



Commission on Government Forecasting and Accountability

703 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: JUNE 2018

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ECONOMY: Supreme Court Allows for Internet Sales Tax Collection

Benjamin L. Varner, Senior Analyst and Economic Specialist

On June 21, 2018, the Supreme Court overturned a long-standing case that barred States from forcing out-of-state vendors to collect taxes on sales made to their residents. *Quill Corp. v. North Dakota*, 504 U.S. 298 (1992) was a Supreme Court decision that ruled that unless a vendor had a physical presence, or nexus, within a State, they could not be forced to collect any taxes due on purchases. This case was based on a catalog sales model business but would be applied to online, or e-commerce, sales.

In recent years, signs from the Supreme Court had indicated that the *Quill* decision may have outlived its usefulness with the dramatic increase in online sales. The State of South Dakota decided to test the 1992 decision by passing legislation that would make all but the smallest out-of-state retailers responsible for collecting sales taxes. In its recently released *South Dakota vs Wayfair, Inc.* 585 U. S. ____ (2018) decision, the Supreme Court found that “*Quill* puts both local businesses and many interstate businesses with physical presence at a competitive disadvantage relative to remote sellers.” As such, the Court overturned their previous decision. This decision now allows States to make remote vendors liable for collecting sales taxes.

Illinois has always taxed sales made from out-of-state vendors through the Use Tax and the Service

Use Tax. The Use Tax applies to Illinois purchasers who buy property out of state at a lower tax rate or from a vendor who does not have a physical nexus within the State. The difference between the lower tax rate and Illinois' sales tax rate must be forwarded to the Department of Revenue as a Use Tax. The purpose of the Use Tax is to protect in-state retailers from competition from out-of-state retailers who may not be subject to the Retailers' Occupation Tax. The Service Use Tax is imposed upon the purchaser for the privilege of using property that was acquired incident to the purchase of a service from an out-of-state service provider who did not have a "nexus" within the State and was not obligated to collect Illinois sales taxes. The purchasers of the tangible personal property were then responsible to submit the appropriate use tax to the State. However, compliance rates for the use tax were minimal when the purchasers were responsible for submittal.

The Budget Implementation Bill (P.A. 100-0587) for fiscal year 2019 passed in May of 2018 changed the definition of who is liable for

collecting the Use Tax and the Service Use Tax in anticipation of the Wayfair decision. This legislation changed the definition of "Retailer maintaining a place of business in this State" to include any out of State vendors who sell more than \$100,000 worth of merchandise in a twelve month period in Illinois or have more than 200 transactions. This language was based on the South Dakota legislation that would eventually overturn the Quill decision.

Though this is not a new tax, new revenue is expected due to better compliance of the use taxes. It was estimated that approximately \$200 million a year could be collected based on this legislative change. The FY 2019 budget included \$150 million in new revenue based on better use tax compliance. The \$150 million is based on nine months of improved use tax collection. The nine month time period was used to allow time for administrative and implementation issues. The \$200 million estimate can be seen as conservative as other groups have estimated that Illinois could see a significantly larger improvement in use tax collections.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY			
<u>INDICATORS*</u>	<u>LATEST MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (May)	4.3%	4.4%	4.9%
Inflation in Chicago (12-month percent change) (May)	2.3%	2.1%	1.8%
	<u>LATEST MONTH</u>	<u>CHANGE OVER PRIOR MONTH</u>	<u>CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (May)	6,488.1	0.0%	0.1%
Employment (thousands) (May)	6,209.3	0.1%	0.8%
Nonfarm Payroll Employment (May)	6,108,900	8,600	60,200
New Car & Truck Registration (May)	52,499	3.1%	6.9%
Single Family Housing Permits (May)	1,127	15.7%	6.5%
Total Exports (\$ mil) (Apr.)	5,788.0	-2.0%	8.8%
Chicago Purchasing Managers Index (June)	64.1	2.2%	-2.4%

* Due to monthly fluctuations, trend best shown by % change from a year ago

REVENUE: FY 2018 REVENUES FINISH ON POSITIVE NOTE

Jim Muschinske, Revenue Manager

Base receipts grew \$469 million in June. The increase reflected higher income tax rates as well as a strong performance of transfers related to “catch-up” activity from the Capital Projects Fund. The month had one less receipting day compared to a year earlier.

Monthly gross personal income taxes rose \$405 million, or \$365 million net of refunds and other changes enacted under P.A. 100-23. [See July 2017 briefing for further discussion of these changes]. The gains primarily reflected higher tax rates. Similarly, gross corporate income tax reflected the higher tax rate as receipts rose \$180 million, or \$123 million on a net basis. Sales tax managed to post decent gains for the month as gross sales tax grew \$33 million, although net of the distribution to the transit funds, actually fell \$15 million. Both insurance taxes as well as other sources increased \$7 million, while interest earnings grew \$3 million. Liquor taxes, as well as corporate franchise taxes managed to eke out a \$1 million gain.

Despite an overall positive month, a couple of revenue sources declined in June. Public utility taxes fell by \$19 million, cigarette tax dropped by \$9 million, and vehicle use tax dipped \$1 million.

Overall transfers rose by \$116 million in June. The gains were due to a growth surge of \$111 million in other transfers from the Capital Projects Fund which reflected “catch-up” activity of owed transfers. [By statute, each fiscal year the Capital Projects Fund should transfer \$245

million into the GRF. However, over multiple years, due to a lack of resources in the CPF, a cumulative owed transfer deficiency had developed. A concerted effort at the Comptroller Office to address that transfer backlog has taken place this fiscal year, with total CPF transfers to the GRF totaling \$440 million. Even with the “catch-up”, the CPF still owes the GRF approximately \$260 million from previous fiscal years]. In June, approximately \$2 million in fund sweeps were executed, while riverboat transfers increased \$2 million, and lottery transfers managed to increase \$1 million. After experiencing an exceptional year for federal sources, June saw a pause, as receipts fell \$130 million.

