

# Fiscal Focus

*A Publication of the Illinois State Comptroller*



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## The State Role in Local Government Finances



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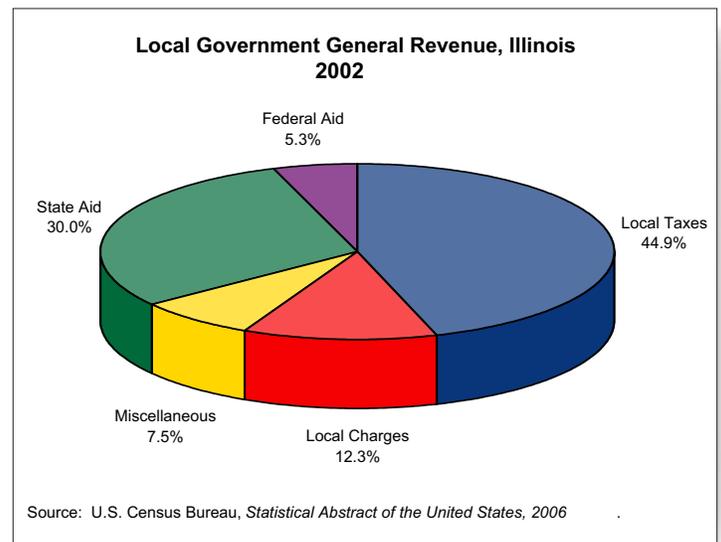


The fiscal relationship between state government and units of local government in Illinois is more complex than most people realize. First, the flow of money takes many forms including local taxes that are collected by the state and returned to their origin, shared revenues, grants, loans, and subsidized salaries for some local officials. Second, the sheer number of local governments in Illinois not only adds to the variety of assistance available, but also to the state's administrative costs. According to the latest U. S. Census Bureau figures, Illinois had 2,824 units of general purpose local governments (counties, municipalities and townships), 3,145 units of special districts (such as library, fire protection, or water service districts), and 934 school districts. (See article and map on page 3.)

Although units of local government have the authority to levy property taxes to sustain their operations, they also rely on federal and state aid. Based on figures reported by the U.S. Census Bureau, 64.7% of the total revenue for all local governments in Illinois in fiscal year 2002 came from local taxes and user charges while 30% came from the state and 5.3% from the federal government. The 30%

figure for revenue from the state is an average for all types of local government, and ranges from a high of about 36% for municipalities to about 28% for counties to approximately 7% for townships.

One need look no further than the state Constitution and statutes to gain an understanding of local governments in Illinois. Local governments are creations of the state with their very existence, form, pow-



ers and duties spelled out in state law. In addition, the ability of local governments to raise revenue, as well as the earmarking of state dollars for local government purposes, is established by numerous state statutes.

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Dear Readers:

Local governments provide a strong foundation for our American political system. They are the governmental units closest to the people and they provide basic services such as roads and police and fire protection. Illinois has the distinction of being the state with the most units of local government. In addition to 102 counties, the U.S. Census Bureau reports that Illinois has 1,291 municipal governments, 1,431 townships, and 4,079 special purpose districts.

Property tax collections are a significant source of revenue for local governments, especially the special purpose districts. However, the state also plays an important role in local government finances. The flow of money from the state takes many forms including local taxes that are collected by the state and returned to their origin, shared revenues, grants, loans, and subsidized salaries for some local officials. Without counting all state payments to local governments, a staff review identified a total of almost \$15 billion in expenditures for those purposes during fiscal year 2005.

The articles in this issue take a closer look at the history and number of local governments in Illinois, and the relative importance of state aid and property taxes. There also is an article on the Local Government Division of the Comptroller's Office that reviews their interaction with local governments including information dissemination, training, and the collection of Annual Financial Reports.

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Sincerely

Daniel W. Hynes  
Comptroller

## Fiscal Focus

**Fiscal Focus** is one of the ways the Comptroller's Office strives to assist taxpayers and the people of Illinois. This report is designed to provide fiscal information of general interest.

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## A Brief History of Local Governments in Illinois

While the Illinois Constitution establishes the basic framework for local governments, the actual authorization for establishment and organization of such units is provided in the Illinois Compiled Statutes. Local governments are key partners in our governmental system. They maintain and enhance the quality of life for Illinois residents by providing vital public services. Police, sewer, water, emergency, and road services are among the most visible, but by no means the only services they provide.

### General Purpose Governments

Counties are the most universal form of local government in the United States. County governments generally serve as an arm of the state and maintain and operate the

state judicial system in their local areas. Illinois has 102 counties that service all areas of the state. Counties maintain the property tax system for all local governments within their boundaries and conduct most elections. In unincorporated areas outside of municipalities, counties maintain county roads and bridges and provide law enforcement through the office of the sheriff.

Prior to 1870, municipalities in Illinois were created by special charters enacted by the General Assembly that prescribed their size, scope and taxing authority. The 1870 Constitution prohibited the chartering of future municipalities and required the legislature to draft a municipal code governing the establishment and operation of municipalities. The U.S. Census Bureau reports that

*Brief History continued, page 4*

# Units of Government – We’re Number One

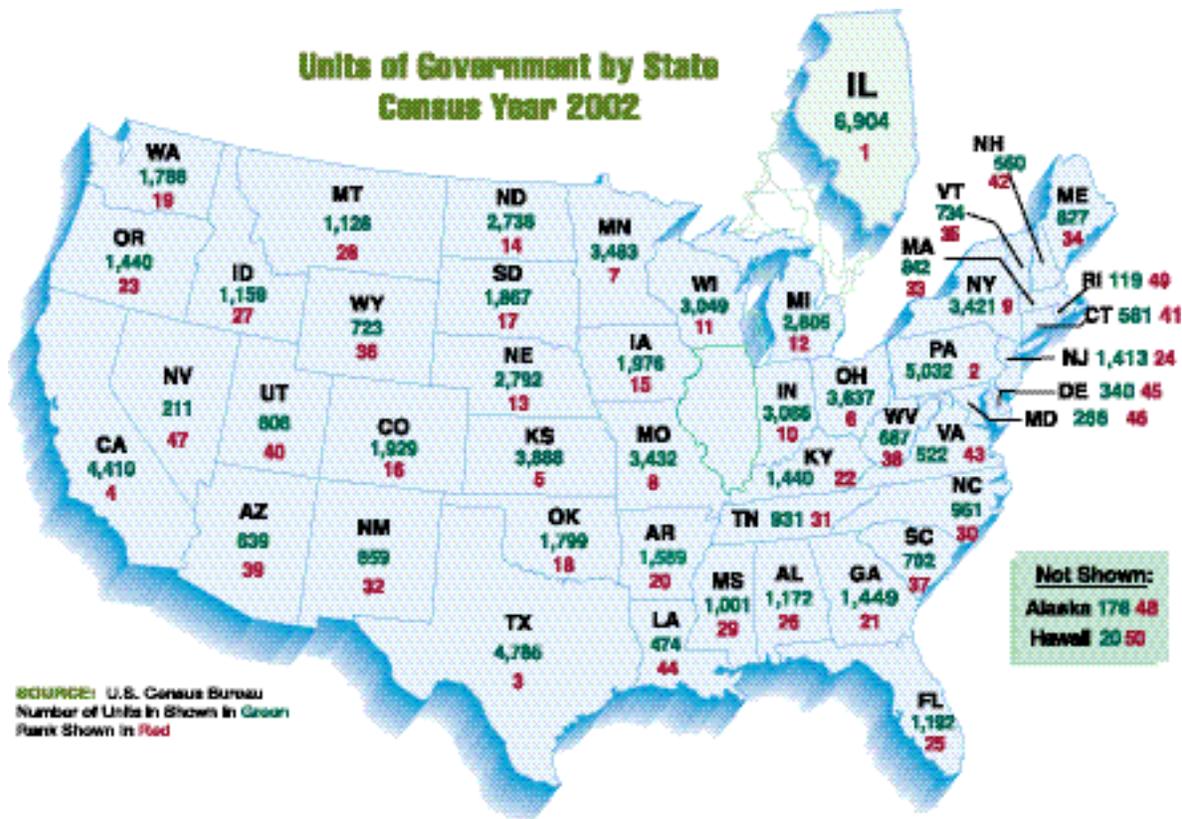
Illinois, in census year 2002, was far and away the state with the most units of government according to data from the U.S. Census Bureau. With 6,904 units of government including state government, Illinois easily surpassed second ranked Pennsylvania at 5,032 units. Rounding out the top five in terms of the number of units of government were: Texas (4,785), California (4,410), and Kansas (3,888). Hawaii had the fewest governmental units with only 20. Almost all of the states in the Midwest surrounding Illinois were ranked in the top 15. Minnesota was ranked seventh, but with 3,483 units of government, it had less than half the number of units as Illinois.

Illinois has had the most units of government since the 1962 census data. Prior to that, in the 1950s, Minnesota and Nebraska had more units than Illinois. Census of governments data are compiled every five years.

Illinois had the most general purpose (2,824) and special purpose (4,079) local governments or authorities. Of the general purpose governments, Illinois, with 1,291 municipal governments, led all states. The state was ranked third in the number of township governments (1,431), trailing Minnesota and Pennsylvania, and ranked sixth with 102 county governments.

Special purpose local governments are divided into special district governments and school districts. The state ranked first with 3,145 special districts and authorities followed by California with 2,830 and Texas with 2,245 districts. California led for public school systems with 1,107 while Illinois ranked third with 934 districts. School districts include all the various elementary and secondary school districts as well as community college districts.

