



Commission on Government Forecasting and Accountability

MONTHLY BRIEFING

JUNE 2005

http://www.ilga.gov/commission/cgfa/cgfa_home.html

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INSIDE THIS ISSUE

PAGE 1 - **REVENUE:** Base Revenues Grow \$712 million in FY 2005 and Exceed Estimates

PAGE 3-4: Revenue Tables

PAGE 5: FY 2005 Revenue Recap

PAGE 7: Review of FY 2005 Revenue Estimates

PAGE 9: Total FY 2005 Special Transfers

PAGE 14 - Pharmaceutical Benefit Manager Program

PAGE 15: SB 0157 -- New Hospital Assessment Program

PAGE 16 - **ECONOMY:** Housing Bubble or Localized Froth?

PAGE 18: Illinois Economic Indicators



703 Stratton Ofc. Bldg.
Springfield, IL 62706

REVENUE: Base Revenues Grow \$712 million in FY 2005 and Exceed Estimates

Jim Muschinske, Revenue Manager

General funds revenues ended FY 2005 on an up note with revenues growing \$90 million in June. Despite a significant falloff in transfers, the increase was achieved as income taxes and federal sources performed well. June had the same number of receipting days as last year.

Gross corporate income taxes jumped \$85 million for the month, or \$79 million net of refunds. Gross personal income taxes also fared quite well as receipts rose \$61 million, or \$67 million net of refunds. Inheritance tax finished strong and added \$9 million, while sales tax contributed a rather modest \$8 million in gains. Both corporate franchise taxes and interest on State investments each advanced \$6 million. Finally, liquor taxes and fees managed to post an increase of \$3 million.

A few revenue sources declined in the final month of the fiscal year as other sources fell \$22 million, public utility taxes \$11 million, insurance taxes and fees \$7 million, and vehicle use tax \$1 million.

Overall transfers fell \$91 million for the month. While Lottery transfers gained \$8 million and riverboat transfers and receipts rose \$6 million, those increases were more than offset by a \$105 million falloff in other transfers. That decline in large part can be attributed to a one-time \$76 million transfer of protested liquor taxes that took place last June. In addition, there was less chargeback and fee transfer activity compared to last year. Federal sources finished with a monthly gain of \$44 million.

June ended with a general funds balance of \$497 million, of which the General Revenue Fund represented \$198 million (the remaining balance of \$299 million was comprised of education funds).

Year-End

Excluding Budget Stabilization Fund and Pension Contribution Fund transfers and short-term borrowing and related transfers, general funds revenues grew \$712 million in FY 2005. Despite an expected drop in federal sources, due to last year's one-time federal grants and enhanced Medicaid match rates, overall revenues grew in large part to very good performance of the economically-related sources.

Gross personal income tax grew \$638 million, or \$708 million net of refunds, reflecting not only an improved employment picture and resulting withholding tax, but also significant gains in non-wage taxable income reflected in estimated and final payments. Sales tax added a solid gain of \$264 million, while gross corporate income tax grew by \$169 million, or \$235 million net of refunds. Inheritance tax improved by \$88 million and due to a temporary change in tax distributions cigarette taxes receipted to the general funds grew by \$50 million. All other sources experiencing improvement added another \$89 million.

A few sources suffered declines in FY 2005. Public utility taxes fell

\$23 million, while insurance taxes and fees lost \$20 million. Vehicle use tax experienced a \$3 million drop off in receipts.

Despite a \$44 million increase in Lottery transfers and a gain of \$38 million in riverboat transfers and receipts, overall transfers fell by \$178 million for the year. The fall off was the result of less chargeback and fee transfer activity as well as last year's one-time transfer of \$76 million in protested liquor tax. While federal sources finished the year strong and exceeded earlier expectations, receipts were down \$498 million. The decline was due to last year's \$422 million in one-time federal grants and temporary increase in the Medicaid matching rate (valued at approximately \$253 million).

In summary, the recovery phase that began to materialize in actual receipts last year was able to gain further traction in FY 2005. As a result, the key areas related to the economy, especially income and sales taxes, performed quite well. While rates of growth for these sources should moderate over the coming fiscal year, the improvement in FY 2005 was certainly welcomed given the continuing financial challenges that face the State. Over the coming month the CGFA will be recalculating its FY 2006 forecast that will include the newly established FY 2005 base as well legislative changes that impact revenues. This revised forecast will be presented in the July monthly briefing.

GENERAL FUNDS RECEIPTS: JUNE

FY 2005 vs. FY 2004

(\$ million)

Revenue Sources	JUNE FY 2005	JUNE FY 2004	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$775	\$714	\$61	8.5%
Corporate Income Tax (regular)	257	172	\$85	49.4%
Sales Taxes	564	556	\$8	1.4%
Public Utility Taxes (regular)	91	102	(\$11)	-10.8%
Cigarette Tax	33	33	\$0	0.0%
Liquor Gallonage Taxes	16	13	\$3	23.1%
Vehicle Use Tax	2	3	(\$1)	-33.3%
Inheritance Tax (Gross)	30	21	\$9	42.9%
Insurance Taxes and Fees	63	70	(\$7)	-10.0%
Corporate Franchise Tax & Fees	22	16	\$6	37.5%
Interest on State Funds & Investments	10	4	\$6	150.0%
Cook County IGT	23	23	\$0	0.0%
Other Sources	93	115	(\$22)	-19.1%
Subtotal	\$1,979	\$1,842	\$137	7.4%
Transfers				
Lottery	74	66	\$8	12.1%
Riverboat transfers & receipts	73	67	\$6	9.0%
Other	175	280	(\$105)	-37.5%
Total State Sources	\$2,301	\$2,255	\$46	2.0%
Federal Sources	\$395	\$351	\$44	12.5%
Total Federal & State Sources	\$2,696	\$2,606	\$90	3.5%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$78)	(\$84)	\$6	-7.1%
Corporate Income Tax	(\$61)	(55)	(\$6)	10.9%
Subtotal General Funds	\$2,557	\$2,467	\$90	3.6%
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
Pension Contribution Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$2,557	\$2,467	\$90	3.6%

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

1-Jul-05

GENERAL FUNDS RECEIPTS: YEAR END

FY 2005 vs. FY 2004
(\$ million)