Year End

Excluding November’s \$2.5 billion bond sale transfer proceeds, as well as \$533 million from interfund borrowing, base general funds grew \$8.973 billion in FY 2018. Increased income tax receipts, fund sweeps, strong transfers, and increased federal sources resulted in the significant gain.

For the fiscal year, gross personal income taxes finished up \$5.399 billion, or \$4.988 billion net of refunds and other changes. Gross corporate income taxes ended up ahead of last year by \$1.001 billion, or \$689 million net. While overall sales taxes were up \$213 million, once direct sales tax receipts diverted to the transportation funds

are subtracted, net receipts actually fell \$233 million. Smaller revenue sources posted a combined gain of \$139 million.

Overall transfers finished the year with overall gains of \$635 million. Fund sweeps accounted for \$269 million of those gains, while other sources were boosted by the aforementioned “catch-up” activity related to owed Capitol Projects Fund transfers. Federal sources, reflecting significantly higher reimbursable spending made possible by the November bond proceeds, generated \$2.755 billion in growth.

Review of FY 2018 Revenue Estimates

The below summary table as well as a more detailed table on page 8, display and compare the last official forecasts presented in February by both CGFA and the GOMB/IDoR. A discussion of the various revenue categories is discussed below.

- Despite large impacts from rate adjustments and uncertainties related to federal tax changes, the forecasts of income taxes for both agencies performed reasonably well, with actuals exceeding the official estimates by just over 1%. The

over performance of \$223 million in comparison to the Commission’s February forecast falls closely within expectations discussed in the latter stages of the fiscal year.

- Sales tax receipts finished the fiscal year just short of the Commission’s forecast by \$45 million, or approximately sixth-tenths of a percent. Sales tax never managed to meet the higher expectations set for it by the GOMB/IDoR, as receipts were short of their estimate by \$141 million, or approximately 1.8%.
- All other sources to the general funds performed about as the Commission expected, with actual receipts exceeding the estimate by only \$25 million, or seven-tenths of a percent. The forecast of the GOMB/IDoR was exceeded by a somewhat greater amount, as the \$83 million reflected an over performance of approximately 2.4%.
- Both agencies’ forecast of transfers to the general funds was exceeded due to the Comptroller’s concerted

<i>FY 2018 Actuals vs. CGFA and IDoR/GOMB Estimates</i>					
(\$ millions)					
	ACTUAL FY 2018	CGFA EST. Feb-18 FY 2018	DIFFERENCE ACTUALS FROM ESTIMATE	IDoR/GOMB EST. Feb-18 FY 2018	DIFFERENCE ACTUALS FROM ESTIMATE
Revenue Sources					
Income Taxes [Net]	\$19,742	\$19,519	\$223	\$19,493	\$249
Sales Tax [Net]	\$7,810	\$7,855	(\$45)	\$7,951	(\$141)
All Other Sources	\$3,401	\$3,376	\$25	\$3,318	\$83
Transfers	\$2,187	\$1,992	\$195	\$2,003	\$184
Federal Sources	\$5,238	\$4,762	\$476	\$4,624	\$614
Subtotal General Funds	\$38,378	\$37,504	\$874	\$37,389	\$989
Interfund Borrowing	\$533	\$600	(\$67)	\$600	(\$67)
Income Tax Bond Fund Transfer	\$2,500	\$2,500	\$0	\$2,500	\$0
Transfer to Commitment Human Services	\$40	\$0	\$40	\$0	\$40
Total General Funds	\$41,451	\$40,604	\$847	\$40,489	\$962

effort to “catch-up” on the backlog owed from the Capital Projects Fund. Had that approximate \$200 million in “catch-up” activity not occurred in the latter stages of the fiscal year, both forecasts would have performed very close to actuals. As it was, the Commission’s estimate was exceeded by \$195 million, while the GOMB/IDoR estimate was beaten by \$184 million.

- Federal sources proved once again to be the bane of forecasting as actuals ended up far exceeding earlier projections. While the Commission made clear during its official forecast presentation in February that actuals may end up exceeding expectations by several hundred million, the \$476 million in over performance surpassed even that view. Similarly, actuals outperformed the GOMB estimate by an even larger variance of \$614 million. Federal sources are largely dependent on reimbursable spending as well as from which fund that spending takes place. As a result, a host of items serves to introduce

variance into the equation—actual programmatic liability, payment vouchers submitted by the agency, appropriation levels, available resources to make payment, actual payment priorities set by the Comptroller.

- In terms of non-base revenues to the general funds, both agencies were similar in their performance. Interfund borrowing fell \$67 million short of FY 2018 expectations, but that deficiency can be made up in FY 2019. The \$40 million transfer to the Commitment to Human Services Fund should be viewed more as an accounting item as it reflects activity back to FY 2017, a time when the CHSF was not considered part of the definition of general funds.

While overall revenues outperformed the Commission’s February forecast by approximately 2% and nearly 2.3% in the case of the GOMB/IDoR projection, when the highly volatile category of federal sources is excluded, both agencies produced forecasts within 1% of actual results.

