

Fiscal Focus



DANIEL W. HYNES
STATE OF ILLINOIS COMPTROLLER

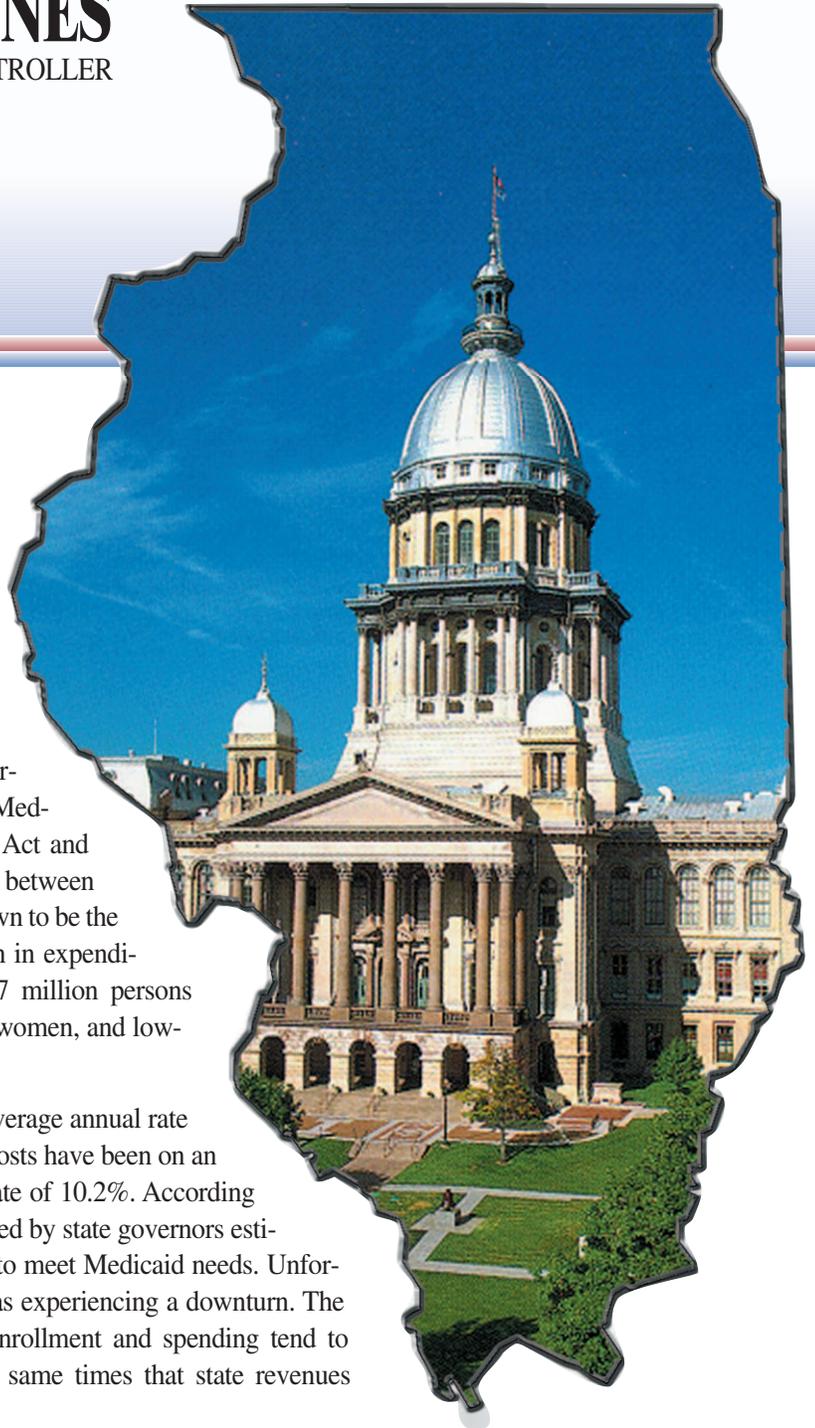
QUARTERLY • MAY 2005 ISSUE

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

Medicaid Continues to Challenge State Budgets

The Medical Assistance program, usually called Medicaid, is a health care program that provides medical assistance for certain individuals and families with low incomes and resources. Medicaid was authorized under Title XIX of the Social Security Act and became law in 1965 as a jointly-funded cooperative venture between the federal and state governments. By 2003, Medicaid had grown to be the largest health care program in the nation totaling \$278 billion in expenditures and providing health care services to an estimated 47 million persons including seniors, people with disabilities, children, pregnant women, and low-income families.

In the period from 1995 to 1998, Medicaid costs grew at an average annual rate of 3.6%, the lowest rate in the program's history. Since then, costs have been on an upswing, and from 2000 to 2003, Medicaid costs grew at a rate of 10.2%. According to the Fiscal Survey of States, fiscal year 2005 budgets proposed by state governors estimated state fund expenditures would have to increase 12.1% to meet Medicaid needs. Unfortunately, these increases have occurred when the economy was experiencing a downturn. The fiscal problem being faced by the states is that Medicaid enrollment and spending tend to increase during difficult economic times, and those are the same times that state revenues dependent on the economy tend to stagnate or decrease.



COVER STORY continued, page 5

Dear Readers:

This issue of *Fiscal Focus* takes a closer look at the impact of Medicaid expenditures on the state budget. Nationally, Medicaid costs are increasing at double-digit rates and creating fiscal problems for state governments. According to the National Association of State Budget Officers, Medicaid surpassed elementary and secondary education as the largest category of state spending in fiscal year 2004.

As discussed in the *Cover Story* and *Focus on Spending* article, appropriated spending for medical assistance administered by the Department of Public Aid (DPA) totaled more than \$10.4 billion in fiscal year 2004. Over the past 10 fiscal years, Medicaid liabilities for DPA grew about 63%, a trend growth of approximately 5.6% a year. However, not all categories of Medicaid increased at the same rate. For example, prescription drugs increased almost 325% from fiscal year 1995 to 2004, while long-term care and hospitals grew 27.6% and 23.3%, respectively. Consistent with the national trend, Medicaid liabilities grew at a relatively flat rate from 1995 to 1999, but sharp increases followed from 2000 to 2004, especially for prescription drugs.

The continuing financial struggle facing the General Funds has led decision-makers to look at the budgetary impact of various state programs, particularly those such as Medicaid and pension contributions. It is my hope that this issue of *Fiscal Focus* will help provide relevant information for those observing and participating in these discussions.

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

Sincerely,

Daniel W. Hynes
Comptroller



Cover Story	front, 5, 10, 11, 12, 13
Letter From The Comptroller	2
Fiscal Smarts	2, 4
How Illinois Stacks Up	3, 4
Local Government Line	6, 14
Cemetery Care Corner	7
Focus On Revenue	8, 14, back cover
Focus on Spending	9
Vital Statistics	15
January 2005 Tables	16
February 2005 Tables	17
March 2005 Tables	18
April 2005 Tables	19



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.

Editorial Staff: David Griffith and Alexis Sturm. Writers & Analysts: Bill Dracos, Kevin Fitzpatrick, Loren Iglarsh, Stephanie Blair, David Griffith, Alexis Sturm, Crystal Dyer and Colleen Kozubowski. Production: Rhonda Rathbone, Susan Hansen, Brenda Mansholt, Frank Weitzel, Larry Hopkins and Mike Petropoulos.

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

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

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

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

Printed by Authority of the State of Illinois 5/20/05 - 3,050, Job 38343



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

Fiscal Smarts

The "Clawback"

You are probably wondering what a clawback is. Well, it is a radically new revenue source for the federal government that will have an important impact on state government.

Part of the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) which implemented a Medicare drug benefit included a "phased-down state contribution" popularly called the clawback. This clawback provision has created a new federal-state fiscal relationship. For the first time since the creation of Medicare, a specific benefit will be financed in part by state payments. While there have been questions as to the constitutionality of this unique financing scheme, after January 1, 2006, states will begin to make monthly payments to the federal government.

Medicare is the federally financed health insurance program for the elderly and disabled. Medicaid is the health care plan for low-income people and disabled that is jointly financed by the state and federal governments. Currently, outpatient prescription drug coverage is provided to dual eligibles (individuals that qualify for both Medicare and Medicaid) through Medicaid and states pay a share of the cost of this coverage. Beginning January 2006, Medicare Part D will provide outpatient drug coverage directly to dual eligibles instead of Medicaid. Also effective on that date, federal Medicaid matching funds will no longer be available for prescription drugs costs for dual eligibles.

Initially, it appeared that the states would save money by not having to provide this coverage

FISCAL SMARTS continued, page 4

HOW Illinois Stacks Up

Medicaid Physician Fee Changes 1998-2003

According to a study published in Health Affairs, nationwide Medicaid physician fees on average grew at twice the rate of inflation (27.4 percent vs. 13 percent) between 1998 and 2003. The increases between 1998 and 2003 exceeded the 5.6 percent total growth during the previous five years, in which Medicaid fees fell on an inflation-adjusted basis.

Thirty states raised their fees at or above the rate of inflation, including ten states (Connecticut, Hawaii, Illinois, Iowa, Maryland, Michigan, New York, Oklahoma, Oregon, and South Carolina) that raised physician fees by more than 35 percent.

Most of these increases in overall physician fees were caused by large increases in fees for primary care services. Primary care fees

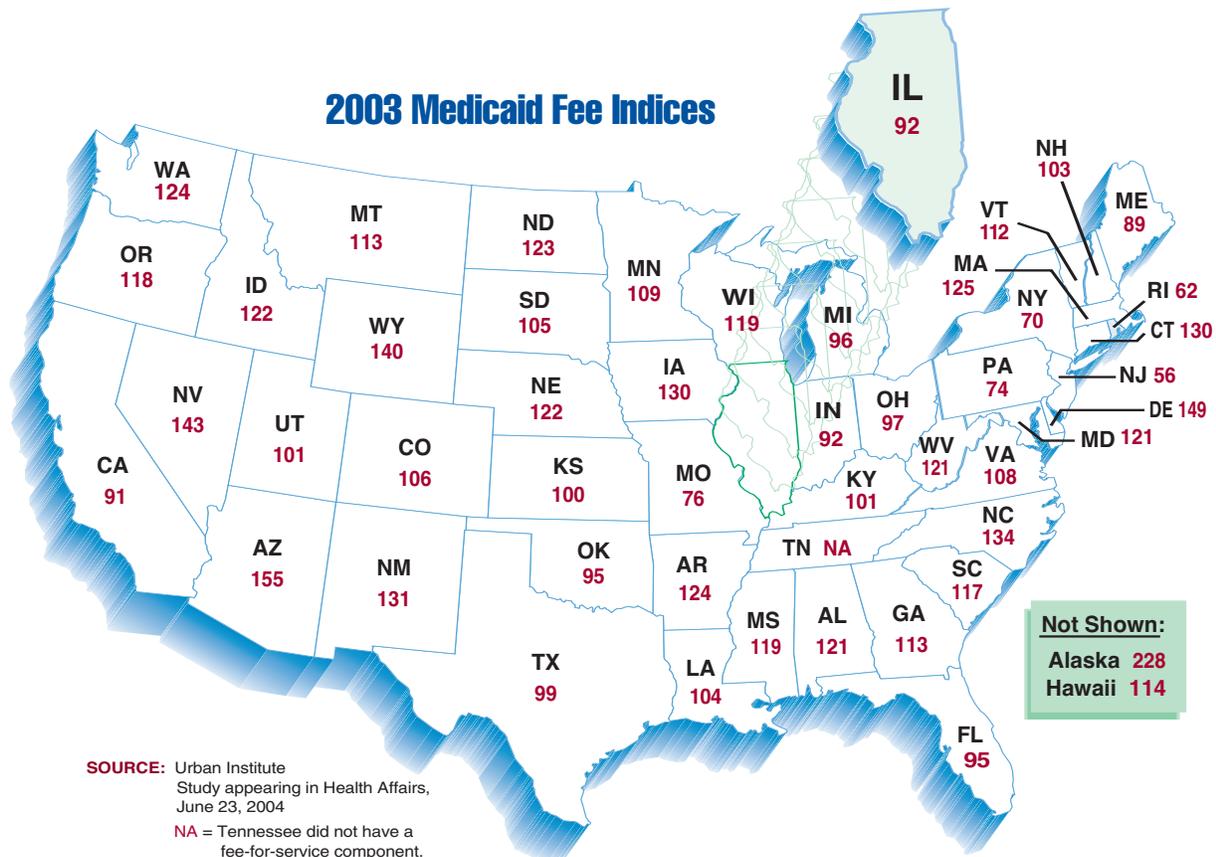
increased the most, growing 41.2 percent over that period. Seven states left primary care fees almost unchanged, while two states raised them by more than 100 percent. Illinois had a 37.6 percent increase.

