ILLINOIS

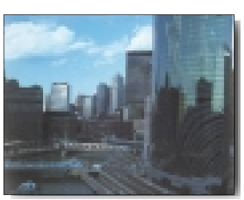
DANIEL W. HYNES
COMPTROLLER

www.ioc.state.il.us

Executive Summary

Fiscal Year 2001

Comptroller Daniel W. Hynes is the Chief Fiscal Officer for the State of Illinois, managing its financial accounts, processing more than 18 million transactions a year, and performing a watchdog role to assure that all payments meet the requirements of the law. The Comptroller's Office also provides timely and accurate fiscal information and analysis to the Governor, the Illinois General Assembly, and Local Government Officials so they can make informed budget decisions. In addition, the Office oversees the state's private cemetery and funeral home industry.



COVER PHOTO—

The history and sights of Chicago can be felt through this beautiful view of the skyline from the Chicago River. The river winds through the downtown business district, a constant flow amid a frenzy of commerce. The City and Park District recognized this, and have made great strides to create spaces along the river for walking, dining and relaxing. On the far left is the Merchandise Mart, the largest commercial building in the world– 25 floors high and two city blocks long.

Photo courtesy of Lincoln Library, Springfield, Illinois

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DANIEL W. HYNES

February, 2002

A Message to Illinois Taxpayers

The mission and priorities of my administration continue to include providing taxpayers with useful and understandable information about the fiscal operations of the State of Illinois. This presentation of the *Executive Summary*, also known by the financial community as Illinois' popular annual financial report, again incorporates last year's format changes and is written to enhance public understanding of the state's financial statements.

The report combines information based on the state's *Comprehensive Annual Financial Report* prepared in accordance with Generally Accepted Accounting Principles (GAAP) for government and cash basis budgetary information contained in the *Traditional Budgetary Financial Report*. Both of these other reports can be accessed at our Web site, www.ioc.state.il.us, or by calling at (217)782-6000 or (312) 814-2451.

Under the GAAP reporting system, revenues accrue to the period in which they are earned and expenditures are counted against the period in which the liability was obligated. Under the cash basis reporting system, revenues and expenditures are compared for the budgetary period regardless of when they were incurred. The State of Illinois budgets on a cash basis.

In this *Executive Summary*, as in past reports, we again examine the economic and fiscal climate in which future budgets will be considered. It is valuable for policy-makers to understand these issues in order to make informed decisions. It is also a useful resource for citizens to measure the effectiveness of governmental programs.

This year's report highlights that for the third consecutive year, the General Funds GAAP balance has deteriorated after five years of deficit reduction. The state ended fiscal year 2001 with a negative General Funds balance of $1.278 billion indicating that the state's GAAP deficit had worsened by $706 million compared to the prior year. The cash position also deteriorated as the available balance declined from $1.517 billion at the end of fiscal year 2000 to $1.126 billion at the end of fiscal year 2001. Over the same period, the budgetary balance decreased by $477 million, falling from $777 million to $300 million.

In addition to increased spending activity in fiscal year 2001 and reduced cash balances, for the fourth year in a row Section 25 liabilities experienced growth, standing at $1.118 billion as of June 30, 2001. The cooling of the economy detected at the end of fiscal year 2001 coupled with these factors has the potential of raising serious challenges in the future. Policy makers may be well-served to consider these issues carefully in crafting future budgets and to develop budgetary methods and practices that minimize the impact on state programs due to these phenomena. The Rainy Day Fund established in fiscal year 2000, and long a policy objective of this office, is an example of a budget innovation that once properly funded, will permit the state to address these issues.

The *Executive Summary* also summarizes the *Public Accountability Report* that includes information from state agencies' Service Efforts and Accomplishments reporting. This report provides data on the outcomes of state programs for 57 of the state's largest agencies including higher education. This section of the report provides an overview of what different program areas of the budget are accomplishing for the citizens of Illinois. This information is designed to assist policy-makers and taxpayers in evaluating state programs and their effectiveness in meeting the needs of Illinois.

We hope that this report is both informative and useful. Please share with us any suggestions or comments you may have about this report and its contents.

Sincerely,

Daniel W. Hynes
Comptroller

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

STATE OF ILLINOIS

For the fiscal year ending June 30, 2000

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

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State Government Background

Geographically located in the central portion of the United States, Illinois is a diverse state that covers almost 56,000 square miles of land. Many of Illinois' approximately 12.4 million inhabitants live in urban areas, although there is a strong rural presence in the state as well. Nearly one-fourth or approximately 2.9 million of the state's residents live in Chicago, the third largest city in the country. Six other municipalities including Rockford, Aurora, Naperville, Peoria, Joliet and the state's capitol of Springfield have populations in excess of 100,000 with another 19 municipalities' populations estimated to be in excess of 50,000.

The framework of government for Illinois and its 12.4 million residents is set forth by the Constitution. Since joining the Union in 1818, Illinois government has evolved through four Constitutions. The current Constitution, adopted and ratified in 1970, recognized three main branches of state government. The Executive Branch has six elected officers: a Governor, Lieutenant Governor, Attorney General, Secretary of State, Comptroller, and Treasurer. The Legislative Branch includes two chambers, a Senate with one senator from each of the 59 Senate districts, and a House of Representatives with one representative from each of the 118 House districts. The Judicial Branch consists of a seven-member Supreme Court, Appellate Courts in five judicial districts and Circuit Courts in twenty-two judicial circuits.

Responsibility for most of the day-to-day operations of state government and its programs resides in the executive branch, with the Governor overseeing the largest portion. Under the purview of the Governor are twenty-three major departments including Human Services, Transportation, Public Aid, and Revenue. There are also approximately forty-five other agencies, and over one hundred miscellaneous boards and commissions under the jurisdiction of the Governor. In addition, the other five elected officers under the executive branch oversee their respective agencies. State government agencies combined directly employ approximately 90,000 persons. The Departments of Human Services (20,044), Corrections (16,964) and Transportation (8,046) account for nearly half of all direct government employees.

Oversight of the elementary and secondary education system in Illinois is the responsibility of the State Board of Education whose nine members are appointed by the Governor, with the consent of the Senate. The Board sets state educational policies and guidelines for schools, with local school boards administering educational services throughout 892 school districts and 4,282 schools. In fiscal year 2001, more than two million public school children were instructed by nearly 127,000 teachers throughout Illinois.

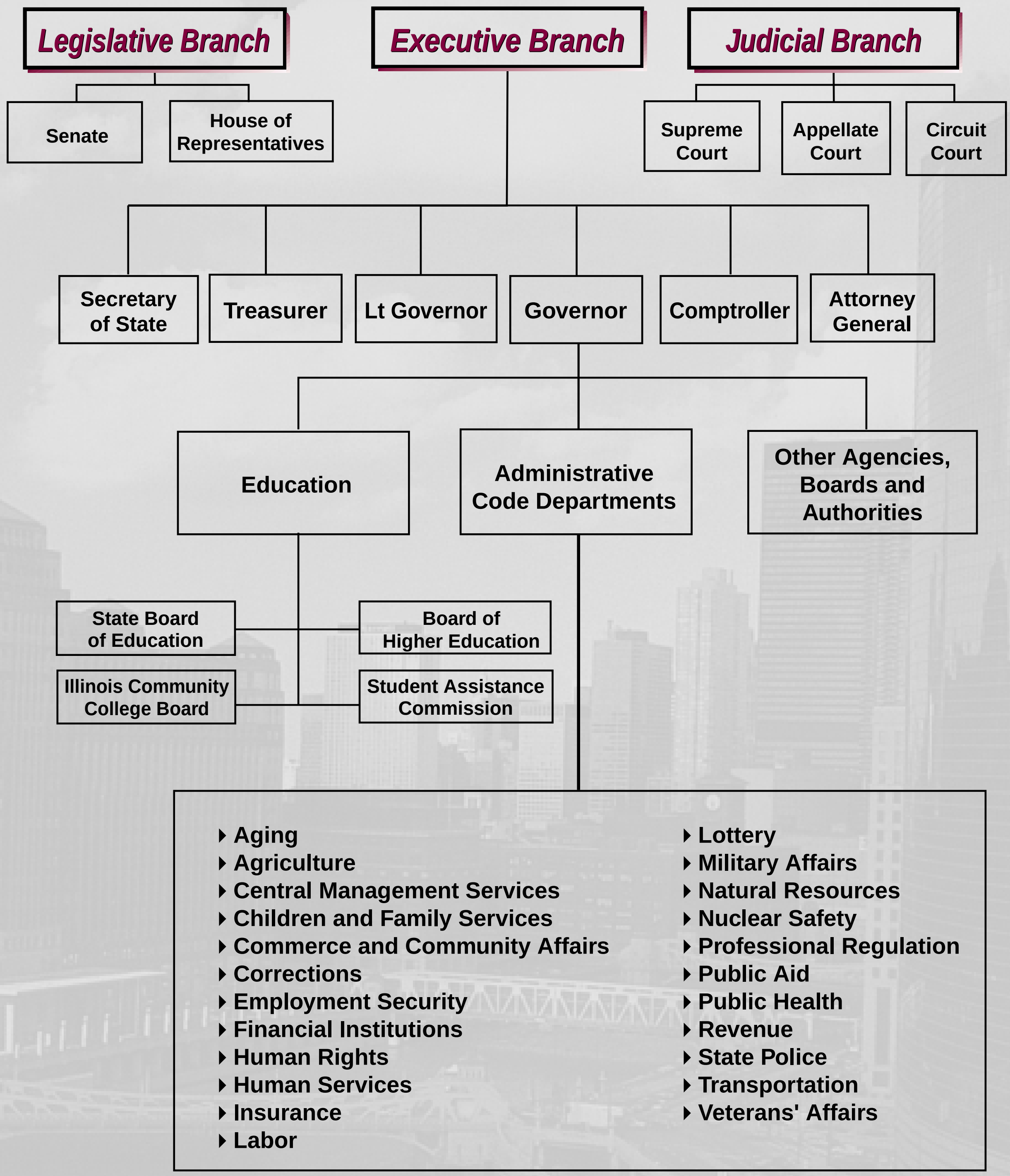
The 15-member Board of Higher Education plans and coordinates higher education policy for all sectors of Illinois Higher Education. Administration of Illinois' public universities and community colleges is conducted by ten boards including: the Boards of Trustees of the University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, and the Community College Board. Approximately 743,000 students were enrolled in Illinois colleges and universities during the 2001 fiscal year.

In addition to education, medical assistance and highway maintenance and construction are the largest state programs. The Department of Public Aid's Division of Medical Programs administers the state's Medicaid and KidCare programs with more than 1.8 million people in Illinois covered by Medicaid health services. The Department of Transportation administers the state's highway program through nine district offices with responsibility for the state's 17,000-mile state highway system.

Total state spending for these major programs and all other operations of state government in fiscal year 2001 was $67.7 billion or approximately $5,455 for every person in Illinois. Total state revenues for the year were $67.3 billion with income taxes ($9.9 billion), sales taxes ($9.5 billion) and federal revenues ($9.8 billion) as the largest sources. The largest functions of spending included General Government ($29.5 billion), Health and Social Services ($14.6 billion) and Education ($12.4 billion).

INTRODUCTION

ELECTORATE


Legislative Branch
Senate
House of Representatives
Executive Branch
Judicial Branch
Supreme Court
Appellate Court
Circuit Court
Secretary of State
Treasurer
Lt Governor
Governor
Comptroller
Attorney General
Education
Administrative Code Departments
Other Agencies, Boards and Authorities
State Board of Education
Board of Higher Education
Illinois Community College Board
Student Assistance Commission
Aging
Agriculture
Central Management Services
Children and Family Services
Commerce and Community Affairs
Corrections
Employment Security
Financial Institutions
Human Rights
Human Services
Insurance
Labor
Lottery
Military Affairs
Natural Resources
Nuclear Safety
Professional Regulation
Public Aid
Public Health
Revenue
State Police
Transportation
Veterans' Affairs

Economic Outlook Fiscal Year 2001

Fiscal year 2001 was a transitional year for the Illinois economy with employment conditions beginning to deteriorate during the second half of the fiscal year despite a relatively low unemployment rate for the year overall. The Illinois unemployment rate averaged 4.8% during the year, the fifth consecutive fiscal year below 5.0%. Illinois' non-agricultural employment averaged 6.046 million workers in fiscal year 2001. This was an increase of 42 thousand jobs or 0.7% over fiscal year 2000 employment. Illinois has now experienced nine consecutive years of employment growth. During this period, Illinois has added 831 thousand non-agricultural jobs (a 15.9% increase).

A more comprehensive measure of Illinois' economic performance is the increase in state personal income adjusted for inflation. Personal income includes wage and salary income, income earned by property owners, and transfer payments such as social security. Illinois personal income adjusted for inflation grew 2.6% in fiscal year 2001, the tenth consecutive year this indicator has increased. Nominal personal income increased 6.2%, which was partially offset by a 3.4% increase in the consumer price index during the year.

In line with the national economy, the Illinois economy began to decline during the second half of the fiscal year. In March 2001, the state's seasonally adjusted unemployment rate (5.4%) was above 5.0% for the first time in forty-nine months. During the first eight months of the fiscal year, Illinois had a 4.5% average unemployment rate. That rate rose to 5.3% for the final four months of the fiscal year. Rising unemployment (the average monthly number of unemployed increased from 290 thousand during the first eight months of the fiscal year to 341 thousand during the final four months) was due in part to a slowing of Illinois employment growth. During the first eight months of the fiscal year, non-agricultural employment averaged 52 thousand jobs greater than prior year employment. Over the final four months, the year-to-year growth rate slowed to an average of 21 thousand jobs.

Fiscal Year 2002 and Beyond

The Illinois economy reflected changes in the national economy as the country entered into recession. This was evidenced by the collapse of the technology stock bubble followed by the general decline in stock market values after the September 11th tragedy. The Illinois unemployment rate averaged 5.5% during the first four months of the fiscal year. Although reasonable by historic standards, this is a higher rate than Illinois has experienced since the mid-1990s. Over the same time frame, Illinois non-agricultural employment averaged 24 thousand jobs less than the prior year. As the major transportation and convention hub of the Midwest, the travel and hospitality industries were particularly hard hit after the tragedy.

Illinois is a major participant in the international economy with exports valued at $32.2 billion in calendar 2000 ranking sixth highest among the states. The state economy is impacted when the international markets it supplies weaken. Even before the worldwide recession struck, the key Illinois agriculture sector had been affected by weak markets. Illinois farmers had cash receipts from farm marketings of $7.0 billion in 2000 with exports, largely corn and soybeans, valued at $3.0 billion. Low prices for corn and beans have not permitted Illinois farm incomes to grow. As a major producer of farm equipment and supplies, a weaker farm sector has forced cutbacks in these support industries.

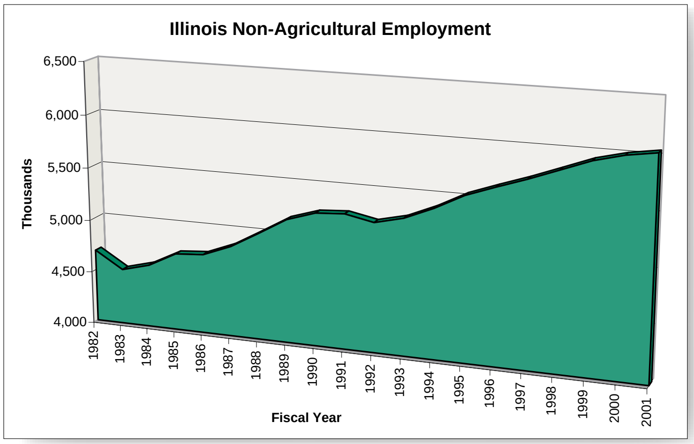
Previous recessions often had an especially severe impact on the Illinois economy, as the durable equipment industries in which Illinois specialized were crippled by high interest rates at the start of the recession. The impact of lessened demand for Illinois products has been in part ameliorated during the current recession by lower interest rates which ease the impact of the recession on Illinois durable goods industries and lower energy prices which help Illinois, a net energy importer.

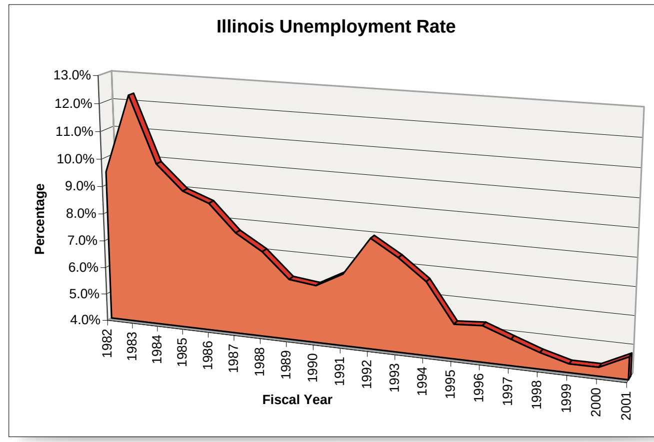
The collapse of high technology stocks has hurt Illinois' high technology sector, but the impact will probably not be as great on Illinois as some other areas. Illinois was never as dependent on dot.com startups as other regions and our established manufacturing and service companies have taken advantage of technology to improve their operating efficiency. This will ease their ability to ride out the recession and improve their competitive position for the following recovery.

