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STATE OF ILLINOIS
GOVERNOR'S OFFICE OF
MANAGEMENT AND BUDGET

FISCAL YEAR 2011 YEAR-END FINANCIAL REVIEW (CASH BASIS)

GENERAL FUNDS HIGHLIGHTS

Fiscal year 2011 fourth quarter General Funds highlights, shown below, reflects a net operating YTD surplus of \$1,791 million.

Table I
GENERAL FUNDS HIGHLIGHTS
Year-End Review
FY2010 vs. FY2011
(in millions)

	YTD			
	<u>FY10</u>	<u>FY11</u>	<u>\$ Change</u>	<u>% Change</u>
General Funds Revenues	\$ 25,207	\$ 28,306	\$ 3,099	12%
Transfers In ¹	1,882	2,181	299	16%
Total Receipts	27,089	30,487	3,398	13%
General Funds Expenditures ²	23,742	23,892	150	1%
Transfers Out ¹	3,305	4,804	1,500	45%
Total Spending	27,047	28,696	1,650	6%
Net Operating Surplus/(Deficit)	\$ 42	\$ 1,791	\$ 1,749	4176%

¹Excludes short-term borrowing, Tobacco Settlement Fund, BSF, and intra-fund transfers.
Includes inter-fund borrowing

² FY10 and FY11 Expenditures exclude retirement continuing appropriation spending. This spending was reimbursed through proceeds from the Pension Obligation Note offering.

General Funds revenues total \$28,306 million; increasing over the fiscal year 2010 fourth quarter level of \$25,207 million. Transfers from other funds to the general funds increased \$299 million over the previous year, as detailed in the Revenue Summary.

Fiscal year 2011 fourth quarter General Funds YTD expenditures totaled \$23,892 million; \$150 million above fourth quarter fiscal year 2010. Further explanation of the expenditures is provided in the Expenditures Summary.

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 and Tobacco Securitization proceeds, for the fourth quarter of fiscal year 2011 increased by \$3,398 million largely due to receipts from the income tax increase, the tax amnesty program and inter-fund borrowing.

Table II
GENERAL FUNDS REVENUES
Year-End Review
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 ¹	9,430	12,261	2,831	30.0%	12,595	12,261	(334)	-2.7%	12,565
Less: Deposits to Income Tax Refund Fund	(920)	(1,036)	(116)	12.6%	(1,102)	(1,036)	66	-6.0%	(1,099)
Net Individual Income Tax	8,510	11,225	2,714	31.9%	11,493	11,225	(269)	-2.3%	11,466
Gross Corporate Income ¹	1,649	1,983	334	20.3%	2,305	1,983	(321)	-13.9%	2,285
Less: Deposits to Income Tax Refund Fund	(289)	(132)	157	-54.3%	(403)	(132)	271	-67.3%	(400)
Net Corporate Income Tax	1,360	1,851	491	36.1%	1,901	1,851	(50)	-2.6%	1,885
Sales¹	6,308	6,833	525	8.3%	6,542	6,833	291	4.4%	6,514
Public Utility	1,089	1,147	58	5.3%	1,101	1,147	46	4.2%	1,101
Cigarette	355	355	(0)	0.0%	355	355	(1)	-0.2%	355
Inheritance	243	122	(121)	-49.8%	132	122	(10)	-7.4%	132
Liquor	159	157	(1)	-0.7%	161	157	(4)	-2.2%	161
Insurance	322	317	(5)	-1.6%	319	317	(2)	-0.6%	319
Corporate Franchise	208	207	(1)	-0.6%	205	207	2	0.9%	205
Investment Income	26	28	2	6.7%	25	28	3	11.2%	25
Cook County IGT	244	244	0	0.0%	244	244	(0)	-0.1%	244
Other	462	434	(27)	-5.9%	392	434	42	10.8%	392
TOTAL, STATE REVENUES	19,286	22,920	3,634	18.8%	22,871	22,920	49	0.2%	22,799
Federal Revenues	5,921	5,386	(535)	-9.0%	5,506	5,386	(120)	-2.2%	5,506
Transfers In:	1,882	2,181	299	15.9%	2,308	2,181			2,308
Lottery	625	632	7	1.1%	632	632	(0)	0.0%	632
Gaming/Gaming Taxes ²	431	324	(106)	-24.7%	338	324	(14)	-4.1%	338
Other ³	826	1,225	399	48.3%	1,338	1,225	(113)	-8.5%	1,338
TOTAL RECEIPTS	\$ 27,089	\$ 30,487	\$ 3,398	12.5%	\$ 30,685	\$ 30,487	\$ (198)	-0.6%	\$ 30,613

¹ Revenue collections for these sources contain proceeds from the tax amnesty program in FY11.

² FY10 includes \$47.5M in receipts for the tenth riverboat license which was recognized under "Other Sources" by the IOC.

³ Excludes transfers in from the Pension Obligation Note offering of \$843M recognized by IOC in January 2010 and \$224M recognized by IOC in March 2011.

- Income Taxes (\$3,205 million increase):** Effective January 1, 2011, P.A. 96-1496 increased the Individual Income Tax rate from 3% to 5% and the Corporate Income Tax rate from 4.8% to 7%. Individual Income tax revenues are up \$2,714 million, or 31.9% from prior year revenues. Of the net revenues, \$33 million is attributable to the tax amnesty program. Net of amnesty, the real growth rate is 31.5%. Corporate Income Tax net receipts increased by \$491 million, or 36.1% from the prior fiscal year. The amnesty program was the source of \$136 million of the receipts. Net of amnesty, the real growth rate is 26.1%. Net income tax receipts reflect transfers to the Income Tax Refund Fund.

