department of Public Aid had the highest percentage increase in operations spending authority jumping 19.5% from \$133 million in fiscal year 1999 to \$159 million for fiscal year 2000.

Aside from the continually significant increases in funding for both education and medical assistance, few dramatic changes in funding are revealed when comparing General Fund's

for Illinois' Future will be for community projects added as part of the final budget negotiations. In past years, those added initiatives were paid from the General Revenue Fund.

appropriation levels by agency and category for fiscal years 1999 and 2000. However, there have been several sizeable shifts in the allocation of appropriations among agencies and spending categories since fiscal year 1990.

Although elementary and secondary education received the largest single increase in grant authority for fiscal year 2000, its share of total grant appropriations dropped from 38.5% in 1990 to 37.2% this year. Conversely, medical assistance grants in fiscal year 2000 account for 31.1% of total grant appropriations while in 1990, 27.2% of spending authority was set aside for this purpose. Another noteworthy trend in grant funding is the increased share to the Department of Children and Family Services. In 1990, the Department received 2.7% of grant authority compared to 4.4% in 2000.

On the operations side, Higher Education accounts for 25.1% of total General Fund's operations appropriations in fiscal year 2000 compared to 29.2% in fiscal year 1990. Going in the other direction was the Departments of Corrections and Central Management Services. Corrections garnered 12.7% of operations appropriations in 1990 compared to 17.6% in 2000 while Central Management Services received 9.3% of appropriations in 2000 compared to 7.2% in 1990.

# Fiscal Forum

The purpose of the new **FISCAL FORUM** is to gather information about state fiscal policy issues from our readers on a regular basis. To accomplish this, we will use this section in two ways.

We will periodically pose a policy-related question along with a set of possible answers. To respond to our question, simply log into our web site at [www.ioc.state.il.us](http://www.ioc.state.il.us).

There you will find the question for the month. The results will be presented in the next month's issue of Fiscal Focus.

At other times, we will use this section to answer one of the frequently asked questions from our web site.

This month's question: **How would you spend the anticipated \$9.1 billion in proceeds from the Tobacco Settlement?** (Please distribute by percentage.)

- a. Taxpayer rebates \_\_\_\_\_
- b. Anti-smoking efforts \_\_\_\_\_
- c. Health care initiatives \_\_\_\_\_
- d. Disease research \_\_\_\_\_
- e. Other (please specify) \_\_\_\_\_



## *Cemetery Care Corner*

“Burying a loved one is one of life’s most challenging and sad events. During a time of bereavement it is often hard to make decisions related to burial services. And while the majority of people in this industry are fair and honorable, on some occasions, a few bad apples take advantage of people during vulnerable times.” (State Comptroller Daniel W. Hynes’ quote, contained in the Illinois Office of the Comptroller’s “Important Consumer Tips” card.)

In Illinois, the Cemetery Care and Burial Trust Department (CCBT) of the Comptroller’s Office helps to regulate approximately 2,000 funeral homes, cemeteries, and sellers of pre-need goods and services. The department also enforces the provisions of the Illinois Cemetery Care Act, the Illinois Funeral or Burial Funds Act, and the Pre-need Cemetery Sales Act. These Acts were put in place to monitor the funds of those in the industry and to ensure the protection of the consumer.

Comptroller Hynes recently succeeded in passing legislation that amends the law to provide further consumer protection. Public Act 91-7 (HB 2081) clarifies that assets paid by consumers should not be used to pay off creditors in the event that a cemetery or funeral home files for bankruptcy. Additionally, the legislation requires bankrupted owners to notify consumers within 30 days after they file for bankruptcy and to let the consumers know their rights. Public Act 91-7 also requires pre-need contracts

to clearly disclose that the merchandise price is guaranteed and authorizes the Comptroller to prohibit the use of any pre-need contract form if it is determined that the form violates the law. The new legislation further clarifies that the Comptroller may revoke a license pursuant to the Cemetery Care Act if any fact or condition exists against the licensee which would presently justify the denial of a new license application.

More stringent legal provisions help suppress fraud and unethical behavior in the burial/internment services industry. Comptroller Hynes is undertaking new initiatives to provide further protection to the consumer. Comptroller Hynes has begun holding hearings throughout the State that will allow both consumers and industry representatives to provide input and testimony regarding the operations of the industry in general, as well as regarding individual cemeteries and funeral homes. The Comptroller will gather information from both the consumer’s perspective and the industry’s perspective to use in passing a comprehensive consumer reform package early next year.

The first of these hearings was held July 15, 1999 in Marion, Illinois, where consumers voiced their concerns over the lack of proper care of cemetery grounds and forbidden access to graves. Small cemetery owners relayed their frustration with lack of funding resources. More than 75 people attended the second hearing in Decatur on August 4, 1999 where concerns were expressed about maintenance, funding, and van-

dalism. Comptroller Hynes will continue to gather first-hand information throughout the summer and fall months.

