STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

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FISCAL YEAR 2004 FIRST QUARTER FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS
FIRST QUARTER
FY2003 vs. FY2004
(in millions)

	FY03	FY04	Change
OPERATIONS			
General Funds Revenues	$ 5,042	$ 5,660	$ 618
General Funds Appropriated Expenditures*	$ (5,977)	$ (6,324) *	$ (347)
Net Operating Transfers (Including Budget Stabilization Fund)	$ 253	$ 666	$ 413
Cash Basis Operating Surplus/(Deficit)	$ (682)	$ 2	$ 684
CASH			
Beginning of Fiscal Year General Funds Cash Balance (7/1)	$ 256	$ 317	$ 61
General Funds Cash Balance (9/30)	$ 274	$ 319	$ 45
Budget Stabilization Fund Cash Balance (9/30)	$ -	$ -	$ -
Total Cash Balance (9/30)	$ 274	$ 319	$ 45

*FY 04 Expenditure increases reflect accelerated Medicaid expenditures of $423 million as part of the budgeted plan to reduce the Medicaid payment cycle.

General Funds Receipts Performance versus Fiscal Year 2003

Appendix I shows the revenue performance for the first quarter of fiscal year 2004 as compared to those collected in the first quarter of fiscal year 2003. Total state and federal revenues totaled $5,660 million.

- Individual income tax gross collections were up 1.2 percent from the first quarter of fiscal year 2003. Net income tax revenues deposited into the general funds were down $70 million from the first quarter of fiscal year 2003 due to increased deposits into the Income Tax Refund Fund in fiscal year 2004.

- Inheritance tax collections were $34 million less than the same quarter last year due to the continued phase out of the state credit against federal estate taxes. Legislation decoupling the state from the federal tax was enacted in Spring 2003, but the effects of that change are not expected to appear in revenue collections until later in fiscal year 2004.

Federal revenues totaled $1,653 million, an increase of $657 million from the prior fiscal year. This increase was due to the August receipt of $211 million for Illinois' first installment of the flexible spending grants under the one-time federal fiscal relief package for states, and accelerating Medicaid payments to manage and reduce the medical provider payment backlog. The State is also taking advantage of a higher rate of reimbursement for FY 2004 from the federal government for those payments. In the first quarter, the State received $54.5 million in federal aid due to a higher rate of reimbursement on payments the State had previously paid in the fourth quarter of fiscal year 2003 and an additional $58.9 million in federal aid on Medicaid payments in the first quarter of the fiscal year.

Transfers in from other state funds, excluding reimbursements from the Pension Contribution Fund, were $116 million less than in the first quarter of fiscal year 2003. Several one-time fund transfers occurred during the first quarter of fiscal year 2003. Scheduled transfers from the Pension Contribution Fund reimbursement escrow totaled $521 million. Transfers in from the Budget Stabilization Fund for cash flow purposes totaled $226 million, but will be repaid by the end of the fiscal year.

General Funds Disbursements

As further detailed in Appendix II, disbursements were $6,793 million, up by $339 million over the previous year's level of expenditure.

Expenditures by the Department of Public Aid were purposely accelerated by $423 million in the first quarter in order to improve the State's Medicaid payment cycle and take advantage of the increased federal reimbursement rate. Working closely with the Comptroller's office, the Medicaid payment cycle was brought down from 58.2 days at the end of the fourth quarter of fiscal year 2003 to 21.3 days at the end of September.

Expenditures on contributions to the Teachers Retirement System and State Board of Education were also at a higher level in the first quarter of fiscal year 2004 as had been budgeted. Disbursements were down in most other categories. Spending from the general funds on operational costs was down $161 million, or 9.0 percent, from the first quarter of fiscal year 2003.

APPENDIX I
GENERAL FUNDS
CASH RECEIPTS
First Quarter FY03 vs. FY04
(in millions)

