

# Comptroller's Quarterly

SUSANA A. MENDOZA, COMPTROLLER

Fiscal Year 2019 • Quarter 4 • July-August 2019

## UNEXPECTED REVENUES IN APRIL BRING DROP IN PENDING BILLS, BUT COMPTROLLER MENDOZA CONTINUES TO URGE CAUTION AND FOCUS

Illinois closed out the final quarter of fiscal year 2019 with notable achievements, including passage of the state's first major capital infrastructure plan in 10 years and a fiscal year 2020 budget with bipartisan support.

While the fourth quarter was aided by a big boost in year-over-year base revenues in April, Comptroller Susana A. Mendoza continued to urge caution, stating that her office remains focused on reducing the state's amount of pending bills. The quarter ended with an estimated \$6.019 billion in pending bills while meeting obligations to core services, including making pension payments and payments to vulnerable citizens and elementary and high schools.

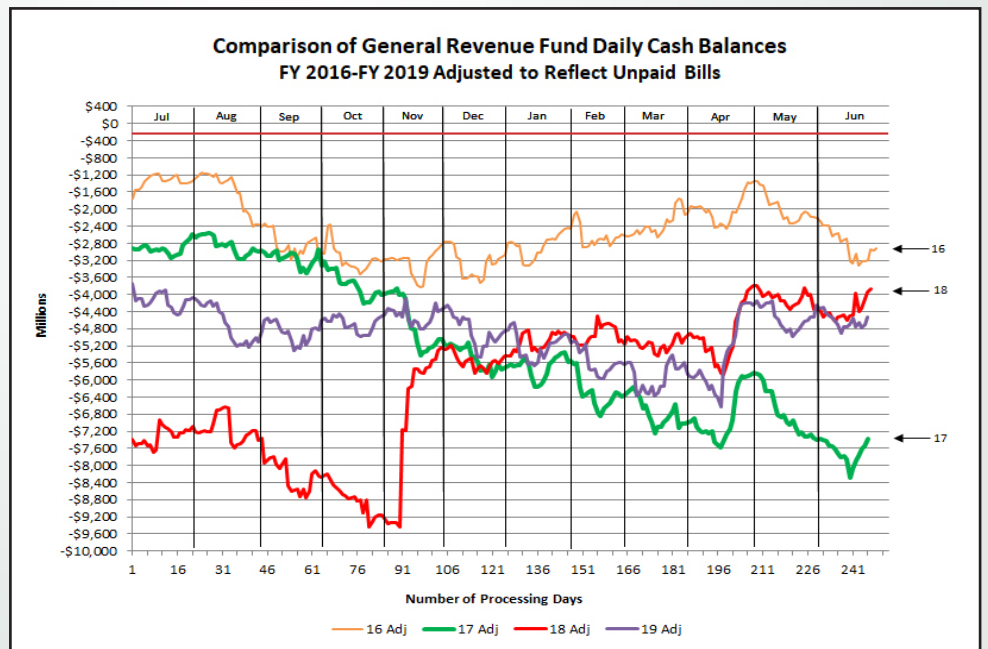
The increase in revenue receipts during the quarter resulted in the amount of General Funds payables at the Illinois Office of Comptroller dropping by nearly \$1.694 billion, or 25%, compared to the end of the third quarter.

The fiscal year 2020 budget enacted in June estimates \$40.287 billion in General Funds revenues, including \$100 million assumed from interfund borrowing, and authorizes \$40.136 billion in General Funds expenditures. As of June 30, about \$645 million of the \$783 million in interfund borrowing that occurred in fiscal years 2018 and 2019 remains outstanding. Almost \$138 million has been repaid through June 30. The fiscal year 2020 budget implementation bill (Public Act 101-0010) extended the repayment of interfund borrowing amounts to 48 months from the date the funds were borrowed.

In other noteworthy action, in May the General Assembly adopted a constitutional amendment that, if approved by voters in the November 2020 General Election, will end Illinois' flat income tax system and authorize graduated income tax rates.

