

**FACTS ABOUT THE STATE OF ILLINOIS
FY2009 PROPOSED OPERATING BUDGET
September 26, 2008**

Governor Blagojevich proposed his Fiscal Year 2009 budget on February 20, 2008. This provides a brief overview of the highlights of that budget proposal. As of this writing, the Governor and General Assembly continue to work on implementing a final budget.

What is the State Fiscal Year?

The State fiscal year begins on July 1 and ends on June 30.

What is the Size of the State Budget?

Governor Blagojevich proposed a FY2009 operating budget of \$49.7 billion. This is an increase of \$654.6 million, or 1.3%, over the FY2008 originally proposed appropriation of \$49.1 billion.

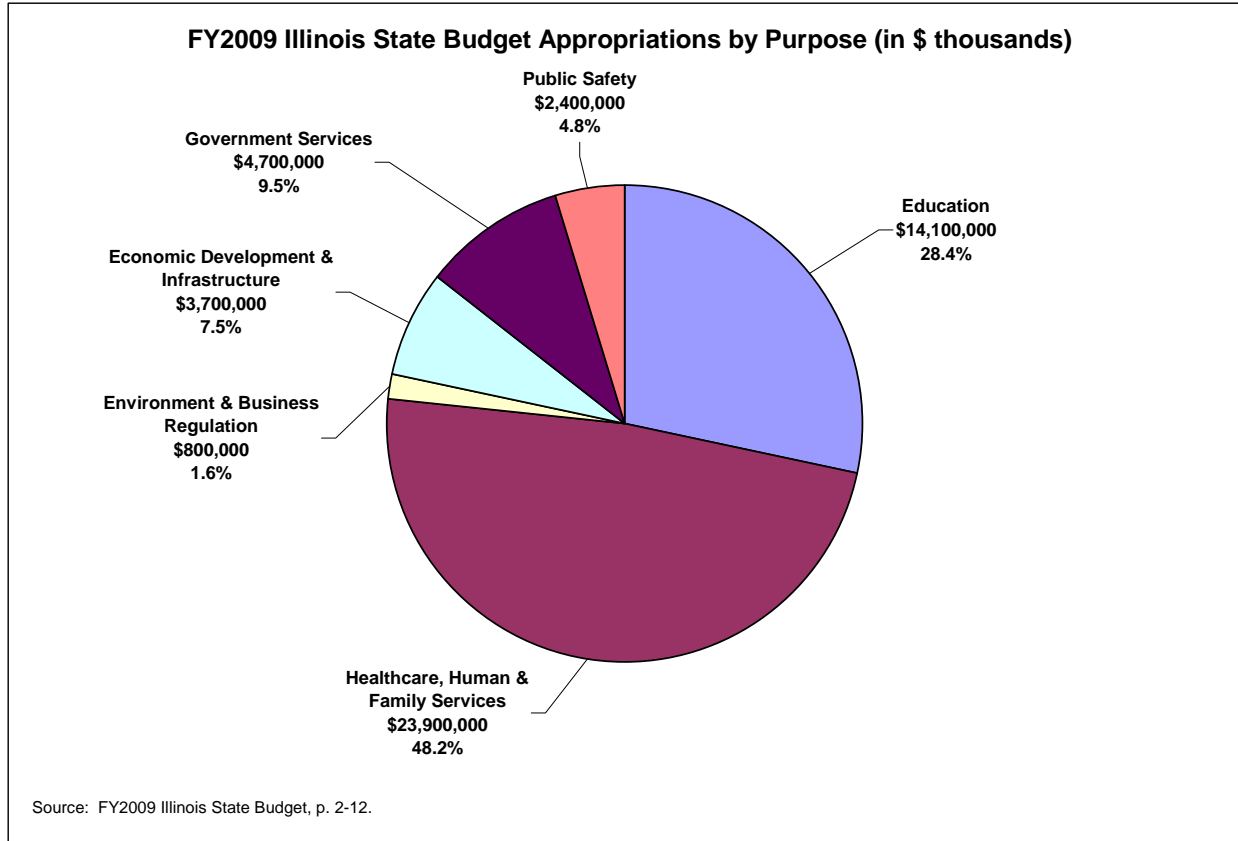
The largest fund group in the budget is the **General Funds**, which represent 58.2% of total recommended appropriations. These funds are used for general operations. The **“Other State Funds”** are intended to receive tax revenue distributions or specific revenues such as permit and license fees which are reserved for specific projects. These funds represent approximately 30.0% of the total State operating budget proposal for FY2009. The remaining funds are provided by the federal government.

