



**THE STATE OF ILLINOIS
FY2007 RECOMMENDED CAPITAL BUDGET**

An Overview

**Prepared By
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AN OVERVIEW OF THE FY2007 ILLINOIS STATE RECOMMENDED CAPITAL BUDGET

For FY2007, Governor Blagojevich proposes a \$9.95 billion capital budget.¹ This represents a 5.5% increase from the FY2006 recommended appropriation of \$9.4 billion. Most capital budget projects will be paid for out of General Fund revenues and bond proceeds. However, the Governor has not identified a funding source for his new multi-year \$550 million initiative for school construction and maintenance grants. The General Assembly will consider funding options in its current session.

The FY2007 Capital Budget is the third capital plan released separately from the operating budget. The Blagojevich administration's rationale for presenting the operating budget and the capital budget separately is that long-term capital spending trends can be more clearly understood and evaluated if they are not combined with short-term operating trends. The Civic Federation supported the decision to present the capital and operating budgets separately.

New appropriations in the proposed FY2007 capital budget total nearly \$3.7 billion, an increase of 4.4% over the total new appropriations recommended for FY2006. The remaining \$6.2 billion of the FY2006 capital budget represents re-appropriations for ongoing projects. The table below summarizes total recommended appropriations since FY2004.

| Total Recommended Appropriations for FY2004-FY2007 Budgets | | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|-------------|
| | FY2004 | FY2005 | FY2006 | FY2007 | FY2006 - FY2007 \$ CHG | % CHG |
| Total Capital Appropriations | \$ 10,499,859,500 | \$ 10,141,450,400 | \$ 9,433,879,900 | \$ 9,948,628,000 | \$ 514,748,100 | 5.5% |
| New Appropriations | \$ 3,388,418,200 | \$ 3,242,153,000 | \$ 3,539,534,100 | \$ 3,695,919,000 | \$ 156,384,900 | 4.4% |
| Re-Appropriations | \$ 7,111,441,300 | \$ 6,899,297,400 | \$ 5,894,345,800 | \$ 6,252,709,000 | \$ 358,363,200 | 6.1% |
| Total Budget | \$ 51,565,943,500 | \$ 53,645,812,400 | \$ 52,994,857,000 | \$ 55,376,300,000 | \$ 2,381,443,000 | 4.5% |
| Operating Budget | \$ 41,066,084,000 | \$ 43,504,362,000 | \$ 43,560,977,000 | \$ 45,427,672,000 | \$ 1,866,695,000 | 4.3% |
| Capital Budget | \$ 10,499,859,500 | \$ 10,141,450,400 | \$ 9,433,880,000 | \$ 9,948,628,000 | \$ 514,748,000 | 5.5% |

Source: State of Illinois Capital and Operating Budget Books

Distribution of Total Capital Budget Appropriations

This section outlines the distribution of total capital budget appropriations, which includes both new appropriations and re-appropriations for on-going projects. First, the total capital appropriations by agency are presented. Second, total appropriations relating to State-owned assets versus grants and loans relating to other entities such as local communities are discussed.

Distribution of Total Proposed Capital Appropriations by Agency

For FY2007, 61.5% of all proposed capital appropriations, or \$6.1 billion, are earmarked for projects under the jurisdiction of the Department of Transportation. This represents a 6.4% increase in the share of total allocation for the Department of Transportation over FY2006. The next largest percentage of the capital budget, or \$1.9 billion, or 19.5%, is designated for the

¹ State of Illinois. FY2007 Capital Budget, page C-4.

Capital Development Board. This represents a 9.3% decrease in the Board's share of total appropriations from FY2006.

