

FISCAL FOCUS

Comptroller Daniel W. Hynes

April 1999

What's New...

- Rainy Day Fund bill (HB0417) passed the House on March 12th.
- The May Fiscal Focus will include a publication request survey to help us update our readership lists.

Cover Story...

Organizing Illinois for the Information Revolution

During the past five years, many states have reorganized their information technology (IT) agencies in response to the enormous increase in the use of information technology throughout state government. Illinois recently took its first step to join this trend when Governor Ryan issued Executive Order Number 5 (1999) which creates the Illinois Technology Office within the Office of the Governor.

The Need to Reorganize Information Technology Management

The early stages of the information revolution were characterized by large mainframe computers that provided the first opportunity to easily process large quantities of information. However, there were several limits to the usefulness of these systems. They were very expensive to purchase and operate. These large mainframe computers were also difficult to program and used inconvenient input and output media such as punch cards, tapes, and paper. The majority of states (41 according to a 1996 National Association of State Information Resource Executives (NASIRE) survey) found it most efficient to create central computer divisions to operate a large mainframe facility for state agencies. In Illinois, mainframes and communications networks serving executive agencies are operated by the Bureau of

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A Note From Dan Hynes

Dear Reader,

This month's Fiscal Focus highlights technology issues facing Illinois. In his budget address in February, Governor Ryan proposed the creation of the Office of Technology to oversee the State's technological infrastructure. This issue aims to provide background information in order to assist the Governor in his efforts to promote a unified approach to technology purchases, implementation, utilization, and other pertinent issues.

The Comptroller's Office is pleased to be included in these efforts and hopes to provide insight into moving all of State government into a computer environment that improves services and increases efficiency. The lessons learned from the implementation of the Statewide Accounting Management System can be applied to this approach in order to avoid some of the pitfalls and problems this Office encountered and overcame.

I am encouraging our Office to be aggressive in identifying efficiencies that can be gained by maximizing the benefits of the technology that is currently available *and* recognizing cutting-edge ways of improving the services we provide.

We would appreciate your input on this subject and other areas that involve our Office. Please e-mail us your comments at www.ioc.state.il.us. Your assistance is an invaluable resource.

Sincerely,

Daniel W. Hynes

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The Y2K Bug: The State's Extermination Plan

Fiscal Focus is one of the ways the Comptroller's Office strives to assist taxpayers and the people of Illinois. This monthly report is designed to provide fiscal information of general interest and in compliance with state statutes.

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to the Governor and General Assembly on November 30, 1998. Agency compliance data in this report was summarized in the January issue of the Comptroller's *Fiscal Focus*.

The November report included seven recommendations. First, it recommended that year 2000 compliance should be one of the top focuses of every agency, and that agencies directors must ensure Y2K projects are properly elevated on agency agendas and given the management direction and support necessary for success. Second, that mission-critical systems must be prioritized and their progress tracked. Third, agencies should focus on forming contingency plans should any of those mission-critical systems not get finished in time. Fourth, the state emergency management networks should be directed to add Y2K scenarios to their disaster contingency plans, so that a unified plan can be developed in case of emergency. Fifth, the state regulatory bodies with oversight of utilities, insurance, banking, etc., should coordinate reporting for the industries they regulate, so that the state will not be caught unaware if there is any Y2K problem in the broader economy. Another recommendation was that the Department of Central Management Services should work with the Attorney General's office in selecting legal counsel to advise the Task force and the state on possible liability issues and other legal problems that might arise for the state. Finally there was a recommendation that an Illinois Year 2000 Preparedness Council should be established to provide executive level support and statewide coordination for Y2K efforts.

This task force was concerned that its efforts had been fragmented because it did not have the management level attention and direction that were necessary. Therefore it recommended that a council be set

up, similar to the Federal Year 2000 Preparedness Council, which is headed by a chairman serving as Y2K czar. The task force saw the role of this council not as responsible for fixing the problem directly, but instead to present a unified state government vision of the issue, and to coordinate the efforts in a thorough and comprehensive manner. The task force hoped that this council could see this problem as larger than simply state government and provide direction and support to local government and the private sector as well. By coordinating the effort it would prevent the issue from falling between the cracks of the overlapping jurisdictions of state agencies, counties, cities, townships, schools, and special purpose districts. The task force saw itself as the first step toward establishing a vision for state government, but that the council would be a tool to develop and coordinate that vision and provide needed leadership.

Many of the task force's concerns were addressed and implemented in Governor George Ryan's recent announcement regarding his technology initiatives. In March of this year he announced the creation of the Illinois Year 2000 Preparedness Council, as recommended by the task force. Other recommendations are also addressed in terms of initiatives relating to technology development, management and coordination. A new Illinois Technology Office will be established and will work with both the council and the task force on Y2K issues. He also announced that measures would be taken to establish a "watch list" of state agencies that have failed to meet critical areas; monthly meetings will take place with appropriate agencies to prepare Y2K contingency plans; meetings will also take place with local governments and other state and federal agencies to determine the readiness of inter-related systems. It is hoped that with this kind of executive level and agency cooperation, the state will be prepared for the turn of the century.

How Illinois Stacks Up

The Digital State - Is Illinois Falling Behind?

Today anyone can use the Internet to search for jobs, find the best deal on a used car, or buy the newest Grammy-winning CD. Digital technology is obviously a great resource, but how successfully has the state used that resource?