In addition, the Comptroller’s Office has implemented a consumer hotline (1-877-203-3401) where consumers may call with questions and complaints regarding a cemetery or funeral home. This hotline has become a valuable tool in the CCBT regulation and enforcement efforts.

### **Next Hearing**

● **August 30, 1999**

**Thorton Township Hall  
333 E. 162nd Street  
South Holland**

## Cover Story Continued

classrooms, and grants to local governments for such things as water and sewer projects. Illinois FIRST was passed by both houses of the General Assembly on May 21st and signed by the Governor on June 15th.

Funding for the Illinois FIRST program includes a mix of state bonds, pay-as-you-go funding, Regional Transportation Authority (RTA) bonds, local school matching funds, and leveraged federal funds. To pay for the state portion, a variety of taxes and fees were increased. Automobile registration fees were raised \$30 or 62.5% from \$48 to \$78 and registration fees for trucks were increased by 25%. The fee charged to transfer a vehicle title was also increased as were the state's liquor taxes. These increases are expected to generate about \$572 million each year.

There were also major statutory changes to the state's gaming laws. These include a provision allowing dockside gambling on riverboats.

Another change gives the State Gaming Board authority to allow a riverboat licensee to relocate from Jo Daviess County to a new home dock elsewhere in the state.

Another provision requires 15% of the adjusted gross receipts from the relocated riverboat to be paid from the State Gaming Fund into the newly created Horse Racing Equity Fund in order to give the horse racing industry a financial boost.

A major factor in the "new look" negotiations was the ever-improving fiscal position of the state. The \$1.351 billion balance in the General Funds at the end of June marks the

twenty-fifth consecutive month in which the balance set a record high when compared to the same month in previous fiscal years. Additionally, for the third consecutive fiscal year, the cash balance at the end of June set an all-time high for the end of the year. With this much cash available, budgeting decisions were simpler than previous years when funding was limited.

For fiscal year 2000, nearly half (48.6%) or \$20.9 billion of the \$43.0 billion in spending authority is for the General Funds. This increase is \$1.055 billion or 5.3% higher than fiscal year 1999. Of the increase, \$601 million or 57.0% is for grants with \$449 million or 42.6% for operations.

Education was once again the top General Funds priority for lawmakers in fiscal year 2000 as 49.5% of increased appropriations were for this function of government. After increased spending authority of \$579 million or 9.4% in fiscal year 1998 and \$697 million or 10.4% in fiscal year 1999, fiscal year 2000 appropriations for education increased by \$522 million or 7.1%. Over the past three fiscal years, education funding has grown by \$1.798 billion and accounted for 49.6% of the total increase in General Funds appropriations over the period.

Code departments, which include most of the major state agencies such as Public Aid, Human Services, Corrections, and the State Police received increased General Funds appropriations of \$431 million or 3.7% accounting for 40.9% of the total increase in spending authority for fiscal year 2000. Taken together, education and the code departments account for 90.5% of the increase in General Funds spending authority.

General Fund's appropriations for elected officials recorded the largest percentage increase of any sector of state government. However, the 25.8% or \$60 million increase is misleading. In con-

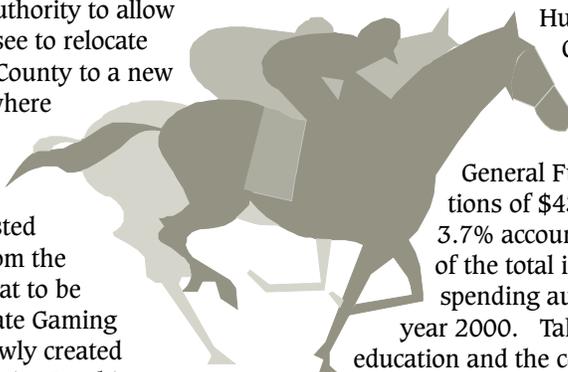
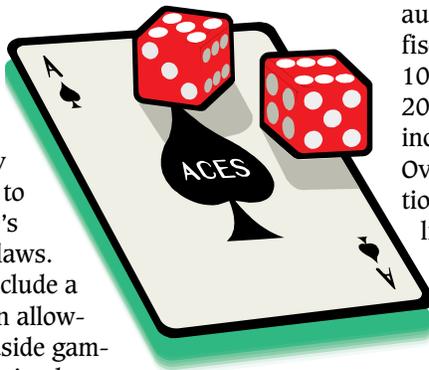
junction with Illinois FIRST, legislation was enacted that capped Road Fund appropriations to the Secretary of State's office at \$50 million below the fiscal year 1999 level. The \$50 million reduction in Road Fund appropriations is supplanted with General Funds dollars. Had Road Fund appropriations not been capped, General Fund's appropriations to elected officials would have increased by only \$10 million or 4.3%.

Other areas of state government and their appropriation levels for fiscal year 2000 include: Legislative agencies (\$66 million - up 11.8%); Judicial agencies (\$304 million - up 11.4%); and all other agencies (\$273 million - up 1.4%).