State of Illinois Appropriations by Fund: FY2008-FY2009 (in \$ thousands)					
	FY2008 Prop.	FY2009 Prop.	\$ change	% change	
General Funds	\$ 28,858,988	\$ 28,909,285	\$ 50,297	0.2%	
Other Funds	\$ 14,333,216	\$ 14,908,166	\$ 574,950	4.0%	
Federal Funds	\$ 5,867,905	\$ 5,897,232	\$ 29,327	0.5%	
Total	\$ 49,060,109	\$ 49,714,683	\$ 654,574	1.3%	

Source: Illinois State Budget FY2008, p. 2-35; Illinois State Budget FY2009, p. 2-36

What Does the State Spend Money On?

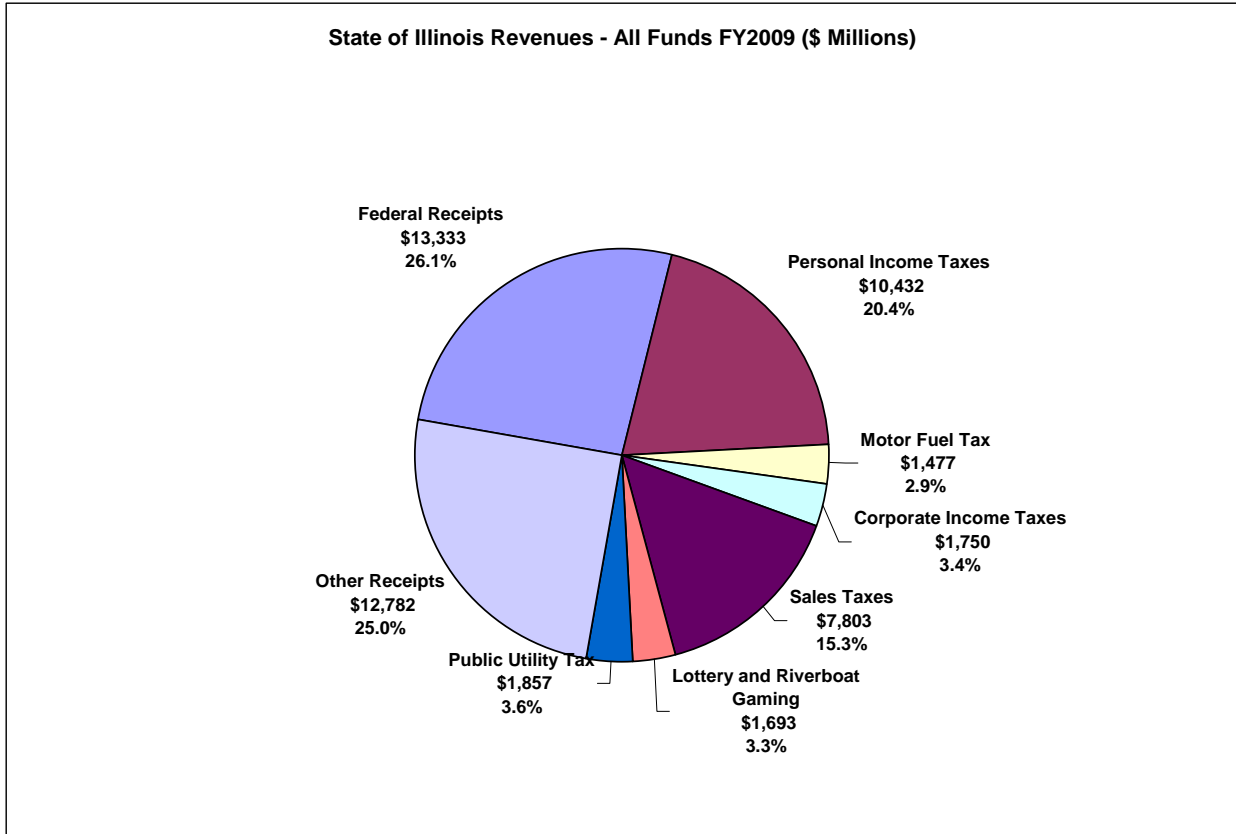
The largest share of the FY2009 state budget is for healthcare, human and family service programs. They will consume 48.2% or \$23.9 billion of the entire spending plan. Spending for elementary, secondary, and higher education is the second largest category, with 28.4% or \$14.1 billion of all appropriations. The third largest category is government services, which includes those agencies involved in the administration of state government.