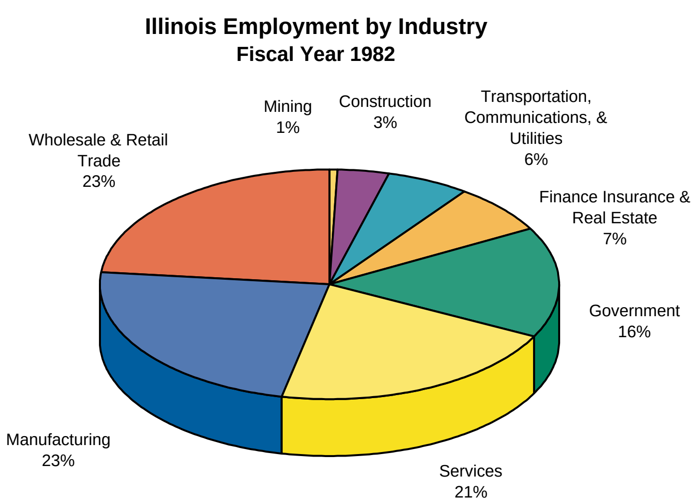
Most economists expect the current recession to be relatively brief. Once the recession ends, the Illinois economy remains well positioned to take advantage of the opportunities from the revolutionary developments occurring in communications and biotechnology. Illinois is working towards becoming a communications hub of the nation. Through expanding private networks and the state financed Century Network linking educational institutions throughout the state, Illinois is moving toward an environment where high quality information links are universally available here for educational, job training, commercial, and industrial purposes. Illinois can also take advantage of its role as a major center for scientific research. The state is home to major government research laboratories, such as the Argonne National Laboratory and the Fermi National Accelerator Lab, major private corporate research and development labs in electronics, mechanical engineering and the biosciences, several large private research universities and the state's network of nine public universities including the National Center for Supercomputing Applications housed at the University of Illinois.

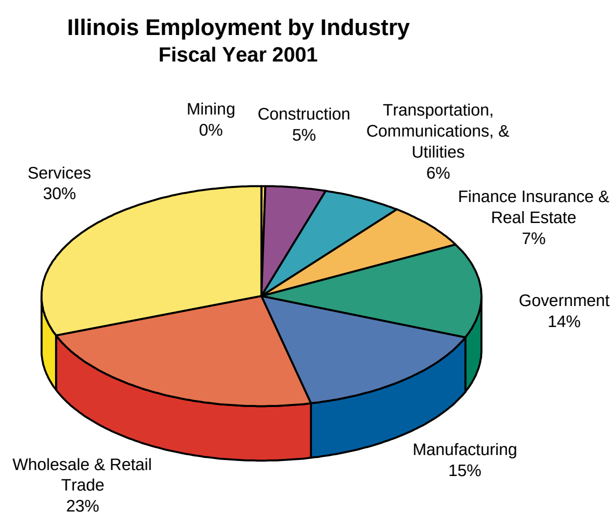
Year-End Economic Summary

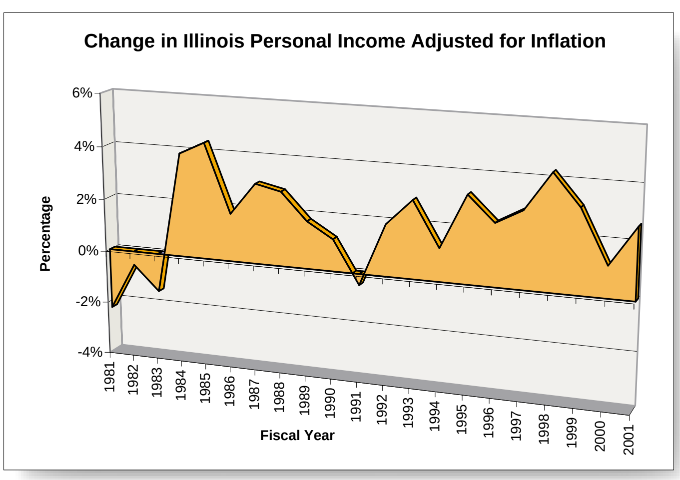
INTRODUCTION

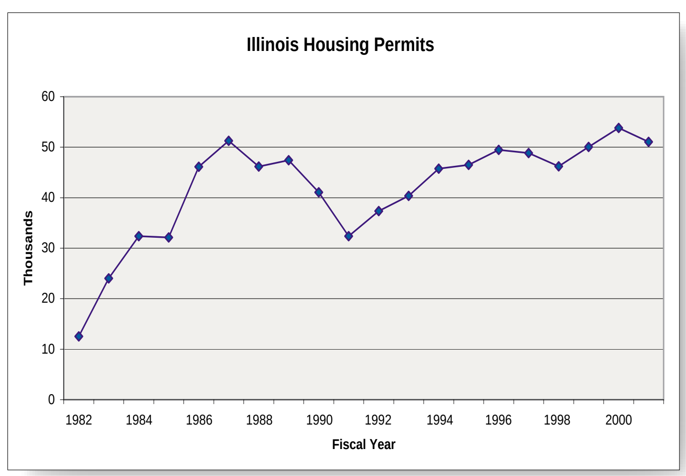












Fiscal Overview
Fiscal Year 2001

The state's eight-year string of budgetary (cash basis) improvements ended in fiscal year 2001. When the books were closed on the year, the General Funds budgetary balance stood at $300 million, $477 million below the record $777 million recorded in fiscal year 2000. Although this amount is still a surplus and the fifth positive budgetary balance in a row, fiscal year 2001 marked the first drop in the budgetary balance since 1992. At the same time, the state's General Funds GAAP balance fell for the third consecutive year, dropping from a deficit of $572 million (as restated due to GASB 33) in fiscal year 2000 to a deficit of $1.278 billion, a drop of $706 million.

Of the many factors that impact the state's financial well-being, clearly one of the most important is the economy. For most of the period since fiscal year 1992, the economy's performance has been nothing short of remarkable. Since 1997, the surging economy has produced numerous fiscal high points, including record annual revenue growth, record end-of-month cash balances, and record end-of-year balances. This string of fiscal milestones came to an end in fiscal year 2001, however, as economic activity slowed and cash-flow problems emerged for the first time since the end of fiscal year 1997.

The dramatic drop in the General Funds budgetary balance noted above was concentrated in the General Revenue Fund (GRF), the state's largest operating fund financing at least a portion of the spending of every major agency in state government. Of the $477 million drop in the General Funds budgetary balance in fiscal year 2001, $402 million occurred in the GRF. This decline reduced the GRF budgetary balance from a surplus of $278 million in fiscal year 2000 to a deficit of $124 million at the close of fiscal year 2001.

Fiscal year 2000 ended with a GRF cash balance of $997 million. After lapse period spending of $719 million, fiscal year 2001 began with a $278 million budgetary surplus, the second highest in recent memory. However, that amount was not enough to prevent cash flow problems during much of the year. During the first half of the year, two factors combined to exacerbate the typical seasonal mismatch between revenue and spending.

The first was a $260 million transfer from the GRF to the Fund for Illinois' Future in July 2000. That transfer all but erased the fiscal year 2000 surplus. The second was a temporary sales tax exemption for motor fuel purchases from July to December 2000. This exemption reduced sales tax receipts by an estimated $150 million. These factors, combined with increased spending demands stemming from higher levels of appropriations, resulted in a drop in the GRF cash balance to only $62 million by the end of December, the lowest end-of-December balance since 1997. During December 2000, payments were delayed on 11 of the month's 20 processing days due to a lack of cash.

Slowing economic activity in the last half of the year, coupled with a low beginning cash balance, resulted in more payment delays (on 45 days) between mid-February and late April 2001. Over that period, the daily available cash balance in the GRF hit a low of only $16 million, and dropped below $25 million on 8 days and below $50 million on 22 days. At one point, there were $268 million in bills that could not be paid due to a lack of cash. During March and April 2001, the average daily available balance in the GRF dropped to the lowest levels since 1997.

Available data appear to indicate that a recession was already well underway in Illinois as the state began fiscal year 2002. It also appears that the tragic events of September 11, 2001 exacerbated an already troublesome economic and fiscal situation.

Over the first quarter of the fiscal year, General Funds total revenues were $296 million below the prior year with wide-spread weakness in most revenue sources. Although revenue fell dramatically, spending demands continued to grow. As a result, cash flow difficulties emerged in late August and continue to persist. This is the first time since 1995 that such problems have surfaced so early in the year. Through late-December 2001, GRF payments have been delayed due to a lack of cash on every processing day since August 24 (86 consecutive days). Over this time, the daily available cash balance has dipped as low as $8 million and unpaid bills have been as high as $714 million.

In order to alleviate at least some of the payment delays, the Comptroller ordered the balance in the Budget Stabilization Fund transferred to the GRF. On November 14, 2001, $226 million was transferred and paid out the same day. This action reduced unpaid bills to $350 million. Under state law, the amount transferred from the Budget Stabilization Fund is effectively a loan and must be repaid by the end of the fiscal year.

The wide spread weakness in most revenue sources prompted the Bureau of the Budget to reduce its 2002 revenue estimate by $350 million. In addition, the Governor's Office has initiated numerous budget-reduction measures in an effort to bring the budget back in line over the course of the fiscal year. Whether those measures have the desired effect will depend on the depth of the current recession and the timing and strength of economic recovery. Even if events unfold as hoped, there will be payment delays at least into the spring of 2002.

Fiscal Overview *concluded*

The fact that the state's financial health deteriorated in fiscal year 2001 is cause for concern, both for fiscal year 2002 and beyond. One concern is the potential for increases in accrued liabilities payable from future years' appropriations. One of the largest components of those liabilities is Section 25 deferrals. After falling substantially from 1995 through 1997, Section 25 deferred liabilities increased in each of the last four years, reaching $752 million in 1998, $894 million in 1999, $1.075 billion in 2000, and $1.118 billion in 2001 - the second consecutive year that these deferrals have exceeded $1.0 billion. The $43 million growth in 2001 included a $4 million increase under the state's Medicaid program and a $39 million increase under the group health insurance program for employees, retirees, and their dependents administered by the Department of Central Management Services.

Deferred liabilities are not the only concern for future budgets. In order to improve its fiscal health, the state faces several challenges. To restore balances to more acceptable levels and keep payment cycles under control, resources must be directed to these purposes. The ability to allocate resources may be constrained on the one hand by limited revenue growth and on the other hand by competing budgetary needs. The methodology used to create budgets must be sufficient to adapt to these realities.

On the revenue side, the impact of economic fluctuations and the ability of the tax base to produce a steady stream of revenue must be considered. Illinois' General Funds revenue base is highly susceptible to economic cycles. This fact has been driven home over the last 12 months. While the state benefited over the last several years from revenue growth in excess of expectations, that good fortune quickly reversed in early 2001. Just as strong economic growth produces rapid increases in receipts from the personal income, sales, and corporate income taxes, slowing (or declining) economic activity reduces receipt growth in these sources.

The state's tax base has also been impacted by various tax relief measures (also called tax expenditures). Recently enacted tax relief includes the final year of a three-year phase-in of a doubling of the personal exemption from the income tax, a change in the method used to apportion corporate income to Illinois, an Earned Income Credit (EIC), and a tuition credit against the personal income tax.

The ability of the state's tax base to provide needed revenue will also be impacted by federal actions, including new legislation and new rules. One example is the recent enactment of legislation that phases out the federal estate tax over a ten-year period. The state currently administers an estate tax, which is commonly referred to as a "pick-up" tax because it equals the state credit permitted against the federal estate tax. It is estimated that the amount the state collects will begin decreasing in fiscal year 2003 until falling to zero in fiscal year 2007. In fiscal year 2001, the estate tax accounted for 1.5% of total General Funds revenues ($361 million).

Other examples include the economic stimulus proposals currently under consideration in the Congress. These could have a dramatic impact on the state's corporate income tax. Both the House and Senate proposals include provisions that change depreciation rules thereby reducing federal taxable income - the starting point for the Illinois corporate income tax. The more generous House proposal could reduce Illinois corporate income tax liabilities by an estimated $350 million annually for the next three years while the Senate provision could cost the state $140 million next year. Because of the structure of the Illinois corporate income tax, about two-thirds of these losses would accrue to the state and the remainder to local governments.

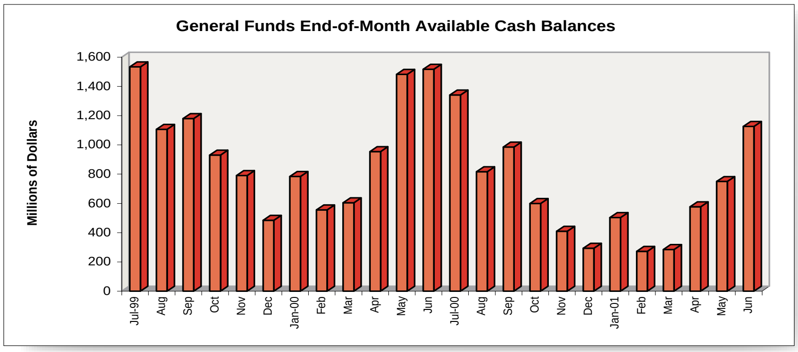
On the spending side of the budget, fiscal improvements will be competing with the needs of programs such as education and those administered by the Departments of Human Services, Corrections, Children and Family Services, and Public Aid. One area that bears close scrutiny is the growth of medical costs and the deferral of those costs to future years especially after four consecutive increases in those deferrals.

Future budgets will also have to adjust for other long-term commitments, particularly legislated increases in funding for pensions and education. In addition to making room for these guarantees, future budgets will also likely face increased spending demands stemming from any economic downturn. Two programs that are certain to be affected by adverse economic conditions are Temporary Assistance to Needy Families (TANF) and Medicaid. Since the TANF program is new (July 1997), it has yet to be tested across a complete economic cycle. As a result, there is no experience with the program during recession.

On the other hand, the last decade provides ample evidence of the potential impact of increasing medical costs. While it appears that Section 25 deferred liabilities are still largely under control, the fact that there have been four consecutive increases suggests that continued efforts will be required to keep deferrals from again becoming a budgetary burden. This is especially applicable to the Medicaid program.

The sizeable drop in both the GAAP balance and the cash-based budgetary balance serves as a stark reminder that past financial performance is no guarantee of future results. In the past, fiscal problems occurred when revenue growth slowed and spending pressures remained. Attention must continue to focus on lessons learned and on maintaining budget discipline.

Year-End Fiscal Summary



Taxes Receivable

(in millions)	6/30/00	6/30/01	Change
Gross Balance	$2,620	$2,601	($19)
Uncollectibles	$1,020	$946	($74)

General Funds Fiscal Activity

(in millions)		FY 2000		FY 2001		Change
Beginning Balance	$	1,351	$	1,517	$	166
Revenues	$	23,250	$	24,106	$	856
Expenditures	$	23,084	$	24,497	$	1,413
Ending Balance	$	1,517	$	1,126	$	(391)
Lapse Period Warrants	$	740	$	826	$	86
Budgetary Balance	$	777	$	300	$	(477)

Major Unfunded and Long Term Liabilities

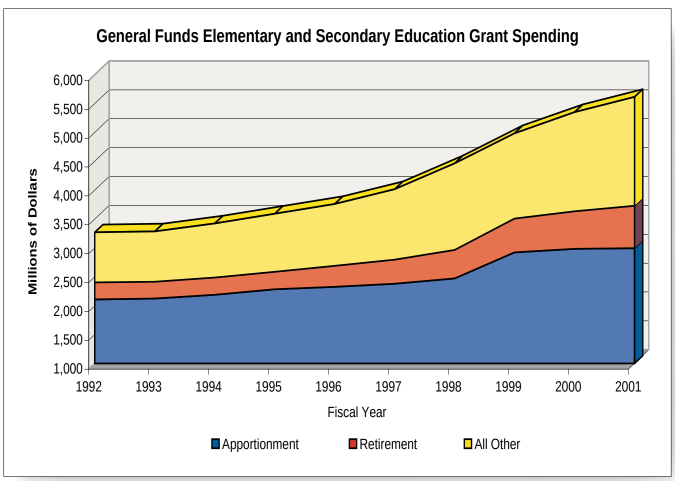
(in millions)		FY 2000		FY 2001
Net Pension Obligation	$	12,913	$	13,721
General Obligation Bonds	$	6,599	$	7,351
Build Illinois and Civic Center Bonds	$	1,883	$	1,932

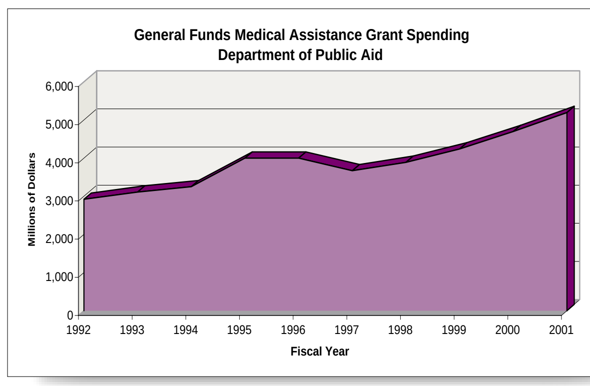
G.O. Bond Rating

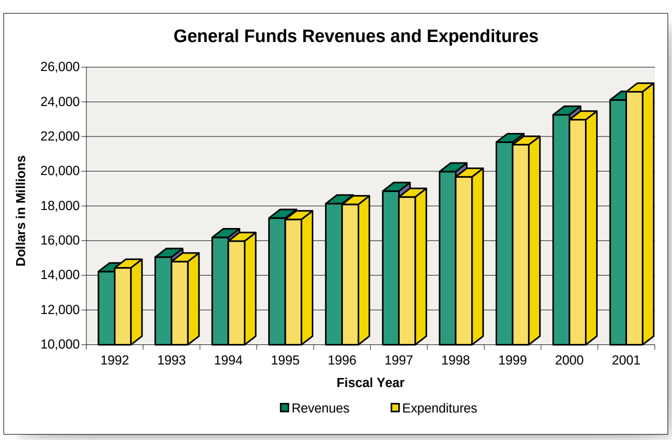
Moody's	Aa2
S&P	AA

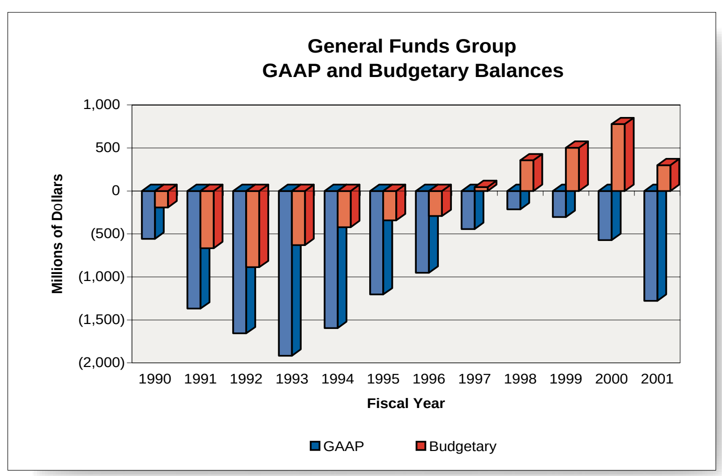
Section 25 Liabilities

(in millions)	6/30/00	6/30/01	Change
Liabilities	$1,075	$1,118	$43









GAAP Basis Financial Information Summary

The following balance sheet and operating statements have been condensed from the statements included in the State of Illinois *Comprehensive Annual Financial Report* utilizing the "memorandum only" column of the primary government.