## Education

Of the \$522 million increase in educational funding for fiscal year 2000, \$394 million or 75.5% is for public elementary and secondary education - an increase of 7.6% over 1999. Operations appropriations for the State Board of Education increased by \$28 million while grants are up \$366 million. Appropriations for awards and grants include apportionment (which is distributed to schools through a special equalization formula), categoricals (which are distributed based on specific program requirements), and retirement contributions. Apportionment or general state aid appropriations for fiscal year 2000 total \$2.988 billion, \$65 million or 2.2% more than 1999. Categorical grant spending authority of \$1.753 billion for fiscal year 2000 is 15.5% or \$235 million higher than 1999 while statutorily required retirement contributions of \$650 million are up \$66 million or 11.3%.

The fiscal year 2000 funding for elementary and secondary education follows the pattern that has been in place



**Elementary and Secondary Education Grants  
(Millions)**

	<u>Fiscal Year</u>									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Apportionment	\$2,106	\$2,110	\$2,121	\$2,186	\$2,285	\$2,326	\$2,378	\$2,471	\$2,923	\$2,988
Categoricals	898	919	871	935	1,006	1,071	1,223	1,531	1,518	1,753
Retirement	306	300	292	301	302	362	417	495	584	650
<b>Total, Grants</b>	<b>\$3,310</b>	<b>\$3,329</b>	<b>\$3,284</b>	<b>\$3,422</b>	<b>\$3,593</b>	<b>\$3,759</b>	<b>\$4,018</b>	<b>\$4,497</b>	<b>\$5,025</b>	<b>\$5,391</b>

for most of the last ten years with the largest annual increases going to categorical grants. Since 1991, apportionment appropriations have grown \$882 million or 41.9%. At the same time, categorical grants have nearly doubled, jumping \$855 million (95.2%) while contributions for teacher's retirement have more than doubled, growing \$344 million (112.4%).

Higher education appropriations of \$2.347 billion from the General Funds in fiscal year 2000 represent an increase of \$128 million or 5.8% over 1999. Universities, which account for 56.7% of higher education funding, increased \$57 million or 4.4%.

Student Assistance Commission spending authority increased \$29 million or 8.3% and Illinois Community College Board funding was increased by \$13 million or 4.4%. Funding for the State Universities Retirement System (included under Board of Higher Education in accompanying table) increased \$12 million or 5.8%.

### Code Departments

For fiscal year 2000, code departments account for 57.6% or \$12.062 billion of total General Funds appropriations while receiving 40.9% or \$431 million of the total increase in appropriations. Of this increase, 56.8% or \$245 million is directed to the Department of Public Aid bringing their total General Funds spending authority to \$4.675 billion for fiscal year 2000. This accounts for 38.8% of code department spending authority and 22.3% of total General Funds appropriations.

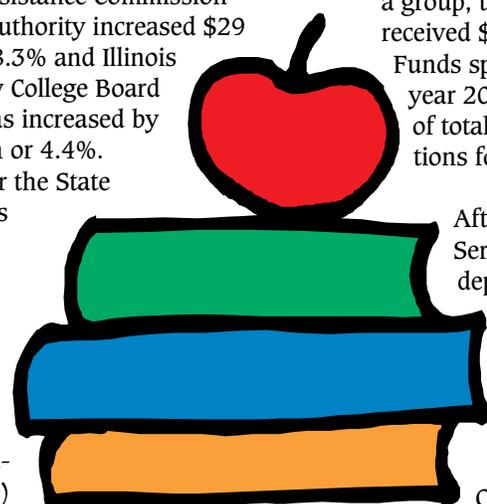
Along with the Department of Public Aid, the Departments of Human Services, Children and Family Services, Public Health, and Aging comprise the majority of the social services agencies of state government. The Department of Human Services is the second largest code department in terms of funding with \$3.446 billion (\$5 million below fiscal year 1999)

appropriated from the General Funds for fiscal year 2000. Children and Family Services received funding of \$925 million for fiscal year 2000, \$28 million or 3.1% higher than 1999. The Departments on Aging and Public Health have their General Funds appropriation levels set at \$218 million and \$113 million respectively for the 2000 fiscal year. As a group, these social service agencies received \$9.377 billion in General Funds spending authority for fiscal year 2000 and account for 44.8% of total General Fund's appropriations for the fiscal year.

After Public Aid and Human Services the next largest code department is Corrections. General Funds appropriations to the Department for fiscal year 2000 total \$1.123 billion, \$69 million or 6.5% higher than 1999.

Other code departments with significant increases in funding for fiscal year 2000 include Agriculture (up \$11 million or 20.7%), Central Management Services (up \$20 million or 3.4%), Natural Resources (up \$10 million or 6.5%), State Police (up \$11 million or 5.5%), and Transportation (up \$15 million or 18.1%). With the exception of Human Services which incurred a slight decrease (\$5 million or 0.1%) in funding, the Department of Commerce and Community Affairs was the only code department with decreased funding (down \$15 million or 14.5%) as the level of community funded projects was down from fiscal year 1999.

