



# Commission on Government Forecasting and Accountability

**MONTHLY BRIEFING**

**JANUARY 2007**

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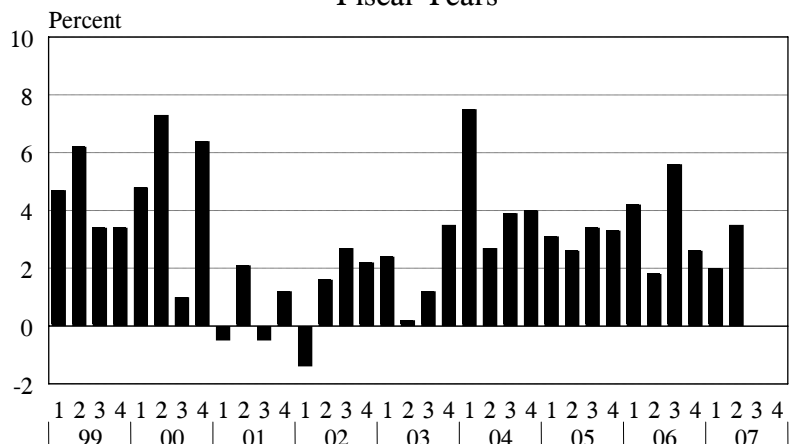
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**ECONOMY: Temporary Rebound or New Trend?**

Edward H. Boss, Jr., Chief Economist

Recently released data on the state of the economy show that real economic growth as measured by gross domestic product (GDP) grew at a 3.5% annual rate in the second quarter of FY 2007 (fourth quarter of calendar year 2006), up from a 2% rate in the previous three-month period (See chart below). The gain last quarter was larger than expected by most analysts and marked the first time since 2001 that growth in the fourth quarter of the calendar year exceeded that recorded in the third quarter. The up tick in growth last quarter follows two consecutive quarters of diminished growth rates and raises the prospect that the pace of economic growth may be rebounding following a prolonged period of monetary tightening designed to ease upward price pressures. Prices for personal consumption excluding the volatile food and energy sectors followed closely by the Federal Reserve, however, rose at a 2.1% annual rate, down from the previous quarter's 2.2% rate and

**CHART 1**  
**CHANGE IN REAL GDP**  
Fiscal Years



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closer to the Fed's target rate of 2% or less. Later in the same day that the GDP data were released the Federal Reserve announced that key monetary interest rates would once again be held unchanged, a position it has held since August following 17 consecutive increases over a two-year period.

The accelerated growth rate was largely due to a 4.4% annual rate of increase in consumer spending, despite a decline in autos; a downturn in imports as oil prices fell; and a pickup in government spending at both the federal and state and local levels. The major negatives to growth centered in another retrenchment in residential construction, and a sharp decline in inventories and business spending. Residential investment subtracted 1.16% from GDP growth last quarter with autos subtracting another 1.17% and inventories another 0.7%.

The composition of growth last quarter ran in the face of conventional wisdom. It had been thought that declining home sales and values and falling auto sales would dampen consumer spending and that it would be a pickup in business spending, stimulated by sharply rising profits and tightening capacity that would help take up the slack. However, the consumer has proved amazingly resilient and accelerated real spending gains from an annual rate of 2.8% in the previous quarter to a 4.4% rate in the

latest three-month period. Since the consumer generally accounts for two-thirds of total spending, it was the major contributor. This undoubtedly reflects the strong job market and recent improvement in consumer attitudes. In contrast, business spending, reflected by changes in nonresidential fixed investment, declined last quarter for the first time since the first quarter of 2003. Moreover, the manufacturing sector has weakened further. The Chicago Purchasing Managers index fell to 48.8 in January 2007, indicating contracting activity, the second time in the past three months. This was followed by the release of the national index that fell to 49.3, also indicating the second month in the past three months of contraction in manufacturing.

Latest reports on the U.S. economy suggest continued good growth with rising employment and moderating inflation. Odds of a successful mid-term correction in the current business expansion have increased as chances of any near term recession have greatly diminished. As a result, key monetary policy interest rates are likely to be held unchanged. To quote the latest Federal Reserve's Open Market Committee statement... "Overall, the economy seems likely to expand at a moderate pace over coming quarters. Readings on core inflation have improved modestly in recent months, and inflation pressures seem likely to moderate over time."

## INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS</u>	<u>DEC. 2006</u>	<u>NOV. 2006</u>	<u>DEC. 2005</u>
Unemployment Rate (Average)	4.1%	4.1%	5.5%
Annual Rate of Inflation (Chicago)	-0.6%	2.4%	0.7%
<hr style="border: 2px solid black;"/>			
	<u>LATEST</u>	<u>% CHANGE</u>	<u>% CHANGE</u>
	<u>MONTH</u>	<u>OVER PRIOR</u>	<u>OVER A</u>
		<u>MONTH</u>	<u>YEAR AGO</u>
Civilian Labor Force (thousands) (December)	6,686	0.6%	3.1%
Employment (thousands) (December)	6,412	0.6%	4.5%
New Car & Truck Registration (December)	38,688	-6.5%	-9.0%
Single Family Housing Permits (December)	1,501	-33.8%	-48.5%
Total Exports (\$ mil) (November)	3,724	-2.6%	23.4%
Chicago Purchasing Managers Index (January)	48.8	-6.9%	-16.6%



### Short-Term Borrowing

Lynnae Kapp, Bond/Revenue Analyst

The Administration is competitively selling \$900 million of General Obligation Certificates to be finalized on February 7, 2007. According to the Preliminary Official Statement, the purpose of the borrowing is to provide mid-fiscal year liquidity to the General Funds and the Hospital Provider Fund to make supplemental inpatient and outpatient payments to certain public and non-public hospitals within Illinois and other medical claims. These payments to hospitals are a part of the Illinois Hospital Provider Assessment Tax Program. The State uses funds

raised from this tax to leverage additional funds from the federal government, which are then used to pay the additional Medicaid service provider payments and other General Funds transfer obligations of the State, primarily to local government units of the State. The Administration expects to deposit an additional \$160 million into the General Revenue Fund resulting from the Hospital Assessment Tax. Of that amount, \$12 million will be used to pay off the interest on the Certificates which mature June 7, 2007, thereby netting the State \$148 million.

**Special Transfers**  
Lynnae, Bond/Revenue Analyst

January fund sweeps of \$46.2 million, added to \$94.3 million from previous months equals a year-to-date total of \$140.5 million in fund sweeps. Charge-

backs occurred in September in the amount of \$24.7 million. The total of all Special Transfers to date equals \$165.3 million. The following table lists totals by fund and type of transfer.

<b>Special Transfers in FY 2007 [PA 94-0839]</b>				
<b>FUND #</b>	<b>FUND NAME</b>	<b>Chargebacks</b>	<b>Statute (Funds Sweep)</b>	<b>TOTAL</b>
0014	Food & Drug Safety	\$111,300	\$315,750	\$427,050
0019	Grade Crossing Protection	\$2,160,000	\$3,000,000	\$5,160,000
0022	General Professions Dedicated Fund	\$768,600	\$3,750,000	\$4,518,600
0023	Economic Research and Information Fund		\$18,750	\$18,750
0024	IL Dept. of Ag. Laboratory Services Fund	\$62,400	\$75,000	\$137,400
0031	Drivers Education		\$675,000	\$675,000
0040	State Parks	\$893,900	\$784,500	\$1,678,400
0044	Lobbyist Registration Administration Fund	\$51,000		\$51,000
0057	IL State Pharmacy Disciplinary Fund	\$140,400	\$2,250,000	\$2,390,400
0059	Public Utility	\$400,000	\$330,000	\$730,000
0078	Solid Waste Management		\$150,000	\$150,000
0085	Illinois Gaming Law Enforcement	\$41,280	\$489,000	\$530,280
0089	Subtitle D Management Fund		\$225,000	\$225,000
0113	Community Health Center Care Fund		\$75,000	\$75,000
0130	School District Emergency Financial Assistance	\$55,900	\$993,750	\$1,049,650
0137	Plugging & Restoration	\$41,900		\$41,900
0145	Explosives Regulatory		\$17,250	\$17,250
0146	Aggregate Operation Regulatory		\$24,750	\$24,750
0147	Coal Mining Regulatory Fund		\$37,500	\$37,500
0151	Registered CPA Administration & Disciplinary Fund		\$750,000	\$750,000
0153	Agrichemical Incident Response Trust Fund		\$150,000	\$150,000
0163	Weights and Measures	\$236,200	\$450,000	\$686,200
0167	Registered Limited Liability Partnership Fund		\$416,250	\$416,250
0193	Local Government Health Insurance Reserve		\$750,000	\$750,000
0195	IPTIP Administrative Trust Fund		\$525,000	\$525,000
0215	Capital Development Board Revolving	\$217,125		\$217,125
0218	Professions Indirect Cost Fund		\$375,000	\$375,000
0222	State Police DUI Fund	\$50,200	\$112,500	\$162,700