Many states were able to boost rates during the 1998-2003 period because of healthy revenue increases during an extended period of economic growth in an effort to improve access to basic care for Medicaid beneficiaries. But the current period of slow economic growth has caused states to pull back on Medicaid physician payments.

Medicaid Fees in 2003

Researchers calculated a Medicaid fee index that measured each state's fees relative to the national average. Physicians fees used in the study included primary care, obstetrics, surgery, radiology, lab test, psychotherapy, and other.

HOW ILLINOIS STACKS UP continued, page 4



Fiscal Smarts concluded from page 2

under their Medicaid programs. However, the MMA was enacted under a budget constraint which limited expenditures to \$400 billion over a 10-year period, net of offsetting revenues and savings. To stay within the \$400 billion budget limit, the legislation relies on three offsets: (1) monthly premiums paid by most beneficiaries, (2) federal savings from the termination of the Medicaid drug coverage, and (3) state clawback payments. Therefore, rather than allowing the states to keep their share of the savings, the clawback provision requires states to pay most of their Medicaid savings to the Medicare program to help pay for Part D coverage.

The states are required to pay 90% of their estimated savings in calendar year 2006 to the federal government. Over the following nine years this percentage is reduced by 1.66% per year to 75%. Each state participating in Medicaid is required to make a monthly payment to the federal government for a specified amount. The amount is determined by a complicated formula (see text box). What complicates the formula is the definition and calculation of per capita expenditure. The per capita expenditure is the amount the state spends per

capita in calendar year 2003, increased to reflect the rapid growth in national per capita drug spending.

Assuming Illinois has a dual eligible enrollment of 175,000 and per capita expenditure of \$1,000, then the monthly payment would be a little over \$13 million. Under this scenario, the budget for fiscal year 2006 would need to include over \$78 million appropriated for the clawback payment. Actual figures for calendar year 2003, required by the formula and provided by the Secretary of Health and Human Services, are as of yet unavailable.

There are several implications or concerns for the states besides being a revenue source for a federal program. First, the clawback provision links state financial liability for Medicare Part D funding. If the

program's expenditures are higher than expected and if the federal government wanted to cover the additional costs, increasing the clawback would be one option. Another concern would be the possible inaccuracy of the clawback formula as a proxy of states' savings. If, for example, a state had a high per capita expenditure in 2003, its clawback amount would be calculated based on this high figure. So a state that implemented cost containment measures in subsequent years could not reduce its per capita expenditure figure. Some states are already claiming that the clawback will cost more than their projected savings. While questions remain about the states generating revenues for the federal government, nonetheless, the fiscal year 2006 budget will need to address the clawback. ■

Formula for Determining Monthly State Clawback Payments				
Monthly State Payment	=	1/12	x	
		Per Capita Expenditures	x	Dual Eligibles
				x
		State share of per capita Medicaid expenditures on prescription drugs covered under Part D for dual eligibles during 2003, trended forward		Number of dual eligibles enrolled in a Medicare Part D plan in the month for which payment was made
				x
				Phase-Down Percentage
				Phase-down percentage for the year specified in the statute

How Illinois Stacks Up concluded from page 3

The Medicaid physician fee index ranged from 56 percent of the national average in New Jersey to 228 percent in Alaska.

Ten states (Alaska, Arizona, Connecticut, Delaware, Iowa, Massachusetts, Nevada, New Mexico, North Carolina, and Wyoming) had average Medicaid fees that were more than 25 percent above the national average in 2003. These states had a higher level of reimbursement.

Six states (District of Columbia, Missouri, New Jersey, New York, Pennsylvania, and Rhode Island) had average Med-

icaid fees that were less than 80 percent of the national average.

Even though Illinois was one of the top states in raising physician fees, by 2003 Illinois was 8 percent below the national average with an index of 92.

Conclusion

Early on in the time period between 1998 and 2003 fiscal conditions allowed states to expand access to care for Medicaid recipients by increasing physician fees. However, from 2001 to 2003, many

states were faced with financial difficulties because of continued growth in Medicaid spending and falling tax revenues, and therefore were not in a position to raise provider fees at the same pace. It is possible that access for Medicaid recipients could be affected if economic growth and, in turn, physician fees, remain flat. ■

Sample Medicaid Fees, National Averages		
Office visit - 30 minute	\$	54.87
Emergency department visit	\$	40.03
Total obstetric care (cesarean)	\$	1,312.61
Cataract removal/lens implant	\$	743.59
Chest x-ray (2 views)	\$	25.36

New Challenges

A new Medicare provision is expected to add to state health care costs (see Medicaid vs. Medicare sidebar). Persons eligible for both Medicare and Medicaid, referred to as dual eligibles, are at the center of a new issue that some states are claiming will change their bottom line. The Medicare pro-

gram was recently amended by adding a new Part D that will provide prescription drug coverage for Medicare beneficiaries starting on January 1, 2006. That means that dual eligibles will have their prescription

ing (\$1 out of every \$2 expended on nursing homes comes from Medicaid), and each year, Medicaid helps millions of families with the cost of home-based long-term care services.

Medicaid vs. Medicare

Although they were both created in 1965, Medicaid and Medicare are two distinct programs. Medicaid is a health care program that provides health services primarily to low-income persons, and the costs are paid for by the federal and state governments. Medicare is a national health insurance program for senior citizens (people age 65 or older) and disabled younger workers, and it is administered by the federal Social Security Administration. Medicare has two major components: Part A provides insurance for hospital costs and Part B, which is optional, provides insurance for doctor's fees and some other medical expenses. Eligible persons incur no charge for Part A coverage, but if they choose Part B coverage, they must pay a monthly premium of \$78.20 (\$938.40/year).

Despite their separate missions, there is some overlap between the programs. For example, some persons age 65 or older are so impoverished that they cannot pay the Medicare premiums and cost-sharing for services. In these cases, states can and do use Medicaid to pay the monthly Part B premiums, the cost-sharing charged for Medicare services, and for long-term care, dental and vision care and prescription drugs. Persons who are enrolled in, and benefit from, both programs are called "dual eligibles." Nationally, over 7 million Medicaid beneficiaries (one in seven enrollees) are dual eligibles.

drug coverage shifted from Medicaid to Medicare, a move that should provide some fiscal relief to states by lowering their Medicaid spending. However, the federal law requires the states to make monthly, phased-down contributions (referred to by some states as "clawback" payments) to the federal government to offset most of the expected state savings. If a state fails to make a scheduled monthly payment, the amount owed will be offset from its federal Medicaid reimbursement (see *Fiscal Smarts*).

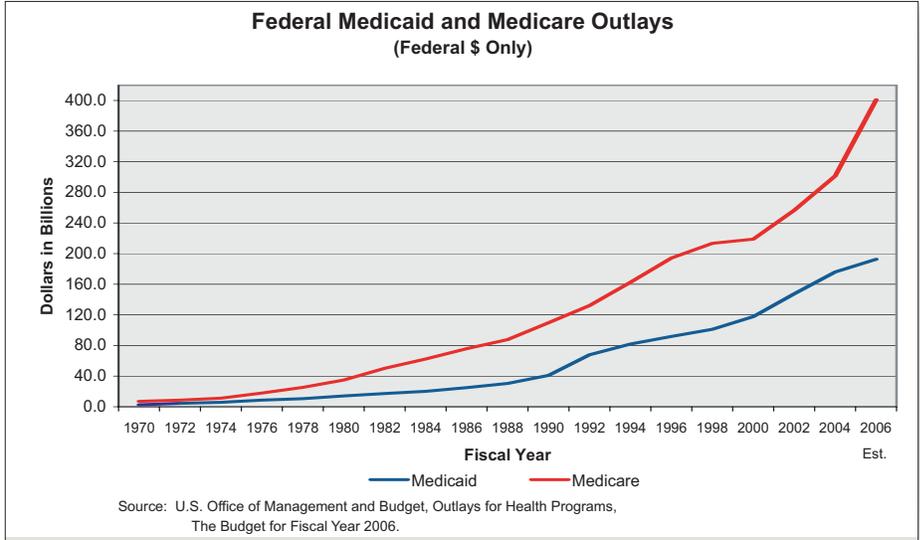
What's Behind Medicaid Cost Increases?

The Medicaid program reaches people of all ages. For low-income children and their parents, Medicaid pays for essential primary and preventive health care services that these families otherwise could not afford. For elderly and disabled people, Medicaid fills gaps in Medicare coverage by helping Medicare beneficiaries with their prescription drug costs as well as other essential services, such as hearing aids and dental care. Medicaid also is the nation's only major source of long-term care financ-

A number of explanations have been suggested for the rapid growth in Medicaid expenditures. The major factors that are usually cited include:

- Increases in the number of people eligible (due to federal mandates, population growth, economic recessions)
- Increases in the number of old and disabled persons
- Increases in the costs of drugs and the availability of new, expensive drug therapies
- Expansion of services covered and utilization of services
- Technological advances that allow a greater number of critically ill or severely injured individuals to survive and require extensive, costly care
- Increases in payment rates to health care providers

Many analysts claim that the number of seniors and disabled persons is the major factor driving costs up. Nationally, the elderly and the disabled comprise 25 percent of the Medicaid caseload, but account for 69 percent of the expenditures. Even with the start of the Medicare Part D prescription drug





Fiscal Year 2003 Fiscal Responsibility Report Card

The Fiscal Year 2003 Fiscal Responsibility Report Card was published by the Office of the Comptroller in compliance with the Fiscal Responsibility Report Card Act. This Act requires the Office of the Comptroller to provide a detailed report to the General Assembly and county clerks regarding the collection of the revenue and expenditures of local governments excluding school districts, community colleges and other types of governments that do not collect property tax.

The Office of the Comptroller annually collects financial data from more than 5,200 local governments representing financial information for more than 6,500 primary and component units of government in Illinois. While the Fiscal Responsibility Report Card Act calls for an annual report detailing the financial activity of local governments, it also serves as a vehicle for assessing the fiscal health of Illinois' local governments and holding local officials accountable for their financial decisions.

The Fiscal Year 2003 Fiscal Responsibility Report Card contains descriptive text, research on issues relating to fiscal health and responsibility, as well as expenditure and revenue groupings based on government type. The Report Card contains user-friendly statistical information regarding the collection of local government revenue based on various revenue groupings; historical revenue and expenditure data, including the Average Annual Growth Rate over a three-year period

from fiscal year 2000 to fiscal year 2003; and several appendices, one of which details the finances of the City of Chicago. In addition, Individual Data Summaries are available for all local governments submitting an Annual Financial Report (AFR) before the fiscal year 2003 report card deadline. The Individual Data Summaries provide comparative data for similar units of government including summaries of total revenue, expenditures, fund balances, and debt.

Fiscal Year 2003 Governmental Fund Revenue

In fiscal year 2003, 4,928 units of local governments collected \$17.1 billion in revenue. The fiscal year 2003 financial data from 1,229 municipalities (excluding the city of Chicago) accounted for 35% of all government revenue. County governments collected approximately 15%, while the total revenue from townships, parks, libraries, fire protection districts, and all other special purpose districts combined totaled \$2.5 billion, or 15% of all government revenue in the 2003 fiscal year. The City of Chicago's \$4.7 billion in revenue accounted for 27% of all government revenue in fiscal year 2003.