State of Illinois

Balance Sheet - Primary Government

	Amounts (in millions) FY2001	Amounts (in millions) FY2000
Assets (and other debits)		
Cash	$ 9,809	$ 10,612
Investments	54,373	55,525
Receivables, net	8,207	8,489
Fixed assets	6,298	5,814
Other assets	1,642	1,606
Other debits	24,961	23,242
Total assets and other debits	$ 105,290	$ 105,288
Liabilities		
Payables	$ 8,474	$ 8,476
Pension liability	13,721	12,913
Bonds outstanding	11,187	9,962
Depository and other	5,935	5,872
Other *	3,174	2,989
Total liabilities	$ 42,491	$ 40,212
Equity and Other Credits		
Investment in fixed assets	6,217	5,747
General *	(1,278)	(572)
Special revenue *	4,265	3,668
Debt service	818	934
Capital projects	363	510
Proprietary	279	305
Trust	52,135	54,484
Total fund equity	62,799	65,076
Total liabilities and fund equity	$ 105,290	$ 105,288

* As restated for change in accounting principle.

Operating Statement - Primary Government

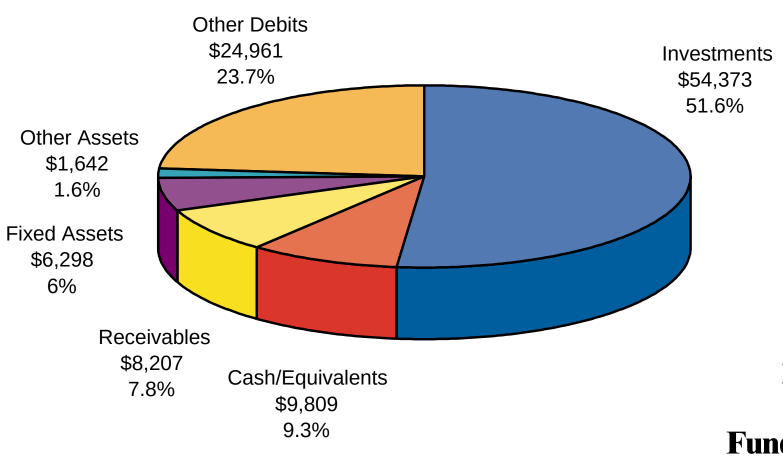
	Amounts (in millions) FY2001	Amounts (in millions) FY2000
Revenues		
Taxes -		
Income	$ 9,608	$ 9,675
Sales	8,325	8,209
Other taxes	6,253	6,150
Federal government *	10,736	9,838
Charges for sales and services	3,107	2,964
Interest and investment income	(1,658)	5,827
Contributions	3,384	2,489
Licenses and fees	1,642	1,527
Other	2,225	2,099
	$ 43,622	$ 48,778
Expenditures/Expenses		
Health and social services	$ 14,495	$ 12,310
Education	9,031	8,668
General government/administrative	5,844	6,358
Employment/economic development	2,730	2,676
Transportation	3,587	3,290
Public protection and justice	1,977	2,011
Environment and business regulation	691	631
Debt service	1,074	977
Benefit payments and refunds	3,884	3,448
Prizes and claims	780	799
Other	1,618	2,237
	$ 45,711	$ 43,405
Net other sources (uses) and nonoperating revenues (expenses)	(670)	(613)
Excess of revenues over expenditures/expenses and net other uses	$ (2,759)	$ 4,760

Balance Sheet

ASSETS (AND OTHER DEBITS)

Total assets (and other debits) of the State of Illinois at June 30, 2001, were approximately $105.3 billion. This was an increase of $2 million over fiscal year 2000. The largest decrease was in the state's investments ($1.2 billion) mainly due to the decrease in the pension funds of $2.2 billion. The largest increase was in other debits to provide for long-term obligations ($1.7 million).

Total Assets (Primary Government)
June 30, 2001
Millions of Dollars



Investments

State agencies had $1.2 billion less in investments at June 30, 2001, than at June 30, 2000. The pension funds accounted for $2.2 billion of the investment decrease while investments held by investment trust funds increased $1.1 billion.

Receivables

Net receivables decreased by $282 million from fiscal year 2000 to fiscal year 2001. The accompanying chart shows the change in net receivables for the last four fiscal years.

LIABILITIES

Total liabilities increased to $42.5 billion at June 30, 2001, $2.3 billion (5.7%) more than fiscal year 2000. The largest increases were the state's pension liability ($808 million) and general obligation bonds liability ($751 million). The pension liability increased due to an increase in the net pension obligation of $608 million in the Teachers' Retirement System and $218 million in the State Universities Retirement System.

Payables

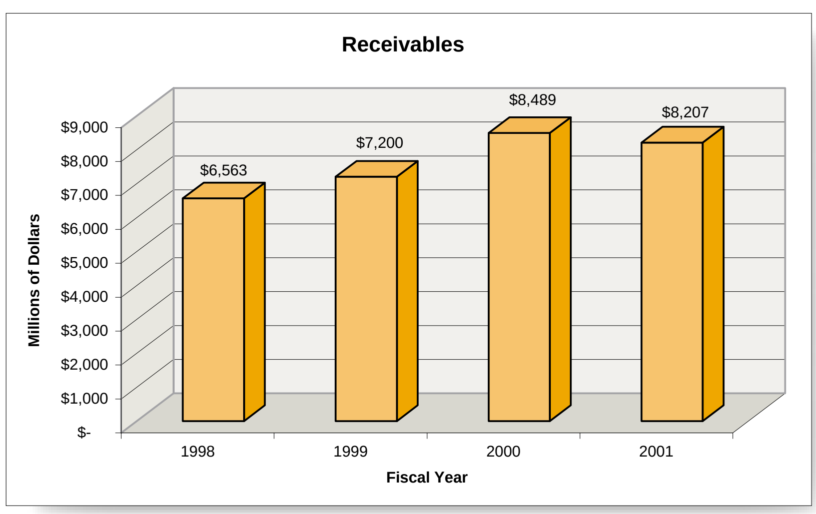
Payables represent costs incurred at year-end that have not been paid in cash. The state's payables decreased by $2 million at June 30, 2001, from the fiscal year ended June 30, 2000.

Pension Liability (APC)

The liability at June 30, 2001, for the state's five pension trust funds was over $13.7 billion, an increase of $808 million from fiscal year 2000. The pension liability compares the annual pension costs (APC) to the employer contributions received as can be seen in the bar chart on page 10.

Funding Policy and Annual Pension Cost

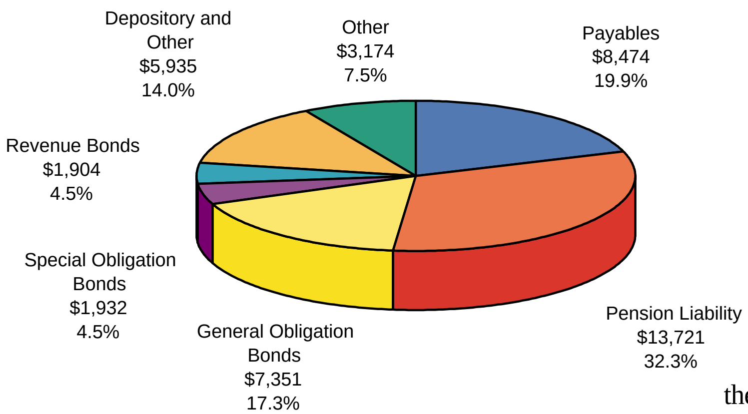
Member contributions are based on fixed percentages set by statute ranging from 4.0% to 11.5%. The state's funding requirements have been established by statute (Public Act 88-



GAAP BASIS

Balance Sheet *continued*

Total Liabilities (Primary Government)
June 30, 2001
Millions of Dollars

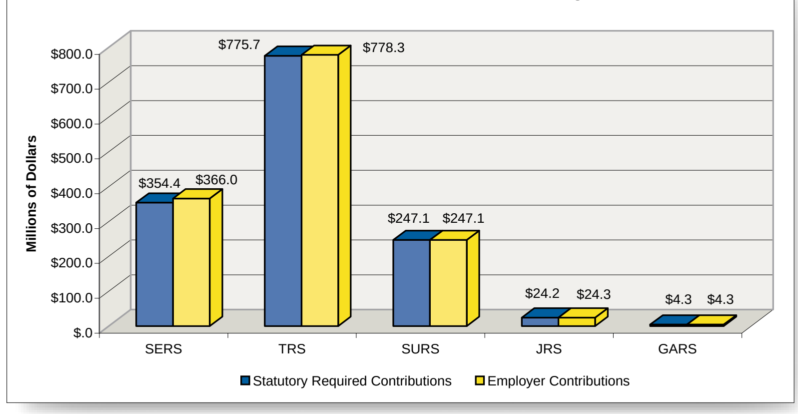


current statutory law includes a "continuing appropriation," which means that the state must automatically provide funding to the pension systems based on actuarial cost requirements and amortization of the unfunded liability without being subject to the General Assembly's appropriation process.

This statutory funding requirement differs significantly from the annual pension cost (APC) because the statutory plan does not conform with the GASB Statement 27 accounting parameters. The state's APC for the current year and related information for each plan are included in the chart.

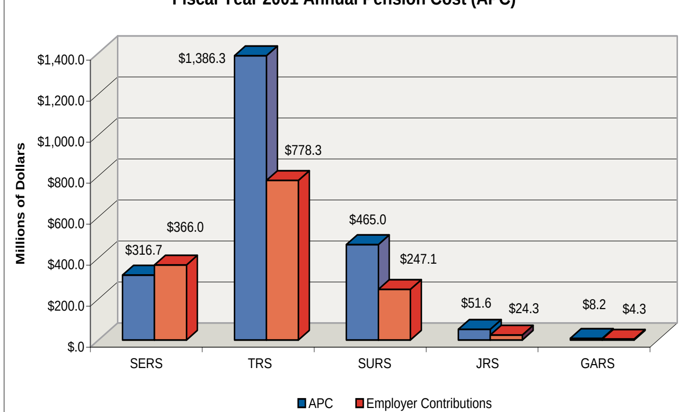
593) effective July 1, 1995, and provide for a systematic 50-year funding plan with an ultimate goal to achieve "90% funding" of the systems' liabilities. In addition, the funding plan provides for a 15-year phase-in period to allow the state to adapt to the increased financial commitment. Once the 15-year phase-in period is complete, the state's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funding level is achieved. As illustrated in the following chart, the state met its funding requirement established by statutory law for the fiscal year ended June 30, 2001.

Fiscal Year 2001 Annual Pension Funding



Actual contributions varied slightly from contributions required by statute mainly because of differences between estimated and actual federal contributions. The

Fiscal Year 2001 Annual Pension Cost (APC)



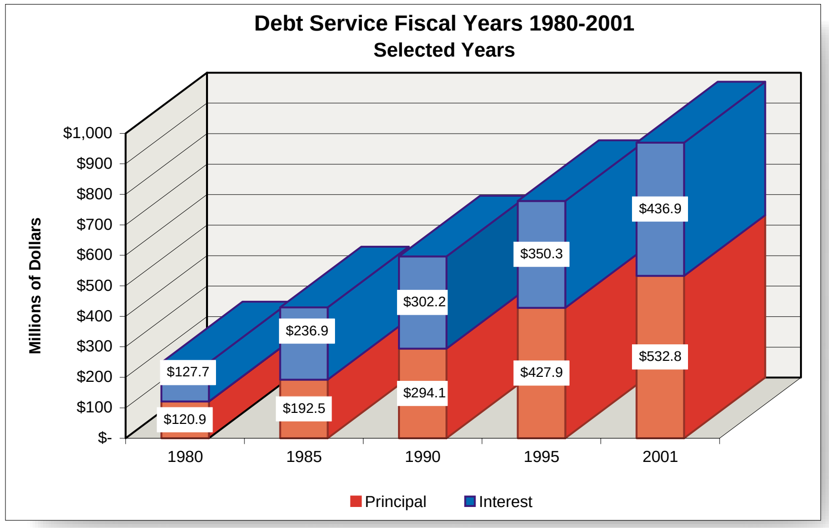
Debt Administration

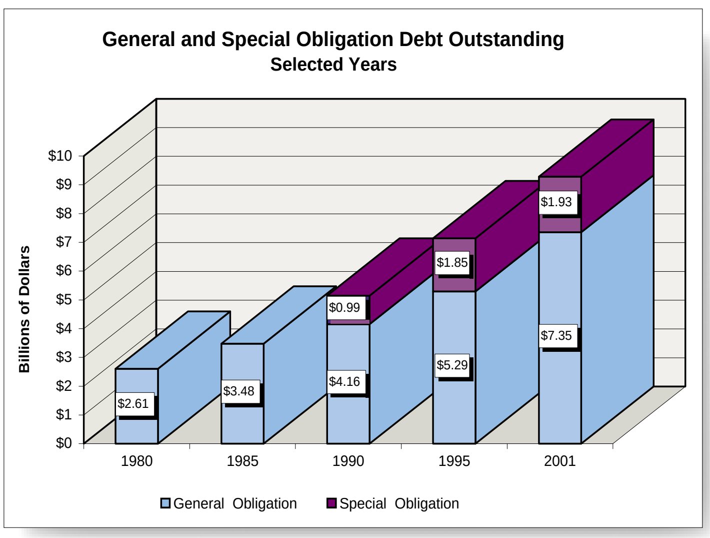
During June 1998, the Illinois general obligation bond rating was increased from "Aa3" to "Aa2" by Moody's Investors Service. Also during June 1998, Standard & Poor's Corporation (S & P) rating was increased to "AA" from "AA-". The higher bond ratings can be attributed to the state's improved financial condition. Special obligation bond ratings remained the same, ranging from "AAA" by S & P for Build Illinois bonds to "A1" by Moody's for Civic Center bonds.

Balance Sheet *concluded*

Debt Service

Debt service principal and interest costs of $532.8 million and $436.9 million, respectively, were paid in fiscal year 2001. The dramatic increase since fiscal year 1980 is displayed in the following chart.



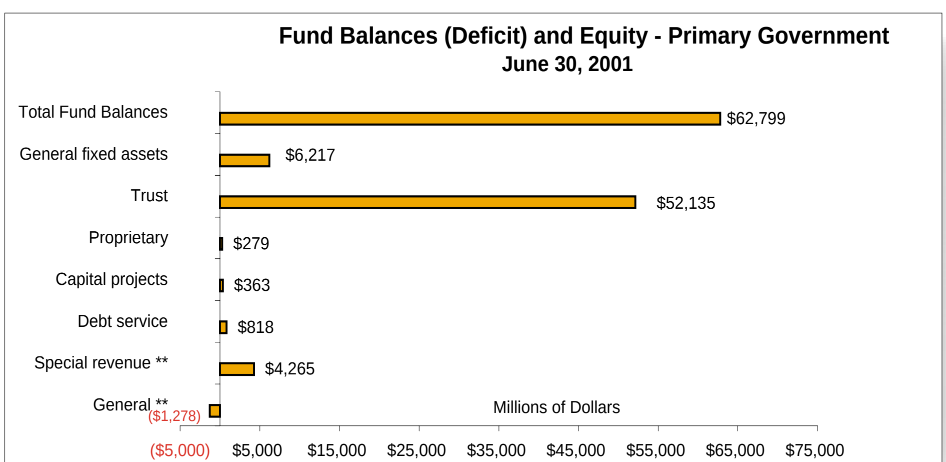


General and Special Obligation

General and special obligation bonds aggregating $1,277.9 million and $300.4 million, respectively, were issued during fiscal year 2001 at average interest rates ranging from 4.0% to 5.75%. This is an increase of $417.9 million and $175.4 million, respectively, from fiscal year 2000.

Fund Balance and Retained Earnings

The fund balances and retained earnings for all primary government funds combined was $62.8 billion at June 30, 2001, representing a 3.5% decrease from fiscal year 2000. By far, the majority of the decreases were in the trust funds ($2.3 billion). Within those funds, the pension funds' balances decreased $3.1 billion.



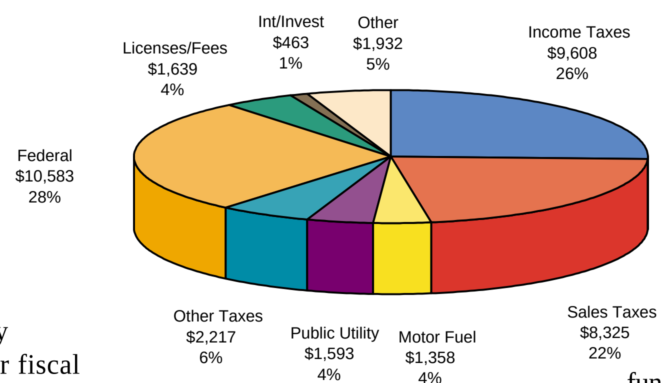
Operating Statement

REVENUES

The governmental fund types are those through which most state functions are financed. These fund types (the general, special revenue, capital projects, and debt service funds) are presented on the modified accrual basis of accounting. Throughout the year, the Comptroller's Office publishes a newsletter, *Fiscal Focus*, that summarizes the status of General Fund revenues and expenditures and analyzes various programs and activities. These reports are available on request.

