

# Comptroller's Quarterly

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## BASE REVENUES DECLINE FROM PREVIOUS QUARTER; UNPAID BILL BACKLOG REMAINS STEADY FOR NOW

For the first time since the fiscal year 2015 budget was passed in May 2014, the state began a fiscal year with a complete budget. (*The fiscal year 2018 budget was approved over the Governor's veto five days after the fiscal year began.*)

With the fiscal year 2019 budget came more than \$1 billion in supplemental appropriations for some of the state's largest agencies. Those agencies then sent tens of thousands of vouchers, which had been left unprocessed for months due to lack of spending authority, to the Office of the Comptroller for payment. In fact, the Department of Corrections alone sent more than 26,000 fiscal year 2018 vouchers totaling more than \$336 million to the Office of the Comptroller for payment from the supplemental appropriations between June 1 and September 30.

The result has been an increase in the state's estimated unpaid bill backlog, from an adjusted \$6.775 billion at the end of the fiscal year 2018 fourth quarter to an adjusted \$7.039 billion at the end of the fiscal year 2019 first

quarter. While revenues increased by \$390 million in the first three months of the fiscal year compared to the first three months one year ago, the state's available cash balance decreased by \$1.243 billion.

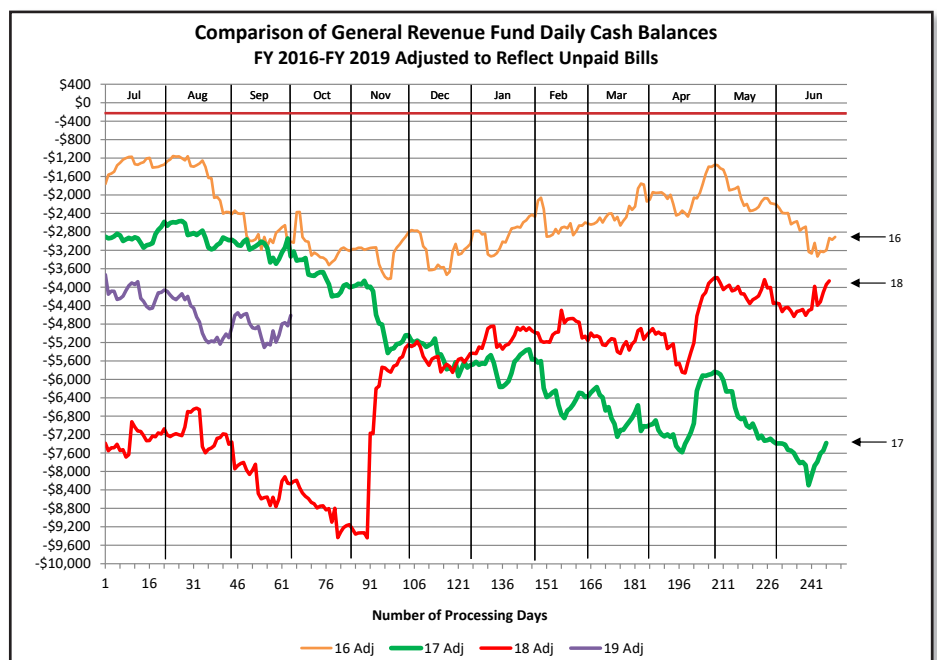
To help supplement base revenues generated from cash receipts to pay down bills, during the first quarter the State Treasurer's Office invested \$200 million from the state's \$14 billion portfolio into paying bills via Public Act 100-1107, signed into law by the Governor in August. This action will result in fewer late payment interest penalties to save an estimated \$4 million to \$8 million.

While the Office of the Comptroller continues to manage the backlog and prioritize payments to state programs and providers of state services, the bill backlog is expected to rise as expected expenditures outpace expected revenues, with more funding devoted to elementary and high schools, payments to the state's pension systems, and growth in payments owed for employee health care.

### Quarterly Highlights and Debt Transparency Act Review

After the fiscal year 2018 fourth quarter posted total base revenues of \$10.639 billion, the first quarter of fiscal year 2019 reflected total base revenues of \$8.671 billion, a decline of almost \$2 billion.

Base revenues of \$3.352 billion in June 2018 were followed by base revenues of \$2.727 billion in July, \$2.776 billion in August, and \$3.168 billion in September. Those base revenues coincided with estimated unpaid bill backlogs, adjusted based on agency submissions through the Debt Transparency Act, that reached as high as \$7.859 billion in July, \$8.075 billion in August, and \$8.106 billion in September. The low estimated bill backlog for the quarter, adjusted, was \$6.609 billion at the end of the



day July 31. (The total estimated backlog must be adjusted based on held bills reported at the agency level, which are not reported to the Office of the Comptroller until after the final day of each month.)

