



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

ROD BLAGOJEVICH
GOVERNOR

JOHN B. FILAN
DIRECTOR

FISCAL YEAR 2004 THIRD QUARTER FINANCIAL REVIEW

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

January - March

	<u>FY03</u>	<u>FY04</u>	<u>Change</u>
OPERATIONS			
General Funds Receipts (Revenues & Transfers In)	\$ 5,264	\$ 6,630	\$ 1,366
General Funds Disbursements (Including Transfers Out)	\$ (5,303)	\$ (6,637)	\$ (1,334)
Cash Basis Operating Surplus/(Deficit)	\$ (39)	\$ (7)	\$ 32
CASH			
Beginning General Funds Cash Balance (12/31)	\$ 163	\$ 346	\$ 183
General Funds Cash Balance (3/31)	\$ 124	\$ 339	\$ 215
Budget Stabilization Fund Cash Balance (3/31)	\$ -	\$ -	\$ -
Total Cash Balance (3/31)	\$ 124	\$ 339	\$ 215

General Funds Receipts Performance versus fiscal year 2003

Appendix I reflects the receipt performance for the third quarter of fiscal year 2004 as compared to those collected in the third quarter of fiscal year 2003. FY 2004 third quarter state and federal revenues totaled \$6,630 million.

- Individual income tax gross collections were up \$130 million, and corporate income tax gross collections were up 34.8 percent, or \$89 million from the third quarter of fiscal year 2003. Based on an analysis by the Department of Revenue, a majority of the corporate income tax increase was attributable to early trust and estate payments and the closing of corporate tax loopholes.
- Sales taxes increased by \$105 million from the third quarter of FY 2003 or 7.5%. Based on an analysis by the Department of Revenue, a portion of the 3rd quarter increase was due to an extra business day in February (leap year) and two additional business days in March over the same period a year ago.

- Public Utility Taxes were \$10 million higher than the same period in FY 2003 or 3.6% for the quarter. Based upon an analysis by the Department of Revenue, the majority of the increase can be attributed to the imposition of the Natural Gas Use Tax.
- Insurance Tax and Fees was \$11 million higher than the third quarter of FY 2003, an increase of 17.2 percent. A portion of the increase is attributable to an increase in fees imposed in FY04.
- Cook County IGT was \$36 million higher than the same period in FY 2003 mainly due to timing differences of governmental receipts, which will reverse in Q4.
- Other sources were up \$47 million from the third quarter of FY 2003. This includes new fees imposed and raised in FY04.

Federal revenues totaled \$1,137 million, an increase of \$313 million from the prior fiscal year. This increase was primarily due to additional federal receipts from the increased additional federal match rate of 2.95% and managing the Medicaid payment cycle.

Transfers in from other state funds, excluding reimbursements from the Pension Contribution Fund, were 112.7%, or \$318 million higher than in the third quarter of FY 2003. This increase was due to the administrative chargeback to other funds, fee increase transfers and Executive Order #10 consolidating agency functions.

General Funds Disbursements

As further detailed in Appendix II, cash disbursements were \$6,637 million, up by \$1,334 million over the previous year's level of expenditures. Roughly 75% of this increase was used to pay down the backlog of existing unpaid bills. Based on reports from the Comptroller's Office, the existing General Fund backlog of unpaid bills as of March 31, 2004 was \$693 million compared to \$1.913 billion a year ago.

Expenditures by the Department of Public Aid were slightly down by \$17 million, or 1.9% from the third quarter of FY 2003 due to accelerated payments in Q1 and Q2. These accelerated payments were to pay bills more quickly to take advantage of the increased federal reimbursement rate, offered only in FY 2004. The Medicaid payment cycle (i.e., how quickly Medicaid vendors are paid) was 40.9 days at the end of March.

Expenditures on contributions to the Teachers Retirement System, State Board of Education grants, Human Services, and all other grants were at a higher level in the third quarter of FY 2004 compared with the prior fiscal year. Disbursements were down in most other categories.

Spending from the general funds on operational costs was down \$44 million from the third quarter of FY 2003. On a year to date basis, spending on operational costs is down \$92 million for the first nine months of FY 2004 compared to FY 2003. This is a 1.8% decrease.