Revenues on the modified accrual basis are recognized when they are both measurable and available to finance current operations. Revenues from various sources for fiscal year 2001 relative to fiscal year 2000 are as follows.

Fiscal Year 2001 Governmental Fund Revenues
Millions of Dollars



Fiscal year 2001 governmental funds revenues increased by $1,199 million (4%) over fiscal year 2000 revenues. State-imposed taxes including income, sales, motor fuel, public utility, and miscellaneous other taxes remained the largest overall revenue source for fiscal year 2001 and comprised nearly 62% of total state revenues.

Income Taxes

Income tax revenues decreased $67 million (1%) from fiscal year 2000. The decrease is generally the result of a slowing economy.

Sales Taxes

Sales taxes remained the second largest tax revenue source for fiscal year 2001, increasing $116 million (1%) from fiscal year 2000. The increase is due to a slight growth in retail sales.

Federal Government Revenues

Federal government revenues for fiscal year 2001 increased $761 million from fiscal year 2000, and continued as the second largest revenue source on a GAAP basis for fiscal year 2001 (second only to the state-imposed taxes discussed above).

Licenses and Fees

Licenses and fees increased $119 million (8%) from fiscal year 2000. This significant increase is due largely to an increase in vehicle registration fees to fund the Illinois FIRST Program. The fee increases became effective January 1, 2000, and were in effect for an entire fiscal year for the first time in fiscal year 2001.

EXPENDITURES

Expenditures for governmental fund types are presented on the modified accrual basis of accounting and are generally recognized when the fund liability is incurred regardless of when payment is made. Governmental fund expenditures of $38,130 million in fiscal year 2001 increased $1.577 billion (4%) over 2000 and were $427 million more than revenues on a GAAP basis.

Expenditures for major governmental fund functions in fiscal year 2001 compared to fiscal year 2000 are presented next.

Health and Social Services Expenditures

Health and social services expenditures of $14.5 billion were the largest expenditure function for fiscal year 2001, increasing by $662 million (5%) over fiscal year 2000. This expenditure function is 38% of total spending on a GAAP basis. A $434 million increase in General Fund expenditures at the Department of Human Services (DHS) represents an increase in Health and Social Services programs. The Department of Public Aid showed a $430 million increase in General Fund spending for the Medicaid Program.

Operating Statement *concluded*

Education Expenditures

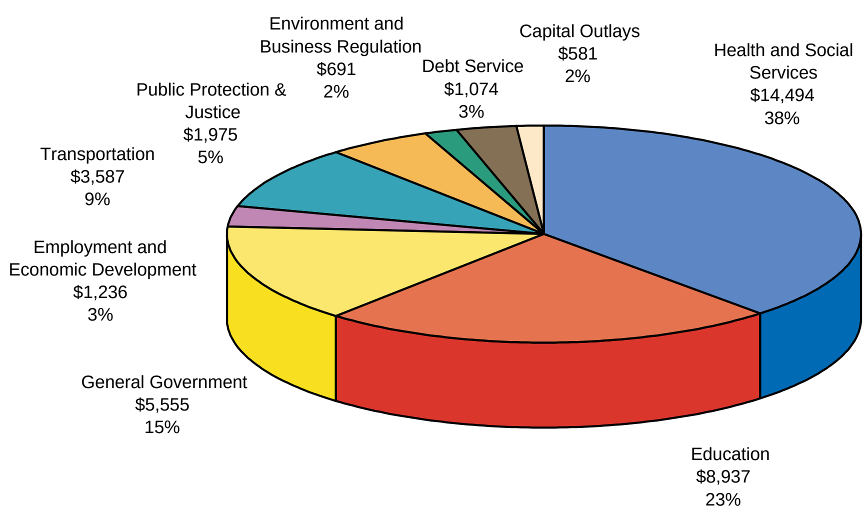
Education expenditures were once again the second largest expenditure function in the governmental funds for fiscal year 2001. Education expenditures increased $269 million (3%) from fiscal year 2000 on a GAAP basis.

Significant education expenditure increases in fiscal year 2001 were at the State Board of Education where General Fund expenditures increased $405 million in the General Revenue Account, $6 million in the Common School Account, and $195 million in the federal programs, but decreased $249 million in the Education Assistance Account. These increases reflect the state's continuing budgetary emphasis on education.

General Government

General government expenditures increased $493 million (10%) from fiscal year 2000 to fiscal year 2001. The largest expenditure increase occurred at the Department of Central Management Services due mainly to an increase in expenditures of $61 million for the State Group Insurance Program.

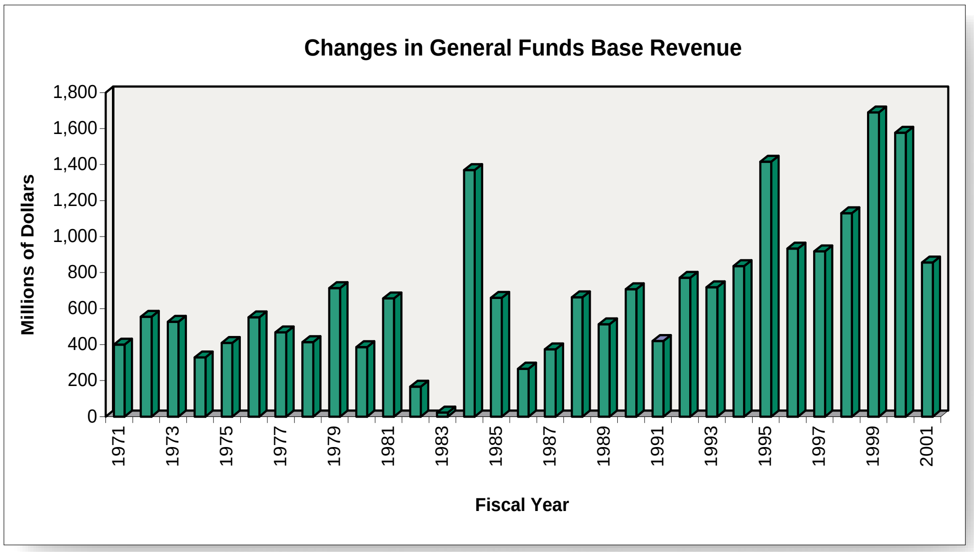
Fiscal Year 2001 Governmental Fund Expenditures
Millions of Dollars

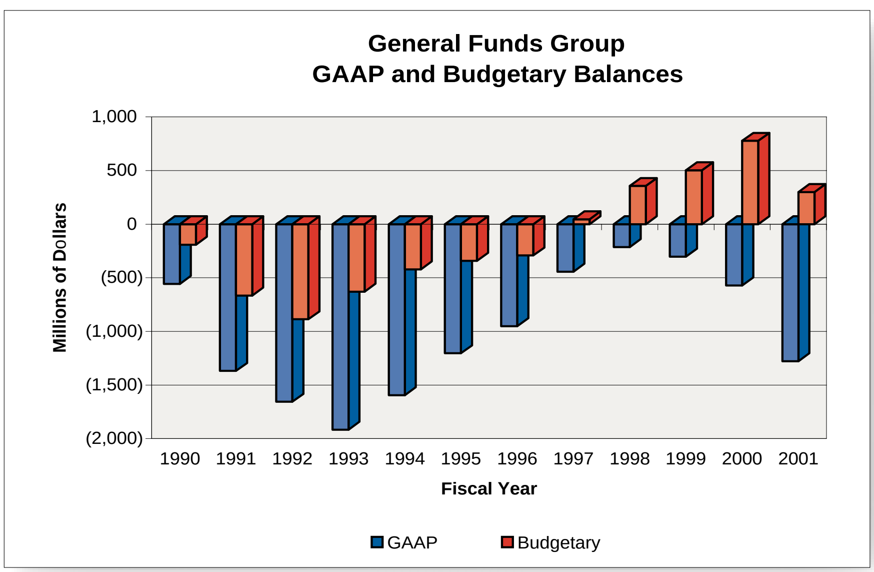


Fiscal Summary

For fiscal year 2001, General Funds revenues grew $856 million, well below the $1.465 billion average increase over the three previous fiscal years. This revenue performance was the result of a sluggish economy and a temporary motor fuel sales tax exemption.

Fiscal year 2001 marked the end of eight straight years of improvement in the state's General Funds budgetary balance (measured on a cash basis) as the balance fell from a $777 million surplus in fiscal year 2000 to a $300 million surplus in 2001—the fifth positive budgetary balance in a row. However, the state's General Funds GAAP balance fell from a $572 million deficit in fiscal year 2000 to a $1.278 billion deficit in fiscal year 2001. This marks the third consecutive drop in the GAAP balance following five years of improvement.





General Funds Revenue-
Up 3.7% in Fiscal Year 2001

General Funds revenue increased $856 million or 3.7% in fiscal year 2001, growing to $24.106 billion from $23.250 billion in fiscal year 2000. This growth in revenues is significantly lower than the $1.465 billion average increase over the previous three fiscal years. The 3.7% increase is also the lowest percentage increase since fiscal year 1991.

State sources grew $428 million, led by a $310 million (4.0%) increase in individual income taxes. Over the fiscal year, the unemployment rate in Illinois rose to 4.8% as wage and salary income increased 6.6%. In addition, the technology sector of the stock market experienced a decline, which may result in decreased capital gains and dividend income. Obviously, these economic factors had a major impact on income and the slower growth in individual income taxes. Corporate income tax receipts decreased $201 million or 16.2%. This was due to a one-time $130 million payment in March last year and the weakening of the economy.

The slowing of the economy is also reflected in retail sales for the year. Revenues from the state sales tax totaled $5.958 billion in fiscal year 2001, a decrease of $69 million or 1.1%. The decline in sales taxes reflects the loss of an estimated $150 million due to the temporary exemption of motor fuel sales from the tax base for the first half of the year. Adjusting for this loss, sales tax receipts would have grown approximately $81 million or an anemic 1.3%.

Gaming revenues grew $114 million or 13.3% to $968 million for the year. Lottery transfers fell by $14 million and riverboat gambling transfers increased $130 million. The growth in riverboat gaming was due in large part to the timing of transfers from the Gaming Fund to the Education Assistance Fund as receipts from riverboat gambling taxes and fees increased only $54 million.

General Funds Revenue
(Millions of Dollars)

	Fiscal Year 1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Change From FY1992 to FY2001 Amount	Percent
Personal Income Tax	$ 4,477	$ 4,665	$ 4,947	$ 5,333	$ 5,669	$ 6,139	$ 6,847	$ 7,226	$ 7,686	$ 7,996	$ 3,519	78.6 %
Corporate Income Tax	577	631	755	898	978	1,085	1,136	1,121	1,237	1,036	459	79.5
Sales Taxes	3,986	4,094	4,371	4,651	4,798	4,992	5,274	5,609	6,027	5,958	1,972	49.5
Gaming Sources:												
Lottery Fund	611	587	552	588	594	590	560	540	515	501	(110)	(18.0)
Riverboat Gaming	8	54	118	171	205	185	170	240	330	460	452	N/A
Miscellaneous	12	12	12	12	12	12	11	11	9	7	(5)	(41.7)
Total, Gaming	631	653	682	771	811	787	741	791	854	968	337	53.4
Public Utility Taxes	703	735	784	743	833	873	912	1,019	1,116	1,146	443	63.0
Other Tax Sources	1,130	1,132	1,123	1,170	1,181	1,400	1,404	1,779	1,924	2,230	1,100	97.3
Other Transfers In	293	194	234	338	327	309	346	411	514	452	159	54.3
Base State Sources	$ 11,797	$ 12,104	$ 12,896	$ 13,904	$ 14,597	$ 15,585	$ 16,660	$ 17,956	$ 19,358	$ 19,786	$ 7,989	67.7 %
Federal Sources	2,235	2,646	2,690	3,098	3,339	3,269	3,324	3,718	3,892	4,320	2,085	93.3
Total Base Revenue	$ 14,032	$ 14,750	$ 15,586	$ 17,002	$ 17,936	$ 18,854	$ 19,984	$ 21,674	$ 23,250	$ 24,106	$ 10,074	71.8 %
Short-Term Borrowing	185	300	600	300	200	0	0	0	0	0	(185)	(100.0)
Total Revenue	$ 14,217	$ 15,050	$ 16,186	$ 17,302	$ 18,136	$ 18,854	$ 19,984	$ 21,674	$ 23,250	$ 24,106	$ 9,889	69.6 %

For fiscal year 2001, public utility taxes grew 2.7% with revenues from the telecommunications tax up $35 million and natural gas tax revenues $20 million higher. In addition, electric tax receipts decreased $25 million due in part to the transition after implementation of electric deregulation last year and the slowing economy.

Receipts from other tax sources were up $306 million or 15.9% for the year. Most of this growth was due to a $200 million transfer from the Build Illinois escrow account. Excess monies from this account had not been transferred since fiscal year 1996. Among other sources that experienced growth, investment income was up $41 million and insurance taxes and fees increased $37 million.

General Funds Revenue *concluded*

The $62 million decrease from other transfers in reflects the drop in transfers from the Income Tax Refund Fund ($76 million), a one-time transfer that was not repeated this year, and a decline in transfers from the University of Illinois Hospital Services Fund ($37 million).

Federal sources increased $428 million or 11.0% in fiscal year 2001, primarily for medical assistance and child care. This increase was well above the average annual increase of 7.6% over the past ten years. Revenues from federal sources experienced explosive growth during the decade due to a corresponding growth in federally reimbursable spending, primarily for Medicaid.

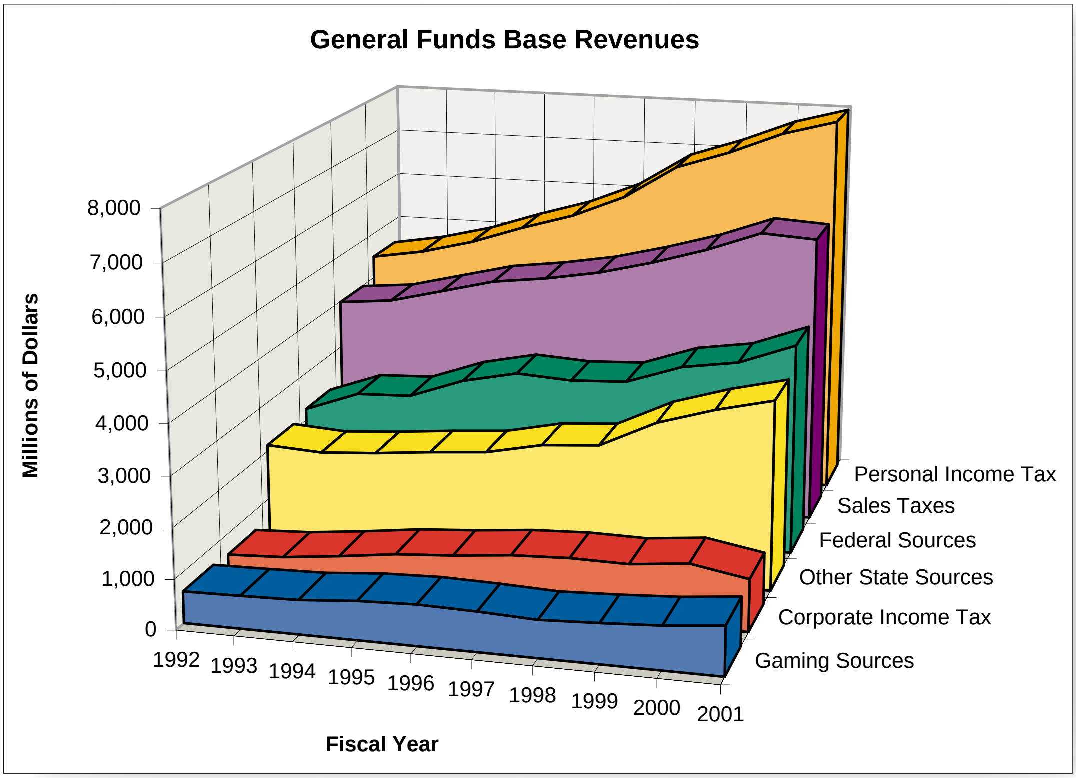
Individual and corporate income taxes also grew over the past ten years, with average annual increases of 6.7%. The volatility of corporate income tax revenues is evident in fiscal years 1999 and 2001 when revenues declined and the fiscal year 2000 growth.

Sales tax revenues had an average annual increase of 4.6% over the decade. During this period diversions of sales tax revenues increased from $255 million in fiscal year 1992 to $393 million in fiscal year 2001.

Gaming revenues grew due to the implementation of riverboat gambling in fiscal year 1992 which more than offset the decline from lottery revenues. The growth in public utility taxes was due to a tax increase and from the increased usage of telecommunication devices.

Other tax sources were up $1.1 billion over the decade with the new intergovernmental transfer payment from Cook County accounting for $245 million. Inheritance tax revenues grew $238 million and investment income increased $194 million. Transfers from the Build Illinois reserve account were up $95 million while cigarette tax receipts increased $95 million and liquor tax receipts grew $65 million due to tax increases.

For fiscal year 2001, income and sales taxes brought in 62.2% of total General Funds revenues, while federal sources and other sources accounted for 17.9% and 19.9%, respectively. The reliance on sources driven by the economy makes the slowing economy the major factor determining General Funds revenue growth next year.