Where Does the State Get its Revenues?

The largest source of revenues for the State of Illinois is receipts from the federal government. Approximately \$13.3 billion or 26.1% of all revenues are from this source. Federal funds are for a variety of programs including transportation, environmental protection, Medicare, Medicaid and welfare programs. Personal income tax receipts account for \$10.4 billion or 20.4% of all revenues. Sales taxes on consumer goods are expected to generate nearly \$12.8 billion in FY2009, or 15.3% of the total. Other significant revenue sources include public utility taxes (3.6%); corporate income taxes (3.4%); lottery and riverboat gaming receipts (3.3%); and motor fuel taxes (2.9%).

About 25.0% of all revenues are from “other receipts.” This category includes a wide variety of taxes and fees, such as liquor and cigarette taxes, insurance taxes, interest income, inheritance taxes and corporate franchise fees.



How Many People Work for the State of Illinois?

Governor Blagojevich’s original FY2009 budget authorized 56,591 full-time equivalent (FTE) positions. This is a 3.8% or 2,243 position decrease from the number of positions originally authorized in FY2008.

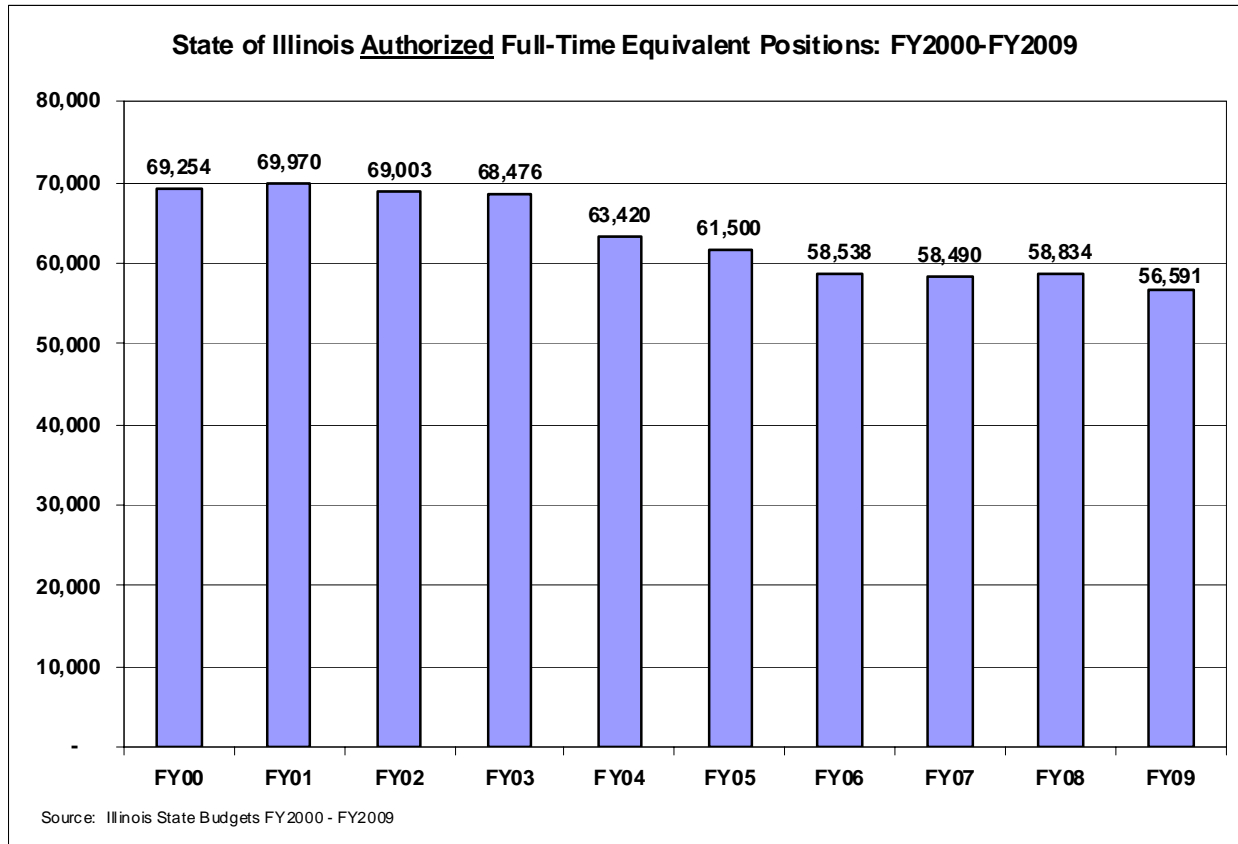
A 10-year trend of personnel is shown in the exhibit below. During that period, the number of authorized FTEs is projected to fall by 18.3% or 12,663 positions. Much of the decrease came between FY2003 and FY2004, when thousands of state employees took advantage of an Early Retirement Initiative.