*"It is important to keep in mind that we still face a \$6 billion to \$8 billion backlog of pending bills with no dedicated revenue stream to pay them. We have aggressively targeted the state's highest-interest-accruing bills with [April 2019] receipts, bringing the backlog lower than it would otherwise be."*

*— Comptroller Susana A. Mendoza*



## Quarterly Highlights and Debt Transparency Act Review

During the fourth quarter of the 2019 fiscal year, the total estimated amount of bills pending at the Illinois Office of Comptroller and state agencies topped \$8.790 billion at the end of the day April 18 and saw a low of just under \$6.003 billion at the end of the day May 13. During the quarter, the average daily amount of pending bills was \$7.047 billion. These amounts reflect the highs and lows of the quarter once adjusted to reflect agency reports under the Debt Transparency Act. The total estimated backlog must be adjusted based on held bills reported at the agency level, which are not reported to the Illinois Office of Comptroller until after the final day of each month.

The fourth quarter of fiscal year 2019 began with \$6.782 billion in General Funds payables at the Illinois Office of Comptroller, an increase of almost \$742 million, or 12.2%, compared to the start of the third quarter. The fourth quarter ended with \$5.161 billion in General Funds payables at the IOC, a decrease of almost \$1.694 billion (24.7%), compared to the end of the third quarter.

In the fourth quarter, the Illinois Office of Comptroller finalized repayments required through the State Treasurer's Office investment tool, which was used to help address the state's backlog of unpaid bills. Between September 2018 and October 2018, the Treasurer invested \$700 million of the state's investment portfolio to pay interest-generating bills. In April, the Illinois Office of Comptroller repaid \$485 million in principal and paid almost \$8.942 million in interest due. At interest rates ranging from 3.62% to 3.78%, the Illinois Office of Comptroller estimates this investment tool saved the state at least \$19.5 million in interest costs during the quarter and at least \$26 million for the total \$700 million invested. Furthermore, various state funds received the more than \$12.5 million in interest due under the investment program. Almost \$10.4 million of that amount, or about 83%, went to the Road Fund and the State Construction Account Fund, which are used for highway construction and maintenance, and the

Income Tax Refund Fund, which is used to disburse income tax refunds.

When outstanding vouchers are considered, the General Revenue Fund – Illinois' main operating account – closed the quarter with a cash balance of negative \$4.514 billion.

### Base Revenues

General Funds total base revenues for fiscal year 2019 decreased by \$1.723 billion, or 4.2%. This decrease is attributed to the reduction in transfers-in from Special Bond Proceeds (a one-time revenue in fiscal year 2018) and a large decline in federal sources (also a result of the use of the transfers-in from the Special Bond Proceeds in fiscal year 2018). However, this reduction was offset by more than half due to gains in most all state source cash receipt categories, with the largest contributors being individual and corporate income taxes and sales taxes. Factors impacting the state's base revenues in fiscal year 2019 include:

- **INCOME TAX:** Individual income tax receipts were \$19.236 billion, an increase of \$1.511 billion, or 8.5%, when compared to the prior year. Corporate income tax revenues increased by \$372 million, or 18.4%.
- **SALES TAX:** Sales tax revenues totaled \$8.409 billion, an increase of \$599 million, or 7.7%, when compared to fiscal year 2018.
- **TRANSFERS:** Transfers-in decreased by \$2.642 billion through June, largely due to the one-time nature of \$2.5 billion in transfers associated with the Special Bond Proceeds in fiscal year 2018. Lottery Fund transfers increased by \$12 million, and riverboat gambling transfers decreased by \$3 million.
- **FEDERAL REVENUE:** Federal revenues decreased by \$1.638 billion (31.3%) compared to the previous fiscal year. This decrease is associated with the one-time nature of the cash infusion from the Special Bond Proceeds transfers, which allowed for an increase in payments from the General Funds for Medicaid bills eligible for reimbursement in fiscal year 2018.
- **OTHER RECEIPTS:** Total "other sources" revenues increased by \$75 million, or 2.2%, over the previous fiscal year. Investment income increased by \$66 million, corporate

franchise tax and fees increased by \$40 million, and inheritance taxes increased by \$30 million. However, insurance taxes and fees decreased by \$36 million and public utility taxes declined by \$33 million.