With the passage of a comprehensive budget for fiscal year 2019 that included \$1.1 billion in supplemental appropriations for fiscal year 2018, state agencies reduced their backlog of bills from \$2.595 billion at the end of the 2018 fiscal year to \$1.416 billion at the end of the fiscal year 2019 first quarter, a decline of almost \$1.2 billion in three months. This reduction does not mean the vouchers for these bills have been paid, but rather that they have been processed by the agencies and sent to the Office of the Comptroller for payment. The first quarter of fiscal year 2019 began with \$4.180 billion in General Funds payables at the Office of the Comptroller and ended with \$5.623 billion.

When outstanding vouchers are considered, the General Revenue Fund – Illinois' main operating account – closed the quarter with a cash balance of negative \$4.612 billion.

## Base Revenues

Through the first quarter of fiscal year 2019, a combination of increased income tax receipts and transfers-in resulted in a General Funds total base revenue increase of \$390 million, or 4.7 percent. Factors impacting the state's base revenues this year include:

- **INCOME TAX:** Individual income tax receipts were up \$615 million, or 18.0 percent, through the first quarter of fiscal year 2019; corporate income tax revenues grew by \$115 million, or 27.6 percent. This growth is partly attributed to the timing of the income tax rate increases that took effect in July 2017.
- **SALES TAX:** Sales tax revenues for the first three months of the fiscal year increased by \$77 million, or 3.7 percent.
- **TRANSFERS-IN:** Transfers-in increased by \$112 million through the first quarter of fiscal year 2019. Lottery Fund transfers increased by \$3 million, and riverboat gambling transfers were down \$4 million.
- **FEDERAL REVENUE:** Federal revenues decreased by \$561 million, or 47.6 percent, through the first quarter of fiscal year 2019 when

compared to the first quarter of fiscal year 2018 due to a reduction in the backlog of vouchers at the Office of the Comptroller for Medicaid bills eligible for reimbursement.

- **OTHER RECEIPTS:** Revenues from other state sources increased by \$32 million, or 4.5 percent, when compared to the first quarter of fiscal year 2018. Specifically, "all other" sources increased by \$24 million, and investment income and inheritance tax (gross) revenues each increased by \$15 million. This increase was partially offset by a \$27 million decline in public utility taxes.

## Base Expenditures

General Funds base spending – payments released by the Office of the Comptroller – decreased by \$724 million, or 7.9 percent, through the first quarter of fiscal year 2019. Warrants issued, including prior year adjustments, decreased by \$554 million while transfers-out decreased by \$170 million.

- **SOCIAL SERVICES:** Vouchers presented by the Department of Healthcare and Family Services increased by \$316 million, or 26.0 percent. Department of Human Services expenditures increased by \$97 million, or 10.2 percent. Vouchers presented by the Department of Children and Family Services were up \$14 million, or 7.7 percent, and vouchers presented by the Department on Aging were down \$276 million (58.0 percent) for the first quarter.
- **EDUCATION:** Vouchers presented by the State Board of Education were up \$138 million, or 9.6 percent for the quarter. Higher education agencies' expenditures, excluding the retirement system, decreased by \$974 million (62.1 percent). This decline is attributed to the inclusion of additional funding for fiscal year 2017 that occurred during lapse period, which inflated the first quarter expenditures of fiscal year 2018.
- **RETIREMENT SYSTEMS:** Vouchers from the Teachers' Retirement System increased by \$35 million, State Employees' Retirement System expenditures decreased by \$26 million, and State Universities Retirement System expenditures decreased by \$35 million.
- **ALL OTHER:** Vouchers from all other agencies increased by \$483 million. The Department of Corrections had the largest increase among other major agencies at \$359 million, due to the authority granted in the fiscal year 2018

supplemental appropriations bill, passed in conjunction with the fiscal year 2019 budget, to pay costs incurred during the budget impasse but not previously appropriated. The Department of Central Management Services' vouchers increased by \$71 million, which included funding for state employee health insurance.

