



Commission on Government Forecasting and Accountability

MONTHLY BRIEFING

JANUARY 2006

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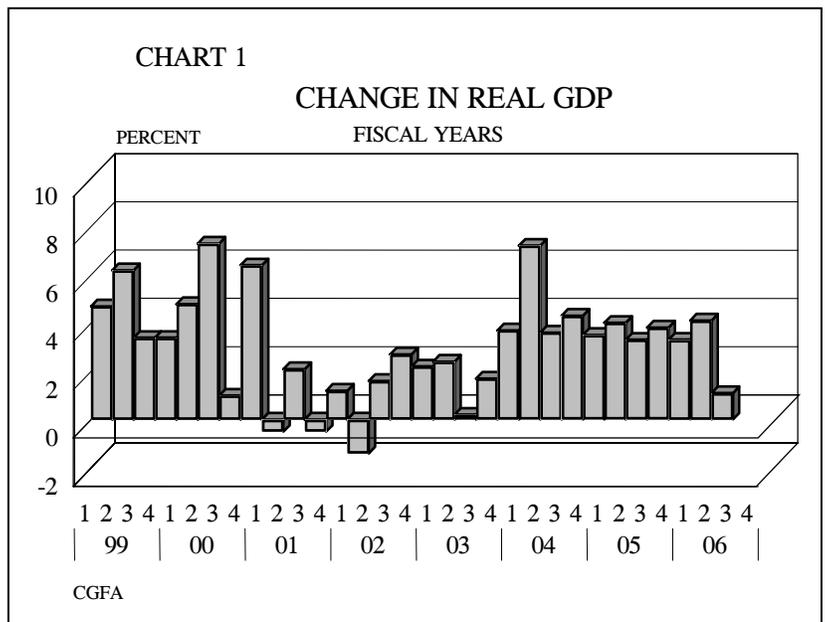
ECONOMY: Pause or Something Worse?

Edward H. Boss, Jr., Chief Economist

The pace of economic activity came to a virtual halt in the final quarter of 2005 according to the advance report on gross domestic product (GDP) issued by the Commerce Department. The output of inflation-adjusted goods and services produced in the United States (real GDP) advanced at a meager 1.1% annual rate in the final three months of 2005. This was the slowest pace of increase in 3 years, down from a 4.1% rate in the previous quarter and 3.5% for the year as a whole. (See Chart 1) Moreover, part of the gain in growth last quarter was accounted for by a buildup in inventories so that real final sales, GDP less the change in inventories, actually fell for the first time in 15 quarters. The sharp falloff in growth raises the question as to whether or not last quarter was an aberration or the beginning of a much more serious deterioration in economic performance.

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A major cause of the deceleration in growth last quarter was due to a sharp falloff in consumer spending. With the consumer generally accounting for two-thirds of total spending in the economy, it should not be surprising that the deterioration in consumer spending, from a 4.1% annual rate in the third quarter to a 1.1% rate last quarter, matched that recorded for GDP as a whole. Within consumer expenditures, the big change was in spending on motor vehicles and parts, from an increase of 0.5% in the third quarter to an actual decline at a 2.1% annual rate last quarter. Record gasoline prices as well as higher prices for energy as a whole, coupled with the depressing effect on the economy from major hurricanes in the gulf coast states, were major contributors to the slowdown. For example, while export growth changed little between the quarters, imports, in large part due to record energy imports, accelerated from a 2.4% annual rate to a 9.1% rate of increase. As imports vastly exceeded exports, such a decline in net exports subtracted 1.2% from GDP last quarter.

Federal government spending, led by a decline in defense spending, added to the weakness in economic growth last quarter. Adding to growth, in addition to consumer spending, was the sharp increase in private inventories that contributed almost 1.5% to real GDP. Because inventory building adds to growth in the quarter produced, however, it can often be a drag on future growth until excess stocks are

reduced, dampening new production. All this is being reported just as the Federal Reserve once again raised short-term interest rates for 14th time since June 2004, also acting as a constraint on economic activity, particularly housing activity which already is showing some signs of easing from its record pace.

Despite the dramatic and unexpected weakness displayed in last quarter's economic growth pace, most observers feel it is an aberration and expect growth to resume at a faster pace in the current quarter. Indeed, the International Strategy & Investment group recently raised its real GDP forecast for the current quarter from 3% to 4%. Such factors as improved auto production, an increase in durable goods orders, a warmer-than-expected winter so far reducing home heating costs from record high levels, and some reduction in gasoline prices, together with improved labor and equity markets all auger well for some improvement in economic performance. It also should be pointed out that the advance report on GDP last quarter is based on data that are incomplete or subject to further revision. Preliminary estimates, based on more comprehensive data, will be released at the end of February. While the weakness in the final quarter data of GDP may be an aberration and a resumption of faster growth is anticipated in the current quarter, most analyst expect growth to moderate again to about the 2 1/2% to 3% range during the final three quarters of the year.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS</u>	<u>DEC. 2005</u>	<u>NOV. 2005</u>	<u>DEC. 2004</u>
Unemployment Rate (Average)	5.5%	5.3%	6.0%
Annual Rate of Inflation (Chicago)	-5.5%	-3.6%	3.6%
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (December)	6,498	-0.2%	1.4%
Employment (thousands) (December)	6,142	-0.4%	1.9%
New Car & Truck Registration (December)	42,518	-19.5%	-13.3%
Single Family Housing Permits (December)	2,913	-28.0%	7.2%
Total Exports (\$ mil) (November)	3,017	-8.3%	16.5%
Chicago Purchasing Managers Index (January)	58.5	-3.8%	-6.2%

**Update - Sales Tax Revenue
From Motor Fuel**

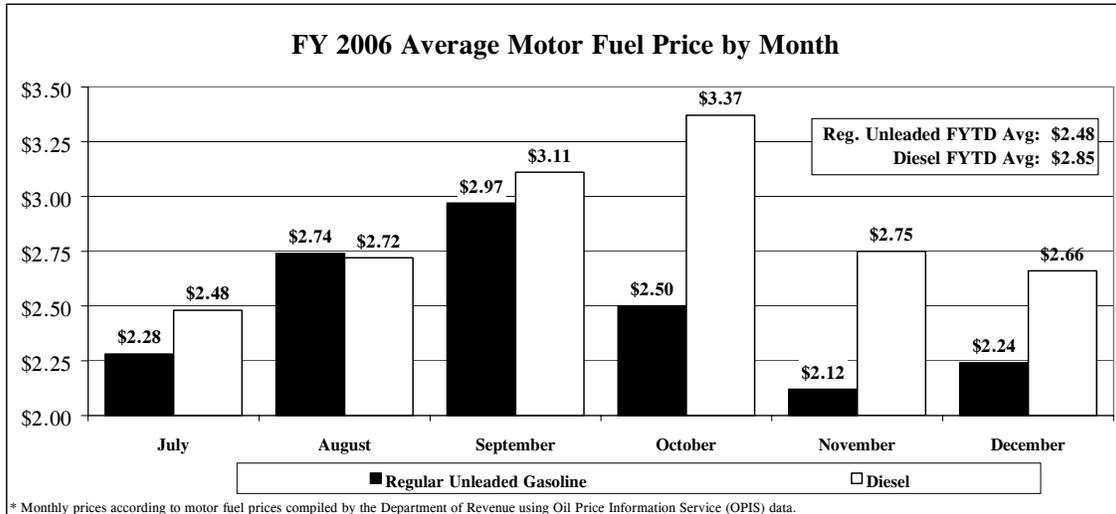
Eric Noggle, Sr. Revenue Analyst

On September 5, 2005, Illinois recorded its highest statewide average price for regular unleaded gasoline with a price of \$3.12, according to the AAA Motor Club’s website. These high prices were in reaction to the disasters associated with Hurricane Katrina. As these prices grew, so did the number of questions regarding the amount of sales tax revenue that would be generated if prices were to remain at these abnormally high levels.