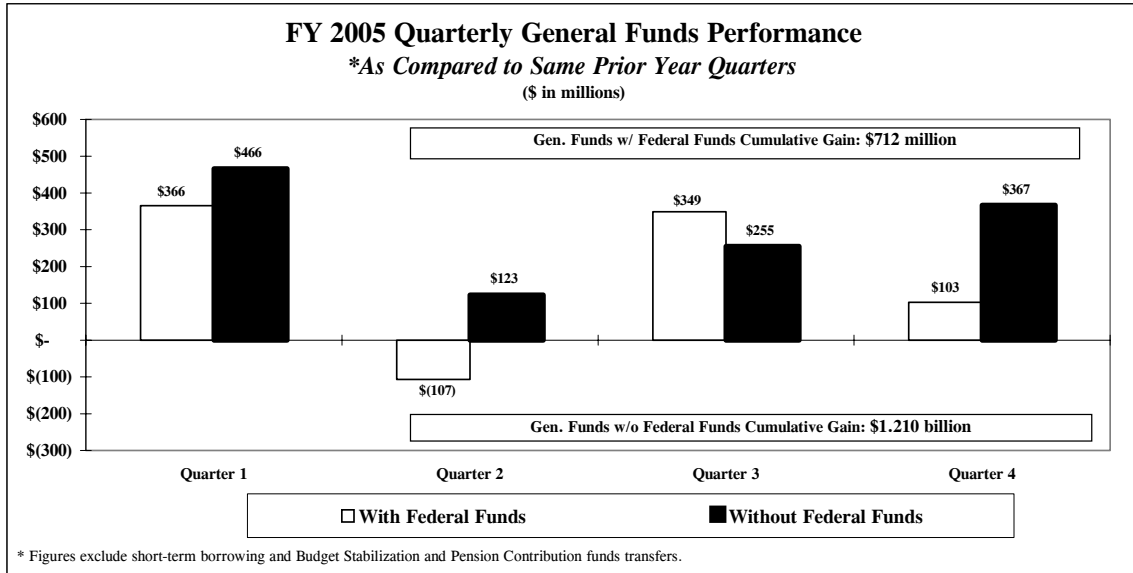
Revenue Sources	FY 2005	FY 2004	CHANGE FROM FY 2004	% CHANGE
State Taxes				
Personal Income Tax	\$8,873	\$8,235	\$638	7.7%
Corporate Income Tax (regular)	1,548	1,379	\$169	12.3%
Sales Taxes	6,595	6,331	\$264	4.2%
Public Utility Taxes (regular)	1,056	1,079	(\$23)	-2.1%
Cigarette Tax	450	400	\$50	12.5%
Liquor Gallonage Taxes	147	127	\$20	15.7%
Vehicle Use Tax	32	35	(\$3)	-8.6%
Inheritance Tax (Gross)	310	222	\$88	39.6%
Insurance Taxes and Fees	342	362	(\$20)	-5.5%
Corporate Franchise Tax & Fees	181	163	\$18	11.0%
Interest on State Funds & Investments	73	55	\$18	32.7%
Cook County IGT	433	428	\$5	1.2%
Other Sources	467	439	\$28	6.4%
Subtotal	\$20,507	\$19,255	\$1,252	6.5%
Transfers				
Lottery	614	570	\$44	7.7%
Riverboat transfers & receipts	699	661	\$38	5.7%
Other	899	1,159	(\$260)	-22.4%
Total State Sources	\$22,719	\$21,645	\$1,074	5.0%
Federal Sources (incl. \$434m MPRF transfer)	\$4,691	\$5,189	(\$498)	-9.6%
Total Federal & State Sources	\$27,410	\$26,834	\$576	2.1%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$894)	(\$964)	\$70	-7.3%
Corporate Income Tax	(\$376)	(\$442)	\$66	-14.9%
Subtotal General Funds	\$26,140	\$25,428	\$712	2.8%
Short-Term Borrowing	\$765	\$0	\$765	N/A
HPF and HHSMTF Transfers	\$1,002	\$0	\$1,002	N/A
Budget Stabilization Fund Transfer	\$276	\$226	\$50	22.1%
Pension Contribution Fund Transfer	\$0	\$1,395	(\$1,395)	N/A
Total General Funds	\$28,183	\$27,049	\$1,134	4.2%

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

CGFA

5-Jul-05

FY 2005 REVENUE RECAP



First Quarter

FY 2005 opened on a high note as general revenue receipts rose \$307 million in July. However, this increase primarily was due to transfers into the general funds related to the short-term borrowing for Medicaid bills entered into late last fiscal year [P.A. 93-674]. In essence, \$433 million in federal reimbursement related to FY 2004 Medicaid spending was ultimately transferred to the general funds in July. Excluding those transfers as well as other federal receipts, July receipts actually fell \$148 million as the other revenue lines were mixed. Overall revenues fell \$405 million in August and reflected an expected drop-off in federal receipting. Absent federal sources, many other revenue sources performed quite well, with the more closely-tied economic sources experiencing decent gains. Absent the decline attributed to federal sources, monthly revenues improved by \$269 million. The first

quarter ended positively as overall September revenues were up \$464 million as federal sources and transfers contributed the largest share. Even if federal sources were excluded from the comparison, monthly revenues gained \$345 million. **Though the first three months of the fiscal year, overall revenues were up \$366 million, reflecting good growth in virtually all areas except federal sources. Growth would have improved to \$466 million if federal-related monies were excluded from the comparison.**

[Monthly revenue performance excludes short-term borrowing proceeds and related transfers as well as Budget Stabilization and Pension Contribution Fund transfers.]

