



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

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FISCAL YEAR 2004 SECOND QUARTER FINANCIAL REVIEW

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

October - December

	<u>FY03</u>	<u>FY04</u>	<u>Change</u>
OPERATIONS			
General Funds Receipts (Revenues & Transfers In)	\$ 5,581	\$ 6,383	\$ 802
General Funds Disbursements (Including Transfers Out)	\$ (5,692)	\$ (6,356)	\$ (664)
Cash Basis Operating Surplus/(Deficit)	\$ (111)	\$ 27	\$ 138
CASH			
Beginning General Funds Cash Balance (9/30)	\$ 274	\$ 319	\$ 45
General Funds Cash Balance (12/31)	\$ 163	\$ 346	\$ 183
Budget Stabilization Fund Cash Balance (12/31)	\$ -	\$ -	\$ -
Total Cash Balance (12/31)	\$ 163	\$ 346	\$ 183

General Funds Receipts Performance versus Fiscal Year 2003

Appendix I shows the receipt performance for the second quarter of fiscal year 2004 as compared to those collected in the second quarter of fiscal year 2003. Total FY 2004 second quarter state and federal revenues totaled \$6,383 million.

- Corporate income tax gross collections were up \$229 million, or 127.8 percent from the second quarter of fiscal year 2003. Per the Department of Revenue, approximately \$190 million of this increase in corporate income tax receipts, including estimate current year tax acceleration, was due to the success of the tax amnesty program, which was the most successful state tax amnesty program in history. Net income tax revenues deposited into the general funds were up \$73 million from the second quarter of fiscal year 2003.

- Sales taxes increased by \$101 million from the second quarter of fiscal year 2003. Per the Department of Revenue, approximately \$95 million of this increase was also related to the success of the state's amnesty program.
- Public Utility Taxes were 20.7 percent higher than the same quarter last year, bringing in \$50 million more revenue. Of this increase, \$25 million related to an acceleration of payments normally received in the third quarter.
- Insurance Tax and Fees were \$13 million higher than the second quarter of fiscal year 2003, an increase of 19.7 percent.
- Other sources were down \$105 million due to a one-time settlement payment received in the second quarter of FY 2003.

Federal revenues totaled \$1,218 million, an increase of \$252 million from the prior fiscal year. This increase was due the receipt of the second installment of the \$211 million in one-time federal fiscal relief and additional federal receipts from the enhanced federal match rate of 2.95%.

Transfers in from other state funds, excluding reimbursements from the Pension Contribution Fund, were \$15 million less than in the second quarter of fiscal year 2003. Base revenues from transfers in were budgeted to be less in FY 2004 than the previous year. However, this decrease will be more than offset in the third and fourth quarters of FY 2004 as the administrative chargebacks to other funds are processed.

General Funds Disbursements

As further detailed in Appendix II, cash disbursements were \$6,356 million, up by \$664 million over the previous year's level of expenditures.

Expenditures by the Department of Public Aid were purposely accelerated by \$245 million in the second quarter in order to improve the State's Medicaid payment cycle and take advantage of the increased federal reimbursement rate. The Medicaid payment cycle (i.e., how quickly Medicaid vendors are paid) was 35.7 days at the end of December.

Expenditures on contributions to the Teachers Retirement System, State Board of Education grants, and Human Services grants were also at a higher level in the second 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 up \$113 million, or 6.6 percent, from the second quarter of fiscal year 2003. Approximately \$80 million of this increase in operational costs was due to a large portion of the January group health insurance expenditure being prematurely posted at the end of December. Other than this advance payment, year-to-date operational costs in departments and agencies are down \$66 million, and down by \$128 million including Higher Education.

General Funds Cash Position

Increases in revenues and net transfers exceeded the increase in cash expenditures during the second quarter to increase the combined general funds ending cash at December 31, 2003, by \$17 million from the 9/30/03 balance to \$346 million. The second quarter ending cash balance for FY 2004 is an increase of \$183 million or 112% over the ending cash balance for the same time period in FY 2003.

