

# Fiscal Focus

*A Publication of the Illinois State Comptroller*

**DANIEL W. HYNES**  
**COMPTROLLER**

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## Performance Management in Illinois

With the fiscal challenges currently faced by governments, the focus is on “doing more with less” and citizens are demanding that governments be held accountable for money spent on programs. More and more governments, such as the State of Illinois, are listening and responding by using performance management techniques to assist in the evaluation of the government’s programs and allocation of resources to help meet the government’s top priorities.

The use of performance management allows policy makers and citizens to evaluate the quality and effectiveness of government services through a set of “measures” or “activities.” Performance measures include inputs (resources used), outputs (program activities), efficiency measures (ratio of inputs to outputs), and outcomes (the actual results of programs and services). Performance measurement provides a format which allows government to review their overall goals and evaluate whether they were met in an efficient and effective manner by reviewing each program’s results and outcomes.

With this in mind, the General Assembly passed and on July 1, 2010, the Governor signed into law Public Act 96-958, which included

language providing a format for Illinois state government to establish priorities and evaluate state agencies’ performance in meeting those. Among other changes, the law requires the following:

- Starting with the fiscal year 2012 budget, the Governor (along with the appropriation committees of the General Assembly) will prioritize outcomes for each of the Governor’s agencies and will set goals needed to meet those outcomes.
- Each constitutional officer will need to provide similar lists of outcomes and goals for his or her agency.
- The Governor and other officers will “conduct performance analyses to determine which programs, strategies, and activities will best achieve those desired outcomes.”

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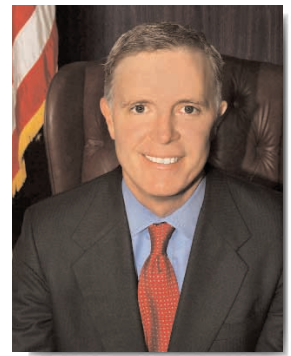
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### Comptroller’s FY 2009 Public Accountability Report Receives National Award

The Association of Governmental Accountants has awarded the Illinois Office of the Comptroller a Bronze Certificate of Achievement in Service Efforts and Accomplishments Reporting for its 2009 Public Accountability Report.

The organization highlighted the report’s overall presentation, clarity and broad scope of state agency participation in designating the award to Illinois. The AGA did note some potential areas of improvement and anticipated an even higher rating for future Illinois reports based on the strong showing demonstrated by the state in its first ever submission to the organization for its review and evaluation.

# FROM THE COMPTROLLER



## Dear Readers:

This issue of *Fiscal Focus* provides an overview of the Comptroller's *Illinois Public Accountability Report*, an activity that has been an important priority of this administration. The report's objective is to enhance the accountability of state government to the public it serves, and this project produces annual reports designed to illuminate how well state agencies are carrying out their statutory missions. Although the information and data are self-reported by state agencies, the format is based on Service Efforts and Accomplishments (SEA) reporting standards as recommended by the Governmental Accounting Standards Board (GASB).

Public accountability reporting can assist state government officials and the public at large by making government programs more results oriented. Public Act 96-958, signed this past summer, put into state law requirements formalizing the collection of productivity data that the Comptroller's office has been compiling and refining since the late 1990s. Now all constitutional officers and state agencies will need to define and prioritize their outcomes and goals and develop performance measures to be reported to this office for inclusion in the *Public Accountability Report* beginning with the fiscal year 2012 budget.

The fiscal year 2009 *Public Accountability Report* included coverage of 69 selected state agencies, an increase from the 19 agencies in the fiscal year 1999 report. This group of agencies contributed a significant part (\$53.84 billion or 92.5%) of the \$58.2 billion in appropriated expenditures for fiscal year 2009. Expanded participation is expected as the requirements of Public Act 96-958 are put into place.

As the state's budget deficit continues to impact all sectors of Illinois, this issue also takes a look at what is going on in some other states, such as the magnitude of their budget deficits, changes in state employment levels, and relative tax burdens. Obviously no easy solutions exist and the challenges we face are numerous.

Additionally, insofar as this is the last issue to be published in my tenure as Comptroller, I would like to take this opportunity to thank our readers for your support of the Office of the Comptroller, *Fiscal Focus* and its mission to provide insightful analysis of issues facing the state's budget. In my letter in my first *Fiscal Focus* in 1999, I argued for passage of legislation to create a Rainy Day Fund, warning that not saving some of the late 1990s surpluses would be "shortsighted and forgetful of the past." Although the creation of the Budget Stabilization Fund in 2001 is an accomplishment that I remain proud of, the fiscal challenges of the last few years have exceeded what anyone would have anticipated a decade ago. It is my hope that, as Illinois moves forward to extricate itself from its current dire circumstances, policymakers will remember to view economic downturns as inevitable as expansions and that long-term fiscal planning should be a critical component of any responsible budget process.

I would also like to take this opportunity to thank my entire staff including the *Fiscal Focus* editorial staff and its contributors for their hard work and perseverance during one of the most challenging eras in the history of state government. I am genuinely grateful for your service and professionalism.

Finally, I welcome Comptroller-elect Judy Baar Topinka and her incoming staff. Having served as a partner and fellow Constitutional Officer with the Honorable Ms. Topinka during her service as State Treasurer, I am more than confident that the office is being left in capable and responsible hands. Congratulations and Good Luck to Comptroller Topinka.

Sincerely,

Daniel W. Hynes  
State 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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- The Governor will recommend appropriations to the General Assembly based on the agreed “goals and priorities,” taking into account each agency’s effectiveness. A priority in recommendations is to be given to agencies that have shown a “focus on the prevention of waste and the maximum yield from resources.”
- Appropriations can be adjusted (through a supplemental) if a state agency fails to meet or exceeds goals.
- The Governor will need to create a process to measure progress towards the agencies goals and develop a statewide reporting system that compares the actual results of a program with the budgeted results.
- These performance measures and results will need to be submitted to the State Comptroller to be posted on that agency’s website and compiled for distribution in the Comptroller’s Public Accountability Report.
- The Governor’s budget office will need to post an online survey on their website beginning in February 2011. The survey will allow residents of the State to prioritize proposed spending measures for the next fiscal year.
- Senate Bill 3383 currently under consideration in the General Assembly would, among other changes, have the Governor create a commission to advise him on outcomes and goals for the state. The commission also would write an annual report on the Governor’s proposed outcomes and goals.