Because of the many requests that the Commission received for this information, the Commission discussed these issues in its August monthly briefing and issued a more detailed report dealing with Motor Fuel in September 2005. In these reports, the Commission offered an estimate of how much additional State revenue would be generated in the fiscal year if prices

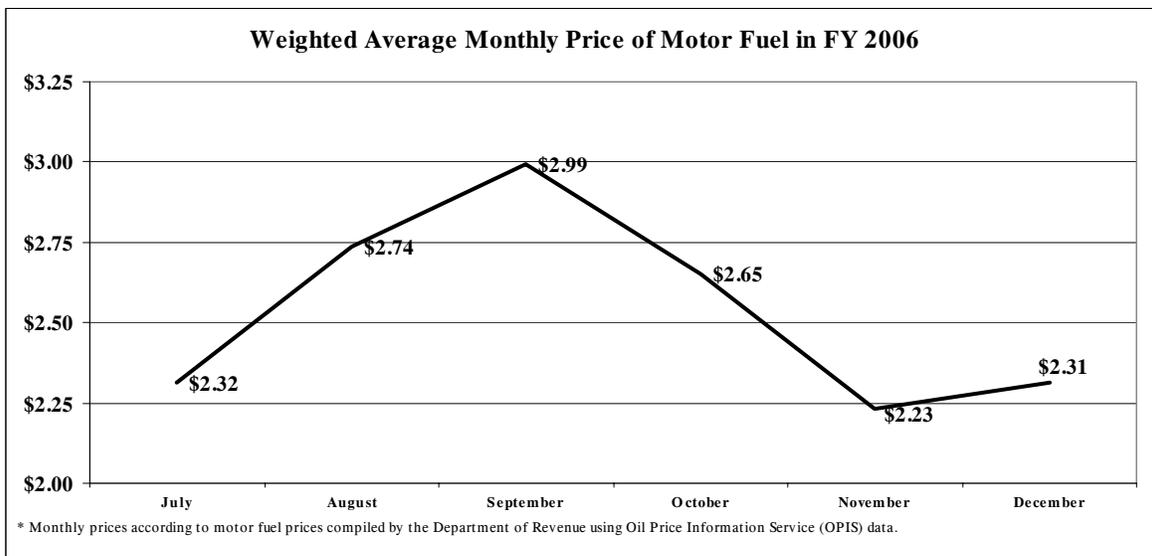
were to remain at \$2.72, which was the price of fuel on August 31, 2005. At the \$2.72 price, the Commission estimated that approximately \$615 million in motor fuel related sales tax revenue would be generated, which was an increase of \$175 million over FY 2005.

Since that time, motor fuel prices actually rose further before dropping. Several steps were taken to lower the price of fuel, including tapping the nation’s Strategic Petroleum Reserve, and quickly putting back into production the refineries that were interrupted by the hurricanes. In addition, refineries made a concerted effort to increase gasoline production rather than diesel production to help alleviate the high gasoline prices that affected so many people. This is why diesel prices remained high for a longer time after the disaster than gasoline prices. A graph depicting these price changes is shown on the following page.



In FY 2005, gasoline/gasohol made up 82.4% of total gallonage compared to 17.6% for diesel fuel. The weighted price is based on multiplying each motor fuel type's gallonage component of the total with its pump price and adding them together. As shown in the below graph, after surpassing the \$2.72 mark in September (to a high of \$2.99), the weighted average price of motor

fuel has fallen to levels which currently hover around \$2.31 per gallon (December average). Through December, the FY 2006 average price of regular unleaded gasoline, according to prices compiled by the Department of Revenue using Oil Price Information Service (OPIS) data, is \$2.48 per gallon. For diesel, the FY 2006 average price is \$2.85 per gallon.



In response to these lower prices, the Commission has updated its estimate for the amount of additional motor fuel sales tax revenue that the State will receive in FY 2006 due to the higher motor fuel prices. The forecast is shown on the following page. Due to the highly speculative nature of forecasting motor fuel prices, this estimate uses the actual FYTD average price of \$2.48 for regular unleaded gasoline and \$2.85 for diesel. This estimate also updates gallonage estimates by increasing the amount of gallonage from gasohol and decreasing the gasoline gallonage for FY 2006 to account for the growing trend of gasohol in the industry (the diesel gallonage remained the same). It should be noted that as the shift to gasohol grows, the amount of State revenue decreases because only 80% of sales of gasohol are subject to the sales tax, compared to 100% of gasoline.

With these adjustments in mind, it is estimated that in FY 2006, approximately \$566 million in sales tax revenue will be generated from motor fuel, which is an estimated \$120 million increase from FY 2005 levels. Fuel prices do not exist in a vacuum, that is, consumers cannot pay more or less for fuel without

some impact being made in other spending areas. Consequently, as in the original analysis, it again must be stressed that revenue increases from sales taxes on motor fuel do not necessarily equate to an equivalent increase in overall sales tax revenues. This is because more money spent on motor fuel due to higher prices means there is likely less money spent in other areas. Conversely, as the motor fuel price falls, there is likely more money spent in other areas. While the estimate of sales tax revenue from motor fuel has fallen since the September analysis, this should not be interpreted as a “loss” in sales tax revenue, as moderating prices would likely mean more money spent in other areas.

Despite an expected 27% increase in sales tax revenues from motor fuel, overall State sales tax revenues in FY 2006 are up 6.3% through January. This is because sales tax revenue from motor fuel makes up a relatively small portion of total sales tax receipts. In FY 2005, sales tax revenue from motor fuel made up only 6.7% of total State sales tax revenue in FY 2005. Sales tax revenue from motor fuel is estimated to make up approximately 8.2% of total State sales tax revenue in FY 2006.

