



the

COOK-WITTER REPORT

Volume 18, Number 8

September 8, 2003

FY 2004 Budget Review

The budget dominated the Spring Legislative Session and further erosion of projected revenues forced the Governor to make drastic revisions to the \$53 million budget just passed last spring. Upon being sworn into office, the new Governor immediately faced a burgeoning \$5 billion deficit. The uncertainty of the state's economic condition, combined with the transition of a new administration, and the anticipated arrival of the Governor's second child, necessitated the Illinois General Assembly to pass legislation to temporarily extend the deadline for the budget address until April 9, 2003. Next year the budget address returns to the third Wednesday in February.

Governor Blagojevich's first budget address was one of the longest and most detailed anyone can remember. (see Cook-Witter Report vol. 18, no. 6, April 17, 2003) Blagojevich went into every aspect of his budget plan to erase the state's budget deficit without raising sales or income taxes. The delay in the budget address left less than two months for the General Assembly to pass a budget before the statutory deadline of May 31.

The FY 2004 budget is balanced with a combination of cuts, fee increases, one-time revenue sources, and the sale of \$10 billion in state bonds. Roughly \$2 billion will be used to make required contributions to the state's pension funds. The remaining money will be invested to pay off the bonds.

Illinois' FY 2004 budget was approved by the General Assembly May 31st, 2004 and sent to the Governor. The Governor made \$220 million in total and line-item vetoes to the state budget. These include cutting the number of Regional Offices of Education. He also eliminated funding for the captains in the Department of Corrections. Blagojevich cut \$500 million from the capital budget. Although there have been calls for a special session of the General Assembly to deal with the budget, one is not expected prior to the General Assembly returning to Springfield in November for the Fall Veto Session.

	Fiscal Year		\$ Change	% Change
	2003	2004		
General Assembly	\$44,415	\$44,258	(0.157)	(0.4)
Other Legislative	28.164	28.212	0.048	0.2
Total, Legislative	72.579	72.470	(0.109)	(0.2)
Supreme Court	288.106	288.103	(0.003)	(0.0)
Judges Retirement System	29.148	34.696	5.548	20.1
Office of the State Appellate Defender	19.396	19.053	0.657	3.6
Other Judicial	5.085	8.087	3.012	59.2
Total, Judicial	340.735	350.249	9.514	2.8
Governor	10.375	8.552	(1.823)	(17.6)
Lt. Governor	2.981	2.516	(0.465)	(15.6)
Attorney General	40.710	39.489	(1.221)	(3.0)
Secretary of State	133.229	123.427	(9.802)	(7.4)
Comptroller	26.283	24.277	(2.006)	(7.6)
State Officers Salaries	28.112	27.591	(0.521)	(1.9)
Treasurer	18.663	17.870	(0.793)	(4.2)
Total, Elected Officials	260.353	243.722	(16.631)	(6.4)
Aging	254.299	263.031	8.732	3.4
Agriculture	51.798	45.534	(6.264)	(12.1)
Central Management Services	843.353	1,040.594	197.241	23.4
Children and Family Services	838.049	819.433	(18.616)	(2.2)
Office of Inspector General	0.000	4.126	4.126	N/A
Natural and Community Affairs	86.467	64.759	(21.708)	(25.1)
Resource Resources	135.235	104.419	(30.816)	(22.8)
Corrections	1,206.591	1,270.029	63.438	5.3
Employment Security	8.921	16.773	7.852	88.0
Human Rights	6.864	6.244	(0.620)	(9.0)
Human Services	3,574.036	3,701.892	127.856	3.6
Insurance	0.278	0.000	(0.278)	(100.0)
Labor	6.698	6.036	(0.662)	(9.9)
Military Affairs	14.290	15.149	0.859	6.0
Nuclear Safety	0.297	0.000	(0.297)	(100.0)
Professional Regulation	0.458	0.000	(0.458)	(100.0)
Public Aid	5,113.491	5,576.430	462.939	9.1
Public Health	125.521	118.392	(7.129)	(5.7)
Revenue	152.154	172.722	20.568	13.5
State Police	194.419	198.986	4.567	2.3
Transportation	89.736	80.892	(8.844)	(9.9)
Veteran's Affairs	40.834	37.958	(2.876)	(7.0)
Total, Code Departments	12,743.789	13,543.399	799.610	6.3
Arts Council	18.957	17.894	(1.063)	(5.6)
Capital Development Board	26.287	12.400	(13.887)	(52.8)
Court of Claims	51.784	35.707	(16.077)	(31.0)
Environmental Protection Agency	26.241	2.797	(23.444)	(89.3)
Historic Preservation	15.691	13.739	(1.952)	(12.4)
Illinois Violence Prevention	3.401	3.304	(0.097)	(2.9)
Industrial Commission	10.734	4.023	(6.711)	(62.5)
Emergency Management	12.611	7.899	(4.712)	(37.4)
All Other	46.939	37.214	(9.725)	(20.7)
Total, Other Agencies	212.645	134.977	(77.668)	(36.5)
Total, Elem. & Sec. Education	6,176.263	6,557.868	381.605	6.2
Board of Higher Education	364.918	358.201	(6.717)	(1.8)
Chicago State University	41.531	40.251	(1.280)	(3.1)
Eastern Illinois University	51.883	47.510	(4.273)	(8.2)
Governor's State University	26.351	24.180	(2.171)	(8.2)
Northeastern Illinois University	42.585	39.078	(3.507)	(8.2)
Western Illinois University	61.126	56.091	(5.035)	(8.2)
Illinois State University	87.674	80.452	(7.222)	(8.2)
Northern Illinois University	110.937	101.799	(9.138)	(8.2)
Southern Illinois University	234.717	217.204	(17.513)	(7.5)
University of Illinois	754.917	697.026	(57.891)	(7.7)
Community College Board	354.096	338.014	(16.082)	(4.5)
Student Assistance Commission	382.782	398.355	15.573	4.1
All Other	13.459	18.111	4.652	34.6
Total, Higher Education	2,526.976	2,416.372	(110.604)	(4.4)
Total, General Funds	\$22,333.340	\$23,319.057	985.717	4.4