- **TRANSFERS-OUT:** Transfers-out through September of the 2019 fiscal year decreased by \$170 million (15.7 percent). ■

GENERAL FUNDS TRANSACTIONS  
(Dollars in Millions)

	September		Change	Three Months		Change	
	2017	2018		FY 2018	FY 2019	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 1,042	\$ 374	\$ (668)	\$ 1,368	\$ 125	\$ (1,243)	(90.9) %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 1,371	\$ 1,553	\$ 182	\$ 3,408	\$ 4,023	\$ 615	18.0 %
Corporate	334	400	66	416	531	115	27.6
Total, Income Taxes	1,705	1,953	248	3,824	4,554	730	19.1
Sales Taxes	678	713	35	2,080	2,157	77	3.7
Other Sources:							
Public Utility Taxes	67	58	(9)	214	187	(27)	(12.6)
Cigarette Taxes	29	28	(1)	88	93	5	5.7
Inheritance Tax (gross)	35	21	(14)	74	89	15	20.3
Liquor Gallonage Taxes	16	15	(1)	46	46	0	0.0
Insurance Tax and Fees	71	72	1	113	107	(6)	(5.3)
Corporation Franchise Tax and Fees	24	26	2	52	58	6	11.5
Investment Income	3	7	4	11	26	15	136.4
Cook County IGT	0	0	0	0	0	0	0.0
Other	32	30	(2)	114	138	24	21.1
Total, Other Sources	277	257	(20)	712	744	32	4.5
Total, Cash Receipts	\$ 2,660	\$ 2,923	\$ 263	\$ 6,616	\$ 7,455	\$ 839	12.7 %
Transfers In:							
Lottery Fund	\$ 68	\$ 61	\$ (7)	\$ 153	\$ 156	\$ 3	2.0 %
State Gaming Fund	24	26	2	78	74	(4)	(5.1)
Other Funds	37	75	38	255	368	113	44.3
Total, Transfers In	\$ 129	\$ 162	\$ 33	\$ 486	\$ 598	\$ 112	23.0 %
Total, State Sources	\$ 2,789	\$ 3,085	\$ 296	\$ 7,102	\$ 8,053	\$ 951	13.4 %
Federal Sources	\$ 186	\$ 83	\$ (103)	\$ 1,179	\$ 618	\$ (561)	(47.6) %
<b>Total, Base Revenues</b>	<b>\$ 2,975</b>	<b>\$ 3,168</b>	<b>\$ 193</b>	<b>\$ 8,281</b>	<b>\$ 8,671</b>	<b>\$ 390</b>	<b>4.7 %</b>
Treasurer's Investments	0	200	200	0	200	200	0.0
Interfund Borrowing	0	0	0	150	0	(150)	(100.0)
Total, Revenues	\$ 2,975	\$ 3,368	\$ 393	\$ 8,431	\$ 8,871	\$ 440	5.2 %
Expenditures:							
By Agency:							
Healthcare and Family Services	\$ 679	\$ 409	\$ (270)	\$ 1,214	\$ 1,530	\$ 316	26.0 %
State Board of Education	1,314	836	(478)	1,437	1,575	138	9.6
Human Services	320	334	14	950	1,047	97	10.2
Teachers Retirement	390	402	12	1,181	1,216	35	3.0
University Retirement System	(146)	128	274	440	405	(35)	(8.0)
All Other Higher Education	206	333	127	1,569	595	(974)	(62.1)
Corrections	78	95	17	265	624	359	135.5
State Employees Retirement System	126	117	(9)	378	352	(26)	(6.9)
Central Management Services	327	171	(156)	488	559	71	14.5
Children and Family Services	53	61	8	181	195	14	7.7
Aging	142	74	(68)	476	200	(276)	(58.0)
State Police	12	16	4	49	65	16	32.7
All Other	132	118	(14)	416	453	37	8.9
Total	\$ 3,633	\$ 3,094	\$ (539)	\$ 9,044	\$ 8,816	\$ (228)	(2.5) %
Regular Transfers Out	409	308	(101)	1,082	912	(170)	(15.7)
Prior Year Adjustments	(1)	0	1	(2)	(3)	(1)	50.0
Vouchers Payable Adjustment	(605)	(162)	443	(906)	(1,231)	(325)	N/A
<b>Total, Base Expenditures</b>	<b>\$ 3,436</b>	<b>\$ 3,240</b>	<b>\$ (196)</b>	<b>\$ 9,218</b>	<b>\$ 8,494</b>	<b>\$ (724)</b>	<b>(7.9) %</b>
Transfers to Repay Treasurer's Investments	0	0	0	0	0	0	0.0
Transfers to Repay Interfund Borrowing	0	0	0	0	0	0	0.0
Total, Expenditures	3,436	3,240	(196)	9,218	8,494	(724)	(7.9)
AVAILABLE CASH BALANCE, ENDING	\$ 581	\$ 502	\$ (79)	\$ 581	\$ 502	\$ (79)	(13.6) %