Motor Fuel Price Factsheet - Updated January 2006

Estimated Amount of State Sales Tax Revenue from Unleaded Gasoline/Gasohol						
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 if at Current Avg Price**
<i>Average Retail Price**:</i>	\$1.53	\$1.34	\$1.49	\$1.70	\$2.00	\$2.48
<i>Removing State Motor Fuel and other motor fuel taxes:</i>	0.21	0.21	0.21	0.21	0.21	0.21
	\$1.32	\$1.13	\$1.28	\$1.49	\$1.79	\$2.27
<i>Divided by Sales Tax (including local sales taxes):</i>	1.075	1.075	1.075	1.075	1.075	1.075
<i>Amount to which Sales Tax was Applied:</i>	\$1.23	\$1.05	\$1.19	\$1.38	\$1.67	\$2.11
<i>5% State Sales Tax:</i>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<i>Est. State Sales Tax per Gallon on Gasoline:</i>	\$0.062	\$0.053	\$0.060	\$0.069	\$0.083	\$0.105
<i>Est. State Sales Tax per Gallon on Gasohol***:</i>	\$0.043	\$0.037	\$0.042	\$0.055	\$0.067	\$0.084
<i>Gasoline Gallonage*:</i>	2,404,159,956	1,869,854,393	2,002,947,643	1,176,502,664	978,368,042	840,269,462
<i>Est. Gallonage to Tax Exempt Organizations (approx. 5%):</i>	120,207,998	93,492,720	100,147,382	58,825,133	48,918,402	48,918,402
<i>Taxable Gasoline Gallonage:</i>	2,283,951,958	1,776,361,673	1,902,800,261	1,117,677,531	929,449,640	791,351,060
<i>Applicable Sales Tax per Gallon:</i>	\$0.062	\$0.053	\$0.060	\$0.069	\$0.083	\$0.105
<i>Sales Tax Revenue Generated from Gasoline:</i>	\$140,520,587	\$93,561,933	\$113,533,749	\$77,219,388	\$77,418,111	\$83,367,914
<i>Gasohol Gallonage*:</i>	2,778,565,095	3,189,804,072	3,230,892,832	4,113,925,062	4,273,316,096	4,411,414,676
<i>Est. Gallonage to Tax Exempt Organizations (approx. 5%):</i>	138,928,255	159,490,204	161,544,642	205,696,253	213,665,805	220,570,734
<i>Taxable Gasohol Gallonage:</i>	2,639,636,840	3,030,313,868	3,069,348,190	3,908,228,809	4,059,650,291	4,190,843,942
<i>Applicable Sales Tax per Gallon:</i>	\$0.043	\$0.037	\$0.042	\$0.055	\$0.067	\$0.084
<i>Sales Tax Revenue Generated from Gasohol:</i>	\$113,682,918	\$111,725,793	\$128,196,443	\$216,012,957	\$270,517,472	\$353,200,429
<i>Est. Total Amount of State Sales Tax from Motor Fuel:</i>	\$254,203,505	\$205,287,726	\$241,730,192	\$293,232,344	\$347,935,584	\$436,568,343
<i>Difference from Previous Year:</i>		-\$48,915,778	\$36,442,465	\$51,502,153	\$54,703,239	\$88,632,759

Note: This does not include diesel gallonage.

Estimated Amount of State Sales Tax Revenue from Diesel						
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 if at Current Avg Price**
<i>Average Price**:</i>	\$1.61	\$1.44	\$1.59	\$1.69	\$2.21	\$2.85
<i>Removing State Motor Fuel and other motor fuel taxes:</i>	0.235	0.235	0.235	0.235	0.235	0.235
	\$1.37	\$1.20	\$1.35	\$1.46	\$1.98	\$2.61
<i>Divided by Sales Tax (including local sales taxes):</i>	1.075	1.075	1.075	1.075	1.075	1.075
<i>Taxable Amount:</i>	\$1.27	\$1.12	\$1.26	\$1.36	\$1.84	\$2.43
<i>5% State Sales Tax:</i>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<i>Est. State Sales Tax per Gallon:</i>	\$0.064	\$0.056	\$0.063	\$0.068	\$0.092	\$0.122
<i>Diesel Gallonage:</i>	1,061,333,056	1,033,927,899	1,068,762,622	1,140,080,043	1,124,704,867	1,124,704,867
<i>Est. Gallonage to Tax Exempt Organizations (approx. 5%):</i>	53,066,653	51,696,395	53,438,131	57,001,502	56,235,243	56,235,243
<i>Taxable Diesel Gallonage:</i>	1,008,266,403	982,231,504	1,015,324,491	1,083,028,541	1,068,469,624	1,068,469,624
<i>Applicable Sales Tax per Gallon:</i>	\$0.064	\$0.056	\$0.063	\$0.068	\$0.092	\$0.122
<i>Sales Tax Revenue Generated from Diesel:</i>	\$64,271,121	\$55,016,386	\$63,930,025	\$73,427,656	\$98,241,226	\$129,872,897
<i>Difference from Previous Year:</i>		-\$9,254,736	\$8,913,639	\$9,497,631	\$24,813,570	\$31,631,670

Total Sales Taxes from Motor Fuels:	\$318,474,626	\$260,304,112	\$305,660,216	\$366,660,000	\$446,176,810	\$566,441,240
Approx. Reduction due to 6-mo tax Suspension****:	\$157,000,000	\$0	\$0	\$0	\$0	\$0
Total Sales Tax Revenue from Motor Fuel Received:	\$161,474,626	\$260,304,112	\$305,660,216	\$366,660,000	\$446,176,810	\$566,441,240
Difference from Previous Year:		\$98,829,486	\$45,356,104	\$60,999,784	\$79,516,810	\$120,264,430

* In estimating FY 2006 gasoline and gasohol gallonage, the estimate assumes combined gallonage would remain flat, but gasohol's component would increase from 81.4% to 84% of total gallonage.

** Current Fiscal Year average as of Jan '06 according to motor fuel prices compiled by the Department of Revenue using Oil Price Information Service (OPIS) data.

*** As of July 1, 2003, 80% of sales of gasohol are subject to sales tax. Prior to July 1, 2003, only 70% of sales of gasohol were subject to sales tax.

**** The Sales tax on motor fuel was suspended for the period July 2000 thru December 2000. As a result, approximately \$157 million of the total provided was not received by the State, and thus the reason for the reduced amount shown.

Illinois Riverboat Gaming Update
Eric Noggle, Sr. Revenue Analyst

In FY 2004 and FY 2005, riverboats in Illinois generated record-breaking amounts of revenue for the State. The \$699 million in State revenues brought in by Illinois riverboats in FY 2005 was 26.2% higher than levels experienced in FY 2003. The main reason for this large increase was the higher graduated tax rates that were imposed on riverboats (up to 70%) for FY 2004 and FY 2005.

On July 1, 2005, the wagering tax graduated rate structure for Illinois riverboats, as provided by State law, was allowed to decline from a 70% maximum tax rate to a maximum tax rate of 50%. The gaming industry was eager to see these rates fall as they felt the higher taxes prevented them from being competitive, especially with riverboats in neighboring states that had much lower taxes. While Illinois riverboat revenues increased significantly between FY 2003 and FY 2005, adjusted gross receipts declined 2.5% and admissions fell 16.6% over the two-year span of the 70% maximum tax rate. Riverboat operators argued that the lower tax structure would again give them the financial means to direct a significant

portion of their marketing, capital, and operating expenses towards the Illinois market, which would provide Illinois riverboats the opportunity to regain much of the market lost to neighboring states over the last couple of years.

Through the first six months under the 50% maximum graduated tax structure, Illinois riverboat figures have indeed seen some improvement. Through December, FY 2006 adjusted gross receipts are up 5.4% from FY 2005 levels, while admissions are up 1.4%. The largest increases in AGR and admissions have come from Joliet Harrah's, which is up 15.2% and 14.2%, respectively. In fact, only Elgin has experienced declines in AGR in FY 2006, thus far, with a modest decline of 0.5%. Elgin's decline is not surprising, in that, Elgin appeared to be the beneficiary of the large declines in AGR and attendance figures during FY 2004 and FY 2005 from the other Chicago area riverboats. During the 70% tax rate, many riverboats made the decision to charge admissions to regain some profit, whereas Elgin continued to offer free admission during this time frame. Under the 50% tax structure, all riverboats again are offering free admissions to their patrons. Fiscal year-to-date admission and AGR figures on a boat-by-boat basis are provided on the following chart.