BUDGETARY BASIS

General Funds Spending-
Up 7.0% in Fiscal Year 2001

General Funds expenditures from fiscal year 2001 appropriations totaled $24.583 billion, an increase of $1.607 billion or 7.0% over fiscal year 2000 spending. The $1.607 billion increase in spending was the second largest increase ever recorded for the General Funds. Fiscal year 1999's $1.855 billion increase was the largest ever. Among the various categories of spending, awards and grants accounted for 69.0% of the increase, operations accounted for 20.7% and transfers out accounted for 11.7%. All other spending declined slightly from the prior year.

For fiscal year 2001, General Funds awards and grants spending totaled $15.676 billion, $1.109 billion or 7.6% above fiscal year 2000. Awards and grants accounted for 63.8% of total spending from the General Funds for the fiscal year.

Prior to fiscal year 1998, the largest grant spending agency had been the Department of Public Aid. However, due to reorganization in the delivery of social services, Public Aid became the second largest grant spending agency behind the State Board of Education. Due to rapidly increasing medical costs, Public Aid once again became the largest grant spending agency (33.1% of total) from the General Funds in fiscal year 2001 with spending of $5.192 billion, $497 million or 10.6% above 2000. All of the grant spending by the Department was for medical assistance payments as the Aid to Families with Dependent Children Program along with other grant award programs were transferred into the newly formed Department of Human Services at the beginning of fiscal year 1998.

The second largest portion (31.1% in fiscal year 2001) of General Funds awards and grants expenditures are by the State Board of Education. Grant spending by the State Board totaled $4.880 billion in fiscal year 2001, $181 million or 3.9% above 2000. General state aid to school districts accounts for the largest portion (61.4%) of State Board grant spending with $2.995 billion expended in 2001.

Two other sectors of government education spending garner a significant amount of General Funds grant dollars. Higher

General Funds Expenditures (From Current Year Appropriations)
By Category and Major Agency
(Millions of Dollars)

	Fiscal Year 1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Change from FY 1992 to FY 2001 Amount	Percent
Operations:												
Higher Education	$ 1,080	$ 1,066	$ 1,091	$ 1,139	$ 1,232	$ 1,308	$ 1,392	$ 1,478	$ 1,574	$ 1,662	$ 582	53.9 %
Corrections	556	598	659	700	771	832	908	1,019	1,095	1,168	612	110.1
Human Services	0	0	0	0	0	0	958	1,008	1,015	1,067	1,015	N/A
Central Management Services	330	400	465	425	391	475	515	560	645	698	368	111.5
Children and Family Services	110	113	149	181	247	254	261	273	285	286	176	160.0
Public Aid	370	363	382	396	413	455	102	113	208	126	(244)	(65.9)
Mental Health	481	495	514	520	535	546	0	0	0	0	(481)	(100.0)
Other Operations	922	876	942	982	1,091	1,245	1,183	1,276	1,476	1,623	701	76.0
Total, Operations	$ 3,849	$ 3,911	$ 4,202	$ 4,343	$ 4,680	$ 5,115	$ 5,319	$ 5,727	$ 6,298	$ 6,630	$ 2,781	72.3 %
Awards and Grants:												
State Board of Education:												
Apportionment	$ 2,109	$ 2,121	$ 2,186	$ 2,285	$ 2,326	$ 2,378	$ 2,471	$ 2,922	$ 2,983	$ 2,995	$ 886	42.0 %
Categoricals	853	854	905	979	1,032	1,190	1,466	1,411	1,657	1,809	956	112.1
Other	300	303	325	323	101	93	96	66	59	76	(224)	(74.7)
Total, State Board of Education	3,262	3,278	3,416	3,587	3,459	3,661	4,033	4,399	4,699	4,880	1,618	49.6
Public Aid:												
Medical Assistance	2,918	3,110	3,249	3,997	3,997	3,668	3,887	4,239	4,695	5,192	2,274	77.9
Aid to Families with Dependent Children	893	890	938	963	956	878	0	0	0	0	(893)	(100.0)
Other	299	168	177	185	143	140	0	0	0	0	(299)	(100.0)
Total, Public Aid	4,110	4,168	4,364	5,145	5,096	4,686	3,887	4,239	4,695	5,192	1,082	26.3
Human Services	0	0	0	0	0	0	2,287	2,392	2,420	2,660	2,660	N/A
Higher Education	506	520	542	599	599	638	670	730	758	807	301	59.5
Teachers Retirement	6	5	5	4	299	354	429	584	649	732	726	N/A
Children and Family Services	346	433	521	598	657	689	660	616	635	634	288	83.2
Aging	113	100	109	118	123	142	159	182	202	220	107	94.7
Mental Health	351	371	418	470	791	893	0	0	0	0	(351)	(100.0)
Alcoholism and Substance Abuse	67	81	88	137	99	97	0	0	0	0	(67)	(100.0)
Other Awards and Grants	544	433	467	485	496	549	425	507	509	551	7	1.3
Total, Awards and Grants	$ 9,305	$ 9,389	$ 9,930	$ 11,143	$ 11,619	$ 11,709	$ 12,550	$ 13,649	$ 14,567	$ 15,676	$ 6,371	68.5 %
Other General Funds Warrants Issued	19	18	12	13	11	27	35	45	82	60	41	215.8
Total, General Funds Warrants Issued	$ 13,173	$ 13,318	$ 14,144	$ 15,499	$ 16,310	$ 16,851	$ 17,904	$ 19,421	$ 20,947	$ 22,366	$ 9,193	69.8 %
Regular Transfers Out	1,072	1,169	1,225	1,414	1,572	1,666	1,768	2,106	2,029	2,217	1,145	106.8
Base General Funds Expenditures	$ 14,245	$ 14,487	$ 15,369	$ 16,913	$ 17,882	$ 18,517	$ 19,672	$ 21,527	$ 22,976	$ 24,583	$ 10,338	72.6 %
Short-Term Borrowing Repayment	193	306	609	308	205	0	0	0	0	0	(193)	(100.0)
Total, General Funds Expenditures	$ 14,438	$ 14,793	$ 15,978	$ 17,221	$ 18,087	$ 18,517	$ 19,672	$ 21,527	$ 22,976	$ 24,583	$ 10,145	70.3 %

General Funds Spending *concluded*

education had awards and grants spending of $807 million in fiscal year 2001, $49 million or 6.5% higher than fiscal year 2000. Grant spending for teacher's retirement of $732 million in fiscal year 2001 represented an increase of $83 million or 12.8% over the prior year. Since fiscal year 1996, when grant spending for teacher's retirement was shifted from the State Board of Education to the Teacher's Retirement systems, expenditures have increased by $433 million or 144.8%. Altogether, education grant spending from the General Funds in fiscal year 2001 totaled $6.419 billion and accounted for 40.9% of total General Funds grant spending.

The Department of Human Services consolidated all or parts of six state social service agencies with the goal of achieving a more efficient and effective delivery of social services in Illinois. Merged in whole into Human Services were the Departments of Mental Health, Alcoholism and Substance Abuse, and Rehabilitation Services while components of the Departments of Children and Family Services, Public Health, and Public Aid were also merged. In the fourth year of operation for the Department, grant spending totaled $2.660 billion, $240 million or 9.9% above 2000. Together, the State Board of Education and the Departments of Public Aid and Human Services accounted for 81.2% of all General Funds awards and grant expenditures in fiscal year 2001.

Spending for operations from the General Funds in fiscal year 2001 totaled $6.630 billion, $332 million or 5.3% higher than fiscal year 2000. Operations accounted for 27.0% of total General Funds expenditures in 2001.

Higher education institutions accounted for the largest amount of spending for operations. In fiscal year 2001, higher education operations expenditures of $1.662 billion were $88 million or 5.6% higher than fiscal year 2000 and accounted for 25.1% of total operations. Illinois' flagship university, the University of Illinois, accounted for $754 million or 45.4% of higher education operations in fiscal year 2001.

The largest state agency in terms of operations expenditures from the General Funds and the second largest in terms of employee headcount is the Department of Corrections. Fiscal year 2001 operations expenditures by the Department totaled $1.168 billion, $73 million or 6.7% over the previous year. The number of employees at Corrections totaled 16,964 at the end of fiscal year 2001.

With the largest headcount of any single state agency, the Department of Human Services recorded operations expenditures of $1.067 billion in fiscal year 2001. At the end of the fiscal year the Department's employee headcount was 20,044, a decrease of 193 or 1.0% from the previous year.

Although employee salaries drive most state agency operational expenditures, this is not the case at the Department of Central Management Services (CMS). CMS is the third largest state agency in terms of operational expenditures, however, their employee headcount is not even among the top ten agencies. Fiscal year 2001 General Funds expenditures of $698 million included $650 million for group insurance contributions to pay for the health benefits of state employees. The $698 million expended by CMS in fiscal year 2001 for operations was $53 million or 8.2% higher than 2000. Group insurance contributions were up $61 million or 10.4% while the remainder of CMS operations decreased $8 million or 14.3%.

Over the last ten years, General Funds expenditures grew $10.145 billion or 70.3%. Of this growth, awards and grants represented 62.8% while operations accounted for 27.4% and transfers out accounted for 11.3%.

The last four years are responsible for 59.8% of the $10.145 billion in spending growth. In addition to the $1.607 billion increase in fiscal year 2001 and the $1.855 billion in fiscal year 1999, spending grew by $1.449 billion in 2000 and $1.155 billion in fiscal year 1998.

Fiscal Climate Fiscal Year 2001

The state's eight-year string of budgetary (cash basis) improvements ended in fiscal year 2001. When the books were closed on the year, the General Funds budgetary balance stood at $300 million, $477 million below the record $777 million recorded in fiscal year 2000. Although this amount is still a surplus and the fifth positive budgetary balance in a row, fiscal year 2001 marked the first drop in the budgetary balance since 1992. At the same time, the state's General Funds GAAP balance fell for the third consecutive year, dropping from a deficit of $572 million (as restated due to GASB 33) in fiscal year 2000 to a deficit of $1.278 billion, a drop of $706 million.

General Funds GAAP Balance and Cash-Basis Budgetary Balance (Millions of Dollars)

	General Funds				General Revenue Fund	
Fiscal Year	GAAP Balance	Change	Budgetary Balance	Change	Budgetary Balance	Change
1986	(261)		(153)		(185)	
1987	(587)	(326)	(319)	(166)	(360)	(175)
1988	(355)	232	(76)	243	(143)	217
1989	(74)	281	148	224	7	150
1990	(557)	(483)	(191)	(339)	(242)	(249)
1991	(1,368)	(811)	(666)	(475)	(702)	(460)
1992	(1,656)	(288)	(887)	(221)	(828)	(126)
1993	(1,916)	(260)	(630)	257	(607)	221
1994	(1,595)	321	(422)	208	(447)	160
1995	(1,204)	391	(341)	81	(354)	93
1996	(952)	252	(292)	49	(299)	55
1997	(443)	509	45	337	106	405
1998	(213)	230	356	311	281	175
1999	(303)	(90)	503	147	184	(97)
2000 *	(572)	(269)	777	274	278	94
2001	(1,278)	(706)	300	(477)	(124)	(402)

* GAAP balance as restated.

Under both the cash and GAAP measures, expenditures exceeded revenues. On a cash basis, General Funds spending from fiscal year 2001 appropriations (including transfers out) of $24.583 billion exceeded revenues of $24.106 billion. On a GAAP basis, expenditures and net other uses of financial resources of $25.168 billion exceeded revenues of $24.462 billion.

Of the many factors that impact the state's financial well-being, clearly one of the most important is the economy. For most of the period since fiscal year 1992, the economy's performance has been nothing short of remarkable. Since 1997, the surging economy has produced numerous fiscal high points, including record annual revenue growth, record end-of-month cash balances, and record end-of-year balances. This string of fiscal milestones came to an end in fiscal year 2001, however, as economic activity slowed and cash-flow problems emerged for the first time since the end of fiscal year 1997.

The dramatic drop in the General Funds budgetary balance noted above was concentrated in the General Revenue Fund (GRF), the state's largest operating fund financing at least a portion of the spending of every major agency in State government. Of the $477 million drop in the General Funds budgetary balance in fiscal year 2001, $402 million occurred in the GRF. This decline reduced the GRF budgetary balance from a surplus of $278 million in fiscal year 2000 to a deficit of $124 million at the close of fiscal year 2001.

While spending is relatively even throughout the course of the fiscal year, the General Funds (especially the GRF) typically take in more revenue in the last-half of the fiscal year than in the first-half. Because of this seasonal mismatch, the end-of-year available balance is not only needed to finance lapse period spending, but also to serve as an operating cushion to allow the uninterrupted flow of payments due to the uneven flow of state revenue.

By starting with an adequate cash balance, payments can flow out of the State Treasury without interruption. Although the daily balances tend to fall during the first-half of the fiscal year, this trend is reversed in the spring when revenues come in faster than spending. The net result is a rebuilding of the balance in the last quarter of the year, which, it is hoped, leaves the fund balances in a position to accommodate the cash flow needs at the start of the next fiscal year.

Fiscal year 2000 ended with a GRF cash balance of $997 million. After lapse period spending of $719 million, fiscal year 2001 began with a $278 million budgetary surplus, the second highest in recent memory. However, that amount was not enough to prevent cash flow problems during much of the year. During the first half of the year, two factors combined to exacerbate the typical seasonal mismatch between revenue and spending.

The first was a $260 million transfer from the GRF to the Fund for Illinois' Future in July 2000. That transfer all but erased the 2000 surplus. The second was a temporary sales tax exemption for motor fuel purchases from July to December 2000. This exemption reduced sales tax receipts by an estimated $150 million. These factors, combined with increased spending demands stemming from higher levels of appropriations, resulted in a drop in the GRF cash balance to only $62 million by the end of December, the lowest end-of-December balance since 1997. During December 2000, payments were delayed on 11 of the month's 20 processing days due to a lack of cash.

Slowing economic activity in the last half of the year, coupled with a low beginning cash balance, resulted in more payment delays (on 45 days) between mid-February and late April 2001.

Fiscal Climate *continued*

Over that period, the daily available cash balance in the GRF hit a low of only $16 million, and dropped below $25 million on 8 days and below $50 million on 22 days. At one point, there were $268 million in bills that could not be paid due to a lack of cash. During March and April 2001, the average daily available balance in the GRF dropped to the lowest levels since 1997.

The impact of the economy is clearly evident in sales tax receipts over the last five months of the fiscal year. Because of the sales tax payment due dates, the temporary sales tax exemption for motor fuel purchases was expected to reduce sales tax revenues from August 2000 through January 2001. Over the last five months of the fiscal year, sales taxes were expected to generate approximately $2.6 billion, an increase of $140 million over the prior year. Instead of growing, however, sales tax revenues actually fell $52 million.

The National Bureau for Economic Research (NBER) recently pegged March 2001 as the start of the current national recession. In line with the national economy, the Illinois economy began to decline during the second half of the fiscal year. In March 2001, the state's seasonally adjusted unemployment rate (5.4%) was above 5.0% for the first time in forty-nine months. During the first eight months of the fiscal year, Illinois had a 4.5% average unemployment rate. That average rose to 5.3% for the final four months of the fiscal year.

Rising unemployment (the average monthly number of unemployed increased from 290 thousand during the first eight months of the fiscal year to 341 thousand during the final four months) was due in part to a slowing of Illinois employment growth. During the first eight months of the fiscal year, non-agricultural employment averaged 52 thousand jobs greater than prior year employment. Over the final four months, the year-to-year growth rate slowed to an average of 21 thousand jobs.

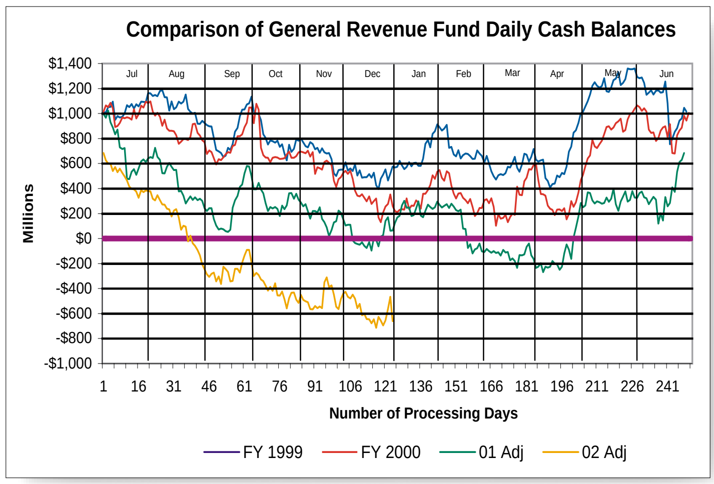
A Look At Fiscal Year 2002

As indicated above, it appears that a recession was already well underway in Illinois as the state began fiscal year 2002. It also appears that the tragic events of September 11, 2001 exacerbated an already troublesome economic and fiscal situation.

During the first four months of the fiscal year, the Illinois unemployment rate averaged 5.5%. Although reasonable by historic standards, this is a higher rate than Illinois has experienced since the mid-1990s. Over the same time frame, Illinois non-agricultural employment averaged 24 thousand jobs less than the prior year. As the major transportation and convention hub of the Midwest, the travel and hospitality industries were particularly hard hit after the September 11th tragedy.

Over the first quarter of the fiscal year, General Funds total revenues were $296 million below the prior year with wide-spread weakness in most revenue sources. The revenue shortfalls were heavily concentrated in the GRF where personal and corporate income taxes fell more than $50 million each while federal sources decreased $93 million. Although sales taxes increased by $12 million during the quarter, that comparison reflects growth over months in which the exemption on motor fuel purchases was in effect.