JUNE
FY 2018 vs. FY 2017
(\$ million)

Revenue Sources	June FY 2018	June FY 2017	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$1,728	\$1,323	\$405	30.6%
Corporate Income Tax (regular)	496	316	\$180	57.0%
Sales Taxes	745	712	\$33	4.6%
Public Utility Taxes (regular)	62	81	(\$19)	-23.5%
Cigarette Tax	31	40	(\$9)	-22.5%
Liquor Gallonage Taxes	16	15	\$1	6.7%
Vehicle Use Tax	2	3	(\$1)	-33.3%
Inheritance Tax	42	22	\$20	90.9%
Insurance Taxes and Fees	77	70	\$7	10.0%
Corporate Franchise Tax & Fees	18	17	\$1	5.9%
Interest on State Funds & Investments	8	5	\$3	60.0%
Cook County IGT	0	0	\$0	N/A
Other Sources	184	177	\$7	4.0%
Subtotal	\$3,409	\$2,781	\$628	22.6%
Transfers				
Lottery	89	88	\$1	1.1%
Riverboat transfers & receipts	20	18	\$2	11.1%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Fund sweeps	2	0	\$2	N/A
Other	160	49	\$111	226.5%
Total State Sources	\$3,680	\$2,936	\$744	25.3%
Federal Sources	\$66	\$196	(\$130)	-66.3%
Total Federal & State Sources	\$3,746	\$3,132	\$614	19.6%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$169)	(\$148)	(\$21)	14.2%
Corporate Income Tax	(\$87)	(55)	(\$32)	58.2%
Fund for Advancement of Education	\$0	(33)	\$33	-100.0%
Commitment to Human Services Fund	\$0	(33)	\$33	-100.0%
LGDF--Direct from PIT	(\$85)	0	(\$85)	N/A
LGDF--Direct from CIT	(\$25)	0	(\$25)	N/A
Downstate Pub/Trans--Direct from Sales	(\$48)	0	(\$48)	N/A
Subtotal General Funds	\$3,332	\$2,863	\$469	16.4%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$6	\$0	\$6	N/A
Income Tax Bond Fund Transfer	\$0	\$0	\$0	N/A
Transfer to Commitment Human Services	\$20	\$0	\$20	N/A
Total General Funds	\$3,358	\$2,863	\$495	17.3%

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

5-Jul-18

GENERAL FUNDS RECEIPTS: YEAR END

FY 2018 vs. FY 2017

(\$ million)

<u>Revenue Sources</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$20,784	\$15,385	\$5,399	35.1%
Corporate Income Tax (regular)	2,607	1,606	\$1,001	62.3%
Sales Taxes	8,256	8,043	\$213	2.6%
Public Utility Taxes (regular)	896	884	\$12	1.4%
Cigarette Tax	344	353	(\$9)	-2.5%
Liquor Gallonage Taxes	172	171	\$1	0.6%
Vehicle Use Tax	28	30	(\$2)	-6.7%
Inheritance Tax	358	261	\$97	37.2%
Insurance Taxes and Fees	432	391	\$41	10.5%
Corporate Franchise Tax & Fees	207	207	\$0	0.0%
Interest on State Funds & Investments	79	36	\$43	119.4%
Cook County IGT	244	244	\$0	0.0%
Other Sources	641	685	(\$44)	-6.4%
Subtotal	\$35,048	\$28,296	\$6,752	23.9%
Transfers				
Lottery	719	720	(\$1)	-0.1%
Riverboat transfers & receipts	272	270	\$2	0.7%
Proceeds from Sale of 10th license	10	10	\$0	0.0%
Refund Fund transfer	0	4	(\$4)	N/A
Fund sweeps	269	0	\$269	N/A
Other	917	548	\$369	67.3%
Total State Sources	\$37,235	\$29,848	\$7,387	24.7%
Federal Sources	\$5,238	\$2,483	\$2,755	111.0%
Total Federal & State Sources	\$42,473	\$32,331	\$10,142	31.4%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$2,037)	(\$1,724)	(\$313)	18.2%
Corporate Income Tax	(\$457)	(278)	(\$179)	64.4%
Fund for Advancement of Education	\$0	(462)	\$462	-100.0%
Commitment to Human Services Fund	\$0	(462)	\$462	-100.0%
LGDF--Direct from PIT	(\$1,022)	0	(\$1,022)	N/A
LGDF--Direct from CIT	(\$133)	0	(\$133)	N/A
Downstate Pub/Trans--Direct from Sales	(\$446)	0	(\$446)	N/A
Subtotal General Funds	\$38,378	\$29,405	\$8,973	30.5%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$533	\$0	\$533	N/A
Income Tax Bond Fund Transfer	\$2,500	\$0	\$2,500	N/A
Transfer to Commitment Human Services	\$40	\$0	\$40	N/A
Total General Funds	\$41,451	\$29,405	\$12,046	41.0%

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

5-Jul-18

FY 2018 Actuals vs. CGFA & IDOR/GOMB Estimates

(\$ millions)