Performance of Illinois Riverboats through December

(Adjusted Gross Receipts and Admissions FYTD)

	FY 2005 YTD AGR	FY 2006 YTD AGR	% change	FY 2005 YTD Admissions	FY 2006 YTD Admissions	% change
ELGIN (Grand Victoria)	\$ 203,639,000	\$ 202,583,000	-0.5%	1,428,652	1,346,683	-5.7%
JOLIET HARRAH'S	\$ 139,207,000	\$ 160,406,000	15.2%	994,708	1,136,325	14.2%
AURORA (City Lights I & II)	\$ 115,096,000	\$ 124,454,000	8.1%	721,072	840,311	16.5%
JOLIET EMPRESS (I & II)	\$ 117,655,000	\$ 123,709,000	5.1%	939,250	1,034,410	10.1%
EAST ST. LOUIS (Casino Queen)	\$ 80,496,000	\$ 83,848,000	4.2%	1,049,180	1,035,070	-1.3%
METROPOLIS	\$ 70,809,000	\$ 75,745,000	7.0%	670,376	591,661	-11.7%
EAST PEORIA (Par-A-Dice)	\$ 65,673,000	\$ 65,705,000	0.0%	808,608	725,549	-10.3%
ALTON (Alton Belle)	\$ 54,176,000	\$ 56,819,000	4.9%	713,688	737,127	3.3%
ROCK ISLAND (Casino RI)	\$ 19,010,000	\$ 19,386,000	2.0%	377,949	360,856	-4.5%
TOTAL	\$ 865,761,000	\$ 912,655,000	5.4%	7,703,483	7,807,992	1.4%

While State revenues are down 16.1% through December, revenues from riverboats are only expected to experience a small decline of around 1.5% in FY 2006. This is due to P.A. 94-0673, which provides that, in addition to the amounts collected from

the wagering tax rate, each riverboat must pay to the Illinois Gaming Board the amount, if any, by which the base amount for the licensed owner exceeds the amount of wagering tax paid. The base amount for each riverboat was set as follows:

Riverboat	Minimum Wagering Tax (Base Amount)
Alton	\$31 million
East Peoria	\$43 million
Rock Island	\$0
Joliet Empress	\$86 million
Metropolis	\$45 million
Joliet Harrah's	\$114 million
Aurora	\$86 million
East St. Louis	\$48.5 million
Elgin	\$198 million

Because of this hold-harmless provision, the State is guaranteed to receive at least \$651.5 million from the riverboats (established base amounts); plus amounts from the wagering tax revenues from the Rock Island riverboat (which has no obligated base amount);

plus amounts from the admission tax. At a minimum, the State was expected to receive at least \$687.5 million in FY 2006 and FY 2007 from riverboat gaming, with the potential for more if receipts exceed base amounts outlined in the bill.

Currently, one boat, Joliet Harrah's, is expected to generate State revenues that exceed their statutory base amount and produce more revenue under the 50% graduated tax rate than it did under the 70% maximum tax rate. As a result, overall State receipts from riverboats may reach \$690 million this fiscal year, which is slightly below the \$699 million received in FY 2005.

However, the remaining eight riverboats will likely not reach their statutory base amount in FY 2006.

Therefore, as a result of the hold-harmless provision, an additional amount of approximately \$103 million will have to be paid by these riverboats to the Illinois Gaming Board. This is \$103 million that the State would not have received if P.A. 94-0673 were not enacted. In FY 2008, under current law, the hold-harmless provision will no longer exist. Therefore, the performance of riverboats will have to continue to improve or the State would be at risk for a possible decline in tax receipts in FY 2008.

FY 2006 Special Transfers

Lynnae Kapp, Bond/Revenue Analyst

January fund sweeps equaled \$30.4 million, bringing the total fund sweeps

to date to \$100.1 million. When added to the repealed funds transfers to GRF and the fee increase transfer of \$1 million (which occurred in August) total special transfers to date equal \$101.5 million.

Special Transfers in FY 2006 YTD as of January 31, 2006						
FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Repealed Funds	Fee Increase	TOTAL
0014	Food & Drug Safety		\$316,051			\$316,051
0016	Teacher Certificate Fee Revolving Fund		\$736,799			\$736,799
0017	Keep IL Beautiful Fund			\$10,352		\$10,352
0021	Financial Institution Fund		\$1,836,518			\$1,836,518
0022	General Professions Dedicated Fund		\$2,981,856			\$2,981,856
0023	Economic Research and Information Fund		\$36,754			\$36,754
0024	IL Dept. of Ag. Laboratory Services Fund		\$131,096			\$131,096
0031	Drivers Education		\$22,614			\$22,614
0036	IL Veterans' Rehabilitation		\$164,205			\$164,205
0039	State Boating Act		\$301,368			\$301,368
0040	State Parks		\$784,417			\$784,417
0043	Military Affairs Trust Fund		\$51,351			\$51,351
0046	Aeronautics Fund		\$1,640			\$1,640
0048	Rural/Downstate Health Access Fund		\$3,483			\$3,483
0049	Industrial Hygiene Reg and Enforcement Fund		\$2,673			\$2,673
0067	Radiation Protection		\$159,008			\$159,008
0069	Natural Heritage Endowment Trust Fund		\$417,948			\$417,948
0071	Firearm Owner's Notification Fund		\$2,970			\$2,970
0074	EPA Special State Projects Trust		\$213,197			\$213,197
0078	Solid Waste Management		\$4,940,380			\$4,940,380
0085	Illinois Gaming Law Enforcement		\$487,985			\$487,985
0089	Subtitle D Management Fund		\$127,308			\$127,308
0094	DCFS Training Fund		\$704,053			\$704,053
0098	DuQuoin State Fair Harness Racing Trust Fund		\$2,526			\$2,526
0111	Toxic Pollution Prevention Fund		\$21,401			\$21,401
0113	Community Health Center Care Fund		\$78,360			\$78,360
0114	Emergency Response Reimbursement Fund		\$11,905			\$11,905
0118	Facility Licensing Fund		\$17,219			\$17,219