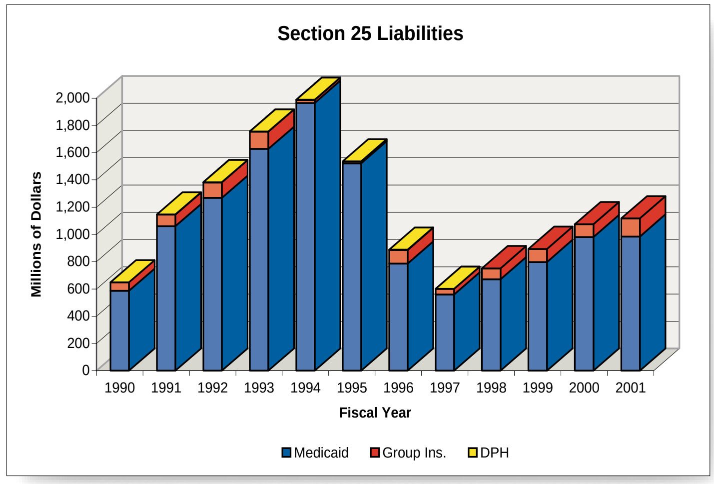
Although revenue fell dramatically, spending demands continued to grow. As a result, cash flow difficulties emerged in late August and continue to persist. This is the first time since 1995 that such problems have surfaced so early in the year. Through late-December 2001, GRF payments have been delayed due to a lack of cash on every processing day since August 24 (86 consecutive days). Over this time, the daily available cash balance has dipped as low as $8 million and unpaid bills have been as high as $714 million.



In order to alleviate at least some of the payment delays, the Comptroller ordered the balance in the Budget Stabilization Fund transferred to the GRF. On November 14, 2001, $226 million was transferred and paid out the same day. This action reduced unpaid bills to $350 million. Under state law, the amount transferred from the Budget Stabilization Fund is effectively a loan and must be repaid by the end of the fiscal year.

The wide spread weakness in most revenue sources prompted the Bureau of the Budget to reduce its 2002 revenue estimate by $350 million. In addition, the Governor's Office has initiated numerous budget-reduction measures in an effort to bring the budget back in line over the course of the fiscal year. Whether those measures have the desired effect will depend on the depth of the current recession and the timing and strength of economic recovery. Even if events unfold as hoped, there will be payment delays at least into the spring of 2002.

BUDGETARY BASIS



What Lies Ahead?

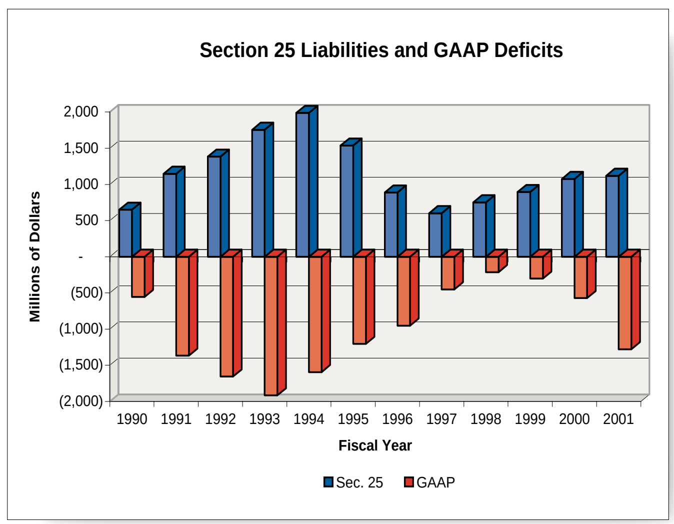
The fact that the state's financial health deteriorated in fiscal year 2001 is cause for concern, both for fiscal year 2002 and beyond. One concern is the potential for increases in accrued liabilities payable from future years' appropriations. One of the largest components of those liabilities is Section 25 deferrals. After falling substantially from 1995 through 1997, Section 25 deferred liabilities increased in each of the last four years, reaching $752 million in 1998, $894 million in 1999, $1.075 billion in 2000, and $1.118 billion in 2001 - the second consecutive year that these deferrals have exceeded $1.0 billion. The $43 million growth in 2001 included a $4 million increase under the state's Medicaid program and a $39 million increase under the group health insurance program for employees, retirees, and their dependents administered by the Department of Central Management Services.

Section 25 of the State Finance Act provides that the state's fiscal year lasts from July 1 through June 30 and that expenditures for liabilities incurred within a given fiscal year be paid for from that year's appropriation, with certain exceptions. These exceptions include liabilities for Medicaid, state employee and retiree health insurance, and certain spending from the Department of Public Health.

Payments made under these exceptions to Section 25 are similar to lapse period spending in that both sets of payments are for liabilities incurred before the end of the fiscal year, but paid after June 30th. For GAAP purposes, therefore, both types of payments are considered to be part of that year's spending. On a cash basis, however, the two types of expenditures are charged to different fiscal years. Lapse period spending is charged to an appropriation from the fiscal year in which the liability arose. Payments made for items covered by these exceptions to Section 25 are made from a subsequent year's appropriation, and therefore, are not counted as lapse period spending.

In theory, budgets are based on revenue estimates. That means that if revenues fall short of expectations, spending must be reduced to keep the two in relative balance. Through most of the early 1990s, Illinois was unable to adjust spending enough to match revenue shortfalls. The fact that budget cuts are problematic was compounded by court-ordered spending and increased medical costs. When the cash ran out, Illinois engaged in the practice of deferring payment of liabilities already incurred. Although the number of programs that are covered by exceptions to Section 25 are limited, the dollar amount of such deferrals is not. This practice exacerbated the fiscal difficulties experienced by the state in the early 1990s.

The growth of Section 25 deferrals is troublesome given the relationship between changes in those deferrals and changes in the General Funds GAAP financial position. Changes in Section 25 liabilities (which are essentially the changes in Medicaid liability) have been reflected in the state's GAAP deficit. Through the 1990s, the widening of the GAAP deficit closely matched the growth in deferrals under Section 25, while narrowing of that deficit tracked closely to the reductions in those deferrals.



Deferred liabilities are not the only concern for future budgets. In order to improve its fiscal health, the state faces several challenges. To restore balances to more acceptable levels and keep payment cycles under control, resources must be directed to these purposes. The ability to allocate resources may be constrained on the one hand by limited revenue growth and on the other hand by competing budgetary needs. The methodology used to create budgets must be sufficient to adapt to these realities.

On the revenue side, the impact of economic fluctuations and the ability of the tax base to produce a steady stream of revenue must be considered. Illinois' General Funds revenue base is highly susceptible to economic cycles. This fact has been driven home over the last 12 months. While the state benefited over the last several years from revenue growth in excess of expectations, that good fortune quickly reversed in early 2001. Just as strong economic growth produces rapid increases in receipts from the personal income, sales, and corporate income taxes, slowing (or declining) economic activity reduces receipt growth in these sources.

The state's tax base has also been impacted by various tax relief measures (also called tax expenditures). In fiscal year 2000, tax expenditures impacted the General Funds by an estimated $4.7 billion. Although final estimates are not yet available for fiscal year 2001, recently enacted tax expenditures will add to that total. These include the final year of a three-year phase-in of a doubling of the personal exemption from the income tax and a change in the method used to apportion corporate income to Illinois. These changes are expected to reduce the tax base by more than $350 million annually.

Fiscal year 2002 will be affected by an Earned Income Credit (EIC). The EIC is based on a percentage of the federal credit. If the federal credit is changed, it could impact the state credit. This is not the only case where federal actions, including new legislation and new regulations, impact the state's fiscal position.

A recently enacted federal law and a rule change proposed by the U.S. Department of Health and Human Services is expected to impact the state's Medicaid reimbursements. These actions close a loophole that has allowed the state to capture an additional $200 million annually in federal funds. Under the new law and new regulation, Illinois would begin to lose a portion of these monies beginning in fiscal year 2006 (approximately $140 million) and phased out by fiscal year 2010.

Another example of federal actions that impact state revenues is the recent enactment of legislation that will phase out the federal estate tax over a ten-year period. The state currently administers an estate tax, which is commonly referred to as a "pick-up" tax because it equals the state credit permitted against the federal estate tax. It is estimated that the amount the state collects will begin decreasing in fiscal year 2003 until falling to zero in fiscal year 2007. In fiscal year 2001, the estate tax accounted for 1.5% of total General Funds revenues ($361 million).

The economic stimulus proposals currently under consideration in the Congress could have a dramatic impact on the State's corporate income tax. Both the House and Senate proposals include provisions that change depreciation rules thereby reducing federal taxable income - the starting point for the Illinois corporate income tax. The House provision would allow business to subtract immediately 30% of the cost of new investments in equipment or similar business property when figuring their federal taxable income rather than depreciating the costs of these investments over a number of years as under current law. This tax break would be in effect for the next three years. The Senate proposal has a similar, though smaller, "bonus depreciation" provision to allow firms to subtract 10% of the cost of new investments put in place next year.

According to the Center On Budget And Policy Priorities, the more generous House proposal could reduce Illinois corporate income tax liabilities by an estimated $350 million annually for the next three years while the Senate provision could cost the state $140 million next year. Because of the structure of the Illinois corporate income tax, about two-thirds of these losses would accrue to the state and the remainder to local governments. While there are efforts underway to get the federal government to reimburse states for the potential loss of tax revenue, it is not clear how successful those efforts will be or whether any replacement will be dollar-for-dollar.

Another factor that will need to be addressed by governments is the strong growth of sales over the Internet anticipated over the coming years. Most observers believe that Internet sales will continue an upward spiral. Many Internet shoppers do not pay sales taxes on their purchases. This phenomenon has the potential to significantly impact retail sales tax revenues.

Two of the major legislative packages passed by the General Assembly during its spring 1999 session were the Governor's Illinois FIRST initiative and changes to the state's gaming laws. When viewed as a whole, these packages are expected to reduce General Revenue Fund resources by an estimated $770 million (excluding debt service costs) from fiscal year 1999 through 2005. This estimated impact is comprised of $1.084 billion in additional resources and $1.854 billion in additional spending and transfers out (excluding debt service costs). The estimated reduction of resources should be considered a minimum since the cost of additional debt service cannot be determined.

On the spending side, future budgets will have to address legislatively guaranteed funding increases for education and the state's pension systems. A key element for funding pensions and education was the use of continuing appropriation authority to ensure that required payments are made each year. In fiscal year 2001, the sixth year of the pension funding legislation, state employer contributions totaled $1.4 billion. By fiscal year 2006, those contributions are expected to grow to $2.3 billion.

Legislation establishing a specific foundation level of funding of $4,100 per student was enacted in fiscal year 1998. The foundation level increased every year until reaching $4,425 in

Fiscal Climate *continued*

fiscal year 2001. Recent legislation established the foundation level at $4,560 for fiscal year 2002. Will the foundation level continue to be raised each year? There is considerable effort underway to revisit most aspects of state funding for education. Will future changes in education funding be accompanied by guarantees?

In addition to making room for these guarantees, future budgets will also likely face increased spending demands stemming from any economic downturn. Two programs that are certain to be affected by adverse economic conditions are Temporary Assistance to Needy Families (TANF) and Medicaid. Since the TANF program is new (July 1997), it has yet to be tested across a complete economic cycle. As a result, there is no experience with the program during recession.

On the other hand, the last decade provides ample evidence of the potential impact of increasing medical costs. While it appears that Section 25 deferred liabilities are still largely under control, the fact that there have been four consecutive increases suggests that continued efforts will be required to keep deferrals from again becoming a budgetary burden. This is especially applicable to the Medicaid program.

As noted earlier, there appears to be a pronounced relationship between the state's financial position and Section 25 deferred liabilities. During fiscal years 1999 and 2000, the deterioration in the GAAP balance was not as large as might be indicated by the growth of those liabilities. This was largely due to the economy's ability to exert enough positive influence to counteract the negative impact of the deferrals. In a faltering economy, however, the positive influences lessen while the deferrals remain. Those will have to be addressed in the budgetary process regardless of economic activity.

Future General Funds budgets might also be called upon to absorb the cost of recently enacted programs and program expansions that are currently being financed through other funds. For example, the state's Circuit Breaker program has traditionally been financed by payments from the General Revenue Fund. Effective January 1, 2001, that program was expanded and financed through a $35 million appropriation from the Tobacco Settlement Recovery Fund. Another example is the new three-year Earned Income Credit. Although the credit will reduce tax revenue (and is considered a tax expenditure as noted above), the program will also increase spending for income tax refunds. Those will be financed through a $35 million appropriation from the Tobacco Settlement Recovery Fund as well.

The Estimated Financial Impact of Illinois FIRST and Statutory Gaming Changes on the General Revenue Fund
(Millions of Dollars)

	Fiscal Year 1999	2000	2001	2002	2003	2004	2005
Estimated Resource Additions:							
Illinois FIRST:							
Elimination of the sales tax transfer to the Road Fund (assumes 4% growth)	0.0	25.0	105.5	109.8	114.1	118.7	123.5
Transfer from Horse Racing Fund	0.0	0.0	0.0	5.0	5.0	5.0	5.0
Liquor tax increase (a)	0.0	70.7	77.0	80.0	80.0	80.0	80.0
Total	0.0	95.7	182.5	194.8	199.1	203.7	208.5
Estimated Resource Reductions:							
Illinois FIRST:							
Reduction in Secretary of State spending from the Road Fund	0.0	50.0	50.0	50.0	50.0	100.0	100.0
Loss from Horse Racing Breakage	0.0	1.5	3.0	3.0	3.0	3.0	3.0
Maximum financial assistance for RTA (SCIP bonds)	0.0	0.0	16.0	35.0	54.0	73.0	93.0
Transfer to School Infrastructure Fund	0.0	30.0	60.0	0.0	60.0	60.0	60.0
Transfer to Motor Vehicle Lic. Plate Fund	0.0	10.0	0.0	0.0	0.0	0.0	0.0
Transfer to the Fund for Illinois' Future	285.0	15.0	260.0	0.0	0.0	0.0	0.0
Horse Racing:							
Hold harmless support - GRF support for Special Funds	0.0	22.5	25.3	32.8	34.9	34.9	34.9
Riverboat Gambling:							
Hold harmless support - Education	0.0	0.0	0.0	0.0	47.0	47.0	47.0
Total (excluding bond transfers)	285.0	129.0	414.3	120.8	248.9	317.9	337.9
Total Financial Impact (excluding bond transfers)	(285.0)	(33.3)	(231.8)	74.0	(49.8)	(114.2)	(129.4)
Additional transfers for debt service from increase in bond programs (b)	0.0	2.4	76.0	152.4	183.5	196.2	202.9

(a) Some of these amounts are being paid under protest.

(b) Debt service transfers specifically attributed to the Illinois FIRST program cannot be determined because all G.O. bonds are now sold under the Illinois FIRST logo. These amounts represent debt service only on bonds sold from October 1999 through November 2001, excluding refunding bonds.

Fiscal Climate *concluded*

The sizeable drop in both the GAAP balance and the cash-based budgetary balance serves as a stark reminder that past financial performance is no guarantee of future results. In the past, fiscal problems occurred when revenue growth slowed and spending pressures remained. Attention must continue to focus on lessons learned and on maintaining budget discipline.

Rainy Day Fund

In last year's Executive Summary, the need for an adequately financed rainy day fund was discussed stating that "there remains nagging concerns about whether the state is adequately prepared to deal with the next financial cycle." The State of Illinois discovered that because of the lack of a regularly funded rainy day fund, it was not prepared to deal with the economic downturn that started towards the end of fiscal year 2001.

In a perfect world, revenue estimates and economic forecasts would be completely accurate and program liabilities would be easily controlled and known well in advance. Obviously, no one wants to see the economy turn sour, but in and of itself, an economic downturn is not the problem. The real problem is failure to predict the downturn and adequately adjust revenue estimates accordingly in the first place. If economic conditions occur as anticipated, the budget will still be sound, even in the middle of a recession. But again, Illinois has fallen into the trap of overestimating revenues.

The state entered the economic slowdown of 1991 with relatively high General Revenue Fund balances and no payment delays, yet state government was totally unprepared for what was to come. Over the next two years, state finances went from bad to worse with record low balances, lengthy payment delays and record high lapse period spending before beginning to improve toward the end of fiscal year 1993. There are similarities in the fiscal climate that Illinois exists in today

As indicated above, the current recession has produced revenue shortfalls and extended payment delays that began in mid-fiscal year 2001 and persist half-way through fiscal year 2002.

One of the methods used by states to build financial reserves to deal with the unexpected is to establish rainy day (or budget stabilization) funds. Although the formulas used to determine deposits into and withdrawals from budget stabilization funds vary widely among the states, each has a common objective. During times of economic growth, revenue is set aside in these funds with the express purpose of providing a cushion to help states weather temporary fiscal emergencies. These states are simply following the common sense practice of putting money aside when revenue growth is healthy to help tide the state over during years of poor revenue growth.

By establishing reserves, rainy day funds provide more assurance that a budget plan can be accomplished and enhance budget stability. The existence of reserves reduces the likelihood that unexpected mid-year budget cuts will be needed and reduces the magnitude of such cuts if they cannot be avoided. In addition to providing critical cash management tools, rainy day funds can also provide a formal plan for dealing with revenue shortfalls rather than forcing ad hoc methods such as across the board appropriation cuts, delays in spending, or deferrals of obligations. In other words, rainy day funds do not take the place of budgetary discipline, they only provide the time necessary to make reasoned choices.

A rainy day fund can also serve as what economists call an automatic economic stabilizer. Revenues can be deposited into the fund during periods of strong economic growth and reinjected into the economy when an economic downturn causes revenues to lag.

In addition, a rainy day fund might reduce the interest the state pays on its bond issues. Bond rating agencies consider states with effective mechanisms for building financial reserves to be exhibiting fiscal discipline and preparedness for dealing with economic downturns. Although Illinois' bond ratings have been upgraded in recent years, analysts caution that the state's lack of reserves should be monitored closely.

Until recently, Illinois was the only major industrial state without some sort of budget stabilization fund. During its spring 2000 legislative session, the General Assembly enacted rainy day fund legislation. In order to serve its intended purpose, however, such a fund must have sufficient resources available and access to those resources. Illinois provided for a one-time transfer of leftover money from the state's Tobacco Settlement Recovery Fund at the beginning of fiscal year 2002, which totaled $226 million.

