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**GOVERNOR'S OFFICE OF**  
**MANAGEMENT AND BUDGET**

**FISCAL YEAR 2008 FIRST QUARTER FINANCIAL REVIEW**

**Table I**  
**OPERATING HIGHLIGHTS\***  
**First Quarter**  
**FY2007 vs. FY2008**  
(in millions)

	<b>First Quarter</b>				<b>Year to Date</b>			
	<u>FY 07</u>	<u>FY 08</u>	<u>Change</u>	<u>% Change</u>	<u>FY 07</u>	<u>FY 08</u>	<u>Change</u>	<u>% Change</u>
<b>OPERATIONS</b>								
General Funds Revenues	\$ 6,117	\$ 6,354	\$ 237	3.9%	\$ 6,117	\$ 6,354	\$ 237	3.9%
Operating Transfers In	547	468	(79)	-14.4%	547	468	(79)	-14.4%
<b>Total Operating Receipts</b>	<b>\$ 6,664</b>	<b>\$ 6,822</b>	<b>\$ 158</b>	<b>2.4%</b>	<b>\$ 6,664</b>	<b>\$ 6,822</b>	<b>\$ 158</b>	<b>2.4%</b>
General Funds Expenditures	\$ 6,111	\$ 6,290	\$ 179	2.9%	\$ 6,111	\$ 6,290	\$ 179	2.9%
Operating Transfers Out	822	689	(133)	-16.2%	822	689	(133)	-16.2%
<b>Total Operating Disbursements</b>	<b>\$ 6,933</b>	<b>\$ 6,979</b>	<b>\$ 46</b>	<b>0.7%</b>	<b>\$ 6,933</b>	<b>\$ 6,979</b>	<b>\$ 46</b>	<b>0.7%</b>
<b>Change in Operating Cash-Increase(Decrease)</b>	<b>\$ (269)</b>	<b>\$ (157)</b>	<b>\$ 112</b>	<b>N/A</b>	<b>\$ (269)</b>	<b>\$ (157)</b>	<b>\$ 112</b>	<b>N/A</b>

\*Refer to Appendix I for details.

**OPERATING HIGHLIGHTS**

As illustrated in Table I and detailed in Appendix I, fiscal year 2008 first quarter general revenues total \$6,354 million or \$237 million (3.9%) above the fiscal year 2007 first quarter level. Total fiscal year 2008 first quarter Revenues and Operating Transfers In were \$6,822 million, a \$158 million (2.4%) increase over the comparable period of fiscal year 2007. The increase was primarily attributable to increases in personal income tax collections and federal revenue collections for Medicaid reimbursements.

As shown in Appendix II, total disbursements increased by \$1,246 million (18.0%) in the first quarter of fiscal year 2008 compared to 2007. That increase was primarily associated with a \$1,200 million short-term borrowing, which took place during first quarter fiscal 2008. Proceeds from the short-term borrowing were used to pay the second phase of the Hospital Assessment Program. Operating disbursements increased by only \$46 million, or 0.7% over fiscal year 2007.

One-time events, as well as timing differences in revenues, spending, and cash flow impact the operating results of any one period, such that any one period's results are generally offset by corresponding timing issues in subsequent periods.

## **OPERATING CASH RECEIPTS AND TRANSFERS IN**

As detailed in Appendix I, General Funds Revenues, including Transfers In and Federal Revenues, net of short-term borrowing proceeds, for the first quarter of fiscal year 2008 increased by \$158 million, or 2.4 %, from fiscal year 2007.