Setting goals and objectives and tying them to outcomes is not new to Illinois state government; the Comptroller has been reporting agency performance measures for over ten years (earlier Public Accountability Reports can be found at <http://www.ioc.state.il.us/office/PAR/Reports.cfm>). However, linking state agency performance to the appropriation process as set forth in this new law is a new development. Ideally, being able to link how much money (resources) the state provides to how well the state agency or program is performing (results) will restore the public’s confidence in state government.

### **Service Efforts and Accomplishments Reporting**

Service Efforts and Accomplishments (SEA) reporting has been advocated for years by the Governmental Accounting Standards Board

(GASB), the national agency designated to set standards for financial reporting by state and local governments. SEA reporting examines not only the financial resources allocated to programs, but also the programs’ missions, goals and objectives – plus quantifiable measurements of whether the programs have accomplished those goals and objectives. The Public Accountability Report, published by the Illinois Comptroller, uses SEA reporting to provide information on the results of government programs or services. It offers citizens, government, and public officials, measures, indicators, or metrics of the volume, quality, efficiency, and results of public services.

Although no standards have been issued regarding the performance measures for state governments to use, GASB issued in June 2010 the Suggested Guidelines for Voluntary Reporting to use in preparing SEA reports.

According to GASB, an SEA report should include four essential components that will help the user assess the efficiency and effectiveness by which the goals and objectives of government services are achieved. The four components are:

- Purpose and Scope – Why is the government providing a report? For whom? What information is the report to communicate? How will the reported information assist users in assessing performance and making decision? What programs or services are included? Why were they included?
- Major goals and objectives - What are the programs intending to accomplish? What is the program striving to achieve? What does a program expect to achieve?
- Key measures of SEA performance – Are the measures going to provide a basis for assessing the performance of the programs and services being reported and provide achievement of major goals and objectives?
- Discussion and analysis of results and challenges – Is there an analysis that identifies the challenges and achievements of its desired results?

GASB also suggests that an SEA report include six qualitative characteristics. In other

## **History of the Public Accountability Report**

- On April 2, 1997 the Chairman of the GASB and its Director of Research announced the designation of Illinois and its FY 1997 Comprehensive Annual Financial Report (CAFR), as a GASB SEA experimentation project.
- In 1998 the Illinois Office of the Comptroller established a SAMS procedure for SEA reporting and produced an SEA report, included in the state’s CAFR.
- In 1999 the Illinois Office of the Comptroller launched the Public Accountability Report (PAR) by which state agencies annually report on their SEA performance in carrying out their statutory missions. The Comptroller’s office produced the first formal PAR report with participation from 19 state agencies.
- The 2002 PAR is published as a separate report for the first time as participation in the project grows.
- The 2009 PAR includes data from 69 state agencies, reflecting 92.5% of appropriated expenditures. The report is submitted for the first time to the Association of Government Accountants for review and receives a Bronze Certificate of Achievement.
- In 2010, Public Act 96-958 is signed into law requiring performance measures and results for all state agencies to be submitted to the Office of the Comptroller for inclusion in the PAR.

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words, the information in the report should effectively communicate the performance to users. The six qualitative measures are:

- **Relevance** – Will the information in the report make a difference in a user’s assessment of performance?
- **Understandability** – Is the information in a format that is easy to understand and comprehend?
- **Comparability** – Are there established targets or measures from other entities that can be used to make a comparison on if the performance is improving, deteriorating, or remaining the same?
- **Timeliness** - Is the information issued soon enough after the reported events?
- **Consistency** – Are the measures being reported on in the same way and from period to period?
- **Reliability** – Can the measures be verified? Objective? Faithfully represented?

Prior to June 2010, GASB issued a special report that listed 16 suggested criteria to use in preparing SEA reports. It is evident from GASB’s recommendations that SEA performance reports should clearly state their purpose and scope, be issued on a regular and timely schedule, be available through a variety of mediums, include information on public involvement in establishing goals and objectives, and contain public perceptions of the quality and results of government programs and services.

### State Comptroller’s Commitment

In broad terms, the Public Accountability Report in Illinois seeks to:

- Make state government more results-oriented. Illinois state agencies should be judged on what they are accomplishing, rather than merely the volume of their activities. SEA reporting enables agencies to measure the effectiveness of the services they provide to taxpayers and to gauge how their outcomes and efficiency stack up against other entities offering the same services.
- Increase public awareness of the efficacy

of state government programs. Budget and financial information is generally available. Information about the success or failure of certain services or programs is made public from time to time on a piecemeal basis through audits or press accounts. The Public Accountability Report aims to make comprehensive information on the results of state government programs readily available to the public and decision makers in a simple, understandable format.

- **Facilitate informed decision-making** on the allocation of state resources. A comprehensive review of the results attained by state government programs can bring about an approach to budgeting that allows programs to be judged by the results they produce. SEA reporting reveals whether a program is performing up to expectations as laid out in its mission and goals. Also, by comparing resources and results to similar programs in other states or a national average (external benchmarking), SEA reporting can provide guidance as to whether programs are performing up to standard and whether additional resources are warranted or necessary.
- **Increase public accessibility** to information on state government programs. Accountability is impossible unless the public receives clear information on the activities of government and then can avail themselves of opportunities to have input into decision-making. The Public Accountability Report attempts to meet this need. Other avenues for both disseminating information and collecting input need to be explored. The Illinois Office of the Comptroller encourages all citizens to make suggestions for improving the reporting process.

### Current Status of the Public Accountability Report

Over the past few years the report has grown from a total of 19 state agencies participating in 1999 to 69 state agencies participating in 2009. The 2009 state agencies participating contributed a significant part (\$53.84 billion or 92.5%) of the \$58.2 billion in appropriated expenditures.