*COVER STORY continued, page 10*



## A Look Ahead

The fiscal year 2000 General Funds budget appears to leave the state on solid financial footing. The Bureau of the Budget has projected revenues for the fiscal year at \$22.560 billion and spending at \$22.611 billion, including transfers out to other funds. Since estimated spending exceeds estimated revenue by \$51 million, the end-of-year cash balance is expected to decline from \$1.351 billion at the end of fiscal year 1999 to \$1.300 billion at the end of fiscal year 2000.

General Funds Appropriations (Millions)				
	Fiscal Year		Increase \$	Increase %
	1999	2000		
<b>Legislative Agencies</b>	59.101	66.046	6.945	11.8
<b>Judicial Agencies</b>	272.674	303.678	31.004	11.4
<b>Elected Officials:</b>				
Governor	8.678	10.326	1.648	19.0
Lt. Governor	2.807	3.031	0.224	8.0
Attorney General	35.147	39.220	4.073	11.6
Secretary of State	108.799	173.912	65.113	59.8
Comptroller	60.596	50.215	-10.381	-17.1
Treasurer	17.568	17.066	-0.502	-2.9
Total, Elected Officials	233.595	293.770	60.175	25.8
<b>Code Departments:</b>				
Aging	200.297	217.792	17.495	8.7
Agriculture	55.418	66.874	11.456	20.7
Central Management Services	584.128	604.175	20.047	3.4
Children and Family Services	897.095	925.256	28.161	3.1
Commerce and Community Affairs	103.218	88.244	-14.974	-14.5
Corrections	1,054.102	1,122.793	68.691	6.5
Human Services	3,450.705	3,445.536	-5.169	-0.1
Natural Resources	151.627	161.525	9.898	6.5
Public Aid	4,429.950	4,675.348	245.398	5.5
Public Health	103.694	112.779	9.085	8.8
Revenue	240.966	248.346	7.380	3.1
State Police	207.889	219.372	11.483	5.5
Transportation	84.558	99.868	15.310	18.1
Veterans Affairs	31.245	36.131	4.886	15.6
All Other Code Departments	36.227	37.820	1.593	4.4
Total, Code Departments	11,631.119	12,061.859	430.740	3.7
<b>Education:</b>				
Elementary & Secondary Ed. (Incl. TRS)	5,182.802	5,577.033	394.231	7.6
Higher Education:				
Board of Higher Education (Incl. SURS)	286.425	314.955	28.530	10.0
State Universities	1,273.291	1,329.948	56.657	4.4
Illinois Community College Board	288.256	300.922	12.666	4.4
Student Assistance Commission	356.093	385.564	29.471	8.3
All Other Higher Education	15.211	15.820	0.609	4.0
Total, Higher Education	2,219.276	2,347.209	127.933	5.8
Total, Education	7,402.078	7,924.242	522.164	7.1
<b>Other Agencies:</b>				
Capital Development Board	63.107	69.570	6.463	10.2
Environmental Protection Agency	43.437	29.940	-13.497	-31.1
All Other	162.861	173.766	10.905	6.7
Total, Other Agencies	269.405	273.276	3.871	1.4
<b>TOTAL</b>	19,867.972	20,922.871	1,054.899	5.3



# Economic Outlook

## Who's Creating Jobs

The recent period of prosperity has led to a major increase in the number of jobs available to Illinoisans. Illinois Department of Employment Security data indicates that Illinois added 431,000 non-agricultural jobs between 1994 and 1998 for a 7.9% increase. A recent study by Cognetics, Inc. uses company reports to Dun and Bradstreet's Inc. to identify the characteristics of businesses that are experiencing the most rapid rates of employment growth. The attached charts, which contain the results of the study that apply to Illinois, indicate that the fastest growing employers in Illinois are small, relatively new, independent businesses.

Between 1994 and 1998, Illinois businesses with under 100 employees grew more rapidly than larger Illinois firms. Employment in firms with under 20 employees increased 18.0% and employment in firms with between 20 and 99 employees increased 7.8%. In contrast, employment at firms with at least 100, but less than 5,000 employees increased 3.7% and employment at the largest firms, with 5,000 or more employees, increased only 0.1%.

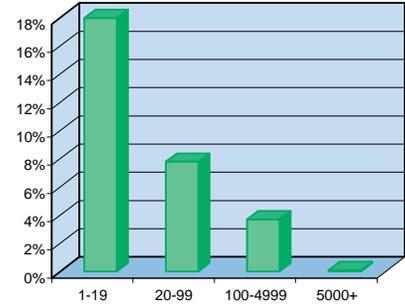
The employment growth rate was also highest among relatively new businesses. Between 1994 and 1998, employment increased 16.8% at firms that were less than 5 years old and 9.8% at firms that were between 5 and 14 years old. Among more established firms, employment increased 7.7% at firms between 15 and 29 years old and 3.6% at firms that were at least 30 years old.

The study divided businesses into those that operated independently at a single site, those that were locally owned but operated at multiple sites, and those that were owned by an out-of-state entity. The independent firms reported the highest employment growth rate, 11.4% versus 5.0% for local multisite firms and 2.8% for non-local multisite firms.

