



STATE OF ILLINOIS  
EXECUTIVE OFFICE OF THE GOVERNOR  
**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**  
SPRINGFIELD 62706

**ROD BLAGOJEVICH**  
GOVERNOR

**FISCAL YEAR 2003 - YEAR END FINANCIAL OVERVIEW**

**FINANCIAL HIGHLIGHTS**  
**FY2002 vs. FY2003**  
(in millions)

	<u>FY 02</u>	<u>FY 03</u>	<u>Change</u>	<u>% Change</u>
<b>OPERATIONS</b>				
General Funds Revenues	\$ 21,900	\$ 21,103	\$ (797)	-3.6%
General Funds Appropriated Expenditures	\$ (22,739)	\$ (21,893)	\$ 846	-3.7%
Net Operating Transfers	\$ (681)	\$ (204)	\$ 477	-70.0%
Cash Basis Operating Surplus/(Deficit)	\$ (1,520)	\$ (994)	\$ 526	-34.6%
<b>CASH</b>				
Beginning of Fiscal Year General Funds Cash Balance (7/1)	\$ 1,126	\$ 256	\$ (870)	-77.3%
General Funds Cash Balance (6/30)	\$ 256	\$ 317	\$ 61	23.8%
Budget Stabilization Fund Cash Balance (6/30)	\$ 226	\$ 226	\$ -	0.0%
Total Cash Balance (6/30)	\$ 482	\$ 543	\$ 61	12.7%
<b>CURRENT LIABILITIES</b>				
General Funds Accounts Payable (6/30)	\$ 1,476	\$ 1,266	\$ (210)	-14.2%
General Funds Short-Term Borrowing Due in Next FY	\$ -	\$ 1,450	\$ 1,450	-
Income Tax Refunds Payable (6/30):				
Individual	\$ 205	\$ -	\$ (205)	-100.0%
Corporate	\$ 339	\$ 337	\$ (2)	-0.6%

## **Fiscal Year 2003 General Funds Performance**

In fiscal year 2003, general funds revenues totaled \$21,103 million; which was \$797 million below fiscal year 2002. Other receipts included transfers from other funds of \$1,827 million, pension contribution fund reimbursements of \$300 million, and short-term borrowings of \$1,675 million. General funds appropriated expenditures for fiscal year 2003 totaled \$21,893 million, a decrease of \$846 million from fiscal year 2002 due to the hiring freeze, administrative cuts and imposed reserves. Other expenditures included \$710 million for repayment of the July 2002 short-term borrowing and operating transfers to other funds of \$2,031 million.

The cash balance in the general funds totaled \$317 million, an increase of \$61 million from the balance at the end of fiscal year 2002. The Budget Stabilization Fund closed fiscal year 2003 at \$226 million. Outstanding accounts payable at the end of fiscal year 2003 (that were processed for payment during the next two months) totaled \$1,266 million, \$210 million below the fiscal year 2002 level of \$1,476 million, and also below the level expected in April 2003 of \$1,875 million.

Revenues and transfers in collected (excluding the short-term borrowings and pension contribution fund reimbursement) were \$448 million below fiscal year 2002. State sources (state revenues and transfers in) were down overall from 2002 by \$130 million. The decrease in state revenues from FY 2002 of \$479 million was partially offset by increased transfers in of \$349 million from other state funds. Federal receipts were \$318 million below prior year levels due primarily to several one-time occurrences in federal aid in fiscal year 2002 as well as a processing delay of \$86 million in federal receipts at the end of fiscal year 2003 that was realized in July. Additional detail is included in Appendix II.

Several sources of revenues were below fiscal year 2002 levels. These included:

- **Income Taxes (\$139 million decrease):** Individual income tax was down slightly. While productivity has increased it has not translated into increased employment. Corporate income tax fell by 3%.
- **Public Utility Taxes (\$98 million decrease):** Telecommunications tax collections declined as the industry continues to undergo significant structural changes, such as mergers and technological advances that lower the costs of long distance phone services.
- **Inheritance Taxes (\$92 million decrease):** Federal changes regarding estate taxes that began in calendar year 2002 had a significant negative effect on the inheritance tax collections in fiscal year 2003 as the allowed state credit decreased by 25 percent. The fiscal year 2004 budget included a decoupling from the federal inheritance tax phase out, retroactive to January 1, 2003.
- **Investment Income (\$70 million decrease):** Earnings realized by the State fell in fiscal year 2003 due to historically low interest rates.
- **Other Revenue Sources (\$167 million decrease):** This decline was primarily due to a reduction in the deposit of funds from the Build Illinois General Reserve account attributable to a planned drawdown of the balance in fiscal year 2002.