Source: Comptroller and Bureau of the Budget records.

Courtesy of Comptroller Dan Hynes Office

ONE-TIME REVENUE SOURCES

Sale of tenth riverboat license \$350 million
 Pre-payment of Cigarette Taxes \$50 million
 Sale of James R. Thompson Center \$200 million
 Sale of Toll Highway Authority Building \$30 million
 Sale of Land at Elgin Mental Health Center \$3 million
 Tax Amnesty Program \$40 million
 Illinois Clean Energy Community Foundation Fund Re-allocation \$125 million
 FY 2004 Fund Transfers \$11 million

Ongoing New Revenue

Besides the one-time revenue sources in the FY 2004 budget, state revenues are increased in several other areas. The elimination of what the Blagojevich administration calls “tax loopholes” are expected to generate an additional \$304 million annually. Examples of these loopholes include research and development tax credits, training expense tax credits, the elimination of sales tax exemptions for coal equipment, oil equipment, non-commercial aircraft, vending machines, manufacturer’s purchase credit, and commercial distribution fees.

Riverboat taxes are increased by \$187 million dollars. This includes a higher tax rate on boats with the highest gross revenues. Admission fees are also raised from \$3 per person to \$5 per person.

The state will also charge fees to programs it administers. Special funds, state agencies, and commissions will be assessed an additional \$422 million for administrative costs.

Nearly one hundred new and/or increased fees account for \$309 million in new revenue for FY 2004. Nearly two-thirds of the new revenue comes from these fifteen fee increases. With the fees, one-time revenues, and loophole closures, the state’s FY 2004 budget brings in nearly \$2 billion in new money.