Local and state taxes accounted for 70% of all government revenue in fiscal year 2003. The largest source of revenue for all units of government was from property taxes. Property taxes accounted for nearly 31% of all government revenue. More than 4,500 of the 4,929 local governments

in the fiscal year 2003 data set reported collecting property taxes, indicating local governments' dependence on revenue from property taxes. The revenue category "Other State Sources" continues to be one of the fastest growing sources of revenue for local governments in fiscal year 2003. Reviewing the fiscal year 2000 – 2003 historical data for all governments, which excludes the City of Chicago, this revenue source shows an average annual growth rate of 26.2%, from \$419 million in fiscal year 2000 to \$842 million in fiscal year 2003. Many units of local government received payments from Illinois FIRST grants in fiscal year 2003, which was a contributing factor in the high growth rate.

The revenue category "Other Sources", defined as Fines and Forfeitures, Charges for Services and Licenses and Permits, also grew resulting in more than \$603 million in increased revenue for local governments throughout the state, a nearly 29% growth between fiscal years 2000 and 2003. Facing increased fees from the state and the elimination of certain shared taxes and reductions in tax distributions, local governments will continue to increase the usage of these categories to offset decreased revenue.

Fiscal Year 2003 Governmental Fund Expenditures

Expenditures represent the amounts that local governments spend for various programs and/or services. In fiscal year 2003, all government expenditures totaled \$19.8 billion, up \$900 million from last fiscal year. Municipalities (excluding the City of Chicago) expended \$6.9 billion, accounting for more than one-third of all government expenditures. The City of Chicago expended \$5.7 billion, accounting for more than 28% of total local government expenditures. The largest expenditure category for local governments was Public Safety, accounting for 24% of all government expenditures in fiscal year 2003. General Government accounted for 20% of all government expenditures.

LOCAL GOVERNMENT LINE continued, page 14

CEMETERY

Care Corner

Proposed Legislation for the Death Care Industry

Imagine yourself in a funeral home. Seated across the desk from you is the funeral director whom you and your spouse have chosen to assist you in making your final arrangements. You are preparing to sign your name to a contract which will outline the specific merchandise and services you have chosen for your funeral, after which you will hand over a substantial amount of money to pay for this purchase. You have made the decision to enter into this pre-need contract so that your loved ones will not be burdened with these costs or decisions in the future.

You mention to the funeral director your desire to also purchase cemetery plots, along with the outer burial containers and cemetery services that will be required for your burial. He tells you not to worry. He has worked with the folks at the desired cemetery before, has known them for years in fact, and will be happy to take care of those details for you once you sign the contract with his funeral home.

Now imagine yourself years later, grieving over the loss of your spouse. The pre-arrangement you made with the funeral home should be a comfort at this difficult time, but instead it is compounding your grief. When you reach the burial site for your spouse, you realize that it is not in the area of the cemetery that the two of you had expected. Worse, the type of marker you are planning to place as a memorial is not allowed by this particular cemetery. Since the arrangements were

made by the funeral home rather than by you, there is no contract listing your specific requests as regards the cemetery. Thus, you have no legal authority to protest what has been done.

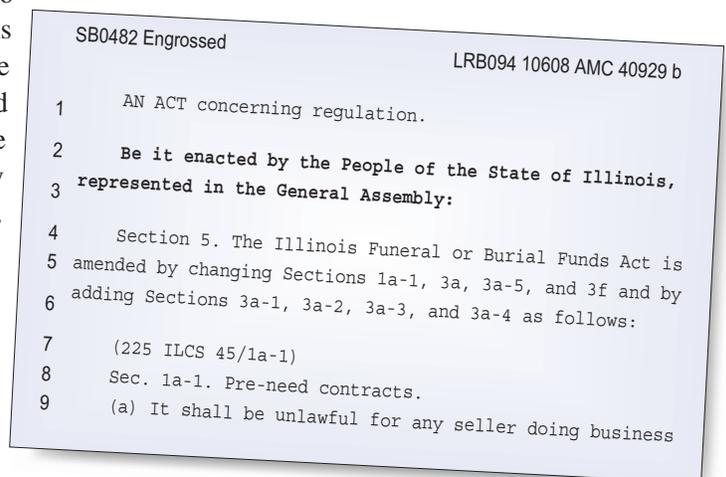
This unfortunate scenario has been the fate of many Illinois families who did not enter into separate service contracts with a cemetery and funeral home. As the law exists now, separate contracts are not a necessity if the funeral director in question discloses a relationship to a cemetery when offering to make consumers' burial arrangements. For a variety of reasons, however, these so-called relationships between businesses often leave consumers dissatisfied and without legal recourse.

Legislation proposed by Comptroller Hynes would require that a consumer enter into two separate contracts – one with the cemetery and one with the funeral home – in order to ensure that he or she is aware of not only the details of a proposed funeral service, but the pertinent cemetery information as well, including the location of grave spaces, a description of perpetual care for those spaces, and restrictions on the types of markers approved for

use by the cemetery. Consumers will also be required to make direct contact with cemetery personnel unless they specifically waive their right to do so.

Additional legislation involves the licensing and audit functions of the Cemetery Care Division. At present, Illinois is one of only four states that do not require its cemetery, funeral home, and crematory owners to periodically renew their operating licenses. This law would require all businesses under the jurisdiction of the Comptroller to renew their licenses every five years. Renewals will be granted based on the licensee's record of compliance with all applicable rules and regulations.

This new legislation package would also raise the annual audit threshold for licensed entities from \$250,000 to \$750,000. The figure of \$250,000 was set in 1961, and should be adjusted to reflect inflation. ■





Medicaid Provider Assessments and Intergovernmental Transfers

As Medicaid expenditures continue to absorb a growing portion of the state budget, any additional source of revenue that can be devoted to Medicaid is welcome. Two dedicated Medicaid revenue sources, special assessments and intergovernmental transfer agreements, have allowed the state to raise rates, increase payments, and obtain additional federal contributions for hospitals and long-term care providers (nursing facilities and intermediate care facilities for the mentally retarded (ICFs/MR)).

Hospital Assessments

Illinois first tapped provider assessments as a source of Medicaid matching funds in fiscal year 1992. The original hospital assessment was equal to 5% of fiscal year 1991 (the base-year) Medicaid spending plus 50% of the difference between the hospital's anticipated annualized spending and its total base-year Medicaid spending. Due to changes in the federal law, the assessments had to be amended in fiscal year 1993 to become general levies on hospital providers with no relation to Medicaid payments. The new assessment rate was 2.5% of hospital revenues during most of fiscal year 1993 declining to

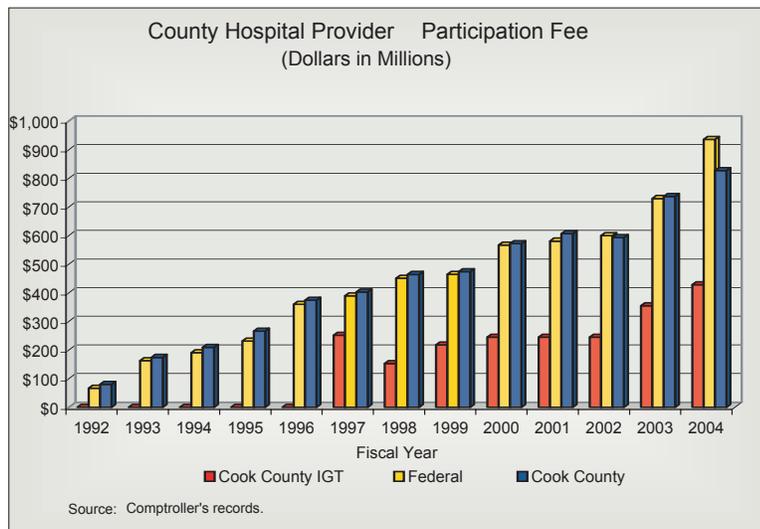
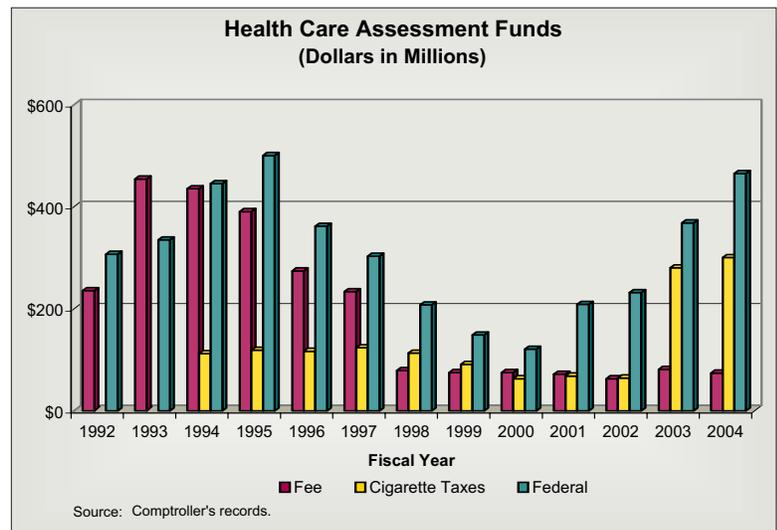
1.25% of revenues at the end of fiscal year 1997 when the hospital provider assessment was eliminated. During the five-year period this fee was effective, \$1.4 billion in revenues was collected and was matched by \$1.3 billion in federal aid.

A new hospital assessment has been imposed for fiscal years 2004 and 2005 at a rate of \$84.19 per occupied bed day. A first deposit of \$497 million from

this assessment was made in March 2005 which was matched by \$400 million in federal contributions.

Cook County and University of Illinois Intergovernmental Transfers

Consistent with federal law, Illinois has also used intergovernmental transfers (IGTs) to support Medicaid services. In particular, Cook County contributes over \$1 billion to support the over \$5 billion in Medicaid costs for Cook County residents. The Cook County IGT is based on a federal law that provides that local governments may contribute up to 60% of the state's share of Medicaid program costs. Illinois is one of many states that



have long-standing arrangements for significant local funding. The federal financial participation from this program helps fund the Cook County Bureau of Health Services, which operates the largest health care system in the state and is the third largest provider of indigent care in the nation. The Cook County hospitals are a critical component of the state's health care safety net.

Based upon claims for services to Medicaid-eligible individuals and a formula in state law, Cook County makes payments to the County Provider Trust Fund.

FOCUS ON REVENUE continued, page 14



Medical Assistance Spending

In fiscal year 2004, appropriated spending for medical assistance administered by the Department of Public Aid totaled more than \$10.4 billion, nearly \$4.8 billion or 83.6% higher than the almost \$5.7 billion spent ten years ago in fiscal year 1995. Growth in spending from the General Revenue Fund of \$2.0 billion or 50.8% accounted for 42.0% of the growth while spending from other funds increased nearly \$2.8 billion or 157.3% accounting for 58.0% of the increase.

The largest portion of spending was hospital payments. Nearly \$2.3 billion was paid to hospitals from the General Revenue Fund with an additional \$1.8 billion paid from the County Provider Trust Fund, \$305 million from the Medicaid Provider Relief Fund, and \$173 million from the University of Illinois Hospital Services Fund. Together, \$4.6 billion went to hospitals in fiscal year 2004 accounting for 44.0% of all medical services expenditures by the state.

The second largest portion of medical spending by the state was for prescription drugs. With \$1.068 billion from the General Revenue Fund, \$405 million from the Drug Rebate Fund, \$299 million from the Tobacco Settlement Recovery Fund, and \$257 million from the Medicaid Provider Relief Fund a total of \$2.029 billion was spent by the state in fiscal year 2004 for drugs. The \$2.029 billion accounted for 19.4% of total state medical spending.