The information in the annual reports is compiled and self reported by the state agencies using a format established by the Comptroller’s Office. Overall, agencies provide indicator data for a four-year period, three years prior year actual and one year of current year targets. A closer look at the reporting format reveals information is collected for the following:

- A Program Name.** An agency completes a form for each major program. SEA reporting looks at programs and how well they perform, not specific line items spending.
- B Mission Statement.** Each agency provides a general statement of the program’s purpose or reason for being. It should be derived from state law or another authoritative source. A mission statement should define what the program aims to do, why and for whom.
- C Goals and Objectives.** Each program should have goals that give a broad, but clear statement of the general outcomes or results that it was designed to accomplish. Objectives provide more specific tasks to be accomplished to reach the program’s goals.
- D Input Indicators.** Inputs are budget items such as expenditures or staffing that represent what has been invested in the program in order to obtain the desired results.
- E Output Indicators.** These are more traditional activity measures that agencies have used for years to justify their budgets. They measure the quantity of the work produced by the program. What they do not measure is whether the work has accomplished its purpose.
- F Outcome Indicators.** Outcomes represent the accomplishments in SEA. These are the main focus of the SEA report, where agencies attempt to provide a few simple, quantifiable measures that sum up the program’s performance at a glance.
- G Efficiency/Cost Effectiveness Indicators.** These measures are intended to give an indication as to how efficiently a program delivers its outputs or its results. Usually, efficiency indicators are expressed as a ratio of costs per output or outcome that can then be compared from year to year or compared with other pro-

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<b>A Community Care Program</b>					
<b>B Mission Statement:</b>	To provide a cost-effective and accessible system of home and community-based services that provides alternatives to premature nursing home placement.				
<b>C Program Goals:</b>	1. The Department on Aging will maintain the Community Care Program (CCP) as an alternative to nursing home placement.				
<b>Objectives:</b>	a. CCP will maintain CCP costs at 33% of nursing home facility geriatric client costs by the end of the year. b. CCP will maintain 3% increase in the overall Adult Day Service hours provided from the previous year.				
	2. The Department on Aging will ensure that potential clients of the CCP have the opportunity to have face-to-face screening interviews with a certified case manager.				
	a. CCP will maintain that 99% of all pre-screens be conducted face-to-face with the older adult.				
<b>Source of Funds:</b>	General Revenue Fund		<b>Statutory Authority:</b> 20 ILCS 105/1-11		
	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2010</b>
	<i>Actual</i>	<i>Actual</i>	<i>Target/Projected</i>	<i>Actual</i>	<i>Target/Projected</i>
<b>D Input Indicators</b>					
* Total expenditures - all sources (in thousands) (a)	\$341,284.4	\$377,479.4	\$388,803.8	\$458,255.4	\$595,935.1
* Total expenditures - state appropriated funds (in thousands)	\$341,284.4	\$377,479.4	\$388,803.8	\$458,255.4	\$595,935.1
* Average monthly full-time equivalents	17.0	22.0	22.0	22.0	22.0
<b>E Output Indicators</b>					
* CCP average monthly caseload (b)	45,782	50,183	51,888	55,919	58,000
* Total assessments conducted	187,647	197,218	199,100	168,294	202,250
* Number of deinstitutionalizations conducted (c)	320.0	267.0	275.0	230.0	368.0
* CCP units provided	20,360,279	22,575,704	23,253,068	24,755,171	26,956,321
* Adult Day Service hours	2,614,429	2,282,142	2,350,608	2,374,268	2,471,242
<b>F Outcome Indicators</b>					
* Face-to-face screens	99.8%	99.8%	99%	99.7%	99.7%
* Non face-to-face screens	0.16%	0.21%	0.2%	0.29%	0.29%
* Percent increase in Adult Day Service hours	5%	4%	5%	4%	4%
* CCP caseload cost vs. nursing home facility geriatric caseload costs	28.3%	23.7%	23.9%	26%	26%
<b>G Efficiency/Cost-Effectiveness Indicators</b>					
* Average monthly savings Federal/State (in dollars)	\$1,794.00	\$2,000.00	\$2,020.00	\$2,028.00	\$2,136.00
* Average monthly Medicaid nursing home cost (in dollars)	\$2,434.00	\$2,821.00	\$2,710.00	\$2,748.00	\$2,883.00
* Community Care Program average monthly cost of care (in dollars) (a)	\$640.00	\$521.00	\$696.00	\$723.00	\$740.00
<b>H No External Bench Marks Were Reported for this Program</b>					
<b>I Footnote</b>					
(a) Cost of care has increased due to the ongoing homemaker rate increases and the addition of homemaker insurance.					
(b) Average monthly caseload has seen an increase due to the addition of EHRs and over 5,000 clients receiving EHRs only.					
(c) Deinstitutionalizations should increase due to the implementation of Money Follows the Person.					

In this example, the input indicators show that the department devoted 22 full-time equivalents to the CCP and spent \$458.3 million in fiscal year 2009. A total of 198,294 assessments were conducted which was very close to the agency's projected target of 199,190 set a year earlier. The department was also very close to its goal for face-to-face screens with 99.7% compared to 99% projected target. The CCP caseload costs were 26% of the caseload costs for geriatric nursing home care which exceeded the projected target of 23.9%.

The efficiency/cost-effectiveness indicators show the average monthly cost of Medicaid nursing care is \$2,749 and that the CCP average monthly cost of care is \$723.00. Based on an average monthly caseload of 55,919 persons, the CCP provides a potential monthly savings of \$113.3 million.

What conclusion can be drawn about the CCP based on the data presented here? Although SEA data are not yet audited or verified in any manner, the information provided by the Department on Aging suggests that the program is fulfilling its mission. Through the efforts of the program, some of Illinois' elderly were diverted from nursing homes into less expensive care provided at their homes. Ultimately, this was not only beneficial to those elderly persons and their families, but also provided a potential savings of taxpayer dollars.

### How is the State of Illinois Doing?

Although it is relatively easy to evaluate single programs, it is more complicated to assess state government as a whole. For example, what if the question posed is, "How well is Illinois state government doing?" Ideally, the methodology of SEA reporting allows governments to be evaluated at different levels. It should not matter if the unit of analysis is a program, an agency, a functional grouping of agencies, or state government in total.

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grams. These comparisons might suggest where to look for efficiencies or whether a program's failure to produce results could be due to insufficient resources.

may include uncontrollable, external factors that affect its performance, such as demographic data or budget cuts or a change in the law or policy.

### An Example Program

The Department on Aging's Community Care Program (CCP) is a good example for demonstrating how to read an SEA report because the program has a single, clear purpose: enabling seniors alternatives to premature nursing home care. The program screens all seniors on their way to nursing homes to determine which of them, with some help, are able to live in a setting with less intensive care.

**H External Benchmarks.** External benchmarks provide another indication of the program's accomplishments by comparing them with, for example, similar programs in other states or a national average.