GENERAL REVENUE FUND TRANSACTIONS  
(Dollars in Millions)

	September		Change	Three Months		Change	
	2017	2018		FY 2018	FY 2019	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 630	\$ 94	\$ (536)	\$ 314	\$ 7	\$ (307)	(97.8) %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 1,186	\$ 1,346	\$ 160	\$ 2,923	\$ 3,432	\$ 509	17.4 %
Corporate	308	369	61	383	488	105	27.4
Total, Income Taxes	1,494	1,715	221	3,306	3,920	614	18.6
Sales Taxes	505	531	26	1,551	1,608	57	3.7
Other Sources:							
Public Utility Taxes	62	54	(8)	195	173	(22)	(11.3)
Cigarette Taxes	23	22	(1)	69	73	4	5.8
Inheritance Tax (gross)	35	21	(14)	74	89	15	20.3
Liquor Gallonage Taxes	16	15	(1)	46	46	0	0.0
Insurance Tax and Fees	71	72	1	113	107	(6)	(5.3)
Corporation Franchise Tax and Fees	24	26	2	52	58	6	11.5
Investment Income	3	7	4	11	26	15	136.4
Cook County IGT	0	0	0	0	0	0	0.0
Other	31	29	(2)	112	137	25	22.3
Total, Other Sources	265	246	(19)	672	709	37	5.5
Total, Cash Receipts	\$ 2,264	\$ 2,492	\$ 228	\$ 5,529	\$ 6,237	\$ 708	12.8 %
Transfers In	37	74	37	254	366	112	44.1
Total, State Sources	\$ 2,301	\$ 2,566	\$ 265	\$ 5,783	\$ 6,603	\$ 820	14.2 %
Federal Sources	\$ 186	\$ 83	\$ (103)	\$ 1,179	\$ 618	\$ (561)	(47.6) %
<b>Total, Base Revenues</b>	<b>\$ 2,487</b>	<b>\$ 2,649</b>	<b>\$ 162</b>	<b>\$ 6,962</b>	<b>\$ 7,221</b>	<b>\$ 259</b>	<b>3.7 %</b>
Interfund Borrowing	0	0	0	150	0	(150)	(100.0)
Treasurer's Investments	0	200	200	0	200	200	0.0
Transfer from Budget Stabilization Fund	0	0	0	0	4	4	0.0
Total, Revenues	\$ 2,487	\$ 2,849	\$ 362	\$ 7,112	\$ 7,425	\$ 313	4.4 %
Expenditures:							
By Agency							
Healthcare and Family Services	\$ 679	\$ 409	(270)	\$ 1,214	1,530	316	26.0
State Board of Education	786	532	(254)	909	771	(138)	(15.2)
Human Services	320	334	14	947	1,047	100	10.6
University Retirement System	(146)	128	274	439	404	(35)	(8.0)
All Other Higher Education	26	97	71	605	139	(466)	(77.0)
Corrections	78	95	17	265	624	359	135.5
State Employees Retirement System	126	117	(9)	378	352	(26)	(6.9)
Central Management Services	327	171	(156)	488	559	71	14.5
Children and Family Services	53	61	8	181	195	14	7.7
Aging	27	10	(17)	110	100	(10)	(9.1)
State Police	12	16	4	49	65	16	32.7
All Other	139	128	(11)	449	484	35	7.8
Total	\$ 2,427	\$ 2,098	\$ (329)	\$ 6,034	\$ 6,270	\$ 236	3.9 %
Regular Transfers Out	1,137	760	(377)	2,005	1,831	(174)	(8.7)
Prior Year Adjustments	(1)	(1)	0	(2)	(1)	1	(50.0)
Vouchers Payable Adjustment	(508)	54	562	(673)	(700)	(27)	N/A
<b>Total, Base Expenditures</b>	<b>\$ 3,055</b>	<b>\$ 2,911</b>	<b>\$ (144)</b>	<b>\$ 7,364</b>	<b>\$ 7,400</b>	<b>\$ 36</b>	<b>0.5 %</b>
Transfers to Repay Budget Stabilization	0	0	0	0	0	0	0.0
Transfers to Repay Treasurer's Investments	0	0	0	0	0	0	0.0
Transfers to Repay Interfund Borrowing	0	0	0	0	0	0	0.0
Total, Expenditures	3,055	2,911	(144)	7,364	7,400	36	0.5
AVAILABLE CASH BALANCE, ENDING	\$ 62	\$ 32	\$ (30)	\$ 62	\$ 32	\$ (30)	(48.4) %