For the second year in a row, the Progress & Freedom Foundation and *Government Technology* magazine have released a study on the use of technology by state governments. The study, entitled *The Digital State 1998*, analyzed the states in eight categories. The first category was Digital Democracy, which measures whether the state allows citizens to access laws, legislators and the democratic process via the Internet. The study measured the utilization of digital technologies to facilitate learning in both higher education and elementary and secondary. Fourth, Business Regulation measured the ability for business owners to access regulations and submit required forms via

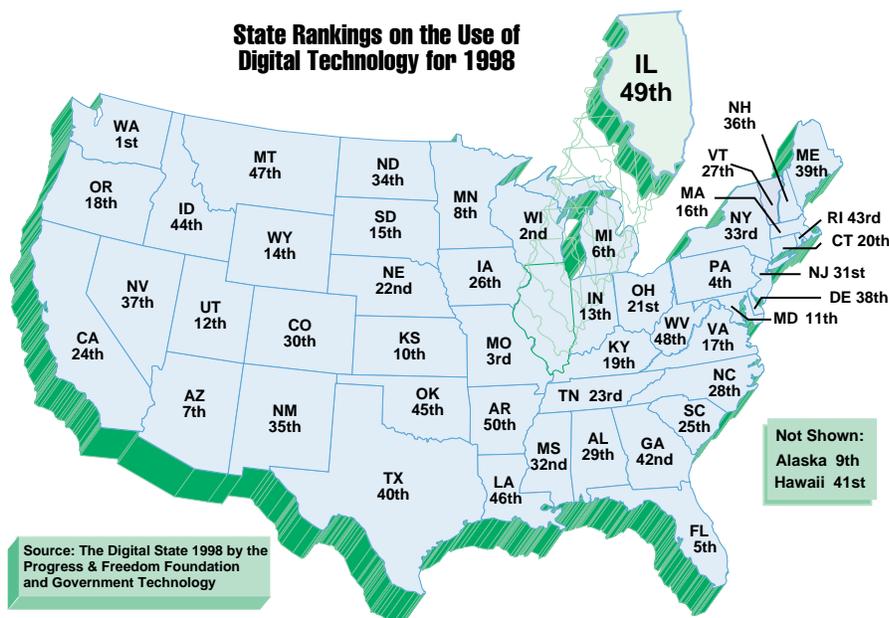
the Internet. Taxation was the fifth category and measured the ability of taxpayers to obtain information and submit returns on-line. Social Service measured, among other things, the availability of on-line information regarding program eligibility and applications. Law Enforcement and the Courts measured access to court opinions and digital communications by police agencies. And finally, Other Initiatives measured any ongoing efforts in state government to proactively plan for development in information technology.

After the states have been judged individually on all of these uses of technology, a total score is computed for each state. In 1998, Illinois ranked 49th, down from 36th the year before. However, it should be noted that Illinois is seeing progress — out of a total of 100 points, Illinois received 46 points compared to 36 points the year before. The problem is that Illinois has not seen as much technological progress as most other states. The average state score increased 38.6%, while Illinois' score only improved 27.8%.

Illinois ranked highest in K-12 Education, and lowest in Digital Democracy. Recently, steps have been taken to improve Illinois' ranking in Digital Democracy. Previously, if an Illinois citizen wanted access to legislation being considered or any existing state laws they could do so only by paying a user fee for connecting to the Legislative Information System (LIS). However, a new web site has been developed to provide all citizens with access to this information free of charge at legis.state.il.us.

One Illinois program that was commended in this study was the statewide LINK program. This program was designed to allow about 500,000 people to access their cash and food stamp benefits using a LINK card. The Link program allows for efficient electronic record keeping, and it reduces the level of paperwork for retailers throughout the state.

[How Illinois Stacks Up Continued, page 12](#)





Focus On Revenue

Statistical Services Revolving Fund

A significant portion of the state's electronic data processing is performed by the Department of Central Management Services' (CMS) Bureau of Communication and Computer Services. As a statutory responsibility, the Department operates the Central Computer Facility in Springfield which functions as a data processing service center providing computing and telecommunications resources to approximately 103 state agencies. In addition, CMS operates a branch facility in Springfield that serves as the primary backup site in the event of a disaster.

CMS and the agencies that use the Central Computer Facility share the responsibility for maintaining the integrity and security of computerized data as well as the costs involved. Funding for the Central Computer Facility is provided through the Statistical Services Revolving Fund (SSRF) which consolidates payments from the various user agencies for electronic data processing services. Each user agency is charged according to the amount of services provided with no volume discounts available.

For fiscal year 1998, revenues to the SSRF from the various state agency users totaled \$75.2 million, \$34.7 mil-

lion or 85.7% higher than revenues in fiscal year 1989 and \$5.4 million or 7.7% higher than fiscal year 1997. The significant growth in agency payments or revenues to the SSRF is directly attributable to the incredible growth in main frame usage.

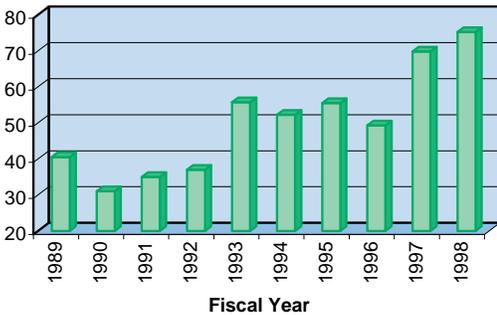
In 1998, 59.4 terabytes of disk space were utilized for electronic data processing and storage, 54.7 terabytes or nearly thirteen times the 4.7 terabytes of disk space utilized in fiscal year 1989. Since just fiscal year 1994, 47.3 terabytes or 86.5% of the growth over the last ten years has occurred.

Despite the fact that usage has increased nearly 1,200% since 1989, costs to agencies or revenues to the SSRF have increased by only 85.7%. Advancements in technology and efficiency along with volume purchasing have enabled CMS and its Central Computer Facility to pass along rate decreases for usage of the main frame system. Overall rate decreases for the various applications supported by the Central Computer Facility have occurred in six of the last ten years.

