

Comptroller's Quarterly

LESLIE GEISSLER MUNGER, COMPTROLLER

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EXPENDITURES DOWN, REVENUES WEAKEN AS BUDGET STALEMATE CONTINUES

Regressing income tax collections overshadowed growing sales tax receipts, and the ongoing absence of a full operating budget kept expenditures down in the third quarter of fiscal year 2016.

Going into the fiscal year, Illinois only had an appropriations bill for some elementary and secondary education spending. The Legislature and Governor have since authorized some additional budget lines, but the majority of this year's General Funds expenditures have been vouchered under spending authority granted by a slew of consent decrees, court orders, and continuing appropriations.

Many providers whose services are not covered by those funding mechanisms have reported dire situations at the local level brought on by the interruption of state payments. Social service providers have already cut programs and staff positions, and others still may have to unless the impasse is brought to an end. Some state facilities face the prospect of having their

utilities shutoff because their accounts are in arrear, and in many cases the utility is publicly owned.

It is unclear how or when providers that have serviced the state throughout fiscal year 2016 despite absent appropriations will be honored. It is also not known if the Legislature will send the Governor additional fiscal year 2016 appropriations bills, or if a fiscal year 2017 budget will be ready by July 1, 2016.

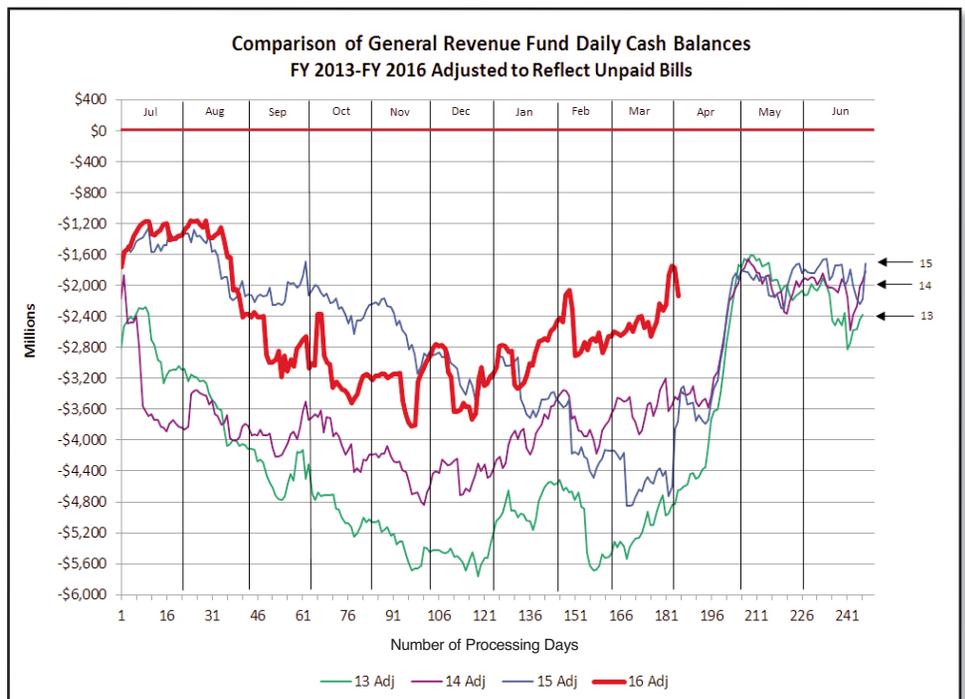
These, and more, uncertainties make it difficult to forecast the state's budgetary balance at the end of the fourth quarter. However, the Comptroller expects Prompt Payment Interest liabilities to be higher than they have been at any other point in the state's history. While the spring months are periods of higher revenue receipts, the Comptroller plans to use a fair portion of those monies to make a pension contribution that was skipped earlier this fiscal year so she could comply with court orders.

QUARTERLY HIGHLIGHTS

Because some Judicial actions call for government services in fiscal year 2016 to be funded at levels at least comparable to fiscal year 2015 - a budget that did not address the income tax rate reductions of Jan. 1, 2015 - and because General Funds base revenues continued to decline in the third quarter, there was insufficient cash available for the Comptroller to make timely payments from the General Revenue Fund.

At the end of the third quarter the General Revenue Fund had a cash balance of -\$2.139 billion when adjusted to reflect outstanding vouchers.

The General Funds payables backlog was worth roughly \$3.049 billion on the last day of the third quarter. This represented a decrease of \$2.638 billion compared to the same day a year ago. The third quarter's outstanding



payables were also \$943 million less than they were at the close of the second quarter. The Comptroller estimates another \$3.8 billion in vouchers were held at the agencies, which would put the third quarter's outstanding General Funds payables closer to \$6.849 billion.