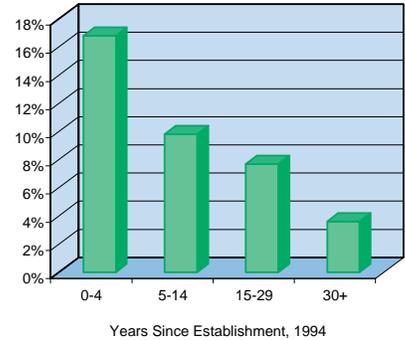
Among industrial sectors, service industry employment increased 8.9%. Other sectors experienced more modest employment increases including manufacturing (5.4%), trade (4.4%), and finance and real estate (3.2%). Other employment, which includes construction, transportation, communications, and utilities, increased 12.9%.

Much of state economic development policy is focused on creating jobs. This includes initiatives to bring major new employers into states. The Cognetics study reaffirms the need to maintain an environment where small start up companies can also flourish because these companies have proven to be a major source of employment growth.

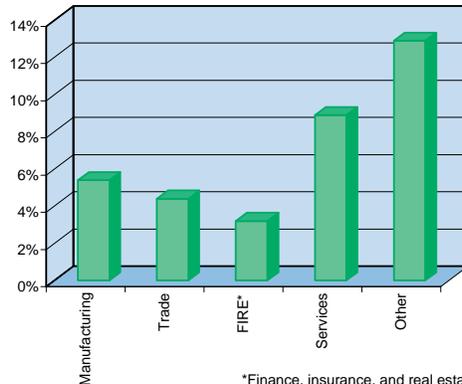
Illinois Employment Growth by Firm Size Increase 1994 - 1998



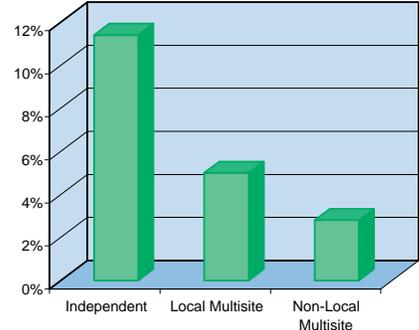
Illinois Employment Growth by Age of Firm Increase 1994 - 1998



Illinois Employment Growth by Industry Increase 1994 - 1998



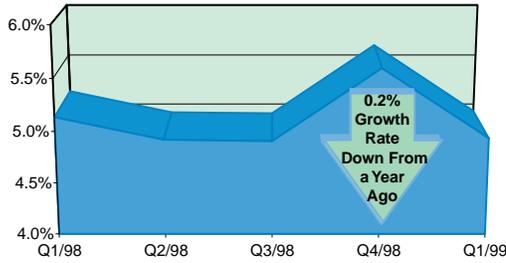
Illinois Employment Growth by Ownership Status Increase 1994 - 1998



Source: Cognetics, Inc. 'Who's Creating Jobs', 1999

# Illinois Stats: Economic and Financial

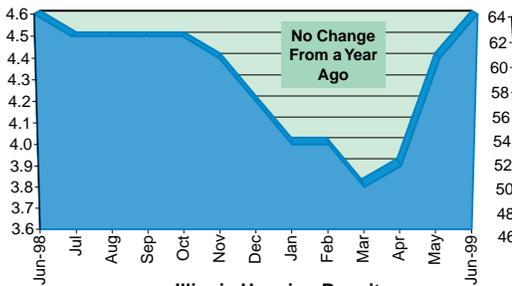
**Illinois Personal Income**  
Change From Prior Year (Reported Quarterly)



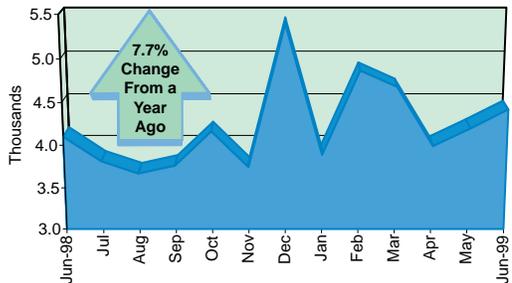
**New Claims Unemployment Insurance**



**Illinois Unemployment Rate**

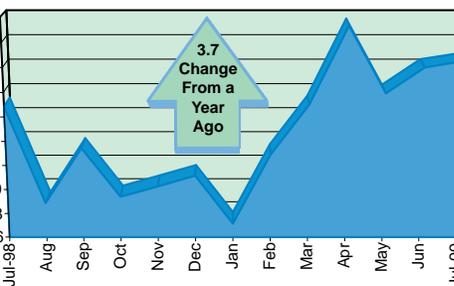


**Illinois Housing Permits**



The June Illinois unemployment rate equaled 4.6%, the twenty-ninth consecutive month this rate has been below 5.0%. The June Illinois rate was 0.3% greater than the June national rate, 0.2% greater than the May Illinois rate, and unchanged from its year earlier level. Inflation remained modest in June with the June national Consumer Price Index up 2.0% from its year earlier level. Finally, the July Chicago Purchasing Managers Index (60.5) remained above the 50 level that indicates equal numbers of reports of increasing economic activity and decreasing activity.