<b>FUND #</b>	<b>FUND NAME</b>	<b>Chargebacks</b>	<b>Statute (Funds Sweep)</b>	<b>TOTAL</b>
0224	Asbestos Abatement Fund		\$375,000	\$375,000
0238	IL Health Facilities Planning Fund	\$138,900		\$138,900
0245	Fair & Exposition Fund	\$132,900	\$150,000	\$282,900
0246	State Police Vehicle		\$108,000	\$108,000
0251	Dept. of Labor Special State Trust Fund		\$121,500	\$121,500
0258	Nurse Dedicated & Professional Fund		\$2,250,000	\$2,250,000
0261	Underground Resource Conservation Enforcement	\$54,600	\$75,000	\$129,600
0262	Mandatory Arbitration Fund		\$679,500	\$679,500
0278	Income Tax Refund Fund		\$33,000,000	\$33,000,000
0285	Long-Term Care Monitor/Receiver Fund	\$75,900	\$225,000	\$300,900
0288	Community Water Supply Lab		\$150,000	\$150,000
0290	Fertilizer Control Fund	\$46,200		\$46,200
0294	Used Tire Management Fund		\$750,000	\$750,000
0298	Natural Areas Acquisition Fund	\$1,459,600	\$3,750,000	\$5,209,600
0299	Open Space Lands Acquisition and Development	\$3,408,800		\$3,408,800
0303	State Garage Revolving Fund		\$518,475	\$518,475
0304	Statistical Services Revolving Fund	\$1,000,000	\$173,700	\$1,173,700
0308	Paper and Printing Revolving Fund		\$7,425	\$7,425
0309	Air Transportation Revolving Fund		\$75,000	\$75,000
0310	Tax Recovery Fund		\$112,500	\$112,500
0312	Communications Revolving Fund	\$1,500,000	\$807,600	\$2,307,600
0314	Facilities Management Revolving Fund		\$83,925	\$83,925
0317	Professional Services Fund		\$798,600	\$798,600
0323	Motor Vehicle Review Board Fund	\$18,600		\$18,600
0331	Treasurer's Rental Fee Fund		\$75,000	\$75,000
0332	Workers Compensation Revolving Fund		\$398,100	\$398,100
0342	Audit Expense	\$1,528,800	\$1,350,000	\$2,878,800
0362	Securities Audit and Enforcement	\$718,700	\$521,250	\$1,239,950
0363	Dept. Business Service Spec. Ops Fund	\$440,000	\$5,737,500	\$6,177,500
0369	Feed Control Fund	\$76,000		\$76,000
0371	Innovations in Long-term Care Quality Demonstration Grants Fund	\$63,500	\$225,000	\$288,500
0372	Plumbing Licensure & Program Fund	\$128,100		\$128,100
0373	State Treasurer's Bank Service		\$3,750,000	\$3,750,000
0380	Corporate Franchise Tax Refund Fund		\$1,050,000	\$1,050,000
0384	Tax Compliance & Administration	\$134,008	\$322,050	\$456,058
0386	Appraisal Administration	\$48,000	\$750,000	\$798,000
0397	Trauma Center Fund	\$1,318,000	\$3,750,000	\$5,068,000
0421	Public Aid Recoveries Trust		\$6,458,250	\$6,458,250
0422	Alternative Fuels Fund	\$124,800		\$124,800
0436	Safety Responsibility Fund	\$76,000		\$76,000
0514	State Asset Forfeiture Fund	\$120,300	\$187,500	\$307,800
0524	Health Facility Plan Review Fund	\$132,700	\$124,500	\$257,200
0536	LEADS Maintenance		\$57,750	\$57,750
0537	State Offender DNA ID System Fund	\$247,300		\$247,300