Ongoing Revenues (in millions)

Driver History Report Fee	\$36.0	
Worker’s Compensation Arbitration Fee	\$27.0	
NPDES Fee	\$26.0	
Delinquent Account Fees Dept. of Revenue	\$24.0	new
Auction Low Number License Plates	\$15.0	new
Solid Waste Management Fee	\$13.8	
Central Depository Wire Transfer Fee	\$13.1	
Bank Examination Fees	\$12.4	
Annual Report Filing Fee	\$12.0	
Nuclear Reactor Fee	\$9.0	
UCC	\$8.0	
Clean Air Act Title V Permit Fee	\$8.0	
Financial Regulation Fees	\$7.6	
Coin Operated Machine Fee	\$7.0	
Tire Use Fee	\$6.2	



CORRECTION

The last newsletter should have noted that Jerry Jones was named as Director of the Office on Mines and Minerals within the Department of Natural Resources.


ILLINOIS GENERAL ASSEMBLY

93rd General Assembly

Emil Jones, Jr., President - Michael J. Madigan, Speaker
**October 2003
Fall Veto Session**

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1	2	3	4
5	6	7	8	9	10	11
12	13 <i>Columbus Day Observed</i> STATE HOLIDAY	14	15	16 National Boss Day	17	18
19	20	21	22	23 Perfunctory SESSION	24	25
26	27	28	29	30	31 Halloween	


ILLINOIS GENERAL ASSEMBLY

93rd General Assembly

Emil Jones, Jr., President - Michael J. Madigan, Speaker
**November 2003
Fall Veto Session**

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						1
2	3	4 <u>SESSION</u>	5 <u>SESSION</u>	6 <u>SESSION</u>	7	8
9	10	11 <i>Veterans' Day</i> STATE HOLIDAY	12	13	14	15
16	17	18 <u>SESSION</u>	19 <u>SESSION</u>	20 <u>SESSION</u>	21	22
23	24	25	26	27	28	29
30				<i>Thanksgiving Day</i> STATE HOLIDAY	STATE HOLIDAY	

People In Transition

John Mitola has been named as the next Chair of the Toll Highway Authority. He is the chief executive officer of Electric City Corporation.

Zaldwaynaka (“Z”) L. Scott was named by Governor Blagojevich as his choice for Inspector General. This is the position the Governor created by executive order early in his administration. She will be responsible for investigating potential acts of corruption by state employees.

Mark Kolaz, deputy director of the Department of Agriculture, has been designated to run the 2003 Illinois State Fair. A permanent fair manager has not been named yet.

Carolyn Adams has been named Illinois Lottery Superintendent. Carolyn Adams has worked as Clear Channel Communications senior account manager. The Department of Lottery was folded into the Department of Revenue effective July 1, 2003.

Walter Dudycz will step down from his position as executive director at the Illinois Racing Board effective June 1, 2003. Governor Blagojevich initiated plans to merge the Racing Board, Department of Lottery and the Liquor Control Commission into the Department of Revenue effective July 1 of this year.

Colonel Randal Thomas, the commander of the Illinois National Guard 66th Infantry Brigade, has been appointed adjutant general and director of military affairs by Governor Blagojevich. The Vietnam veteran, who received a Purple Heart, has served in the Illinois National Guard since 1983.

Milan Dluhy has been selected to become the executive director of the Abraham Lincoln Presidential Center for Governmental Studies at UIS. He currently serves as professor and chairman of the department of political science and public administration at the University of North Carolina at Wilmington. Ernest Cowles, who has been serving as interim director of the center will return to his position as the director of the UIS Institute for Legal, Administrative and Policy Studies.

Anthony Rossi has become executive director of the Capital Development Board. He has been the Illinois House clerk since 1993, except for two years when the Republicans controlled the House.

Roxanne Nava has been chosen by Governor Blagojevich as the director of the Department of Financial Institutions. She is the vice president and commercial banking relationship manager of the Northern Trust Company. On the same day Governor Blagojevich announced that **Fernando Grillo** will head the Department of Professional Regulation.

Former firefighter and investigator **Peter F. Vina** has been named as the new Illinois State Fire Marshal.