**I Explanatory Information/Footnotes.** Of course, the indicators may not tell the whole story. This section affords an agency the opportunity to disclose additional or clarifying information related to the program. This

# Fiscal Year 2011 General Funds Appropriations

As of the end of November 2010, General Funds appropriations for fiscal year 2011 totaled \$29.212 billion, an increase of \$2.015 billion or 7.4% over fiscal year 2010 including \$2.557 billion in continuing appropriations established so far for the state's payments to its retirement systems. However, as allowed by budget legislation this fiscal year, the Governor has placed a contingency reserve so far on over \$76 million of those appropriations - the specific monies may not be transferred, obligated, encumbered, expended, or otherwise committed. In addition to the contingency reserves, the Governor was allocated a lump sum of \$3.466 billion in his office's budget to spend or save as he saw fit and to date he has reallocated nearly \$2.669 billion leaving \$797 million unallocated. If the remaining \$797 million went unallocated and contingency reserves are taken into account, then actual spendable General Funds appropriations for fiscal year 2011 would be up \$1.142 billion or 4.2%.

Nearly \$66 million of the \$76 million in contingency reserves are from the State Board of Education's appropriations. The Department of Agriculture and Student Assistance Commission were the other entities which had a portion of their appropriation authority placed on contingency reserve. The numbers detailing current General Funds appropriations in the adjoining table do not reflect these reserves; however, they do reflect the year-to-date reallocation of a portion of the lump sum appropriations given to the Governor by the General Assembly. The biggest recipient of reallocated dollars from the Governor's lump sum was the Department of Human Services who received nearly \$978 million. Other agencies who have received substantial allocations include the Department of Healthcare and Family Services (\$670 million), Department on Aging (\$315 million), State Board of Education (\$284 million) and the Department of Children and Family Services (\$254 million). Smaller allocations of less than \$50 million were received by various agencies including the departments of Public Health, Commerce and Economic Opportunity, Juvenile Justice,

Transportation and Veterans Affairs as well as the Supreme Court and Community College Board.

Aside from the contingency reserves and reallocation of the Governor's lump sum appropriation, special attention needs to be paid to pension funding when analyzing the

accompanying table. Appropriations for pensions retain continuing appropriation rights, i.e. under state law, the retirement systems can submit vouchers for payments of their certified contribution amounts regardless of whether or not the appropriations were contained in the enacted budget. As of

	FY 2010	FY 2011	\$ Change	% Change
General Assembly	49,599	51,580	1,981	4.0
All Other Legislative	29,563	41,801	12,238	41.4
<b>Total, Legislative</b>	<b>79,162</b>	<b>93,381</b>	<b>14,219</b>	<b>18.0</b>
Supreme Court	285,840	289,840	4,000	1.4
Judges Retirement System	0	90,251	90,251	N/A
Office of the State Appellate Defender	21,599	21,599	0	0.0
All Other Judicial	11,511	9,911	(1,600)	(13.9)
<b>Total, Judicial</b>	<b>318,950</b>	<b>411,601</b>	<b>92,651</b>	<b>29.0</b>
Governor	6,386	815,306	808,920	N/A
Lt. Governor	113	113	0	0.0
Attorney General	32,593	32,593	0	0.0
Secretary of State	260,277	260,277	0	0.0
Comptroller	106,791	107,370	579	0.5
Treasurer	16,918	16,918	0	0.0
<b>Total, Elected Officials</b>	<b>423,078</b>	<b>1,232,577</b>	<b>809,499</b>	<b>191.3</b>
Aging	656,214	628,827	(27,387)	(4.2)
Agriculture	36,617	31,460	(5,157)	(14.1)
Central Management Services	90,040	85,959	(4,081)	(4.5)
Children and Family Services	864,952	833,014	(31,938)	(3.7)
Commerce and Economic Opportunity	51,825	40,437	(11,388)	(22.0)
Natural Resources	54,940	51,495	(3,445)	(6.3)
Juvenile Justice	117,664	119,420	1,756	1.5
Corrections	1,176,773	1,114,880	(61,893)	(5.3)
Employment Security	6,908	6,908	0	0.0
Human Rights	9,424	7,709	(1,715)	(18.2)
Human Services	4,047,084	3,521,226	(525,858)	(13.0)
Labor	5,685	5,407	(278)	(4.9)
Military Affairs	17,900	15,162	(2,738)	(15.3)
Healthcare and Family Services	7,853,319	7,640,586	(212,733)	(2.7)
Public Health	157,466	137,404	(20,062)	(12.7)
Revenue	142,504	139,092	(3,412)	(2.4)
State Police	287,366	272,004	(15,362)	(5.3)
DOT	78,042	79,035	993	1.3
Veterans' Affairs	60,449	65,732	5,283	8.7
<b>Total, Code Departments</b>	<b>15,715,172</b>	<b>14,795,757</b>	<b>(919,415)</b>	<b>(5.9)</b>
Arts Council	8,570	8,472	(98)	(1.1)
Court of Claims	49,806	31,081	(18,725)	(37.6)
Historic Preservation	12,888	10,796	(2,092)	(16.2)
State Board of Elections	12,350	15,521	3,171	25.7
Emergency Management	4,245	3,181	(1,064)	(25.1)
State Employees Retirement System	131	857,093	856,962	N/A
All Other	66,745	86,166	19,421	29.1
<b>Total, Other Agencies</b>	<b>154,735</b>	<b>1,012,310</b>	<b>857,575</b>	<b>554.2</b>
State Board of Education	7,322,226	7,019,761	(302,465)	(4.1)
Teachers Retirement Systems	951,540	2,101,985	1,150,445	120.9
<b>Total, Elem. &amp; Sec. Education</b>	<b>8,273,766</b>	<b>9,121,746</b>	<b>847,980</b>	<b>10.2</b>
Higher Education	2,233,014	2,545,030	312,016	14.0
<b>Total, General Funds</b>	<b>27,197,877</b>	<b>29,212,402</b>	<b>2,014,525</b>	<b>7.4</b>

\*As of November 30, 2010, does not reflect reserves

Source: Comptroller Records

*Fiscal Year 2011 General Funds Appropriations, concluded page 7*

# 2010 Tax Amnesty Program Generates Significant Revenues for the General Funds

As part of the fiscal year 2011 budget plan, the General Assembly passed and the Governor signed P.A. 96-1435 which allowed for a tax amnesty program to run from October 1, 2010 through November 8, 2010. It waived the interest and penalties associated with taxes due between June 30, 2002 and July 1, 2009. For most of the amnesty revenues, the receipts were deposited into the fund originally owed the revenues, although portion of amount intended for the General Revenue Fund was directed to the Common School Fund and a portion of revenues collected were set aside for the Tax Compliance and

Administration Fund. As of December 31, 2010, \$628.0 million of amnesty revenues had been collected by the State of Illinois.