<b>FUND #</b>	<b>FUND NAME</b>	<b>Chargebacks</b>	<b>Statute (Funds Sweep)</b>	<b>TOTAL</b>
0538	IL Historic Sites		\$100,800	\$100,800
0546	Public Pension Regulation Fund	\$56,000	\$37,500	\$93,500
0562	Pawnbroker Regulation Fund	\$11,600	\$75,000	\$86,600
0567	Charter Schools Revolving Fund		\$900,000	\$900,000
0569	School Technology Revolving Loan fund	\$116,800		\$116,800
0571	Energy Efficiency Trust Fund	\$240,000		\$240,000
0576	Pesticide Control	\$124,000		\$124,000
0600	AG Whistleblower Reward & Protection Fund		\$750,000	\$750,000
0613	Wireless Carrier Reimbursement		\$6,000,000	\$6,000,000
0621	International Tourism Fund	\$608,000	\$2,250,000	\$2,858,000
0629	Real Estate Recovery Fund		\$150,000	\$150,000
0635	Death Certificate Surcharge	\$151,100	\$750,000	\$901,100
0637	State Police Wireless Service Emergency Fund	\$116,900		\$116,900
0643	Auction Recovery Fund		\$37,500	\$37,500
0649	Motor Carrier Safety Inspection		\$112,500	\$112,500
0705	Whistleblower Reward & Protection Fund	\$68,500	\$562,500	\$631,000
0712	Post Transplant Maintenance and Retention		\$56,250	\$56,250
0733	Tobacco Settlement Recovery		\$14,925,000	\$14,925,000
0740	Medicaid Buy-In Program Revolving Fund		\$239,250	\$239,250
0746	Home Inspector Administration	\$88,000	\$150,000	\$238,000
0763	Tourism Promotion	\$2,837,800	\$3,000,000	\$5,837,800
0769	Lawyers Assistance Program Fund		\$50,400	\$50,400
0770	Digital Divide Elimination Fund	\$161,600		\$161,600
0776	Presidential Library and Museum Fund		\$562,500	\$562,500
0821	Dram Shop		\$84,000	\$84,000
0823	IL State Dental Disciplinary Fund		\$187,500	\$187,500
0879	Traffic & Criminal Conviction Surcharge		\$187,500	\$187,500
0888	Design Professionals Administration & Investigation	\$96,300	\$75,000	\$171,300
0903	State Surplus Property Revolving Fund		\$4,725	\$4,725
0906	State Police Services		\$150,000	\$150,000
0907	Health Insurance Reserve		\$15,750,000	\$15,750,000
0921	DHS Recoveries Trust		\$1,795,900	\$1,795,900
0922	Insurance Producer Administration		\$1,500,000	\$1,500,000
0925	Coal Technology Development Assistance Fund	\$907,400		\$907,400
0930	Senior Citizens Real Estate Deferred Tax Revolving Fund	\$400,000		\$400,000
0932	State Treasurer Court Ordered Escrow Fund		\$187,500	\$187,500
0944	Environmental Protection Permit & Inspection		\$135,750	\$135,750
0954	Illinois State Podiatric Disciplinary Fund		\$187,500	\$187,500
0962	Park & Conservation	\$473,600		\$473,600
0975	Large Business Attraction Fund	\$55,000		\$55,000
0982	IL Beach Marina		\$75,000	\$75,000
0984	International & Promotional Fund		\$52,500	\$52,500
0997	Insurance Financial Regulation		\$3,750,000	\$3,750,000
	<b>TOTAL</b>	<b>\$24,734,513</b>	<b>\$140,540,200</b>	<b>\$165,274,713</b>

## REVENUE

### January Revenues Jump Due to Federal Sources

Jim Muschinske, Revenue Manager

Revenues for January increased dramatically as overall receipts rose \$563 million. The large increase was mainly due to much higher federal sources as the result of reimbursable Medicaid spending. Medicaid spending has lagged for much of the year (in part due to last year's short-term borrowing), resulting in much lower federal reimbursements. Also contributing to the monthly increase were significant gains in the economically related sources such as income taxes. January had one more receipting day than last fiscal year.

For the month, gross income taxes were up \$156 million, or \$141 million net of refunds. Public utility taxes enjoyed a resurgence as receipts were up \$51 million for the month. It is believed that a combination of a poor month last year, lower temperatures, and an extra receipting day combined to generate the gains. *[It should be mentioned that despite higher electric rates due to elimination of the rate freeze, since it is a consumption based tax, actual usage plays a much bigger role than price. Therefore, weather extremes cause the most fluctuation in receipting and not rates.]* Sales tax receipts posted a \$22 million gain for the month and other sources rose \$19 million. Gross corporate income taxes advanced \$11 million, or \$10 million net of refunds, while insurance taxes and fees gained \$5 million. Interest income continued

to do well, with receipts up \$4 million and finally, liquor taxes managed a \$2 million gain.

Only a few sources experienced declines in January. Cook County Intergovernmental transfers were down an expected \$12 million, inheritance tax was off \$9 million, and the cigarette tax was down \$4 million due to the change in distribution.

Overall transfers increased by \$35 million in January. The lottery generated some gains as receipts rose \$13 million. Other transfers grew by \$12 million and riverboat transfers rose by \$10 million. As mentioned earlier, federal sources experienced a stellar month with receipts up \$299 million reflecting much higher reimbursable spending.

### Year to Date

Due to the large January pick-up in federal sources, absent short-term borrowing, overall receipts to the general funds are now up \$489 million through the first seven months of the fiscal year. Despite the recent surge, federal sources are still considerably behind last year's pace due to FY 2006 short-term borrowing. In fact, federal sources aside, all other revenues are up a very respectable \$860 million.

Gross personal income taxes are up \$414 million, or \$373 million net of refunds. Sales tax receipts are up \$176 million, while gross corporate income taxes advanced by \$137 million,

or \$132 million net of refunds. Interest income is ahead by \$41 million and public utility taxes are up \$40 million. All other sources experiencing gains added an additional \$19 million.

