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STATE OF ILLINOIS
GOVERNOR'S OFFICE OF
MANAGEMENT AND BUDGET

FISCAL YEAR 2012 FIRST QUARTER FINANCIAL REVIEW (CASH BASIS)

GENERAL FUNDS HIGHLIGHTS

Fiscal year 2012 first quarter General Funds highlights, shown below, reflects a net operating YTD surplus of \$657 million.

Table I
GENERAL FUNDS HIGHLIGHTS
First Quarter Review
FY2011 vs. FY2012
(in millions)

	YTD			
	<u>FY11</u>	<u>FY12</u>	<u>\$ Change</u>	<u>% Change</u>
General Funds Revenues	\$ 6,010	\$ 6,837	\$ 827	14%
Transfers In ¹	699	519	(180)	-26%
Total Receipts	6,708	7,356	648	10%
General Funds Expenditures ²	4,942	5,562	620	13%
Transfers Out ¹	1,311	1,137	(174)	-13%
Total Spending	6,254	6,699	445	7%
Net Operating Surplus/(Deficit)	\$ 455	\$ 657	\$ 202	44%

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

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

General Funds revenues total \$6,837 million; increasing over the fiscal year 2011 first quarter level of \$6,010 million. Transfers from other funds to the general funds decreased \$180 million over the previous year, as detailed in the Revenue Summary.

Fiscal year 2012 first quarter General Funds YTD expenditures totaled \$5,562 million; \$620 million above first quarter fiscal year 2011. 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 first quarter of fiscal year 2012 increased by \$647 million largely due to receipts from the income tax increase.

Table II
GENERAL FUNDS REVENUES
First Quarter Review
FY2011 vs. FY2012

(in millions)

Source	Year to Date Actual				Year to Date Budget				Budgeted
	FY11 YTD	FY12 YTD	YTD Difference		FY12 YTD Budget	FY12 YTD Actual	Variance		FY12 Total Budget ¹
			Amount	%			Amount	%	
Gross Individual Income Tax	2,135	3,664	1,529	71.6%	3,400	3,664	264	7.8%	16,500
Less: Deposits to Income Tax Refund Fund	(187)	(321)	(134)	71.7%	(298)	(321)	(23)	7.9%	(1,444)
Net Individual Income Tax	1,948	3,343	1,395	71.6%	3,102	3,343	241	7.8%	15,056
Gross Corporate Income	321	574	253	78.7%	506	574	68	13.5%	2,853
Less: Deposits to Income Tax Refund Fund	(56)	(100)	(44)	78.6%	(89)	(100)	(11)	12.8%	(500)
Net Corporate Income Tax	265	474	209	78.7%	417	474	56	13.5%	2,353
Sales	1,606	1,820	214	13.3%	1,677	1,820	142	8.5%	6,586
Public Utility	265	267	2	0.9%	250	267	18	7.1%	1,082
Cigarette	88	88	(0)	-0.5%	88	88	(1)	-0.7%	355
Inheritance	90	4	(86)	-95.5%	51	4	(47)	-92.1%	182
Liquor	42	43	1	3.2%	46	43	(3)	-5.6%	162
Insurance	85	82	(3)	-3.2%	83	82	(1)	-1.1%	318
Corporate Franchise	58	54	(4)	-7.7%	54	54	(0)	-0.8%	204
Investment Income	3	1	(3)	-81.2%	7	1	(6)	-91.0%	25
Cook County IGT	0	0	0	N/A	6	0	(6)	-100.0%	244
Other	98	105	7	6.7%	89	105	15	17.2%	397
TOTAL, STATE REVENUES	4,548	6,280	1,732	38.1%	5,870	6,280	409	7.0%	26,964
Federal Revenues	1,462	557	(905)	-61.9%	1,092	557	(534)	-49.0%	4,325
Transfers In:	699	519	(179)	-25.7%					1,810
Lottery	135	135	0	0.2%	137	135	(2)	-1.6%	645
Gaming/Gaming Taxes ²	80	168	88	109.5%	138	168	30	21.8%	501
Other	484	216	(267)	-55.3%	143	216	74	51.5%	664
TOTAL RECEIPTS	\$ 6,708	\$ 7,356	\$ 647	9.6%	\$ 7,380	\$ 7,356	\$ (24)	-0.3%	\$ 33,099

¹ FY12 Budget revenues reflect a timing difference.