Special Transfers in FY 2006 YTD as of January 31, 2006						
FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Repealed Funds	Fee Increase	TOTAL
0119	IL Rural Bond Bank Trust Fund			\$35		\$35
0124	Workers Compensation Benefit Trust Fund		\$199,931			\$199,931
0126	New Technology Recovery			\$4,177		\$4,177
0127	IL Underground Utility Facilities Damage Prevention Fund		\$1,631			\$1,631
0128	Youth Alcohol & Substance Abuse Prevention Fund		\$22,496			\$22,496
0130	School District Emergency Financial Assistance		\$1,598,136			\$1,598,136
0145	Explosives Regulatory		\$17,344			\$17,344
0146	Aggregate Operation Regulatory		\$24,563			\$24,563
0147	Coal Mining Regulatory Fund		\$95,687			\$95,687
0152	State Crime Laboratory		\$33,724			\$33,724
0153	Agrichemical Incident Response Trust Fund		\$314,873			\$314,873
0154	EPA Court Trust Fund		\$253,985			\$253,985
0156	Motor Vehicle Theft Prevention Fund		\$1,061,521			\$1,061,521
0159	ISBE Teacher Certificate Institution Fund		\$91,588			\$91,588
0161	ISBE GED Testing Fund		\$109,647			\$109,647
0162	ISBE School Bus Driver Permit Fund			\$192		\$192
0163	Weights and Measures		\$808,591			\$808,591
0167	Registered Limited Liability Partnership Fund		\$112,500			\$112,500
0173	Emergency Planning & Training		\$21,634			\$21,634
0175	Illinois School Asbestos Abatement		\$137,393			\$137,393
0185	SOS Special License Plate Fund		\$390,150			\$390,150
0192	Professional Regulation Evidence Fund		\$2,113			\$2,113
0207	Pollution Control Board State Trust Fund		\$307,988			\$307,988
0213	Response Contractors Indemnification Fund		\$95			\$95
0215	Capital Development Board Revolving		\$339,791			\$339,791
0237	Medicaid Fraud/Abuse Prevent		\$45,230			\$45,230
0238	IL Health Facilities Planning Fund		\$17,300			\$17,300
0240	Emergency Public Health Fund		\$104,998			\$104,998
0242	ISAC Accounts Receivable Fund		\$19,781			\$19,781
0246	State Police Vehicle		\$17,174			\$17,174
0248	Racing Board Fingerprint License Fund		\$12,626			\$12,626
0251	Dept. of Labor Special State Trust Fund		\$269,921			\$269,921
0255	Credit Enhancement Development			\$51		\$51
0256	Public Health Water Permit Fund		\$13,218			\$13,218
0261	Underground Resource Conservation Enforcement		\$220,688			\$220,688
0265	State Rail Freight Loan Repayment Fund		\$860,795			\$860,795
0274	Self-Insurers Administration Fund		\$215,223			\$215,223
0276	Drunk & Drugged Driving Prevention Fund		\$38,415			\$38,415
0277	Pollution Control Board Fund		\$17,253			\$17,253
0282	Hazardous Waste Occup. Licensing Fund		\$11,204			\$11,204
0285	Long-Term Care Monitor/Receiver Fund		\$320,888			\$320,888
0288	Community Water Supply Lab		\$537,174			\$537,174
0289	Motor Fuel and Petroleum Standards Fund		\$14,755			\$14,755
0290	Fertilizer Control Fund		\$155,549			\$155,549
0291	Regulatory Fund		\$41,435			\$41,435
0292	Securities Investors Education Fund		\$75,000			\$75,000
0294	Used Tire Management Fund		\$959,250			\$959,250
0295	SOS Interagency Grant Fund		\$30,675			\$30,675
0296	IL Executive Mansion Trust Fund		\$42,116			\$42,116
0297	Guardianship & Advocacy Fund		\$20,467			\$20,467
0301	Working Capital Revolving Fund		\$1,053,651			\$1,053,651
0303	State Garage Revolving Fund		\$479,747			\$479,747
0304	Statistical Services Revolving Fund		\$3,635,837			\$3,635,837
0308	Paper and Printing Revolving Fund		\$36,357			\$36,357
0309	Air Transportation Revolving Fund		\$136,109			\$136,109
0310	Tax Recovery Fund		\$85,193			\$85,193
0312	Communications Revolving Fund		\$9,749,879			\$9,749,879
0315	Efficiency Initiatives Revolving Fund		\$4,633,724			\$4,633,724

Special Transfers in FY 2006 YTD as of January 31, 2006						
FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Repealed Funds	Fee Increase	TOTAL
0317	Professional Services Fund		\$34,667			\$34,667
0323	Motor Vehicle Review Board Fund		\$187,500			\$187,500
0325	Community MH and DD Services Provider Participation Fee Trust			\$46,637		\$46,637
0332	Workers Compensation Revolving Fund		\$390,214			\$390,214
0335	Criminal Justice Information Projects Fund		\$13,659			\$13,659
0336	Environmental Lab Certification Fund		\$46,529			\$46,529
0339	IL Community College Board Contracts and Grants Fund		\$7			\$7
0340	Public Health Services Revolving Fund		\$69,207			\$69,207
0341	Provider Inquiry Trust Fund		\$155,324			\$155,324
0344	Care Providers for Persons w/ Developmental Disabilities		\$1,783,703			\$1,783,703
0348	Nursing Home Grant Assistance Fund			\$145		\$145
0361	State Appellate Defender Special State Projects Fund		\$5,955			\$5,955
0362	Securities Audit and Enforcement		\$2,550,000			\$2,550,000
0363	Dept. Business Service Spec. Ops Fund		\$1,500,000			\$1,500,000
0368	Drug Treatment Fund		\$120,023			\$120,023
0369	Feed Control Fund		\$358,676			\$358,676
0370	Tanning Facility Permit Fund		\$48,428			\$48,428
0371	Innovations in Long-term Care Quality Demonstration Grants Fund		\$424,121			\$424,121
0375	Natural Heritage Fund		\$834			\$834
0376	State Police Motor Vehicle Theft Prevention Fund		\$123,632			\$123,632
0380	Corporate Franchise Tax Refund Fund		\$375,000		\$1,050,921	\$1,425,921
0382	Dept. of Insurance State Trust Fund		\$13,507			\$13,507
0384	Tax Compliance & Administration		\$322,033			\$322,033
0386	Appraisal Administration		\$187,500			\$187,500
0387	Small Business Environmental Assistance Fund		\$10,265			\$10,265
0388	Regulatory Evaluation and Basic Enforcement Fund		\$48,166			\$48,166
0389	Sexual Assault Services Fund		\$9,158			\$9,158
0390	IL Habitat Endowment Trust Fund		\$0			\$0
0398	EMS Assistance Fund		\$30,692			\$30,692
0416	Armory Rental Fund		\$83,654			\$83,654
0417	State College and University Trust Fund		\$104,579			\$104,579
0418	University Grant Fund		\$17,911			\$17,911
0420	MAP Reserve Fund		\$659,775			\$659,775
0421	Public Aid Recoveries Trust		\$5,707,973			\$5,707,973
0422	Alternative Fuels Fund		\$792,625			\$792,625
0423	ISAC Higher EdNet Fund			\$1		\$1
0430	Livestock Management Facilities Fund		\$35,850			\$35,850
0431	Second Injury Fund		\$113,620			\$113,620
0434	Court of Claims Admin and Grant Fund		\$18,712			\$18,712
0438	IL State Fair		\$37,632			\$37,632
0440	Agricultural Master Fund		\$13,370			\$13,370
0441	Kaskaskia Commons Permanent Fund		\$59,860			\$59,860
0448	DORS State Project Fund			\$13,917		\$13,917
0452	IL Tourism Tax		\$485,812			\$485,812
0483	Secretary of State Special Services		\$1,875,000			\$1,875,000
0502	Early Intervention Services Revolving Fund		\$783,701			\$783,701
0514	State Asset Forfeiture Fund		\$53,991			\$53,991
0517	Police Training Board Service Fund		\$1,155			\$1,155
0520	Federal Asset Forfeiture Fund		\$1,403			\$1,403
0523	Department of Corrections Reimbursement		\$1,656,242			\$1,656,242
0524	Health Facility Plan Review Fund		\$124,479			\$124,479
0525	Statewide Grand Jury Prosecution Fund		\$5,734			\$5,734
0535	Sex Offender Registration		\$5,735			\$5,735
0536	LEADS Maintenance		\$57,736			\$57,736
0537	State Offender DNA ID System Fund		\$61,305			\$61,305
0538	IL Historic Sites		\$100,775			\$100,775
0544	School Technology Revolving Fund			\$496		\$496
0546	Public Pension Regulation Fund		\$166,825			\$166,825