Special district governments and authorities provide an array of services. Illinois ranked first in library districts (358), drainage and flood control districts (872), and parks and recreation districts (366). With 823 fire protection districts, the state trailed only New York with 911 district governments, while Nebraska was third with 421 fire protection districts. Other special local government districts and authorities in Illinois include: sewerage districts (119), housing and community development districts (112), soil and water conservation districts (105), water supply (96), cemeteries (73), air transportation (31), highway (27), health (26), hospitals (21), and various other types of special districts or authorities. ■



## Brief History concluded from page 2

Illinois has 1,291 municipalities. Although the municipal code does not require municipalities to provide specific services, historically they have addressed the needs of their residents by providing police and fire protection, drinking water and sewer services, and street construction and maintenance. Today, municipalities often are involved in providing health and social services, parks, libraries, public works, and in some cases, utilities.

Northern settlers arriving in Illinois from New England states strongly advocated for the creation of townships, and the 1848 Constitution made township organization optional for each county. Of the 102 counties in Illinois, 85 adopted townships while the remaining 17 counties adopted a commission form of governance. According to the Census Bureau, there are 1,431 townships in Illinois. Townships are responsible for three key functions: property tax assessment, township road maintenance and local assistance (indigent relief), although many larger townships provide additional services. In counties without townships, the county governments are responsible for property assessment and general assistance and road maintenance is performed by road districts.

## Special Purpose Governments

State statutes also allow for the creation of special purpose governments. Unlike

the general purpose local governments mentioned above, special districts are limited to one particular service or function. Illinois has 4,079 special purpose governments comprised of about 25 different types of districts such as park districts, library districts, mass transit districts, fire protection districts, public health districts, hospital districts, sanitary districts, drainage districts and so forth.

## Why Does Illinois Have so Many Local Governments?

Illinois has more units of local government than any other state in the nation. In particular, Illinois has more special purpose local governments than any other state. (See article and map on page 3.)

Speculation as to why Illinois has so many local governments centers around two theories. The first theory is based on geography. All too frequently the need for specific governmental services in an area will not be co-extensive with any general government unit. In an attempt to meet the service demands, new units of local government have been authorized by the state legislature with boundaries formed to include the area needing the services. The circumstances of these units may include both urban and rural areas or they may cross-cut, divide, and disregard other existing government borders in an attempt to define the benefited area. For example, park districts have very complex boundaries often covering

many other jurisdictions. Many were created as “defensive” governmental units to protect the original residents, especially in rural areas, from being subject to larger districts with higher service levels and taxes.

The second theory is that special purpose districts were set up to allow additional borrowing. The 1870 Illinois Constitution limited local government debt to 5% of the assessed valuation of each separate municipal corporation, but the creation of new special districts could get around those limits because each new unit could borrow an additional 5%.

Drafters of the 1970 Constitution were aware of the large number of local governments and they attempted to curb the growth by including provisions to encourage intergovernmental cooperation and by removing tax limitations on certain municipalities and counties through home rule powers. Despite these efforts, the number of local governments in Illinois continued to grow. According to the U.S. Census Bureau, although the number of school districts in Illinois decreased from 1,177 in 1972 to 934 in 2002, the number of other special purpose districts grew from 2,407 in 1972 to 3,145 during the same period. ■



**Examples of State Taxes "Earmarked" to Illinois Local Governments**

Source	Some Receipts End Up In:	Funds Support:
<b>Motor Fuel Tax</b>	Motor Fuel Tax Fund ----- State Boating Act Fund ----- Grade Crossing Protection Fund ----- State Road Fund ----- State Construction Account Fund -----	payments to counties, municipalities, townships/road districts grants to acquire, construct renovate boat/canoe access areas grants to construct and maintain rail/highway grade separations highway construction including township/road district bridges construction and maintenance of state highway system
<b>Income Tax</b>	Local Government Distributive Fund ----- Education Assistance Fund -----	revenue sharing payments to counties, municipalities financial assistance for elementary/secondary education programs
<b>Bingo Game Receipts Tax</b>	Common School Fund ----- Mental Health Fund -----	elementary/secondary assistance including general state aid state and local mental health services
<b>Cigarette Tax</b>	Common School Fund ----- School Infrastructure Fund -----	elementary/secondary assistance including general state aid grants for school construction
<b>Charitable Games Tax</b>	Illinois Gaming Law Enforcement Fund -----	payments to counties and municipalities for law enforcement

**Revenue Sharing Programs**

One method that is used to distribute state aid to local governments is called revenue sharing. As the phrase implies, revenue sharing provides state-generated tax dollars to types of local government such as counties, municipalities, townships or park districts. The amount of funds that is distributed is based on a statutory formula. Perhaps one of the best known forms of revenue sharing in Illinois is income tax sharing. State law provides that one-tenth of the individual and corporate income taxes collected (net of refunds) be distributed to counties and municipalities. The amount that each county and municipality receives is based on its population relative to the total state population. In fiscal year 2005, a total of \$900.9 million was distributed - \$116.1 million to counties and \$784.8 million to municipalities.

Illinois local governments also receive a share of state sales and use taxes. The basic tax rate is 6.25% of the amount paid for general merchandise where 5%, or 80% of the basic tax, is the state government portion and 1.25%, or 20% of the basic tax, is the local government portion. The basic rate for qualifying food (food that has not been prepared for immediate consumption – e.g., most

food sold at grocery stores), drugs and medical appliances is 1% and local governments receive the entire amount. (A detailed flow chart is shown on page 7.)

The location of the sale determines the distribution of the taxes to local governments. Counties receive all of the tax on qualifying food, drugs and medical appliances sold within unincorporated areas and municipalities receive all of the tax for such sales within their incorporated boundaries. The distribution of taxes on general merchandise is a little more complicated. For sales within a municipality, the local portion is split 16% to the municipality and 4% to the county. For sales outside of a municipality, the county receives the entire 20%. (Cook County is an exception since its 4% share is disbursed to the Regional Transportation Authority.) In fiscal year 2005, a total of \$1.8 billion was distributed through the local share of the sales tax.

Local governments also receive funds from the state portion of the sales tax in a number of ways. Local government tax increment financing districts (TIFs) receive 0.27% of the state share, and the funds are prorated to each participating municipality based on its share of the overall TIF net state increment. A total

of \$18.2 million was disbursed to municipalities in fiscal year 2005.

The Build Illinois Fund is allocated 5.55% of the state share to retire bonds. Although local governments do not receive funds automatically, many have benefited indirectly through projects financed by the Build Illinois Program.

Of the remaining amount of the state share, 25% is deposited in the General Revenue Common School Special Account Fund. Seventy-five percent goes into the General Revenue Fund and three statutorily required transfers are made to the Public Transit Fund, the Downstate Public Transit Fund and the Metro-East Mass Transit District Fund. The transfers are based on sales within the boundaries of the Regional Transportation Authority, downstate public transit districts, and the Metro-East Mass Transit District, respectively. During fiscal year 2005, \$172.7 million was spent from the Public Transportation Fund, \$43.4 million from the Downstate Public Transportation Fund and \$17.4 million from the Metro-East Public Transportation Fund. These expenditures eventually ended up assisting local mass transit operations such as the Regional Transportation Authority, the Metro-East Mass

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# Distribution of State Sales Tax

The distribution of sales tax revenues is one of the more complicated funding mechanisms in Illinois. Currently, the base state sales tax rate is 6.25% with the state retaining 5% (80% of the base rate) and the remaining 1.25% (20% of the base rate) returned to local governments. The basic rate for qualifying food, drugs and medical appliances is 1% and local governments receive the entire amount. In addition, the state collects sales taxes levied by local governments. The accompanying flow chart illustrates the distribution of sales taxes collected.

Illinois government's share of the state sales tax in fiscal year 2005 was slightly more than \$7.0 billion. The local portion (20%) amounted to slightly less than \$1.8 billion. Sales taxes are collected by the Department of Revenue which distributes both the state and local portions to various funds.

The distributions and diversions of the state portion of sales taxes are used to fund or assist specific programs for state and local governments. The Build Illi-

nois Program uses the sales tax diversion to pay for the state bonds issued for economic development and infrastructure projects. It should be noted that a portion of the sales taxes diverted to the Build Illinois Fund throughout the year is in excess of the amount required to pay debt service. Once the debt service is paid the state may direct the trustee to transfer the excess dollars back to the General Revenue Fund. Sales taxes are also used to support local mass transit and tax increment financing districts. A large portion is reserved for elementary and secondary education.

The state sales tax is first divided based on the 80% - 20% split with the local share distributed to the Local Government Tax Fund and the County and Mass Transit District Fund. The state portion is first distributed into the Build Illinois Fund (5.55% subject to statutory adjustments) and the Illinois Tax Increment Fund (0.27%). In fiscal year 2005, \$389 million was diverted to the Build Illinois Fund and \$19 million to the Illinois Tax Increment Fund.

After these distributions are made, the remaining sales tax receipts are divided with 25% deposited into the General Revenue – Common School Special Account Fund and 75% to the General Revenue Fund. Common School Special Account Fund sales tax receipts are transferred to the Common School Fund on an as-needed basis to assist in elementary and secondary education funding only. For fiscal year 2005, \$1.649 billion in sales taxes was deposited in the Common School Special Account Fund and \$4.946 billion went to the General Revenue Fund.

Revenue sharing with local governments from the state portion of sales taxes is done by transfer from the General Revenue Fund to the Public Transportation (\$173 million in fiscal year 2005), Downstate Public Transportation (\$55 million) and Metro-East Public Transportation (\$17 million) Funds based on sales within those districts. ■

## Fiscal Year 2005 *Fee Imposition Report* Issued

In fiscal year 2005, the State of Illinois collected \$6.2 billion from 1,428 fees administered by 79 state agencies. Fee revenues were up \$1.1 billion or 22.6% from their prior year level. More than \$600 million of the increase in fee revenues can be attributed to the restored Hospital Provider fee.