The primary sources of amnesty revenues were the corporate income tax (\$278.9 million), the corporate personal property replacement tax (\$137.3 million), and the sales tax (\$171.9 million). Smaller amounts were collected from individual income tax and auto renting taxes. The majority of the revenues were deposited into one of the General Funds (\$391.8 million or 62% of the total); all of the revenues from the corporate

replacement tax which were deposited into the Personal Property Tax Replacement Fund for allocation to local governments.

While the tax amnesty program generated significant revenues for the General Funds and exceeded the amounts assumed by the fiscal year 2011 budget plan, it should be noted that the majority of these revenues are unlikely to be “new” revenues to state, but instead an adjustment in timing of revenues collected by the state. Taxpayers may have delayed or accelerated their tax payments to take advantage of the amnesty program. ■

Fiscal Year 2011 AMNESTY TOTALS (as of 12/31/10)						
Fund	TOTALS	Retailers/ Occupation Tax	Individual Income Tax	Corporate Income Tax	Personal Property Replacement Tax	Automobile Renting Tax
General Revenue	\$167,602,685.10	\$59,409,621.34	\$16,512,094.05	\$91,668,882.63	\$0.00	\$12,087.08
Common School	\$167,602,685.09	\$59,409,621.34	\$16,512,094.05	\$91,668,882.62	\$0.00	\$12,087.08
Common School of Special Account	\$39,606,414.24	\$39,606,414.24	\$0.00	\$0.00	\$0.00	\$0.00
Education Assistance	\$17,038,212.06	\$0.00	\$2,600,618.26	\$14,437,601.79	\$0.00	\$0.00
<b>Subtotal, General Funds</b>	<b>\$301,849,996.48</b>	<b>\$158,425,656.92</b>	<b>\$35,624,798.36</b>	<b>\$197,775,567.04</b>	<b>\$0.00</b>	<b>\$24,174.16</b>
Income Tax Refund	\$76,330,933.58	\$0.00	\$3,492,627.30	\$72,838,306.28	\$0.00	\$0.00
Build Illinois	\$9,538,537.57	\$9,538,537.57	\$0.00	\$0.00	\$0.00	\$0.00
IL Tax Increment	\$464,036.97	\$464,036.97	\$0.00	\$0.00	\$0.00	\$0.00
MPEA Trust	\$106.63	\$0.00	\$0.00	\$0.00	\$0.00	\$106.63
Municipal Auto Renting Tax	\$3,306.49	\$0.00	\$0.00	\$0.00	\$0.00	\$3,306.49
Personal Property Tax Replacement	\$137,280,841.71	\$0.00	\$0.00	\$0.00	\$137,280,841.71	\$0.00
Tax Compliance & Administration	\$12,560,566.56	\$3,437,319.88	\$798,314.85	\$8,324,931.83	\$0.00	\$563.01
<b>Total, All Funds</b>	<b>\$628,028,325.99</b>	<b>\$171,865,542.29</b>	<b>\$39,915,740.51</b>	<b>\$278,938,051.19</b>	<b>\$137,280,841.71</b>	<b>\$28,150.29</b>

Source: Comptroller Records

## Fiscal Year 2011 General Funds Appropriations, concluded from page 6

the end of November, appropriations total \$3.512 billion for General Funds payments to the five state funded pension systems (an amount that will increase absent any legislative changes). For all of fiscal year 2010, there were \$964 million in General Funds appropriations to the systems with nearly all of that appropriation for the Teachers Retirement System (TRS). In fiscal year 2010, pension bonds were sold to fund the state's General Funds portion of pension contributions eliminating the need for an appropriation for most of fiscal year 2010. (TRS had

used its' continuing appropriation authority to receive a portion of its' contribution in the first half of the year – the bonds were sold midway through the fiscal year and the General Funds were repaid once the bonds were sold.) If one were to factor out the retirement systems appropriations, the contingency reserves and the unallocated amount of the Governor's lump sum appropriation, comparable General Funds appropriations to fiscal year 2010 are down \$1.406 billion.

Nearly every agency in state government

received either flat or decreased funding from the previous fiscal year. Some of the hardest hit included the Department of Human Services (down \$526 million or 13.0%), State Board of Education (down \$302 million or 4.1% plus another \$67 million being held on contingency reserve) and Healthcare and Family Services (down \$213 million or 2.7%). However, the agencies' final fiscal year 2011 appropriations will depend on the remaining allocation of the Governor's lump sum. ■

# Fiscal Year 2011 State Budget Deficits

Even though the national economy has seen some signs of recovery from the recession that began in late 2007, states are still working through the budgetary challenges brought on by the recession. According to a July 2010 report\* from the Center on Budget and Policy Priorities (CBPP), at least 46 states faced spending cuts and revenue increases for addressing their fiscal year 2011 pre-budget adoption gaps, totaling \$122 billion or 19 percent of their state budgets. "Pre-budget adoption gaps" are defined in the CBPP report as "shortfalls that states dealt with when adopting budgets for 2011."

California had the largest (in absolute terms) fiscal year 2011 pre-budget adoption gap with a total deficit of \$17.9 billion. The state of California, which is also the state with the largest budget, cut services in the following fields: Public Health, Elderly/Disabled, K-12 and Early Education, Higher Education and their state workforce. According to the CBPP, California has also cut funding for the Healthy Families program, the state's CHIP (children's healthcare) program, other parts of the Medicaid program, and reduced spending on elementary/secondary and higher education.

Illinois' fiscal year 2011 pre-budget adoption

California and, according to CBPP, cut school funding by \$311 million, or 4 percent, in its fiscal year 2011 budget relative to fiscal year 2010 levels. New Jersey ranked third with its \$10.7 billion pre-budget adoption gaps and has made cuts in funding for Medicaid, state government workforce, higher education, and afterschool programs. New York ranked fourth with \$8.5 billion and has taken actions such as reducing state higher education funding, which has increased tuition at the state universities. North Carolina ranked fifth with a pre-budget adoption gap of \$5.8 billion and has taken action such as eliminating funding for teacher mentoring and reducing Medicaid and higher education funding. The states with the lowest pre-budget deficits are Idaho with \$84 million followed by South Dakota, \$102 million; District of Columbia, \$104 million; West Virginia, \$134 million and Wyoming with \$147 million.

