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STATE OF ILLINOIS
GOVERNOR'S OFFICE OF
MANAGEMENT AND BUDGET

FISCAL YEAR 2010 YEAR-END FINANCIAL REVIEW

GENERAL FUNDS HIGHLIGHTS

The fiscal year 2010 general funds net operating surplus totals \$42 million. The shift in the net operating surplus/deficit was primarily driven by decreased expenditures due to the pension contributions being shifted to non-appropriated funds.

Table I
GENERAL FUNDS HIGHLIGHTS
Year-End Review
FY2009 vs. FY2010
(in millions)

	YTD			
	<u>June-FY09</u>	<u>June-FY10</u>	<u>\$ Change</u>	<u>% Change</u>
General Funds Revenues	\$ 27,551	\$ 25,207	\$ (2,344)	-9%
Transfers In ¹	1,593	1,882	289	18%
Total Receipts	29,144	27,089	(2,055)	-7%
General Funds Expenditures ²	28,620	23,742	(4,878)	-17%
Transfers Out ¹	3,185	3,305	120	4%
Total Spending	31,805	27,047	(4,758)	-15%
Net Operating Surplus/(Deficit)	\$ (2,661)	\$ 42	\$ 2,703	-102%

¹Excludes short-term borrowing, BSF, intra-fund transfers, and transfers from the Pension Obligation Note offering of \$843M recognized by IOC in January 2010.

²Excludes \$843M in retirement continuing appropriation expenditures for FY10.

General funds revenues for fiscal year 2010 total \$25,207 million; a decline of \$2,344 million (9%) below the fiscal year 2009 level. The State's declining economic condition is evidenced by declining growth rates in several revenue sources, as detailed in Table II.

Fiscal year 2010 general fund expenditures total \$23,742 million; \$4,878 million below fiscal year 2009. The 17% reduction in spending compared to fiscal year 2009 is the result of concerted efforts to control spending by implementing agency specific cutbacks to non-core services and the shift of Medicaid expenditures to the Healthcare Provider Relied Fund in the fourth quarter. In spite of these reductions, the State continues to face revenue pressures for expenditures central to government operations such as personal services costs and services for children, seniors, and students.

nb. Tables in this report may not add due to rounding.

GENERAL FUNDS REVENUE SUMMARY

General funds revenues, including Transfers In and Federal Revenues, excluding short-term borrowing proceeds, for fiscal year 2010 decreased by more than \$2 billion when compared to fiscal year 2009 receipts.

Table II
GENERAL FUNDS REVENUES
Year-End Review
FY2009 vs. FY2010

(in millions)

Source	Year to Date Actual				Year to Date Budget			
	FY09	FY10	YTD Difference		FY10	FY10	Variance	
	YTD	YTD	Amount	%	YTD Budget	YTD Actual	Amount	%
Gross Individual Income Tax	10,219	9,430	(789)	-7.7%	9,375	9,430	55	0.6%
Less: Deposits to Income Tax Refund Fund	(996)	(920)	76	-7.6%	(915)	(920)	(5)	0.5%
Net Individual Income Tax	9,223	8,510	(713)	-7.7%	8,460	8,510	50	0.6%
Gross Corporate Income	2,073	1,649	(424)	-20.5%	1,588	1,649	61	3.8%
Less: Deposits to Income Tax Refund Fund	(363)	(289)	74	-20.4%	(278)	(289)	(11)	4.0%
Net Corporate Income Tax	1,710	1,360	(349)	-20.4%	1,310	1,360	50	3.8%
Sales	6,773	6,308	(465)	-6.9%	6,200	6,308	108	1.7%
Public Utility	1,168	1,089	(79)	-6.7%	1,115	1,089	(26)	-2.3%
Cigarette	350	355	4	1.2%	350	355	5	1.3%
Inheritance	288	243	(44)	-15.4%	278	243	(35)	-12.5%
Liquor	158	159	1	0.6%	161	159	(2)	-1.5%
Insurance	334	322	(12)	-3.6%	350	322	(28)	-7.9%
Corporate Franchise	201	208	7	3.4%	205	208	3	1.5%
Investment Income	81	26	(55)	-67.9%	35	26	(9)	-25.5%
Cook County IGT	253	244	(9)	-3.6%	243	244	1	0.3%
Other	445	462	16	3.7%	378	462	84	22.1%
TOTAL, STATE REVENUES	20,984	19,286	(1,698)	-8.1%	19,085	19,286	201	1.1%
Federal Revenues	6,567	5,921	(646)	-9.8%	6,056	5,921	(135)	-2.2%
Transfers In:	1,593	1,882	289	18.1%	2,067	1,882	(185)	-9.0%
Lottery	625	625	0	0.0%	625	625	0	0.0%
Gaming/Gaming Taxes ¹	430	431	1	0.1%	470	431	(40)	-8.4%
Other (including Chargebacks) ²	538	826	288	53.7%	972	826	(146)	-15.0%
TOTAL, RECEIPTS	29,144	27,089	(2,055)	-7.1%	27,208	27,089	(119)	-0.4%

¹ Includes \$47.5M in receipts for the tenth riverboat license which was recognized under "Other Sources" by the IOC.