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

	Second Quarter		Change		YTD		Change	
	FY 2003	FY 2004	Amount	Percent	FY 2003	FY 2004	Amount	Percent
Cash Basis Receipts:								
State Revenues:								
Gross Individual Income Tax	\$ 1,805	\$ 1,797	\$ (8)	-0.5%	\$ 3,597	\$ 3,609	\$ 12	0.3%
Gross Corporate Income Tax	\$ 179	\$ 409	\$ 229	127.8%	\$ 393	\$ 606	\$ 213	54.2%
Deposits to Income Tax Refund Fund	\$ (193)	\$ (341)	\$ (148)	76.8%	\$ (394)	\$ (616)	\$ (222)	56.4%
Total, Net Income Taxes	\$ 1,792	\$ 1,865	\$ 73	4.1%	\$ 3,596	\$ 3,599	\$ 3	0.1%
Sales Taxes	\$ 1,555	\$ 1,656	\$ 101	6.5%	\$ 3,116	\$ 3,233	\$ 117	3.8%
Other State Revenues:								
Public Utility Taxes	\$ 242	\$ 292	\$ 50	20.7%	\$ 474	\$ 521	\$ 47	9.9%
Cigarette Taxes	\$ 107	\$ 100	\$ (7)	-6.5%	\$ 200	\$ 200	\$ -	0.0%
Inheritance Tax (gross)	\$ 60	\$ 58	\$ (2)	-3.3%	\$ 136	\$ 100	\$ (36)	-26.5%
Liquor Gallonage Taxes	\$ 33	\$ 32	\$ (1)	-3.0%	\$ 64	\$ 64	\$ -	0.0%
Insurance Tax and Fees	\$ 66	\$ 79	\$ 13	19.7%	\$ 129	\$ 153	\$ 24	18.6%
Corp. Franchise Tax and Fees	\$ 33	\$ 39	\$ 6	18.2%	\$ 67	\$ 75	\$ 8	11.9%
Investment Income	\$ 18	\$ 10	\$ (8)	-44.4%	\$ 37	\$ 30	\$ (7)	-18.9%
Cook County IGT	\$ 98	\$ 99	\$ 1	1.0%	\$ 175	\$ 176	\$ 1	0.6%
Other	\$ 153	\$ 48	\$ (105)	-68.6%	\$ 209	\$ 134	\$ (75)	-35.9%
Total, Other State Revenues	\$ 810	\$ 757	\$ (53)	-6.5%	\$ 1,491	\$ 1,453	\$ (38)	-2.5%
Total, State Revenues	\$ 4,157	\$ 4,278	\$ 121	2.9%	\$ 8,203	\$ 8,285	\$ 82	1.0%
Federal Revenues:								
Cash Receipts	\$ 962	\$ 1,209	\$ 247	25.7%	\$ 1,948	\$ 2,850	\$ 902	46.3%
Transfers In	\$ 4	\$ 9	\$ 5	125.0%	\$ 14	\$ 21	\$ 7	50.0%
Total, Federal Revenues	\$ 966	\$ 1,218	\$ 252	26.1%	\$ 1,962	\$ 2,871	\$ 909	46.3%
Total, Revenues	\$ 5,123	\$ 5,496	\$ 373	7.3%	\$ 10,165	\$ 11,156	\$ 991	9.7%
Transfers In:								
Lottery Fund	\$ 125	\$ 142	\$ 17	13.6%	\$ 244	\$ 250	\$ 6	2.5%
State Gaming Fund	\$ 189	\$ 230	\$ 41	21.7%	\$ 349	\$ 395	\$ 46	13.2%
Other Funds ¹	\$ 144	\$ 71	\$ (73)	-50.7%	\$ 369	\$ 186	\$ (183)	-49.6%
Total, Transfers In	\$ 458	\$ 443	\$ (15)	-3.3%	\$ 962	\$ 831	\$ (131)	-13.6%
Total, Revenues and Transfers In	\$ 5,581	\$ 5,939	\$ 358	6.4%	\$ 11,127	\$ 11,987	\$ 860	7.7%
Transfer from Pension Contribution Fund	\$ -	\$ 444	\$ 444	n/a	\$ -	\$ 965	\$ 965	n/a
Short-Term Borrowing	\$ -	\$ -	\$ -	n/a	\$ 700	\$ -	\$ (700)	-100.0%
Transfer from Budget Stabilization Fund	\$ -	\$ -	\$ -	n/a	\$ 226	\$ 226	\$ -	0.0%
Total, Cash Receipts	\$ 5,581	\$ 6,383	\$ 802	14.4%	\$ 12,053	\$ 13,178	\$ 1,125	9.3%