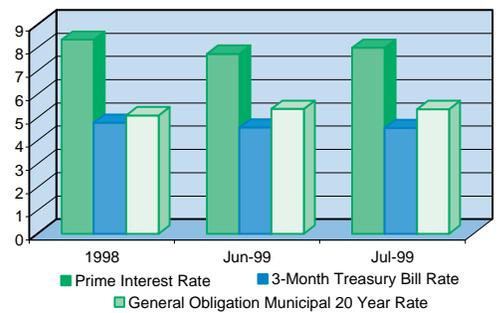
**Chicago Purchasing Managers Index**



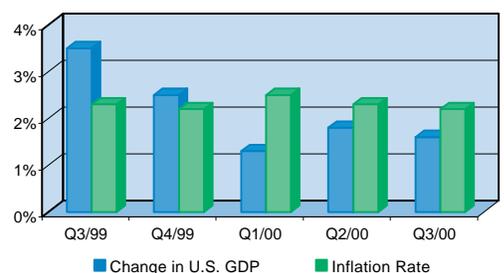
**Average Hours Worked Illinois Manufacturing**



**Interest Rate Trends**



**Economic Outlook**



**Sources:**

**Illinois Department of Employment Security:**  
Hours Worked in Manufacturing, Unemployment Insurance Claims

**U.S. Census Bureau:**  
Direct Exports, Housing Permits

**U.S. Bureau of Labor Statistics:**  
Unemployment Rates, Consumer Price Index

**U.S. Bureau of Economic Analysis:**  
Personal Income

**Purchasing Managers Association of Chicago:**  
Purchasing Managers Index

**Standard & Poor's DRI:**  
Economic Forecasts

**Federal Reserve System:**  
Interest Rates

# Vital Statistics

The Heartbeat of Illinois' Finance

## General Funds End-of-Year Balance Reaches All-Time High!

Propelled by a continued strong economy, the end-of-year available cash balance in the state's General Funds reached an all-time high for the third consecutive year. The \$1.351 billion balance at the end of June is \$149 million or 12.4% higher than the \$1.202 billion balance recorded at the end of last fiscal year and \$545 million or 67.6% higher than the \$806 million balance at the end of fiscal year 1997.

June revenues have typically outpaced spending over the last several years. This year, however, the end of June balance was significantly lower (\$234 million) than May's ending cash balance of \$1.585 billion. There are two reasons for this reversal. First, the Governor ordered that the July school aid payment of nearly \$243 million be accelerated into June. Second, per legislation signed by the Governor in June, the Comptroller ordered the transfer of \$285 million from the General Revenue Fund to the newly-established Fund for Illinois' Future under the new Illinois FIRST infrastructure program. Despite the negative \$528 million impact, the General Funds balance not only set a new end-of-year record, but also marked the twenty-fifth consecutive month in which the General Funds balance set a record when compared to the same month in previous fiscal years.

## General Funds Revenues - Up 8.5% Over FY 1998

For fiscal year 1999, General Funds revenues totaled \$21.674 billion, \$1.690 billion or 8.5% higher than last year. The \$1.690 billion growth in revenues is by far the largest year-

over-year increase ever for the General Funds. The previous high was \$1.270 billion in fiscal year 1984.

Personal income taxes along with sales tax receipts and federal source revenues account for \$1.108 billion or nearly two-thirds (65.6%) of the increase in General Funds revenues. Compared to fiscal year 1998, personal income taxes are up \$379 million or 5.5%, while sales taxes are \$335 million or 6.4% higher, and federal revenues are up \$394 million or 11.9%.

Other sources contributing to the revenue increase over last fiscal year include: insurance taxes and fees (up \$117 million or 128.6%); public utility taxes (up \$107 million or 11.7%); inheritance taxes (up \$96 million or 38.2%); Gaming Fund transfers from riverboat gambling proceeds (up \$70 million or 41.2%); Cook County inter-governmental transfers (up \$66 million or 43.4%); and cigarette taxes (up \$57 million or 16.5%). The increase in cigarette tax receipts and at least a portion of the public utility tax increase is due to a tax rate increase while the growth in insurance taxes and fees and riverboat gambling taxes is due to rate restructuring.

Other than a \$1 million decline in both liquor and corporation franchise taxes, corporate income taxes and lottery transfers are the only major sources of revenue to the General Funds recording a decline from last fiscal year. For the year, corporate income taxes are down \$15 million or 1.3% while transfers to the Common School Fund from lottery proceeds are down \$20 million or 3.6%.

## General Funds Spending Up 9.9% Over FY 1998

During fiscal year 1999, General Funds cash expenditures totaled \$21.525 billion, \$1.937 billion or 9.9% higher than last year. For the year, total revenues exceed spending by \$149 million resulting in an increase in the available cash balance from \$1.202 billion at the beginning of the fiscal year to \$1.351 billion at the end of June.