The Department of Commerce and Economic Opportunity's (DCEO) share of total appropriations increased the most, rising from a proposed FY2006 recommendation of \$226.1 million to \$654.5 million in FY2007. The sharp decrease between FY2005 and FY2006 for DCEO capital funding was due to the fact that prior legislative member initiatives were not originally proposed for re-appropriation.² However, funding was restored in the final budget that was approved; the enacted appropriation for the Department in FY2006 was \$811.5 million.³ The Environmental Protection Agency's capital appropriation will fall slightly, by 0.2%, from \$829.6 million to \$827.8 million. A significant increase in total recommended appropriations for the EPA occurred in FY2006 because the FY2005 capital budget excluded \$425 million in appropriations for the Water Revolving Fund. Instead, this amount was included as part of the FY2005 operating budget. The FY2006 budget transferred the \$425 million appropriation to the capital budget within the Environmental Protection Agency and adjusted the FY2005 new appropriations amount.⁴

| Distribution of Total Proposed Appropriations by Agency | | | | | |
|---|--------------------------|-------------------------|-------------------------|----------------------------|------------------------------|
| Agency | FY2005 | FY2006 | FY2007 | FY2006 - FY2007: \$ CHG | FY2006 - FY2007: % CHG |
| Transportation | \$ 5,711,703,200 | \$ 5,753,846,400 | \$ 6,123,155,200 | \$ 369,308,800 | 6.4% |
| Capital Development Board | \$ 2,754,383,500 | \$ 2,140,579,300 | \$ 1,940,627,100 | \$ (199,952,200) | -9.3% |
| Commerce & Economic Opp. | \$ 926,388,000 | \$ 226,182,000 | \$ 654,569,800 | \$ 428,387,800 | 189.4% |
| Environmental Protection | \$ 135,652,600 | \$ 829,665,900 | \$ 827,828,900 | \$ (1,837,000) | -0.2% |
| Natural Resources | \$ 385,736,900 | \$ 368,302,200 | \$ 364,574,100 | \$ (3,728,100) | -1.0% |
| All Other Agencies | \$ 227,586,200 | \$ 115,304,000 | \$ 37,872,600 | \$ (77,431,400) | -67.2% |
| Total | \$ 10,141,450,400 | \$ 9,433,879,800 | \$ 9,948,627,700 | \$ 514,747,900 | 5.5% |

Source: State of Illinois Capital Budget Books

Distribution of Proposed FY2007 Capital Appropriations by Class

Approximately two thirds of all recommended capital appropriations are proposed for state-owned assets while the remaining \$3.3 billion in funds will be distributed in the form of grants and loans to other entities such as local communities.

| Total Capital Appropriations by Class: FY 2007 | | |
|--|---------------------|---------------|
| | Amount | % of Total |
| State-Owned Asset | \$ 6,633,751 | 66.7% |
| Grants | \$ 2,562,236 | 25.8% |
| Loans | \$ 752,640 | 7.6% |
| Total | \$ 9,948,627 | 100.0% |

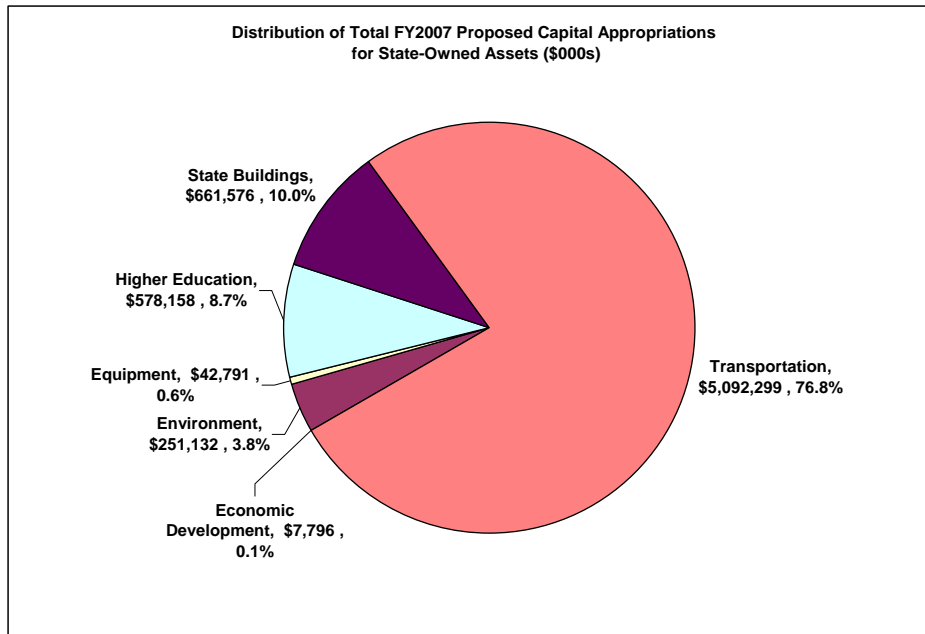
Source: State of Illinois. FY2007 Capital Budget Book, Page 11

² State Office of Management and Budget. March 30, 2006.