Special Transfers in FY 2006 YTD as of January 31, 2006						
FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Repealed Funds	Fee Increase	TOTAL
0548	Drycleaner Environ Response Fund		\$0			\$0
0555	Good Samaritan Energy Trust Fund		\$5,393			\$5,393
0562	Pawnbroker Regulation Fund		\$70,598			\$70,598
0564	Renewable Energy Resources Trust Fund		\$3,508			\$3,508
0567	Charter Schools Revolving Fund		\$488,041			\$488,041
0569	School Technology Revolving Loan fund		\$14,369			\$14,369
0571	Energy Efficiency Trust Fund		\$975,704			\$975,704
0573	Petroleum Resources Revolving Fund		\$21,385			\$21,385
0574	Off-Highway Vehicle Trails		\$183,611			\$183,611
0576	Pesticide Control		\$315,167			\$315,167
0582	DCFS Special Purposes Trust Fund		\$19,459			\$19,459
0595	IL Rural Rehab Fund		\$6,143			\$6,143
0610	Energy Assistance Contribution			\$258,585		\$258,585
0628	IL Building Commission Revolving Fund			\$1,398		\$1,398
0634	IL Aquaculture Develop Fund			\$1		\$1
0635	Death Certificate Surcharge		\$850,756			\$850,756
0649	Motor Carrier Safety Inspection		\$110,608			\$110,608
0651	Watershed Park Fund		\$14,840			\$14,840
0658	State Off-set Claims Fund		\$0			\$0
0669	Airport Land Loan Revolving Fund		\$1,252,478			\$1,252,478
0672	Homelessness Prevention Fund			\$3,697		\$3,697
0677	ISAC Contracts and Grants Fund		\$4,192			\$4,192
0684	DCFS Refugee Assistance Fund			\$328		\$328
0688	IEMA State Projects Fund		\$10			\$10
0702	Assisted Living and Shared Housing Reg. Fund		\$18,370			\$18,370
0703	State Whistleblower Reward & Protection		\$1,194			\$1,194
0705	Whistleblower Reward & Protection Fund		\$149,774			\$149,774
0712	Post Transplant Maintenance and Retention Fund		\$56,325			\$56,325
0720	Family Care Fund		\$16,939			\$16,939
0728	Drug Rebate Fund		\$12,986,866			\$12,986,866
0729	IL Century Network Special Purposes Fund			\$3,889		\$3,889
0731	IL Clean Water Fund		\$1,376,847			\$1,376,847
0738	Alternative Compliance Market Account Fund		\$39,840			\$39,840
0739	Group Worker's Compensation Pool Insolvency Fund		\$102,410			\$102,410
0740	Medicaid Buy-In Program Revolving Fund		\$239,171			\$239,171
0745	State's Attorneys Appellate Prosecutor's County Fund		\$52,576			\$52,576
0746	Home Inspector Administration		\$183,377			\$183,377
0753	IL Future Teachers Corps Scholarship Fund		\$3,627			\$3,627
0757	Child Support Administrative		\$837,950			\$837,950
0762	Local Initiative Fund		\$1,455,485			\$1,455,485
0774	Oil Spill Response Fund		\$125,660			\$125,660
0776	Presidential Library and Museum Fund		\$545,438			\$545,438
0808	Medical Special Purpose Trust Fund		\$698,001			\$698,001
0821	Dram Shop		\$82,916			\$82,916
0830	Dept. of Aging State Projects Fund		\$7,544			\$7,544
0831	Natural Recourses Restoration Trust Fund		\$47,252			\$47,252
0835	State Fair Promotional Activities Fund		\$6,551			\$6,551
0840	Hazardous Waste Research Fund		\$93,907			\$93,907
0844	Continuing Legal Education Trust Fund		\$17,564			\$17,564
0845	Environmental Protection Trust Fund		\$0			\$0
0850	Real Estate License Administration		\$1,125,000			\$1,125,000
0858	Land Reclamation Fund		\$0			\$0
0866	Snowmobile Trail Establishment Fund		\$2,343			\$2,343
0878	Drug Traffic Prevention Fund		\$16,592			\$16,592
0884	DNR Special Projects Fund		\$226,237			\$226,237
0888	Design Professionals Administration & Investigation		\$38,776			\$38,776
0896	Public Health State Projects		\$612,152			\$612,152
0903	State Surplus Property Revolving Fund		\$194,142			\$194,142

Special Transfers in FY 2006 YTD as of January 31, 2006						
FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Repealed Funds	Fee Increase	TOTAL
0910	Youth Drug Abuse Prevention Fund		\$3,068			\$3,068
0914	Natural Recourses Information Fund		\$48,447			\$48,447
0921	DHS Recoveries Trust		\$1,193,876			\$1,193,876
0924	LT Governor's Grant Fund		\$141			\$141
0927	IL National Guard Armory Construction Fund		\$23,602			\$23,602
0931	JJ Wolf Memorial for Conservation Investigation Fund		\$6,103			\$6,103
0938	Hearing Instrument Dispenser Examining and Disciplinary Fund		\$77,132			\$77,132
0944	Environmental Protection Permit & Inspection		\$135,428			\$135,428
0947	Governor's Grant Fund		\$1,194			\$1,194
0951	Narcotics Profit Forfeiture Fund		\$29,534			\$29,534
0954	Illinois State Podiatric Disciplinary Fund		\$237,929			\$237,929
0962	Park & Conservation		\$2,287,616			\$2,287,616
0969	Local Tourism Fund		\$99,657			\$99,657
0973	Build IL Capital Revolving Loan Fund		\$3,018,080			\$3,018,080
0974	IL Equity Fund		\$89,395			\$89,395
0975	Large Business Attraction Fund		\$255,583			\$255,583
0982	IL Beach Marina		\$44,450			\$44,450
0993	Public Infrastructure Construction Loan		\$47,852			\$47,852
0996	Educational Labor Relations Board Fair Share Trust Fund		\$0			\$0
0997	Insurance Financial Regulation		\$600,000			\$600,000
	TOTAL	\$0	\$100,102,502	\$343,900	\$1,050,921	\$101,497,323

REVENUE

January Revenues Increase on Strength of Economic Sources

Jim Muschinske, Revenue Manager

Overall general funds revenues increased \$106 million in January. The increase was due primarily to an exceptional month for income and sales tax as well as timing of the intergovernmental transfer and other statutory transfers. An anticipated falloff in federal sources, however, served to curtail much of the above increases. The remaining revenue sources experienced mixed results. January had the same number of receipting days as in the last fiscal year.

As mentioned, the economically related sources posted impressive gains to begin the second half of the fiscal year. Gross personal income tax receipts rose \$95 million, or \$88 million net of refunds. Sales tax revenues increased

\$39 million, while gross corporate income taxes gained \$29 million, or \$25 million net of refunds. Due to timing, the Cook County IGT rose \$34 million. Other sources as well as interest income each posted \$5 million increases for the month.

Overall transfers rose \$25 million in January. Due to the timing of statutory transfers related to fund sweeps, other transfers were up \$40 million for the month. Lottery transfers, after enjoying a stellar year thus far, only rose \$1 million in January. Riverboat transfers were down \$16 million reflecting lower graduated tax rates. As mentioned earlier, federal sources had an expected down month, falling \$104 million.

Year to Date

With seven months of the fiscal year completed, excluding the \$1 billion in

short-term borrowing, overall revenues are up \$634 million. While some of that gain can be attributed to reimbursement on Medicaid spending due to November's short-term borrowing, sources most closely tied to the economy have continued to do well. However, offsetting some of those gains are falloffs in transfers such as: the Cook County IGT; riverboat transfers; chargebacks, and statutory fund sweeps.