Expenditures and transfers out, excluding repayment of the July 2002 short-term borrowing, were down in fiscal year 2003 by \$974 million from fiscal year 2002. These included:

- Reductions were across all categories, except for retirement expenditures that are mandated by statute.
- Reductions reflect cost containment strategies and budgetary reserve requirements imposed by Governor Blagojevich in January 2003 shortly after taking office. The reserves resulted in the lapse of \$442 million in appropriations from the general funds.

## **Fiscal Year 2003 Budgetary Comparisons**

The fiscal year 2003 budget, as enacted in June 2002, was based on general funds revenues projected at \$22,560 million, excluding any short-term borrowing. Revenue estimations were revised downward in October 2002 and again in April 2003. In response to these shortfalls, the State left unspent \$442 million of appropriations, increased net operating transfers by \$117 million above budgeted amounts and implemented a \$300 million reimbursement from the pension contribution fund.

The following table summarizes the adopted budget versus fiscal year 2003 actual performance. Additional detail is included in Appendix III.

### **BUDGETARY COMPARISONS – HIGHLIGHTS\***

	<b>FY 2003</b>			
	<b>(in millions)</b>			
	<b>FY03</b>	<b>FY03</b>	<b>\$</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Change</b>	<b>% Change</b>
<b>OPERATIONS</b>				
General Funds Revenues <sup>1</sup>	\$ 22,560	\$ 21,103	\$ (1,457)	-6.5%
General Funds Appropriated Expenditures	\$ (22,335)	\$ (21,893)	\$ 442	-2.0%
Net Operating Transfers <sup>2</sup>	\$ (321)	\$ (204)	\$ 117	-36.4%
Cash Basis Operating Surplus/(Deficit)	\$ (96)	\$ (994)	\$ (898)	935.4%
<b>FINANCIAL POSITION</b>				
General Funds Cash Balance	\$ 275	\$ 317	\$ 42	15.3%
Budget Stabilization Fund Cash Balance	\$ 226	\$ 226	\$ -	0.0%
Year End Accounts Payable	\$ 1,000	\$ 1,266	\$ 266	26.6%

\* Excludes revenues from short-term borrowings and repayments of those borrowings in fiscal year 2003.

<sup>1</sup> FY2003 Federal Sources do not include \$86 million received in July 2003, due to a processing delay.

<sup>2</sup> FY2003 Transfers In includes \$144 million budgeted for June 2003 that did not occur until July 1, 2003.

### **Short-Term Borrowing**

The state issued two series of short-term borrowing certificates to accelerate the Medicaid payment cycle and related federal reimbursement, as well as to reduce the interest cost carried on outstanding income tax refunds. The true interest costs on the short-term borrowing certificates were 1.4136% in July 2002 and 0.997% in May 2003, while the State would have paid interest at approximately 5% to taxpayers with overdue tax refunds and 12% to healthcare providers under the Prompt Payment Act. The first short-term borrowing in July of 2002 for \$1.0 billion, of which \$700 million was deposited into the General Revenue Fund, was retired June 15, 2003. The second short-term borrowing in May of 2003 of \$1.5 billion, of which \$975 million was deposited into the General Revenue Fund, is scheduled to mature during the months of January through April of 2004. The General Revenue Fund is scheduled to repay \$1,450 million of the borrowings during fiscal year 2004.

Publication of this briefing occurred after the close of the time period (August 31, 2003) during which fiscal year 2003 accounts payable were processed. This timing ensures an accurate review of the financial performance during the fiscal year and also represents a new format of the document.

**APPENDIX I  
GENERAL FUNDS OPERATING SUMMARY**

(in millions)