² Excludes transfers in from the Pension Obligation Note offering of \$843M recognized by IOC in January 2010.

- **Income Taxes (\$1,062 million decrease):** As unemployment rates remain high, Individual Income Tax receipts continue to decline. Individual Income tax revenues are down \$713 million, or 7.7% from prior year revenues. Similarly, Corporate Income net receipts have declined by \$349 million, or 20.4% from the prior fiscal year. Net income tax receipts reflect transfers to the Income Tax Refund Fund.
- **Sales Taxes (\$465 million decrease):** The recession contributed to the 6.9% decrease in sales tax collections. Weakness in the labor market has led to high unemployment rates and increased consumer caution.
- **Investment Income (\$55 million decrease):** The 67.9% decrease can be attributed to the Federal Reserve Bank reducing the short-term interest rates to help spur the economy. This practice began in fiscal year 2009, and was expected to continue through the end of fiscal year 2010.

- **All Other Sources (\$116 million decrease):** Liquor Gallonage increased by \$1 million or 0.6%, Insurance Tax and Fees decreased \$12 million or 3.6%. Inheritance Tax decreased by \$44 million (15.4%), Cigarette Taxes increased by \$4 million (1.2%), Cook County IGT funds were down \$9 million (3.6%), Corporate Franchise Taxes and Fees increased \$7 million or 3.4%, Public Utility Taxes decreased \$79 million (6.7%), and Other Sources increased by \$16 million or 3.7%..
- **Federal Revenues (\$646 million decrease):** Federal revenue sources decreased \$646 million or 9.8%, partially due to the shift of Medicaid spending to other state funds in the fourth quarter. The federal stimulus plan generated \$1,607 million in fiscal year 2010.
- **Transfers In (\$289 million increase):** All other transfers in increased \$289 million (18.1%) primarily from fund sweeps totaling \$283 million as of June 30, 2010.

GENERAL FUNDS EXPENDITURES SUMMARY

Table III details general funds expenditures for fiscal year 2010. General funds expenditures for the fiscal year total \$23,742 million, a decrease of \$4,878 million (17.0%) from the previous year.

Table III
GENERAL FUNDS EXPENDITURES
Year-End Review
FY2009 vs FY2010
(in millions)

	<u>FY2009</u>	<u>FY2010</u>	<u>Change</u>
Enacted Appropriation	\$ 30,283	\$ 26,341	\$ (3,942)
Expend YTD ¹	\$ 28,620	\$ 23,742	\$ (4,878)
Percent Spent	95%	90%	-5%

¹Excludes \$843M in retirement continuing appropriation expenditures for FY10.
These figures do not include lapse period spending.

Fiscal year 2010 general funds appropriations decreased by \$3,942 million below fiscal year 2009 levels. For most agencies, a majority of the decreased appropriation authority is attributable to the shift of pension contribution payments off of the general funds. In some cases, agencies were subject to a general funds reserve to help manage spending throughout the fiscal year. As mentioned previously, HFS shifted Medicaid spending off of the general funds in the fourth quarter due to cash flow issues with GRF. The Emergency Budget Act (PA 96-0958) extended the IOC's ability to pay all fiscal year 2010 outstanding liabilities to December 31, 2010.

FINANCIAL POSITION

The general funds cash balance at June 30, 2010 was \$130 million, including the cash flow borrowing of \$276 million from the Budget Stabilization Fund and \$1,250 in proceeds from short-term borrowing. This is a \$150 million decrease (53.6%) from the June 30, 2009 level of \$280 million.

As of June 30, 2010, accounts payable increased \$1,927 million (69.2%) over the previous fiscal year due to declining revenues.