- **Income Taxes (\$93 million increase):** Net of transfers to the Income Tax Refund Fund, income tax revenues deposited into the General Funds were up 4.0% from the first quarter of fiscal year 2007. Gross Individual Income Tax collections were up by 5.5% or \$120 million from the first quarter of fiscal year 2007. The increased collections are attributed to a 4.0% growth in individual wage earnings over the past year and increased estimated tax payments directly attributed to stock market activity during the first quarter of fiscal year 2008. Gross Corporate Income Tax collections were down by 4.4% or \$18 million, compared to the same period a year ago. Softening of corporate profits have lead to lower estimated tax payments compared to the first quarter of fiscal year 2007. Transfers to the Income Tax Refund Fund decreased by \$8 million or 3.0%, when compared to fiscal year 2007. In the absence of the finance budget implementation bill during the first quarter of FY2008, transfers to the Income Tax Refund Fund are reset to statutory percentages resulting in the decrease of transfers.
- **Sales Taxes (\$55 million decrease):** The 3.0% decrease was largely attributable to change in the allocation of sales tax receipts. Fiscal Year 2007 receipts reflect an over deposit of local government sales taxes during the first quarter of that fiscal year. Starting fiscal year 2008, an additional 1.3% of sales tax receipts are directed to the Home Rule Municipal Retailers' Occupation Tax Fund.
- **Public Utility Taxes (\$3 million decrease):** The 1.1% decrease can be largely attributed to a decline in telecommunication tax receipts due to intra-year timing differences. Receipts are expected to increase for the remainder of fiscal year 2008.
- **Investment Income (\$4 million increase):** The 7.8% growth is attributable to increased cash balances and higher interest rates.
- **Cook County Intergovernmental Transfer (IGT) (\$9 million increase):** The increase is due to timing differences. Due to a previously scheduled reduction by the Federal Government, the IGT is expected to generate \$11 million less than fiscal year 2007.
- **Gaming and Lottery (\$29 million increase):** Gaming revenues increased by \$10 million, or 6.1%. Lottery transfers grew \$19 million (14.7%) due to larger jackpots for the Mega Millions game which resulted in higher sales, as compared to first quarter fiscal 2007.
- **All Other Sources (\$20 million increase):** Cigarette Taxes increased \$1 million, or (1.1%). Due to recent changes in tobacco tax legislation, cigarette distributor purchases were marginally higher than normal during the first quarter of fiscal year 2008, but are expected to level out over the next three to four months. Insurance Tax and Fees remain flat to first quarter of fiscal year 2007. Inheritance Tax decreased by \$4 million (5.4%), Liquor Gallonage Taxes increased by \$1 million (2.4%), and Other Sources increased by \$6 million (5.7%) due to timing differences. Corporate Franchise Tax and Fees

increased \$16.0 million (31.4%), primarily due to the one-time deposit from the merger of two major commodity markets in Chicago.

- **Federal Revenues (\$169 million increase):** The 14.2% increase is attributable to an increase in Medicaid expenditures which result in increased Federal reimbursements. The increase is primarily associated with intra-year timing differences since total fiscal year 2008 revenues were budgeted to increase by \$747 million over fiscal 2007 collections.
- **Other Transfers In (\$108 million decrease):** Chargebacks legislatively sunset at the end of fiscal year 2007 and no fund sweeps were adopted in the fiscal 2008 budget, resulting in the 42.7% decrease. Collectively, these two transfers represented \$269 million in the fiscal 2007 budget.

## OPERATING DISBURSEMENTS AND TRANSFERS OUT

As further detailed in Appendix II and discussed below, total disbursements including short-term borrowing during the first quarter of fiscal year 2008 were \$8,179 million, an increase of \$1,246 million or 18.0% from the previous year.

In fiscal year 2008, the first quarter reflects a transfer of \$1,200 million to the Hospital Provider Fund associated with a short term borrowing used to pay the second phase of the Hospital Assessment Program. The balance of \$46 million (0.7%) represents the increase in operating expenditures.

One-time events, as well as timing differences in revenues and spending, impact the operating results of the first quarter such that any one quarter results are generally offset by corresponding timing issues in subsequent periods.