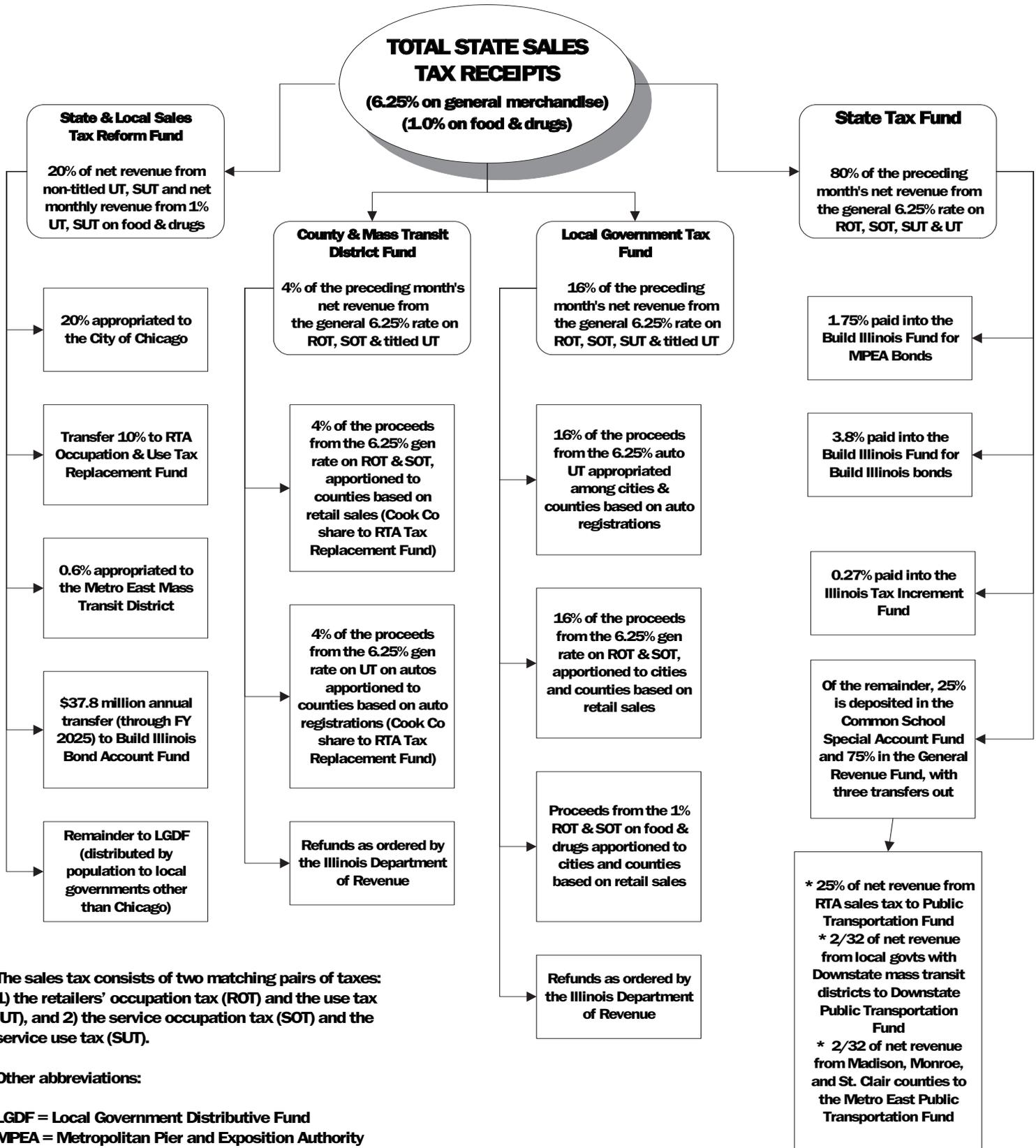
Fees generated 10.1% of revenues deposited into Illinois' main operating fund groups. If fee revenues were

tracked as a single revenue source, they would have been the fourth largest state revenue source, surpassed only by federal aid (\$12.2 billion), state income taxes (\$10.4 billion), and state sales taxes (\$7.8 billion). Most of collections are deposited into restricted funds. Only \$508 million was deposited into the General Funds. In contrast, 37% of fee revenue was deposited into Special State Funds and 23% was deposited into Highway Funds.

A special analysis in the report examines changes in fee revenues between the first Comptroller's Fee Imposition Report issued for fiscal year 1995 and the fiscal year 2005 report. The fiscal year 2005 report is available from the Comptroller's Office or can be accessed from the Comptroller's website at: [www.ioc.state.il.us](http://www.ioc.state.il.us). ■

# Distribution of State Sales Tax Flow Chart

## Illinois Sales Tax Distribution



The sales tax consists of two matching pairs of taxes: 1) the retailers' occupation tax (ROT) and the use tax (UT), and 2) the service occupation tax (SOT) and the service use tax (SUT).

Other abbreviations:

LGDF = Local Government Distributive Fund  
MPEA = Metropolitan Pier and Exposition Authority  
RTA = Regional Transportation Authority

Transit District, the Champaign-Urbana Mass Transit District, the South Central Illinois Mass Transit District, as well as operations in cities like Quincy and Galesburg.

Replacement taxes are another source of state tax revenues that are distributed to local governments. When the personal property tax on business was abolished in 1979, the state enacted legislation to replace the monies local governments lost. Furthermore, new replacement taxes were enacted in 1998 when the invested capital tax for electricity and telecommunications distributors was repealed. Currently, the state collects revenue from the Personal Property Replacement Tax, Electricity Distribution Tax, Invested Capital Tax (for electric cooperatives only) and the Telecommunications Infrastructure Maintenance Fee. Net collections from these taxes are distributed in two steps. First, 51.65% is distributed to Cook County and 48.35% to the remaining 101 counties. Then, each taxing district in a county receives an amount based on its share of the personal property tax collections in 1977 (1976 for Cook County). In fiscal year 2005, a total of \$992.1 million was distributed - \$85.7 million to counties, \$199.6 million to municipalities and \$706.8 million to other local units such as fire protection districts, park districts, school districts and airport authorities.

The motor fuel tax also is a source of revenue that the state shares with local governments. Intended to be used for the construction and maintenance of local roads, the state allots funds to counties, municipalities, townships and road districts. Of the funds set aside for local governments, Cook County receives 16.74%, the other 101 counties get 18.27% based on their share of motor vehicle license fee collections, municipalities get 49.10% based on their population, and townships and road districts receive 15.89% in proportion to township and road district mileage. Fiscal year 2005 disbursements totaled \$640.6

<b>Revenue Sharing Disbursements to Illinois Local Governments</b>		
	<b>Recipient</b>	<b>FY 2005 Expenditures</b>
<b>Income Tax Sharing</b>		
	Counties	\$ 116,114,043
	Municipalities	784,816,967
		<u>900,931,010</u>
<b>Sales and Use Taxes</b>		
<b>State Share</b>		
	Tax Increment Financing	18,246,097
	Downstate Public Transp. *	43,366,911
	Metro-East Public Transp. *	17,444,000
	Public Transportation *	172,734,051
		<u>251,791,059</u>
<b>Local Share</b>		
	County Share	53,419,280
	Countywide Share	194,035,844
	Municipal Share	1,420,391,506
	Local Use Tax	98,072,960
	Miscellaneous Use Tax	58,408,000
		<u>1,824,327,590</u>
<b>Replacement Tax Payments</b>		
	Counties	85,699,330
	Municipalities	199,640,423
	Other Taxing Districts	706,808,049
		<u>992,147,802</u>
<b>Motor Fuel Tax Payments</b>		
	Counties	224,278,401
	Municipalities	314,540,688
	Townships/Road Districts	101,793,310
		<u>640,612,399</u>
<b>Gaming Taxes</b>		
<b>Charitable Games **</b>		
	Counties	113,117
	Municipalities	1,170,154
<b>Riverboats ***</b>		
	Municipalities	102,877,358
		<u>104,160,629</u>
<b>Estate Tax Sharing</b>		
	Counties	18,192,016
<b>Total</b>		<b>\$ 4,732,162,505</b>

\* The amount shown represents the dollars disbursed to local transit districts, not the dollars transferred into the respective state funds.  
 \*\* Includes charitable games, pull tabs and jar games.  
 \*\*\* Includes local share of admissions tax and wagering tax.

Source: Comptroller's Office.

million with municipalities receiving the most (\$314.5 million) followed by counties (\$224.3 million) and townships and road districts (\$101.8 million).

Local governments in Illinois share in the funds raised by gaming taxes and fees. License fees from operators and suppliers and a 3% tax on the gross proceeds of charitable game nights are

deposited in the Illinois Gaming Law Enforcement Fund (IGLEF). Similarly, license fees from operators and suppliers and a 5% tax on the gross receipts of pull tab and jar games benefit local governments. Of the funds raised, 50% is deposited in the Common School Fund and 50% is deposited in the IGLEF. Of the funds deposited in the IGLEF, one-

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third is distributed to counties and municipalities based on their share of the number of licenses issued. In total (charitable games and pull tab and jar games), \$1.3 million was distributed to counties and municipalities in fiscal year 2005.

Municipalities that host riverboat casinos also benefit from gaming taxes. The host communities receive \$1 of the per person admissions tax. In addition, each host government receives a share of the wagering tax equal to 5% of the gross receipts of the local riverboat. Together, the local share of the admissions tax and the wagering tax totaled \$102.9 million in fiscal year 2005. Disbursements ranged from \$2.7 million in Rock Island to \$30.2 million in Joliet.