Table IV
FINANCIAL POSITION
Year-End Review
FY2009 vs. FY2010
(in millions)

	<u>FY 09</u>	<u>FY 10</u>	<u>Change</u>
CASH BALANCE			
General Funds Cash Balance (3/31)	\$ 191	\$ 362	\$ 171
Change in Operating Cash for 4th Qtr	(1,587)	(1,758)	(171)
Short-term Borrowing Proceeds	1,400	1,250	(150)
Transfer In from Budget Stabilization Fund	276	276	-
General Funds Cash Balance (6/30)	\$ 280	\$ 130	\$ (150)
Budget Stabilization Fund Cash Balance (6/30)	\$ 276	\$ -	\$ (276)
SELECT CURRENT LIABILITIES			
General Funds Accounts Payable (6/30)	\$ 2,785	\$ 4,712	\$ 1,927
Total Select Current Liabilities	\$ 2,785	\$ 4,712	\$ 1,927

EMPLOYMENT HIGHLIGHTS

As noted in Table V, Illinois unemployment rate was 10.4% as of June 30, 2010, up slightly from the prior fiscal year. According to the Illinois Department of Employment Security, overall job growth in Illinois during the fourth quarter was flat while nationally it was down. Nationally, the June unemployment rate was 9.5%, the same as fourth quarter of fiscal year 2009.

Table V
EMPLOYMENT HIGHLIGHTS
Year-End Review
FY2009 vs. FY2010

STATEWIDE EMPLOYMENT STATISTICS	<u>Twelve Months Ending</u>		
	<u>6/30/09</u>	<u>6/30/10</u>	<u>Change</u>
Labor Force	6,615,600	6,660,400	44,800
Employed	5,935,700	5,966,500	30,800
Unemployed	679,900	693,900	14,000
Illinois Unemployed Rate	10.3%	10.4%	0.1%
US Unemployed Rate	9.5%	9.5%	0.0%

Source: Illinois Dept. of Employment Security

FISCAL AND BALANCED BUDGET NOTE SUMMARY

The legislature may request a note from the Governor's Office of Management and Budget explaining the budget or fiscal impact of particular legislation. These notes were requested and provided for the following bills. A summary of the notes issued by the Governor's Office of Management and Budget to the General Assembly can be found by searching by bill number at www.ilga.gov.

Balanced Budget Notes CY 2009	Summary
House Bill 44	Amends Food, Drug and Cosmetic Act
House Bill 48	Amends Firearm Owners Identification Act
House Bill 152	Creates Organ Transplant Quality Assurance Act
House Bill 171	Amends Criminal Code
House Bill 172	Amends Firearm Owners Identification Act
House Bill 181	Amends Credit Information in Personal Finance Act
House Bill 234	Amends Firearm Owners Identification Act
House Bill 583 HAM #1	Creates Equine Rescue Assistance Fund
House Bill 687	Amends Firearm Owners Identification Act
House Bill 2257 HAM #1	Creates Citizens Self-Defense Act
House Bill 2485 HAM #1	Creates Child-Safe Chemicals Act
House Bill 2502	Amends Property Tax Extension Limitation Law
House Bill 2547	Amends Human Rights Act
House Bill 3599 HAM #1	Amends Firearm Owners Identification Act
House Bill 3653 HAM #1	Amends African American HIV/AIDS Response Act
House Bill 99	Creates Definition For Livestock Waste
Senate Bill 1435 HAM #1	Amends Consumer Installment Loan Act
Senate Bill 1471 SFA #2	Creates Cemetery Oversight Act
Senate Bill 1682	Amends Funeral or Burial Funds Act
Senate Bill 1909	Creates Star Bond Financing Act
Senate Bill 1909 HAM #2	Amends Star Bond Financing Act
Senate Bill 1909 HAM #3	Amends Star Bond Financing Act
Senate Bill 2016 HAM #1	Creates 2012 Olympic and Paralympics Games Act
Fiscal Notes CY 2009	Summary
Senate Bill 2016	Creates 2016 Olympic and Paralympic Games Act
Balanced Budget Notes CY2010	Summary
Senate Bill 1964 HAM #4	Establishes Lower Pension Benefits For New Hires
Senate Bill 2093 HAM #4	Creates Innovation Development and Economy Act
Senate Bill 2494 HFA #1	Creates School Choice Act
Senate Bill 2494 HFA #3	Amends School Choice Act
House Bill 4992	Amends Lottery Law
House Bill 5124	Amends Department of Human Services Act
House Bill 5214	Veterans and Servicemembers Court Treatment Act
House Bill 5295	Counties Code
House Bill 5783 HFA #2	Amends Barber, Cosmetology, Esthetics, and Nail Technology Act
House Bill 5975	Horse Racing Act
House Bill 6202	Amends Public Utility Act
House Bill 6202 HAM #1	Amends Public Utility Act