### Operating Highlights:

- **Award and Grants (\$1,123 million increase):** Spending is up 24.0% from last year. That increase is attributable primarily to timing differences in Medicaid spending of \$889 million. Teachers' retirement grants were up \$73 million or 36.0% due to increases in the funding plan. Elementary & Secondary Education spending increased by \$48 million or 3.7% from first quarter fiscal 2007 due to increased spending for transportation and special education reimbursements. The Department of Transportation spending increased \$34 million due to the State's assistance to the RTA. The Department of Children and Family Services grants are up \$58 million, or 44.0% due to increases to foster care and group home care paid from General Revenue Fund rather than the Children Services Fund. The Department on Aging spending increased \$12 million or 19.5% due to increased spending for the Community Care Program.
- **Operations (\$81 million increase):** Fiscal year 2008 first quarter operating expenditures increased \$81 million or 4.8%. Higher Education decreased by \$31 million, or 8.3% largely due to the Universities Retirement Systems being fully funded from other state funds (not General Funds) fiscal year 2008. Other agencies operations spending increased \$112 million, or 8.3%, primarily due increased costs associated with collective bargaining COLA increases, retirement (increased 5.0% from fiscal year 2007 rate) and group insurance.

## FINANCIAL POSITION

In the first quarter of fiscal year 2008, total receipts, which included the annual cash flow borrowing of \$276 million from the Budget Stabilization Fund, exceeded total disbursements by \$119 million when compared to fiscal 2007. The General Funds cash balance at September 30, 2007 was \$761 million, \$164 million more (27.5%) than the September 30, 2006 level of \$597 million.

General Funds accounts payable increased from \$776 million as of June 30, 2007 to \$1,393 million on September 30, 2007, \$885 million more than the September 30, 2006 balance. The net September 30<sup>th</sup> working capital position (cash less accounts payable) declined \$726 million 2007, primarily due to the decrease in transfers and the timing differences in Medicaid spending as previously discussed.

**Table II**  
**SELECTED FINANCIAL HIGHLIGHTS**  
**First Quarter**  
**FY2007 vs. FY2008**  
(in millions)

	<u>FY 07</u>	<u>FY 08</u>	<u>Change</u>
<b>CASH BALANCE</b>			
General Funds Cash Balance (6/30)	\$ 590	\$ 642	\$ 52
Change in Operating Cash Increase(Decrease) for First Quarter*	(269)	(157)	112
Transfer In from Budget Stabilization Fund	276	276	-
General Funds Cash Balance (9/30)**	597	761	164
Budget Stabilization Fund Cash Balance (9/30)	-	-	-
<b>Total Cash Balance (9/30)</b>	<b>\$ 597</b>	<b>\$ 761</b>	<b>\$ 164</b>
<b>SELECT CURRENT LIABILITIES</b>			
General Funds Accounts Payable (9/30)***	\$ 508	\$ 1,393	\$ 885
Income Tax Refunds Payable (9/30):			
Corporate	4	9	5
<b>Total Select Current Liabilities</b>	<b>\$ 512</b>	<b>\$ 1,402</b>	<b>\$ 890</b>
<b>Income Tax Refund Fund Cash Balance</b>	<b>\$ 235</b>	<b>\$ 239</b>	<b>\$ 4</b>