Another form of state revenue sharing involves the estate tax (often referred to as the inheritance tax). All county treasurers participate by collecting the state tax assessed on estates within their jurisdictions. Of the funds collected, 6% is deposited in the Estate Tax Collection Distributive Fund, and in turn, each county is given 6% of the net revenues collected by the county treasurer. A total of \$18.2 million was returned to counties in fiscal year 2005.

**Taxes Collected for Local Governments**

Another way the state is involved in providing funds to local governments is through the collection of local taxes. State law allows local governments to

raise revenue from local taxes and charges, and the most common form of this is the local property tax. However, a special provision of the Illinois Constitution grants home rule powers to certain counties and municipalities and allows them to impose additional taxes.

The state Department of Revenue acts as an administrator and collects local taxes on behalf of local governments, and then distributes those taxes back to the originating governments. In some cases, but not all, the department first subtracts an administrative fee before distributing the remaining funds.

Sometimes the statutory language that permits local taxes is general and applies to many units and sometimes the language is specific and applies to a single entity. For example, any county can impose a special sales tax, in .25% increments, to pay for public safety programs and any municipality can impose a telecommunications tax on gross retail charges for telecommunications. Examples of specific language include the City of Chicago, which is authorized to impose a tax on soft drinks; and the Metropolitan Pier and Exposition Authority, which can levy a tax on the gross receipts on food and beverages sold for immediate consumption within the boundaries of the authority.

The accompanying table lists the taxes collected on behalf of, and returned to, local governments in Illinois. The general local taxes are listed first, followed by the taxes for specific local governments. According to expenditures recorded by the Comptroller's Office, a total of \$2.1 billion was returned to local governments in fiscal year 2005.

**Grants and Loans to Local Governments**

Local governments also can receive funds through grants and loans administered by state agencies. In some cases

<b>Taxes Collected for and Disbursed to Illinois Local Governments</b>		
<b>General</b>	<b>Recipient</b>	<b>FY 2005 Expenditures</b>
<b>Sales Tax for Public Safety</b>	Counties	\$ 60,620,323
<b>Simplified Telecommunications Tax</b>	Municipalities	272,108,620
<b>Automobile Renting Taxes</b>	Counties	34,987
	Municipalities	4,950,855
		<u>4,985,842</u>
<b>Home Rule and Non-home Rule Taxes</b>	County home rule	292,594,525
	Municipal home rule	561,804,252
	Municipal non-home rule	22,684,647
		<u>877,083,424</u>
<b>County Motor Fuel Tax</b>	Counties	30,344,001
<b>Specific</b>		
<b>DuPage County Water Commission Tax</b>		33,589,611
<b>Metro-East Park/Recreation District Taxes</b>		3,894,725
<b>Metro-East Mass Transit District Sales Taxes</b>		26,051,028
<b>Regional Transportation Authority Sales Taxes</b>		662,236,438
<b>Chicago Municipal Soft Drink Sales Tax</b>		8,054,748
<b>Chicago Municipal Hotel Tax</b>		12,601,949
<b>Metropolitan Pier and Exposition Authority</b>		83,343,380
<b>Illinois Sport Facilities Hotel Tax</b>		2,282,113
<b>Total</b>		<b>\$ 2,077,196,202</b>

Source: Comptroller's Office.

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the grant or loan dollars are state funds and in other cases they are federal funds that are passed through to local governments. Regardless of the source of funds, the assistance is provided to local governments to accomplish a specific purpose.

Unlike revenue sharing programs where funds go to local governments based on a statutory formula, many grants are awarded to entities that are selected from a pool of applicants. Grants usually limit the state share to 50-80% of total project costs, which means that the local recipients are required to contribute a 20-50% matching share. Other grants are awarded directly to local governments based on state statutes or appropriations.

One example of a grant program is the Community Development Assistance Program (CDAP) through which the Department of Commerce and Economic Opportunity provides funds to selected units of local government with populations under 50,000 to finance projects in public works, housing and economic development. Another example would be a number of programs administered by the Department of Transportation (DOT) that provide grants for construction and maintenance of highways, bridges and grade crossings at the local level. One large DOT program is the transit assistance provided to the Regional Transportation Authority that totaled just over \$100 million in fiscal year 2005. As another example, the Law Enforcement Standards and Training Board reimburses local governments for the tuition and necessary travel costs incurred by local law enforcement officers who participate in board-approved training programs.

The table to the right presents a selected list of state agencies that provided grants to units of local government in Illinois during fiscal year 2005. The list shows the variety of grants that are available to local governments. Because the list does not include all grant programs, the total

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**Selected Grants Awarded to Illinois Local Governments**  
(\$ in thousands)

<u>State Agency/Program</u>	<u>FY 2005 Expenditures</u>
Office of the Attorney General Violent Crime Victims Assistance Program	\$ 840
Office of the Secretary of State Community Literacy Volunteer Program	5,945
Library Services Blind and Physically Handicapped	2,696
Public Libraries - Per Capita Grants	32,672
School Libraries	1,400
Agriculture Soil and Water Conservation	5,929
Commerce and Economic Opportunity Community Development Assistance Program (CDAP)	34,543
Public Infrastructure Program	840
Tourism Grants	22,341
Corrections Cook County Juvenile Detention Center	7,500
Cook County Boot Camp	1,000
Health and Human Services Community Mental Health Services	3,458
Natural Resources Bicycle Path Grants	3,413
Boat Access Areas	676
Open Space Land Acquisition and Development	17,225
Public Museum Grants	4,295
Rural Fire Protection	344
Public Health Local Health Protection Grants	13,981
Tobacco Prevention and Control	482
Transportation * Airport Improvement Projects	33,891
Congestion Mitigation and Air Quality	7,697
County Consolidated Program	21,364
Highway Assistance to Needy Townships/Road Districts	9,814
Highway Assistance to High Growth Cities	3,920
Local Alcohol Traffic Safety Program	1,298
Local Traffic Signal Maintenance	5,122
Reduced Fare Reimbursements	37,240
Regional Transportation Authority - State Assistance	100,059
Township Bridges	17,613
Criminal Justice Information Authority Juvenile Accountability Incentive Block Grant	3,773
Local Law Enforcement	17,978
Motor Vehicle Theft Prevention	5,251
Emergency Management Agency Disaster Relief - Federal Declarations	2,028
Disaster Relief - Hazard Mitigation	743
State Domestic Preparedness Program Planning	460
Environmental Protection Agency Brownfields Redevelopment	3,337
Lake Management Program	732
Wastewater Compliance Grants	2,119
Law Enforcement Standards and Training Board Law Enforcement Training	10,018
State Board of Education General State Aid Formula	3,682,201
Other Grants/Loans	3,818,046
<b>Total - Selected Grants</b>	<b>\$ 7,944,284</b>

\* Excludes transit district expenditures reported in revenue sharing table.

Source: Comptroller's Office.

shown at the bottom of the table understates the actual grant total. (According to a recent Legislative Research Unit publication entitled, "Catalog of State Assistance to Local Governments," the state administered 232 financial assistance programs for local governments, excluding school districts.)

School districts should not be overlooked in this discussion because they are a critical component of the local government mix. Although schools rely heavily on local property taxes for support, they also look to state government for financial assistance. (An article on state bonds for school construction grants appears on page 15. See page 13 for a discussion of local government reliance on property taxes.)

The most commonly known source of state funds to schools is awarded through the general state aid formula. A special formula is used to calculate a level of state support so that each student receives an "adequate" education regardless of where they live. The per-student amount was \$4,964 in 2005 and the state provided a total of \$3.7 billion in general state aid to local school districts.

Categorical grants are another important source of state funds to local schools. These grants provide payments to schools for specific purposes such as special education, early childhood education, transportation and reading improvement. In fiscal year 2005, a total of \$3.8 billion of assistance other than general state aid was disbursed to schools in Illinois.

State agencies also provide financial assistance to local governments in the form of loans. Loans allow the state to provide assistance to local governments in cases where grant funds are limited. By using a revolving loan process, the state can recover the original loan proceeds, as well as interest payments on the loan principal, so that even more money will be available to loan out in future years.

An important advantage to local governments is that they can obtain loan funds from the state at lower interest rates than borrowing from the private sector.

The Environmental Protection Agency administers the Wastewater Treatment Loan Program that provides low interest loans for all types of wastewater treat-

## Stipends, Subsidies and Bonuses

In addition to the financial transactions mentioned above, the state assists the operations of local governments by providing various salary subsidies and bonuses for specific local officials. From a structural point of view, counties in Illinois have historically served as an admin-

### Stipends, Subsidies and Bonuses for Illinois Local Governments Selected List

Program	FY 2005 Expenditures
State's Attorneys Salary Assistance and Assistant State's Attorneys Salary Assistance	\$ 11 2,767
Assistant State's Attorneys Reimbursement	313,905
County Clerks' Compensation	808,725
Election Judge Compensation	2,554,625
Circuit Clerks' Stipend	663,000
County Assessment Officers	2,285,542
Local Assessment Compensation	439,500
Local Assessment Bonuses	621,000
County Treasurers' Stipend	663,000
County Coroners' Stipend	656,500
County Sheriffs' Stipends	663,000
Sheriffs' Fees - Prisoner Conveyance	374,290
County Probation Department Reimbursements	58,803,400
Capital Crimes Expenses - Cook County	5,516,200
Capital Crimes Expenses - Other Than Cook County	2,225,015
County Highway Engineers' Compensation	2,246,160
<b>Total - Selected Programs</b>	<b>\$ 89,996,629</b>

Source: Comptroller's Office.

ment projects, and for sewer rehabilitation, upgrades and expansions. The agency also runs the Drinking Water Loan Program that provides loans for the construction of all types of drinking water facilities to enable local governments to comply with federal and state standards. Another example is a component of the Public Infrastructure Program administered by the Department of Commerce and Economic Opportunity where loans up to \$100,000 are available to local entities and public health clinics for infrastructure improvements to promote economic development or address threats to health and safety.

istrative arm for the state so it is not surprising to see that the state has established a number of programs that help finance county operations. (A brief history of local governments is on page 2.)