	ACTUAL FY 2018	CGFA EST. Feb-18 FY 2018	DIFFERENCE ACTUALS FROM ESTIMATE	IDOR/ GOMB EST. Feb-18 FY 2018	DIFFERENCE ACTUALS FROM ESTIMATE
Revenue Sources					
State Taxes					
Personal Income Tax	\$20,784	\$20,566	\$218	\$20,649	\$135
Corporate Income Tax (regular)	\$2,607	\$2,558	\$49	\$2,434	\$173
Sales Taxes	\$8,256	\$8,304	(\$48)	\$8,399	(\$143)
Public Utility (regular)	\$896	\$903	(\$7)	\$890	\$6
Cigarette Tax	\$344	\$353	(\$9)	\$351	(\$7)
Liquor Gallonage Taxes	\$172	\$172	\$0	\$172	\$0
Vehicle Use Tax	\$28	\$28	\$0	\$30	(\$2)
Inheritance Tax	\$358	\$295	\$63	\$275	\$83
Insurance Taxes & Fees	\$432	\$400	\$32	\$395	\$37
Corporate Franchise Tax & Fees	\$207	\$203	\$4	\$205	\$2
Interest on State Funds & Investments	\$79	\$70	\$9	\$46	\$33
Cook County Intergovernmental Transfer	\$244	\$244	\$0	\$244	\$0
<u>Other Sources</u>	<u>\$641</u>	<u>\$708</u>	<u>(\$67)</u>	<u>\$710</u>	<u>(\$69)</u>
Subtotal	\$35,048	\$34,804	\$244	\$34,800	\$248
Transfers					
Lottery	\$719	\$719	\$0	\$719	\$0
Riverboat transfers & receipts	\$272	\$268	\$4	\$270	\$2
Proceeds from sale of 10th license	\$10	\$10	\$0	\$10	\$0
Refund Fund transfer	\$0	\$0	\$0	\$0	\$0
Fund Sweeps	\$269	\$275	(\$6)	\$275	(\$6)
<u>Other</u>	<u>\$917</u>	<u>\$720</u>	<u>\$197</u>	<u>\$729</u>	<u>\$188</u>
Total State Sources	\$37,235	\$36,796	\$439	\$36,803	\$432
Federal Sources	\$5,238	\$4,762	\$476	\$4,624	\$614
Total Federal & State Sources	\$42,473	\$41,558	\$915	\$41,427	\$1,046
Nongeneral Funds Distribution:					
Refund Fund					
Personal Income Tax	(\$2,037)	(\$2,015)	(\$22)	(\$2,024)	(\$13)
Corporate Income Tax	(\$457)	(\$448)	(\$9)	(\$426)	(\$31)
LGDF--Direct from PIT	(\$1,022)	(\$1,012)	(\$10)	(\$1,016)	(\$6)
LGDF--Direct from CIT	(\$133)	(\$130)	(\$3)	(\$124)	(\$9)
Downstate Pub/Trans--Direct from Sales	(\$446)	(\$449)	\$3	(\$448)	\$2
Subtotal General Funds	\$38,378	\$37,504	\$874	\$37,389	\$989
Interfund Borrowing	\$533	\$600	(\$67)	\$600	(\$67)
Income Tax Bond Fund Transfer	\$2,500	\$2,500	\$0	\$2,500	\$0
Transfer to Commitment Human Services	\$40	\$0	\$40	\$0	\$40
Total General Funds	\$41,451	\$40,604	\$847	\$40,489	\$962

Special Transfers for FY 2018

Lynnae Kapp, Sr. Analyst

Public Act 100-0023 allowed for \$1.2 billion in Interfund Borrowing through December 31, 2018, and Public Act 100-0587 extended the time for borrowing through March 1, 2019. Interfund Borrowing will include transfers from unspecified special state funds to general funds and the Health Insurance Reserve Fund up to and outstanding at any one time of \$1.2 billion. Additional transfers and retransfers may occur between funds as needed due to insufficient cash in the originator fund, as long as the amount outstanding is still at or below \$1.2 billion. Amounts shall be repaid to the original funds with interest within 24 months of the date borrowed from general funds. Interfund borrowing occurred from the following funds to the General Revenue Fund for a total to date of \$533 million, while \$128 million has been repaid.

FY 2018 INTERFUND BORROWING (Public Act 100-0023)			
Fund #	Transfer from Fund	TRANSFER TOTAL	PAYBACK TOTAL
0072	Underground Storage Tank Fund	\$53,000,000	\$53,000,000
0245	Fair and Exposition Fund	\$2,500,000	\$0
0265	State Rail Freight Loan Repayment Fund	\$6,000,000	\$0
0286	Illinois Affordable Housing Trust Fund	\$11,295,000	\$11,295,000
0299	Open Space Lands Acquisition and Development Fund	\$55,000,000	\$0
0421	Public Aid Recoveries Trust Fund	\$100,000,000	\$20,000,000
0550	Supplemental Low-Income Energy Assistance Fund	\$15,000,000	\$0
0568	School Infrastructure Fund	\$101,000,000	\$0
0608	Partners for Conservation Fund	\$2,000,000	\$0
0708	Illinois Standardbred Breeders Fund	\$1,000,000	\$0
0709	Illinois Thoroughbred Breeders Fund	\$500,000	\$0
0722	Comptroller Debt Recovery Trust Fund	\$6,000,000	\$6,000,000
0836	Illinois Power Agency Renewable Energy Resources Fund	\$150,000,000	\$37,500,000
0922	Insurance Producer Administration Fund	\$10,000,000	\$0
0925	Coal Technology Development Assistance Fund	\$5,000,000	\$0
0962	Park and Conservation Fund	\$10,000,000	\$0
0997	Insurance Financial Regulation Fund	\$5,000,000	\$0
TOTAL		\$533,295,000	\$127,795,000

P.A. 100-0023 also allowed for **Sweeps** (statutory transfers) of \$293 million from the following list of funds into one of these four state funds: General Revenue Fund, Budget Stabilization Fund, Healthcare Provider Relief Fund or the Health Insurance Reserve Fund. Transfers and retransfers were allowed from GRF if an originator fund had insufficient cash. Total transfers for FY 2018 of \$269 million were made to the General Revenue Fund.