The State does not necessarily fill all of the positions that are authorized in a budget. For example, in FY2008, it is estimated that only 58,055 of the 58,834 positions authorized were actually filled.¹

The most accurate way to report how many people work for an organization is to show full-time equivalent positions rather than headcount. A headcount calculation simply counts every individual regardless of full or part time status. An FTE calculation translates the number of full and part time workers into a comparable number of full time workers. Expressed a different

¹ *Illinois State Budget FY2009*, p. 2-15.

way, it is a ratio of the total number of paid hours for full and part time workers divided by the number of working hours in a period.²

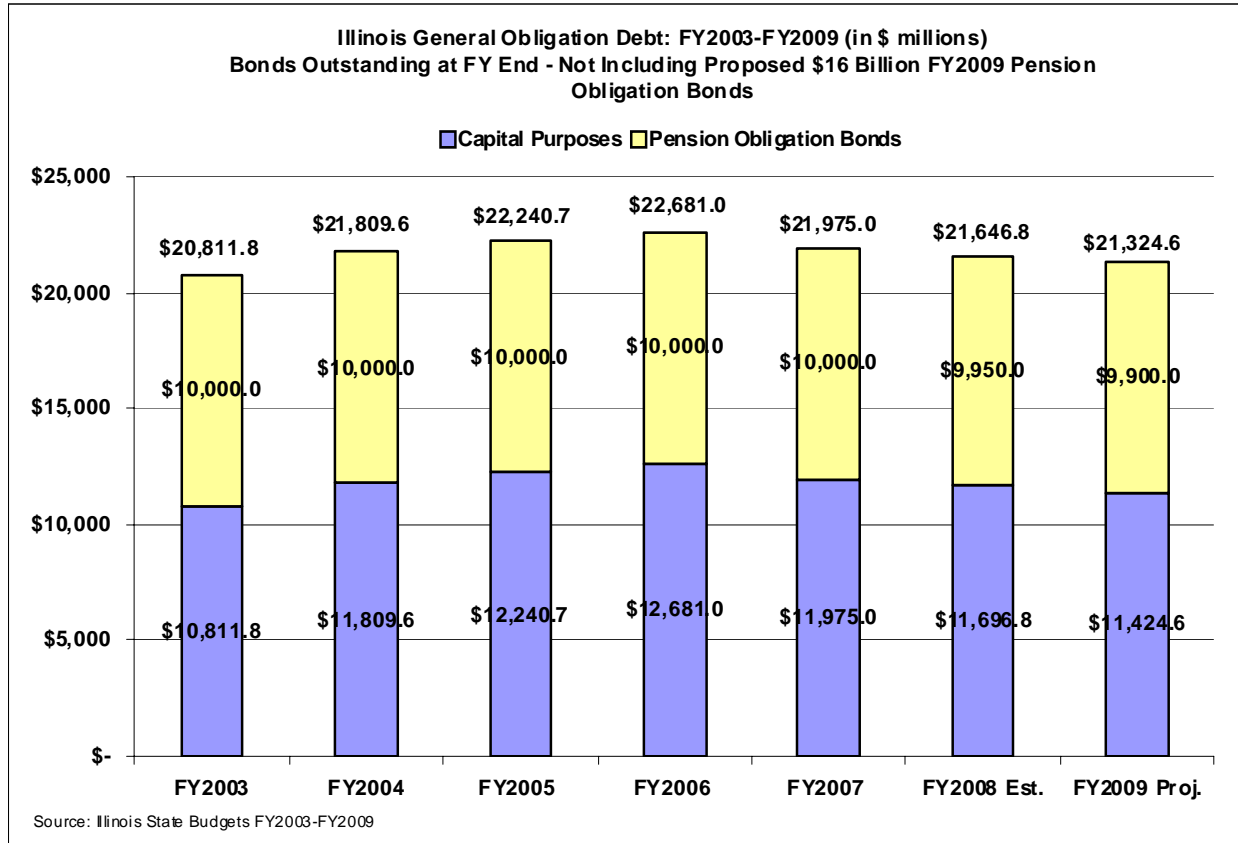


What is the Size of the State's Debt Burden?

The State of Illinois estimates that it will have \$21.3 billion in general obligation (GO) debt outstanding in FY2009. Of that amount, \$9.9 billion comes from the State's 2003 pension obligation bond issue and \$11.4 billion comes from three different types of capital purpose general obligation debt: GO capital debt, Build Illinois debt, and Civic Center debt.

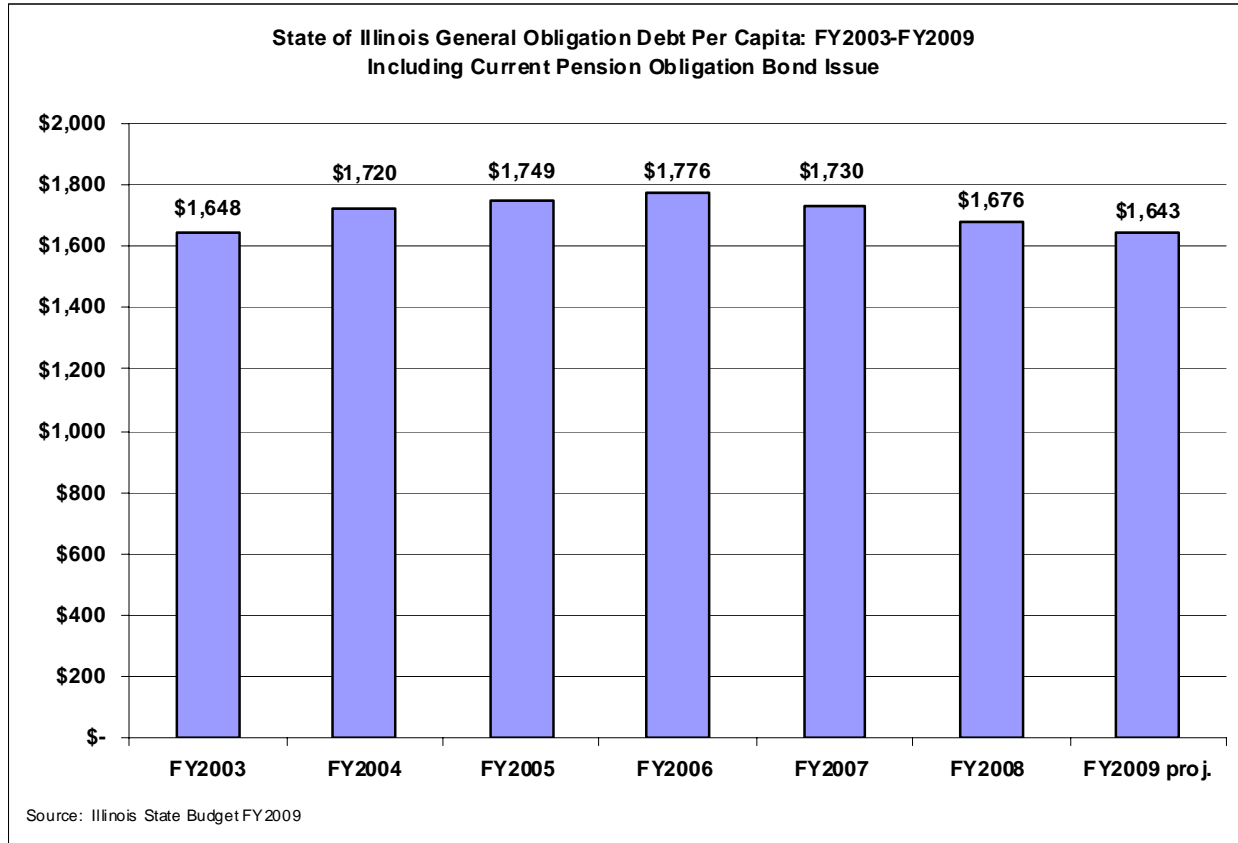
The total amount of GO debt outstanding will rise by 2.5%, or \$512.8 million, between FY2003 and FY2009. Since FY2002, GO debt has risen by 123.5%, from \$9.5 billion in FY2002 to \$21.3 billion in FY2009.