General Funds Cash Position

On a year to date basis, there is a 173.4% increase in the General Funds Cash Balance comparing the first nine months for FY 2004 compared to the same time period in FY 2003. Ending balances for those time periods were \$339 million and \$124 million dollars respectively. On a quarterly basis, the increase in cash expenditures (including the pay down of the backlog of payables) exceeded the increase in revenues and net transfers by \$7 million dollars.

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

	Third 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	\$ 2,025	\$ 2,155	\$ 130	6.4%	\$ 5,622	\$ 5,764	\$ 142	2.5%
Gross Corporate Income Tax	\$ 256	\$ 345	\$ 89	34.8%	\$ 649	\$ 951	\$ 302	46.6%
Deposits to Income Tax Refund Fund	\$ (231)	\$ (363)	\$ (132)	57.1%	\$ (625)	\$ (979)	\$ (354)	56.6%
Total, Net Income Taxes	\$ 2,050	\$ 2,138	\$ 88	4.3%	\$ 5,646	\$ 5,737	\$ 91	1.6%
Sales Taxes	\$ 1,404	\$ 1,509	\$ 105	7.5%	\$ 4,520	\$ 4,742	\$ 222	4.9%
Other State Revenues:								
Public Utility Taxes	\$ 275	\$ 285	\$ 10	3.6%	\$ 749	\$ 806	\$ 57	7.6%
Cigarette Taxes	\$ 100	\$ 100	\$ (0)	-0.3%	\$ 300	\$ 300	\$ (0)	-0.1%
Inheritance Tax (gross)	\$ 53	\$ 53	\$ (0)	-0.8%	\$ 189	\$ 153	\$ (36)	-19.3%
Liquor Gallonage Taxes	\$ 30	\$ 30	\$ (0)	-1.0%	\$ 94	\$ 94	\$ (0)	-0.3%
Insurance Tax and Fees	\$ 64	\$ 75	\$ 11	17.2%	\$ 193	\$ 228	\$ 35	18.1%
Corp. Franchise Tax and Fees	\$ 39	\$ 45	\$ 6	14.9%	\$ 106	\$ 120	\$ 14	13.0%
Investment Income	\$ 14	\$ 12	\$ (2)	-15.0%	\$ 51	\$ 42	\$ (9)	-17.8%
Cook County IGT	\$ 68	\$ 104	\$ 36	52.4%	\$ 243	\$ 280	\$ 37	15.1%
Other	\$ 61	\$ 108	\$ 47	77.1%	\$ 270	\$ 242	\$ (28)	-10.4%
Total, Other State Revenues	\$ 704	\$ 810	\$ 106	15.1%	\$ 2,195	\$ 2,263	\$ 68	3.1%
Total, State Revenues	\$ 4,158	\$ 4,457	\$ 299	7.2%	\$ 12,361	\$ 12,742	\$ 381	3.1%
Federal Revenues:								
Cash Receipts	\$ 814	\$ 1,117	\$ 303	37.2%	\$ 2,762	\$ 3,967	\$ 1,205	43.6%
Transfers In	\$ 10	\$ 20	\$ 10	100.0%	\$ 24	\$ 41	\$ 17	70.8%
Total, Federal Revenues	\$ 824	\$ 1,137	\$ 313	38.0%	\$ 2,786	\$ 4,008	\$ 1,222	43.9%
Total, Revenues	\$ 4,982	\$ 5,594	\$ 612	12.3%	\$ 15,147	\$ 16,750	\$ 1,603	10.6%
Transfers In:								
Lottery Fund	\$ 135	\$ 167	\$ 32	23.7%	\$ 379	\$ 417	\$ 38	10.0%
State Gaming Fund	\$ 78	\$ 98	\$ 20	26.2%	\$ 427	\$ 493	\$ 66	15.5%
Other Funds ¹	\$ 69	\$ 334	\$ 265	384.5%	\$ 438	\$ 520	\$ 82	18.8%
Total, Transfers In	\$ 282	\$ 600	\$ 318	112.7%	\$ 1,244	\$ 1,431	\$ 187	15.0%
Total, Revenues and Transfers In	\$ 5,264	\$ 6,194	\$ 930	17.7%	\$ 16,391	\$ 18,181	\$ 1,790	10.9%
Transfer from Pension Contribution Fund	\$ -	\$ 436	\$ 436	n/a	\$ -	\$ 1,401	\$ 1,401	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	\$ 5,264	\$ 6,630	\$ 1,366	25.9%	\$ 17,317	\$ 19,808	\$ 2,491	14.4%

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 totals.