Compared to last fiscal year, total grant spending from the General Funds has increased \$1.102 billion or 8.8%. Awards and grants spending by the State Board of Education is up \$336 million or 8.2% over last year due to an increase in appropriations as well as the acceleration of the July school aid payment into June. Public Aid grant spending, which is for medical assistance, increased \$283 million or 7.2% over the prior year. Also, grant spending by the Department of Human Services is up \$241 million or 11.5% due to the fact that the Department was newly formed in fiscal year 1998 and as a result had no carryover lapse period spending from the prior year. Of the \$241 million increase in grant spending by the Department, \$184 million is for lapse period spending occurring in fiscal year 1999 against fiscal year 1998 appropriations. While these three agencies recorded the largest dollar increase in grant spending and collectively accounted for 78.0% of the total increase in awards and grants, Teachers Retirement had the largest percentage increase of any agency at 34.4%.

Spending for operations totaled \$5.727 billion for the fiscal year, \$457 million (8.7%) higher than comparable expenditures last year. Higher education operations are up 8.4% or \$116 million, while all other operations increased \$341 million (8.8%).

## Budgetary Balance Will Reach Record Territory

When the books are closed on fiscal year 1999 at the end of August, Illinois will record its third consecutive

VITAL STATISTICS continued, page 16

GENERAL FUNDS TRANSACTIONS  
(Dollars in Millions)

	June		Change	Twelve Months		Change	
	1998	1999		FY 1998	FY 1999	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 1,216	\$ 1,585	\$ 369	\$ 806	\$ 1,202	\$ 396	49.1 %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 638	\$ 639	\$ 1	\$ 6,847	\$ 7,226	\$ 379	5.5 %
Corporate	169	171	2	1,136	1,121	(15)	(1.3)
Total, Income Taxes	807	810	3	7,983	8,347	364	4.6
Sales Taxes	471	519	48	5,274	5,609	335	6.4
Other Sources:							
Public Utility Taxes	75	100	25	912	1,019	107	11.7
Cigarette Taxes	30	33	3	346	403	57	16.5
Inheritance Tax (gross)	16	19	3	251	347	96	38.2
Liquor Gallonage Taxes	5	5	0	58	57	(1)	(1.7)
Insurance Tax and Fees	3	24	21	91	208	117	128.6
Corporation Franchise Tax and Fees	10	8	(2)	118	117	(1)	(0.8)
Investment Income	18	14	(4)	182	212	30	16.5
Cook County IGT	0	25	25	152	218	66	43.4
Other	19	24	5	217	228	11	5.1
Total, Other Sources	176	252	76	2,327	2,809	482	20.7
Total, Cash Receipts	\$ 1,454	\$ 1,581	\$ 127	\$ 15,584	\$ 16,765	\$ 1,181	7.6 %
Transfers In:							
Lottery Fund	\$ 72	\$ 82	\$ 10	\$ 560	\$ 540	\$ (20)	(3.6) %
State Gaming Fund	18	20	2	170	240	70	41.2
Protest Fund	0	0	0	8	13	5	62.5
Other Funds	18	21	3	338	398	60	17.8
Total, Transfers In	\$ 108	\$ 123	\$ 15	\$ 1,076	\$ 1,191	\$ 115	10.7 %
Total, State Sources	\$ 1,562	\$ 1,704	\$ 142	\$ 16,660	\$ 17,956	\$ 1,296	7.8 %
Federal Sources:							
Cash Receipts	\$ 217	\$ 241	\$ 24	\$ 3,256	\$ 3,600	\$ 344	10.6 %
Transfers In	4	4	0	68	118	50	73.5
Total, Federal Sources	\$ 221	\$ 245	\$ 24	\$ 3,324	\$ 3,718	\$ 394	11.9 %
Total, Revenues	\$ 1,783	\$ 1,949	\$ 166	\$ 19,984	\$ 21,674	\$ 1,690	8.5 %
Expenditures:							
Awards and Grants:							
State Board of Education	\$ 523	\$ 612	\$ 89	\$ 4,116	\$ 4,452	\$ 336	8.2 %
Public Aid	342	374	32	3,936	4,219	283	7.2
Human Services	185	152	(33)	2,103	2,344	241	11.5
Teachers Retirement	36	46	10	430	578	148	34.4
Higher Education	40	24	(16)	676	729	53	7.8
All Other Grants	93	85	(8)	1,287	1,328	41	3.2
Total, Awards and Grants	1,219	1,293	74	12,548	13,650	1,102	8.8
Operations:							
Other Agencies	352	382	30	3,892	4,233	341	8.8
Higher Education	72	42	(30)	1,378	1,494	116	8.4
Total, Operations	424	424	0	5,270	5,727	457	8.7
Transfers Out	154	457	303	1,769	2,106	337	19.1
All Other (Includes Prior Adjustments)	5	3	(2)	33	31	(2)	(6.1)
Total, Expenditures	\$ 1,802	\$ 2,177	\$ 375	\$ 19,620	\$ 21,514	\$ 1,894	9.7 %
Adjustment for Vouchers Payable	(5)	6	11	(32)	11	43	N/A
Total, Cash Expenditures	1,797	2,183	386	19,588	21,525	1,937	9.9
AVAILABLE CASH BALANCE, ENDING	\$ 1,202	\$ 1,351	\$ 149	\$ 1,202	\$ 1,351	\$ 149	12.4 %