	Fiscal Year 2002 Actual	Fiscal Year 2003 Actual
<b>CASH RECEIPTS</b>		
<b>Revenues</b>		
State Sources	\$ 17,642	\$ 17,163
Federal Sources	\$ 4,258	\$ 3,940 *
<b>Total Revenues (Before Transfers)</b>	\$ 21,900	\$ 21,103
<b>Transfers In</b>		
Operating Transfers In	\$ 1,478	\$ 1,827 **
<b>TOTAL REVENUES AND TRANSFERS IN</b>	\$ 23,378	\$ 22,930
<b>CASH DISBURSEMENTS</b>		
<b>CURRENT YEAR EXPENDITURES</b>		
<b>APPROPRIATIONS (Total Budget)</b>	\$ 23,409	\$ 22,235
Less: Unspent Appropriations (Unspent Budget plus Uncashed Checks)	\$ (670)	\$ (442)
<b>Equals: CURRENT YEAR EXPENDITURES (Net Appropriations Spent)</b>	\$ 22,739	\$ 21,893
<b>AVAILABLE RESOURCES (Total Receipts less Current Year Expenditures)</b>	\$ 639	\$ 1,037
<b>Available Resources Used for Current Year Purposes:</b>		
Less: Legislatively Required Transfers (Dispositions to Other Funds)	\$ 2,159	\$ 2,031
Additional Transfer to Rainy Day Fund (Budget Stabilization Fund)	\$ -	\$ -
<b>Equals: Total Resources Used for Current Year Purposes</b>	\$ 2,159	\$ 2,031
<b>OPERATING SURPLUS (DEFICIT): Available Resources for Prior Year Purposes</b>	\$ (1,520)	\$ (994)
<b>OTHER FINANCING SOURCES</b>		
Pension Obligation Reimbursement Transfers	\$ -	\$ 300
Short-Term Borrowing Proceeds	\$ -	\$ 1,675
<b>Total Other Financing Sources</b>	\$ -	\$ 1,975
<b>OTHER FINANCING USES</b>		
Less: Reduce Outstanding Accounts Payable (Change in Lapse Period Amounts)		
Accounts Payable at End of Prior Fiscal Year	\$ 326	\$ 1,406
Less: Accounts Payable at End of Current Fiscal Year ***	\$ (1,476)	\$ (1,256)
<b>Equals: Paydown (Increase) of year-end Accounts Payable</b>	\$ (650)	\$ 210
Repay Short-Term Borrowing ****	\$ -	\$ 710
Pay Prior Year Income Tax Refunds *****	\$ -	\$ -
<b>Equals: Total Other Financing Uses (Provided) for Prior Year Purposes</b>	\$ (650)	\$ 920
<b>CASH POSITION:</b>		
<b>Increase (Decrease) in Cash During FY (Total Receipts less Total Disbursements)</b>	\$ (870)	\$ 61
Plus: Cash Balance in General Funds at Beginning of Fiscal Year	\$ 1,126	\$ 256
<b>Equals: Cash Balance in General Funds at End of Fiscal Year</b>	\$ 256	\$ 317
Plus: Cash Balance in Budget Stabilization Fund at End of Fiscal Year	\$ 226	\$ 226
<b>Equals: Total Operating Cash at End of Fiscal Year</b>	\$ 482	\$ 543

\*FY 2003 Federal Receipts excludes \$85 million not received until FY 2004 due to a processing delay.

\*\*FY 2003 transfers in includes a \$144 million transfer on July 1, 2003 that was budgeted for FY 2003.

\*\*\*FY 2003 Ending Accounts Payable was \$1,875 million in the Recommended Budget. They were reduced by the short-term borrowing.

\*\*\*\*FY 2003 unpaid tax refunds, projected to be \$800 million in the Recommended Budget, were reduced by \$475 million by the short-term borrowing.