Second Quarter

The second quarter began on a down note, as a significant fall off in federal sources due to last year's second

installment of a federal grant, resulted in overall revenues falling \$250 million in October. However, most of the other more closely-tied economic sources continued to perform well and if federal sources were excluded from the comparison, monthly receipts would have been up \$127 million. Overall revenues fell \$95 million in November as a comparatively weak month for federal sources as well as last year's tax amnesty program accounted for most of the decline. Without the drop in federal sources, receipts would have fallen by \$53 million. Federal sources reversed course in December and rose substantially and contributed \$189 million to the monthly increase of \$238 million. **For the quarter, overall receipts fell \$107 million, but excluding federal sources actually rose \$123 million. As the first half of FY 2005 concluded, overall revenues were up \$259 million, or \$589 million excluding federal sources.**

Third Quarter

The third quarter began positively as January revenues grew \$134 million. A virtually flat month for federal sources did little to skew the monthly advance. February receipts fell \$210 million due to last year's chargebacks as well as a weak month for federal sources. The quarter ended strongly as overall March receipts were up \$425 million as virtually all of the major revenue sources

experienced gains. In addition, transfers were higher and federal sources surged. Even excluding federal sources, March receipts were up \$272 million. **The third quarter generated \$349 million in gains, or \$255 million excluding federal sources. Through three-fourths of the fiscal year overall revenues were up \$608 million, or \$844 million excluding federal sources.**

Fourth Quarter

The final quarter of FY 2005 started on a mixed note as April receipts were up \$77 million. While the economically-related sources performed well, a drop off in transfers related to chargeback activity offset much of that gain. In May, overall receipts fell \$64 million, however, that decline was attributed to a much lower month for federal sources. Excluding federal sources, the other revenue areas performed quite well and gained \$240 million. The final month of the fiscal year ended slightly positive as overall revenues gained \$90 million, or \$46 million excluding federal sources. Despite the relatively modest gain, the economically-related sources again performed well, but were largely offset by a falloff in transfer activity. **For the quarter, overall revenues gained \$103 million, or \$367 million excluding federal sources. With the fiscal year now ended, overall growth was \$712 million. If \$498 million in federal source decline is excluded, the year-over-year gain was \$1.210 billion.**

REVIEW OF FY 2005 REVENUE ESTIMATE

The following table shows how actual FY 2005 general funds receipts compare to the last official estimates of the CGFA and the GOMB.

As shown, excluding Budget Stabilization and Pension Contribution Fund transfers as well as short-term borrowing and related transfers, the Commission's May forecast underestimated actual FY 2005 revenues by \$406 million, or 1.6%. The majority of the variance, or \$172 million is due to higher than anticipated federal receipts. At this time it's unclear as to the precise reason for this performance and if it will have any subsequent impact on FY 2006 federal receipts. The other area of unexpectedly positive growth was that of personal income tax. While job growth

and related withholding tax revenue performed about as expected, the more volatile components of estimated and final payments exceeded expectations. Absent those two components, most of the other revenue sources performed close to forecast.

Utilizing the GOMB's last official forecast presented in the FY 2006 Budget Book, their forecast underestimated general funds revenues by \$518 million. The GOMB also underestimated federal source revenues by \$172 million. In most instances, the GOMB estimates had a greater degree of variance than the Commission, particularly in the areas most closely-tied to the economy such as income and sales tax.

FY 2005 Actuals vs. Estimates: CGFA and GOMB

(\$ millions)

	<u>ACTUAL</u> <u>FY 2005</u>	<u>CGFA EST.</u> <u>May- 05</u> <u>FY 2004</u>	<u>DIFFERENCE</u> <u>ACTUALS</u> <u>FROM</u> <u>ESTIMATE</u>	<u>GOMB EST.</u> <u>Feb- 05</u> <u>FY 2004</u>	<u>DIFFERENCE</u> <u>ACTUALS</u> <u>FROM</u> <u>ESTIMATE</u>
Revenue Sources					
State Taxes					
Personal Income Tax	\$8,873	\$8,700	\$173	\$8,645	\$228
Corporate Income Tax (regular)	\$1,548	\$1,477	\$71	\$1,412	\$136
Sales Taxes	\$6,595	\$6,585	\$10	\$6,530	\$65
Public Utility (regular)	\$1,056	\$1,060	(\$4)	\$1,101	(\$45)
Cigarette Tax	\$450	\$450	\$0	\$450	\$0
Liquor Gallonage Taxes	\$147	\$150	(\$3)	\$145	\$2
Vehicle Use Tax	\$32	\$33	(\$1)	\$35	(\$3)
Inheritance Tax (gross)	\$310	\$305	\$5	\$265	\$45
Insurance Taxes & Fees	\$342	\$327	\$15	\$371	(\$29)
Corporate Franchise Tax & Fees	\$181	\$180	\$1	\$190	(\$9)
Interest on State Funds & Investments	\$73	\$65	\$8	\$45	\$28
Cook County Intergovernmental Transfer	\$433	\$433	\$0	\$433	\$0
<u>Other Sources</u>	<u>\$467</u>	<u>\$452</u>	<u>\$15</u>	<u>\$451</u>	<u>\$16</u>
Subtotal	\$20,507	\$20,217	\$290	\$20,073	\$434
Transfers					
Lottery	\$614	\$602	\$12	\$588	\$26
Riverboat transfers & receipts	\$699	\$709	(\$10)	\$700	(\$1)
<u>Other</u>	<u>\$899</u>	<u>\$923</u>	<u>(\$24)</u>	<u>\$945</u>	<u>(\$46)</u>
Total State Sources	\$22,719	\$22,451	\$268	\$22,306	\$413
Federal Sources (incl. \$434m MPRF transfer)	\$4,691	\$4,519	\$172	\$4,519	\$172
Total Federal & State Sources	\$27,410	\$26,970	\$440	\$26,825	\$585
Nongeneral Funds Distribution:					
Refund Fund					
Personal Income Tax	(\$894)	(\$877)	(\$17)	(\$864)	(\$30)
Corporate Income Tax	(\$376)	(\$359)	(\$17)	(\$339)	(\$37)
Subtotal General Funds	\$26,140	\$25,734	\$406	\$25,622	\$518
Short Term Borrowing	\$765	\$765	\$0	\$765	\$0
HPF and HHSMTF Transfer	\$1,002	\$997	\$5	\$997	\$5
Budget Stabilization Fund Transfer	\$276	\$276	\$0	\$276	\$0
Total General Funds	\$28,183	\$27,772	\$411	\$27,660	\$518

07/01/05

Total FY 2005 Special Transfers
Lynnae Kapp, Bond/Revenue Analyst

Special transfers in FY 2005 to the General Revenue Fund were part of the FY 2005 budget resulting from Public Acts 93-0839, 93-0841, and 93-1067. These special transfers include: administrative chargebacks, increased fee revenues, and fund sweeps. [Revenues from increased fees go directly into their specific funds or into the General Revenue Fund through "other sources". The increased fee revenues reported here are transfers from these other funds to the General Revenue Fund after the fees have been receipted.]