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

	Third Quarter		Change		YTD		Change	
	FY 2003	FY 2004	Amount	Percent	FY 2003	FY 2004	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 163	\$ 346	\$ 183	112.3%	\$ 256	\$ 317	\$ 61	23.8%
Total Revenues	\$ 4,982	\$ 5,594	\$ 612	12.3%	\$ 15,147	\$ 16,750	\$ 1,603	10.6%
Total Transfers In ¹	\$ 282	\$ 600	\$ 318	112.8%	\$ 1,244	\$ 1,431	\$ 187	15.0%
Total, Revenues and Transfers In	\$ 5,264	\$ 6,194	\$ 930	17.7%	\$ 16,391	\$ 18,181	\$ 1,790	10.9%
Transfer from Pension Contribution Fund	\$ -	\$ 436	\$ 436	n/a	\$ -	\$ 1,401	\$ 1,401	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	\$ 5,264	\$ 6,630	\$ 1,366	25.9%	\$ 17,317	\$ 19,808	\$ 2,491	14.4%
Disbursements:								
Awards and Grants:								
State Board of Education	\$ 1,248	\$ 1,298	\$ 50	4.0%	\$ 3,638	\$ 3,799	\$ 161	4.4%
Public Aid	\$ 902	\$ 885	\$ (17)	-1.9%	\$ 3,809	\$ 4,460	\$ 651	17.1%
Human Services	\$ 625	\$ 682	\$ 57	9.1%	\$ 2,052	\$ 2,070	\$ 18	0.9%
Teachers Retirement	\$ 232	\$ 246	\$ 14	6.0%	\$ 698	\$ 744	\$ 46	6.6%
Higher Education	\$ 266	\$ 244	\$ (22)	-8.3%	\$ 670	\$ 621	\$ (49)	-7.3%
All Other Grants	\$ 223	\$ 263	\$ 40	17.9%	\$ 898	\$ 910	\$ 12	1.3%
Total, Awards and Grants	\$ 3,496	\$ 3,618	\$ 122	3.5%	\$ 11,765	\$ 12,604	\$ 839	7.1%
Operations:								
Other Agencies	\$ 1,145	\$ 1,102	\$ (43)	-3.8%	\$ 3,652	\$ 3,623	\$ (29)	-0.8%
Higher Education	\$ 449	\$ 448	\$ (1)	-0.2%	\$ 1,452	\$ 1,389	\$ (63)	-4.3%
Total, Operations	\$ 1,594	\$ 1,550	\$ (44)	-2.8%	\$ 5,104	\$ 5,012	\$ (92)	-1.8%
Regular Transfers Out	\$ 462	\$ 524	\$ 62	13.4%	\$ 1,384	\$ 1,399	\$ 15	1.1%
All Other (Includes Prior Year Adjustments)	\$ 5	\$ -	\$ (5)	-100.0%	\$ 16	\$ 14	\$ (2)	-12.5%
Vouchers Payable Adjustment ¹	\$ (454)	\$ 545	\$ 999	-220.0%	\$ (1,020)	\$ 127	\$ 1,147	-112.5%
Total, Disbursements	\$ 5,103	\$ 6,237	\$ 1,134	22.2%	\$ 17,249	\$ 19,156	\$ 1,907	11.1%
Transfers to Repay Short-Term Borrowing	\$ 200	\$ 400	\$ 200	100.0%	\$ 200	\$ 630	\$ 430	n/a
Total, Disbursements, Including STB	\$ 5,303	\$ 6,637	\$ 1,334	25.2%	\$ 17,449	\$ 19,786	\$ 2,337	13.4%
AVAILABLE CASH BALANCE, ENDING	\$ 124	\$ 339	\$ 215	173.4%	\$ 124	\$ 339	\$ 215	173.4%

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.