**A**s expected, the Cook County IGT is down \$38 million, while due to a change in tax distribution, cigarette taxes are off by \$29 million. Finally, other sources are behind by \$3 million.

Overall transfers are up by \$149 million. While other transfers are up \$177 million due mostly to a large July transfer from the Refund Fund as well as fund sweep and chargeback activity, a \$44 million falloff in lottery transfers served to offset some of those gains. Finally, federal sources are still down \$371 million due to less reimbursable spending related to last year's \$1 billion in short-term borrowing.



## GENERAL FUNDS RECEIPTS: JANUARY

FY 2007 vs. FY 2006  
(\$ million)

<u>Revenue Sources</u>	<u>JAN.</u> <u>FY 2007</u>	<u>JAN.</u> <u>FY 2006</u>	<u>\$</u> <u>CHANGE</u>	<u>%</u> <u>CHANGE</u>
<b>State Taxes</b>				
Personal Income Tax	\$1,261	\$1,105	\$156	14.1%
Corporate Income Tax (regular)	68	57	\$11	19.3%
Sales Taxes	650	628	\$22	3.5%
Public Utility Taxes (regular)	115	64	\$51	79.7%
Cigarette Tax	29	33	(\$4)	-12.1%
Liquor Gallonage Taxes	13	11	\$2	18.2%
Vehicle Use Tax	2	2	\$0	0.0%
Inheritance Tax (Gross)	15	24	(\$9)	-37.5%
Insurance Taxes and Fees	8	3	\$5	166.7%
Corporate Franchise Tax & Fees	15	15	\$0	0.0%
Interest on State Funds & Investments	16	12	\$4	33.3%
Cook County IGT	22	34	(\$12)	N/A
Other Sources	64	45	\$19	42.2%
<b>Subtotal</b>	\$2,278	\$2,033	\$245	12.1%
<b>Transfers</b>				
Lottery	58	45	\$13	28.9%
Riverboat transfers & receipts	45	35	\$10	28.6%
Other	79	67	\$12	17.9%
<b>Total State Sources</b>	\$2,460	\$2,180	\$280	12.8%
<b>Federal Sources</b>	\$643	\$344	\$299	86.9%
<b>Total Federal &amp; State Sources</b>	\$3,103	\$2,524	\$579	22.9%
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$123)	(\$108)	(\$15)	13.9%
Corporate Income Tax	(\$12)	(11)	(\$1)	9.1%
<b>Subtotal General Funds</b>	\$2,968	\$2,405	\$563	23.4%
<b>Short-Term Borrowing</b>	\$0	\$0	\$0	N/A
<b>Budget Stabilization Fund Transfer</b>	\$0	\$0	\$0	N/A
<b>Total General Funds</b>	\$2,968	\$2,405	\$563	23.4%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

2-Feb-07

**GENERAL FUNDS RECEIPTS: YEAR TO DATE**

*FY 2007 vs. FY 2006  
(\$ million)*

<u>Revenue Sources</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>CHANGE FROM FY 2006</u>	<u>% CHANGE</u>
<b>State Taxes</b>				
Personal Income Tax	\$5,455	\$5,041	\$414	8.2%
Corporate Income Tax (regular)	887	750	\$137	18.3%
Sales Taxes	4,345	4,169	\$176	4.2%
Public Utility Taxes (regular)	645	605	\$40	6.6%
Cigarette Tax	204	233	(\$29)	-12.4%
Liquor Gallonage Taxes	93	90	\$3	3.3%
Vehicle Use Tax	20	19	\$1	5.3%
Inheritance Tax (Gross)	164	158	\$6	3.8%
Insurance Taxes and Fees	155	150	\$5	3.3%
Corporate Franchise Tax & Fees	111	107	\$4	3.7%
Interest on State Funds & Investments	119	78	\$41	52.6%
Cook County IGT	84	122	(\$38)	-31.1%
Other Sources	248	251	(\$3)	-1.2%
<b>Subtotal</b>	<b>\$12,530</b>	<b>\$11,773</b>	<b>\$757</b>	<b>6.4%</b>
<b>Transfers</b>				
Lottery	330	374	(\$44)	-11.8%
Riverboat transfers & receipts	400	384	\$16	4.2%
Other	436	259	\$177	68.3%
<b>Total State Sources</b>	<b>\$13,696</b>	<b>\$12,790</b>	<b>\$906</b>	<b>7.1%</b>
<b>Federal Sources</b>	<b>\$2,804</b>	<b>\$3,175</b>	<b>(\$371)</b>	<b>-11.7%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$16,500</b>	<b>\$15,965</b>	<b>\$535</b>	<b>3.4%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$532)	(\$491)	(\$41)	8.4%
Corporate Income Tax	(\$155)	(\$150)	(\$5)	3.3%
<b>Subtotal General Funds</b>	<b>\$15,813</b>	<b>\$15,324</b>	<b>\$489</b>	<b>3.2%</b>
<b>Short-Term Borrowing</b>	<b>\$0</b>	<b>\$1,000</b>	<b>(\$1,000)</b>	<b>N/A</b>
<b>Budget Stabilization Fund Transfer</b>	<b>\$276</b>	<b>\$276</b>	<b>\$0</b>	<b>N/A</b>
<b>Total General Funds</b>	<b>\$16,089</b>	<b>\$16,600</b>	<b>(\$511)</b>	<b>-3.1%</b>