June had a final flurry of transfers from fee increases and chargebacks. Special transfers to the General Revenue Fund for FY 2005 include \$208.2 million in chargebacks (a decrease of \$61.2 million over FY 2004), \$37.7 million of increased fee revenue transfers (a decrease of \$51.1 million over FY 2004), and fund sweeps of \$260.2 million (an increase of \$101.7 million over FY 2004). While in FY 2004, \$5.5 million was transferred under Executive Order 10, no such transfer occurred in FY 2005. Total special transfers for FY 2005 equal \$506.1 million, a decrease of \$5.2 million over FY 2004 (including Executive Order 10 transfers).

Special Transfers in FY 2005 YTD as of 6/30/2005					
FUND #	FUND NAME	Chargebacks	Fund Sweeps	Fee Increase	TOTAL
0014	Food & Drug Safety	\$93,400	\$817,000		\$910,400
0018	Transportation Regulatory Fund	\$669,199	\$2,379,000	\$24,377	\$3,072,576
0021	Financial Institution Fund	\$1,006,781	\$2,003,000	\$2,830,328	\$5,840,109
0022	General Professions Dedicated Fund	\$787,699	\$497,000		\$1,284,699
0023	Economic Research & Info Fund	\$5,520			\$5,520
0024	IL Dept. of Ag. Laboratory Services Fund	\$71,790			\$71,790
0026	Live & Learn Fund	\$1,096,866			\$1,096,866
0031	Drivers Education	\$1,781,162	\$2,921,407		\$4,702,569
0036	IL Veterans' Rehabilitation	\$411,194			\$411,194
0039	State Boating Act	\$834,697	\$1,072,000	\$1,828,660	\$3,735,357
0040	State Parks	\$826,934			\$826,934
0043	Military Affairs Trust Fund	\$3,800			\$3,800
0044	Lobbyist Registration Administration Fund	\$88,354	\$327,000		\$415,354
0045	Agricultural Premium Fund	\$2,484,880	\$7,777,000		\$10,261,880
0050	Mental Health	\$2,349,990			\$2,349,990
0057	IL State Pharmacy Disciplinary Fund	\$135,100			\$135,100
0059	Public Utility	\$1,158,519	\$8,202,000		\$9,360,519
0067	Radiation Protection		\$750,000		\$750,000
0078	Solid Waste Management	\$2,525,819	\$10,084,000		\$12,609,819
0079	Solid Waste Management Fund			\$3,000,000	\$3,000,000
0085	Illinois Gaming Law Enforcement	\$312,000			\$312,000
0089	Subtitle D Management Fund	\$100,439	\$3,006,000		\$3,106,439
0093	IL State Medical Disciplinary Fund	\$868,200			\$868,200
0094	DCFS Training Fund	\$1,089,600			\$1,089,600
0109	CDLIS/AAMVANET Trust Fund	\$108,600			\$108,600
0113	Community Health Center Care Fund	\$7,830			\$7,830
0118	Facility Licensing Fund	\$19,620			\$19,620
0124	Workers' Comp Benefit Trust Fund	\$800			\$800
0128	Youth Alcohol & Substance Abuse Prevention	\$57,496			\$57,496
0129	State Gaming Fund*	\$4,549,590			\$4,549,590
0136	University of Illinois Hospital Services Fund	\$2,169,658			\$2,169,658
0137	Plugging & Restoration	\$50,900	\$1,255,000		\$1,305,900
0147	Coal Mining Regulatory Fund	\$18,755			\$18,755

Special Transfers in FY 2005 YTD as of 6/30/2005					
FUND #	FUND NAME	Chargebacks	Fund Sweeps	Fee Increase	TOTAL
0151	Registered CPA Administration & Disciplinary		\$819,000		\$819,000
0152	State Crime Laboratory	\$50,864	\$200,000		\$250,864
0153	Agrichemical Incident Response Fund	\$1,827			\$1,827
0156	Motor Vehicle Theft Prevention Fund	\$501,400			\$501,400
0163	Weights and Measures	\$402,845	\$1,800,000	\$29,804	\$2,232,649
0167	Registered Limited Liability Partnership Fund	\$24,560	\$356,000		\$380,560
0171	Solid Waste Management Revolving Loan		\$94,785		\$94,785
0175	Illinois School Asbestos Abatement	\$41,028			\$41,028
0184	Violence Prevention Fund	\$140,330			\$140,330
0185	SOS Special License Plate Fund	\$389,000	\$856,000	\$1,000,000	\$2,245,000
0193	Local Government Health Insurance Reserve	\$2,000,000			\$2,000,000
0207	Pollution Control Board State Trust Fund	\$19,751			\$19,751
0213	Response Contractors Indemnification Fund		\$107,000		\$107,000
0214	Brownfields Redevelopment Fund	\$309,322			\$309,322
0215	Capital Development Board Revolving		\$1,229,000		\$1,229,000
0218	Professions Indirect Cost Fund	\$341,483	\$39,000		\$380,483
0220	DCFS Childrens' Services	\$13,003,500			\$13,003,500
0222	State Police DUI Fund	\$69,389			\$69,389
0224	Asbestos Abatement Fund	\$104,559			\$104,559
0238	IL Health Facilities Planning Fund	\$184,116	\$2,551,000		\$2,735,116
0240	Emergency Public Health Fund	\$134,000		\$1,000,000	\$1,134,000
0245	Fair & Exposition Fund	\$133,000			\$133,000
0246	State Police Vehicle	\$1,076			\$1,076
0248	Racing Board Fingerprint License Fund	\$2,804			\$2,804
0251	Dept. of Labor Special State Trust Fund	\$13,935			\$13,935
0256	Public Health Water Permit Fund	\$4,720			\$4,720
0258	Nurse Dedicated & Professional Fund	\$418,045			\$418,045
0259	Optometric Licensing & Disciplinary Committee Fund		\$1,121,000		\$1,121,000
0261	Underground Resource Conservation Enforcement	\$52,200			\$52,200
0265	State Rail Freight Loan Repayment Fund	\$554,165	\$3,500,000		\$4,054,165
0272	LaSalle Veterans Home Fund	\$36,434			\$36,434
0273	Anna Veterans Home Fund	\$148,628			\$148,628
0274	Self-Insurers Administration Fund	\$41,396			\$41,396
0276	Drunk & Drugged Driving Prevention Fund	\$219,317			\$219,317
0280	IL Racing Board Grant Fund	\$24,902			\$24,902
0281	IL Tax Increment	\$853,806	\$1,500,000		\$2,353,806
0285	Long-Term Care Monitor/Receiver Fund	\$115,592			\$115,592
0286	IL Affordable Housing Trust	\$5,160,427			\$5,160,427
0289	Motor Fuel & Petroleum Standards Fund	\$100			\$100
0290	Fertilizer Control Fund	\$16,632		\$195,051	\$211,683
0292	Securities Investors Education Fund	\$191,054	\$3,271,000		\$3,462,054
0294	Used Tire Management Fund		\$3,278,000	\$2,000,000	\$5,278,000
0295	SOS Interagency Grant Fund	\$2,043			\$2,043
0297	Guardianship & Advocacy Fund	\$5,268			\$5,268
0298	Natural Areas Acquisition Fund	\$2,046,658			\$2,046,658
0299	Open Space Lands Acquisition and Development	\$4,298,434			\$4,298,434
0301	Working Capital Revolving Fund	\$3,878,300	\$12,000,000		\$15,878,300
0312	Communications Revolving Fund	\$13,940,700			\$13,940,700
0323	Motor Vehicle Review Board Fund	\$33,021			\$33,021
0335	Criminal Justice Information Projects Fund	\$7,547			\$7,547
0336	Environmental Laboratory Certificate Fund	\$44,601			\$44,601
0340	Public Health Services Revolving Fund	\$52,300			\$52,300
0341	Provider Inquiry Trust Fund	\$58,334			\$58,334