³ FY2007 State of Illinois Capital Budget, p. C-1.

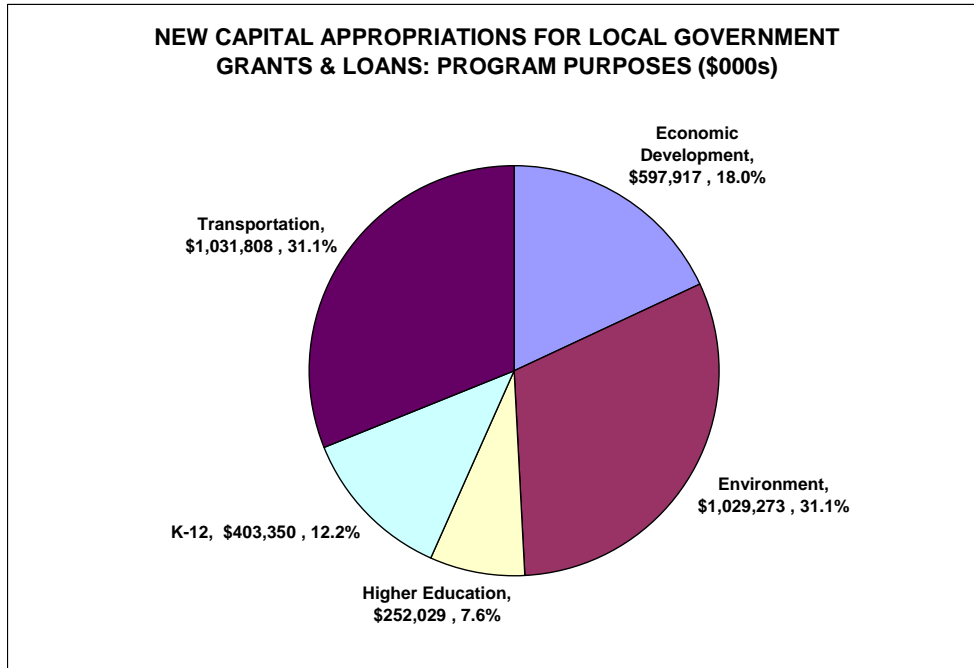
⁴ State Office of Management and Budget. March 30, 2006.

The next exhibit shows the distribution of funds for state-owned assets. Nearly 77% percent of the total appropriations designated for state-owned assets are proposed for transportation. The remaining 22% is divided among state buildings, higher education, environmental projects, economic development, and equipment.



The distribution of capital appropriations for grants and loans to other entities such as local communities is graphically displayed below. Over 62% of these appropriations are earmarked for environmental and transportation projects. The re-appropriation for economic development projects is \$597.9 million, while elementary and secondary education will garner \$403.3 million. The funding directed at education projects includes the FY2007 portion of the Governor's \$550 million initiative for school construction and maintenance grants.⁵

⁵ FY2007 Illinois State Capital Budget, p. 12.



New Capital Budget Appropriations

The following exhibits summarize how the State proposes to distribute, finance and spend the nearly \$3.7 billion which represents new capital appropriations. First, the distribution of new capital dollars among agencies is discussed. Second, the sources and uses of the FY2007 new appropriations are detailed. Finally, a three-year analysis of capital projects funded by current revenues versus bond funds is presented.