GENERAL FUNDS TRANSACTIONS  
(Dollars in Millions)

	July		Change	
	1998	1999	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 1,202	\$ 1,351	\$ 149	12.4 %
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 443	\$ 464	\$ 21	4.7 %
Corporate	37	34	(3)	(8.1)
Total, Income Taxes	480	498	18	3.8
Sales Taxes	500	511	11	2.2
Other Sources:				
Public Utility Taxes	80	76	(4)	(5.0)
Cigarette Taxes	37	30	(7)	(18.9)
Inheritance Tax (gross)	20	19	(1)	(5.0)
Liquor Gallonage Taxes	6	8	2	33.3
Insurance Tax and Fees	29	12	(17)	(58.6)
Corporation Franchise Tax and Fees	11	8	(3)	(27.3)
Investment Income	19	16	(3)	(15.8)
Cook County IGT	54	54	0	0.0
Other	21	17	(4)	(19.0)
Total, Other Sources	277	240	(37)	(13.4)
Total, Cash Receipts	\$ 1,257	\$ 1,249	\$ (8)	(0.6) %
Transfers In:				
Lottery Fund	\$ 21	\$ 16	\$ (5)	(23.8) %
State Gaming Fund	18	38	20	111.1
Protest Fund	2	0	(2)	(100.0)
Other Funds	97	89	(8)	(8.2)
Total, Transfers In	\$ 138	\$ 143	\$ 5	3.6 %
Total, State Sources	\$ 1,395	\$ 1,392	\$ (3)	(0.2) %
Federal Sources:				
Cash Receipts	\$ 337	\$ 359	\$ 22	6.5 %
Transfers In	10	0	(10)	(100.0)
Total, Federal Sources	\$ 347	\$ 359	\$ 12	3.5 %
Total, Revenues	\$ 1,742	\$ 1,751	\$ 9	0.5 %
Expenditures:				
Awards and Grants:				
State Board of Education	\$ 152	\$ 85	\$ (67)	(44.1) %
Public Aid	341	342	1	0.3
Human Services	211	276	65	30.8
Teachers Retirement	41	54	13	31.7
Higher Education	8	5	(3)	(37.5)
All Other Grants	123	136	13	10.6
Total, Awards and Grants	876	898	22	2.5
Operations:				
Other Agencies	342	389	47	13.7
Higher Education	83	84	1	1.2
Total, Operations	425	473	48	11.3
Transfers Out	178	215	37	20.8
All Other (Includes Prior Adjustments)	2	4	2	100.0
Total, Expenditures	\$ 1,481	\$ 1,590	\$ 109	7.4 %
Adjustment for Vouchers Payable	7	(22)	(29)	N/A
Total, Cash Expenditures	1,488	1,568	80	5.4
AVAILABLE CASH BALANCE, ENDING	\$ 1,456	\$ 1,534	\$ 78	5.4 %

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## Vital Statistics Concluded

balanced General Funds budget. The Bureau of the Budget estimates lapse period spending of \$850 - well below the \$1.351 billion end-of-year balance. If this estimate holds up, fiscal year 1999 will end with a positive budgetary balance of \$501 million - the highest on record surpassing last years' record of \$356 million.

### Streak of Record End-of-Month Balances Continues in July

The \$1.534 billion General Funds balance at the end of July was \$78 million or 5.4% higher than last July and marks the twenty-sixth consecutive month in which the General Funds balance set a record when compared to the same month in previous years.

July also has the distinction of recording the highest one-day General Funds balance ever (\$1.611 billion) as well as the highest Education Assistance Fund balance on record (\$278 million). Based on current projections, the balance in the Education Assistance Fund is expected to grow to approximately \$340 million by the end of fiscal year 2000.

Revenues for July total \$1.751 billion, only \$9 million or 0.5% above last July. The small increase in revenues for the month is due in part to one less processing day than last July. Individual income taxes (up \$21 million), Gaming Fund transfers from riverboat gambling (up \$20 million), federal source revenues (up \$12 mil-

lion), sales tax receipts (up \$11 million), and liquor taxes (up \$2 million) were the only major sources showing increases.

July spending of \$1.568 billion is \$80 million or 5.4% higher than the previous year. Grant spending by the Department of Human Services increased \$65 million or 30.8% from last year including a \$31 million increase in lapse period spending while State Board of Education grant spending declined by \$67 million due primarily to the acceleration of the school aid payment. Operations spending was up \$48 million or 11.3% for the month.

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### Fiscal Focus

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