Long-Term Care also garners a significant portion of medical spending. In fiscal year

Medical Expenditures* (Dollars in Millions)				
General Revenue Fund	Fiscal Year		Change	
	1995	2004	Amount	Percent
Hospital Inpatient	1,514.5	2,265.1	750.6	49.6
Prescribed Drugs	407.5	1,068.3	660.8	162.2
Long Term Care	1,182.7	730.9	-451.8	-38.2
Physicians	351.8	525.3	173.5	49.3
Department of Human Services	0.0	381.9	381.9	N/A
HMO's	166.5	196.4	29.9	18.0
Medicare Part B	72.7	137.9	65.2	89.7
Comm. Health Centers	50.2	126.6	76.4	152.2
Dentists	42.1	89.6	47.5	112.8
Transportation	29.8	73.6	43.8	147.0
Appliances	24.3	54.4	30.1	123.9
DSCC	0.0	51.4	51.4	N/A
Home Health	31.4	49.4	18.0	57.3
Hospice Care	21.4	35.2	13.8	64.5
Independent Labs	15.5	25.3	9.8	63.2
Optometrists	4.9	11.3	6.4	130.6
Medicare Part A	14.4	10.0	-4.4	-30.6
Medicare Part B Expansion	0.0	9.1	9.1	N/A
Podiatrists	1.7	2.6	0.9	52.9
Chiropractors	1.0	1.1	0.1	10.0
Other Related Medical	64.6	83.0	18.4	28.5
Total, General Revenue Fund	3,932.4	5,928.4	1,996.0	50.8
Other Funds				
Cook County	480.8	1,820.3	1,339.5	278.6
Medicaid Provider Relief	0.0	849.8	849.8	N/A
Long Term Care Provider	321.1	799.7	478.6	149.1
Drug Rebate	0.0	405.0	405.0	N/A
Tobacco Settlement Recovery	0.0	298.7	298.7	N/A
U. of I.	241.0	173.4	-67.6	-28.0
Special Education Medicaid Matching	0.0	126.1	126.1	N/A
Care Provider Fund for Persons with DD	27.7	35.8	8.1	29.2
Hospital Provider Fund	680.9	0.0	-680.9	-100.0
Other	4.0	7.9	3.9	97.5
Total, Other Funds	1,755.5	4,516.7	2,761.2	157.3
Total, Medical Spending All Funds	5,687.9	10,445.1	4,757.2	83.6

Source: Comptroller and Department of Public Aid records.

* Expenditures include some double counting due to transfers of funds. That, along with Section 25 deferrals, means these amounts differ from the Medicaid liability amounts reported elsewhere.

2004, \$1.651 billion was spent for this purpose accounting for 15.8% of total state spending. Nearly \$731 million in spending was from the General Revenue Fund with \$800 million from the Long Term Care Fund and \$121 million from the Medicaid Provider Relief Fund. Altogether Hospital, Drug and Long-Term Care Spending accounted for 79.2% of total medical spending in fiscal year 2004.

In addition to the amount of spending for medical assistance in a given year, significant obligations are carried over from one fiscal year to the next unlike most other state obligations. Section 25 of the State Finance

Act contains an exception to fiscal year spending restrictions that permits the payment of a prior year's medical assistance claim out of the next fiscal year's appropriation. In fiscal year 1995, \$1.522 billion in medical assistance claims were held over to the next year compared to \$1.242 billion in fiscal year 2004.

Fiscal year 2005 appropriations of \$10.312 billion from all funds are down slightly from the \$10.445 billion in spending from fiscal year 2004. General Revenue Fund appropriations in 2005 of \$5.044 billion are \$504 million or 9.1% below fiscal year 2004 appropriations of \$5.548 billion. ■

coverage, state Medicaid programs will still be responsible for the Part B premiums, cost-sharing, and long-term care for dual

Federal Medical Assistance Percentage (FMAP) - Selected States, FFY 2004	
State	Percent
Mississippi	77%
New Mexico	75%
Iowa	64%
Indiana	62%
Missouri	61%
Ohio	59%
Wisconsin	58%
Michigan	56%
California	50%
Illinois	50%
Minnesota	50%
New York	50%

eligibles, as well as for the costs for the “regular” Medicaid enrollees.

A recent study by the Urban Institute’s Health Policy Center sheds some light on the issue of cost increases. Researchers found that Medicaid spending increases from 2000 to 2003 were related to two factors. First, spending went up due to rapid increases in the enrollment of children and non-disabled adults which grew at a rate of 10.1 percent per year compared to a rate of 2.9 percent for the aged and disabled. However, more than half (56%) of the total Medicaid spending growth was attributable to the aged and disabled versus families (44%). The researchers noted that although the aged and disabled were growing more slowly in numbers relative to others, they are much more costly per person.

Current Medicaid Financing: a Federal/State Mix

The Medicaid program is financed by a unique federal and state partnership through which the federal government pays from 50% to 77% of the costs of services provided to Medicaid recipients. The technical term for this rate is the federal medical assistance percentage (FMAP) and it is the percentage of federal reimbursement a state receives based on a formula that compares a state’s personal income to the national aver-

age for three preceding years. The least wealthy states qualify for the 77% matching rate, the wealthiest states qualify for the 50% rate, while others fall in between (see table). Technically, Medicaid is a reimbursement program which means that the states must spend funds for medical assistance first. Then the federal government reimburses the states for their eligible Medicaid expenditures at their respective FMAP. For example, if a state spends \$100 for eligible Medicaid services and its FMAP is 50%, the federal government would reimburse the state \$50. The net effect is that the state contributes \$50 and the federal government contributes \$50. According to the U.S. Department of Health and Human Services, Medicaid spending nationally will total an estimated \$306 billion in fiscal year 2005. Of this amount, about \$132 billion will be state funds and \$174 billion will be federal funds. In fact, Medicaid is so large that it is the source of 43% of the all of the federal grant dollars given to the states.

Mandatory vs. Optional Services

In every state that participates in Medicaid, federal guidelines require the provision of mandatory services to cover certain very low-income children, pregnant women, and some elderly and disabled people (see table on mandatory services). Most importantly, these Medicaid services must be provided at no cost to children and pregnant women, and with nominal co-payments for adults. The federal government interprets this to mean no more than a \$3 co-payment. No premiums are charged and no deductibles have to be met before coverage begins. Each state also has the discretion to provide other optional medical services beyond those mandated by the federal government (see table on optional services).

Although the federal government provides guidelines for the states to follow, each state has the authority to administer their own program by establishing eligibility standards, determining the type, amount, duration and scope of services, and setting the rate of payment for services. This discretion allows states some control over their spending obligations. For example, some states limit the number of prescriptions, inpatient hospital days, and various therapies a patient can receive each month.

Federal Actions, State Reactions

In recognition of the recent slowdown in the economy, in 2003 Congress temporarily increased the federal reimbursement rate for eligible Medicaid costs. The rate for states was increased by 3 percentage points for the last two quarters of federal fiscal year 2003 and the first three quarters of federal fiscal year 2004. However, that fiscal relief was

Mandatory Medicaid Services *
Inpatient hospital care
Outpatient hospital care
Rural health clinic and federally qualified health center ambulatory services
Laboratory and x-ray services
Skilled nursing and home health services for individuals 21 years of age and older
Early and periodic screening, diagnosis and treatment for individuals under 21 years of age
Family planning services and supplies
Physician services
Nurse-midwife services
Nurse Practitioner
Home Health
- Nursing Services
- Home Health Aide
- Medical supplies, equipment and appliances
- Physical, occupational and speech therapies; audiology services
Ambulatory services to presumptively-eligible pregnant women
Pregnancy-related services and services for other conditions that might complicate pregnancy
Emergency Hospital Services
Medical and Surgical services performed by a dentist
<small>* Reported by the Department of Public Aid, fiscal year 2003.</small>

short-lived. The president’s proposed budget for fiscal year 2006 recommends reducing federal spending on Medicaid by limiting payments, reducing the federal matching rate, and restricting the use of intergovernmental transfers (IGTs) - a financing mechanism states have used to gain additional federal funds to help pay for Medicaid services.

Nationally, groups such as the National Governors Association and the National Conference of State Legislatures are

opposed to the federal budget reductions and are arguing against cuts in federal funding and for greater state flexibility in administering Medicaid. In the mean time, in light of the double-digit growth in Medicaid costs, most states are taking action to try to control program costs. According to the Kaiser Commission on Medicaid and the Uninsured, every state implemented at least one new Medicaid cost containment strategy in fiscal year 2004. Forty-three states lowered drug costs (by limiting monthly prescriptions, expanding preferred drug lists, etc.), 47 states reduced/froze provider payments, 15 states made it tougher for people to enroll, 9 cut benefits and 9 increased patient co-payments.

Several states have taken dramatic steps in an attempt to control Medicaid expenditures. For example, in response to continuing fiscal difficulties, Oregon amended its Medicaid program by reducing benefits, increasing premiums and cost sharing, capping enrollment for some existing adult beneficiaries, and eliminating its medically needy program. It is estimated that over 100,000 adults were affected by these changes including an enrollment drop of over 46,000 in the Medicaid program and the loss of coverage for about 9,000 people under the medically needy program.

Texas imposed new renewal requirements that slashed 149,000 children from the Medicaid rolls and the state of Washington eliminated coverage for 40,000 children. Georgia eliminated coverage for 7,500 low-income pregnant women, and Florida eliminated coverage of vision and hearing services for adults. Texas also cut out podiatry, psychological counseling and visits to chiropractors.

Perhaps the most dramatic change is occurring in Tennessee this year. TennCare, Tennessee's experiment with exclusively using managed care principles to provide health care to Medicaid eligibles, was underfunded by hundreds of millions of dollars. Legislation was passed including controls on pharmacy spending, cost sharing with enrollees and benefit limits. Faced with legal chal-

lenges and consent decrees, the governor announced that approximately 323,000 adult TennCare participants will be unenrolled in the next 12 months in an attempt to make the program financially viable.

Missouri's legislature recently voted to shrink the Medicaid program by ending reimbursement for dental care, eyeglasses,

include the Department on Aging, Department of Children and Family Services, Department of Corrections, Department of Human Services, Department of Revenue, Illinois Council on Developmental Disabilities, Illinois State Board of Education, University of Illinois, City of Chicago (schools; local public health departments), counties (local public health departments; juvenile

Optional Medicaid Services *	
Podiatric services	Care of individuals 65 years of age or older in institutions of mental disease
Optometric services	- Inpatient hospital services
Chiropractic services	- Nursing facility services
Other practitioner services	Home and community based services through federal waivers
Speech, hearing and language therapy services	Services provided through a health maintenance organization
Eyeglasses	Services provided through a prepaid health plan
Screening services	Special tuberculosis-related services
Dental services	Program of All-Inclusive Care for the Elderly (PACE)
- Dentures	Rehabilitative services (Medicaid rehabilitation option)
- Emergency services	Christian Science sanatoria and nursing services
Clinic services (Medicaid clinic option)	Case management services (targeted case management)
Physical therapy services	Nursing facility services for individuals under 21 years of age
Occupational therapy services	Nurse anesthesia services
Inpatient psychiatric services for individuals under 21 years of age	Hospice care services
Intermediate care facility services for the mentally retarded (ICF/MR)	Transplants
Prosthetic devices (including durable medical equipment/supplies)	Transportation
Diagnostic services (including durable medical equipment/supplies)	Emergency hospital services
Preventive services (including durable medical equipment/supplies)	Prescribed drugs

* Reported by the Department of Public Aid, fiscal year 2003.

artificial limbs and hospice care, and requiring moderate-income families to pay monthly premiums equal to 5 percent of their incomes to enroll their children in the State Children's Health Insurance Program (SCHIP). Government officials estimate that 27,700 mostly aged or disabled persons will lose coverage when the bill takes effect in August 2005 and that an additional 23,250 persons will have to spend more to keep their coverage. It is also estimated that perhaps as many as one-half of the 47,400 children in SCHIP will lose coverage because their families will not be able to afford the monthly premiums.