For example, the state provides payments to county clerks and chief election clerks to compensate them for increased duties performed due to the consolidation of elections law (PA 82-691), and the Department of Revenue pays a \$6,500 stipend to county treasurers for performing additional duties mandated by state law. A similar stipend of \$6,500

Cover Story continued, page 12

also is provided to county sheriffs and county coroners. Since Illinois has 102 counties, each of these programs cost the state \$663,000 per year.

Illinois reimburses each county for a portion of the salary of the state's attorney where the state's share is based on county population, and also reimburses a portion of the salary for an assistant state's attorney if the county has a state mental health institution, a state correctional institution, or a state institution of higher education. In addition, the Department of Corrections reimburses counties for the salary of an assistant state's attorney if the county has one or more correctional institutions. The reimbursement is based on the inmate population of the correctional facilities and the number of hours worked by the assistant state's attorney. Payments for state's attorneys and assistant state's attorneys totaled \$11.5 million in fiscal year 2005.

The Administrative Office of the Illinois Courts pays a stipend of \$6,500 to each clerk of the circuit court for additional duties imposed by various state statutes. County probation offices are eligible for additional funds. For example, counties receive full reimbursement of the salaries and travel expenses of certain

designated probation positions, while all other approved positions are subsidized at a rate of \$1,000 per month. Expenditures for circuit clerks and county probation officers totaled \$59.5 million in fiscal year 2005.

The Department of Revenue administers programs to assist with local property tax assessments. The state provides a share of the salaries of county assessment supervisors, and special compensation is provided to local assessment officials when they have attained qualifications established by professional assessing organizations. Also, bonus compensation is awarded as an incentive to local assessment officials when they have achieved required levels of assessment and uniformity within the assessment jurisdiction. Spending for these programs totaled \$3.3 million in fiscal year 2005.

### Summary

State government plays a large and varied role in the financing of local governments in Illinois. A conservative estimate is that during fiscal year 2005, approximately \$14.8 billion flowed from the state to general and special purpose units of government. Considering all types of local governments, school

districts led the way receiving a total of about \$7.5 billion in grants and loans. This amount represents the sum of the payments received under the General State Aid program and the many other grant and loan programs administered by the State Board of Education. The total for schools would be even higher if their share of replacement tax payments (about \$500 million) is added in.

Looking at the class of general purpose governments, municipalities received the largest amount of funds from the state, followed by counties and townships. This is not surprising. Municipalities far outnumber counties, more state taxes are collected in and returned to urban areas, and there are many more grant programs that provide assistance to municipalities than to counties or townships.

Perhaps most notable in this brief analysis is the amount of financial assistance that flowed from the state to local governments during one fiscal year. While this review did not account for every grant or payment made to local governments during fiscal year 2005, it still identified transactions totaling almost \$15 billion. The state maintains a significant financial role in local government activities in Illinois. ■

### State Government Financial Transactions With Illinois Local Governments \*

(\$ in millions)

	FY 2005 Expenditures
Grants/Loans Awarded	\$ 7,944
Revenue Sharing Programs	4,732
Local Taxes Collected/Disbursed	2,077
Stipends, Subsidies, Bonuses, etc.	90
<b>Total</b>	<b>\$ 14,843</b>

\* Does not include all programs.

Source: Comptroller's Office.

# How Dependent Are Local Governments on the Property Tax?

The answer to the title question is simply “very dependent.” Property tax revenues exceed collections of any other Illinois tax and are the most significant source of revenue for many Illinois units of local government. The Department of Revenue reported total Illinois 2003 property tax extensions of almost \$19.0 billion. Well over half, more than \$11 billion or 58%, was for elementary and secondary school districts, more than \$3.0 billion or 16% was for municipalities, and almost \$1.6 billion or 8% was for counties.

Data collected by the Local Government Department of the Comptroller’s Office and the State Board of Education indicates dependency on the property tax varies from less than one-third of revenues for counties and municipalities, to half of revenues for Illinois school districts and well over half of revenues for certain types of special districts. At the least dependent side of the ledger, the property tax accounted for only 15.7% of City of Chicago revenues, 27.3% of revenues for other reporting municipalities, and 30.5% for reporting counties. At the other side of the ledger, the property tax accounted for more than three quarters of revenues for townships (78.7%), library districts (87.6%), and fire protection districts (81.8%).

Illinois is more dependent on the property tax than most other states. According to Tax Foundation computations based upon U.S. Census Bureau data, per capita property tax collections in Illinois were \$1,458 in fiscal year 2004 ranking 11th—highest among the states. This was \$350 or 31.3% greater than the \$1,118 national average. Of other large states, only New York (\$1,641) has higher per capita property tax collections and Illi-

nois exceeds all its neighboring states, although Wisconsin (\$1,380), Indiana, (\$1,127), and Iowa (\$1,146) all rank in the top twenty. This dependency has stimulated the long debate in Illinois about the fairness and impact of Illinois’ reliance on the property tax.

There are benefits to using the property tax as a source of government funding. Property tax revenues tend to be relatively stable and predictable, with the exception of when a major business leaves an area, and the taxpayers tend to be the individuals and companies benefiting from government services. However, questions arise when taxpayers as a group believe their property taxes have become disconnected from, or are growing out of proportion to, their incomes.

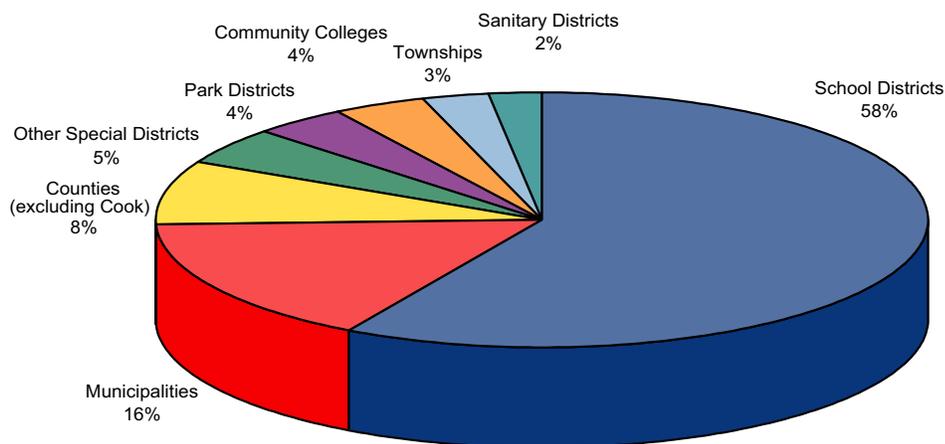
Most prominent among the efforts to limit the impact of rising property taxes is the Property Tax Extension Limitation Law (PTELL) which is designed to limit the annual increase in total property tax

billings for a property tax district to the lesser of 5% or the inflation rate with modifications for new construction and annexations. The collar counties become subject to PTELL for taxes paid in 1992. Cook County was added for taxes paid in 1995. Home rule governments and smaller counties are exempt from this limitation (smaller counties can be included in the limitations through a referendum) and the limitation can be increased with voter approval for other governments. PTELL slows the growth of revenues in taxing districts when property values and assessments are increasing faster than 5% or the rate of inflation. General homestead exemptions, plus additional exemptions for disabled veterans and senior citizens and a homestead exemption freeze for low income senior citizens, also reduce the property tax burden.

Property tax relief also has been used as an incentive to attract new business to a community. Local taxing bodies may abate the property tax on new or expanded com-