Illinois was also ranked the highest among surrounding states with its \$13.5 billion deficit. Wisconsin has the second highest Midwestern state deficit with \$3.4 billion followed by Ohio, \$3.0 billion; Michigan, \$2 billion and Indiana with a \$1.3 billion pre budget adoption deficit. Missouri had the smallest surrounding

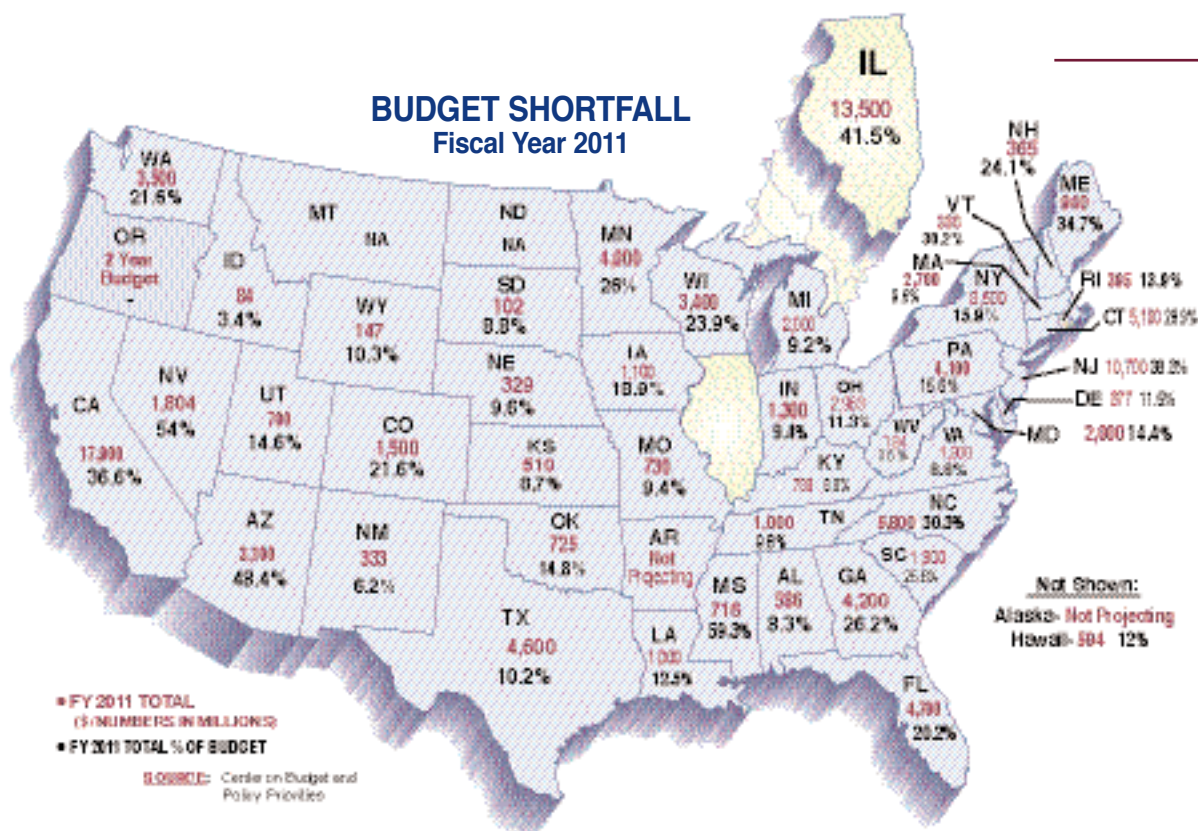
Midwestern state deficit with \$730 million followed by Iowa with \$1.1 billion.

States with the largest fiscal year 2011 pre budget adoption gaps as a total percent of their General Fund budgets were Nevada with 54%, Illinois, 41.5%; New Jersey, 38.3%; Arizona, 36.6%; and Maine with 34.7%. Nevada, like many of the other states, made cuts in Public Health, K-12 and Early Education, Higher Education and their State workforce. The states with the lowest total percent of their budgets were District of Columbia, 1.7%; Idaho, 3.4%; West Virginia, 3.6%; New Mexico, 6.2% and Alabama with 8.3%.

The CBPP report also states that at least 39 states have prepared estimates for the 2012 fiscal year and many are predicting continuing budget problems. The report says the initial estimates of these shortfalls total almost \$112 billion and predicts that as the full extent of 2012 deficits become known, shortfalls are likely to continue to grow to nearly \$140 billion. The National Conference of State Legislatures released a report in December 2010# with a similar outlook for fiscal year 2012 – as the federal stimulus money will largely be exhausted by the end of fiscal year 2011, significant gaps will arise simply by the dis-

■ assistance.

## BUDGET SHORTFALL Fiscal Year 2011



**NOTES:**  
 California has not completed their FY11 budgets so these gaps remain open.  
 Several states have biennial budgets.

\*Center on Budget and Policy Priorities, Recession Continues To Batter State Budgets; State Responses Could Slow Recovery and An Update on State Budget Cuts.

#National Conference of State Legislatures, State Budget Update: November 2010.



# Illinois' Tax Burden

With the current fiscal dilemma confronting the state, there has been much discussion of reducing spending or raising revenues to address the budget deficit. On the revenue side of this equation, it may be relevant to look at the tax burden for individuals in Illinois compared to other states. According to the Tax Foundation, Illinois ranked 30th in terms of state and local per capita tax burden in 2008, where the tax burden was calculated as the ratio of per capita taxes paid relative to per capita income for each state.

For Illinois, the total state and local per capita taxes paid in 2008 was \$4,346. This ranked Illinois 16th among the states and slightly higher than the national average of \$4,283. Illinois ranked higher than the states in the Midwest except for Minnesota which had per capita taxes of \$4,688. Wisconsin with per capita taxes of \$4,194 was the only other state in the Midwest with per capita taxes to exceed \$4,000. The state with the highest per capita taxes paid in 2008 was Connecticut at \$7,007 followed by New Jersey (\$6,610), New York (\$6,419), Maryland (\$5,669), and Massachusetts (\$5,377). The only other state to exceed \$5,000 in per capita taxes was California at \$5,028. Mississippi had the lowest per capita taxes paid at \$2,834 followed by Alaska (\$2,871), West Virginia (\$3,000), South Dakota (\$3,079), and New Mexico (\$3,114). Among similar states in terms of size or income, Virginia and Pennsylvania surpassed Illinois in per capita taxes paid while Florida, Ohio, Georgia and Texas were lower.