Sweeps to GRF in FY 2018 [PA100-23]				
Fund #	Fund Name	Up to Amount	Total YTD	Remainder
0021	Financial Institution Fund	\$328,200	\$328,200	\$0
0022	General Professions Dedicated Fund	\$612,700	\$612,700	\$0
0023	Economic Research and Information Fund	\$11,000	\$11,000	\$0
0040	State Parks Fund	\$662,000	\$662,000	\$0
0047	Fire Prevention Fund	\$10,000,000	\$10,000,000	\$0
0050	Mental Health Fund	\$1,101,300	\$1,101,300	\$0
0057	Illinois State Pharmacy Disciplinary Fund	\$2,000,000	\$2,000,000	\$0
0067	Radiation Protection Fund	\$4,500,000	\$4,500,000	\$0
0068	Hospital Licensure Fund	\$1,000,000	\$1,000,000	\$0
0075	Compassionate Use of Medical Cannabis Fund	\$2,500,000	\$2,500,000	\$0
0076	Illinois National Guard Billeting Fund	\$100,000	\$100,000	\$0
0078	Solid Waste Management Fund	\$13,900,000	\$13,900,000	\$0
0082	Distance Learning Fund	\$180,000	\$180,000	\$0
0085	Illinois Gaming Law Enforcement Fund	\$62,000	\$62,000	\$0
0089	Subtitle D Management Fund	\$1,000,000	\$1,000,000	\$0
0091	Clean Air Act Permit Fund	\$911,600	\$911,600	\$0
0093	Illinois State Medical Disciplinary Fund	\$5,000,000	\$5,000,000	\$0
0113	Community Health Center Care Fund	\$800,000	\$800,000	\$0
0115	Safe Bottled Water Fund	\$150,000	\$0	\$150,000
0119	Foreclosure Prevention Program Graduated Fund	\$2,500,000	\$2,500,000	\$0
0137	Plugging and Restoration Fund	\$1,200,000	\$1,200,000	\$0
0145	Explosives Regulatory Fund	\$280,000	\$280,000	\$0
0146	Aggregate Operations Regulatory Fund	\$500,000	\$500,000	\$0
0148	Mental Health Reporting Fund	\$624,100	\$0	\$624,100
0150	Rental Housing Support Program Fund	\$760,000	\$760,000	\$0
0151	Registered Certified Public Accountants' Admin and Disciplinary Fund	\$1,500,000	\$1,500,000	\$0
0152	State Crime Laboratory Fund	\$150,500	\$150,500	\$0
0156	Motor Vehicle Theft Prevention Trust Fund	\$6,000,000	\$6,000,000	\$0
0163	Weights and Measures Fund	\$256,100	\$256,100	\$0
0166	State Police Merit Board Public Safety Fund	\$58,200	\$58,200	\$0
0199	Illinois Fisheries Management Fund	\$2,000,000	\$2,000,000	\$0
0209	State Police Firearm Services Fund	\$7,200,000	\$7,200,000	\$0
0211	DHS Technology Initiative Fund	\$2,250,000	\$2,250,000	\$0
0218	Professions Indirect Cost Fund	\$1,409,500	\$1,409,500	\$0
0222	State Police DUI Fund	\$57,100	\$57,100	\$0
0233	Intercity Passenger Rail Fund	\$500,000	\$500,000	\$0
0238	Illinois Health Facilities Planning Fund	\$2,500,000	\$2,500,000	\$0
0241	TOMA Consumer Protection Fund	\$200,000	\$200,000	\$0
0243	Credit Union Fund	\$176,200	\$176,200	\$0
0244	Residential Finance Regulatory Fund	\$127,000	\$127,000	\$0
0258	Nursing Dedicated and Professional Fund	\$5,000,000	\$5,000,000	\$0
0261	Underground Resources Conservation Enforcement Fund	\$700,000	\$700,000	\$0

Sweeps to GRF in FY 2018 [PA100-23]				
Fund #	Fund Name	Up to Amount	Total YTD	Remainder
0265	State Rail Freight Loan Repayment Fund	\$6,000,000	\$0	\$6,000,000
0276	Drunk and Drugged Driving Prevention Fund	\$90,000	\$0	\$90,000
0277	Pollution Control Board Fund	\$300,000	\$0	\$300,000
0286	Illinois Affordable Housing Trust Fund	\$5,000,000	\$5,000,000	\$0
0290	Fertilizer Control Fund	\$4,100,000	\$3,587,500	\$512,500
0291	Regulatory Fund	\$330,000	\$330,000	\$0
0293	State Furbearer Fund	\$200,000	\$0	\$200,000
0294	Used Tire Management Fund	\$17,500,000	\$17,500,000	\$0
0298	Natural Areas Acquisition Fund	\$2,000,000	\$2,000,000	\$0
0318	ICJIA Violence Prevention Special Projects Fund	\$100,000	\$0	\$100,000
0335	Criminal Justice Information Projects Fund	\$400,000	\$400,000	\$0
0336	Environmental Laboratory Certification Fund	\$200,000	\$200,000	\$0
0341	Provider Inquiry Trust Fund	\$500,000	\$500,000	\$0
0344	Care Provider Fund for Persons with a Developmental Disability	\$1,000,000	\$1,000,000	\$0
0356	Law Enforcement Camera Grant Fund	\$1,500,000	\$1,500,000	\$0
0368	Drug Treatment Fund	\$195,000	\$195,000	\$0
0369	Feed Control Fund	\$6,800,000	\$5,950,000	\$850,000
0372	Plumbing Licensure and Program Fund	\$89,000	\$89,000	\$0
0384	Tax Compliance and Administration Fund	\$2,800,000	\$2,800,000	\$0
0386	Appraisal Administration Fund	\$400,000	\$400,000	\$0
0387	Small Business Environmental Assistance Fund	\$294,000	\$147,000	\$147,000
0388	Regulatory Evaluation and Basic Enforcement Fund	\$150,000	\$150,000	\$0
0397	Trauma Center Fund	\$3,000,000	\$3,000,000	\$0
0422	Alternate Fuels Fund	\$1,300,000	\$1,300,000	\$0
0437	Quality of Life Endowment Fund	\$337,500	\$0	\$337,500
0440	Agricultural Master Fund	\$900,000	\$900,000	\$0
0474	Human Services Priority Capital Program Fund	\$3,200	\$1,600	\$1,600
0502	Early Intervention Services Revolving Fund	\$5,000,000	\$0	\$5,000,000
0514	State Asset Forfeiture Fund	\$185,000	\$185,000	\$0
0523	Department of Corrections Reimbursement and Education Fund	\$180,000	\$0	\$180,000
0524	Health Facility Plan Review Fund	\$78,200	\$78,200	\$0
0534	Illinois Workers' Compensation Commission Operations Fund	\$11,272,900	\$11,272,900	\$0
0535	Sex Offender Registration Fund	\$100,000	\$0	\$100,000
0536	LEADS Maintenance Fund	\$118,900	\$118,900	\$0
0537	State Offender DNA Identification System Fund	\$98,200	\$0	\$98,200
0539	Death Penalty Abolition Fund	\$309,800	\$309,800	\$0
0546	Public Pension Regulation Fund	\$100,300	\$100,300	\$0
0547	Conservation Police Operations Assistance Fund	\$1,400,000	\$1,400,000	\$0
0552	Workforce, Technology, and Economic Development Fund	\$65,000	\$65,000	\$0