BASE REVENUES

Expiration of the temporary income tax rate increase at the beginning of calendar year 2015 continued to result in a decline in income tax revenues. Total General Funds revenues deteriorated further through the third quarter, and more than offset the growth in sales tax, insurance taxes and fees and federal sources. General Funds total base revenues through the third quarter of fiscal year 2016 decreased \$2.387 billion, or 9.7 percent. Factors impacting the state's base revenues so far this year include:

- **INCOME TAX:** Individual income tax receipts are down by \$2.017 billion (18.0 percent) compared to the same time in fiscal year 2015 while corporate income tax revenues have fallen by \$474 million (26.7 percent). It should be noted that \$669 million of income tax revenues were deposited into new funds dedicated to education and human services programs compared to \$182 million this time last year.
- **SALES TAX:** Through the third quarter, sales tax revenues increased by \$39 million (0.7 percent). March receipts grew by \$40 million, which can largely be attributed to the timing of the Easter holiday which occurred in April last year.
- **TRANSFERS:** Compared to this time last year, transfers in have increased \$5 million. Lottery Fund transfers were up \$9 million and riverboat gambling transfers decreased \$10 million. It is important to note that transfers from the Budget Stabilization Fund are excluded from

base revenue analysis.

- **FEDERAL REVENUE:** Fewer Medicaid bills eligible for reimbursement were paid from General Funds this quarter, which reduced the growth in federal revenues to \$203 million (10.4 percent).
- **OTHER RECEIPTS:** All other state receipts are down \$143 million (6.0 percent) from the previous fiscal year. Insurance taxes and fees increased \$29 million and inheritance tax collections were up \$15 million; but court settlements reached by the Office of the Attorney General's declined \$117 million and public utility taxes are down \$55 million.

BASE EXPENDITURES

General Funds base spending – payments released by the Comptroller – decreased by \$2.295 billion (9.3 percent) through the nine months of fiscal year 2016. Warrants issued, including prior year adjustments, declined by \$2.115 billion while transfers out decreased by \$180 million. General Funds appropriations through March are down \$4.337 billion from the prior year due to the lack of a complete budget. Agencies with the largest decline are higher education agencies (excluding the State University Retirement System), down \$1.922 billion, and the Department of Central Management Services a decrease of \$1.575 billion (most of which is used to fund state employee and retiree health insurance).

- **SOCIAL SERVICES:** Vouchers presented by the Department of Healthcare and Family Services (primarily for Medicaid spending) were down \$1.654 billion (30.2 percent) in nine months. The Department on Aging spending was down \$209 million (30.4 percent). Expenditures at the Department of Children and Family Services were down \$54 million (9.6 percent) through the third quarter of the fiscal year. However, the Department of Human Services vouchers submitted

were up \$3 million (0.1 percent).

- **EDUCATION:** The State Board of Education expenditures were down \$59 million (1.2 percent) through March compared to the same timeframe in fiscal year 2015. General Funds appropriations for General State Aid for schools decreased this fiscal year, but \$446 million was appropriated from the new fund that receives a portion of the income tax. Vouchers presented by higher education agencies, excluding the retirement system, were down \$1.769 billion or 98.8 percent.
- **RETIREMENT SYSTEMS:** Teachers Retirement System expenditures were up \$217 million (8.1 percent) so far this year. Vouchers from the State Employees Retirement System were up \$170 million (19.7 percent), and State University Retirement System spending declined \$117 million (10.0 percent).
- **ALL OTHER:** Of all the major agencies, the Department of Central Management Services had the largest decline in vouchers presented to the Comptroller. Most of the \$1.311 billion (98.8 percent) decrease is attributable to a lack of appropriation for state employee health insurance bills. Spending also decreased at the Dept. of Corrections by \$255 million (25.9 percent) through March due to the lack of a complete budget.
- **TRANSFERS OUT:** Third quarter transfers out declined by \$180 million (5.2 percent) compared to fiscal year 2015. The bulk of the decline was seen in transfers to the Healthcare Provider Relief Fund, which decreased by \$141 million. ■

GENERAL FUNDS TRANSACTIONS
(Dollars in Millions)