Special Transfers in FY 2005 YTD as of 6/30/2005					
FUND #	FUND NAME	Chargebacks	Fund Sweeps	Fee Increase	TOTAL
0342	Audit Expense	\$968,200	\$1,237,000		\$2,205,200
0344	Care Providers for Persons w/ Developmental Disabilities	\$4,388,397			\$4,388,397
0360	Lead Poisoning, Screening, Prevention & Abatement Fund	\$219,800			\$219,800
0362	Securities Audit and Enforcement	\$1,652,078	\$17,014,000		\$18,666,078
0363	Dept. Business Service Spec. Ops Fund	\$885,185	\$524,000	\$3,954,100	\$5,363,285
0368	Drug Treatment Fund	\$283,250			\$283,250
0369	Feed Control Fund	\$80,604		\$144,585	\$225,189
0370	Tanning Facility Permit Fund	\$25,084			\$25,084
0372	Plumbing Licensure & Program Fund	\$108,900			\$108,900
0373	State Treasurer's Bank Service	\$1,099			\$1,099
0374	Secretary of State Evidence Fund	\$2,100			\$2,100
0378	Insurance Premium Tax Refund Fund	\$448,899	\$2,500,000		\$2,948,899
0380	Corporate Franchise Tax Refund Fund		\$1,650,000	\$106,079	\$1,756,079
0384	Tax Compliance & Administration	\$434,074	\$9,513,000		\$9,947,074
0386	Appraisal Administration	\$33,790	\$1,107,000		\$1,140,790
0387	Small Business Environmental Assistance	\$10,000			\$10,000
0388	Regulatory Evaluation & Basic Enforcement	\$1,900			\$1,900
0397	Trauma Center Fund	\$1,169,463			\$1,169,463
0398	EMS Assistance Fund	\$5,908			\$5,908
0416	Armory Rental Fund	\$9,977			\$9,977
0421	Public Aid Recoveries Trust	\$13,495,695			\$13,495,695
0422	Alternative Fuels Fund	\$122,900			\$122,900
0431	Second Injury Fund	\$92,019			\$92,019
0436	Safety Responsibility Fund	\$21,605			\$21,605
0438	IL State Fair	\$229,724			\$229,724
0452	IL Tourism Tax	\$148,097			\$148,097
0483	Secretary of State Special Services	\$1,770,035	\$600,000		\$2,370,035
0502	Early Intervention Services Revolving Fund	\$3,887,649			\$3,887,649
0510	IL Fire Fighters' Memorial Fund	\$27,000			\$27,000
0514	State Asset Forfeiture Fund	\$133,213	\$1,500,000		\$1,633,213
0517	Police Training Board Services Fund	\$2,441			\$2,441
0520	Federal Asset Forfeiture Fund	\$33,344	\$2,219,718		\$2,253,062
0523	Department of Corrections Reimbursement	\$1,192,100	\$14,500,000		\$15,692,100
0524	Health Facility Plan Review Fund	\$117,332			\$117,332
0530	Grape & Wine Resources Fund		\$1,000,000		\$1,000,000
0536	LEADS Maintenance		\$2,000,000		\$2,000,000
0537	State Offender DNA ID System Fund	\$158,742	\$1,050,000		\$1,208,742
0538	IL Historic Sites	\$158,900			\$158,900
0543	Comptroller's Administrative	\$98,000			\$98,000
0546	Public Pension Regulation Fund	\$151,792		\$786,553	\$938,345
0548	Drycleaner Environ Response Fund	\$272,563			\$272,563
0550	Supplemental Low Income Energy Assistance	\$0			\$0
0552	Workforce, Technology & Econ. Dvlpmt Fund		\$250,101		\$250,101
0555	Good Samaritan Energy Trust Fund	\$1,200			\$1,200
0562	Pawnbroker Regulation Fund	\$13,563			\$13,563
0564	Renewable Energy Resources Trust Fund	\$44,947	\$5,932,847		\$5,977,794
0569	School Technology Revolving Loan fund	\$586,020			\$586,020
0571	Energy Efficiency Trust Fund	\$431,391	\$3,040,000		\$3,471,391
0573	Petroleum Resources Revolving Fund	\$33,700			\$33,700
0576	Pesticide Control	\$38,899		\$633,475	\$672,374
0589	Transportation Safety Highway Hire-Back	\$3,362			\$3,362
0608	Conservation 2000		\$7,439,000		\$7,439,000
0612	Wireless Service Emergency Fund	\$253,973			\$253,973