*Property Tax continued, page 14*

**2003 Property Tax Extensions**  
% of Total Extensions by District Type



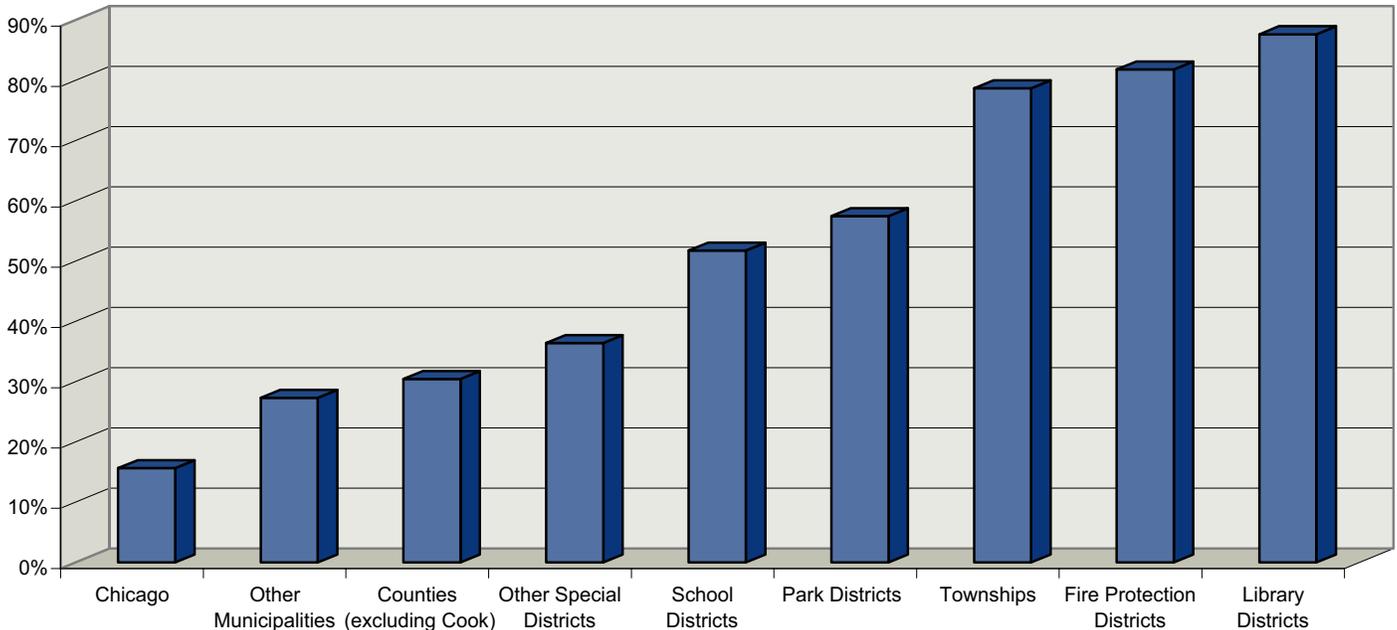
**Property Tax** concluded from page 13

mercial or industrial facilities up to \$3 million spread over as long as 10 years. Taxing bodies within enterprise zones may abate taxes without dollar limit for any project within the zone for the life of the zone. Tax Increment Financing Zones freeze tax payments to taxing districts and use increases in collections to promote development within the zone.

Unless local governments have access to other revenue sources, as is the case for municipalities and counties that also levy other local taxes, reduced property tax collections would lead to lower revenues for those units of government and reduced services. For the largest collectors of property taxes, schools, any major reduction of property taxes would have to be balanced by an increase in revenues from other sources, most likely the state, if programs are not to be affected. ■



**Property Tax Share of Total Revenues Collected by Local Government**



Source: Illinois Comptroller's Office and State Board of Education

# Building Boom - School Construction Projects in Illinois

Since Illinois' school construction program began in fiscal year 1998, the state has awarded more than 500 grants totaling \$3.1 billion to local school districts to provide financial assistance for renovation and construction of school facilities all over the state. The vast majority of the awards were made prior to the end of fiscal year 2003. No expansion of the program has occurred in recent years.

The state's grant program, paid for by proceeds of Illinois general obligation bond sales, was initially authorized at \$1.1 billion, but the limit was increased in fiscal year 1999 and fiscal year 2002 to the current level of \$3.1 billion. The debt service payments on the state's bonds are scheduled to be repaid during the next two decades with 1/7th of the state's telecommunications tax, a set amount of the state's liquor tax, and a share of the state's cigarette tax.

The accompanying graph, based on information from the Capital Development Board, shows the allocation of the \$3.1 billion in awards among Illinois' regions. Per statute, 20% of the total amount available (\$623.7 million) has been awarded to the Chicago public school district. Of the remaining amount, 15% was awarded to other schools in Cook County, 25% was awarded to schools in the collar counties (DuPage, Kane, Lake, McHenry, and Will counties), and 40% was awarded to school districts in the rest of the state.

The grant distribution is similar to the distribution of Illinois public school students, with suburban Cook and collar county districts receiving less in grants than their

share of students. According to the Illinois State Board of Education, the approximate breakout of students is as follows: Chicago - 20.1%, suburban Cook County - 18.4%, collar counties - 27.4%, and all other school districts - 34.1%.

The accompanying chart shows how many grants, the total amount awarded, the median-sized grant to each region, and the average share of the projects' total cost the state covered. (The median size of the grants is included here because a few large grants skewed the average.) Generally, the largest grants went to schools in the collar counties, while the smallest ones went to schools outside of the Chicago metropolitan area. Consistent with this, the reported total cost of the projects were the highest in the collar counties, averaging about twice as much as the project costs in non-Chicago metropolitan areas of the state.

The rules of the school construction grant program provide that the state will cover a portion of the costs of a school

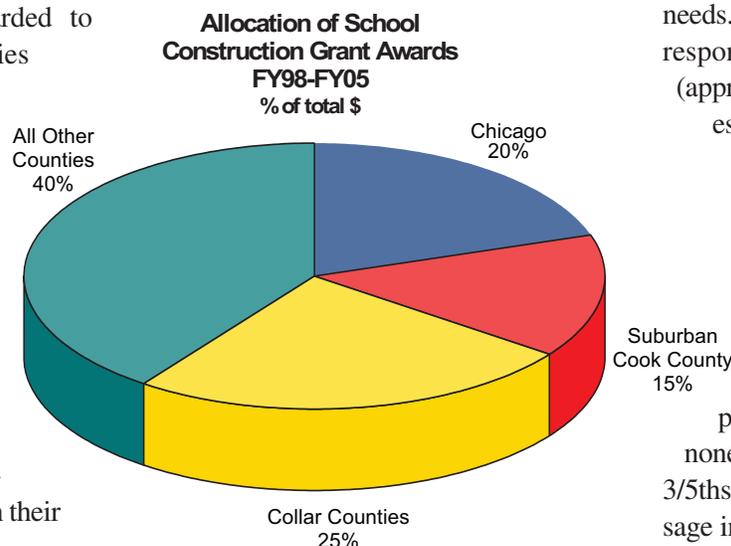
	Number of Grants	State Issued Grant Amount	Median Grant Amount	Average State Share
Chicago	14	\$ .7	\$ 623 *	35%
Suburban Cook County	89	\$ 474.6	\$ 3.3	57%
Collar Counties	116	\$ 780.5	\$ 4.1	43%
All Other Counties	287	\$ 1,256.3	\$ 2.6	60%

\*By statute, Chicago receives 20% of issued dollar amount of grants.

district's proposed project, with a match rate ranging between 35% and 75%. The amount of a total project that the state will cover is based on the wealth of the applying school district. The chart shows what the average state share was of projects in each region. Due to lower relative wealth of the districts outside of Chicago and the collar county region, on average the state covered 60% of project costs. Although the sizes of the state grants were smaller, the state funded a larger share of the construction costs.

In early 2005, the Capital Development Board and Illinois State Board of Education released a Capital Needs Assessment Survey for the state's school construction program. This survey found that although Illinois had made significant progress in upgrading the educational system's infrastructure, the schools continued to believe that they had unmet needs. The survey reported that the responding public school districts (approximately 75% of total districts)

estimated needs totaling approximately \$6.7 billion between repair/remodeling/renovation projects and estimated needs for new schools and additions. There have been several proposals in the General Assembly to expand the school construction program in the last few years, but none have been able to garner the 3/5ths majority support required for passage in the House and Senate. ■



# The Local Government Division

The Local Government Division fulfills two broad areas of responsibility on behalf of the Illinois Comptroller. The division serves as the state's watchdog regarding the financial status of local governments, and provides assistance to local governments in meeting their mandated fiscal responsibilities. Some of the major activities of the division include: collecting and analyzing Annual Financial Reports (AFRs) received from local governments; producing the Fiscal Responsibility Report Card; providing training, assistance and information to local government officials; staffing and coordinating the activities of the Local Government Advisory Board; maintaining a central registry of all units of local government in Illinois; and providing outreach to units of local government and taxpayers.

Pursuant to local government statutes, the Office of the Comptroller collects Annual Financial Reports (AFRs) from approximately 5,200 local governments representing financial information for more than 6,900 primary and component units of government. The Fiscal Responsibility Report Card Act requires the Office of the Comptroller to provide a report to the General Assembly and County Clerks regarding the collection of revenue and the expenditures of local governments, excluding school districts, community colleges and other types of governments that do not collect property tax.

## A Closer Look at the Fiscal Year 2004 Report Card

Local governments in the State of Illinois collect various types of revenue through

locally imposed taxes, proceeds from state taxes, intergovernmental partnerships, federal grant dollars, local fees, charges for services, and additional sources. In fiscal year 2004, 4,944 units of local governments collected \$17.3 billion in revenue. The financial data from 1,224 municipalities, excluding the City of Chicago, accounted for 37% or \$6.4 billion of All Government Revenue, while 95 Illinois counties collected approximately 15% or \$2.6 billion of All Government Revenue. The total revenue from townships, park, library, fire protection and special purpose districts combined totaled \$2.5 billion or 14.5% of All Government Revenue in fiscal year 2004.

Expenditures represent the amounts local governments spend for various programs and/or services such as general government, public safety, transportation, recreation, and debt service. In fiscal year 2004, All Governments Expenditures totaled \$19.5 billion. Municipalities, excluding the City of Chicago, expended \$6.9 billion, accounting for more than one-third of All Governments Expenditures.