Illinois is one of the wealthier states in the country. With per capita income of \$46,693 in 2008, Illinois ranked 15th. This placed

Illinois first in the Midwest followed by Minnesota with per capita income of \$46,106 and Wisconsin with \$40,953. The rest of the states in the Midwest had per capita incomes of less than \$40,000. Connecticut had the highest per capita income with \$63,160 followed by Massachusetts (\$56,661), New Jersey (\$56,116), New York (\$55,032), and Wyoming (\$53,163). The lowest per capita income state was Mississippi at \$31,836 followed by West Virginia (\$32,145), Arkansas (\$33,395), Kentucky (\$34,339), and South Carolina (\$35,419). Among comparable states, only Virginia had a higher per capita income

income used to pay state and local taxes. This rate was slightly below the United States average of 9.7%. Compared to the Midwest, only Iowa and Missouri had lower tax burdens ranking 31st and 32nd respectively. The rest of the surrounding states had in some cases much higher tax burden rates. Wisconsin had the highest rate of 10.2% and was ranked 9th followed by Minnesota with approximately the same rate (ranked 12th), Kentucky (25th), Michigan (27th), and Indiana (28th). Even though it had the highest per capita taxes paid and per capita income, Connecticut was third in the rankings with a tax burden rate of 11.1%. Ranked number one with a tax burden rate of 11.8% was New Jersey followed by New York with an 11.7% rate. Alaska had the lowest tax burden ranking with a rate of 6.4% followed by Nevada (6.6%) and Wyoming (7.0%). Mississippi which had the lowest per capita income and per capita taxes paid was ranked 36th with a tax burden rate of 8.9%. Comparable states with a higher tax burden rate included Ohio, Georgia, Pennsylvania, and Virginia while Texas and Florida had lower rates.

With 9.3% of income used to pay state and local taxes, Illinois compared favorably to the surrounding states. While the tax burden

on each individual is important, there are many other aspects to state finances such as business taxes. Some of the states with the lowest rankings have natural resources they tax which alleviates the tax burden on individuals. However, having a per capita tax burden rate below the national average is a positive for Illinois. ■

State	Total State and Local Per Capita Taxes Paid	Per Capita Income	Rate	Ranking
California	\$5,028	\$47,706	10.5%	6
Connecticut	\$7,007	\$63,160	11.1%	3
Florida	\$3,441	\$46,293	7.4%	47
Georgia	\$3,735	\$37,850	9.9%	16
Illinois	\$4,346	\$46,693	9.3%	30
Indiana	\$3,502	\$37,279	9.4%	28
Iowa	\$3,589	\$38,636	9.3%	31
Kentucky	\$3,243	\$34,339	9.4%	25
Maryland	\$5,669	\$52,709	10.8%	4
Massachusetts	\$5,377	\$56,661	9.5%	23
Michigan	\$3,694	\$39,273	9.4%	27
Minnesota	\$4,688	\$46,106	10.2%	12
Missouri	\$3,508	\$38,084	9.2%	32
New Jersey	\$6,610	\$56,116	11.8%	1
New York	\$6,419	\$55,032	11.7%	2
Ohio	\$4,049	\$38,925	10.4%	7
Pennsylvania	\$4,463	\$43,796	10.2%	11
Tennessee	\$3,160	\$38,090	8.3%	44
Texas	\$3,580	\$42,796	8.4%	43
Virginia	\$4,869	\$47,666	9.8%	18
Wisconsin	\$4,194	\$40,953	10.2%	9

Source: Tax Foundation.

than Illinois while Pennsylvania, Florida, Ohio, Georgia and Texas were lower. Illinois per capita income was \$2,439 or 5.5% above the United States average of \$44,254.

The tax burden rate is the percentage of income needed to pay state and local taxes. Among the states, Illinois ranked 30th in terms of tax burden with 9.3% of per capita

# State Government Employment Trends

State government employees are necessary to run the day to day operations of the state. They are the link through which vital services reach needy families and the general public in an effective and efficient process. However, the number of state government employees varies from state to state due to factors such as how centralized the state government is, how dependent the state is on local governments and the size and population of the state.

According to U.S. Bureau of Labor Statistics (BLS) data to calculate state government employees per 10,000 population, in 2009 Illinois was at the bottom of the list with 115 employees and Hawaii had the most with a ratio of 569 employees per 10,000 population. (Hawaii is different from other states in that there is little local government with most functions carried out by the state. For example, elementary and secondary education employees are state government employees.) North Dakota (373), Alaska (364), Delaware (357) and Wyoming (303), states with relatively low population bases, round out the top five states with the highest ratios.

Illinois' 12.9 million residents in 2009 placed the state as the fifth most populous according to the U.S. Census Bureau. California (37.0 million), Texas (24.8 million), New York (19.5 million), and Florida (18.5 million) complete the list of the five most populous states. These five states rank among the ten states with the lowest ratio of state government employees per 10,000 population. Illinois led the way with a ratio of 115; Florida's ratio of 116 is a close second. California and New York, each with a ratio of 133, tied for fifth lowest while Texas (149) came in eighth lowest overall.

At the start of the current recession in 2007, Illinois ranked second lowest in state government employees per 10,000 population.

A 1.16% two year annual decrease in the total number of employees since then helped move Illinois to the bottom of the list. Overall, Illinois reported a drop of 2.3% in state government employment

annual average increase was the second highest.