Special Transfers in FY 2005 YTD as of 6/30/2005					
FUND #	FUND NAME	Chargebacks	Fund Sweeps	Fee Increase	TOTAL
0621	International Tourism Fund	\$1,146,682			\$1,146,682
0622	Motor Vehicle License Plate Fund	\$1,028,100			\$1,028,100
0629	Real Estate Recovery Fund	\$1,000			\$1,000
0632	Horse Racing		\$2,500,000		\$2,500,000
0634	IL Aquaculture Develop Fund		\$1,067,020		\$1,067,020
0635	Death Certificate Surcharge	\$134,756			\$134,756
0637	State Police Wireless Service Emergency Fund	\$169,741	\$700,000		\$869,741
0641	Auction Regulation Administration	\$4,210			\$4,210
0642	DHS State Projects Fund	\$211,424			\$211,424
0643	Auction Recovery Fund	\$100			\$100
0648	Downstate Public Transportation	\$5,200,467			\$5,200,467
0649	Motor Carrier Safety Inspection	\$217,277			\$217,277
0650	Municipal Economic Development Fund	\$14,796			\$14,796
0664	Student Loan Operation Fund	\$6,307,918			\$6,307,918
0669	Airport Land Loan Revolving Fund	\$212			\$212
0685	Rate Adjustment	\$11,600			\$11,600
0702	Assisted Living & Shared Housing Regulatory	\$4,000			\$4,000
0705	Whistleblower Reward & Protection Fund	\$120,102	\$1,250,000		\$1,370,102
0708	IL Standardbred Breeders Fund	\$167,487			\$167,487
0709	IL Thoroughbred Breeders Fund	\$192,600			\$192,600
0712	Post Transplant Maintenance Fund	\$300			\$300
0714	Spinal Cord Injury Paralysis Fund	\$9,400			\$9,400
0720	Family Care Fund	\$164,964			\$164,964
0728	Drug Rebate Fund	\$6,757,347			\$6,757,347
0731	IL Clean Water Fund	\$1,495,100		\$11,000,000	\$12,495,100
0732	SOS DUI Administration Fund	\$167,699	\$582,000		\$749,699
0733	Tobacco Settlement Recovery	\$23,984,800	\$19,400,000		\$43,384,800
0738	Alternative Compliance Market Account	\$3,879			\$3,879
0740	Medicaid Buy In Program Revolving Fund	\$33,109			\$33,109
0743	Statewide Economic Development Fund		\$4,329,246		\$4,329,246
0746	Home Inspector Administration	\$39,400			\$39,400
0758	Secretary of State Police DUI Fund	\$2,400			\$2,400
0759	Secretary of State Police Services Fund	\$3,600			\$3,600
0763	Tourism Promotion	\$5,751,567			\$5,751,567
0770	Digital Divide Elimination Fund	\$405,223			\$405,223
0771	Digital Divide Elimination Infrastructure (No. Approp)	\$800,000			\$800,000
0776	Presidential Library and Museum Fund		\$500,000		\$500,000
0782	State Parking Facility Maintenance Fund	\$3,900			\$3,900
0795	Bank & Trust Company	\$1,204,710			\$1,204,710
0808	Medical Special Purpose Trust Fund	\$641,629	\$967,000		\$1,608,629
0821	Dram Shop	\$215,839	\$1,517,000	\$981,000	\$2,713,839
0823	IL State Dental Disciplinary Fund	\$235,500			\$235,500
0831	Natural Resources Restoration	\$3,484			\$3,484
0840	Hazardous Waste Research Fund	\$44,221			\$44,221
0849	Real Estate Research & Education	\$4,700			\$4,700
0850	Real Estate License Administration	\$696,172			\$696,172
0863	Cycle Rider Safety Training	\$361,536			\$361,536
0865	Domestic Violence Shelter & Service Fund	\$32,466			\$32,466
0866	Snowmobile Trail Establishment Fund	\$1,700			\$1,700
0878	Drug Traffic Prevention Fund	\$9,700			\$9,700
0884	DNR Special Projects Fund	\$346,181			\$346,181
0888	Design Professionals Administration & Investigation	\$72,400	\$1,172,000		\$1,244,400
0896	Public Health State Projects	\$292,200			\$292,200

Special Transfers in FY 2005 YTD as of 6/30/2005					
FUND #	FUND NAME	Chargebacks	Fund Sweeps	Fee Increase	TOTAL
0903	State Surplus Property Revolving Fund	\$417,247			\$417,247
0905	IL Forestry Development Fund	\$209,200	\$1,146,326		\$1,355,526
0906	State Police Services	\$2,196,052	\$250,000		\$2,446,052
0907	Health Insurance Reserve	\$24,187,116			\$24,187,116
0910	Youth Drug Abuse Prevention Fund	\$30,907			\$30,907
0914	Natural Resources Information Fund	\$4,703			\$4,703
0920	Metabolic Screening & Treatment Fund		\$3,435,000		\$3,435,000
0921	DHS Recoveries Trust	\$1,334,918			\$1,334,918
0922	Insurance Producer Administration	\$1,670,624	\$12,727,000	\$6,500,000	\$20,897,624
0925	Coal Technology Development Assistance Fund	\$1,076,342			\$1,076,342
0938	Hearing Instrument Dispenser Exam/Disciplin	\$3,296			\$3,296
0942	Radioactive Waste Facility Development & Operation		\$2,202,000		\$2,202,000
0943	Low-Level Radioactive Waste Facility Closure, Post-Closure Care & Compensation		\$6,000,000		\$6,000,000
0944	Environmental Protection Permit & Inspection		\$874,000		\$874,000
0954	Illinois State Podiatric Disciplinary Fund	\$50,130			\$50,130
0955	Tech Innovation & Commercialization Fund		\$76,729		\$76,729
0962	Park & Conservation	\$2,835,438	\$1,000,000		\$3,835,438
0969	Local Tourism Fund	\$502,405			\$502,405
0973	Build IL Capital Revolving Loan Fund	\$669,604			\$669,604
0975	Large Business Attraction Fund	\$203,638			\$203,638
0982	IL Beach Marina	\$50,000			\$50,000
0984	International & Promotional Fund	\$9,641			\$9,641
0989	Special Events Revolving Fund	\$1,300			\$1,300
0993	Public Infrastructure Construction Loan	\$104,063	\$1,822,000		\$1,926,063
0997	Insurance Financial Regulation	\$3,956,074		\$1,657,500	\$5,613,574
	TOTAL	\$208,237,815	\$210,406,179	\$37,671,512	\$456,315,506
0569	School Technology Revolving Loan Fund to Common School Fund		\$49,775,000		\$49,775,000
	General Funds TOTAL FY 2005	\$208,237,815	\$260,181,179	\$37,671,512	\$506,090,506
	General Funds TOTAL FY 2004 (see note)	\$269,464,457	\$158,514,000	\$88,841,000	\$516,819,457
	Difference from previous year	-\$61,226,642	\$101,667,179	-\$51,169,488	-\$10,728,951

Note: FY 2004 also included an additional \$5.5 million of Special Transfers, transferred under Executive Order 10.
 * The State Gaming Fund transfer is counted as a Gaming Transfer rather than a Special Transfer by the Comptroller.