² FY12 includes \$72.55M in receipts for the tenth riverboat license which was recognized under "Other Sources" by the IOC.

- **Income Taxes (\$1,604 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 \$1,395 million, or 71.6% from prior year revenues. Corporate Income Tax net receipts increased by \$209 million, or 78.7% from the prior fiscal year.

- **Sales Taxes (\$214 million increase):** Sales tax receipts increased \$214 million, which is a 13.3% increase over the previous year.
- **Inheritance Taxes (\$86 million decrease):** Inheritance tax receipts are down 95.5% from the previous year. The decline is due to the federal estate tax law being repealed. PA 096-1496 decoupled Illinois from the federal estate tax for people dying after December 31, 2010. Due to the delay in collections taxes will begin to be collected again in November, 2011
- **All Other Sources (no increase):** Investment Income decreased by \$3 million (81.2%), Cigarette Taxes decreased slightly over fiscal year 2011 with Public Utility Taxes increasing \$2 million (.9%), and Other Sources increased by \$7 million.
- **Federal Revenues (\$905 million decrease):** Federal sources of revenue decreased \$905 million or 61.9%. The stimulus revenue into General Funds fell by \$196.6 million from \$196.7 million for the first quarter of fiscal year 2011 to \$158 thousand for the first quarter of fiscal year 2012. Federal revenue sources decreased significantly due to lower reimbursable spending as well as lower federal rate match.
- **Transfers In (\$179 million decrease):** All other transfers in decreased \$179 million; primarily due to the loss of transfers as a result of inter-fund borrowing.

GENERAL FUNDS EXPENDITURES SUMMARY

Table III details General Funds expenditures for the first quarter of fiscal year 2012. General Funds expenditures for the first quarter totaled \$5,562 million, an increase of \$620 million (12.5%) from the previous year.

Table III
GENERAL FUNDS EXPENDITURES
First Quarter Review
FY2011 vs FY2012
(in millions)

	<u>FY2011¹</u>	<u>FY2012</u>	<u>Change</u>
Enacted Appropriation	\$ 25,845	\$ 29,188	\$ 3,343
Total Expend YTD	\$ 4,942	\$ 5,562	\$ 620
Percent Spent	19%	19%	0%

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

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 September 30, 2011 was \$263 million including the cash flow borrowing of \$275 million from the Budget Stabilization Fund. This is a \$97 million increase (58.4%) from the September 30, 2010 level of \$166 million.

As of September 30, 2011, accounts payable totaled \$3,292 million, a decrease of \$1,697 million (34.0%) over the previous fiscal year.

Table IV
FINANCIAL POSITION
First Quarter Review
FY2011 vs. FY2012
(in millions)

	<u>FY11</u>	<u>FY12</u>	<u>Change</u>
CASH BALANCE			
General Funds Cash Balance (6/30)	\$ 130	\$ 469	\$ 339
Change in Operating Cash for 1st Qtr	(1,264)	(481)	783
Short-term Borrowing Proceeds	1,300	-	(1,300)
Transfer In from Budget Stabilization Fund	-	275	275
General Funds Cash Balance (9/30)	\$ 166	\$ 263	\$ 97
SELECT CURRENT LIABILITIES			
General Funds Accounts Payable (9/30)	\$ 4,989	\$ 3,292	\$ (1,697)
Total Select Current Liabilities	\$ 4,989	\$ 3,292	\$ (1,697)
NET WORKING CAPITAL (GF cash less GF A/P)	\$ (4,823)	\$ (3,029)	\$ 1,794

EMPLOYMENT HIGHLIGHTS

As noted in Table V, the September 30, 2011 Illinois unemployment rate of 10.0% is a slight increase from the prior fiscal year. This translates to 38,100 less people employed over the fiscal year 2012 than the same period in fiscal year 2011. Nationally, the September unemployment rate was 9.1%, down from 9.6% in fiscal year 2011.

Table V
EMPLOYMENT HIGHLIGHTS
First Quarter Review
FY2011 vs. FY2012

STATEWIDE EMPLOYMENT STATISTICS	<u>9/30/10</u>	<u>9/30/11</u>	<u>Change</u>
Labor Force	6,642,900	6,619,900	(23,000)
Employed	5,994,600	5,956,500	(38,100)
Unemployed	648,300	663,300	15,000
Illinois Unemployed Rate (seasonally adjusted)	9.8%	10.0%	0.2%
US Unemployed Rate	9.6%	9.1%	-0.5%

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