Through January, gross personal income tax receipts are up \$316 million, or \$304 million on a net of refund basis. Sales tax receipts are up \$247 million, while gross corporate income tax revenues are up \$165 million, or \$160 million net of refunds. Other sources experiencing increases added another \$100 million.

As mentioned, not all areas have fared as well as the economically related sources. The Cook County IGT is off \$71 million in large part due to timing of the transfers but also because of an

anticipated decline in the total yearly transfer amount. The cigarette tax is down \$50 million due to a temporary change in the distribution of the tax early last fiscal year, and insurance taxes and fees have fallen \$23 million.

Total transfers are down \$209 million through January, reflecting the timing of statutory fund sweeps as well as chargeback activity, in addition to the lower riverboat tax rates. Other fund transfers are down \$190 million while riverboat transfers and receipts trail by \$69 million. Offsetting some of those declines is a \$50 million increase in lottery transfers.

Finally, in November, the \$1 billion in short-term borrowing resulted in a very large month for federal sources. Through the first seven months of the fiscal year, federal receipts are up \$184 million, however, as reimbursable spending is slowed in the second half of the fiscal year, those year to date gains will continue to decline.

GENERAL FUNDS RECEIPTS: JANUARY

FY 2006 vs. FY 2005

(\$ million)

<u>Revenue Sources</u>	<u>JAN. FY 2006</u>	<u>JAN. FY 2005</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$1,105	\$1,010	\$95	9.4%
Corporate Income Tax (regular)	57	28	\$29	103.6%
Sales Taxes	628	589	\$39	6.6%
Public Utility Taxes (regular)	64	64	\$0	0.0%
Cigarette Tax	33	33	\$0	0.0%
Liquor Gallonage Taxes	11	12	(\$1)	-8.3%
Vehicle Use Tax	2	2	\$0	0.0%
Inheritance Tax (Gross)	24	29	(\$5)	-17.2%
Insurance Taxes and Fees	3	5	(\$2)	-40.0%
Corporate Franchise Tax & Fees	15	18	(\$3)	-16.7%
Interest on State Funds & Investments	12	7	\$5	71.4%
Cook County IGT	34	0	\$34	N/A
Other Sources	45	40	\$5	12.5%
Subtotal	\$2,033	\$1,837	\$196	10.7%
Transfers				
Lottery	45	44	\$1	2.3%
Riverboat transfers & receipts	35	51	(\$16)	-31.4%
Other	67	27	\$40	148.1%
Total State Sources	\$2,180	\$1,959	\$221	11.3%
Federal Sources	\$344	\$448	(\$104)	-23.2%
Total Federal & State Sources	\$2,524	\$2,407	\$117	4.9%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$108)	(\$101)	(\$7)	6.9%
Corporate Income Tax	(\$11)	(7)	(\$4)	57.1%
Subtotal General Funds	\$2,405	\$2,299	\$106	4.6%
Short-Term Borrowing	\$0	\$0	\$0	N/A
HPF and HHSMTF Transfers	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$2,405	\$2,299	\$106	4.6%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				2-Feb-06

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2006 vs. FY 2005

(\$ million)

Revenue Sources	FY 2006	FY 2005	CHANGE FROM FY 2005	% CHANGE
State Taxes				
Personal Income Tax	\$5,041	\$4,725	\$316	6.7%
Corporate Income Tax (regular)	750	585	\$165	28.2%
Sales Taxes	4,169	3,922	\$247	6.3%
Public Utility Taxes (regular)	605	576	\$29	5.0%
Cigarette Tax	233	283	(\$50)	-17.7%
Liquor Gallonage Taxes	90	88	\$2	2.3%
Vehicle Use Tax	19	19	\$0	0.0%
Inheritance Tax (Gross)	158	166	(\$8)	-4.8%
Insurance Taxes and Fees	150	173	(\$23)	-13.3%
Corporate Franchise Tax & Fees	107	105	\$2	1.9%
Interest on State Funds & Investments	78	34	\$44	129.4%
Cook County IGT	122	193	(\$71)	-36.8%
Other Sources	251	228	\$23	10.1%
Subtotal	\$11,773	\$11,097	\$676	6.1%
Transfers				
Lottery	374	324	\$50	15.4%
Riverboat transfers & receipts	384	453	(\$69)	-15.2%
Other	259	449	(\$190)	-42.3%
Total State Sources	\$12,790	\$12,323	\$467	3.8%
Federal Sources	\$3,175	\$2,991	\$184	6.2%
Total Federal & State Sources	\$15,965	\$15,314	\$651	4.3%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$491)	(\$479)	(\$12)	2.5%
Corporate Income Tax	(\$150)	(\$145)	(\$5)	3.4%
Subtotal General Funds	\$15,324	\$14,690	\$634	4.3%
Short-Term Borrowing	\$1,000	\$0	\$1,000	N/A
HPF and HHSMIF Transfers	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$276	\$276	\$0	N/A
Total General Funds	\$16,600	\$14,966	\$1,634	10.9%

SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.

CGFA

2-Feb-06

GENERAL FUNDS GROWTH NEEDED TO MEET ESTIMATE
FY 2006 ESTIMATE vs. FY 2005 ACTUAL
(\$ million)

<u>Revenue Sources</u>	<u>NOV-05 ESTIMATE FY 2006</u>	<u>FYTD 2006</u>	<u>AMOUNT NEEDED FY 2006 EST.</u>	<u>FYTD 2005</u>	<u>GROWTH NEEDED</u>	<u>% CHANGE</u>
State Taxes						
Personal Income Tax	\$9,267	\$5,041	\$4,226	\$4,725	\$78	1.9%
Corporate Income Tax (regular)	1,664	750	\$914	585	(\$49)	-5.1%
Sales Taxes	6,915	4,169	\$2,746	3,922	\$73	2.7%
Public Utility Taxes (regular)	1,072	605	\$467	576	(\$13)	-2.7%
Cigarette Tax	405	233	\$172	283	\$5	3.0%
Liquor Gallonage Taxes	150	90	\$60	88	\$1	1.7%
Vehicle Use Tax	32	19	\$13	19	\$0	0.0%
Inheritance Tax (Gross)	265	158	\$107	166	(\$37)	-25.7%
Insurance Taxes and Fees	332	150	\$182	173	\$13	7.7%
Corporate Franchise Tax & Fees	185	107	\$78	105	\$2	2.6%
Interest on State Funds & Investments	116	78	\$38	34	(\$1)	-2.6%
Cook County IGT	340	122	\$218	193	(\$22)	-9.2%
Other Sources	445	251	\$194	228	(\$45)	-18.8%
Subtotal	\$21,188	\$11,773	\$9,415	\$11,097	\$5	0.1%
Transfers						
Lottery	640	374	\$266	324	(\$24)	-8.3%
Riverboat transfers & receipts	688	384	\$304	453	\$58	23.6%
Other	770	259	\$511	449	\$61	13.6%
Total State Sources	\$23,286	\$12,790	\$10,496	\$12,323	\$100	1.0%
Federal Sources	\$4,791	\$3,175	\$1,616	\$2,991	(\$84)	-4.9%
Total Federal & State Sources	\$28,077	\$15,965	\$12,112	\$15,314	\$16	0.1%
Nongeneral Funds Distribution:						
Refund Fund						
Personal Income Tax	(\$904)	(\$491)	(\$413)	(\$479)	\$2	-0.5%
Corporate Income Tax	(333)	(\$150)	(\$183)	(145)	\$48	-20.8%
Subtotal General Funds	\$26,840	\$15,324	\$11,516	\$14,690	\$66	0.6%
Short-Term Borrowing	\$1,000	\$1,000	\$0	\$0	(\$765)	N/A
HPF and HHSMTF Transfer	\$0	\$0	\$0	\$0	(\$1,002)	N/A
Budget Stabilization Fund Transfer	\$276	\$276	\$0	\$276	\$0	N/A
Total General Funds	\$28,116	\$16,600	\$11,516	\$14,966	(\$1,701)	-12.9%
CGFA						2-Feb-06