### Base Expenditures

General Funds base spending – payments released by the Illinois Office of Comptroller – decreased by \$3.472 billion (8.2%) through the end of fiscal year 2019. Warrants issued, including prior year adjustments, decreased by \$2.939 billion, while transfers-out decreased by \$533 million.

- **SOCIAL SERVICES:** Department of Healthcare and Family Services spending increased by \$1.563 billion, or 24.0%; vouchers presented by the Department of Human Services increased by \$117 million, or 3.3%; Department of Children and Family Services expenditures increased by \$6 million, or 0.8%; and vouchers presented by the Department on Aging decreased by \$262 million (22.4%).
- **EDUCATION:** State Board of Education spending increased by \$208 million, or 2.5%, through the fourth quarter. Vouchers presented by higher education agencies, excluding the retirement system, decreased by \$1.065 billion (37.6%). This decline is attributed to the inclusion of additional funding for fiscal year 2017 that occurred during lapse period, which inflated the expenditures for fiscal year 2018.
- **RETIREMENT SYSTEMS:** Vouchers presented by the Teachers' Retirement System increased by \$578 million; State Employees' Retirement System expenditures increased by \$89 million; and State Universities Retirement System spending increased by \$27 million.
- **ALL OTHER:** Vouchers from all other agencies increased by \$595 million. The Department of Corrections had the largest increase among the other major agencies at \$274 million, or 18.7%. Central Management Services spending increased by \$220 million, or 11.6%, which reflects the funding for state employee group health insurance.
- **TRANSFERS-OUT:** Transfers-out for fiscal year 2019 decreased by \$533 million, or 14.1%. ■

GENERAL FUNDS TRANSACTIONS  
(Dollars in Millions)