Medicaid in Illinois

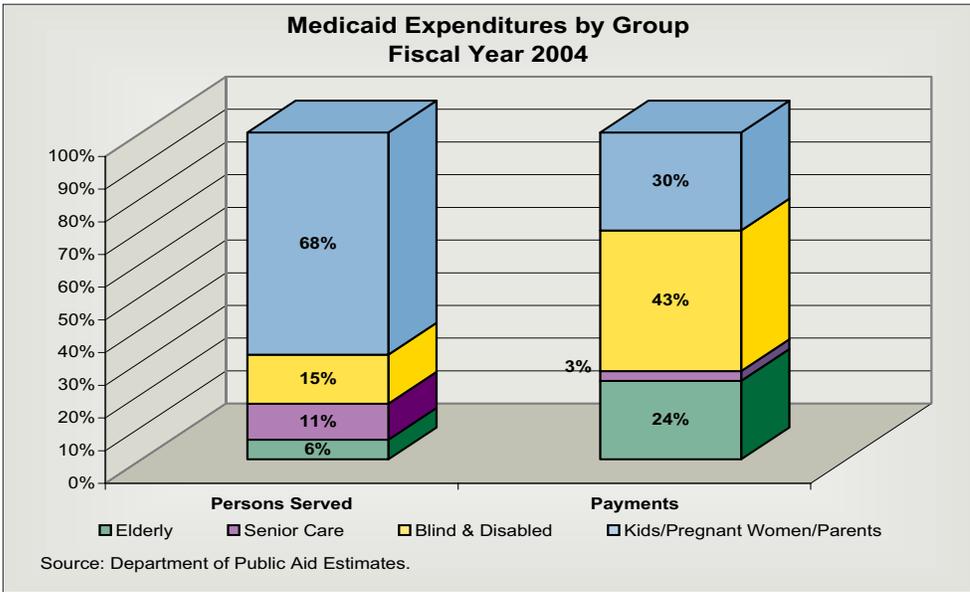
The Illinois Department of Public Aid (DPA) is the single state agency for the Medicaid program which means that DPA serves as the state source for submitting claims to the federal government and for receiving federal reimbursements. However, there are many other Illinois governmental entities (counties, school districts, other state agencies, etc.) that administer portions of the program. Some of the other entities

probation agencies), and local education agencies (school districts and special education cooperatives).

In total, appropriated Medicaid expenditures in Illinois reached slightly over \$10 billion in fiscal year 2004 (see *Focus on Spending*). The largest portion of that spending (56.7%) came from the General Revenue Fund, but significant contributions came from the Cook County Provider Trust Fund (17.4%), the Medicaid Provider Relief Fund (8.1%), and the Long-Term Care Provider Fund (7.7%) (see *Focus on Revenue*). Smaller shares were provided by the Drug Rebate Fund (3.9%) and the Tobacco Settlement Recovery Fund (2.9%).

An average of 1.8 million people were covered per month (over 2 million unique individuals per year). Children, non-disabled, low-income adults (mainly adults with children receiving cash assistance), and low-income pregnant women were the largest group representing 68% of the people who received Medicaid services at some point in fiscal year 2004. The second largest group was the blind and disabled at

Cover Story continued on page 12

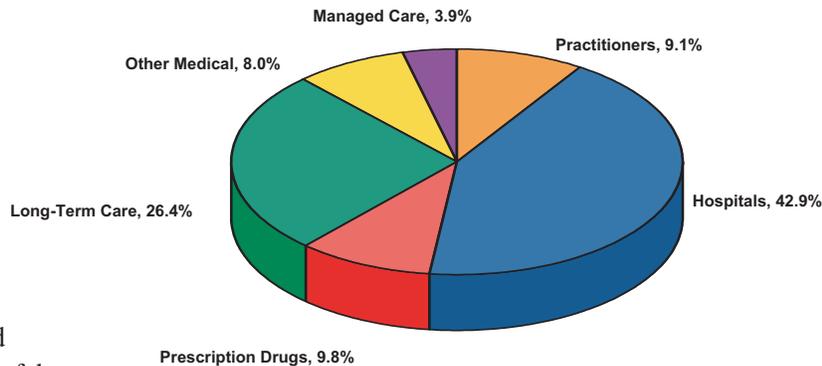


15% followed by Senior Care participants (prescription drug assistance) at 11% and low-income elderly persons with 6%.

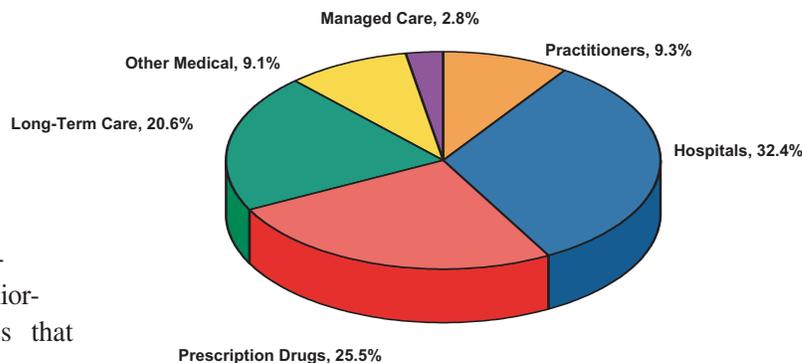
Although children as a group are part of the largest component of beneficiaries in Illinois, they do not account for the majority of the spending. The elderly, blind and disabled that are in poorer health and need more services comprise 32% of the beneficiaries but account for 70% of the spending. It is the elderly, blind and disabled that receive the greatest proportion of Medicaid funds (see chart).

Illinois, like other states, has seen its health care expenditures increase substantially in the past few years. The continued growth in the state's Medicaid program has absorbed many of the new revenues available in each fiscal year. This growth can be attributed primarily to health care cost increases, programmatic expansions (such as KidCare and Senior-Care), and economic difficulties that increase participation.

Share of Medicaid Liabilities by Category, Fiscal Year 1995
Department of Public Aid



Share of Medicaid Liabilities by Category, Fiscal Year 2004
Department of Public Aid



One way to measure growth in Medicaid is to look at changes in the program's liabilities over time. The liabilities are essentially the amount incurred for services provided within a fiscal year. The liability amounts eliminate any double counting of expenditures that might occur in appropriations numbers and adjust for deferred liabilities under Section 25 (see sidebar). Looking back over the last 10 fiscal years, total Medicaid liabilities at the Department of Public Aid grew approximately 63% between fiscal years 1995 and 2004, a trend growth of approximately 5.6% a year. However, not all categories of Medicaid increased at the same rate. For example, prescription drugs increased almost 325% from fiscal year 1995 to 2004, while long-term care and hospitals grew 27.6% and 23.3%, respectively.

The accompanying graph shows the growth of Medicaid liabilities for four major categories, and along with the table on percent increases, illustrates that the sharpest increases have occurred in the 2000-2004 period. Consistent with the national trend, Medicaid grew at a relatively flat rate of 4.6% from 1995 to 1999, but led by sharp increases by prescription drugs, liabilities grew 37.7% from 2000 to 2004. Surprisingly, the liability for long-term care has not increased as sharply in Illinois, and that may be attributable to the efforts of other state programs. For example, the Department on Aging administers the Community Care Pro-

Cover Story continued on page 13

Cover Story concluded from page 12

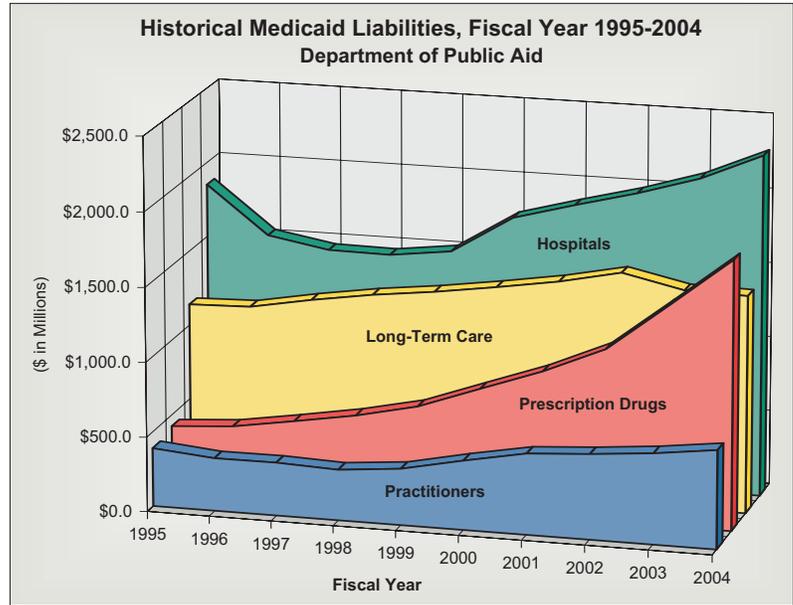
gram for persons age 60 and older that provides home and community-based services as an alternative to premature nursing home placements. The Department of Human Services operates the Home Services Program for persons with severe disabilities under the age of 60 that provides homemaker services and personal assistants to try to keep them from moving into nursing homes. There is also a community reintegration component to help disabled persons who live in nursing homes to move back into communities with the services and support they need.

Future Uncertain

The future is not certain, but analysts have noted that the baby boomer generation is approaching retirement age and that this growth in the elderly population may strain the social security system as well as the Medicare and Medicaid programs. State governments and the federal government will continue to face the problem of paying for increasing medical costs. The actual dollar

impact of Part D of the Medicare program on state budgets will not be known for some time, but states need to account for its impact on the Medicaid program and for the possibility they may have to make payments to the federal government starting in 2006. The Medicaid funding/spending issue needs to be faced head on, hopefully without increasing the liabilities deferred to future fiscal years. ■

	Percent Change FY 1995-99	Percent Change FY 2000-04
Practitioners	-3.57%	42.10%
Hospitals	-18.59%	29.71%
Prescription Drugs	60.12%	117.51%
Long Term Care	17.41%	3.94%
Total	4.63%	37.68%

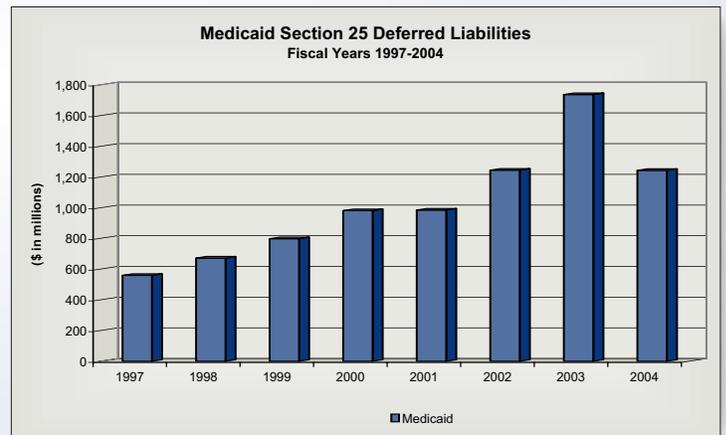


Deferred Medicaid Liabilities Under Section 25

Not all Medicaid claims are paid for in the fiscal year in which they are incurred. Section 25 of the State Finance Act provides that expenditures for liabilities incurred within a given fiscal year be paid from that same year's appropriation, but exceptions are made for liabilities such as Medicaid, state employee and retiree health insurance and certain spending from the Department of Public Health.

Payments made under these exceptions to Section 25 are similar to normal lapse period spending (the sixty days following the end of the state's fiscal year) in that both types of payments are for liabilities incurred before the end of the fiscal year, but paid after June 30th. However, on a cash basis, normal lapse period spending is charged to an appropriation from the fiscal year in which the liability arose, but payments made for items covered by the exceptions to Section 25 are made from a subsequent year's appropriation (and, therefore, are not included in lapse period spending).

For the past several years, significant amounts of Medicaid liabilities have been carried over into the next fiscal year. Deferred Medicaid liabilities more than tripled growing from \$560 million in fiscal year 1997 to just over \$1.7 billion in fiscal year 2003. In fiscal year 2004 Medicaid deferred liabilities decreased to \$1.2 billion, but that followed short-term borrowing of \$850 million in June 2004 to pay Medicaid bills that otherwise would have carried over into fiscal year 2005.