On top of a 5.0% rate decrease in 1989, another 10.0% rate decrease was implemented in 1991 and 6.5% in 1992. After remaining stable in 1993, rates were again decreased by 7.5% and 13.0% in 1994 and 1995. Rates once again remained steady in fiscal year 1996 and 1997 before declining another 11.0% in 1998.

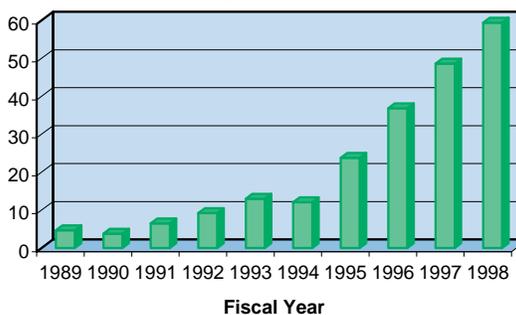
Among the application systems developed by CMS for state agency use are the: Generalized Accounting System which 57 state agencies were utilizing as of December 1, 1998; Central Payroll System (utilized by 85 agencies); Central Inventory System (utilized by 36 agencies); Central Time and Attendance System (utilized by 29 agencies); and the Accounting Information System (utilized by 55 agencies).

Statistical Services Revolving Fund Revenues (Dollars in Millions)



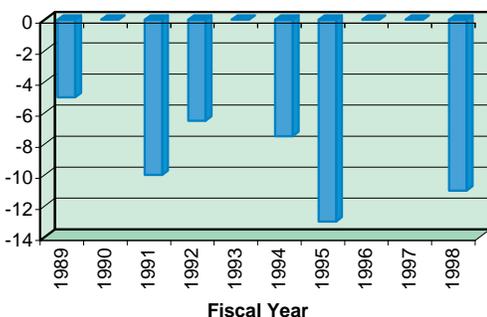
Source: Comptroller Records

Main Frame Computer Disk Space Usage (Usage in Terabytes)



Source: Central Management Services

Percentage Decreases in Overall Main Frame Usage Rates



Source: Central Management Services

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Focus On Spending

EDP Spending

Illinois' newly established Technology Office faces several daunting tasks. One of those tasks is getting a handle on what the state spends for EDP. Another is figuring out what the state gets for its money.

From fiscal year 1996 through 1998, the agencies of state government accumulated \$872 million in EDP-related expenditures from appropriations passed by the General Assembly. This amount was calculated from the records of the Comptroller's Statewide Accounting Management System (SAMS) and is based on information provided by agencies.

Appropriations granted by the General Assembly usually specify in general how a given appropriation can be used. For example, a Contractual Services or Equipment appropriation tells the agency that the appropriation can only be spent for that purpose without specifying exactly what services or equipment can be purchased. When agencies submit a bill for payment to the Comptroller's Office, however, they are required to classify the spending based on more

narrowly defined objects. These objects are intended to describe the purpose of state spending.

Many agencies are provided appropriations specifically for EDP. In addition to the obvious items, these appropriations can be spent for just about anything related to EDP including salaries (and related items), consulting ser-

Spending From All Appropriations For EDP-Related Purposes By Object
(Millions of Dollars)

Object Name	Fiscal Years			Total
	1996	1997	1998	
Total EDP Equipment	87.4	84.6	100.4	272.5
Statistical and Tabulating Services	48.4	65.8	73.5	187.7
Rental of Data Communication Services	38.8	41.1	46.4	126.3
Computer Software	31.7	33.7	38.7	104.2
Repair and Maint. of EDP Equipment	26.4	25.2	24.9	76.5
Professional and Artistic Services (Not Elsewhere Classified)	8.5	9.9	8.6	27.0
University Central Data Processing Services	10.3	6.0	5.6	22.0
Rental of Data Processing Equipment	2.9	6.7	5.4	15.0
Personal Services Related	3.9	4.2	3.5	11.6
Auditing and Management Services	3.3	4.0	3.5	10.8
Total Top 10	261.7	281.2	310.5	853.4
All Others	6.8	6.2	5.6	18.6
Total EDP-Related Spending	268.5	287.4	316.1	872.0

Totals may not add due to rounding.

ices, telecommunications, and travel. The fact that an agency does not receive an EDP appropriation does not mean that it can not make EDP-related purchases. For example, an agency can use its Contractual Services appropriation to buy software or its Equipment appropriation to buy computers. This analysis includes all spending from specific EDP appropriations

(including salaries and other items) as well as spending from other general appropriations classified under one of the several objects pertaining directly to EDP.

Spending By Object

From 1996 through 1998, 61 agencies received appropriations specifically earmarked for EDP purposes. Over this period, these agencies spent \$303.2 million from those specific appropriations with the top six accounting for \$228.2 million or 75.3%.

As noted above, however, agency spending for EDP is not limited by the lack of a specific appropriation for that purpose. In fact, EDP spending from

earmarked appropriations made up only 34.8% of total EDP-related spending over the period.

Based on a breakdown of spending by object, state agencies spent \$872 million for EDP-related items between fiscal year 1996 and 1998. By far, the largest amount of spending (\$272.5 million or 31.3%) went for EDP Equipment. The second largest object of spending was for Statistical and Tabulating Services performed for agencies by an outside organization. This is the object cited for payments made by agencies to the Department of Central Management Services (see Focus on Revenue). The third largest object is also for payments to CMS and includes payment for the rental of data communication lines. Rounding out the four largest objects is

Agency Spending From Specific EDP Appropriations
(Millions of Dollars)

Agency Name	Fiscal Years			Total
	1996	1997	1998	
Central Management Services	38.7	40.0	40.3	119.0
Corrections	6.8	6.4	12.8	25.9
Children and Family Services	7.8	8.3	8.4	24.6
Revenue	6.8	7.1	7.5	21.4
State Police	6.1	7.2	6.4	19.7
Secretary of State	4.1	8.5	5.0	17.6
Total Agencies Above \$15 million	70.3	77.5	80.4	228.2
Total All Others	23.4	25.3	26.2	75.0
Total All Agencies	93.7	102.8	106.6	303.2

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Communications and Computer Services (BCCS) within the Department of Central Management Services which also provides other data processing services to executive agencies.