Legislation passed at the end of fiscal year 2001 allowed the Comptroller to transfer funds from the rainy day fund into the General Revenue Fund for cash flow purposes. Pursuant to this legislation, $226 million was transferred in November 2001. However, wide spread weakness in most revenue sources has forced revenue estimates to be revised downward and prompted the Governor to initiate budget reduction measures. Numerous budget cuts have been outlined resulting in decreases in services provided to Illinois citizens. That impact could have been mitigated or eliminated had the state put in place a regular funding mechanism for its rainy day fund during the just ended economic expansion.

The Public Accountability Project

The Illinois Office of Comptroller (IOC) continues to make it a priority to expand governmental accountability and financial reporting beyond financial data into the area of the performance measurement. This effort will improve the accountability of state governmental agencies to the public they serve by making sure that state resources are used efficiently and effectively to accomplish the purposes for which they were earmarked. This section of the Comprehensive Annual Financial Report (CAFR) contains reports from 57 of our largest state agencies that summarize the results achieved by the programs that they administer.

The format for these reports is Service Efforts and Accomplishments (SEA) reporting as suggested by the Governmental Accounting Standards Board (GASB), the agency designated to set standards for financial reporting by state and local governments. The goal of SEA reporting is to improve financial reports by linking the usual financial information with the performance (or results) of government programs.

SEA reporting reviews "Service Efforts" - the financial and other resources allocated to programs - and "Accomplishments" - quantifiable measurements of how well the programs have performed their missions. Recognizing the incompleteness of traditional financial reporting, the GASB is promoting experimentation by governments under their purview before issuing standards on SEA reporting. Through the IOC, Illinois has been designated by the GASB as an official "experimentation site" for SEA reporting.

Reading the Public Accountability Report

Building on prior years' experience, the fiscal year 2001 Public Accountability Report uses a slightly revised format, incorporating more program information into the agency

I. Narrative

The first part is an agency narrative, including a table that summarizes all programs administered by the agency along with the resources (or efforts), in terms of expenditures and staffing, dedicated to them. The narrative also gives the reader a brief description of the agency's mission and organization.

II. Mission and Organization

The second part lays out the purpose and aims of the program, giving the reader a simple understanding of the program through:

- A Mission Statement that gives a brief description of the purpose of the program;
- Goals or broad statements of the overall outcomes that the program was designed to accomplish; and
- Objectives that provide measurable targets describing the results that the program is expected to accomplish in the short term.

III. Data Table

The third section is a table containing data on the program's results or accomplishments, including:

- Outcome Indicators or measures of how well the program has addressed the stated goals;
- Output Indicators or activity measures, generally presenting the number of items or services produced;
- Input Indicators that measure the "effort" put into the program usually measured by actual expenditures and staffing; and
- Efficiency/Cost-Effectiveness Indicators, which are measurements of costs per unit of outputs or outcomes.

Both Outcome and Efficiency/Cost Effectiveness Indicators may also include "External Benchmarks" or comparisons to similar programs in other states (or a national/regional average or ranking).

The Goals of Public Accountability

The Public Accountability Report for fiscal year 2001 expands the coverage of the report to 57 (from 19 in fiscal year 1999 and 40 in fiscal year 2000) of the largest agencies in state government. The report offers information beyond the typical financial data on the programs administered by these agencies and raises important questions about what state government is and is not accomplishing.

In broad terms, the Public Accountability Project seeks to:

- Make state government more result-oriented.

State agencies should be judged on what they are accomplishing, rather than merely the volume of their activities.

SEA reporting enables agencies to measure the effectiveness of the services they provide to taxpayers and to gauge how their outcomes and efficiencies have changed over time and how they stack up against other entities offering the same services.

- Increase public awareness of the efficacy of state government programs.

Budget and financial information have traditionally been available. Information about the success or failure of certain services or programs is made public from time to time on a piecemeal basis. The Public Accountability Report aims to make comprehensive information about the results of state government programs available to the public and government decision-makers on an annual basis - in a simple, understandable format.

- Facilitate informed decision-making on the allocation of state resources.

A comprehensive review of the results attained by state government programs can bring about an approach to budgeting that allows programs to be judged by the results they produce. SEA reporting reveals whether a program is performing up to expectations as laid out in its mission and goals. Also, by comparing its resources and results to similar programs in other states or a national average (external benchmarking), SEA reporting can provide guidance as to whether our programs are performing up to standard and whether additional resources are warranted or necessary.

- Increase public accessibility to information on state government programs.

Accountability is impossible unless the public receives lucid information on the activities of government and then can avail themselves of opportunities to have input into decision-making. This report attempts to meet this need. Other avenues for both disseminating information and collecting input need to be explored. The IOC encourages all citizens to make suggestions for improving the report. The Public Accountability Report is available at the IOC's web site: http://www.ioc.state.il.us.

Explanatory Notes

Validity and reliability of self-reported SEA information.
The SEA reports contained in the Public Accountability Report are compiled by the state agencies and constitute self-reporting to the IOC under a format and standards established by the IOC. While the IOC has made every effort to obtain and report valid and reliable SEA information, the content of SEA reports is ultimately the responsibility of the agencies. The IOC does not verify or reconcile reported expenditures or performance data, including the funding and statutory sources reported by the agencies. None of the reported performance data has been audited, nor does it fall within the scope of the audit opinion.

The information provided has been reported or submitted by each agency unless explicitly noted otherwise. The verifiability and reliability of reported performance data remain a challenge for SEA reporting.

Reporting standards.
SEA reporting is in its experimental stages. (Illinois has been re-designated as an "experimental site" by GASB.) Therefore, at present, no generally accepted standards have been set for this type of reporting. The evolving process of performance reporting in Illinois is a part of the larger process for setting standards in the future.

Currency of performance data.
Please keep in mind that, while the figures on spending are current, data collection and reporting on the results or outcomes of government programs often take months or years. Thus some of the results reported here do not correlate to the year of spending; they do, however, provide a reflection of what our programs are accomplishing.

Service, Efforts and Accomplishments for Fiscal Year 2001

The Public Accountability Report contains detailed performance reviews of dozens of state programs administered by state agencies. The following summary looks at service efforts and accomplishments in the aggregate and supplies the reader with an outline of the report along with a sample of the information that is available here.

The Public Accountability Report separates state agencies into the same program areas that the governor uses in laying out his budget. Those are:

- Education
- Human Services
- Public Safety
- Environment and Business Regulation
- Economic Development and Infrastructure
- Government Services

Each section of the report begins with aggregate indicators of the efforts and accomplishments of the various programs that comprise that program area.

Service Efforts.

Service efforts are measured by the expenditures and the number of staff used on a program. The table below ranks, in terms of expenditures, the efforts of the State of Illinois in the program areas cited above. More information on the spending and staffing of state agencies and programs is available in the full report.

In fiscal year 2001, Human Services continued to rank as the largest sector of spending in the Illinois State budget, followed by Government Services and Education. Nonetheless, Human Services spending declined as a percentage of the total budget, as did spending for Education. Illinois' efforts, in terms of expenditures, increased for Economic Development and Infrastructure and Public Safety and increased slightly for Government Services and Environment and Business Regulation.

Accomplishments.

What was accomplished with the efforts and resources allocated to these various program areas? This part of the report reviews some of the big-picture outcomes that state programs are established to affect. By no means can state government efforts alone control these outcomes, but the results in these areas, particularly compared to other states or national averages, provide an important perspective on where Illinois stands and where more or different efforts are needed. The individual SEA reports of the state agencies in the body of the Public Accountability Report give a more detailed look at how our state programs are functioning.

Ranking Illinois' Efforts: Expenditures by Program Area
(Appropriated Spending in Millions)

Program Area	FY 2000	FY 2001	FY 2000 % of Budget	FY 2001 % of Budget
Human Services	**$12,720.2**	**$13,786.9**	**33.4%**	**33.3%**
Government Services	**$9,758.8**	**$10,789.1**	**25.7%**	**26.1%**
Education	**$8,540.7**	**$9,138.5**	**22.5%**	**22.1%**
Elementary and Secondary Education	$6,266.5	$6,656.9	16.5%	16.1%
Higher Education	$2,274.2	$2,481.6	6.0%	6.0%
Economic Development and Infrastructure	**$4,506.6**	**$4,967.0**	**11.8%**	**12.0%**
Economic Development	$1,232.9	$1,406.7	3.2%	3.4%
Infrastructure (Transportation)	$3,273.7	$3,560.3	8.6%	8.6%
Public Safety	**$1,699.4**	**$1,804.6**	**4.5%**	**4.4%**
Environment & Business Regulation	**$814.2**	**$905.5**	**2.1%**	**2.2%**
Environment	$664.3	$748.0	1.7%	1.8%
Business Regulation	$149.9	$157.5	0.4%	0.4%
Total	**$38,039.9**	**$41,391.6**	**100.0%**	**100.0%**

Numbers may not add due to rounding.

EDUCATION

Efforts

($ millions)	FY 2000	FY 2001	$ Change	% Change
Education (State Appropriated Funds)	**$8,540.7**	**$9,138.5**	**$597.8**	**7.0%**
Elementary and Secondary Education	**$6,266.5**	**$6,656.9**	**$390.4**	**6.2%**
Higher Education	**$2,274.2**	**$2,481.6**	**$207.4**	**9.1%**

Elementary and Secondary Education

Operating Expense Per Pupil (All Sources)

	1998-1999	1999-2000	2000-2001
City of Chicago SD 299	$7,826.92	$8,047.10	*
Suburban Cook	$8,567.91	$8,971.74	*
Collar Counties Include:			
DuPage	$7,500.68	$7,776.21	*
Kane	$6,560.25	$6,911.23	*
Lake	$7,922.88	$8,303.50	*
McHenry	$6,050.40	$6,364.98	*
Will	$5,935.10	$3,697.71	*
Average for Collar Counties	$7,050.39	$7,395.51	*
Downstate (all other counties)	$6,173.88	$6,478.66	*
State Averages by Type			
Elementary	$6,613.22	$6,958.75	*
High School	$10,304.77	$10,764.63	*
Unit	$6,815.95	$7,123.88	*
Illinois State Averages	**$7,146.12**	**$7,483.16**	*

Source: School District Annual Financial Report

** 2000-2001 data not available until March - April 2002.*

Results

Percent of Students NOT Meeting State Standards in Mathematics

	1999			2000			2001		
	3rd	**5th**	**8th**	**3rd**	**5th**	**8th**	**3rd**	**5th**	**8th**
Illinois	32%	44%	57%	31%	43%	53%	26%	39%	50%
Chicago	59%	72%	82%	62%	72%	49%	54%	68%	75%
Suburban Cook	26%	39%	51%	25%	38%	47%	22%	35%	45%
Collar Counties	19%	32%	46%	17%	29%	42%	15%	25%	38%
Downstate	26%	42%	56%	24%	38%	51%	20%	33%	47%

Source: Illinois State Board of Education

Percent of Students NOT Meeting State Standards in Writing

	1999			2000			2001		
	3rd	**5th**	**8th**	**3rd**	**5th**	**8th**	**3rd**	**5th**	**8th**
Illinois	44%	25%	41%	44%	29%	30%	42%	30%	39%
Chicago	69%	47%	65%	69%	50%	80%	66%	51%	59%
Suburban Cook	36%	18%	33%	37%	22%	23%	36%	23%	31%
Collar Counties	3%	16%	29%	32%	19%	22%	29%	18%	29%
Downstate	42%	24%	40%	43%	29%	30%	41%	31%	39%

Source: Illinois State Board of Education

Percent of Students NOT Meeting State Standards in Reading

	1999			2000			2001		
	3rd	**5th**	**8th**	**3rd**	**5th**	**8th**	**3rd**	**5th**	**8th**
Illinois	39%	40%	28%	38%	41%	28%	38%	41%	34%
Chicago	68%	63%	44%	67%	67%	43%	64%	66%	53%
Suburban Cook	32%	36%	32%	32%	37%	23%	33%	38%	31%
Collar Counties	26%	30%	21%	26%	30%	21%	27%	31%	26%
Downstate	32%	37%	26%	31%	37%	27%	32%	37%	33%

Source: Illinois State Board of Education

Higher Education

Results

Six-Year Graduation Rates (All Students and Student-Athletes)	All Students Beginning Study in 1994-1995	Student-Athletes Beginning Study in 1994-1995
National Average	**52%**	**54%**
Chicago State Univ.	12%	36%
Eastern Illinois Univ.	68%	71%
Illinois State Univ.	55%	54%
Northeastern Univ.	50%	52%
Northern Illinois Univ	47%	53%
Western Illinois Univ.	47%	69%
SIU - Carbondale	37%	59%
Univ. Of Illinois - Champaign	76%	72%
Univ. Of Illinois - Chicago	37%	57%

Source: 2001 NCAA Graduation Rates Report

Degrees Conferred by Illinois Colleges and Universities

	1980	1990	1999	2000
All Degrees	86,342	100,002	113,009	115,080
Associate Degrees	19,599	23,660	26,009	25,917
Bachelor's Degrees	44,020	49,863	53,542	55,232
Master's Degrees	16,406	19,655	26,233	26,937
Doctorate Degrees	1,887	2,421	2,674	2,484
Professional Degrees	4,430	4,403	4,551	4,510
Total Enrollment	551,379	530,248	533,553	533,884

Source: Illinois Board of Higher Education

Percent Population over 25 with Bachelor Degree or Higher

	1991	1995	1999	2000
National	21.4%	23.0%	25.2%	25.6%
Illinois	24.0%	24.6%	25.6%	27.1%

Source: U.S. Census Bureau

Median Annual Income by Level of Education

	1991	1995	1997	1998
Men:				
High School Graduate	$26,779	$29,510	$31,215	$31,477
Bachelor's Degree	$40,906	$45,266	$48,616	$51,405
Master's Degree	$49,734	$55,216	$61,690	$62,244
Doctorate Degree	$57,418	$65,336	$76,234	$75,078
Professional Degree	$73,996	$79,667	$85,011	$94,737
Women:				
High School Graduate	$18,836	$20,463	$22,067	$22,780
Bachelor's Degree	$29,079	$32,051	$35,379	$36,559
Master's Degree	$34,949	$40,263	$44,949	$45,283
Doctorate Degree	$43,303	$48,141	$53,037	$57,796
Professional Degree	$46,742	$50,000	$61,051	$57,565

Source: U.S. Department of Education

State Awards for Need-Based Undergraduate Scholarship and Grant Programs
(in millions)

	1990	1995	1997	1998	% change 1990-98
National Need-Based Aid	$1,529.4	$2,422.0	$2,555.7	$2,735.7	98.5%
Illinois Need-Based Aid	$171.4	$244.4	$272.9	$288.9	112.6%

Source: U.S. Department of Education

HUMAN SERVICES

Efforts

($ millions)	FY 2000	FY 2001	$ Change	% Change
Human Services	**$12,720.2**	**$13,786.9**	**$1,066.7**	**8.0%**

Results

Proportion of Earned Income to TANF Available to Work Caseload

	1999	2000	*2001
Average Number Employed	480,117	322,588	156,906
Average Monthly Caseload	1,037,329	706,024	368,869

Source: Illinois Department of Human Services

* Data from 1/01-9/01

Infant Mortality

(Deaths under age 1 per 1,000 live births)

	1980	1990	1995	1997
National Average	12.6	9.2	7.6	7.2
Illinois	14.8	10.7	9.4	8.4
White	11.7	7.9	7.2	6.4
Black	26.3	22.4	18.7	17.1
State Ranking	**47**	**44**	**44**	**38**

Source: Statistical Abstract of the United States, 2000

Life Expectancy

(At birth in years)

	1989-91	
	Illinois	**U. S.**
Male	71.34	71.83
Female	78.31	78.81
White	76.16	76.13
Black	67.46	69.16
Total	**74.90**	**75.37**

Illinois State Ranking: 35

Source: National Center for Health Statistics

Child Abuse and Neglect in Illinois

	1996	1997	1998	1999	2000	2001
Alleged Victims	125,221	119,447	114,011	106,903	103,573	100,413
Indicated Victims	44,465	41,833	36,858	33,805	32,746	28,868
Indicated Deaths	85	89	70	76	78	80

Source: Illinois Department of Children and Family Services

Births to Teenagers, Age 15-19

(Per 1,000 women)

	1991	1996	1998	1999
United States	62.1	54.4	51.1	49.6
Illinois	64.8	59.9	53.2	51.1
White	52.8	48.1	45.4	40.3
Black	115.5	91.4	85.3	105.2
Hispanic	106.7	101.8	93.7	102.2
State Ranking	**33**	**34**	**32**	**33**

Source: National Vital Statistics Report, Vol. 49

Percent of People without Health Insurance

	1990	1995	1999	2000
United States	13.9%	15.4%	14.3%	14.0%
Illinois	**10.9%**	**11.0%**	**13.0%**	**13.4%**
State Ranking	**18**	**11**	**21**	**29**

Source: U.S. Census Bureau

Incidence of Disease

		1990	2000	2001	
	U.S.	State Rank	State Rank	Illinois	State Rank
Heart Disease (Deaths per 100,000 population)	276.2	43	34	279.5	31
Cancer Cases (Cases per 100,000 population)	450.6	27	21	457.4	20
Infectious Disease (Cases per 100,000 population)	30.5	19	26	26.5	30

Source: United Health Group: State Health Ranking - 2000 Edition

PUBLIC SAFETY

Efforts

($ millions)	FY 2000	FY 2001	$ Change	% Change
Public Safety	**$1,699.4**	**$1,804.6**	**$105.2**	**6.2%**

Results

Violent Crimes in Illinois
(Crimes per 100,000 population)