## Local Government Hotline

In March 2000, the Comptroller's Office initiated the Local Government Assistance Hotline. With a toll-free telephone call, local governments can request general information, discuss compliance issues, and obtain assistance with completing financial reports. During fiscal year 2005, 4,539 inquiries were made through the local government line. The Hotline number is: (877) 304-3899. ■



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

# Local Government Web Sites

More and more local governments are using the Internet to create Web sites for a number of diverse issues such as announcing information about recycling programs, updating citizens about road closures, or posting township board meeting agendas and minutes. In addition, e-mail and query boards allow people to contact their local governments and ask questions 24 hours a day. Internet access also makes it possible for local government officials and staff to obtain information about state and federal issues. The table below presents some general sites that may be of particular interest to local governments. ■

## WEB Sites of Interest to Local Government Officials

Organization	WEB Site Address
<b>State Government</b>	
State of Illinois	<a href="http://www.state.il.us">www.state.il.us</a>
Secretary of State "Illinois Gateway"	<a href="http://www.cyberdriveillinois.com/services/services_links.html">www.cyberdriveillinois.com/services/services_links.html</a>
Office of the Treasurer	<a href="http://www.state.il.us/treas">www.state.il.us/treas</a>
Office of the Attorney General	<a href="http://www.ag.state.il.us/">www.ag.state.il.us/</a>
Illinois Supreme and Appellate Courts	<a href="http://www.state.il.us/court">www.state.il.us/court</a>
Department of Commerce and Economic Opportunity	<a href="http://www.commerce.state.il.us/dceo">www.commerce.state.il.us/dceo</a>
Department of Revenue	<a href="http://www.revenue.state.il.us">www.revenue.state.il.us</a>
Department of Central Management Services	<a href="http://www.state.il.us/cms">www.state.il.us/cms</a>
Illinois Federal Clearinghouse	<a href="http://www.illinois.gov/fedclear/">www.illinois.gov/fedclear/</a>
General Assembly Website w/ Illinois Compiled Statutes	<a href="http://www.ilga.gov">www.ilga.gov</a>
<b>Office of the Comptroller</b>	<b><a href="http://www.ioc.state.il.us">www.ioc.state.il.us</a></b>
<b>Comptroller Connect - AFR Filing</b>	<b><a href="http://www.comptrollerconnect.ioc.state.il.us/afr/login/">www.comptrollerconnect.ioc.state.il.us/afr/login/</a></b>
<b>Associations</b>	
Illinois Municipal League	<a href="http://www.iml.org">www.iml.org</a>
Township Officials of Illinois	<a href="http://www.toi.org">www.toi.org</a>
Illinois Association of Fire Protection Districts	<a href="http://www.iafpd.org">www.iafpd.org</a>
Illinois Association of Park Districts	<a href="http://www.ilparks.org">www.ilparks.org</a>
Illinois Municipal Treasurer's Association	<a href="http://www.lincollnet.net/imta">www.lincollnet.net/imta</a>
Illinois CPA Society	<a href="http://www.icpas.org">www.icpas.org</a>
Government Finance Officers Association	<a href="http://www.gfoa.org">www.gfoa.org</a>
National League of Cites	<a href="http://www.nlc.org/home/">www.nlc.org/home/</a>
U.S. Conference of Mayors	<a href="http://www.usmayors.org/uscm/home.asp">www.usmayors.org/uscm/home.asp</a>
National Association of Counties	<a href="http://www.naco.org">www.naco.org</a>
National Association of Towns and Townships	<a href="http://www.natat.org/natat/Default.htm">www.natat.org/natat/Default.htm</a>
National Association of Regional Councils	<a href="http://www.narc.org">www.narc.org</a>
International City/County Management Association	<a href="http://www.icma.org/main/sc.asp">www.icma.org/main/sc.asp</a>
Taxpayers' Federation of Illinois	<a href="http://www.taxpayfedil.org/">www.taxpayfedil.org/</a>
<b>National</b>	
U.S. Census Bureau	<a href="http://www.census.gov">www.census.gov</a>
Catalog of Federal Domestic Assistance	<a href="http://www.cfda.gov">www.cfda.gov</a>
U.S. State and Local Gateway	<a href="http://www.firstgov.gov/Government/State_Local.shtml">www.firstgov.gov/Government/State_Local.shtml</a>
Local Gateway	<a href="http://www.firstgov.gov/Agencies/Local.shtml">www.firstgov.gov/Agencies/Local.shtml</a>
General Government and Courts	<a href="http://www.govengine.com/">www.govengine.com/</a>
Homes and Communities - HUD Grants	<a href="http://www.hud.gov/grants/index.cfm">www.hud.gov/grants/index.cfm</a>
Public Technology Inc - Local Government	<a href="http://www.pti.nw.dc.us/">www.pti.nw.dc.us/</a>
State and Local Government on the Net - Resources Guide	<a href="http://www.statelocalgov.net">www.statelocalgov.net</a>
Center on Budget and Policy Priorities	<a href="http://www.cbpp.org">www.cbpp.org</a>
Thomas (status of federal legislation)	<a href="http://thomas.loc.gov/">thomas.loc.gov/</a>
<b>Illinois Local</b>	
Individual Illinois Local Governments	<a href="http://www.iml.org/cdps/minorcat.cfm?cid=18&amp;ckid=178">www.iml.org/cdps/minorcat.cfm?cid=18&amp;ckid=178</a>

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

	Ten Months			
	April 2006	FY 2006	Change From Prior Year	
			\$	%
<b>Total General Funds</b>				
Available Balance	\$ 486	\$ 497	\$ 315	173.1 %
Revenues	2,711	23,547	(35)	(0.1)
Expenditures	2,660	23,507	60	0.3
Ending Balance	\$ 537	\$ 537	\$ 220	69.4 %
<b>General Revenue Fund</b>				
Available Balance	\$ 270	\$ 198	\$ 174	N/A %
Revenues	2,350	20,240	(91)	(0.4)
Expenditures	2,327	20,145	(102)	(0.5)
Ending Balance	\$ 293	\$ 293	\$ 185	171.3 %
<b>Common School Special Account Fund</b>				
Available Balance	\$ 72	\$ 16	\$ 4	33.3 %
Revenues	143	1,463	91	6.6
Expenditures	145	1,409	96	7.3
Ending Balance	\$ 70	\$ 70	\$ (1)	(1.4) %
<b>Education Assistance Fund</b>				
Available Balance	\$ 114	\$ 255	\$ 131	105.6 %
Revenues	138	1,068	75	7.6
Expenditures	102	1,173	169	16.8
Ending Balance	\$ 150	\$ 150	\$ 37	32.7 %
<b>Common School Fund</b>				
Available Balance	\$ 29	\$ 28	\$ 6	27.3 %
Revenues	363	2,744	319	13.2
Expenditures	368	2,748	326	13.5
Ending Balance	\$ 24	\$ 24	\$ (1)	(4.0) %

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

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

	Ten Months			
	April 2006	FY 2006	Change From Prior Year	
			\$	%
<b>Revenues:</b>				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 1,134	\$ 6,952	\$ 421	6.4 %
Corporate	280	1,152	223	24.0
Total, Income Taxes	\$ 1,414	\$ 8,104	\$ 644	8.6 %
Sales Taxes	574	5,841	358	6.5
Other Sources:				
Public Utility Taxes	68	905	19	2.1
Cigarette Taxes	33	333	(50)	(13.1)
Inheritance Tax (gross)	19	223	(40)	(15.2)
Liquor Gallonage Taxes	10	124	1	0.8
Insurance Taxes and Fees	44	248	(28)	(10.1)
Corporation Franchise Tax and Fees	12	148	4	2.8
Investment Income	14	117	62	112.7
Cook County IGT	40	256	(71)	(21.7)
Riverboat Gambling Taxes	0	4	4	(96.6)
Other	32	353	(17)	(4.6)
Total, Other Sources	\$ 272	\$ 2,711	\$ (234)	(7.9) %
Total, Cash Receipts	\$ 2,260	\$ 16,656	\$ 768	4.8 %
Transfers In:				
Lottery Fund	\$ 57	\$ 561	\$ 70	14.3 %
State Gaming Fund	35	475	22	4.9
Other Funds	89	489	(625)	(56.1)
Total, Transfers In	\$ 181	\$ 1,525	\$ (533)	(25.9) %
Total, State Sources	\$ 2,441	\$ 18,181	\$ 235	1.3 %
Federal Sources	\$ 270	\$ 4,090	\$ 472	13.0 %
<b>Total, Base Revenues</b>	\$ 2,711	\$ 22,271	\$ 707	3.3 %
Short-Term Borrowing	0	00	1,035	30.7
Transfer from				
Budget Stabilization Fund	0	276	0	0.0
Cash Flow Transfer - Hospital Provider Fund	0	0	7	(100.0)
Total, Revenues	\$ 2,711	\$ 23,547	\$ (35)	(0.1) %

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

	Ten Months			
	April 2006	FY 2006	Change From Prior Year	
			\$	%
<b>Expenditures:</b>				
Awards and Grants:				
Healthcare & Family Services	\$ 326	\$ 5,536	\$ 1,268	29.7 %
Elem. & Sec. Education:				
State Board of Education	452	4,671	214	4.8
Teachers Retirement	51	507	(264)	(34.2)
Total, Elem. & Sec. Education	\$ 503	\$ 5,178	\$ (50)	(1.0) %
Human Services	231	2,530	98	4.0
Higher Education	54	706	55	8.4
All Other Grants	68	1,004	16	1.6
Total, Awards and Grants	\$ 1,182	\$ 14,954	\$ 1,387	10.2 %
<b>Operations:</b>				
Other Agencies	\$ 404	\$ 4,143	\$ 52	1.3 %
Higher Education	40	1,365	(14)	(1.0)
Total, Operations	\$ 444	\$ 5,508	\$ 38	0.7 %
Regular Transfers Out	\$ 212	\$ 2,212	\$ (953)	(30.1) %
All Other	\$ 3	\$ 14	\$ (39)	(73.6) %
Vouchers Payable Adjustment	\$ 362	\$ 87	\$ 424	N/A
<b>Total, Base Expenditures</b>	\$ 2,203	\$ 22,775	\$ 857	3.9 %
Transfers to Repay GRF Short-Term Borrowing	457	732	182	33.1
Cash Flow Transfer - Hospital Provider Fund	0	0	(97)	(100.0)
Total, Expenditures	\$ 2,660	\$ 23,507	\$ 60	0.3 %