The other four states that make up the list of the five least populated states reported two year average annual hikes in state govern-

**State Government Employees  
Per 10,000 Population, 2009  
(Selected States)**

States	Population*	Employees per 10,000 Population	State Rank	Average Change 2007-2009 <sup>†</sup>
Alaska	698,473	364	3	1.41%
California	36,961,664	133	45	0.61%
Delaware	885,122	357	4	1.29%
Florida	18,535,969	116	49	0.02%
Hawaii	1,295,178	569	1	0.89%
Illinois	12,910,409	115	50	-1.16%
Indiana	6,423,113	179	36	1.01%
Iowa	3,007,856	222	19	1.22%
Kansas	2,818,747	189	30	-0.46%
Michigan	9,969,727	179	37	2.56%
Minnesota	5,266,214	188	31	1.03%
Missouri	5,987,580	180	35	0.89%
Nebraska	1,796,619	227	17	2.28%
New York	19,541,453	133	46	-0.19%
North Dakota	646,844	373	2	2.36%
Ohio	1,542,645	142	43	-1.02%
South Dakota	812,383	224	18	1.40%
Texas	24,782,302	149	42	1.45%
Wisconsin	5,854,774	181	34	-0.58%
Wyoming	544,270	303	5	3.18%

\*Estimate as of July 1, 2009

<sup>†</sup>Average yearly change in total number of state government employees between 2007 and 2009.

Source: Bureau of Labor Statistics, Current Employment Statistics and U.S. Census Bureau

from 2007 to 2009. Rhode Island's 4.13% average annual drop during the same two year period was the largest drop among all states. Overall, 12 states reported a decrease in state government employees per 10,000 population. Colorado's average annual increase of 3.6% in total number of state government employees was the highest registered. Wyoming's 3.18% two year

ment employment as follows: Hawaii (0.89%), North Dakota (2.36%), Alaska (1.41%) and Delaware (1.29%). Among the most populated states, New York reported an average annual decrease of 0.19% in state government employment. The remaining three largest states saw increases as follows: California (0.61%), Florida (0.02%), and Texas (1.45%), ■

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# Federal Government Expenditures in Illinois

The federal government reports total spending of \$116.1 billion in Illinois in fiscal year 2009. Over \$95 billion was for three categories that each had expenditures in excess of \$30 billion: retirement and disability payments, other direct payments, and federal grants. Federal expenditures are almost double the Illinois state budget with state spending from appropriated funds, which includes some spending from federal grants, totaling \$61.0 billion that fiscal year.

Per capita federal expenditures in Illinois of \$8,990 in fiscal year 2009 ranked 44th among the states and were \$1,405 or 13.5% below the national average. Illinois received less per capita spending than any of the surrounding states or other large states. The only states that trailed Illinois in federal expenditures were Georgia, Minnesota, Nevada, New Hampshire, Oregon and Utah. Alaska ranked first among the states with per capita federal payments of \$20,351, while Nevada was at the bottom with per capita spending of \$7,148. Per capita federal spending in the District of Columbia was \$83,196 with a strong spillover to the neighboring states with per capita spending of \$19,734 in Virginia and \$16,169 in Maryland.

An examination of the breakdown in spending by major category helps explain why Illinois is not a major recipient of federal funds. Retirement and disability expenditures are

primarily Social Security payments and also include federal retirement and veterans benefits. Per capita spending of \$2,523 in Illinois for these programs is 11.3% below the national average (45th among the states) and in part reflects that Illinois is not a major haven for retirees nor should have a particularly large pool of former federal employees.

The largest portion for the category other direct payments is for Medicare. Other assistance programs included in other direct payments are unemployment compensation, the Supplemental Nutrition Assistance Program, housing assistance, agricultural assistance, and student financial assistance. Illinois is higher than average for this category receiving per capita payments 3.5% greater than the national average.

Most federal grants are to the state or to local governments. Over half of the spending for this category is from the Department of Health and Human Services (primarily for Medicaid). Other major granting agencies are the Departments of Education, Transportation, Housing and Urban Development, and Agriculture. Illinois received per capita federal grant payments 1.9% greater than the national average.

The bulk of the procurement spending category is by the Department of Defense. Illinois seriously lags the national average in receiving procurement spending, with per

capita payments of \$892 (48.4% below the national average). Procurement payments are concentrated in a few states so that Illinois ranks 33rd among the states in this category. However, the data will not pick up subcontractor payments that could spread the spending more evenly through the country.

Illinois also trails the national averages in federal salaries and wages receiving \$583 per capita which is 39.4% below the national average. Illinois' lag in this area reflects Illinois not being a major headquarters state for federal agencies and Illinois having a relatively low Defense Department payroll.

Federal spending data by state excludes interest and international payments. Also excluded are federal loans and insurance payments. According to the Census Bureau, Illinois residents received \$2.7 billion in direct loans and \$20.6 billion in indirect loans in fiscal year 2009. The bulk of direct loan monies are for federal direct student loans. The majority of spending for guaranteed loan programs is for mortgage insurance. In fiscal year 2009, federal insurance spending totaled \$1.3 billion nationally. The bulk of the spending was for flood insurance with the majority of this spending helping Florida, Texas, and Louisiana face natural disasters. Of the remainder, Illinois received \$16.0 million primarily for flood insurance and crop insurance. ■

## COVER STORY—concluded from page 6

However, evaluation does become more complicated the higher the level.

The statutory changes mentioned earlier in the article will be one step towards evaluating Illinois performance. With the Governor and the General Assembly working together to prioritize the state's goals and theoretically tying appropriations to an agency's performance in meeting those goals, it is possible that an overall assessment of Illinois government will take place. ■

## Monthly General Funds Tables Are Online

Tables summarizing monthly General Funds revenue and expenditure transactions are available on the Comptroller's website—

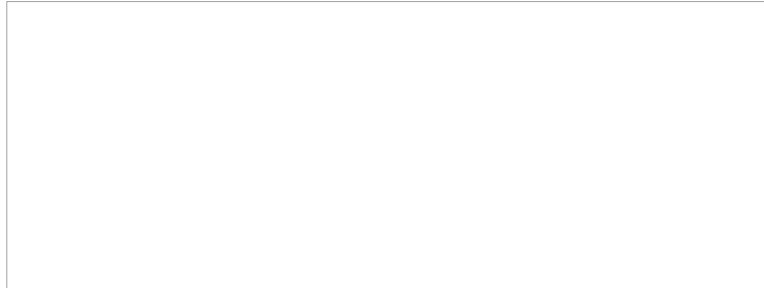
[www.wh1.ioc.state.il.us/FiscalCondition/AllGeneralFunds.cfm](http://www.wh1.ioc.state.il.us/FiscalCondition/AllGeneralFunds.cfm)

Just navigate to the bottom of the Fiscal Condition page, select the month/year you are interested in from the drop down selection box, and click the GO button. The selected data will appear in MS Excel format.

On our website, you can find copies of our publications, including the Comptroller's Quarterly and back issues of Fiscal Focus.

## *Fiscal Focus*

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