Increased miniaturization and user-friendly software allowed the development of the personal computer which put the power of mainframes in the hands of individuals. The creation of high-speed, high-capacity communication links allowed these personal computers to be joined through networks that magnified the computational power available to the user. Using these powerful new tools for gathering, storing, transmitting, processing, evaluating, and disseminating information provides exceptional opportunities for state agencies to

As a result, many states have determined that the new decentralized network oriented IT operations require a different type of management structure that is focused on coordinating and integrating each agency's IT program. Illinois lacked such a coordinating authority prior to the establishment of the Illinois Technology Office. The many agencies that use BCCS facilities must conform to BCCS standards when creating major operating systems. However, there is no oversight of the design or construction of these operating systems or how they might interact with operating systems designed by other agencies.

Risks from not Upgrading State IT Supervision and Coordination

The coordinating authority created under the new management structures

strophic when automation has become a central part of an agency's operating systems. Also, if major information projects are not designed properly, the result can be cost overruns and a product that provides poorer service than the less automated systems that were replaced.

With increased reliance on IT, it is critical that every gateway to the system emphasizes security. The power of IT to consolidate and allow easy access to data also increases the potential for damage from those who can obtain illegal access to government data files. As agencies increase their linkages, unauthorized access through one weak spot in the state system can put the data bases maintained by other agencies at risk. Many states have established Chief Information Officers (CIO's) to provide the oversight that can reduce the risk of project failure and to coordinate a government wide IT security effort.

What Other States Are Doing

A survey of Internet sites for twelve neighboring and other large states found a general pattern of reorganizing statewide IT administrative structures during the past decade. An examination of the table shows that states that restructure their IT administration have a range of options in structuring the new agencies. The new agency can be a comprehensive IT authority continuing to operate the state's main-

Selected Examples of Illinois IT Innovations

- The Department of Revenue's electronic tax filing and payment initiatives have quickly assumed major roles in tax processing. The amount of money deposited through electronic fund transfers has increased from \$200 million in fiscal year 1993 to \$7.3 billion in fiscal year 1998 allowing for a 1 day decrease in the average time it takes to deposit tax revenues. The number of electronic IL 1040 filers increased from 121 thousand in fiscal year 1994 to 615 thousand in fiscal year 1998.
- The Comptroller's Office is working to reduce the volume of paper involved in state payments. During fiscal year 1998, almost one-quarter of state payments used electronic payment mechanisms, up from 19% in fiscal year 1997. A new accounting system has allowed the Comptroller to automate earlier stages of the payment process. By the end of fiscal year 1998, 58% of state voucher transactions were paperless and 74% of contract obligation transactions were on-line.
- Income assistance clients no longer receive paper checks. Instead, under the Department of Human Service's Illinois Link program (effective in November 1997), approximately 500,000 clients now use their Link card to access benefits credited to their account. Approximately 7,000 retailers accept the Link card for food purchases and many also provide cash access.
- Good communications between police forces is vitally important for effective law enforcement. The Department of State Police operates the Law Enforcement Agencies Data System (LEADS), a network linking State, county, and local police and allowing them to share a variety of information. In fiscal year 1998, there were 390 million LEADS messages, 2.8 million LEADS records entered, and 126 million LEADS inquiries.
- The Department of Conservation now gives hunters and fishermen the ability to purchase licenses and stamps over the Internet. The transactions are encrypted for security purposes. Upon receipt of payment and verification of submitted information, the purchaser is sent a web page containing an electronic license on the screen that can be printed for use when hunting or fishing.

improve the delivery of government services. (The text box contains some examples of how Illinois agencies have taken advantage of these new tools to improve communications with the public and local governments.) These new tools have caused the old mainframe oriented state IT structure to become outmoded.

can focus on identifying potential problems before they occur both by providing an independent review of proposed major agency projects and by overseeing system wide security. As the systems architecture underlying the new IT systems becomes increasingly complicated, the potential for systemwide failure increases. Such failures could be cata-

strophic when automation has become a central part of an agency's operating systems while setting statewide IT standards and advising agencies on IT purchases and software design. Alternatively, the new agency's responsibilities can be limited to standards, planning, and coordination.

State	Year	New Agency	Function
California	1996	Department of Information Technology	Central IT Agency
Florida	1997	State Technology Council	Statewide IT Policy Recommendations
Florida	1997	State Technology Office	Administrative Support to the Council
Indiana	1997	Director of Information Technology	Made Responsible for 3 Existing IT Agencies
Iowa	1996	Information Technology Services	Systems Operations, Customer Support, Planning, and Standards
Kentucky	1998	Chief Information Officer	Advise Governor and Coordinate IT Activities
Michigan	1993	CIO Created within Department of Management and Budget	IT Planning and Systems Administration
Missouri	1995	Office of Information Technology	IT Administration
New York	1997	Office for Technology	Establish IT Standards and Coordinate Agency IT Activities
Ohio	1997	CIO and Interagency Information Management Group	Statewide IT Coordination and Planning
Pennsylvania	1995	Office for Information Technology	Central IT Agency
Texas	1989	Department of Information Resources	Central IT Agency
Wisconsin	1995	Division of Technology Management	Sets IT Strategy and Standards

designed by a committee including Illinois educational institutions, the Board of Higher Education, the State Board of Education, the Community College Board, the Illinois Technology Office, and the Department of Central Management Services. The network is intended to provide a telecommunications pipeline linking sites in all parts of Illinois. It will bring existing networks operated by

A second option is whether the new agency should be led by a high level official reporting directly to the Governor or should be governed by an appointed board. According to the NASIRE survey, eighteen states had Information Resource Management Commissions to approve all statewide information resource management plans, policies, and standards. Other states had commissions with more limited powers. Illinois was one of the 19 states without such a commission.