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
Second Quarter FY03 vs. FY04
(in millions)

	Second Quarter		Change		YTD		Change	
	FY 2003	FY 2004	Amount	Percent	FY 2003	FY 2004	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 274	\$ 319	\$ 45	16.4%	\$ 256	\$ 317	\$ 61	23.8%
Total Revenues	\$ 5,123	\$ 5,496	\$ 373	7.3%	\$ 10,165	\$ 11,156	\$ 991	9.7%
Total Transfers In ¹	\$ 458	\$ 443	\$ (15)	-3.3%	\$ 962	\$ 831	\$ (131)	-13.6%
Total, Revenues and Transfers In	\$ 5,581	\$ 5,939	\$ 358	6.4%	\$ 11,127	\$ 11,987	\$ 860	7.7%
Transfer from Pension Contribution Fund	\$ -	\$ 444	\$ 444	n/a	\$ -	\$ 965	\$ 965	n/a
Short-Term Borrowing	\$ -	\$ -	\$ -	n/a	\$ 700	\$ -	\$ (700)	-100.0%
Transfer from Budget Stabilization Fund	\$ -	\$ -	\$ -	n/a	\$ 226	\$ 226	\$ -	0.0%
Total, Cash Receipts	\$ 5,581	\$ 6,383	\$ 802	14.4%	\$ 12,053	\$ 13,178	\$ 1,125	9.3%
Disbursements:								
Awards and Grants:								
State Board of Education	\$ 1,375	\$ 1,410	\$ 35	2.5%	\$ 2,390	\$ 2,501	\$ 111	4.6%
Public Aid	\$ 1,213	\$ 1,458	\$ 245	20.2%	\$ 2,907	\$ 3,575	\$ 668	23.0%
Human Services	\$ 635	\$ 664	\$ 29	4.6%	\$ 1,427	\$ 1,388	\$ (39)	-2.7%
Teachers Retirement	\$ 233	\$ 246	\$ 13	5.6%	\$ 466	\$ 498	\$ 32	6.9%
Higher Education	\$ 233	\$ 224	\$ (9)	-3.9%	\$ 404	\$ 377	\$ (27)	-6.7%
All Other Grants	\$ 329	\$ 326	\$ (3)	-0.9%	\$ 675	\$ 647	\$ (28)	-4.1%
Total, Awards and Grants	\$ 4,018	\$ 4,328	\$ 310	7.7%	\$ 8,269	\$ 8,986	\$ 717	8.7%
Operations:								
Other Agencies	\$ 1,183	\$ 1,318	\$ 135	11.4%	\$ 2,507	\$ 2,521	\$ 14	0.6%
Higher Education	\$ 535	\$ 513	\$ (22)	-4.1%	\$ 1,003	\$ 941	\$ (62)	-6.2%
Total, Operations	\$ 1,718	\$ 1,831	\$ 113	6.6%	\$ 3,510	\$ 3,462	\$ (48)	-1.4%
Regular Transfers Out	\$ 445	\$ 406	\$ (39)	-8.8%	\$ 922	\$ 875	\$ (47)	-5.1%
All Other (Includes Prior Year Adjustments)	\$ 6	\$ 3	\$ (3)	-50.0%	\$ 11	\$ 14	\$ 3	27.3%
Vouchers Payable Adjustment ¹	\$ (495)	\$ (442)	\$ 53	-10.7%	\$ (566)	\$ (418)	\$ 148	-26.1%
Total, Disbursements	\$ 5,692	\$ 6,126	\$ 434	7.6%	\$ 12,146	\$ 12,919	\$ 773	6.4%
Transfers to Repay Short-Term Borrowing	\$ -	\$ 230	\$ 230	n/a	\$ -	\$ 230	\$ 230	n/a
Total, Disbursements, Including STB	\$ 5,692	\$ 6,356	\$ 664	11.7%	\$ 12,146	\$ 13,149	\$ 1,003	8.3%
AVAILABLE CASH BALANCE, ENDING	\$ 163	\$ 346	\$ 183	112.3%	\$ 163	\$ 346	\$ 183	112.3%

¹ Does not include the \$144 million in transfers that occurred in July 2003 that should have taken place in June 2002 but were actually posted on July 1, 2003. The amount was included in FY2003 year-end receipts.