**APPENDIX II**  
**General Funds**  
**Cash Flow Summary**  
**Fiscal Years 2002-2003**  
(in millions)

	Fiscal Year		Change	
	FY 2002	FY 2003	Amount	Percent
<b>AVAILABLE CASH BALANCE, BEGINNING</b>	<b>\$ 1,126</b>	<b>\$ 256</b>	<b>\$ (870)</b>	<b>-77.3%</b>
<b>Revenue Receipts:</b>				
State Sources, Cash Receipts:				
Gross Individual Income Tax	\$ 8,086	\$ 7,979	\$ (107)	-1.3%
Gross Corporate Income Tax	\$ 1,043	\$ 1,011	\$ (32)	-3.1%
Less Deposits to Income Tax Refund Fund	\$ (855)	\$ (911)	\$ (56)	-6.5%
<b>Net Income Taxes</b>	<b>\$ 8,274</b>	<b>\$ 8,079</b>	<b>\$ (195)</b>	<b>-2.4%</b>
<b>Sales Taxes</b>	<b>\$ 6,651</b>	<b>\$ 6,659</b>	<b>\$ 8</b>	<b>0.1%</b>
Other State Revenues:				
Public Utility Taxes	\$ 1,104	\$ 1,006	\$ (98)	-8.9%
Cigarette Taxes	\$ 400	\$ 400	\$ -	0.0%
Inheritance Tax (gross)	\$ 329	\$ 237	\$ (92)	-28.0%
Liquor Gallonage Taxes	\$ 122	\$ 123	\$ 1	0.8%
Insurance Tax and Fees	\$ 272	\$ 313	\$ 41	15.1%
Corporation Franchise Tax & Fees	\$ 159	\$ 142	\$ (17)	-10.7%
Investment Income	\$ 196	\$ 66	\$ (130)	-61.5%
Cook County IGT	\$ 245	\$ 355	\$ 110	44.9%
Other	\$ 550	\$ 383	\$ (167)	-30.4%
<b>Total, Other State Revenues</b>	<b>\$ 3,317</b>	<b>\$ 3,025</b>	<b>\$ (292)</b>	<b>-8.8%</b>
<b>Total, State Revenues</b>	<b>\$ 17,642</b>	<b>\$ 17,163</b>	<b>\$ (479)</b>	<b>-2.7%</b>
Federal Revenues:				
Cash Receipts <sup>1</sup>	\$ 4,133	\$ 3,904	\$ (229)	-5.5%
Transfers In	\$ 123	\$ 36	\$ (87)	-71.2%
<b>Total, Federal Revenues</b>	<b>\$ 4,256</b>	<b>\$ 3,940</b>	<b>\$ (316)</b>	<b>-7.5%</b>
<b>Total, Revenues</b>	<b>\$ 21,900</b>	<b>\$ 21,103</b>	<b>\$ (797)</b>	<b>-3.6%</b>
Transfers In:				
Lottery Fund	\$ 555	\$ 540	\$ (15)	-2.7%
State Gaming Fund	\$ 490	\$ 554	\$ 64	17.9%
Other Funds <sup>2</sup>	\$ 453	\$ 733	\$ 280	61.8%
<b>Total, Transfers In</b>	<b>\$ 1,498</b>	<b>\$ 1,827</b>	<b>\$ 349</b>	<b>23.6%</b>
<b>Total, Revenues and Transfers In</b>	<b>\$ 23,378</b>	<b>\$ 22,930</b>	<b>\$ (448)</b>	<b>-1.9%</b>
Pension Contribution Fund	\$ -	\$ 300	\$ 300	
Short-Term Borrowing	\$ -	\$ 1,675	\$ 1,675	
<b>Total, Cash Receipts</b>	<b>\$ 23,378</b>	<b>\$ 24,905</b>	<b>\$ 1,527</b>	<b>6.5%</b>
<b>Disbursements:</b>				
Awards and Grants:				
State Board of Education	\$ 5,093	\$ 5,071	\$ (22)	-0.4%
Public Aid	\$ 5,040	\$ 4,943	\$ (97)	-1.9%
Human Services	\$ 2,608	\$ 2,561	\$ (47)	-1.8%
Teachers Retirement	\$ 821	\$ 931	\$ 110	13.4%
Higher Education	\$ 885	\$ 815	\$ (70)	-7.9%
All Other Grants	\$ 1,420	\$ 1,147	\$ (273)	-19.2%
<b>Total, Awards and Grants</b>	<b>\$ 15,667</b>	<b>\$ 15,468</b>	<b>\$ (199)</b>	<b>-1.3%</b>
Operations:				
Other Agencies	\$ 5,179	\$ 4,885	\$ (294)	-5.7%
Higher Education	\$ 1,760	\$ 1,676	\$ (84)	-4.8%
<b>Total, Operations</b>	<b>\$ 6,939</b>	<b>\$ 6,561</b>	<b>\$ (378)</b>	<b>-5.4%</b>
Regular Transfers Out	\$ 2,159	\$ 2,031	\$ (128)	-5.9%
All Other (Includes Prior Year Adjustments) <sup>3</sup>	\$ 58	\$ 168	\$ 115	217.0%
Vouchers Payable Adjustment (Change in Bills On Hand)	\$ (790)	\$ (94)	\$ 696	-87.8%
<b>Total, Disbursements</b>	<b>\$ 24,248</b>	<b>\$ 24,134</b>	<b>\$ (114)</b>	<b>-0.5%</b>
Transfers to Repay Short-Term Borrowing	\$ -	\$ 710	\$ 710	23.8%
<b>Total, Disbursements, Including Short-Term Borrowing</b>	<b>\$ 24,248</b>	<b>\$ 24,844</b>	<b>\$ 596</b>	<b>2.5%</b>
<b>AVAILABLE CASH BALANCE, ENDING</b>	<b>\$ 256</b>	<b>\$ 317</b>	<b>\$ 61</b>	<b>23.8%</b>

Sources: Records of Office of the Comptroller and GOMB.