Pharmaceutical Benefit Manager Program

Michael Moore, Revenue Analyst

The Quality Care Health Plan as well as three HMO's (Health Alliance Illinois, Healthlink OAP, and OSF Winnebago), which are self-insured insurance plans, utilize Medco Health Solutions for Prescription Benefit Management (PBM) services. As a result, persons that elect to participate

in any one of these plans must utilize mail order or a participating maintenance network pharmacy for their maintenance medications if they want to receive a 90-day supply for two co-pays. Only maintenance prescriptions fall under the maintenance network conditions. *There are currently 810 maintenance network chain pharmacies, as well as, 155 privately owned pharmacies that participate in the maintenance network.*

For a list of privately-owned pharmacies go to: www.benefitschoice.il.gov

Retail Maintenance Network Pharmacies as of 6/16/05 (Chain Pharmacies)	
Name	# of participating stores in IL
Albertson's (including Osco, Jewel-Osco, Say-On, Lucky)	256
Wal-Mart (including Sam's Club, Hypermart)	147
Safeway (Including Dominicks's, Carrs Quality Center, Vons, Tom Thumb, Randalls)	92
Allscripts	70
Target	69
Kmart	58
Kroger (including Hilander, City Market, QFC, Kessel, Payless, Fry's Food & Drug, Smiths, Baker, Dillons, Gerbes, Food 4 Less, Fred Meyer, Ralph's King Soopers)	36
Supervalu (including Cub, Bigg's, Shop N Save, Keltsoh)	30
Schnuck Markets	24
ShopKo	9
Hy-Vee (including Drug Town)	8
Pamida Corporation	4
Nash Finch (including Econo Foods, More 4 Family, Sun Mart)	3
Accredo Health	1
Buehler's Pharmacy	1
Mercy Health System Retail Pharmacy	1
Rinderer's Drug Stores	1

The Maintenance Medication Program allows members to obtain a 61 to 90 day supply of maintenance medications for two retail copayments. A listing of maintenance medications can be found at www.benefitschoice.il.gov. Employee's that have been prescribed a maintenance medication can fill their prescription in three ways; at the Medco mail order pharmacy, at a participating maintenance medication pharmacy, or a regular network pharmacy (**employees**

who fill a maintenance medication at a non-participating pharmacy will receive the first two thirty day supplies of a maintenance medication at the regular co-pay. After an employee has purchased two thirty day prescriptions of a maintenance medication they will be subject to a co-pay that is twice the amount normally paid.) The following table shows member copayments for maintenance drugs.

<i>Maintenance Medication Copayment Amounts</i>			
Maintenance medication (1-30 day supply) after the first two 30 day refills at a retail pharmacy not participating in the maintenance prescription network.		Maintenance medication (61-90 day supply) at a participating maintenance network pharmacy, or at the Medco mail order pharmacy.	
Generic:	\$18.00	Generic:	\$18.00
Preferred Brand:	\$36.00	Preferred Brand:	\$36.00
Non-preferred brand:	\$72.00	Non-preferred brand:	\$72.00

SB 0157 – New Hospital Assessment Program
Nicole Krneta-Rogers,
Bond/Revenue Analyst

SB 0157, passed by both houses on May 30, 2005 and sent to the Governor on June 28, 2005, created the new Hospital Assessment Program, which is proposed to generate a total of \$1.8 billion dollars during its three-year existence. This program will replace the previous assessment, which had a sunset date of July 1, 2005. The new program will begin August 1, 2005 and have a sunset date of July 1, 2008. Due to Intergovernmental Transfers, Cook

County and University of Illinois Hospitals are exempt from the program.

Illinois hospitals will make \$730 million in annual assessments to the State for state fiscal years 2006, 2007 and 2008. Assessments are based on a 2.5835% rate of the adjusted gross hospital revenue. Hospitals assessments will be made on the 14th State business day of September, December, March, and May. Of the annual assessments totaling \$730 million, \$130 million will be transferred to the Health and Human Services Medicaid Trust Fund. The remaining \$600 will be utilized to acquire federal matching funds as long

as the funds are used within the Medicaid program. Payments of \$300 million will be made to the hospitals, except Cook County and University of Illinois Hospitals on or before the 7th State business day of September, December, March, and May.

According to the Illinois Hospital Association, as a result of the new program, 23 hospitals will contribute approximately \$23 million more in

assessments than they will receive in increased Medicaid payments. However, the program will require the approval of the federal government.

Hospital providers will be required to keep sufficient records in order to determine the adjusted gross hospital revenue for the hospital's fiscal year. Records are subject to inspection by the Illinois Department of Public Aid during regular business hours.