The California Department of Information Technology provides an illustration of the assortment of powers that can be vested in a new IT department. This Department was created in 1996 to coordinate California's information technology and telecommunications systems. The California CIO has authority to review agency technology projects and suspend or recommend remedial action if they are not consistent with statewide strategies. The Department also provides technical assistance to agencies and oversight for large, high-risk, and complex projects. The Department has established a training and certification program for project managers.

With these powers, California concentrates control of information technology in a single agency similar in manner to how the Capital Development Board coordinates and manages capi-

tal projects for state agencies in Illinois. The risk of centralization is an extra layer of bureaucracy. The advantage is a central technology agency that can develop great expertise and can guarantee consistency in applications systems used by state agencies.

The Century Network - An Example of Illinois Agencies Working Together

A key to linking the IT efforts of Illinois governments is a reliable, high volume state communications network. The Illinois Century Network is the most complex and far-reaching technical project the state has ever undertaken. It is an interagency development effort to construct a state of the art information transmittal network intended to improve the provision of education, job training, and other governmental services. Illinois is not unique in sponsoring a high-speed high-volume statewide information network. EDUCAUSE (an association focusing on higher education and technology) reported thirty-one states with either operating or planned statewide networks. Illinois' neighboring states operate WiscNet, MOREnet (Missouri), Iowa Communications Network, and INDnet.

The Illinois Century Network is being

these agencies (such as the State Board of Education's LincOn network for K-12 schools) together and greatly improve the quality of service. The Century Network will be an improvement on the Internet as its engineering design and dedicated use will make it capable of handling huge volumes of data faster and more reliably than the Internet. The Century Network will be available to provide state of the art training for Illinois workers as well as a variety of educational tools for Illinois schools. The Network will allow users to be active participants in information interchange with its core high-quality real-time interactive capability.

The network will not be cheap to construct. The backbone of the network will consist of large bandwidth lines leased from telecommunications companies to deliver video, voice, and data simultaneously to every corner of the state. A detailed engineering study estimates total construction costs of \$93.1 million over a three year period. The estimated first year cost (fiscal year 2000) is \$25.8 million for leasing circuits, hiring staff, and buying equipment. This is included in the Governor's proposed fiscal year 2000 budget in appropriations to the State Board of Education and the Board of Higher Education. Once completed, the annual operating

Cover Story Concluded

cost of the network would be \$35 million (which could be obtained from a variety of sources such as state appropriations or user fees) for use and maintenance and for connections to clients.

The Century Network and other complex multi-agency projects likely in the future explain why Illinois needs a new management style to oversee its IT spending. Rather than have each agency design the IT system that best fits its needs in isolation, future state IT planning needs to be geared toward integration of systems and interconnectivity between agencies.

The Illinois Technology Office

The Illinois Technology Office is starting as a small staff office within the Governor's Office. It plans to assist state agencies through Y2K supervision, serve as a coordinating office for

technology networks (such as the Century Network) and initiatives by state agencies, and coordinate state IT security measures. Additional responsibilities will include conducting a state government technology inventory, developing a government-wide strategic information management plan, and establishing centralized technology purchasing policies.

The new Office also intends to advise the Governor on state programs that use advanced IT to provide educational services such as networks that expand the educational options of Illinois students. And the Office will work with the Illinois Coalition (an economic development organization that unites Illinois business, labor, education, and government leaders) on technologically oriented economic development programs that ensure the availability of technology competent workers in the Illinois labor force and

encourage the creation and expansion of high technology industries in Illinois.

With the creation of the Illinois Technology Office, Illinois joins the list of states that are experimenting with new IT organizational structures. But reorganization is only one of the changes necessary for Illinois to fully benefit from the IT revolution. While the new organizational structure can ensure state agencies have access to the communication and software tools necessary to take advantage of the opportunities IT is offering, fulfillment of this potential will depend upon the employees who use these tools. Thus reorganization must go hand in hand with training programs that upgrade the skills of Illinois' state government workforce and an open management style that gives these employees the opportunity to fully utilize these new tools.

Focus on Spending Concluded

Computer Software. These four objects accounted for 79.2% of EDP-related spending from appropriations during the period.

Based on the Object Name, it is obvious that several of the objects listed in the table should be included. However, three objects are not obvious. Professional and Artistic Services Not Elsewhere Classified, Personal Services Related (which includes salaries, FICA, etc.), and Auditing and Management Services are counted because they were cited in agency spending from their specific EDP appropriations.

Spending by Agency

Not surprisingly, the largest agencies of state government are responsible for the majority of EDP-related spending. Of the more than 100 state agencies that receive appropriations each year, 13 recorded more than \$20 million of EDP-related spending from 1996 through 1998 and accounted for 79.1% of the total over the period.

Of the 13 largest, four did not receive a specific EDP appropriation (Public

Aid, Employment Security, U of I, and the Board of Education). Even for those agencies that received such an appropriation, total EDP-related spending exceeded earmarked spending by a wide margin.