Local Government Line concluded from page 6

Historical data indicate that the average annual growth rate of all government expenditures have been 6.9% since fiscal year 2000. The largest categories of growth in fiscal year 2003 were Depreciation (70.2%), Social Services (12%), and Transportation (9.6%). For historical reference, in fiscal year 2002, the largest categories of growth were Corrections at 10%, and Judiciary/Legal and Public Safety both at 8%.

Fiscal Year 2003 Governmental Fund Balance

The fiscal year 2003 ending fund balance for local governments was \$11.8 billion, a \$4.6 million decrease from the beginning fund balance. For a second year in a row, local government reporting indicates a decrease in all governments ending year fund balance. In addition, counties, municipalities, townships, libraries, and special purpose districts reported decreased ending fund balances from their beginning fund balance.

The Office of the Comptroller researched the topic of fund balances as an indicator of fiscal health or stress and the legality of “high” fund balances. A healthy fund balance is a leading indicator of sound fiscal health and various local government organizations and associations advise and offer recommendations regarding fund balances. The Government Finance Officers Association (GFOA) recommends that local governments, “at minimum ... maintain an unreserved fund balance in the General Fund of no less than 5 – 15% of general revenues or no less than two months of regular expenditures.”

In addition, it is also recommended that units of government dependent on property taxes maintain a fund balance equal to three to six months of their spending. A local government’s reliance on property taxes, the timeframe in which local governments receive state or county revenue, and the diversity of its revenue sources are some of the factors to be considered in

determining the amount a unit of local government should retain in its fund balance.

The Comptroller’s Annual Financial Report collects information regarding local governments’ spending and fund balances. The ratio of fund balance to expenditures represents the amount of general and special fund expenditures divided by the fund balance. The ratio of fund balance to expenditures for all governments in fiscal year 2003 was 59%, representing a seven-month reserve. It should also be noted that each type of government, with the exception of park districts, reported a lower ratio of fund balance to expenditures, compared to fiscal year 2002.

Log on to the Comptroller’s website at www.ioc.state.il.us for more information on the Fiscal Year 2003 Fiscal Responsibility Report Card. The Local Government Division web page also contains information regarding local government reporting requirements, annual financial reporting, and Comptroller Connect Internet Filing. ■

Focus On Revenue continued from page 8

Matching federal funds are drawn, and Medicaid payments are made to the county’s hospitals and clinics. In fiscal year 2004, Cook County paid \$827 million to the state to support the Medicaid program and that amount was matched by \$936 million in federal aid deposited into the County Provider Trust Fund. These deposits allowed Medicaid payments of over \$1.8 billion from this fund.

The University of Illinois IGT is based on federal regulations that set maximum payments to state-owned hospitals. A contribution from the University of Illinois, an annual \$45 million General Revenue Fund transfer, and the federal financial participation are deposited into the University of Illinois Hospital Services Fund. This balance is then used for reimbursement to the University of Illinois Hospital, a world-class teaching hospital

on Chicago’s near west side, for hospital and pharmacy services. In fiscal year 2004, \$77 million from the University of Illinois plus a \$45 million transfer from the General Revenue Fund were matched by \$125 million in federal aid. These monies allowed payment of \$173 million to the University of Illinois and an \$81 million transfer to the General Revenue Fund.

Other Assessments and IGTs

The assessment on nursing homes and ICFs/MR started at 15% of prior year receipts in fiscal year 1992 and has since been replaced with a quarterly \$1.50 per-bed per-day nursing home license fee and an assessment of 6% of ICFs/MR revenue. These fees have generated around \$55 million annually into the Long Term Care Provider Fund and

between \$15 and \$20 million annually into the Care Provider Fund for Persons with Developmental Disability.

Starting in fiscal year 1994, cigarette revenues not assigned to other funds have been deposited into the Long Term Care Provider Fund. In fiscal year 2004, counties that operate nursing facilities agreed to contribute to the Medicaid costs of residents through IGTs. These agreements reduced the gap between Medicare and Medicaid rates for these nursing homes. After the transactions were completed, the nursing homes have been paid 94% of Medicare rates, kept monies equal to 110% of regular Medicaid rates, and have also contributed to care for other county residents.

In fiscal year 2004, the Long Term Care Provider Fund received \$54 million from

[Focus on Revenue](#) continued on back page

Vital Statistics

The Heartbeat of Illinois' Finance

Economic Revenues Improve – Fiscal Difficulties Continue

Through three quarters of fiscal year 2005, economic driven revenues have shown improvement but are still unable to offset declines from one-time revenues last fiscal year. As a result, the state's backlog of unpaid bills hovered between \$1.2 and \$1.7 billion throughout the third quarter before improving at the end of the period due to short-term borrowing revenue.

Base Revenues

Total base revenues into the General Funds were \$18.940 billion, a decrease of \$786 million or 4.0% below nine months revenues last year. Federal sources declined \$668 million or 16.7% while state sources decreased \$118 million or 0.8%. The decline in federal sources is due primarily to the federal relief of last year when the state received a \$422 million relief grant and Medicaid reimbursement rates were increased. Also, this year's lowered Medicaid spending has resulted in less federal reimbursement.

State sources decreased as cash receipts were up \$888 million or 6.9% and transfers in decreased \$1.006 billion or 34.9%. Transfers are down due to the aforementioned Pension Contribution Fund, a one-time source that provided \$1.395 billion. This decline was partially offset by a \$433 million transfer from the

Medicaid Provider Relief Fund to help pay for the June 2004 short-term borrowing. Other increases include the Lottery Fund, chargeback transfers and legislated (fund sweep) transfers.

Base Expenditures

Through March, base General Funds spending totaled \$19.858 billion, \$558 million or 2.9% above the previous year. When repayment for short-term borrowing in fiscal year 2004 is factored in, fiscal year 2005 expenditures in the first nine months were actually \$72 million below last year. General Funds appropriations are up \$316 million or 1.3% over last year.

Medicaid grant spending by the Department of Public Aid of \$4.045 billion is down \$415 million or 9.3% from last year. The short-term borrowing for Medicaid spending in June 2004 accelerated spending from the beginning of fiscal year 2005 to the end of fiscal year 2004. This contributed to a \$505 million decrease in Medicaid appropriations for the Department of Public Aid.

Other areas of spending which decreased from last year include higher education operations (down \$129 million or 9.3%), teachers retirement grants (down \$54 million or 7.3%), and higher education grants (down \$8 million or 1.3%).

What Lies Ahead?

All potential revenues will be critical over the next three months in order for the state to pay back approximately \$770 million for the March 2005 short-term borrowing by the beginning of June. Additionally, the state must use \$276 million to replenish the Budget Stabilization Fund by June 30th. While the pace of spending on Medicaid grants is expected to fall as the DPA exhausts its fiscal year 2005 appropriations, the state will likely still be holding a significant amount of General Funds bills at the end of this fiscal year.

As budget makers work to craft the fiscal year 2006 budget in the next few months, the decisions made will have a significant impact on the fiscal position of the state. The state is likely to end the fiscal year with a small General Funds balance, a significant accumulated balance of bills with a first claim to lapse period revenues, and a large number of Medicaid bills held at DPA. Traditional spending pressure, such as pensions, health care and education, continue to make demands on limited state resources. Without a budget plan that includes a significant amount of revenues early in the fiscal year, payment delays will continue well into fiscal year 2006.

A more detailed analysis of the third quarter of fiscal year 2005 can be found in the April 2005 issue of the Comptroller's Quarterly that is available at www.ioc.state.il.us. ■

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

	Seven Months			
	Jan. 2005	FY 2005	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 251	\$ 182	\$ (135)	(42.6) %
Revenues	2,299	14,966	(668)	(4.3)
Expenditures	2,314	14,912	(736)	(4.7)
Ending Balance	\$ 236	\$ 236	\$ (67)	(22.1) %
General Revenue Fund				
Available Balance	\$ 25	\$ 24	\$ 23	N/A %
Revenues	1,970	12,658	(699)	(5.2)
Expenditures	1,989	12,676	(650)	(4.9)
Ending Balance	\$ 6	\$ 6	\$ (26)	(81.3) %
Common School Special Account Fund				
Available Balance	\$ 76	\$ 12	\$ (50)	(80.6) %
Revenues	148	981	32	3.4
Expenditures	140	909	8	0.9
Ending Balance	\$ 84	\$ 84	\$ (26)	(23.6) %
Education Assistance Fund				
Available Balance	\$ 115	\$ 124	\$ (85)	(40.7) %
Revenues	113	700	21	3.1
Expenditures	101	697	(52)	(6.9)
Ending Balance	\$ 127	\$ 127	\$ (12)	(8.6) %
Common School Fund				
Available Balance	\$ 35	\$ 22	\$ (22)	(50.0) %
Revenues	249	1,623	12	0.7
Expenditures	266	1,627	(5)	(0.3)
Ending Balance	\$ 18	\$ 18	\$ (5)	(21.7) %

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

GENERAL FUNDS REVENUES
(Dollars in Millions)

	Seven Months			
	Jan. 2005	FY 2005	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 909	\$ 4,246	\$ 276	7.0 %
Corporate	21	440	(23)	(5.0)
Total, Income Taxes	\$ 930	\$ 4,686	\$ 253	5.7 %
Sales Taxes	589	3,922	124	3.3
Other Sources:				
Public Utility Taxes	64	576	(23)	(3.8)
Cigarette Taxes	33	283	50	21.5
Inheritance Tax (gross)	29	166	45	37.2
Liquor Gallonage Taxes	12	88	10	12.8
Insurance Taxes and Fees	5	173	18	11.6
Corporation Franchise				
Tax and Fees	18	105	23	28.0
Investment Income	7	34	1	3.0
Cook County IGT	0	193	4	2.1
Riverboat Gambling Taxes	6	90	15	20.0
Other	42	247	67	37.2
Total, Other Sources	\$ 216	\$ 1,955	\$ 210	12.0 %
Total, Cash Receipts	\$ 1,735	\$ 10,563	\$ 587	5.9 %
Transfers In:				
Lottery Fund	\$ 44	\$ 324	\$ 23	7.6 %
State Gaming Fund	45	363	8	2.3
Pension Contribution Fund	0	0	(1,113)	(100.0)
Other Funds	27	883	535	153.7
Total, Transfers In	\$ 116	\$ 1,570	\$ (547)	(25.8) %
Total, State Sources	\$ 1,851	\$ 12,133	\$ 40	0.3 %
Federal Sources:				
Cash Receipts	\$ 448	\$ 2,501	\$ (787)	(23.9) %
Transfers In	0	56	29	107.4
Total, Federal Sources	\$ 448	\$ 2,557	\$ (758)	(22.9) %
Total, Base Revenues	\$ 2,299	\$ 14,690	\$ (718)	(4.7) %
Short-Term Borrowing	0	0	0	0.0
Transfer from				
Budget Stabilization Fund	0	276	50	22.1
Total, Revenues	\$ 2,299	\$ 14,966	\$ (668)	(4.3) %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Seven Months			
	Jan. 2005	FY 2005	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 403	\$ 3,301	\$ (506)	(13.3) %
Elem. & Sec. Education:				
State Board of Education	377	3,024	166	5.8
Teachers Retirement	81	528	(52)	(9.0)
Total, Elem. & Sec. Education	\$ 458	\$ 3,552	\$ 114	3.3 %
Human Services	240	1,782	156	9.6
Higher Education	41	403	(14)	(3.4)
All Other Grants	101	771	31	4.2
Total, Awards and Grants	\$ 1,243	\$ 9,809	\$ (219)	(2.2) %
Operations:				
Other Agencies	\$ 435	\$ 2,908	\$ 64	2.3 %
Higher Education	143	950	(142)	(13.0)
Total, Operations	\$ 578	\$ 3,858	\$ (78)	(2.0) %
Regular Transfers Out	\$ 223	\$ 2,399	\$ 1,346	127.8 %
All Other	0	51	36	240.0 %
Vouchers Payable Adjustment	\$ 270	\$ (1,205)	\$ (1,466)	N/A
Total, Base Expenditures	\$ 2,314	\$ 14,912	\$ (381)	(2.5) %
Transfers to Repay GRF Short-Term Borrowing*	0	0	(355)	(100.0)
Total, Expenditures	\$ 2,314	\$ 14,912	\$ (736)	(4.7) %