	March		Change	Nine Months		Change	
	2015	2016		FY 2015	FY 2016	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 204	\$ 365	\$ 161	\$ 74	\$ 621	\$ 547	739.2 %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 1,186	\$ 1,070	\$ (116)	\$ 11,203	\$ 9,186	\$ (2,017)	(18.0) %
Corporate	483	367	(116)	1,775	1,301	(474)	(26.7)
Total, Income Taxes	1,669	1,437	(232)	12,978	10,487	(2,491)	(19.2)
Sales Taxes	601	641	40	5,977	6,016	39	0.7
Other Sources:							
Public Utility Taxes	124	85	(39)	764	709	(55)	(7.2)
Cigarette Taxes	35	30	(5)	264	265	1	0.4
Inheritance Tax (gross)	36	17	(19)	240	255	15	6.3
Liquor Gallonage Taxes	11	12	1	126	127	1	0.8
Insurance Tax and Fees	37	49	12	220	249	29	13.2
Corporation Franchise Tax and Fees	15	18	3	158	158	0	0.0
Investment Income	2	3	1	18	17	(1)	(5.6)
Cook County IGT	0	0	0	150	150	0	0.0
Other	46	47	1	463	330	(133)	(28.7)
Total, Other Sources	306	261	(45)	2,403	2,260	(143)	(6.0)
Total, Cash Receipts	\$ 2,576	\$ 2,339	\$ (237)	\$ 21,358	\$ 18,763	\$ (2,595)	(12.2) %
Transfers In:							
Lottery Fund	\$ 68	\$ 70	\$ 2	\$ 478	\$ 487	\$ 9	1.9 %
State Gaming Fund	29	26	(3)	247	237	(10)	(4.0)
Other Funds	82	35	(47)	488	494	6	1.2
Total, Transfers In	\$ 179	\$ 131	\$ (48)	\$ 1,213	\$ 1,218	\$ 5	0.4 %
Total, State Sources	\$ 2,755	\$ 2,470	\$ (285)	\$ 22,571	\$ 19,981	\$ (2,590)	(11.5) %
Federal Sources	\$ 333	\$ 211	\$ (122)	\$ 1,949	\$ 2,152	\$ 203	10.4 %
Total, Base Revenues	\$ 3,088	\$ 2,681	\$ (407)	\$ 24,520	\$ 22,133	\$ (2,387)	(9.7) %
Short Term Borrowing	0	0	0	0	0	0	0.0
Transfer from Budget Stabilization Fund	0	0	0	275	125	(150)	(54.5)
Total, Revenues	\$ 3,088	\$ 2,681	\$ (407)	\$ 24,795	\$ 22,258	\$ (2,537)	(10.2) %
Expenditures:							
By Agency:							
Healthcare and Family Services	\$ 854	\$ (320)	\$ (1,174)	\$ 5,468	\$ 3,814	\$ (1,654)	(30.2) %
State Board of Education	861	915	54	5,001	4,942	(59)	(1.2)
Human Services	175	259	84	2,567	2,570	3	0.1
Teachers Retirement	298	321	23	2,686	2,903	217	8.1
University Retirement System	258	89	(169)	1,168	1,051	(117)	(10.0)
All Other Higher Education	82	2	(80)	1,790	21	(1,769)	(98.8)
Corrections	91	72	(19)	984	729	(255)	(25.9)
State Employees Retirement System	95	111	16	865	1,035	170	19.7
Central Management Services	141	3	(138)	1,327	16	(1,311)	(98.8)
Children and Family Services	70	57	(13)	565	511	(54)	(9.6)
Aging	67	79	12	687	478	(209)	(30.4)
State Police	17	18	1	226	175	(51)	(22.6)
All Other	114	105	(9)	1,280	1,044	(236)	(18.4)
Total	\$ 3,123	\$ 1,711	\$ (1,412)	\$ 24,614	\$ 19,289	\$ (5,325)	(21.6) %
Regular Transfers Out	341	352	11	3,480	3,300	(180)	(5.2)
Prior Year Adjustments	(1)	(1)	0	(10)	(10)	0	0.0
Vouchers Payable Adjustment	(376)	474	850	(3,420)	(210)	3,210	N/A
Total, Base Expenditures	\$ 3,087	\$ 2,536	\$ (551)	\$ 24,664	\$ 22,369	\$ (2,295)	(9.3) %
Transfers to Repay Budget Stabilization	0	0	0	0	0	0	0.0
Transfers to Repay Interfund Borrowing	0	0	0	0	0	0	0.0
Transfers to Repay Short-Term Borrowing	0	0	0	0	0	0	0.0
Total, Expenditures	3,087	2,536	(551)	24,664	22,369	(2,295)	(9.3)
AVAILABLE CASH BALANCE, ENDING	\$ 205	\$ 510	\$ 305	\$ 205	\$ 510	\$ 305	148.8 %

GENERAL REVENUE FUND TRANSACTIONS
(Dollars in Millions)