GENERAL FUNDS PERFORMANCE TO DATE
GOVERNOR'S OFFICE OF MANANGEMENT AND BUDGET

FY 2006 ESTIMATE vs. FY 2005 ACTUALS

(\$ million)

	GOMB MAY-05 Estimate FY 2006	FYTD 2006	AMOUNT NEEDED FY 2006 Est.	FYTD 2005	GROWTH NEEDED	% CHANGE
Revenue Sources						
State Taxes						
Personal Income Tax	\$9,125	\$5,041	\$4,084	\$4,725	(\$64)	-1.5%
Corporate Income Tax (regular)	1,583	750	\$833	585	(\$130)	-13.5%
Sales Taxes	6,873	4,169	\$2,704	3,922	\$31	1.2%
Public Utility Taxes (regular)	1,069	605	\$464	576	(\$16)	-3.3%
Cigarette Tax	400	233	\$167	283	\$0	0.0%
Liquor Gallonage Taxes	150	90	\$60	88	\$1	1.7%
Vehicle Use Tax	35	19	\$16	19	\$3	23.1%
Inheritance Tax (Gross)	285	158	\$127	166	(\$17)	-11.8%
Insurance Taxes and Fees	327	150	\$177	173	\$8	4.7%
Corporate Franchise Tax & Fees	183	107	\$76	105	\$0	0.0%
Interest on State Funds & Investments	65	78	(\$13)	34	(\$52)	-133.3%
Cook County IGT	340	122	\$218	193	(\$22)	-9.2%
Other Sources	472	251	\$221	228	(\$18)	-7.5%
Subtotal	\$20,907	\$11,773	\$9,134	\$11,097	(\$276)	-2.9%
Transfers						
Lottery	628	374	\$254	324	(\$36)	-12.4%
Gaming Fund Transfer	707	384	\$323	453	\$77	31.3%
Other	844	259	\$585	449	\$135	30.0%
Total State Sources	\$23,086	\$12,790	\$10,296	\$12,323	(\$100)	-1.0%
Federal Sources	\$4,791	\$3,175	\$1,616	\$2,991	(\$84)	-4.9%
Total Federal & State Sources	\$27,877	\$15,965	\$11,912	\$15,314	(\$184)	-1.5%
Nongeneral Funds Distribution:						
Refund Fund						
Personal Income Tax	(\$890)	(\$491)	(\$399)	(\$479)	\$16	-3.9%
Corporate Income Tax	(316)	(150)	(\$166)	(145)	\$65	-28.1%
Subtotal General Funds	\$26,671	\$15,324	\$11,347	\$14,690	(\$103)	-0.9%
Short-Term Borrowing	\$1,000	\$1,000	\$0	\$0	(\$765)	N/A
HPF and HHSMTF Transfer	\$0	\$0	\$0	\$0	(\$1,002)	N/A
Budget Stabilization Fund Transfer	\$276	\$276	\$0	\$276	\$0	N/A
Total General Funds	\$27,947	\$16,600	\$11,347	\$14,966	(\$1,870)	-14.1%
CGFA						2-Feb-06

PENSIONS
Report on the 90% Funding Target of
P.A. 88-0593

Dan Hankiewicz, Pension Analyst

The Commission held a meeting on February 1, 2006 to discuss the Report on the 90% Funding Target of P.A. 88-593. P.A. 88-593 requires the State to make contributions to the State retirement systems so that total assets of the systems will equal 90% of their total actuarial liabilities by FY 2045. The contributions are required to be a level percent of payroll in fiscal years 2011 through 2045, following a phase-in period that began in FY 1996.

The report covered two main areas pertaining to the financial condition of the five State-funded retirement systems since the enactment of the current funding law: the factors that contributed to the growth in unfunded liabilities of the systems and a comparison of the contributions as originally projected in 1994

with projected contributions as set forth in each of the systems' June 2005 actuarial valuations.

Despite counteractive factors such as formula increases, investment gains and losses due to market volatility, the infusion of Pension Obligation Bond proceeds and funding reductions as contained in P.A. 94-0004, the total cost of the current funding plan has not grown appreciably from what was originally projected in 1994. The 1994 actuarial valuations of the systems predicted that the total cost of the funding plan from FY 1996 through FY 2045 would be approximately \$312.9 billion; the 2005 actuarial valuations of the systems predict that the total cost of the funding plan over the same time period will be \$315.1 billion, an increase of \$2.2 billion, or 0.7%.

The table below shows an excerpt of the comparison between the 1994 contribution projections and the 2005 projections for selected years, as contained in the report.

STATE-FUNDED RETIREMENT SYSTEMS, COMBINED						
Original and Current Projected Contributions and Funded Ratios						
(\$ in Millions)						
1994 Projection P.A. 88-0593			2005 Projection P.A. 88-0593		Difference (2005 - 1994)	
FY	Contribution	Funded Ratio	Contribution	Funded Ratio	Contribution	Funded Ratio
1996	\$607.2	52.3%	\$609.1	54.9%	\$1.9	2.6%
1997	\$718.7	52.6%	\$712.2	70.1%	-\$6.5	17.6%
1998	\$839.6	52.0%	\$881.5	72.2%	\$41.9	20.3%
1999	\$970.4	51.6%	\$1,122.6	73.0%	\$152.2	21.3%
2000	\$1,109.4	51.4%	\$1,224.7	74.7%	\$115.3	23.3%
2001	\$1,256.8	51.0%	\$1,346.6	63.1%	\$89.8	12.1%
2002	\$1,419.3	51.5%	\$1,469.3	53.5%	\$50.0	2.1%
2003	\$1,591.7	51.7%	\$1,628.3	48.6%	\$36.6	-3.1%
2004	\$1,776.5	52.1%	\$9,178.6	60.9%	\$7,402.1	8.8%
2005	\$1,967.6	52.5%	\$1,638.0	60.3%	-\$329.6	7.8%
2006	\$2,172.3	52.9%	\$935.6	58.8%	-\$1,236.7	6.0%
2007	\$2,390.3	53.4%	\$1,372.2	57.7%	-\$1,018.1	4.3%
2008	\$2,623.8	54.0%	\$1,981.3	57.2%	-\$642.5	3.2%
2009	\$2,871.4	54.7%	\$2,662.0	57.2%	-\$209.4	2.5%
2010	\$3,140.4	55.4%	\$3,401.2	57.7%	\$260.8	2.2%
2020	\$4,898.2	62.5%	\$5,223.7	61.7%	\$325.5	-0.8%
2030	\$8,020.8	68.8%	\$8,018.8	67.3%	-\$2.0	-1.5%
2040	\$13,115.8	80.0%	\$12,485.7	79.9%	-\$630.1	-0.1%
2045	\$16,786.6	90.0%	\$15,636.4	90.0%	-\$1,150.2	0.0%