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

	Seven Months			
	Jan. 2005	FY 2005	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 333	\$ 2,104	\$ 875	71.2 %
Other Personal Services	14	106	(29)	(21.5)
Total, Personal Services	\$ 347	\$ 2,210	\$ 846	62.0 %
Contribution Retirement	32	264	(93)	(26.1)
Contribution Social Security	15	100	11	12.4
Contribution Group Insurance	83	577	79	15.9
Contractual Services	40	294	(24)	(7.5)
Travel	1	11	1	10.0
Commodities	10	67	(2)	(2.9)
Printing	1	4	0	0.0
Equipment	1	20	7	53.8
Electronic Data Processing	3	24	(7)	(22.6)
Telecommunications	4	32	(3)	(8.6)
Automotive Equipment	2	11	0	0.0
Other Operations	39	244	(893)	(78.5)
Total, Operations	\$ 578	\$ 3,858	\$ (78)	(2.0) %

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

	Seven Months			
	Jan. 2005	FY 2005	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 305	\$ 1,855	\$ 112	6.4 %
All Other	72	1,169	54	4.8
Public Aid	403	3,301	(506)	(13.3)
Human Services	240	1,782	156	9.6
Higher Education:				
Student Assistance Commission	36	213	(10)	(4.5)
Community College Board	4	173	2	1.2
Other	1	17	(6)	(26.1)
Teacher's Retirement	81	528	(52)	(9.0)
Children and Family Services	48	374	11	3.0
Aging	20	148	9	6.5
Revenue	0	10	(12)	(54.5)
All Other	33	239	23	10.6
Total, Awards and Grants	\$ 1,243	\$ 9,809	\$ (219)	(2.2) %

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

	Eight Months				
	Feb. 2005	FY 2005	Change From Prior Year		
			\$	%	
Total General Funds					
Available Balance	\$ 236	\$ 182	\$ (135)	(42.6)	%
Revenues	1,674	16,640	(1,028)	(5.8)	
Expenditures	1,748	16,660	(1,143)	(6.4)	
Ending Balance	\$ 162	\$ 162	\$ (20)	(11.0)	%
General Revenue Fund					
Available Balance	\$ 6	\$ 24	\$ 23	N/A	%
Revenues	1,438	14,096	(1,056)	(7.0)	
Expenditures	1,441	14,117	(1,028)	(6.8)	
Ending Balance	\$ 3	\$ 3	\$ (5)	(62.5)	%
Common School Special Account Fund					
Available Balance	\$ 84	\$ 12	\$ (50)	(80.6)	%
Revenues	113	1,094	37	3.5	
Expenditures	128	1,037	(27)	(2.5)	
Ending Balance	\$ 69	\$ 69	\$ 14	25.5	%
Education Assistance Fund					
Available Balance	\$ 127	\$ 124	\$ (85)	(40.7)	%
Revenues	55	754	14	1.9	
Expenditures	106	802	(46)	(5.4)	
Ending Balance	\$ 76	\$ 76	\$ (25)	(24.8)	%
Common School Fund					
Available Balance	\$ 18	\$ 22	\$ (22)	(50.0)	%
Revenues	262	1,884	14	0.7	
Expenditures	265	1,891	(5)	(0.3)	
Ending Balance	\$ 15	\$ 15	\$ (3)	(16.7)	%

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

GENERAL FUNDS REVENUES (Dollars in Millions)

	Eight Months				
	Feb. 2005	FY 2005	Change From Prior Year		
			\$	%	
Revenues:					
State Sources:					
Cash Receipts:					
Income Taxes:					
Individual	\$ 577	\$ 4,823	\$ 288	6.4	%
Corporate	29	469	(4)	(0.8)	
Total, Income Taxes	\$ 606	\$ 5,292	\$ 284	5.7	%
Sales Taxes	446	4,369	140	3.3	
Other Sources:					
Public Utility Taxes	99	675	(2)	(0.3)	
Cigarette Taxes	33	316	50	18.8	
Inheritance Tax (gross)	33	200	65	48.1	
Liquor Gallonage Taxes	11	99	14	16.5	
Insurance Taxes and Fees	14	186	18	10.7	
Corporation Franchise					
Tax and Fees	12	116	12	11.5	
Investment Income	6	41	4	10.8	
Cook County IGT	83	276	20	7.8	
Riverboat Gambling Taxes	3	93	16	20.8	
Other	33	280	66	30.8	
Total, Other Sources	\$ 327	\$ 2,282	\$ 263	13.0	%
Total, Cash Receipts	\$ 1,379	\$ 11,943	\$ 687	6.1	%
Transfers In:					
Lottery Fund	\$ 45	\$ 369	\$ 20	5.7	%
State Gaming Fund	10	372	(2)	(0.5)	
Pension Contribution Fund	0	0	(1,264)	(100.0)	
Other Funds	11	894	302	51.0	
Total, Transfers In	\$ 66	\$ 1,635	\$ (944)	(36.6)	%
Total, State Sources	\$ 1,445	\$ 13,578	\$ (257)	(1.9)	%
Federal Sources:					
Cash Receipts	\$ 224	\$ 2,725	\$ (848)	(23.7)	%
Transfers In	5	61	27	79.4	
Total, Federal Sources	\$ 229	\$ 2,786	\$ (821)	(22.8)	%
Total, Base Revenues	\$ 1,674	\$ 16,364	\$ (1,078)	(6.2)	%
Short-Term Borrowing	0	0	0	0.0	
Transfer from					
Budget Stabilization Fund	0	276	50	22.1	
Total, Revenues	\$ 1,674	\$ 16,640	\$ (1,028)	(5.8)	%

GENERAL FUNDS ANALYSIS OF EXPENDITURES (Dollars in Millions)

	Eight Months				
	Feb. 2005	FY 2005	Change From Prior Year		
			\$	%	
Expenditures:					
Awards and Grants:					
Public Aid	\$ 291	\$ 3,592	\$ (516)	(12.6)	%
Elem. & Sec. Education:					
State Board of Education	373	3,397	188	5.9	
Teachers Retirement	81	609	(53)	(8.0)	
Total, Elem. & Sec. Education	\$ 454	\$ 4,006	\$ 135	3.5	%
Human Services	226	2,008	152	8.2	
Higher Education	146	549	(10)	(1.8)	
All Other Grants	75	846	42	5.2	
Total, Awards and Grants	\$ 1,192	\$ 11,001	\$ (197)	(1.8)	%
Operations:					
Other Agencies	\$ 362	\$ 3,270	\$ 44	1.4	%
Higher Education	136	1,086	(158)	(12.7)	
Total, Operations	\$ 498	\$ 4,356	\$ (114)	(2.6)	%
Regular Transfers Out	\$ 167	\$ 2,567	\$ 1,303	103.1	%
All Other	\$ 1	\$ 51	\$ 37	264.3	%
Vouchers Payable Adjustment	\$ (110)	\$ (1,315)	\$ (1,742)	N/A	
Total, Base Expenditures	\$ 1,748	\$ 16,660	\$ (713)	(4.1)	%
Transfers to Repay GRF Short-Term Borrowing*	0	0	(430)	(100.0)	
Total, Expenditures	\$ 1,748	\$ 16,660	\$ (1,143)	(6.4)	%

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

	Eight Months				
	Feb. 2005	FY 2005	Change From Prior Year		
			\$	%	
Personal Services:					
Regular Positions	\$ 301	\$ 2,405	\$ 1,002	71.4	%
Other Personal Services	14	120	(34)	(22.1)	
Total, Personal Services	\$ 315	\$ 2,525	\$ 968	62.2	%
Contribution Retirement	35	300	(109)	(26.7)	
Contribution Social Security	14	114	12	11.8	
Contribution Group Insurance	60	637	77	13.8	
Contractual Services	33	327	(22)	(6.3)	
Travel	1	12	1	9.1	
Commodities	9	75	(2)	(2.6)	
Printing	1	5	1	25.0	
Equipment	1	20	7	53.8	
Electronic Data Processing	2	26	(8)	(23.5)	
Telecommunications	3	36	(4)	(10.0)	
Automotive Equipment	1	12	0	0.0	
Other Operations	23	267	(1,035)	(79.5)	
Total, Operations	\$ 498	\$ 4,356	\$ (114)	(2.6)	%

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

	Eight Months				
	Feb. 2005	FY 2005	Change From Prior Year		
			\$	%	
State Board of Education:					
General State Aid	\$ 305	\$ 2,160	\$ 132	6.5	%
All Other	68	1,237	56	4.7	
Public Aid	291	3,592	(516)	(12.6)	
Human Services	226	2,008	152	8.2	
Higher Education:					
Student Assistance Commission	61	274	(10)	(3.5)	
Community College Board	83	256	4	1.6	
Other	2	19	(4)	(17.4)	
Teacher's Retirement	81	609	(53)	(8.0)	
Children and Family Services	37	411	35	9.3	
Aging	23	171	12	7.5	
Revenue	1	11	(16)	(59.3)	
All Other	14	253	11	4.5	
Total, Awards and Grants	\$ 1,192	\$ 11,001	\$ (197)	(1.8)	%

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

	Nine Months			
	Mar. 2005	FY 2005	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 162	\$ 182	\$ (135)	(42.6) %
Revenues	4,104	20,744	792	4.0
Expenditures	3,963	20,623	693	3.5
Ending Balance	\$ 303	\$ 303	\$ (36)	(10.6) %
General Revenue Fund				
Available Balance	\$ 3	\$ 24	\$ 23	N/A %
Revenues	3,751	17,848	727	4.2
Expenditures	3,643	17,761	794	4.7
Ending Balance	\$ 111	\$ 111	\$ (44)	(28.4) %
Common School Special Account Fund				
Available Balance	\$ 69	\$ 12	\$ (50)	(80.6) %
Revenues	138	1,232	47	4.0
Expenditures	137	1,174	(9)	(0.8)
Ending Balance	\$ 70	\$ 70	\$ 6	9.4 %
Education Assistance Fund				
Available Balance	\$ 76	\$ 124	\$ (85)	(40.7) %
Revenues	110	864	41	5.0
Expenditures	101	903	(43)	(4.5)
Ending Balance	\$ 85	\$ 85	\$ (1)	(1.2) %
Common School Fund				
Available Balance	\$ 15	\$ 22	\$ (22)	(50.0) %
Revenues	287	2,172	21	1.0
Expenditures	265	2,157	(3)	(0.1)
Ending Balance	\$ 37	\$ 37	\$ 2	5.7 %

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

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Nine Months			
	Mar. 2005	FY 2005	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 453	\$ 4,045	\$ (415)	(9.3) %
Elem. & Sec. Education:				
State Board of Education	623	4,020	221	5.8
Teachers Retirement	81	690	(54)	(7.3)
Total, Elem. & Sec. Education	\$ 704	\$ 4,710	\$ 167	3.7 %
Human Services	237	2,245	175	8.5
Higher Education	65	613	(8)	(1.3)
All Other Grants	90	936	26	2.9
Total, Awards and Grants	\$ 1,549	\$ 12,549	\$ (55)	(0.4) %
Operations:				
Other Agencies	\$ 418	\$ 3,688	\$ 65	1.8 %
Higher Education	174	1,260	(129)	(9.3)
Total, Operations	\$ 592	\$ 4,948	\$ (64)	(1.3) %
Regular Transfers Out	\$ 325	\$ 2,892	\$ 1,493	106.7 %
All Other	\$ 1	\$ 52	\$ 38	271.4 %
Vouchers Payable Adjustment	\$ 731	\$ (583)	\$ (854)	N/A
Total, Base Expenditures	\$ 3,198	\$ 19,858	\$ 558	2.9 %
Transfers to Repay GRF Short-Term Borrowing	0	0	(630)	(100.0)
Cash Flow Transfer - Hospital Provider Fund	765	765	765	N/A
Total, Expenditures	\$ 3,963	\$ 20,623	\$ 693	3.5 %