	June		Change	Twelve Months		Change	
	2018	2019		FY 2018	FY 2019	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 354	\$ 531	\$ 177	\$ 1,368	\$ 125	\$ (1,243)	(90.9) %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 1,474	\$ 1,562	\$ 88	\$ 17,725	\$ 19,236	\$ 1,511	8.5 %
Corporate	384	364	(20)	2,017	2,389	372	18.4
Total, Income Taxes	1,858	1,926	68	19,742	21,625	1,883	9.5
Sales Taxes	697	735	38	7,810	8,409	599	7.7
Other Sources:							
Public Utility Taxes	62	48	(14)	896	863	(33)	(3.7)
Cigarette Taxes	31	39	8	344	361	17	4.9
Inheritance Tax (gross)	42	22	(20)	358	388	30	8.4
Liquor Gallonage Taxes	16	15	(1)	172	172	0	0.0
Insurance Tax and Fees	77	72	(5)	432	396	(36)	(8.3)
Corporation Franchise Tax and Fees	18	22	4	207	247	40	19.3
Investment Income	8	14	6	79	145	66	83.5
Cook County IGT	0	0	0	244	244	0	0.0
Other	206	239	33	719	710	(9)	(1.3)
Total, Other Sources	460	471	11	3,451	3,526	75	2.2
Total, Cash Receipts	\$ 3,015	\$ 3,132	\$ 117	\$ 31,003	\$ 33,560	\$ 2,557	8.2 %
Transfers In:							
Lottery Fund	\$ 89	\$ 104	\$ 15	\$ 719	\$ 731	\$ 12	1.7 %
State Gaming Fund	20	25	5	272	269	(3)	(1.1)
Special Bond Proceeds	0	0	0	2,500	0	(2,500)	(100.0)
Other Funds	162	50	(112)	1,186	1,035	(151)	(12.7)
Total, Transfers In	\$ 271	\$ 179	\$ (92)	\$ 4,677	\$ 2,035	\$ (2,642)	(56.5) %
Total, State Sources	\$ 3,286	\$ 3,311	\$ 25	\$ 35,680	\$ 35,595	\$ (85)	(0.2) %
Federal Sources	\$ 66	\$ 771	\$ 705	\$ 5,238	\$ 3,600	\$ (1,638)	(31.3) %
<b>Total, Base Revenues</b>	<b>\$ 3,352</b>	<b>\$ 4,082</b>	<b>\$ 730</b>	<b>\$ 40,918</b>	<b>\$ 39,195</b>	<b>\$ (1,723)</b>	<b>(4.2) %</b>
Treasurer's Investments	0	0	0	0	700	700	0.0
Treasurer's Investments - Contingency Fund Exchange	0	0	0	0	50	50	0.0
Interfund Borrowing	6	0	(6)	533	250	(283)	(53.1)
Total, Revenues	\$ 3,358	\$ 4,082	\$ 724	\$ 41,451	\$ 40,195	\$ (1,256)	(3.0) %
Expenditures:							
By Agency:							
Healthcare and Family Services	\$ 154	\$ 1,159	\$ 1,005	\$ 6,521	\$ 8,084	\$ 1,563	24.0 %
State Board of Education	994	875	(119)	8,195	8,403	208	2.5
Human Services	240	260	20	3,580	3,697	117	3.3
Teachers Retirement	287	372	85	4,223	4,801	578	13.7
University Retirement System	60	138	78	1,418	1,445	27	1.9
All Other Higher Education	34	51	17	2,831	1,766	(1,065)	(37.6)
Corrections	204	117	(87)	1,467	1,741	274	18.7
State Employees Retirement System	94	117	23	1,319	1,408	89	6.7
Central Management Services	105	167	62	1,903	2,123	220	11.6
Children and Family Services	39	65	26	746	752	6	0.8
Aging	77	77	0	1,169	907	(262)	(22.4)
State Police	35	27	(8)	244	262	18	7.4
All Other	126	127	1	1,484	1,567	83	5.6
Total	\$ 2,449	\$ 3,552	\$ 1,103	\$ 35,100	\$ 36,956	\$ 1,856	5.3 %
Regular Transfers Out	353	272	(81)	3,773	3,240	(533)	(14.1)
Prior Year Adjustments	(2)	1	3	(28)	(27)	1	(3.6)
Vouchers Payable Adjustment	787	312	(475)	3,721	(1,075)	(4,796)	N/A
<b>Total, Base Expenditures</b>	<b>\$ 3,587</b>	<b>\$ 4,137</b>	<b>\$ 550</b>	<b>\$ 42,566</b>	<b>\$ 39,094</b>	<b>\$ (3,472)</b>	<b>(8.2) %</b>
Transfers to Repay Treasurer's Investments	0	0	0	0	700	700	0.0
Transfers to Repay Treasurer's Investments - Contingency Fund Exchange	0	0	0	0	50	50	0.0
Transfers to Repay Interfund Borrowing	0	10	10	128	10	(118)	(92.2)
Total, Expenditures	3,587	4,147	560	42,694	39,854	(2,840)	(6.7)
AVAILABLE CASH BALANCE, ENDING	\$ 125	\$ 466	\$ 341	\$ 125	\$ 466	\$ 341	272.8 %

GENERAL REVENUE FUND TRANSACTIONS  
(Dollars in Millions)