	FY 2003	FY 2004	Change Amount	Change Percent
Cash Basis Receipts:				
State Revenues:				
Gross Individual Income Tax	$ 1,791	$ 1,812	$ 21	1.2%
Gross Corporate Income Tax	$ 214	$ 197	$ (17)	-7.8%
Deposits to Income Tax Refund Fund	$ (201)	$ (275)	$ (74)	36.8%
Total, Net Income Taxes	**$ 1,804**	**$ 1,734**	**$ (70)**	**-3.9%**
Sales Taxes	**$ 1,561**	**$ 1,577**	**$ 16**	**1.0%**
Other State Revenues:				
Public Utility Taxes	$ 232	$ 229	$ (3)	-1.3%
Cigarette Taxes	$ 93	$ 100	$ 7	7.5%
Inheritance Tax (gross)	$ 76	$ 42	$ (34)	-44.7%
Liquor Gallonage Taxes	$ 31	$ 32	$ 1	3.2%
Insurance Tax and Fees	$ 63	$ 74	$ 11	17.5%
Corp. Franchise Tax and Fees	$ 34	$ 36	$ 2	5.9%
Investment Income	$ 19	$ 20	$ 1	5.3%
Cook County IGT	$ 77	$ 77	$ -	0.0%
Other	$ 56	$ 86	$ 30	53.6%
Total, Other State Revenues	**$ 681**	**$ 696**	**$ 15**	**2.2%**
Total, State Revenues	**$ 4,046**	**$ 4,007**	**$ (39)**	**-1.0%**
Federal Revenues:				
Cash Receipts	$ 986	$ 1,641	$ 655	66.4%
Transfers In	$ 10	$ 12	$ 2	20.0%
Total, Federal Revenues	**$ 996**	**$ 1,653**	**$ 657**	**66.0%**
Total, Revenues	**$ 5,042**	**$ 5,660**	**$ 618**	**12.3%**
Transfers In:				
Lottery Fund	$ 119	$ 108	$ (11)	-9.2%
State Gaming Fund	$ 160	$ 165	$ 5	3.1%
Other Funds [1]	$ 225	$ 115	$ (110)	-48.9%
Total, Transfers In	**$ 504**	**$ 388**	**$ (116)**	**-23.0%**
Total, Revenues and Transfers In	**$ 5,546**	**$ 6,048**	**$ 502**	**9.1%**
Transfer from Pension Contribution Fund	$ -	$ 521	$ 521	n/a
Short-Term Borrowing	$ 700	$ -	$ (700)	-100.0%
Transfer from Budget Stabilization Fund	$ 226	$ 226	$ -	0.0%
Total, Cash Receipts	**$ 6,472**	**$ 6,795**	**$ 323**	**5.0%**

[1] Does not include the $144 million in transfers that occurred in July 2003 that should have taken place in June 2003 but were actually posted on July 1, 2003. This amount is included in FY 2003 year-end totals.

Source: Office of the Comptroller and GOMB

APPENDIX II
GENERAL FUNDS
Cash Flow Summary
First Quarter FY03 vs. FY04
(in millions)

	FY 2003	FY 2004	Change Amount	Change Percent
AVAILABLE CASH BALANCE, BEGINNING	**$ 256**	**$ 317**	**$ 61**	**23.8%**
Total Revenues	**$ 5,042**	**$ 5,660**	**$ 618**	**12.3%**
Total Transfers In [1]	**$ 504**	**$ 388**	**$ (116)**	**-23.0%**
Total, Revenues and Transfers In	**$ 5,546**	**$ 6,048**	**$ 502**	**9.1%**
Transfer from Pension Contribution Fund	$ -	$ 521	$ 521	n/a
Short-Term Borrowing	$ 700	$ -	$ (700)	-100.0%
Transfer from Budget Stabilization Fund	$ 226	$ 226	$ -	0.0%
Total, Cash Receipts	**$ 6,472**	**$ 6,795**	**$ 323**	**5.0%**
Disbursements:				
Awards and Grants:				
State Board of Education	$ 1,015	$ 1,091	$ 76	7.5%
Public Aid	$ 1,694	$ 2,117	$ 423	25.0%
Human Services	$ 792	$ 724	$ (68)	-8.6%
Teachers Retirement	$ 233	$ 252	$ 19	8.2%
Higher Education	$ 171	$ 153	$ (18)	-10.5%
All Other Grants	$ 346	$ 321	$ (25)	-7.2%
Total, Awards and Grants	$ 4,251	$ 4,658	$ 407	9.6%
Operations:				
Other Agencies	$ 1,324	$ 1,203	$ (121)	-9.1%
Higher Education	$ 468	$ 428	$ (40)	-8.5%
Total, Operations	$ 1,792	$ 1,631	$ (161)	-9.0%
Regular Transfers Out	$ 477	$ 469	$ (8)	-1.7%
All Other (Includes Prior Year Adjustments)	$ 5	$ 11	$ 6	120.0%
Vouchers Payable Adjustment [1]	$ (71)	$ 24	$ 95	-133.8%
Total, Disbursements	**$ 6,454**	**$ 6,793**	**$ 339**	**5.3%**
Transfers to Repay Short-Term Borrowing	$ -	$ -	$ -	n/a
Total, Disbursements, Including STB	**$ 6,454**	**$ 6,793**	**$ 339**	**5.3%**
AVAILABLE CASH BALANCE, ENDING	**$ 274**	**$ 319**	**$ 45**	**16.4%**

[1] Does not include the $144 million in transfers that were posted on July 1, 2003 and related disbursements that occurred in July 2003 that should have taken place in June 2003. This amount was included in FY 2003 year-end receipts.

Source: Office of the Comptroller and GOMB