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

	Nine Months			
	Mar. 2005	FY 2005	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 278	\$ 2,683	\$ 1,102	69.7 %
Other Personal Services	15	134	(39)	(22.5)
Total, Personal Services	\$ 293	\$ 2,817	\$ 1,063	60.6 %
Contribution Retirement	56	355	(94)	(20.9)
Contribution Social Security	14	128	13	11.3
Contribution Group Insurance	86	723	72	11.1
Contractual Services	66	393	9	2.3
Travel	2	13	0	0.0
Commodities	10	86	(2)	(2.3)
Printing	0	5	0	0.0
Equipment	2	22	8	57.1
Electronic Data Processing	4	30	(7)	(18.9)
Telecommunications	7	43	(1)	(2.3)
Automotive Equipment	2	15	1	7.1
Other Operations	50	318	(1,126)	(78.0)
Total, Operations	\$ 592	\$ 4,948	\$ (64)	(1.3) %

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

	Nine Months			
	Mar. 2005	FY 2005	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 305	\$ 2,465	\$ 152	6.6 %
All Other	318	1,555	69	4.6
Public Aid	453	4,045	(415)	(9.3)
Human Services	237	2,245	175	8.5
Higher Education:				
Student Assistance Commission	60	334	(7)	(2.1)
Community College Board	1	257	0	0.0
Other	4	22	(1)	(4.3)
Teacher's Retirement	81	690	(54)	(7.3)
Children and Family Services	36	447	26	6.2
Aging	23	194	14	7.8
Revenue	1	12	(18)	(60.0)
All Other	30	283	4	1.4
Total, Awards and Grants	\$ 1,549	\$ 12,549	\$ (55)	(0.4) %

GENERAL FUNDS REVENUES
(Dollars in Millions)

	Nine Months			
	Mar. 2005	FY 2005	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 645	\$ 5,468	\$ 378	7.4 %
Corporate	238	707	60	9.3
Total, Income Taxes	\$ 883	\$ 6,175	\$ 438	7.6 %
Sales Taxes	554	4,923	181	3.8
Other Sources:				
Public Utility Taxes	130	805	(1)	(0.1)
Cigarette Taxes	33	350	50	16.7
Inheritance Tax (gross)	32	232	80	52.6
Liquor Gallonage Taxes	12	111	17	18.1
Insurance Taxes and Fees	39	225	(3)	(1.3)
Corporation Franchise Tax and Fees	17	133	13	10.8
Investment Income	7	47	5	11.9
Cook County IGT	23	299	19	6.8
Riverboat Gambling Taxes	12	105	16	18.0
Other	41	321	73	29.4
Total, Other Sources	\$ 346	\$ 2,628	\$ 269	11.4 %
Total, Cash Receipts	\$ 1,783	\$ 13,726	\$ 888	6.9 %
Transfers In:				
Lottery Fund	\$ 70	\$ 438	\$ 21	5.0 %
State Gaming Fund	45	418	14	3.5
Pension Contribution Fund	0	0	(1,395)	(100.0)
Other Funds	124	1,018	354	53.3
Total, Transfers In	\$ 239	\$ 1,874	\$ (1,006)	(34.9) %
Total, State Sources	\$ 2,022	\$ 15,600	\$ (118)	(0.8) %
Federal Sources	\$ 554	\$ 3,340	\$ (668)	(16.7) %
Total, Base Revenues	\$ 2,576	\$ 18,940	\$ (786)	(4.0) %
Short-Term Borrowing	765	765	765	N/A
Transfer from				
Budget Stabilization Fund	0	276	50	22.1
Cash Flow Transfer - Hospital Provider Fund	763	763	763	N/A
Total, Revenues	\$ 4,104	\$ 20,744	\$ 792	4.0 %

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

	Ten Months			
	Apr. 2005	FY 2005	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 303	\$ 182	\$ (135)	(42.6) %
Revenues	2,838	23,582	1,102	4.9
Expenditures	2,824	23,447	1,140	5.1
Ending Balance	\$ 317	\$ 317	\$ (173)	(35.3) %
General Revenue Fund				
Available Balance	\$ 111	\$ 24	\$ 23	N/A %
Revenues	2,483	20,331	1,007	5.2
Expenditures	2,486	20,247	1,188	6.2
Ending Balance	\$ 108	\$ 108	\$ (158)	(59.4) %
Common School Special Account Fund				
Available Balance	\$ 70	\$ 12	\$ (50)	(80.6) %
Revenues	139	1,372	56	4.3
Expenditures	138	1,313	13	1.0
Ending Balance	\$ 71	\$ 71	\$ (7)	(9.0) %
Education Assistance Fund				
Available Balance	\$ 85	\$ 124	\$ (85)	(40.7) %
Revenues	129	993	55	5.9
Expenditures	101	1,004	(13)	(1.3) %
Ending Balance	\$ 113	\$ 113	\$ (17)	(13.1) %
Common School Fund				
Available Balance	\$ 37	\$ 22	\$ (22)	(50.0) %
Revenues	254	2,425	77	3.3
Expenditures	266	2,422	46	1.9
Ending Balance	\$ 25	\$ 25	\$ 9	56.3 %

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

GENERAL FUNDS REVENUES
(Dollars in Millions)

	Ten Months			
	Apr. 2005	FY 2005	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 1,064	\$ 6,531	\$ 496	8.2 %
Corporate	221	929	134	16.9
Total, Income Taxes	\$ 1,285	\$ 7,460	\$ 630	9.2 %
Sales Taxes	560	5,483	216	4.1
Other Sources:				
Public Utility Taxes	82	886	(19)	(2.1)
Cigarette Taxes	33	383	50	15.0
Inheritance Tax (gross)	31	263	88	50.3
Liquor Gallonage Taxes	12	123	18	17.1
Insurance Taxes and Fees	50	276	(15)	(5.2)
Corporation Franchise Tax and Fees	11	144	13	9.9
Investment Income	7	55	8	17.0
Cook County IGT	29	327	(11)	(3.3)
Riverboat Gambling Taxes	13	118	16	15.7
Other	49	370	76	25.9
Total, Other Sources	\$ 317	\$ 2,945	\$ 224	8.2 %
Total, Cash Receipts	\$ 2,162	\$ 15,888	\$ 1,070	7.2 %
Transfers In:				
Lottery Fund	\$ 53	\$ 491	\$ 28	6.0 %
State Gaming Fund	35	453	14	3.2
Pension Contribution Fund	0	0	(1,395)	(100.0)
Other Funds	96	1,114	265	31.2
Total, Transfers In	\$ 184	\$ 2,058	\$ (1,088)	(34.6) %
Total, State Sources	\$ 2,346	\$ 17,946	\$ (18)	(0.1) %
Federal Sources	\$ 278	\$ 3,618	\$ (672)	(15.7) %
Total, Base Revenues	\$ 2,624	\$ 21,564	\$ (690)	(3.1) %
Short-Term Borrowing	0	765	765	N/A
Transfer from Budget Stabilization Fund	0	276	50	22.1
Cash Flow Transfer - Hospital Provider Fund	214	977	977	N/A
Total, Revenues	\$ 2,838	\$ 23,582	\$ 1,102	4.9 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Ten Months			
	Apr. 2005	FY 2005	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 223	\$ 4,268	\$ (702)	(14.1) %
Elem. & Sec. Education:				
State Board of Education	436	4,457	137	3.2
Teachers Retirement	81	771	27	3.6
Total, Elem. & Sec. Education	\$ 517	\$ 5,228	\$ 164	3.2 %
Human Services	187	2,432	146	6.4
Higher Education	38	651	(3)	(0.5)
All Other Grants	52	988	(6)	(0.6)
Total, Awards and Grants	\$ 1,017	\$ 13,567	\$ (401)	(2.9) %
Operations:				
Other Agencies	\$ 404	\$ 4,091	\$ 69	1.7 %
Higher Education	119	1,379	(99)	(6.7)
Total, Operations	\$ 523	\$ 5,470	\$ (30)	(0.5) %
Regular Transfers Out	\$ 273	\$ 3,165	\$ 1,563	97.6 %
All Other	\$ 1	\$ 53	\$ 38	253.3 %
Vouchers Payable Adjustment	\$ 246	\$ (337)	\$ (554)	N/A
Total, Base Expenditures	\$ 2,060	\$ 21,918	\$ 616	2.9 %
Transfers to Repay GRF Short-Term Borrowing	550	550	(455)	(45.3)
Cash Flow Transfer - Hospital Provider Fund	214	979	979	N/A
Total, Expenditures	\$ 2,824	\$ 23,447	\$ 1,140	5.1 %

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

	Ten Months			
	Apr. 2005	FY 2005	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 246	\$ 2,929	\$ 1,159	65.5 %
Other Personal Services	15	149	(44)	(22.8)
Total, Personal Services	\$ 261	\$ 3,078	\$ 1,115	56.8 %
Contribution Retirement	49	404	(45)	(10.0)
Contribution Social Security	13	141	13	10.2
Contribution Group Insurance	106	829	87	11.7
Contractual Services	32	424	1	0.2
Travel	2	15	1	7.1
Commodities	13	99	2	2.1
Printing	1	6	0	0.0
Equipment	2	24	9	60.0
Electronic Data Processing	2	32	(8)	(20.0)
Telecommunications	3	46	(2)	(4.2)
Automotive Equipment	2	17	1	6.3
Other Operations	37	355	(1,204)	(77.2)
Total, Operations	\$ 523	\$ 5,470	\$ (30)	(0.5) %

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

	Ten Months			
	Apr. 2005	FY 2005	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 305	\$ 2,771	\$ 30	1.1 %
All Other	131	1,686	107	6.8
Public Aid	223	4,268	(702)	(14.1)
Human Services	187	2,432	146	6.4
Higher Education:				
Student Assistance Commission	26	360	(2)	(0.6)
Community College Board	6	264	(2)	(0.8)
Other	6	27	1	3.8
Teacher's Retirement	81	771	27	3.6
Children and Family Services	19	466	11	2.4
Aging	23	217	17	8.5
Revenue	2	13	(17)	(56.7)
All Other	8	292	(17)	(5.5)
Total, Awards and Grants	\$ 1,017	\$ 13,567	\$ (401)	(2.9) %

Focus On Revenue concluded from page 14

license fees, \$304 million from cigarette taxes, \$115 million from county nursing home IGT agreements, and \$445 million in federal matching funds and spent \$800 million for skilled and intermediate long term care. The Care Provider Fund for Persons with Developmental Disability received \$20 million in fee revenues matched by \$20 million in federal aid and spent \$36 million for intermediate care facilities and alternative community programs through the Department of Human Services.

New Changes Possible

Revenues from special assessments and IGT agreements have provided vital funds to meet the ever growing needs of the Medicaid program. While assess-

ment fees dropped from a peak of \$454 million in fiscal year 1993 to \$74 million in fiscal year 2004, the new hospital assessment will restore this source for fiscal year 2005. Revenues from Cook County, the University of Illinois, and counties that operate nursing homes have steadily increased to \$1.018 billion in fiscal year 2004. When combined with federal matching funds and \$304 million from dedicated cigarette taxes, these revenue sources generated \$2.65 billion in Medicaid expenditures, \$173 million in reimbursements to U. of I. hospital plus additional reimbursements to county nursing homes, and \$509 million in support of Illinois' Medicaid program.

These successful Medicaid financing programs may be vulnerable to federal

budget cost cutting pressures. The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 attempted to tighten limits on these payments. Federal rules were promulgated to reduce the upper payment limit (UPL) applicable to non-state owned hospitals. Fortunately, a special provision protected Cook County's longstanding IGT arrangement with the state.

Pressure to reduce Medicaid reimbursements to the states is likely to be revisited during the current year. The president's fiscal year 2006 budget proposals include significant federal savings from new limits on Medicaid reimbursements both for IGTs and for provider taxes and assessments. ■

COMPTROLLER DANIEL W. HYNES

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



COMPTROLLER DANIEL W. HYNES

Capitol Building
Springfield, Illinois 62706

