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

**FISCAL YEAR 2011 FIRST QUARTER FINANCIAL REVIEW (CASH BASIS)**

**GENERAL FUNDS HIGHLIGHTS**

Fiscal year 2011 first quarter General Funds highlights, shown below, reflects a net operating YTD deficit of \$587 million.

**Table I**  
**GENERAL FUNDS HIGHLIGHTS**  
**First Quarter**  
**FY2010 vs. FY2011**  
(in millions)

	<b>YTD</b>			
	<b><u>FY10</u></b>	<b><u>FY11</u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
General Funds Revenues	\$ 6,042	\$ 6,010	\$ (32)	-1%
Transfers In <sup>1</sup>	402	699	297	74%
<b>Total Receipts</b>	<b>6,444</b>	<b>6,708</b>	<b>264</b>	<b>4%</b>
General Funds Expenditures	5,409	4,798	(611)	-11%
Pension Contributions <sup>2</sup>	711	910	199	28%
Transfers Out <sup>1</sup>	885	1,587	702	79%
<b>Total Spending</b>	<b>7,005</b>	<b>7,295</b>	<b>290</b>	<b>4%</b>
<b>Net Operating Surplus/(Deficit)</b>	<b>\$ (561)</b>	<b>\$ (587)</b>	<b>\$ (26)</b>	<b>5%</b>

<sup>1</sup>Excludes short-term borrowing, BSF, and intra-fund transfers.

<sup>2</sup>Reflects continuing appropriations for retirement contributions.

General Funds revenues total \$6,010 million; remaining flat as compared to the fiscal year 2010 first quarter level of \$6.042 million. The State's economic condition is slowly beginning to show signs of stability. Transfers from other funds to the general funds increase \$297 million because of \$263 million in interfund borrowing.

Fiscal year 2011 first quarter General Funds YTD expenditures totaled \$4,798 million; \$611 million below first quarter fiscal year 2010. Reduced spending is the result of a directive to agencies to control costs in this first quarter. 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 the first quarter of fiscal year 2011 increased by \$265 million due to receipts from inter-fund borrowing. As detailed below, the major revenue sources for the State are stabilizing.

**Table II**  
**GENERAL FUNDS REVENUES**  
**First Quarter**  
**FY2010 vs. FY2011**

(in millions)