	June		Change	Twelve Months		Change	
	2018	2019		FY 2018	FY 2019	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 93	\$ 235	\$ 142	\$ 314	\$ 7	\$ (307)	(97.8) %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 1,262	\$ 1,330	\$ 68	\$ 15,133	\$ 16,280	\$ 1,147	7.6 %
Corporate	353	334	(19)	1,849	2,189	340	18.4
Total, Income Taxes	1,615	1,664	49	16,982	18,469	1,487	8.8
Sales Taxes	513	540	27	5,757	6,199	442	7.7
Other Sources:							
Public Utility Taxes	56	45	(11)	827	802	(25)	(3.0)
Cigarette Taxes	27	31	4	272	288	16	5.9
Inheritance Tax (gross)	42	22	(20)	358	388	30	8.4
Liquor Gallonage Taxes	16	15	(1)	172	172	0	0.0
Insurance Tax and Fees	77	72	(5)	432	396	(36)	(8.3)
Corporation Franchise						0	0.0
Tax and Fees	18	22	4	207	247	40	19.3
Investment Income	8	14	6	77	143	66	85.7
Cook County IGT	0	0	0	244	244	0	0.0
Other	186	239	53	674	707	33	4.9
Total, Other Sources	430	460	30	3,263	3,387	124	3.8
Total, Cash Receipts	\$ 2,558	\$ 2,664	\$ 106	\$ 26,002	\$ 28,055	\$ 2,053	7.9 %
Special Bond Proceeds Transfer	0	0	0	2,500	0	(2,500)	(100.0)
Transfers In	162	49	(113)	1,188	1,033	(155)	(13.0)
Total, State Sources	\$ 2,720	\$ 2,713	\$ (7)	\$ 29,690	\$ 29,088	\$ (602)	(2.0) %
Federal Sources	\$ 66	\$ 771	\$ 705	\$ 5,238	\$ 3,600	\$ (1,638)	(31.3) %
<b>Total, Base Revenues</b>	<b>\$ 2,786</b>	<b>\$ 3,484</b>	<b>\$ 698</b>	<b>\$ 34,928</b>	<b>\$ 32,688</b>	<b>\$ (2,240)</b>	<b>(6.4) %</b>
Interfund Borrowing	6	0	(6)	533	250	(283)	(53.1)
Treasurer's Investments	0	0	0	0	700	700	0.0
Treasurer's Investments - Contingency							
Fund Exchange	0	0	0	0	50	50	0.0
Transfer from Budget Stabilization Fund	0	0	0	0	4	4	0.0
Total, Revenues	\$ 2,792	\$ 3,484	\$ 692	\$ 35,461	\$ 33,692	\$ (1,769)	(5.0) %
Expenditures:							
By Agency							
Healthcare and Family Services	\$ 154	\$ 1,159	1,005	\$ 6,521	\$ 8,084	1,563	24.0
State Board of Education	607	266	(341)	3,722	3,820	98	2.6
Human Services	240	260	20	3,577	3,697	120	3.4
University Retirement System	60	138	78	1,414	1,440	26	1.8
All Other Higher Education	12	32	20	1,104	553	(551)	(49.9)
Corrections	204	117	(87)	1,467	1,741	274	18.7
State Employees Retirement System	94	117	23	1,319	1,408	89	6.7
Central Management Services	105	167	62	1,903	2,123	220	11.6
Children and Family Services	39	65	26	746	752	6	0.8
Aging	47	76	29	290	308	18	6.3
State Police	35	27	(8)	244	262	18	7.4
All Other	126	127	1	1,594	1,682	88	5.5
Total	\$ 1,723	\$ 2,551	\$ 828	\$ 23,901	\$ 25,870	\$ 1,969	8.2 %
Regular Transfers Out	485	940	455	8,089	7,957	(132)	(1.6)
Prior Year Adjustments	(2)	0	2	(21)	(22)	(1)	4.8
Vouchers Payable Adjustment	672	144	(528)	3,671	(940)	(4,611)	N/A
<b>Total, Base Expenditures</b>	<b>\$ 2,878</b>	<b>\$ 3,635</b>	<b>\$ 757</b>	<b>\$ 35,640</b>	<b>\$ 32,865</b>	<b>\$ (2,775)</b>	<b>(7.8) %</b>
Transfers to Repay Budget Stabilization	0	4	4	0	4	4	0.0
Transfers to Repay Treasurer's Investments	0	0	0	0	700	700	0.0
Transfers to Repay Treasurer's Investments - Contingency							
Fund Exchange	0	0	0	0	50	50	0.0
Transfers to Repay Interfund Borrowing	0	10	10	128	10	(118)	(92.2)
Total, Expenditures	2,878	3,649	771	35,768	33,629	(2,139)	(6.0)
AVAILABLE CASH BALANCE, ENDING	\$ 7	\$ 70	\$ 63	\$ 7	\$ 70	\$ 63	896.3 %