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

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2-Feb-07

**GENERAL FUNDS GROWTH NEEDED TO MEET ESTIMATE**  
**FY 2007 ESTIMATE vs. FY 2006 ACTUAL**  
(\$ million)

<b>Revenue Sources</b>	<b>Nov-06 ESTIMATE FY 2007</b>	<b>FYTD 2007</b>	<b>AMOUNT NEEDED FY 2007 EST.</b>	<b>FYTD 2006</b>	<b>GROWTH NEEDED</b>	<b>% CHANGE</b>
<b>State Taxes</b>						
Personal Income Tax	\$10,116	\$5,455	\$4,661	\$5,041	\$134	3.0%
Corporate Income Tax (regular)	1,938	887	\$1,051	750	\$17	1.6%
Sales Taxes	7,345	4,345	\$3,000	4,169	\$77	2.6%
Public Utility Taxes (regular)	1,074	645	\$429	605	(\$40)	-8.5%
Cigarette Tax	350	204	\$146	233	(\$21)	-12.6%
Liquor Gallonage Taxes	153	93	\$60	90	(\$2)	-3.2%
Vehicle Use Tax	34	20	\$14	19	(\$1)	-6.7%
Inheritance Tax (Gross)	277	164	\$113	158	(\$1)	-0.9%
Insurance Taxes and Fees	320	155	\$165	150	(\$2)	-1.2%
Corporate Franchise Tax & Fees	190	111	\$79	107	\$5	6.8%
Interest on State Funds & Investments	185	119	\$66	78	(\$9)	-12.0%
Cook County IGT	309	84	\$225	122	(\$3)	-1.3%
Other Sources	440	248	\$192	251	\$2	1.1%
<b>Subtotal</b>	<b>\$22,731</b>	<b>\$12,530</b>	<b>\$10,201</b>	<b>\$11,773</b>	<b>\$156</b>	<b>1.6%</b>
<b>Transfers</b>						
Lottery	630	330	\$300	374	\$4	1.4%
Riverboat transfers & receipts	700	400	\$300	384	(\$5)	-1.6%
Other	841	436	\$405	259	(\$82)	-16.8%
<b>Total State Sources</b>	<b>\$24,902</b>	<b>\$13,696</b>	<b>\$11,206</b>	<b>\$12,790</b>	<b>\$73</b>	<b>0.7%</b>
<b>Federal Sources</b>	<b>\$4,803</b>	<b>\$2,804</b>	<b>\$1,999</b>	<b>\$3,175</b>	<b>\$449</b>	<b>29.0%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$29,705</b>	<b>\$16,500</b>	<b>\$13,205</b>	<b>\$15,965</b>	<b>\$522</b>	<b>4.1%</b>
<b>Nongeneral Funds Distribution:</b>						
<b>Refund Fund</b>						
Personal Income Tax	(\$986)	(\$532)	(\$454)	(\$491)	(\$12)	2.7%
Corporate Income Tax	(339)	(\$155)	(\$184)	(150)	\$22	-10.7%
<b>Subtotal General Funds</b>	<b>\$28,380</b>	<b>\$15,813</b>	<b>\$12,567</b>	<b>\$15,324</b>	<b>\$532</b>	<b>4.4%</b>
<b>Short-Term Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,000</b>	<b>\$0</b>	<b>N/A</b>
<b>Budget Stabilization Fund Transfer</b>	<b>\$276</b>	<b>\$276</b>	<b>\$0</b>	<b>\$276</b>	<b>\$0</b>	<b>N/A</b>
<b>Total General Funds</b>	<b>\$28,656</b>	<b>\$16,089</b>	<b>\$12,567</b>	<b>\$16,600</b>	<b>\$532</b>	<b>4.4%</b>
<b>CGFA</b>						
						2-Feb-07

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

FY 2007 ESTIMATE vs. FY 2006 ACTUALS

(\$ million)