	March		Change	Nine Months		Change	
	2015	2016		FY 2015	FY 2016	Amount	Percent
AVAILABLE CASH BALANCE, BEGINNING	\$ 101	\$ 87	\$ (14)	\$ 12	\$ 490	\$ 478	3,983.3 %
Revenues:							
State Sources:							
Cash Receipts:							
Income Taxes:							
Individual	\$ 1,099	\$ 987	\$ (112)	\$ 10,386	\$ 8,466	\$ (1,920)	(18.5) %
Corporate	448	340	(108)	1,645	1,206	(439)	(26.7)
Total, Income Taxes	1,547	1,327	(220)	12,031	9,672	(2,359)	(19.6)
Sales Taxes	451	481	30	4,490	4,519	29	0.6
Other Sources:							
Public Utility Taxes	116	79	(37)	701	648	(53)	(7.6)
Cigarette Taxes	25	21	(4)	194	192	(2)	(1.0)
Inheritance Tax (gross)	36	17	(19)	240	255	15	6.3
Liquor Gallonage Taxes	11	12	1	126	127	1	0.8
Insurance Tax and Fees	37	49	12	220	249	29	13.2
Corporation Franchise Tax and Fees	15	18	3	158	158	0	0.0
Investment Income	2	3	1	18	17	(1)	(5.6)
Cook County IGT	0	0	0	150	150	0	0.0
Other	46	47	1	460	326	(134)	(29.1)
Total, Other Sources	288	246	(42)	2,267	2,122	(145)	(6.4)
Total, Cash Receipts	\$ 2,286	\$ 2,054	\$ (232)	\$ 18,788	\$ 16,313	\$ (2,475)	(13.2) %
Transfers In	82	35	(47)	486	493	7	1.4
Total, State Sources	\$ 2,368	\$ 2,089	\$ (279)	\$ 19,274	\$ 16,806	\$ (2,468)	(12.8) %
Federal Sources	\$ 333	\$ 211	\$ (122)	\$ 1,949	\$ 2,152	\$ 203	10.4 %
Total, Base Revenues	\$ 2,701	\$ 2,300	\$ (401)	\$ 21,223	\$ 18,958	\$ (2,265)	(10.7) %
Short Term Borrowing	0	0	0	0	0	0	0.0
Transfer from Budget Stabilization Fund	0	0	0	275	125	(150)	(54.5)
Total, Revenues	\$ 2,701	\$ 2,300	\$ (401)	\$ 21,498	\$ 19,083	\$ (2,415)	(11.2) %
Expenditures:							
By Agency							
Healthcare and Family Services	\$ 854	\$ (320)	(1,174)	\$ 5,468	3,814	(1,654)	(30.2)
State Board of Education	449	492	43	1,701	1,769	68	4.0
Human Services	175	259	84	2,567	2,570	3	0.1
University Retirement System	257	89	(168)	1,165	1,051	(114)	(9.8)
All Other Higher Education	49	1	(48)	447	10	(437)	(97.8)
Corrections	91	72	(19)	984	729	(255)	(25.9)
State Employees Retirement System	95	111	16	865	1,035	170	19.7
Central Management Services	141	3	(138)	1,327	16	(1,311)	(98.8)
Children and Family Services	70	57	(13)	565	511	(54)	(9.6)
Aging	67	79	12	687	478	(209)	(30.4)
State Police	17	18	1	226	175	(51)	(22.6)
All Other	120	105	(15)	1,322	1,049	(273)	(20.7)
Total	\$ 2,385	\$ 966	\$ (1,419)	\$ 17,324	\$ 13,207	\$ (4,117)	(23.8) %
Regular Transfers Out	810	824	14	7,231	6,304	(927)	(12.8)
Prior Year Adjustments	(1)	(1)	0	(10)	(10)	0	0.0
Vouchers Payable Adjustment	(493)	474	967	(3,136)	(52)	3,084	N/A
Total, Base Expenditures	\$ 2,701	\$ 2,263	\$ (438)	\$ 21,409	\$ 19,449	\$ (1,960)	(9.2) %
Transfers to Repay Budget Stabilization	0	0	0	0	0	0	0.0
Transfers to Repay Interfund Borrowing	0	0	0	0	0	0	0.0
Transfers to Repay Short-Term Borrowing	0	0	0	0	0	0	0.0
Total, Expenditures	2,701	2,263	(438)	21,409	19,449	(1,960)	(9.2)
AVAILABLE CASH BALANCE, ENDING	\$ 101	\$ 124	\$ 23	\$ 101	\$ 124	\$ 23	22.8 %