There are two factors that must be noted. First, the

amounts presented above include double counting of expenditures to the extent that state agency payments to CMS are used by CMS for EDP purposes. Second, these amounts only include spending that is readily identifiable as EDP-related. This means that the salaries of EDP specialists that are not paid from specific EDP appropriations

Spending From All Appropriations
For EDP-Related Purposes By Agency
(Millions of Dollars)

Agency Name	Fiscal Years			Total
	1996	1997	1998	
Central Management Services	61.4	60.5	62.6	184.5
Public Aid	33.5	48.5	26.3	108.4
Human Services ***	9.7	9.5	50.5	69.7
Employment Security	10.4	14.2	16.2	40.7
Transportation	13.8	12.5	13.6	39.9
Children and Family Services	9.0	13.6	14.9	37.5
Secretary of State	6.8	14.6	12.3	33.7
State Police	8.9	11.0	12.7	32.6
State Lottery	10.2	10.4	10.3	30.8
University of Illinois	17.6	7.0	6.1	30.7
Corrections	7.7	7.1	15.5	30.4
State Board of Education	5.1	12.1	9.7	27.0
Revenue	8.0	7.7	7.9	23.7
Total for Agencies over \$20 million	202.1	228.7	258.9	689.7
All Other Agencies	66.4	58.7	57.2	182.3
Total EDP-Related Spending	268.5	287.4	316.1	872.0

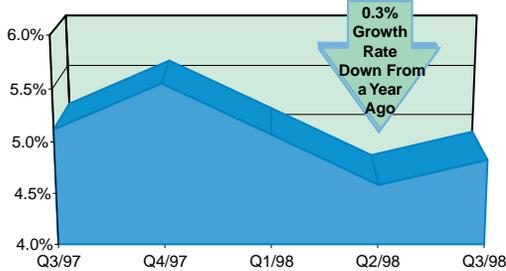
Totals may not add due to rounding.

***The Department of Human Services was formed in fiscal year 1998 with the consolidation of all or part of six agencies. The amounts shown for 1996 and 1997 represents the spending of the departments consolidated in their entirety (Rehabilitation Services, Alcoholism and Substance Abuse, and Mental Health and Developmental Disabilities)

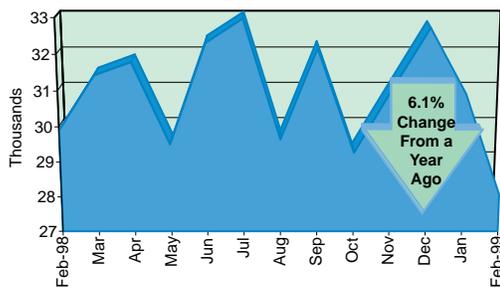
are not included here. It also means that the costs of EDP-related activities that can not be readily separated from other costs are not included (for example, the EDP-related portion of a larger management-consulting contract).

Illinois Stats: Economic and Financial

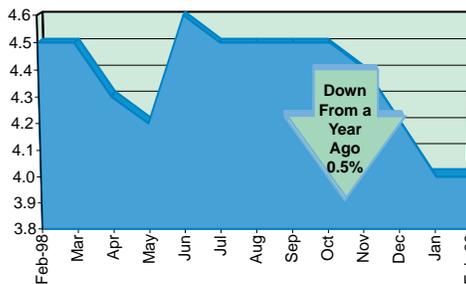
Illinois Personal Income
Change From Prior Year (Reported Quarterly)



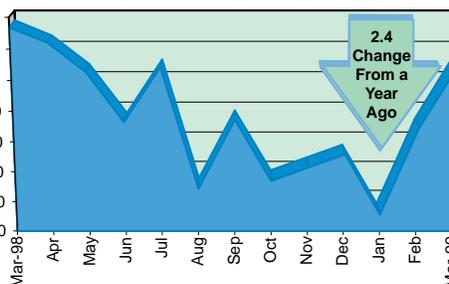
New Claims Unemployment Insurance



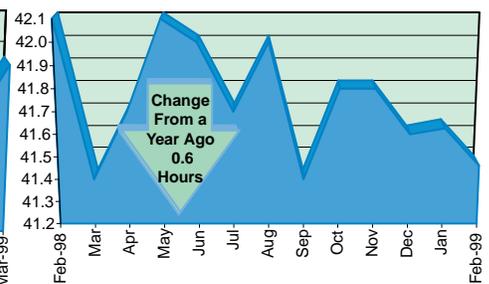
Illinois Unemployment Rate



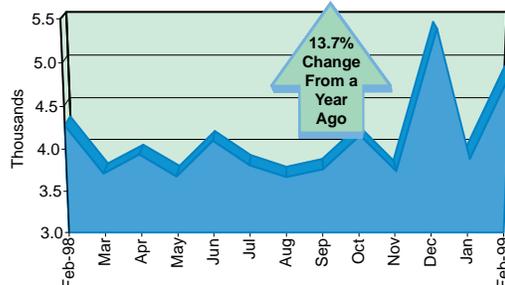
Chicago Purchasing Managers Index



Average Hours Worked Illinois Manufacturing



Illinois Housing Permits

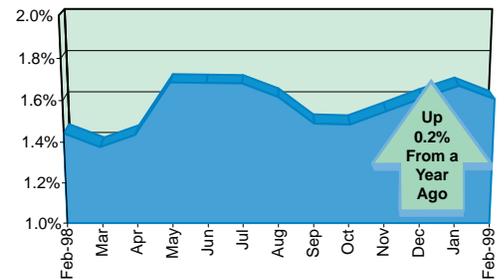


The U.S. economy continues to enjoy moderate growth despite recessions in many parts of the World. With purchasing power benefiting from low interest rates and a strong stock market, the latest DRI/McGraw-Hill economic forecast is for the quarterly U.S. growth rate to vary between 1.5% and 2.7% over the next five quarters. Weak world commodity markets and competition from lower priced Asian goods will keep inflation under control as the inflation rate is forecast to remain below 3% through the second quarter of 2000.