Sweeps to GRF in FY 2018 [PA100-23]				
Fund #	Fund Name	Up to Amount	Total YTD	Remainder
0555	Good Samaritan Energy Trust Fund	\$29,000	\$14,500	\$14,500
0564	Renewable Energy Resources Trust Fund	\$12,000,000	\$12,000,000	\$0
0569	School Technology Revolving Loan Fund	\$1,500,000	\$1,500,000	\$0
0571	Energy Efficiency Trust Fund	\$7,600,000	\$7,600,000	\$0
0576	Pesticide Control Fund	\$400,000	\$400,000	\$0
0603	Port Development Revolving Loan Fund	\$410,000	\$205,000	\$205,000
0612	Statewide 9-1-1 Fund	\$5,926,000	\$0	\$5,926,000
0613	Wireless Carrier Reimbursement Fund	\$327,000	\$327,000	\$0
0632	Horse Racing Fund	\$197,900	\$197,900	\$0
0635	Death Certificate Surcharge Fund	\$70,500	\$70,500	\$0
0638	Illinois Adoption Registry and Medical Information Exchange Fund	\$80,000	\$40,000	\$40,000
0649	Motor Carrier Safety Inspection Fund	\$115,000	\$115,000	\$0
0665	Prescription Pill and Drug Disposal Fund	\$250,000	\$0	\$250,000
0674	State Charter School Commission Fund	\$100,000	\$100,000	\$0
0675	Electronics Recycling Fund	\$450,000	\$450,000	\$0
0690	DHS Private Resources Fund	\$1,000,000	\$1,000,000	\$0
0697	Roadside Memorial Fund	\$200,000	\$200,000	\$0
0705	State Police Whistleblower Reward and Protection Fund	\$625,700	\$625,700	\$0
0708	Illinois Standardbred Breeders Fund	\$500,000	\$500,000	\$0
0709	Illinois Thoroughbred Breeders Fund	\$500,000	\$500,000	\$0
0714	Spinal Cord Injury Paralysis Cure Research Trust Fund	\$300,000	\$150,000	\$150,000
0731	Illinois Clean Water Fund	\$4,400,000	\$4,400,000	\$0
0740	Medicaid Buy-In Program Revolving Fund	\$300,000	\$300,000	\$0
0746	Home Inspector Administration Fund	\$500,000	\$500,000	\$0
0763	Tourism Promotion Fund	\$5,000,000	\$5,000,000	\$0
0770	Digital Divide Elimination Fund	\$1,347,000	\$1,010,250	\$336,750
0792	Cemetery Oversight Licensing and Disciplinary Fund	\$50,900	\$50,900	\$0
0795	Bank and Trust Company Fund	\$917,400	\$917,400	\$0
0796	Nuclear Safety Emergency Preparedness Fund	\$6,000,000	\$6,000,000	\$0
0797	Department of Human Rights Special Fund	\$100,000	\$100,000	\$0
0816	Money Laundering Asset Recovery Fund	\$63,700	\$63,700	\$0
0817	State Police Operations Assistance Fund	\$1,022,000	\$1,022,000	\$0
0821	Dram Shop Fund	\$365,000	\$365,000	\$0
0823	Illinois State Dental Disciplinary Fund	\$1,500,000	\$1,500,000	\$0
0828	Hazardous Waste Fund	\$431,600	\$431,600	\$0
0831	Natural Resources Restoration Trust Fund	\$2,100,000	\$0	\$2,100,000
0845	Environmental Protection Trust Fund	\$265,000	\$265,000	\$0
0849	Real Estate Research and Education Fund	\$250,000	\$250,000	\$0
0850	Real Estate License Administration Fund	\$3,000,000	\$3,000,000	\$0
0866	Snowmobile Trail Establishment Fund	\$150,000	\$150,000	\$0