- **Sales Taxes (\$525 million increase):** Sales tax receipts increased \$525 million, which is an 8.3% increase over the previous year. The tax amnesty program provided \$164 million of these revenues. Net of amnesty, the real growth rate is 5.7% for FY11.
- **Inheritance Taxes (\$121 million decrease):** Inheritance tax receipts are down 49.8% from the previous year. These receipts will continue to decline sharply due to the federal estate tax law being repealed for the 2010 calendar year. Illinois' estate tax law was coupled to the federal law. The only taxes taxes received through payment plans continue to be received.
- **All Other Sources (\$26 million increase):** Investment Income increased by \$2 million (6.7%), Cigarette Taxes decreased slightly over fiscal year 2010 with Public Utility Taxes increasing \$58 million (5.3%), and Other Sources decreased by \$27 million.
- **Federal Revenues (\$535 million decrease):** Federal sources of revenue decreased \$535 million or 9.0%. The stimulus revenue into General Funds fell by \$1,025 million from \$1,607 million for the fiscal of fiscal year 2010 to \$581 million for the fiscal year 2011. Medicaid bills continued to receive the higher federal ARRA match rate for certain payments made within 30 days. This lessened the effect of the decrease in stimulus revenue.
- **Transfers In (\$299 million increase):** All other transfers in increased \$299 million; primarily from inter-fund borrowing which generated \$496 million as of June 30, 2011, as well as an additional \$270 million over the prior year from the Capital Projects Fund. This increase in transfers is offset by a decrease from the Gaming fund for \$106 million and \$620 million decrease in reimbursements for pension payments.

GENERAL FUNDS EXPENDITURES SUMMARY

Table III details General Funds expenditures for the fourth quarter of fiscal year 2011. General Funds expenditures for the fourth quarter totaled \$23,892 million, an increase of \$150 million (1%) from the previous year.

Table III
GENERAL FUNDS EXPENDITURES
Year-End Review
FY2010 vs FY2011
(in millions)

	<u>FY2010</u>	<u>FY2011</u>	<u>Change</u>
Enacted Appropriation	\$ 26,357	\$ 25,838	\$ (519)
Total Expend YTD ¹	\$ 23,742	\$ 23,892	\$ 150
Percent Spent	90%	92%	2%

¹FY10 and FY11 Expend YTD excludes retirement continuing appropriation spending. This spending was reimbursed through the Pension Obligation Note offering.

The FY10 pension contributions were paid through a Pension Obligation Note offering that took place in January 2010. The FY11 pension contributions were paid through a Pension Obligation Note offering that took place in March 2011.

FINANCIAL POSITION

The General Funds cash balance on June 30, 2011 was \$469 million. This is a \$339 million increase (260.8%) from the June 30, 2010 level of \$130 million. This is due to a high cash balance in Education Assistance Fund.

As of June 30, 2011, accounts payable totaled \$3,798 million, a decrease of \$914 million (19.4%) over the previous fiscal year.

Table IV
FINANCIAL POSITION
Year-End Review
FY2010 vs. FY2011
(in millions)

	<u>FY10</u>	<u>FY11</u>	<u>Change</u>
CASH BALANCE			
General Funds Cash Balance (3/31)	\$ 362	\$ 130	\$ (232)
Change in Operating Cash for 4th Qtr	(2,628)	(1,496)	1,132
Short-term Borrowing Proceeds	1,250	1,300	50
Transfer In from Budget Stabilization Fund	1,146	535	(611)
General Funds Cash Balance (6/30)	\$ 130	\$ 469	\$ 339
Budget Stabilization Fund Cash Balance (6/30)	\$ -	\$ 1	\$ 1
SELECT CURRENT LIABILITIES			
General Funds Accounts Payable (6/30)	\$ 4,712	\$ 3,798	\$ (914)
Total Select Current Liabilities	\$ 4,712	\$ 3,798	\$ (914)
NET WORKING CAPITAL (GF cash less GF A/P)	\$ (4,582)	\$ (3,329)	\$ 1,253

EMPLOYMENT HIGHLIGHTS

As noted in Table V, the June 30, 2011 Illinois unemployment rate of 9.2% is a significant decrease from the prior fiscal year, and is the same as the national rate. This translates to 41,000 more people employed over the fiscal year 2011 than the same period in fiscal year 2010. According to the Illinois Department of Employment Security, the Illinois rate has been equal to or below the U.S. rate for nine consecutive months, and Illinois has reported declines in 15 of the past 17 months. Nationally, the June unemployment rate was 9.2%, down from 9.5% in fiscal year 2010.

Table V
EMPLOYMENT HIGHLIGHTS
Year-End Review
FY2010 vs. FY2011

STATEWIDE EMPLOYMENT STATISTICS	<u>6/30/10</u>	<u>6/30/11</u>	<u>Change</u>
Labor Force	6,637,100	6,596,800	(40,300)
Employed	5,952,100	5,993,100	41,000
Unemployed	685,000	603,700	(81,300)
Illinois Unemployed Rate (seasonally adjusted)	10.3%	9.2%	-1.1%
US Unemployed Rate	9.5%	9.2%	-0.3%

Source: Illinois Dept. of Employment Security
(seasonally adjusted)