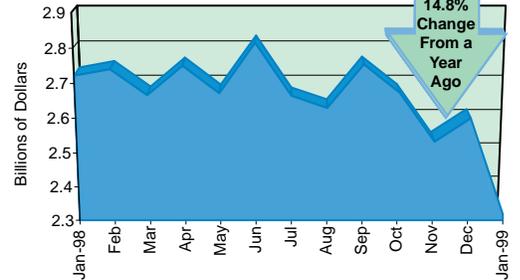
DRI/McGraw-Hill:
Economic Forecasts

Federal Reserve System:
Interest Rates

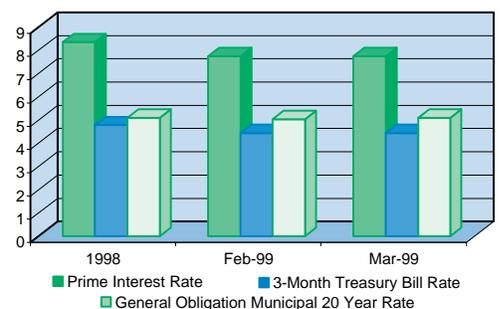
Inflation Rate
Change From Prior Year



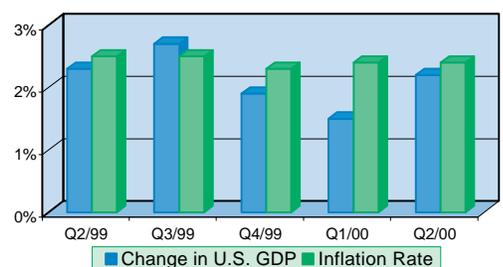
Illinois Direct Exports



Interest Rate Trends



Economic Outlook



Sources:

Illinois Department of Employment Security:
Hours Worked in Manufacturing, Unemployment Insurance Claims

U.S. Census Bureau:
Direct Exports, Housing Permits

U.S. Bureau of Labor Statistics:
Unemployment Rates, Consumer Price Index

U.S. Bureau of Economic Analysis:
Personal Income

Purchasing Managers Association of Chicago:
Purchasing Managers Index

Vital Statistics

String of Record End-of-Month Balances Reaches 22!

The \$810 million balance at the end of March marks the twenty-second consecutive month in which the General Funds balance set a record when compared to the same month in previous fiscal years. This year's March balance is \$200 million or 32.8% higher than the \$610 million balance at the end of last March. Strong revenue performance has been the driving factor behind the string of record end-of-month balances.

General Funds Revenues Through Nine Months - Up 9.0%

Through nine months of fiscal year 1999, General Fund's revenues totaled \$15.641 billion, \$1.292 billion or 9.0% higher than last year. The current 9.0% rate of growth in revenues is 2.3 percentage points higher than the most recent Bureau of the Budget estimate of 6.7%. Also, the \$1.292 billion of revenue growth in the General Funds through the third quarter of the fiscal year represents 97.1% of the \$1.330 billion in estimated growth for the entire fiscal year. With the exception of Lottery transfers, every major source of revenue to the General Funds is meeting or exceeding projections on a percentage basis through the first three-quarters of fiscal year 1999.

Personal income taxes along with sales tax receipts and federal source revenues accounted for nearly two-thirds (63.1%) of the increase in General Funds revenues. Compared to the first nine months of fiscal year 1998, personal income taxes are up \$277 million or 6.0% (1.1 percentage points higher than the 4.9% growth projected), sales taxes are up \$218 million or 5.5% (0.8

The Heartbeat of Illinois' Finance

percentage points higher than the 4.7% growth projected) and federal revenues are up \$320 million or 12.4% (0.3% higher than the 12.1% projected).

Other sources contributing to the revenue increase over last fiscal year include: inheritance taxes (up \$95 million or 48.0%); public utility taxes (up \$89 million or 13.3%); insurance taxes and fees (up \$82 million or 112.3%); cigarette taxes (up \$65 million or 27.3%); Gaming Fund transfers from riverboat gambling proceeds (up \$60 million or 46.9%); and Cook County intergovernmental transfers (up \$40 million or 37.4%). The increase in cigarette tax receipts is due to a tax rate increase while the growth in insurance taxes and fees and riverboat gambling taxes is due to rate restructuring.

Only three major sources of revenue to the General Funds have declined from last fiscal year. Corporate income taxes are down \$20 million or 2.8% for the year (-3.2% growth was projected for the year) while corporation franchise taxes and fees are down \$1 million and lottery transfers are down \$46 million or 11.8% (-3.6% growth projected for the year).

General Funds Spending Up 10.2% Through Nine Months

After nine months, General Funds cash expenditures totaled \$16.033 billion, \$1.488 billion or 10.2% higher than last year. For the year, total spending exceeds revenues by \$392 million resulting in a drop in the available cash balance from \$1.202 billion at the beginning of the fiscal year to \$810 million at the end of March.

Compared to last fiscal year, total grant spending from the General Funds has

increased \$954 million or 10.3%. Awards and grants spending by the Department of Human Services is up \$299 million (19.0%), accounting for 20.1% of the increase in total spending and 31.3% of the increase in total grant spending. This increase is primarily due to the fact that the Department was newly formed in fiscal year 1998 and as a result had no carryover lapse period spending from the prior year. Of the \$299 million increase in grant spending by the Department, \$184 million is for lapse period spending occurring in fiscal year 1999 against fiscal year 1998 appropriations.

Other increases in grant spending include the Department of Public Aid (up \$228 million or 7.8%), the State Board of Education (up \$143 million or 4.7%), Higher Education (up \$95 million or 19.3%), and Teacher's Retirement (up \$117 million or 36.2%).

Spending for operations totaled \$4.434 billion through March, \$418 million (10.4%) higher than comparable expenditures last year. Higher education operations are up 16.0% or \$175 million, while all other operations increased \$243 million (8.3%).

Overall, the General Funds financial position continues to be sound through the first nine months of fiscal year 1999. Balances continue running ahead of last year, and nearly all major sources of revenue to the General Funds are performing above expectations. On the spending side, the General Funds currently has \$220 million more of unexpended appropriations than at this time last year. All things considered, the General Funds outlook for the remainder of the fiscal year continues to be positive.