Sweeps to GRF in FY 2018 [PA100-23]				
Fund #	Fund Name	Up to Amount	Total YTD	Remainder
0879	Traffic and Criminal Conviction Surcharge Fund	\$638,100	\$638,100	\$0
0891	Foreclosure Prevention Program Fund	\$2,500,000	\$2,500,000	\$0
0892	Abandoned Residential Property Municipality Relief Fund	\$6,600,000	\$6,600,000	\$0
0896	Public Health Special State Projects Fund	\$10,000,000	\$10,000,000	\$0
0905	Illinois Forestry Development Fund	\$264,300	\$264,300	\$0
0906	State Police Services Fund	\$3,500,000	\$3,500,000	\$0
0920	Metabolic Screening and Treatment Fund	\$5,000,000	\$5,000,000	\$0
0921	DHS Recoveries Trust Fund	\$5,515,000	\$5,515,000	\$0
0922	Insurance Producer Administration Fund	\$15,000,000	\$15,000,000	\$0
0925	Coal Technology Development Assistance Fund	\$9,500,000	\$9,500,000	\$0
0936	Rail Freight Loan Repayment Fund	\$1,000,000	\$1,000,000	\$0
0942	Low-Level Radioactive Waste Facility Development and Operation Fund	\$1,300,000	\$1,300,000	\$0
0944	Environmental Protection Permit and Inspection Fund	\$461,800	\$461,800	\$0
0954	Illinois State Podiatric Disciplinary Fund	\$200,000	\$200,000	\$0
0973	Illinois Capital Revolving Loan Fund	\$1,263,000	\$1,263,000	\$0
0974	Illinois Equity Fund	\$535,000	\$535,000	\$0
0975	Large Business Attraction Fund	\$1,562,000	\$1,562,000	\$0
0984	International and Promotional Fund	\$37,000	\$37,000	\$0
0993	Public Infrastructure Construction Loan Revolving Fund	\$1,500,000	\$1,500,000	\$0
0997	Insurance Financial Regulation Fund	\$10,941,900	\$10,941,900	\$0
	TOTAL	\$292,826,300	\$269,113,150	\$23,713,150

PENSIONS: Legislative Overview
Dan Hankiewicz, Pension Manager
Julie Bae, Pension Analyst

The following bills have passed both chambers of the General Assembly during the 2018 spring Legislative Session. Those bills that have been approved by the Governor are labeled with the appropriate Public Act number. The remaining bills await the Governor’s action.

P.A. 100-0587 (HB 3342)

Sponsors: G. Harris (Steans)

Passed House:	61-52-0
Passed Senate:	54-2-2
House Concurrence:	100-14-0

Voluntary Pension Buyout for Vested, Inactive Tier 1 Members

Until June 30, 2021, an eligible member in SERS, SURS, or TRS may irrevocably elect to receive an accelerated pension benefit payment equal to 60% of the present value of a member’s pension benefit in lieu of receiving any pension benefit. An eligible member means a person who:

- 1) Is an inactive Tier 1 member in a DB plan;
- 2) Has enough credits to receive a retirement annuity (i.e. vested);
- 3) Has not received any retirement annuity; and
- 4) Has not elected the compounded 3% COLA buyout option.

The accelerated pension payments would be paid from the proceeds of the State Pension Obligation Acceleration Bonds.

Voluntary Compounded 3% COLA Buyout for Tier 1 Members

An eligible member in SERS, SURS, or TRS may irrevocably elect to receive an accelerated pension benefit payment equal to 70% of the difference of the present value of 3% compounded COLA and the present value of a reduced COLA (simple 1.5%) in exchange for receiving a simple 1.5% COLA. An eligible member means a person who:

- 1) Is a Tier 1 member in a DB plan;
- 2) Has submitted an application for retirement;
- 3) Meets age and service requirements to receive a retirement annuity;

- 4) Has not received any retirement annuity; and
- 5) Has not elected the pension buyout option, which is the other voluntary buyout option mentioned above.

The accelerated pension benefit payments would be paid from the proceeds of the State Pension Obligation Acceleration Bonds.

Teachers' Final Salary Cap of 3%

Currently, for purposes of determining the final average salary, a teacher's annual salary increase with the same employer under SURS or TRS is currently capped at 6%. Pursuant to P.A. 100-0587, the final salary cap decreases to 3% from 6% for academic years beginning on or after July 1, 2018 and for salary under a contract or collective bargaining agreement on or after June 4, 2018 (the effective date of P.A. 100-0587). If a teacher's full-time equivalent annual salary increases more than 3% with the same employer, the (local) employer would have to make a payment equal to the present value of the increase in benefits resulting from the salary increase in excess of 3%.

Recertification of FY 2019 State Contributions

Between June 15, 2019 and June 30, 2019, each System shall recalculate and recertify State contributions for FY 2019, taking into account all changes made by P.A. 100-0587.

State Pension Obligation Acceleration Bonds

The State Pension Obligation Acceleration Bonds of \$1 billion would be authorized to be issued for the accelerated pension benefit payments for SERS, SURS, and TRS.

HB 4412

Sponsors: Ammons (Sims, Jr.)

Passed House:	70-26-5
Passed Senate:	49-1-0
House Concurrence:	85-18-1

HB 4412 amends the General Provisions Article of the Illinois Pension Code by providing that each retirement system, pension fund, or investment board shall make its best effort to ensure that the racial and ethnic composition of its senior administrative staff represents the racial and ethnic composition of its membership. Current law states that each retirement system, pension fund, or investment board shall establish a policy to enhance the racial, ethnic and gender diversity of its fiduciaries, including consultants and senior staff.