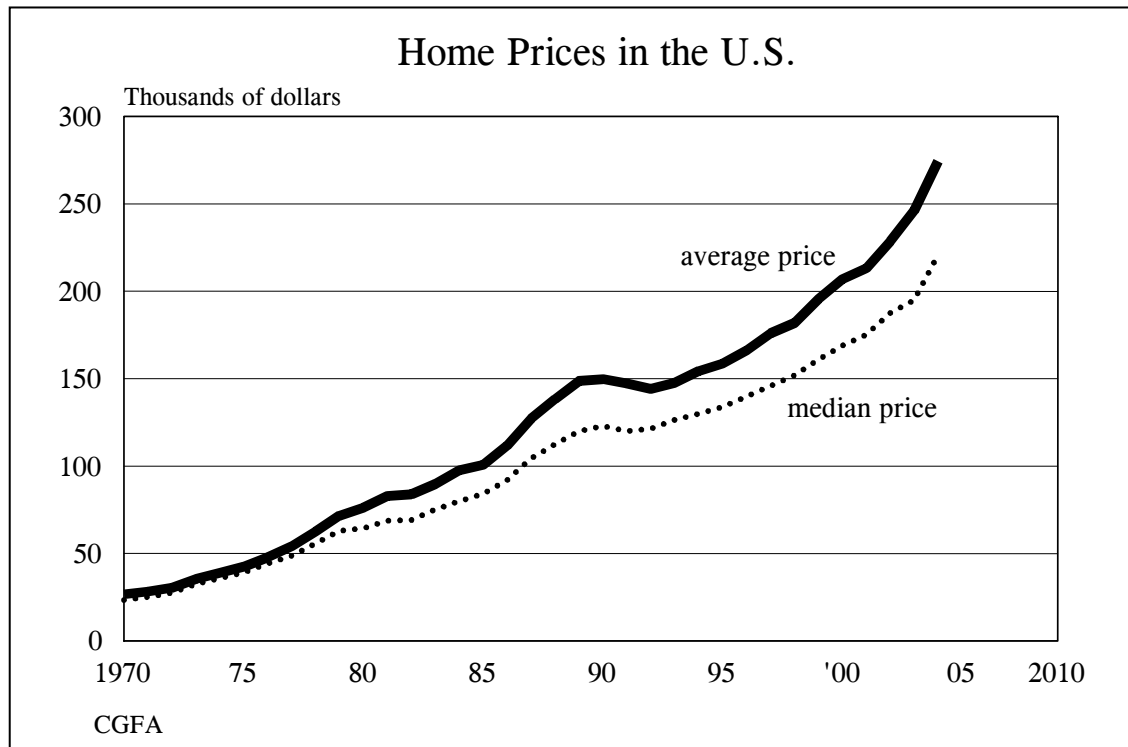
ECONOMY: Housing Bubble or Localized Froth?

Edward H. Boss, Jr.
Chief Economist

There is increasing concern that the housing market, led by soaring home prices, may be in a bubble which, when burst, could have deleterious effects on the U.S. economy. Some even compare the possibility of a price reversal to the economic shock that followed the dot.com collapse some five years earlier. As shown in the attached chart, the average home price has soared, reaching \$274,500 last year, up 40% in the past 5 years. In another report, issued by the Office of Federal Housing Enterprise Oversight (OFHEO), average home prices over the year ended in the first quarter of 2005 were listed as being up 12.5%, or \$283,400, and 50.5% over the past five years. By either measure, the growth in home prices has far exceeded

the increase in overall inflation or the rise in consumer incomes over the same periods.

However, home prices have not risen at the same rate throughout the nation. Average sales prices in 2004 varied from a high of \$366,100 in the Northeast, \$340,000 in the West, \$240,800 in the Midwest, and \$232,800 in the South. The *median*, or the middle of the array of home prices was \$221,000 in 2004 and \$221,400 in the first quarter of this year. *Median* prices varied from \$315,800 in the Northeast, \$283,100 in the West, \$205,000 in the Midwest, and \$181,100 in the South. The *median* price of a single-family home in Illinois was \$192,100 in April 2005, up 9.8% from a year earlier. According to the OFHEO, Illinois ranked 26th in house appreciation over the past year, or about in the middle of the group of 50 states plus the District of Columbia.



The largest house price appreciation in the past year, according to the OFHEO report issued on June 1, 2005, was Nevada with a gain of 31.2%. Indeed it is not surprising that this phenomena has led Las Vegas to be the reported leader in house flipping; i.e. rapid turnover of housing often using “exotic” financing arrangements. In the first quarter of this year the 20 fastest appreciating MSAs, metropolitan statistical areas, remained largely unchanged from the previous quarter with 14 of the 20 fastest growing MSAs in California, 4 in Florida, and 2 in Nevada. There are several reasons of course for the recent surge in home prices: i.e. recent rapid price appreciation; rates of return on real estate that far outpaced those available in the equity and bond markets; historically-low mortgage interest rates;

a sharp drop in the value of the dollar versus the Euro increasing foreign investment in the U.S. real estate market, and innovative mortgage arrangements. These developments led Federal Reserve Chairman Alan Greenspan to describe the current price situation that has developed in some housing markets as *froth*.

The concern is that this *froth* may have spilt over into the mortgage markets. According to the Federal Deposit Insurance Corp. which supervises banks and insures deposits, more than 30% of all home loans last year were “nontraditional”, or other than a 30-year fixed rate, fully-amortizing mortgage. In a report by the ISI Group, early this year the share of new mortgages that were interest-only hit 20%, up from less than 5% as

recently as in 2003. The growth in these and other loans that are far riskier than the traditional 30-year fixed rate, called “exotic” by the Fed Chairman, include loans that require little downpayment and delay big principal payment, leaving homeowners highly leveraged for longer periods of time. While some feel the rise in home prices may slow, few project sharp declines, but such attitudes may not be justified. In a published study that looked at quarterly real home prices in the U.S.-- prices that exclude inflation-- it was pointed out that there have been five such bursts since 1970. Even looking at inflated prices, as recently as the early 1990s, home prices declined. On a yearly average basis, average home prices in the U.S. fell by almost 4% between 1990 and 1992, not exceeding its previous peak again until 1994. At the same time in the West, average home prices dropped 12.6% and did not exceed the previous peak until

1996, and declines of 20% to 30% were reached in some MSAs.

The regulators have not set out to burst any bubble in housing that has been a major support to the economy. The Federal Reserve in recent statements has used jawboning to try to influence non-bank lenders, homebuilders, and homebuyers. At the same time, bank regulators have issued new guidance for banks on home equity loans and are expected to issue new guidance on mortgages, particularly interest-only loans and various adjustable rate mortgages, particularly those with various options. It is hoped that over time, prospects for higher long-term interest rates, tighter regulations, a strengthening U.S. dollar, and a more cautious attitude by both builder and buyer will serve to ease conditions and avoid any major deleterious economic effects from the housing sector.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY			
<u>INDICATORS</u>	<u>MAY 2005</u>	<u>APRIL 2005</u>	<u>MAY 2004</u>
Unemployment Rate (Average)	5.8%	5.9%	6.2%
Annual Rate of Inflation (Chicago)	0.6%	11.9%	2.4%
—————			
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (May)	6,480	-0.2%	1.4%
Employment (thousands) (May)	6,102	-0.1%	1.8%
New Car & Truck Registration (May)	58,759	-2.9%	1.9%
Single Family Housing Permits (May)	4,668	4.4%	15.0%
Total Exports (\$ mil) (April)	3,017	-6.7%	21.1%
Chicago Purchasing Managers Index (June)	53.6	-0.9%	-5.0%