GENERAL FUNDS TRANSACTIONS
(Dollars in Millions)

	March		Change	Nine Months		Change	
	1998	1999		FY 1998	FY 1999	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 624	\$ 825	\$ 201	\$ 806	\$ 1,202	\$ 396	49.1 %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 499	\$ 545	\$ 46	\$ 4,632	\$ 4,909	\$ 277	6.0 %
Corporate	209	191	(18)	715	695	(20)	(2.8)
Total, Income Taxes	708	736	28	5,347	5,604	257	4.8
Sales Taxes	406	457	51	3,942	4,160	218	5.5
Other Sources:							
Public Utility Taxes	84	147	63	669	758	89	13.3
Cigarette Taxes	22	36	14	238	303	65	27.3
Inheritance Tax (gross)	21	42	21	198	293	95	48.0
Liquor Gallonage Taxes	3	4	1	42	43	1	2.4
Insurance Tax and Fees	18	33	15	73	155	82	112.3
Corporation Franchise Tax and Fees	9	12	3	89	88	(1)	(1.1)
Investment Income	15	17	2	136	167	31	22.8
Cook County IGT	0	0	0	107	147	40	37.4
Other	13	23	10	167	172	5	3.0
Total, Other Sources	185	314	129	1,719	2,126	407	23.7
Total, Cash Receipts	\$ 1,299	\$ 1,507	\$ 208	\$ 11,008	\$ 11,890	\$ 882	8.0 %
Transfers In:							
Lottery Fund	\$ 44	\$ 45	\$ 1	\$ 389	\$ 343	\$ (46)	(11.8) %
State Gaming Fund	15	16	1	128	188	60	46.9
Protest Fund	0	0	0	4	11	7	175.0
Other Funds	32	30	(2)	243	312	69	28.4
Total, Transfers In	\$ 91	\$ 91	\$ 0	\$ 764	\$ 854	\$ 90	11.8 %
Total, State Sources	\$ 1,390	\$ 1,598	\$ 208	\$ 11,772	\$ 12,744	\$ 972	8.3 %
Federal Sources:							
Cash Receipts	\$ 291	\$ 334	\$ 43	\$ 2,526	\$ 2,783	\$ 257	10.2 %
Transfers In	14	4	(10)	51	114	63	123.5
Total, Federal Sources	\$ 305	\$ 338	\$ 33	\$ 2,577	\$ 2,897	\$ 320	12.4 %
Total, Revenues	\$ 1,695	\$ 1,936	\$ 241	\$ 14,349	\$ 15,641	\$ 1,292	9.0 %
Expenditures:							
Awards and Grants:							
State Board of Education	\$ 404	\$ 430	\$ 26	\$ 3,016	\$ 3,159	\$ 143	4.7 %
Public Aid	382	403	21	2,918	3,146	228	7.8
Human Services	179	202	23	1,574	1,873	299	19.0
Teachers Retirement	36	46	10	323	440	117	36.2
Higher Education	71	52	(19)	492	587	95	19.3
All Other Grants	131	118	(13)	982	1,054	72	7.3
Total, Awards and Grants	1,203	1,251	48	9,305	10,259	954	10.3
Operations:							
Other Agencies	326	351	25	2,923	3,166	243	8.3
Higher Education	112	145	33	1,093	1,268	175	16.0
Total, Operations	438	496	58	4,016	4,434	418	10.4
Transfers Out	129	145	16	1,294	1,315	21	1.6
All Other (Includes Prior Adjustments)	5	3	(2)	24	23	(1)	(4.2)
Total, Expenditures	\$ 1,775	\$ 1,895	\$ 120	\$ 14,639	\$ 16,031	\$ 1,392	9.5 %
Adjustment for Vouchers Payable	(66)	56	122	(94)	2	96	N/A
Total, Cash Expenditures	1,709	1,951	242	14,545	16,033	1,488	10.2
AVAILABLE CASH BALANCE, ENDING	\$ 610	\$ 810	\$ 200	\$ 610	\$ 810	\$ 200	32.8 %

How Illinois Stacks Up Concluded

However beyond this Social Service program, the study cited the state's lack of forward movement in the areas of Taxation, Higher Education, and Other Initiatives. However it should be noted in the area of Taxation that gains have and are continually being made. The Department of Revenue web page allows access to many tax forms as well as advice and information. In 1991, Illinois citizens were able to electronically file their returns with Direct Electronic Filing by going to a tax practitioner registered with the department. By 1994, TeleFile allowed taxpayers the option of filing their taxes by making a toll free phone call after completing all of their information. On January 14th 1999, a new pilot program was announced which allow 700,000 randomly selected Illinois taxpayers to file on-line.

This study states that Illinois is falling behind in the race for increasing digital sophistication. While there are shortcomings in this method of ranking states, the study remains one of the few ways that Illinois can compare its technological advancements vis a vis other states.

The study noted that there were surprisingly few common threads between the states that excelled, suggesting that there may be several routes that Illinois could take to improve its score. The study, however, did come up with three conclusions. One was that states have entered the Digital Age, in that all states seem to have recognized the importance and implications of new technology. The second conclusion of this study is the perhaps optimistic

notion that paper may soon be a thing of the past, based on the fact that numerous forms can be downloaded and submitted over the Internet.

The final conclusion, which is perhaps most important for Illinois, is that infrastructure is essential, and that includes not only technical but organizational infrastructure as well. The study stressed that progress is more likely in states where there is a strong Chief Information Officer empowered to coordinate the efforts. Illinois is currently working on the Illinois Century Network for its technical infrastructure, and with the recent establishment of the Illinois Technology Office, (see cover story) the state's organizational infrastructure should help it make greater progress in the near future.

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