\* See Table I

\*\* See Appendix II

\*\*\* Source: Office of the Comptroller

**APPENDIX I**  
**GENERAL FUNDS**  
**CASH RECEIPTS**  
**First Quarter FY07 vs. FY08**  
(in millions)

			<b>Change</b>	
	<b>FY 2007</b>	<b>FY2008</b>	<b>Amount</b>	<b>Percent</b>
<b>Cash Basis Receipts:</b>				
State Revenues:				
Gross Individual Income Tax	\$ 2,176	\$ 2,296	\$ 120	5.5%
Gross Corporate Income Tax	\$ 417	\$ 399	\$ (18)	-4.4%
Deposits to Income Tax Refund Fund	\$ (285)	\$ (294)	\$ (8)	3.0%
<b>Total, Net Income Taxes</b>	<b>\$ 2,308</b>	<b>\$ 2,401</b>	<b>\$ 93</b>	<b>4.0%</b>
<b>Sales Taxes</b>	<b>\$ 1,859</b>	<b>\$ 1,804</b>	<b>\$ (55)</b>	<b>-3.0%</b>
Other State Revenues:				
Public Utility Taxes	\$ 261	\$ 258	\$ (3)	-1.1%
Cigarette Taxes	\$ 87	\$ 88	\$ 1	1.1%
Inheritance Tax (gross)	\$ 74	\$ 70	\$ (4)	-5.4%
Liquor Gallonage Taxes	\$ 41	\$ 42	\$ 1	2.4%
Insurance Tax and Fees	\$ 81	\$ 81	\$ -	0.0%
Corp. Franchise Tax and Fees	\$ 51	\$ 67	\$ 16	31.4%
Investment Income	\$ 51	\$ 55	\$ 4	7.8%
Cook County IGT	\$ 6	\$ 15	\$ 9	150.0%
Other	\$ 106	\$ 112	\$ 6	5.7%
<b>Total, Other State Revenues</b>	<b>\$ 758</b>	<b>\$ 788</b>	<b>\$ 30</b>	<b>4.0%</b>
<b>Total, State Revenues</b>	<b>\$ 4,925</b>	<b>\$ 4,993</b>	<b>\$ 68</b>	<b>1.4%</b>
Federal Revenues:	\$ 1,192	\$ 1,361	\$ 169	14.2%
<b>Total, Revenues</b>	<b>\$ 6,117</b>	<b>\$ 6,354</b>	<b>\$ 237</b>	<b>3.9%</b>
Transfers In:				
State Lottery Fund	\$ 129	\$ 148	\$ 19	14.7%
State Gaming Fund	\$ 165	\$ 175	\$ 10	6.1%
Other State Transfers In	\$ 253	\$ 145	\$ (108)	-42.7%
<b>Total, Transfers In</b>	<b>\$ 547</b>	<b>\$ 468</b>	<b>\$ (79)</b>	<b>-14.4%</b>
<b>Total, Operating Cash Receipts</b>	<b>\$ 6,664</b>	<b>\$ 6,822</b>	<b>\$ 158</b>	<b>2.4%</b>
Short-Term Borrowing	\$ -	\$ 1,200	\$ 1,200	0.0%
Transfer from Budget Stabilization Fund	\$ 276	\$ 276	\$ -	0.0%
<b>TOTAL, CASH RECEIPTS</b>	<b>\$ 6,940</b>	<b>\$ 8,298</b>	<b>\$ 1,358</b>	<b>19.6%</b>

Source: Illinois Office of the Comptroller (IOC) and GOMB.