² See <http://www.businessdictionary.com/definition/full-time-equivalent-FTE.html>.



Governor Blagojevich proposed issuing a \$16.0 billion pension obligation bond in FY2009 to increase the assets of the State’s five retirement systems. However, that proposal was not accepted by the General Assembly.

How much State debt does each citizen of Illinois owe? The next exhibit shows estimates for total General Obligation debt per capita, including both capital debt and existing pension obligation debt. Between FY2003 and FY2009, GO debt per capita is projected to decrease by 0.3%, from \$1,648 to \$1,643.



What is the Fiscal Condition of the State Pension Systems?

The State funds five retirement systems for employees and retirees: the State Employees Retirement System, the Teachers' Retirement System, the State Universities Retirement System, the Judges' Retirement System, and the General Assembly Retirement System. A total of 695,612 individuals were enrolled in these five systems in FY2009.

Members of Illinois Retirement Systems: Current Enrollment			
Pension Fund	Members	Annuitants	Total
Teachers	258,531	89,269	347,800
University	156,952	43,395	200,347
State Employees	89,598	55,265	144,863
Judges	990	946	1,936
General Assembly	267	399	666
Total	506,338	189,274	695,612

Source: Illinois State Budget FY2009, p. 4-1.

The next exhibit reports on the fiscal condition of all the State's pension funds as well as the three largest retirement systems: the State Employees Retirement System, the Teachers' Retirement System and the State Universities Retirement System in FY2007, the last year for which complete data are available. It shows the amount of net assets and unfunded liabilities for each category. Adding net assets and liabilities together generates

the total accrued liability, that is what the State owes over time to pay for employee retirement given a series of assumptions about retiree longevity and years of service. The total accrued liability is the number at the top of each column. If there were sufficient assets to cover all liabilities over time for each fund, there would be no unfunded liabilities. The Illinois retirement systems, however, all report very large unfunded liabilities, as they lack sufficient assets to cover total accrued liabilities.

There are \$42.1 billion in unfunded liabilities for all five retirement systems – this means that assets cover approximately 62% of all liabilities for these funds. The amount of unfunded liabilities for the three major funds are:

- \$23.7 billion for the Teachers’ Retirement System;
- \$7.3 billion for the State Universities Retirement System; and
- \$10.2 billion for the State Employees Retirement System.