<sup>1</sup> FY2003 Federal Sources do not include \$86 million received in July 2003 due to a processing delay.

<sup>2</sup> FY2003 Transfers In includes \$144 million budgeted for FY2003 that did not occur until July 1, 2003 due to an error. All Other Disbursements were increased by the same amount.

**APPENDIX III**

**FY 2003 GENERAL FUNDS  
Cash Basis Receipts  
Budget vs. Actual  
(in millions)**

	<u>FY 03 Budget</u>	<u>FY 03 Actual</u>	<u>Change</u>	<u>% Change</u>
<b>CASH BASIS RECEIPTS</b>				
State Revenues:				
Income Taxes:				
Gross Individual Income	\$ 8,522	\$ 7,979	\$ (543)	-6.4%
Gross Corporate Income	\$ 1,137	\$ 1,011	\$ (126)	-11.1%
Deposits to Income Tax Refund Fund	\$ (989)	\$ (911)	\$ 78	-7.9%
<b>Total, Net Income Taxes</b>	<b>\$ 8,670</b>	<b>\$ 8,079</b>	<b>\$ (591)</b>	<b>-6.8%</b>
<b>Sales Taxes</b>	<b>\$ 6,430</b>	<b>\$ 6,059</b>	<b>\$ (371)</b>	<b>-5.8%</b>
Other State Revenues:				
Public Utility Taxes	\$ 1,185	\$ 1,006	\$ (179)	-15.1%
Cigarette Taxes	\$ 400	\$ 400	\$ -	0.0%
Inheritance Tax (gross)	\$ 290	\$ 237	\$ (53)	-18.3%
Liquor Gallonage Taxes	\$ 125	\$ 123	\$ (2)	-1.6%
Insurance Tax and Fees	\$ 290	\$ 313	\$ 23	7.9%
Corp. Franchise	\$ 165	\$ 142	\$ (23)	-13.9%
Investment Income	\$ 175	\$ 66	\$ (109)	-62.3%
Cook County IGT	\$ 395	\$ 355	\$ (40)	-10.1%
Other	\$ 360	\$ 383	\$ 23	6.4%
<b>Total, Other State Revenues</b>	<b>\$ 3,385</b>	<b>\$ 3,025</b>	<b>\$ (360)</b>	<b>-10.6%</b>
<b>Total, State Revenues</b>	<b>\$ 18,485</b>	<b>\$ 17,163</b>	<b>\$ (1,322)</b>	<b>-7.2%</b>
<b>Total, Federal Revenues<sup>1</sup></b>	<b>\$ 4,075</b>	<b>\$ 3,940</b>	<b>\$ (135)</b>	<b>-3.3%</b>
<b>Total, Revenues</b>	<b>\$ 22,560</b>	<b>\$ 21,103</b>	<b>\$ (1,457)</b>	<b>-6.5%</b>
Transfers In:				
Lottery Fund	\$ 575	\$ 540	\$ (35)	-6.1%
State Gaming Fund	\$ 600	\$ 554	\$ (46)	-7.7%
Other Funds <sup>2</sup>	\$ 650	\$ 733	\$ 83	12.8%
<b>Total, Transfers In</b>	<b>\$ 1,825</b>	<b>\$ 1,827</b>	<b>\$ 2</b>	<b>0.1%</b>
Transfer in from Pension Contribution Fund	\$ -	\$ 300	\$ 300	0.0%
<b>Total, Receipts (Revenues and Transfers In)<sup>3</sup></b>	<b>\$ 24,385</b>	<b>\$ 23,230</b>	<b>\$ (1,155)</b>	<b>-4.7%</b>

<sup>1</sup> FY 2003 Federal Sources do not include \$86 million received in July 2003 due to a processing delay.

<sup>2</sup> FY2003 Transfers In includes \$144 million budgeted for FY 2003 that did not occur until July 1, 2004 due to an error.

<sup>3</sup> Excluding transfers from the Budget Stabilization Fund and short-term borrowing.

Source: GOMB and the Office of the Comptroller