Distribution of New Capital Dollars among Agencies

The greatest share of new capital dollars are earmarked for projects under the jurisdiction of the Illinois Department of Transportation. The Department of Transportation's recommended allocation represents \$2.8 billion or 76.1% of the new capital appropriations. This represents a \$480.0 million or 20.6% increase over FY2006 recommendations. Decreased recommendations are proposed for the Capital Development Board, the Department of Natural Resources and the Environmental Protection Agency, with reductions of 33.1%, 23.7% and 13.0%, respectively.

| Distribution of New Proposed Appropriations by Agency | | | | | |
|--|-------------------------|-------------------------|-------------------------|------------------------------------|---------------------------------------|
| Agency | FY2005 | FY2006 | FY2007 | FY2006 - FY2007: \$ CHG | FY2006 - FY2007: % CHG |
| Transportation | \$ 2,193,511,400 | \$ 2,332,614,800 | \$ 2,812,689,800 | \$ 480,075,000 | 20.6% |
| Capital Development Board | \$ 765,407,100 | \$ 666,465,600 | \$ 446,100,000 | \$ (220,365,600) | -33.1% |
| Commerce & Economic Opp. | \$ 121,790,000 | \$ 89,920,000 | \$ 98,000,000 | \$ 8,080,000 | 9.0% |
| Environmental Protection | \$ 19,000,000 | \$ 281,000,000 | \$ 244,600,000 | \$ (36,400,000) | -13.0% |
| Natural Resources | \$ 85,381,000 | \$ 108,740,000 | \$ 82,965,000 | \$ (25,775,000) | -23.7% |
| All Other Agencies | \$ 57,063,500 | \$ 60,793,700 | \$ 11,563,800 | \$ (49,229,900) | -81.0% |
| Total | \$ 3,242,153,000 | \$ 3,539,534,100 | \$ 3,695,918,600 | \$ 156,384,500 | 4.4% |

Source: State of Illinois Capital Budget Books

Sources and Uses of New FY2007 Capital Appropriations

Federal funds are the largest revenue source for new capital appropriations. Approximately 34.3% of all new capital appropriations are federal in source. User fees, at a total of \$971.0 million, or 26.3% of total new capital appropriations, represent the second largest source of new capital appropriations financing. Approximately 88.2% of user fees are earmarked for transportation.

| Sources and Uses of FY2007 New Appropriations (\$000's) | | | | | | | | | |
|--|-------------------|---------------------|----------------------|------------------|-------------------|---------------------------|-------------------------------|---------------------|-------------------------|
| | Environment | Transportation | Economic Development | Public Safety | Education | Health and Human Services | Other (Governmental Services) | Total Sources | As a % of Total Sources |
| Federal Funds | \$ 25,771 | \$ 1,240,451 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,266,222 | 34.3% |
| User Fees | \$ 114,487 | \$ 856,576 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 971,063 | 26.3% |
| Build Illinois Bond Fund | \$ - | \$ 600,000 | \$ - | | \$ - | \$ - | \$ - | \$ 600,000 | 16.2% |
| General Revenue Fund Supported G.O. Bonds | \$ 10,000 | \$ 102,000 | \$ 7,000 | \$ 11,800 | \$ 381,000 | \$ 1,000 | \$ 12,300 | \$ 525,100 | 14.2% |
| Taxes | \$ 21,600 | \$ - | \$ 87,000 | \$ - | \$ 50,000 | \$ - | \$ - | \$ 158,600 | 4.3% |
| Miscellaneous (Includes loan repayments, investment income, and settlements) | \$ 110,225 | \$ 13,464 | \$ 3 | \$ - | \$ - | \$ - | \$ - | \$ 123,692 | 3.3% |
| TRAN-A/G.O.Bonds | \$ 28,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 28,000 | 0.8% |
| Other (Includes One-time Bond Issue Proceeds) | \$ 18,306 | \$ - | \$ 4,497 | \$ 239 | \$ - | \$ - | \$ - | \$ 23,042 | 0.6% |
| Total Uses | \$ 328,389 | \$ 2,812,491 | \$ 98,500 | \$ 12,039 | \$ 431,000 | \$ 1,000 | \$ 12,300 | \$ 3,695,719 | 100.0% |

Source: State of Illinois. FY2007 Capital Budget, Page 9.

New Capital Appropriations Financing: Pay as You Go v. Bond Financing

The final exhibit compares pay as you go with bond funding as financing mechanisms for new capital appropriations. The distortions in FY2005 are due to the fact that the General Assembly chose to enact only portions of the FY2005 capital budget. In FY2006, bond proceeds were expected to provide 62% of the funding for new capital projects. That figure is projected to rise to 65% in FY2007.