Source	Year to Date Actual				Year to Date Budget				Budgeted
	FY10 YTD	FY11 YTD	YTD Difference		FY11 YTD Budget	FY11 YTD Actual	Variance		FY11 Total Budget
			Amount	%			Amount	%	
Gross Individual Income Tax	2,104	2,135	31	1.5%	2,083	2,135	51	2.5%	9,625
Less: Deposits to Income Tax Refund Fund	(205)	(187)	18	-8.8%	(197)	(187)	10	-5.0%	(909)
<b>Net Individual Income Tax</b>	<b>1,899</b>	<b>1,948</b>	<b>49</b>	<b>2.6%</b>	<b>1,887</b>	<b>1,948</b>	<b>61</b>	<b>3.3%</b>	<b>8,716</b>
Gross Corporate Income	292	321	29	10.0%	373	321	(52)	-13.9%	1,900
Less: Deposits to Income Tax Refund Fund	(51)	(56)	(5)	9.8%	(40)	(56)	(16)	39.1%	(205)
<b>Net Corporate Income Tax</b>	<b>241</b>	<b>265</b>	<b>24</b>	<b>10.2%</b>	<b>333</b>	<b>265</b>	<b>(68)</b>	<b>-20.4%</b>	<b>1,695</b>
<b>Sales</b>	<b>1,607</b>	<b>1,606</b>	<b>(1)</b>	<b>-0.1%</b>	<b>1,666</b>	<b>1,606</b>	<b>(60)</b>	<b>-3.6%</b>	<b>6,385</b>
Public Utility	251	265	14	5.7%	268	265	(3)	-1.2%	1,144
Cigarette	88	88	1	0.8%	87	88	1	1.2%	350
Inheritance	56	90	34	60.4%	13	90	77	598.8%	56
Liquor	55	42	(13)	-24.3%	45	42	(3)	-7.7%	161
Insurance	86	85	(1)	-1.3%	91	85	(6)	-6.5%	350
Corporate Franchise	49	58	9	18.3%	53	58	5	10.3%	205
Investment Income	11	3	(8)	-72.3%	9	3	(6)	-64.8%	35
Cook County IGT	0	0	0	N/A	12	0	(12)	-100.0%	243
Other	107	98	(9)	-8.1%	87	98	11	13.1%	372
<b>TOTAL, STATE REVENUES</b>	<b>4,449</b>	<b>4,548</b>	<b>98</b>	<b>2.2%</b>	<b>4,550</b>	<b>4,548</b>	<b>(3)</b>	<b>-0.1%</b>	<b>19,712</b>
Federal Revenues	1,593	1,462	(131)	-8.2%	1,566	1,462	(104)	-6.6%	6,227
Transfers In:	402	699	297	73.8%	428	699	270	63.2%	1,716
Lottery	128	135	7	5.7%	141	135	(6)	-4.2%	636
Gaming/Gaming Taxes	100	80	(20)	-20.0%	115	80	(35)	-30.6%	428
Other	174	484	309	177.6%	172	484	312	181.1%	652
<b>TOTAL RECEIPTS</b>	<b>\$ 6,444</b>	<b>\$ 6,708</b>	<b>\$ 265</b>	<b>4.1%</b>	<b>\$ 6,544</b>	<b>\$ 6,708</b>	<b>\$ 164</b>	<b>2.5%</b>	<b>\$ 27,655</b>

- Income Taxes (\$50 million increase):** Gross Individual Income tax revenues are up \$21 million, or 1% from prior year revenues. Gross Corporate Income Tax net receipts increased by \$29 million, or 10.2% from the prior fiscal year although it is less than forecasted by 13.9%. Net income tax receipts reflect transfers to the Income Tax Refund Fund. Corporate income is showing signs of recovery while individual income remains flat.
- Sales Taxes (\$1 million decrease):** Sales tax receipts remain flat over the previous year. The impact of the sales tax holiday in August will not be known until the next few months when retailers apply credits towards their liabilities.

- **Inheritance Taxes (\$34 million increase):** Inheritance tax receipts are up 60.4% over the previous quarter, but these receipts will cease after the first quarter due to the federal estate tax law being repealed for the 2010 calendar year. Illinois' estate tax law is coupled to the federal law. There is a nine month delay in estate tax collections, allowing for estate taxes to be received through the first quarter.
- **All Other Sources (\$8 million decrease):** Liquor Gallonage decreased by \$13 million or 24.3%, Insurance Tax and Fees decreased \$1 million or 1.3%. Investment Income decreased by \$8 million (72.3%), Cigarette Taxes remained nearly flat to fiscal year 2010, Corporate Franchise Taxes and Fees increased \$9 million or 18.3%, Public Utility Taxes increased \$14 million (5.7%), and Other Sources decreased by \$9 million.
- **Federal Revenues (\$131 million decrease):** As expected federal sources of revenue decreased \$131 million or 8.2%. A majority of the decrease is due to a reduction in receipts from the federal stimulus plan. The stimulus revenue fell by \$170 million from \$367 million for the first quarter of fiscal year 2010 to \$197 million for the first quarter of fiscal year 2011.
- **Transfers In (\$297 million increase):** All other transfers in increased \$297 million; primarily from inter-fund borrowing which has generated \$263 million as of September 30, 2010.

## GENERAL FUNDS EXPENDITURES SUMMARY

Table III details General Funds expenditures for the first quarter of fiscal year 2011. General Funds expenditures for the first quarter totaled \$5,708 million, a decrease of \$412 million (6.7%) from the previous year.