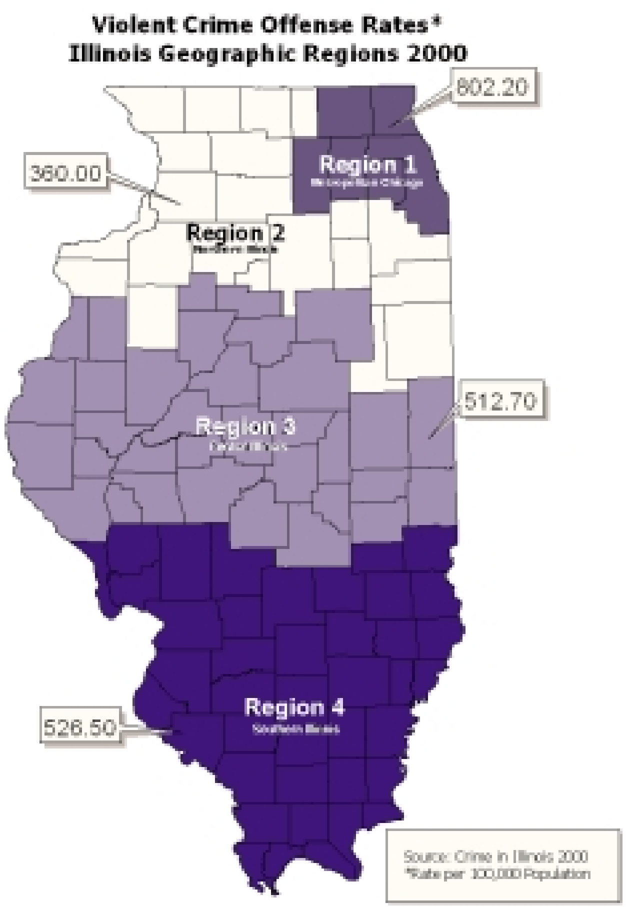
	1990	1995	1999	2000
Statewide	980.0	1,030.3	702.6	672.5
Chicago Metro Area	1,325.7	1,237.2	725.4	680.2
Northern Illinois	1,355.9	1,266.4	842.4	802.2
Western Illinois	400.3	578.9	375.2	360.0
Central Illinois	379.0	733.9	525.3	512.7
Southern Illinois	392.4	658.4	545.5	526.5

Source: Crime in Illinois 1990, 1995, 1999, 2000

Types of Violent Crime
(Crimes per 100,000 population)

	1990	1995	1999	2000
Assault	520.6	624.7	427.0	410.0
Robbery	393.1	333.6	216.4	207.6
Criminal Sexual Assault	56.0	61.6	51.5	47.7
Murder	10.3	10.4	7.7	7.2

Source: Crime in Illinois 1990, 1995, 1999, 2000



Murders: Percent Attributed to Firearms

	1990	1995	1999	2000
United States	65.9%	69.0%	N/A	N/A
Illinois	67.3%	66.7%	72.4%	71.0%

Source: U.S. Centers for Disease Control and Prevention

Prisons: Recidivism Rates
(Inmates returned to custody within three years of prior release)

	1995	1997	1998
United States	34.7%	34.2%	32.7%
Illinois Corrections			
Adult Inmates	40.1%	43.7%	44.1%
Juveniles	29.2%	35.8%	35.8%

Source: Illinois Department of Corrections and Corrections Yearbook

Property Crime Rates
(Property crimes per 100,000 population)

	1990	1995	1999	2000
Total	**4,969.9**	**4,585.7**	**3,900.5**	**3,725.3**
Theft	3,229.7	3,108.1	2,698.3	2,586.3
Burglary	1,052.7	914.6	707.5	659.6
Motor Vehicle Theft	645.1	532.9	468.1	455.3
Arson	42.3	30.3	26.6	24.1

Source: Crime in Illinois, 1990, 1995, 1999, 2000

Deaths from Fires
(Deaths per 100 fires)

	1990	1995	1999	2000
United States	5,195	4,585	3,570	4,045
Illinois	318	168	180	146
Civilians	317	167	178	145
Firefighters	1	1	2	1

Source: Federal Emergency Management Agency and Office of the State Fire Marshal

ENVIRONMENT AND BUSINESS REGULATION

Efforts

($ millions)	FY 2000	FY 2001	$ Change	% Change
Environment & Business Regulation	**$814.2**	**$905.5**	**$91.3**	**11.2%**
Environment	**$664.3**	**$748.0**	**$83.7**	**12.6%**
Business Regulation	**$149.9**	**$157.5**	**$7.6**	**5.1%**

Results

Environment

Illinois Environmental Rankings for 2000

	Illinois	State Rank
Air Quality		
(Percent of population living in counties that exceed air quality standards, 1999)	69.8%	42
Carbon Dioxide Emissions from Fossil Fuel Use		
(Pounds per capita of carbon dioxide generated by fossil fuel use, 1997)	1,088.40	20
Emissions-to-Job Ratio		
(Pounds of toxic chemical emissions per manufacturing job, 1997)	131.1	25
Energy Consumption		
(Millions of BTUs consumed per capita from all energy sources)	324.7	17
Change in Energy Consumption		
(Percent change in per capita energy consumption from 1992 to 1997	8.30%	19
Carcinogens in Water		
(Grams per capital of carcinogenic toxins directly discharged to water, 1992-96)	19.33	17
Hazardous Waste Generated		
(Pounds per capita produced, 1997)	366.5	43
Solid Waste Generated		
(Pounds per capita produced, 1998 and 1999)	2,228.7	24
Solid Waste Recycled		
(Percent of solid waste recycled, 1996)	23%	24

Source: ***Gold and Green 2000****, Institute for Southern Studies*

Percent of Waterways in Good Condition

	1990	1995	1999	2000
National Average	N/A	64.0%	N/A	N/A
Illinois	43.4%	54.4%	59.3%	63.3%

Source: Illinois Environmental Protection Agency

Percentage of Days with Good or Moderate Air Quality
(Illinois Metropolitan Areas)

	1990	1995	1999	2000
Illinois	92.1%	91.2%	92.9%	97.5%
Chicago Metro	98.6%	93.7%	96.7%	99.7%
Metro East	95.3%	94.8%	97.0%	98.9%

Source: Illinois Environmental Protection Agency

Business Regulation

Financial Condition of Key Business Groups

	1990	1995	2000	2001
Percentage of Thrift Institutions in Good Financial Condition	N/A	100.0	93.1	94.0
Percent of Insurance Companies in Receivership - 10-year rolling average				
Life and Health Companies	N/A	N/A	0.45	0.45
Property and Casualty Companies	N/A	N/A	0.44	0.52
Health Maintenance Organizations (HMOs)	N/A	N/A	1.33	0.3

Source: IL Dept. of Insurance

Regulation of Horse Racing
(in thousands)

	1990	1995	2000	2001
Total State Revenue from Racing	$47.8	$44.0	$21.6	$17.2
Total wagering on horse races	$1,280.9	$1,424.5	$1,655.8	$1,764.3
Illinois wagering on Illinois races	$1,239.1	$1,099.9	$372.1	$369.1
Illinois wagering on out-of-state races	$23.0	$91.5	$727.2	$731.8
Out-of-state wagering on Illinois races	$18.8	$233.1	$556.5	$663.4

Source: Illinois Racing Board

Regulation of Licensed Professionals

	2000	2001
Licensees Place on Probation	504	572
Cases Resulting in Disciplinary Orders	4379	5004
Total Licenses	702,541	709,036

Source: IL Dept.of Professional Regulation

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE (TRANSPORTATION)

Efforts

($ millions)	FY 2000	FY 2001	$ Change	% Change
Economic Development and Infrastructure	**$4,506.6**	**$4,967.0**	**$460.4**	**10.2%**
Economic Development	**$1,232.9**	**$1,406.7**	**$173.8**	**14.1%**
Infrastructure (Transportation)	**$3,273.7**	**$3,560.3**	**$286.6**	**8.8%**

Economic Development

Results

Personal Income
(Per capita income and percentage growth)

	1990	1995	1999	2000
Income				
United States	$19,584	$23,272	$27,859	$29,451
Illinois	$20,756	$25,375	$30,274	$31,842
State Ranking	**10**	**7**	**7**	**10**
Percentage Growth				
United States	5.5%	4.1%	3.5%	5.7%
Illinois	5.7%	4.7%	2.7%	5.2%
State Ranking	**24**	**11**	**36**	**25**

Source: Bureau of Economic Analysis

Unemployment Rate

	1990	1995	1999	2000
United States	5.6%	5.6%	4.2%	4.0%
Illinois	6.2%	5.2%	4.3%	4.4%
Chicago Metro Area	6.0%	5.1%	4.1%	4.2%
State Ranking	**40**	**26**	**27**	**38**

Source: Illinois Department of Employment Security

Poverty Rate
(Percent of population in poverty)

	1990	1995	1999	2000
United States	13.5%	13.8%	11.8%	11.3%
Illinois	13.7%	12.4%	9.9%	11.4%
State Ranking	**30**	**21**	**32**	**N/A**

Source: U.S. Census Bureau

Economic Rankings in 2000

	Results	Rank
Overall State Economic Ranking	-	26
Business Start-ups (per 1,000 workers)	6.3	13
Disability Benefits (Workers' compensation: maximum weekly total disability benefits)	$899.91	2
Employment Growth (1994-1999 change in average annual nonfarm employment)	9.0%	41
Income Gap between Rich and Poor (Ratio of average family income of wealthies 20% vs poorest 20%, 1994-96)	10.3	37
Unemployment Duration (Percent of unemployed for more than 27 weeks, but still looking for work, 1998)	15.5%	38
Youth (age 16-19) Unemployment rate	12.5%	21
Percent of African Americans and Latinos holding higher-paying jobs	19.8%	23
Percent of jobs held by women that are higher-paying jobs	16.5%	16
Workplace deaths (Traumatic deaths occurring at work, per 100,000 workers, 1992-96)	4.4	18

Source: Gold and Green 2000, Institute for Southern Studies
Based on most recent data available.

Ilinois Exports
(in billions)

	1990	1995	1999	2000
United States	N/A	$583.0	$692.8	$780.4
Illinois	N/A	$32.6	$33.2	$34.4
Percent of U.S.	N/A	5.6%	4.8%	4.4%
State Ranking	N/A	5	6	6

Source: Miser Trade 2000

Agricultural Exports
(in billions)

	1990	1995	1999	2000
United States	$39.5	$56.3	$49.1	$51.6
Illinois	$3.2	$3.4	$2.8	$3.0
Percent of U.S.	8.10%	6.00%	5.70%	5.80%
State Ranking	3	3	5	6

Source: USDA Economic Research Service

Transportation

Results

Illinois Traffic Fatalities
(Deaths per 100 million miles driven)

	1990	1995	1999	2000
United States	2.1	1.7	1.6	*1.5
Illinois	1.9	1.7	1.4	1.4
Southern	2.4	2.1	1.9	1.9
Chicago Metro Area	1.7	1.4	1.2	1.2
Northern	1.8	2.4	1.7	1.6
Western	2.5	2.1	2.1	1.6
Central	2	2	1.5	1.2
Eastern	2.5	2.2	1.9	1.5
Southern	2.4	2.1	1.9	1.9
State Rank	33	32	32	32

Source: Federal Highway Administration
* Provisional

Delays due to Traffic Congestion
(Chicago Area)

	1990	1995	1998	1999
Annual Hours of Delay per Capita	23.4	27.8	33.7	33.6
Freeways	12.6	14.5	16.5	16.6
Major Streets and Roads	10.8	13.3	17.2	17
State Rank	17	24	21	23
Percent of Daily Travel in Congestion	23%	36%	40%	40%
State Rank	6	5	3	3

Source: 2001 Urban Mobility Report, Texas Transportation Institute. Ranks 68 metropolitan areas by various measures of road congestion.

Illinois Roads and Bridges in Need of Repair

	1990	1995	1999	2000
Miles of Road	2,124	2,072	1,893	1,784
Bridges	882	874	881	693

Source: Illinois Department of Transportation

State System Pavement Condition Centerline Miles

	1990		1995		1999	
	Miles	Percent	Miles	Percent	Miles	Percent
Excellent	3,956	23%	5,102	31%	4,911	30%
Good	4,430	26%	4,353	26%	5,335	33%
Fair	6,675	39%	5,402	33%	4,659	28%
Poor	1,869	11%	1,719	10%	1,548	9%
Total	16,930	100%	16,576	100%	16,453	100%

Source: Illinois Department of Transportation

Modes of Transportation

	1990	1995	2000	2001	% Change 1990-2001
Amtrak Ridership	22,186,300	20,724,862	22,517,264	23,493,783	5.89%
Commercial Air Passengers Enplaned (O'Hare/Midway/Meigs)	33,010,228	36,597,132	42,005,153	*43,800,000	32.69%
Public Transportation Ridership (Bus and rail, upstate and downstate)					
Downstate Urban Total Ridership	23,753,777	23,855,659	28,595,295	30,204,168	27.16%
Northeastern Illinois Total Ridership	681,048,898	556,035,549	568,402,116	574,309,927	-15.67%

Source: Amtrack Finance, FAA and Regional Transportation Authority
* estimated for 2001

Illinois Licensed Drivers and Registered Vehicles

	1990	1995	1999	2000	% Change 1990-2001
Licensed Drivers (millions)	7.29	7.65	7.94	8.46	16.0%
State Rank	7	7	7	7	
Registered Vehicles (millions)	8.07	8.64	9.29	9.54	18.2%
State Rank	7	6	7	6	
Illinois Vehicle Miles Traveled (billions)	83.64	94.32	102.19	102.94	23.10%

Source: Federal Highway Administration

GOVERNMENT SERVICES

Efforts

($ millions)	FY 2000	FY 2001	$ Change	% Change
Government Services	**$9,758.8**	**$10,789.1**	**$1,030.3**	**10.6%**

Results

Electoral Participation - Percent of Eligible Population Casting Votes

	1992	1996	1998	2000
United States	55.1%	49.1%	36.4%	51.3%
Illinois	58.9%	49.3%	38.8%	52.8%
State Rank	N/A	**30**	**26**	**28**

Source: Federal Election Commission

Other Measures of State Government

	1990	1995	2000	2001
State and local taxes as a percent of personal income	5.5%	5.3%	5.9%	5.6%

Source: U.S. Department of Commerce

Distribution of Lottery and Riverboat Gaming Receipts
($ millions)

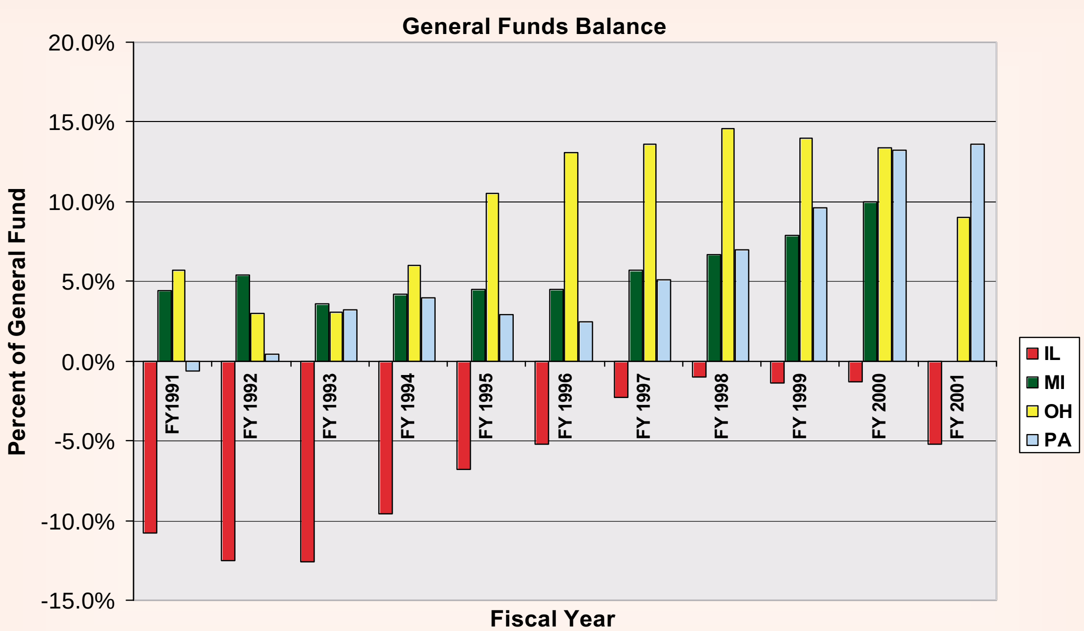
	1990		1995		2000		2001	
	$	%	$	%	$	%	$	%
Lottery Receipts - Total	$1,523.0		$1,630.0		$1,504.0		$1,450.0	
Transfers to Common School Fund	$594.0	39.0%	$588.0	36.1%	$515.3	34.3%	$501.0	34.6%
Prizes	$779.0	51.2%	$876.0	53.7%	$831.2	55.3%	$791.8	54.6%
Retailer and Vendor Commissions	$98.0	6.4%	$107.0	6.6%	$97.0	6.4%	$95.0	6.6%
Operations Expenditures	$52.0	3.4%	$59.0	3.6%	$60.4	4.0%	$61.0	4.3%
State Gaming Fund - Total	$0.0		$266.0		$475.5		$529.0	

Source: Lottery Department and Comptroller's Records

Measures of E-Government

	1995	2000	2001
Percentage of individual income tax returns filed electronically	3.5%	19.2%	22.4%
EFT collections as percentage of Dept. of Revenue receipts	25.0%	38.3%	42.9%
Percentage of paperless commercial vouchers processed	0.0%	93.5%	93.7%

Source: Illinois Comptroller's Office and Department of Revenue



Note: 2001 figures reflect the implementation of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* and Statement 36, *Recipient Reporting for Certain Shared Nonexchange Transactions*; therefore they may not be precisely comparable to prior year figures. 2001 figures for Michigan were unavailable at time of publication.