**APPENDIX II**  
**GENERAL FUNDS**  
**Cash Flow Summary**  
**First Quarter FY07 vs. FY08**  
(in millions)

	<u>First Quarter</u>		<u>Change</u>		<u>YTD</u>		<u>Change</u>	
	<u>FY 2007</u>	<u>FY 2008</u>	<u>Amount</u>	<u>Percent</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>Amount</u>	<u>Percent</u>
<b>AVAILABLE CASH BALANCE, BEGINNING</b>	\$ 590	\$ 642	\$ 52		\$ 590	\$ 642	\$ 52	
<b>Total Revenues</b>	\$ 6,117	\$ 6,354	\$ 237	3.9%	\$ 6,117	\$ 6,354	\$ 237	3.9%
<b>Total Transfers In</b>	\$ 547	\$ 468	\$ (79)	-14.4%	\$ 547	\$ 468	\$ (79)	-14.4%
<b>Total, Operating Cash Receipts</b>	<b>\$ 6,664</b>	<b>\$ 6,822</b>	<b>\$ 158</b>	<b>2.4%</b>	<b>\$ 6,664</b>	<b>\$ 6,822</b>	<b>\$ 158</b>	<b>2.4%</b>
Cash Flow Transfer - Hospital Provider Fund	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%
Transfer from Budget Stabilization Fund	\$ 276	\$ 276	\$ -	0.0%	\$ 276	\$ 276	\$ -	0.0%
Short-term Borrowing Proceeds	\$ -	\$ 1,200	\$ 1,200	0.0%	\$ -	\$ 1,200	\$ 1,200	0.0%
<b>TOTAL, CASH RECEIPTS</b>	<b>\$ 6,940</b>	<b>\$ 8,298</b>	<b>\$ 1,358</b>	<b>19.6%</b>	<b>\$ 6,940</b>	<b>\$ 8,298</b>	<b>\$ 1,358</b>	<b>19.6%</b>
<b>Disbursements:</b>								
Awards and Grants:								
State Board of Education	\$ 1,291	\$ 1,339	\$ 48	3.7%	\$ 1,291	\$ 1,339	\$ 48	3.7%
Department of Healthcare & Family Services	\$ 1,817	\$ 2,706	\$ 889	48.9%	\$ 1,817	\$ 2,706	\$ 889	48.9%
Human Services	\$ 854	\$ 870	\$ 16	1.9%	\$ 854	\$ 870	\$ 16	1.9%
Teachers Retirement	\$ 203	\$ 276	\$ 73	36.0%	\$ 203	\$ 276	\$ 73	36.0%
Higher Education (incl. retirement)	\$ 183	\$ 176	\$ (7)	-3.8%	\$ 183	\$ 176	\$ (7)	-3.8%
All Other Grants	\$ 335	\$ 439	\$ 104	31.0%	\$ 335	\$ 439	\$ 104	31.0%
<b>Total, Awards and Grants</b>	<b>\$ 4,683</b>	<b>\$ 5,806</b>	<b>\$ 1,123</b>	<b>24.0%</b>	<b>\$ 4,683</b>	<b>\$ 5,806</b>	<b>\$ 1,123</b>	<b>24.0%</b>
Operations:								
Other Agencies	\$ 1,321	\$ 1,433	\$ 112	8.5%	\$ 1,321	\$ 1,433	\$ 112	8.5%
Higher Education	\$ 373	\$ 342	\$ (31)	-8.3%	\$ 373	\$ 342	\$ (31)	-8.3%
<b>Total, Operations</b>	<b>\$ 1,694</b>	<b>\$ 1,775</b>	<b>\$ 81</b>	<b>4.8%</b>	<b>\$ 1,694</b>	<b>\$ 1,775</b>	<b>\$ 81</b>	<b>4.8%</b>
Regular Transfers Out	\$ 822	\$ 689	\$ (133)	-16.2%	\$ 822	\$ 689	\$ (133)	-16.2%
All Other (Includes Prior Year Adjustments)	\$ 5	\$ 8	\$ 3	60.0%	\$ 5	\$ 8	\$ 3	60.0%
Vouchers Payable Adjustment	\$ (271)	\$ (1,299)	\$ (1,028)	379.3%	\$ (271)	\$ (1,299)	\$ (1,028)	379.3%
<b>Total, Operating Disbursements</b>	<b>\$ 6,933</b>	<b>\$ 6,979</b>	<b>\$ 46</b>	<b>0.7%</b>	<b>\$ 6,933</b>	<b>\$ 6,979</b>	<b>\$ 46</b>	<b>0.7%</b>
Cash Flow Transfer - Hospital Provider Fund	\$ -	\$ 1,200	\$ 1,200	0.0%	\$ -	\$ 1,200	\$ 1,200	0.0%
Transfers to Repay Short-Term Borrowing	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%
<b>TOTAL, DISBURSEMENTS</b>	<b>\$ 6,933</b>	<b>\$ 8,179</b>	<b>\$ 1,246</b>	<b>18.0%</b>	<b>\$ 6,933</b>	<b>\$ 8,179</b>	<b>\$ 1,246</b>	<b>18.0%</b>
<b>CASH BASIS INCREASE (DECREASE)</b>	<b>\$ 7</b>	<b>\$ 119</b>	<b>\$ 112</b>	<b>1600.0%</b>	<b>\$ 7</b>	<b>\$ 119</b>	<b>\$ 112</b>	<b>1600.0%</b>
<b>AVAILABLE CASH BALANCE, BEGINNING</b>	<b>\$ 590</b>	<b>\$ 642</b>	<b>\$ 52</b>	<b>8.8%</b>	<b>\$ 590</b>	<b>\$ 642</b>	<b>\$ 52</b>	<b>8.8%</b>
<b>AVAILABLE CASH BALANCE, ENDING</b>	<b>\$ 597</b>	<b>\$ 761</b>	<b>\$ 164</b>	<b>27.5%</b>	<b>\$ 597</b>	<b>\$ 761</b>	<b>\$ 164</b>	<b>27.5%</b>

Source: Office of the Comptroller and GOMB