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

	Ten Months			
	April 2006	FY 2006	Change From Prior Year	
			\$	%
<b>Personal Services:</b>				
Regular Positions	\$ 192	\$ 2,913	\$ (16)	(0.5) %
Other Personal Services	15	165	16	10.7
Total, Personal Services	\$ 207	\$ 3,078	\$ 0	0.0 %
Contribution Retirement	30	255	(149)	(36.9)
Contribution Social Security	14	143	2	1.4
Contribution Group Insurance	108	898	69	8.3
Contractual Services	32	531	107	25.2
Travel	2	15	0	0.0
Commodities	7	95	(4)	(4.0)
Printing	0	6	0	0.0
Equipment	1	21	(3)	(12.5)
Electronic Data Processing	1	29	(3)	(9.4)
Telecommunications	3	46	0	0.0
Automotive Equipment	1	20	3	17.6
Other Operations	38	371	16	4.5
Total, Operations	\$ 444	\$ 5,508	\$ 38	0.7 %

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

	Ten Months			
	April 2006	FY 2006	Change From Prior Year	
			\$	%
<b>State Board of Education:</b>				
General State Aid	\$ 323	\$ 2,929	\$ 158	5.7 %
All Other	129	1,742	56	3.3
Healthcare & Family Services	326	5,536	1,268	29.7
Human Services	231	2,530	98	4.0
<b>Higher Education:</b>				
Student Assistance Commission	28	382	22	6.1
Community College Board	9	274	10	3.8
Other	17	50	23	85.2
Teacher's Retirement	51	507	(264)	(34.2)
Children and Family Services	16	457	(9)	(1.9)
Aging	26	247	30	13.8
Revenue	1	14	1	7.7
All Other	25	286	(6)	(2.1)
Total, Awards and Grants	\$ 1,182	\$ 14,954	\$ 1,387	10.2 %

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

	Eleven Months			
	May 2006	FY 2006	Change From Prior Year	
			\$	%
<b>Total General Funds</b>				
Available Balance	\$ 537	\$ 497	\$ 315	173.1 %
Revenues	2,463	26,010	383	1.5
Expenditures	2,615	26,122	673	2.6
Ending Balance	\$ 385	\$ 385	\$ 25	6.9 %
<b>General Revenue Fund</b>				
Available Balance	\$ 293	\$ 198	\$ 174	N/A %
Revenues	2,100	22,340	282	1.3
Expenditures	2,374	22,951	540	2.5
Ending Balance	\$ 19	\$ 19	\$ (84)	(81.6) %
<b>Common School Special Account Fund</b>				
Available Balance	\$ 70	\$ 16	\$ 4	33.3 %
Revenues	153	1,616	108	7.2
Expenditures	141	1,550	96	6.6
Ending Balance	\$ 82	\$ 82	\$ 16	24.2 %
<b>Education Assistance Fund</b>				
Available Balance	\$ 150	\$ 255	\$ 131	105.6 %
Revenues	129	1,197	108	9.9
Expenditures	19	1,192	138	13.1
Ending Balance	\$ 260	\$ 260	\$ 101	63.5 %
<b>Common School Fund</b>				
Available Balance	\$ 24	\$ 28	\$ 6	27.3 %
Revenues	368	3,113	365	13.3
Expenditures	367	3,116	378	13.8
Ending Balance	\$ 25	\$ 25	\$ (7)	(21.9) %

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

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

	Eleven Months			
	May 2006	FY 2006	Change From Prior Year	
			\$	%
<b>Revenues:</b>				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 927	\$ 7,878	\$ 596	8.2 %
Corporate	71	1,224	247	25.3
Total, Income Taxes	\$ 998	\$ 9,102	\$ 843	10.2 %
Sales Taxes	613	6,454	424	7.0
Other Sources:				
Public Utility Taxes	72	977	12	1.2
Cigarette Taxes	33	366	(50)	(12.0)
Inheritance Tax (gross)	29	252	(29)	(10.3)
Liquor Gallonage Taxes	12	136	4	3.0
Insurance Taxes and Fees	8	256	(23)	(8.2)
Corporation Franchise Tax and Fees	19	167	8	5.0
Investment Income	19	136	73	115.9
Cook County IGT	94	350	(60)	(14.6)
Riverboat Gambling Taxes	0	4	(131)	(97.0)
Other	39	392	(12)	(3.0)
Total, Other Sources	\$ 325	\$ 3,036	\$ (208)	(6.4) %
Total, Cash Receipts	\$ 1,936	\$ 18,592	\$ 1,059	6.0 %
Transfers In:				
Lottery Fund	\$ 58	\$ 619	\$ 79	14.6 %
State Gaming Fund	55	530	39	7.9
Other Funds	65	555	(623)	(52.9)
Total, Transfers In	\$ 178	\$ 1,704	\$ (505)	(22.9) %
Total, State Sources	\$ 2,114	\$ 20,296	\$ 554	2.8 %
Federal Sources	\$ 349	\$ 4,438	\$ 576	14.9 %
<b>Total, Base Revenues</b>	<b>\$ 2,463</b>	<b>\$ 24,734</b>	<b>\$ 1,130</b>	<b>4.8 %</b>
Short-Term Borrowing	0	00	1,035	30.7
Transfer from				
Budget Stabilization Fund	0	276	0	0.0
Cash Flow Transfer - Hospital Provider Fund	0	0	2	(100.0)
Total, Revenues	\$ 2,463	\$ 26,010	\$ 383	1.5 %

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

	Eleven Months			
	May 2006	FY 2006	Change From Prior Year	
			\$	%
<b>Expenditures:</b>				
Awards and Grants:				
Healthcare & Family Services	\$ 346	\$ 5,882	\$ 1,345	29.6 %
Elem. & Sec. Education:				
State Board of Education	389	5,060	216	4.5
Teachers Retirement	51	558	(294)	(34.5)
Total, Elem. & Sec. Education	\$ 440	\$ 5,618	\$ (78)	(1.4) %
Human Services	193	2,723	83	3.1
Higher Education	82	788	50	6.8
All Other Grants	93	1,096	26	2.4
Total, Awards and Grants	\$ 1,154	\$ 16,107	\$ 1,426	9.7 %
Operations:				
Other Agencies	\$ 427	\$ 4,570	\$ 69	1.5 %
Higher Education	22	1,388	(21)	(1.5)
Total, Operations	\$ 449	\$ 5,958	\$ 48	0.8 %
Regular Transfers Out	\$ 665	\$ 2,878	\$ (560)	(16.3) %
All Other	\$ 2	\$ 15	\$ (41)	(73.2) %
Vouchers Payable Adjustment	\$ 115	\$ 202	\$ 680	N/A
<b>Total, Base Expenditures</b>	<b>\$ 2,385</b>	<b>\$ 25,160</b>	<b>\$ 1,553</b>	<b>6.6 %</b>
Transfers to Repay GRF Short-Term Borrowing	230	962	99	11.5
Cash Flow Transfer - Hospital Provider Fund	0	0	(97)	(100.0)
Total, Expenditures	\$ 2,615	\$ 26,122	\$ 673	2.6 %

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

	Eleven Months			
	May 2006	FY 2006	Change From Prior Year	
			\$	%
<b>Personal Services:</b>				
Regular Positions	\$ 193	\$ 3,107	\$ (19)	(0.6) %
Other Personal Services	15	180	17	10.4
Total, Personal Services	\$ 208	\$ 3,287	\$ (2)	(0.1) %
Contribution Retirement	21	276	(157)	(36.3)
Contribution Social Security	13	156	2	1.3
Contribution Group Insurance	100	998	66	7.1
Contractual Services	41	572	121	26.8
Travel	2	17	1	6.3
Commodities	10	105	(2)	(1.9)
Printing	0	7	1	7
Equipment	2	23	(3)	(11.5)
Electronic Data Processing	1	30	(4)	(11.8)
Telecommunications	5	51	2	4.1
Automotive Equipment	2	22	4	22.2
Other Operations	44	414	19	4.8
Total, Operations	\$ 449	\$ 5,958	\$ 48	0.8 %

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

	Eleven Months			
	May 2006	FY 2006	Change From Prior Year	
			\$	%
<b>State Board of Education:</b>				
General State Aid	\$ 322	\$ 3,251	\$ 175	5.7 %
All Other	67	1,809	41	2.3
Healthcare & Family Services	346	5,882	1,345	29.6
Human Services	193	2,723	83	3.1
Higher Education:				
Student Assistance Commission	4	386	16	4.3
Community College Board	75	348	10	3.0
Other	3	54	24	80.0
Teacher's Retirement	51	558	(294)	(34.5)
Children and Family Services	41	498	14	2.9
Aging	24	271	27	11.1
Revenue	1	15	0	0.0
All Other	27	312	(15)	(4.6)
Total, Awards and Grants	\$ 1,154	\$ 16,107	\$ 1,426	9.7 %

## *Did You Know...*

- ★ Illinois ranks first among all states with 6,904 units of government Pennsylvania was a distant second with 5,032 units.
- ★ State revenue sharing payments to local governments totaled \$4.7 billion in fiscal year 2005.
- ★ Taxes collected for, and disbursed to, local governments in Illinois totaled \$2.1 billion in fiscal year 2005.
- ★ In fiscal year 2005, the state spent almost \$90 million on stipends, subsidies and bonuses for local government officials.
- ★ The General State Aid Formula Grant provided \$3.7 billion to Illinois schools during fiscal year 2005.
- ★ Property tax revenues exceed collections of any other Illinois tax. Of the almost \$19 billion in property tax extensions reported in 2003, more than \$11 billion, or 58%, was for elementary and secondary school districts. ■

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