**Table III**  
**GENERAL FUNDS EXPENDITURES**  
**First Quarter**  
**FY2010 vs FY2011**  
(in millions)

	<u>FY2010</u>	<u>FY2011</u>	<u>Change</u>
Enacted Appropriation	\$ 26,357	\$ 25,814	\$ (543)
Expenditures	\$ 5,409	\$ 4,798	\$ (611)
Pension Contributions <sup>1</sup>	\$ 711	\$ 910	\$ 199
Total Expend YTD	\$ 6,120	\$ 5,708	\$ (412)
Percent Spent	23%	22%	-1%

<sup>1</sup> Reflects continuing appropriations for retirement contributions.

Agencies have been instructed to implement spending reductions to help manage the current fiscal crisis. The transfer of spending to the Healthcare Provider Relief Fund and increased expenditures in the prior year lapse spending contributed to a large decrease in expenditures for HFS in the first quarter. Agency specific pressures are partially due to timing differences and growth in mandated costs. The FY10 pension contributions were repaid through a Pension Obligation Note offering that took place in January 2010. To date, no action has been taken in regards to the FY11 pension contributions.

## FINANCIAL POSITION

The General Funds cash balance at September 30, 2010 was \$166 million. This is a \$41 million decrease (19.8%) from the September 30, 2009 level of \$207 million.

As of September 30, 2010, accounts payable increased \$2,076 million (71.3%) over the previous fiscal year.

**Table IV**  
**FINANCIAL POSITION**  
**First Quarter**  
**FY2010 vs. FY2011**  
(in millions)

	<u>FY10</u>	<u>FY11</u>	<u>Change</u>
<b>CASH BALANCE</b>			
General Funds Cash Balance (6/30)	\$ 280	\$ 130	\$ (150)
Change in Operating Cash for 1st Qtr	(1,599)	(1,264)	335
Short-term Borrowing Proceeds	1,250	1,300	50
Transfer In from Budget Stabilization Fund	276	-	(276)
<b>General Funds Cash Balance (9/30)</b>	<b>\$ 207</b>	<b>\$ 166</b>	<b>\$ (41)</b>
<b>SELECT CURRENT LIABILITIES</b>			
General Funds Accounts Payable (9/30)	\$ 2,913	\$ 4,989	\$ 2,076
<b>Total Select Current Liabilities</b>	<b>\$ 2,913</b>	<b>\$ 4,989</b>	<b>\$ 2,076</b>
<b>NET WORKING CAPITAL (GF cash less GF A/P)</b>	<b>\$ (2,706)</b>	<b>\$ (4,823)</b>	<b>\$ (2,117)</b>

## EMPLOYMENT HIGHLIGHTS

As noted in Table V, the September 30, 2010 Illinois unemployment rate of 9.9% is a significant decrease of 0.9 percentage points from the prior fiscal year. This translates to 86,900 more people employed in the first quarter of fiscal year 2011 than the same period in fiscal year 2010. According to the Illinois Department of Employment Security, September is the sixth month the Illinois unemployment rate has fallen. Nationally the September unemployment rate was 9.6%, down from 9.8% in the first quarter of fiscal year 2010.

**Table V**  
**EMPLOYMENT HIGHLIGHTS**  
**First Quarter**  
**FY2010 vs. FY2011**

<b>STATEWIDE EMPLOYMENT STATISTICS</b>	<u>9/30/09</u>	<u>9/30/10</u>	<u>Change</u>
Labor Force	6,600,900	6,637,100	36,200
Employed	5,890,700	5,977,600	86,900
Unemployed	710,200	659,500	(50,700)
Illinois Unemployed Rate	10.8%	9.9%	-0.9%
US Unemployed Rate	9.8%	9.6%	-0.2%

Source: Illinois Dept. of Employment Security