	GOMB JUNE-06 Estimate FY 2007	FYTD 2007	AMOUNT NEEDED FY 2007 Est.	FYTD 2006	GROWTH NEEDED	% CHANGE
<b>Revenue Sources</b>						
<i>State Taxes</i>						
Personal Income Tax	\$9,844	\$5,455	\$4,389	\$5,041	(\$138)	-3.0%
Corporate Income Tax (regular)	2,074	887	\$1,187	750	\$153	14.8%
Sales Taxes	7,280	4,345	\$2,935	4,169	\$12	0.4%
Public Utility Taxes (regular)	1,090	645	\$445	605	(\$24)	-5.1%
Cigarette Tax	350	204	\$146	233	(\$21)	-12.6%
Liquor Gallonage Taxes	152	93	\$59	90	(\$3)	-4.8%
Vehicle Use Tax	35	20	\$15	19	\$0	0.0%
Inheritance Tax (Gross)	255	164	\$91	158	(\$23)	-20.2%
Insurance Taxes and Fees	322	155	\$167	150	\$0	0.0%
Corporate Franchise Tax & Fees	196	111	\$85	107	\$11	14.9%
Interest on State Funds & Investments	143	119	\$24	78	(\$51)	-68.0%
Cook County IGT	309	84	\$225	122	(\$3)	-1.3%
Other Sources	505	248	\$257	251	\$67	35.3%
<b>Subtotal</b>	<b>\$22,555</b>	<b>\$12,530</b>	<b>\$10,025</b>	<b>\$11,773</b>	<b>(\$20)</b>	<b>-0.2%</b>
<i>Transfers</i>						
Lottery	670	330	\$340	374	\$44	14.9%
Gaming Fund Transfer	692	400	\$292	384	(\$13)	-4.3%
Other	933	436	\$497	259	\$10	2.1%
<b>Total State Sources</b>	<b>\$24,850</b>	<b>\$13,696</b>	<b>\$11,154</b>	<b>\$12,790</b>	<b>\$21</b>	<b>0.2%</b>
<b>Federal Sources</b>	<b>\$4,803</b>	<b>\$2,804</b>	<b>\$1,999</b>	<b>\$3,175</b>	<b>\$449</b>	<b>29.0%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$29,653</b>	<b>\$16,500</b>	<b>\$13,153</b>	<b>\$15,965</b>	<b>\$470</b>	<b>3.7%</b>
<b>Nongeneral Funds Distribution:</b>						
<i>Refund Fund</i>						
Personal Income Tax	(\$960)	(\$532)	(\$428)	(\$491)	\$14	-3.2%
Corporate Income Tax	(363)	(155)	(\$208)	(150)	(\$2)	1.0%
<b>Subtotal General Funds</b>	<b>\$28,330</b>	<b>\$15,813</b>	<b>\$12,517</b>	<b>\$15,324</b>	<b>\$482</b>	<b>4.0%</b>
Short-Term Borrowing	\$0	\$0	\$0	\$1,000	\$0	N/A
Budget Stabilization Fund Transfer	\$276	\$276	\$0	\$276	\$0	N/A
<b>Total General Funds</b>	<b>\$28,606</b>	<b>\$16,089</b>	<b>\$12,517</b>	<b>\$16,600</b>	<b>\$482</b>	<b>4.0%</b>
CGFA						2-Feb-07

**PENSIONS**

**The Chicago Teachers' Pension Fund;  
Chicago Board of Education and  
State Contributions for FY 2008  
Dan Hankiewicz, Pension Manager**

Public Act 89-0015 established a funding plan for the Chicago Teachers' Pension Fund under which the Chicago Board of Education is required to make a minimum annual contribution to the fund in an amount that will bring the funded ratio up to 90% by the end of Fiscal Year 2045. For fiscal years 1999 through 2010, the Board's contribution is to be increased in equal annual increments so that by Fiscal Year 2011, the Board of Education is making contributions as a level per-

centage of payroll each year through FY 2045.

Public Act 90-0548 revised the funding plan to stipulate that the Board of Education need not make pension contributions unless the funded ratio drops below 90%. As shown in Table 1 below, the funded ratio fell to 85.8% at the end of Fiscal Year 2004, which triggered an FY 2006 Board of Education contribution of \$26.3 million. The funded ratio dropped to 79% at the end of FY 2005, which will require the Board to make a pension contribution of \$80.3 million in the current fiscal year (as shown in the Table #2 below under "Board of Ed. Contribution").

Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded Ratio
1997	\$7,548.2	\$6,048.0	\$1,500.2	80.1%
1998	9,341.9	7,064.5	2,277.4	75.6%
1999	8,551.9	8,620.1	(68.2)	100.8%
2000	9,940.4	9,612.2	328.2	96.7%
2001	10,392.7	10,387.6	5.1	100.0%
2002	11,025.5	10,640.9	384.5	96.5%
2003	11,411.5	10,494.8	916.8	92.0%
2004	12,105.7	10,392.2	1,713.5	85.8%
2005	13,295.9	10,506.5	2,789.4	79.0%
2006	14,035.6	10,948.0	3,087.6	78.0%

Public Act 90-0582 requires the state to contribute 0.544% of the fund's total teacher payroll when the funded ratio drops below 90%. The state made a \$9.9 million contribution to the

Chicago Teachers' Pension Fund in FY 2006 in accordance with this provision. P.A. 94-0798 (SB 1520) contained a \$10.2 million state appropriation to the Chicago Teachers' Pension Fund for FY 2007.

Based on the fund's June 30, 2006 actuarial valuation, the Chicago Teachers' Pension Fund had a funded ratio of 78.0%, as shown in Table 1 above. Therefore, the Chicago Board of Education will be required to make an FY 2008 contribution of \$131.5 million, an increase of \$51.2 million, or 63.8% over the FY 2007 contribution

of \$80.3 million. The State's FY 2008 contribution in accordance with P.A. 90-0582 will be \$10.2 million. It is assumed that the annual \$65.0 million state retiree healthcare subsidy will continue in FY 2008 and beyond. Projected Chicago Board of Education and State contributions are shown in Table 2 below.

Table 2				
Chicago Teachers' Pension Fund				
Projection of Chicago Board of Ed. And State Contributions				
(\$ in Millions)				
	<u>State</u>	<u>Addt'l State</u>	<u>Board of Ed.</u>	<u>Funded</u>
	<u>Appropriations</u>	<u>Contribution</u>	<u>Contributions</u>	<u>Ratio</u>
2007	\$65.0	\$10.2	\$80.3	78.9%
2008	\$65.0	\$10.2	131.5	78.9%
2009	\$65.0	\$10.5	188.8	79.0%
2010	\$65.0	\$10.9	249.7	79.0%
2011	\$65.0	\$11.2	260.0	79.0%
2012	\$65.0	\$11.6	270.9	79.0%
2013	\$65.0	\$12.0	282.4	79.0%
2014	\$65.0	\$12.4	294.7	79.0%
2015	\$65.0	\$12.9	307.6	79.0%
2016	\$65.0	\$13.4	321.6	79.0%
2017	\$65.0	\$13.9	336.3	79.0%
2018	\$65.0	\$14.4	351.7	79.1%
2019	\$65.0	\$15.0	367.9	79.2%
2020	\$65.0	\$15.6	385.0	79.3%
2030	\$65.0	\$23.1	601.6	81.7%
2040	\$65.0	\$33.4	900.3	86.6%
2045	\$65.0	\$40.5	1,106.3	90.0%

**PENSIONS**  
**The FY 2008 SURS Money Purchase**  
**Interest Rate**

Dan Hankiewicz, Pension Manager

In addition to the standard 2.2% benefit formula, the State Universities' Retirement System provides a "money purchase" annuity formula. The money purchase formula provides an annuity based on an employee's career contributions to SURS and annual interest credited towards those contributions (the "effective rate of interest"). At retirement, the employee's account (contribution plus interest) is credited with an amount from SURS equal to 140% of the employee's account balance. Then, the total account balance is converted into an annuity based on the employee's age at retirement and life expectancy.

P.A. 94-0004 (SB 0027) eliminated the money purchase formula for employees who become members of SURS after July 1, 2005. Beginning in FY 2006, and every fiscal year thereafter, the Act requires the Comptroller (rather than the SURS Board of Trustees) to determine the effective rate of interest to be used when crediting interest to the accounts of current employees. The State Universities' Article of the Illinois Pension Code specifies that when deciding the interest rate, the Comptroller shall consider factors such as the system's past and expected

investment experience, historical and expected fluctuations in the market value of investments, and the desirability of minimizing volatility in the effective rate from year to year.

In 2005, the Comptroller retained the services of an actuarial consulting firm to develop a methodology by which to determine the effective rate of interest. The consulting firm, Milliman, released a report on September 2, 2005 which outlined this methodology. The Comptroller determined that the FY 2006 effective rate should remain at 8.5% due to constitutional concerns about possible diminishment of pension benefits. The effective rate for FY 2007 was lowered to 8.0% pursuant to Milliman's analysis of investment performance based on historical experience and an "adjustment factor" that considers past differences between actual SURS investment returns and past effective rates of interest.

Public Act 94-0982 (SB 2356) changed the date by which the Comptroller must determine the effective rate from the September 1st immediately preceding the start of the fiscal year to the January 31st immediately preceding the start of the fiscal year. Hence, on January 31, 2007, pursuant to the methodology developed by the actuary, the Comptroller determined that the effective rate for FY 2008 should remain at 8.0%.