HB 4661

Sponsors: Martwick (Holmes)

Passed House:	104-0-0
Passed Senate:	59-0-0

Upon the enactment of P.A. 96-0006 (SB 0364), a new ethics training requirement was implemented for members of all retirement systems and pension funds governed under the Pension Code. Pursuant to the Act, all board members must undergo 8 hours of ethics training per year. The prescribed training includes training on ethics, fiduciary duty, and investment issues, amongst other items. HB 4661 amends the General Provisions Article of the Pension Code to specify that elected or appointed trustees of Downstate police and fire pension funds shall have fulfilled their annual ethics training via the existing statutory training requirements for Downstate police and fire trustees. The existing training, codified under 40 ILCS 5/1-109.3, includes training on ethics, amongst other things. Section 1-109.3 was added via P.A. 96-0429 (SB 1974).

HB 4684

Sponsors: Martwick (Aquino)

Passed House:	106-0-1
Passed Senate:	59-0-0

Under current law, for the purposes of determining an employee's final average salary, when an employee's annual salary increase exceeds 6% with the same employer, the employer shall make additional 6% cap penalty payments to SURS. These payments should be paid within 3 years after the bills are issued. HB 4684 amends the State Universities Article (SURS) of the Illinois Pension Code. The bill allows SURS to receive delinquent employer payments directly from the State Comptroller or the county treasurer of the county where an employer is located.

HB 4742

Sponsors: Mayfield (Link)

Passed House:	90-9-9
Passed Senate:	54-1-0

The underlying context of HB 4742 is an amendment to the School Code that directs the State Board of Education to implement a program to allow school districts to supplement their substitute teacher recruitment for elementary and secondary schools with the use of teacher recruiting firms. The TRS article of the Pension Code is amended to specify that substitute teachers hired from such firms shall not meet the relevant criterion for membership in TRS.

HB 4811

Sponsors: Zalewski (Mulroe)

Passed House	103-0-0
Passed Senate	54-0-0

HB 4811 amends the General Provisions Article and the Chicago Municipal and Laborers' articles of the Pension Code to include clarifying technical language for persons who first become participants in the Chicago Municipal and Laborers pension funds on or after July 6, 2017, the effective date of P.A. 100-0023.

The bill contains language holding the Chicago Laborers' Fund harmless in cases where payments are directed to a financial institution and a claim may arise in connection with losses related to errors attributable to the institution not maintaining federally insured status. In addition, the language pertinent to city contributions to the money purchase formula for both funds that was removed by P.A. 100-0023 is re-inserted. This money purchase option is utilized mostly by members who are relatively advanced in age but with very little service.

The amended bill also gives the Chicago Municipal Pension Fund board of trustees the option to lengthen the period of physician review for disability cases. Current law prescribes an examination at least once a year.

HB 5137

Sponsors: Martwick (McConchie)

Passed House:	94-0-0
Passed Senate:	55-0-0

HB 5137 allows SURS and TRS to create a supplementary, optional DC plan as soon as practical after the effective date of this legislation so that any active members who wish to choose the DC plan can participate in the supplementary DC plan. Under this optional DC plan, employee and employer contributions would be collected into an account to be invested. The bill mandates that the DC plan should be in compliance with any applicable State and Federal laws, and any expenses of creating and maintaining the DC plan would be covered by both employee and employer contributions.

HB 5177

Sponsors: Burke, K (Cunningham)

Passed House:	77-30-1
Passed Senate:	51-0-1

HB 5177 amends the Chicago Police Article of the Illinois Pension Code. It proposes that the board shall reconsider applications for service credit that were submitted and denied prior to April 1, 2008.

HB 5342

Sponsors: Martwick (Mulroe)

Passed House:	71-17-0
Passed Senate:	43-0-0

HB 5342 amends the Chicago Fire article of the Illinois Pension Code. The bill deals with a situation in which an alderman or member of the Chicago city council may participate in the Chicago Fire Article of the Pension Code (rather than the Chicago Municipal Article). The following conditions for aldermanic membership in the Chicago Fire article are set forth under the bill as follows:

- The person is or was employed and receiving a salary as a fireman, as that term is defined in the Chicago Fire article;
 - The person must have at least 5 years of service credit in the Chicago fire pension fund;
 - The person must be employed as a Chicago city alderman;
 - The person must have made an election to participate in the Chicago fire pension fund.
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HB 5611

Sponsors: Andrade (Martinez)

Passed House:	110-0-0
Passed Senate:	50-0-0

HB 5611 creates the Department of Innovation and Technology to deal with various matters pertaining to information technology. Accordingly, in addition to current list of positions that qualify for the alternative formula under SERS, "Security Employee of the Department of

Innovation and Technology” and “transferred employee” would meet the qualifications for eligible creditable service for the alternative retirement annuity.

SB 2578

Sponsors: Mulroe (Martwick)

Passed Senate:	53-0-0
Passed House:	105-0-1

SB 2578 amends the Cook County article of the Pension Code. The bill pertains to situations in which an annuitant who is under a legal disability and has no spouse, blood relative, or other person providing or caring for him or her, and is confined to a nursing home. In such situations, the board of trustees of the pension fund may pay any benefit that is due to that person to the Medicare-certified, State-licensed nursing home, or a hospital or mental institution for the sole benefit of the person under the legal disability.

SB 2884

Sponsors: Martinez (Martwick)

Passed Senate:	54-0-0
Passed House:	101-0-0

SB 2884 amends the Illinois Municipal Retirement Fund (IMRF) Article of the Illinois Pension Code by allowing the Board of Trustees of the IMRF to adopt rules that provide for Internet or phone ballot as a valid ballot to elect employee and annuitant trustees.

SB 2954

Sponsors: Aquino (Martwick)

Passed Senate:	54-0-0
Passed House:	110-0-0
Senate Concurrence:	57-0-0

Under current law, when an employee's salary exceeds the Governor's salary, the employer under SURS or TRS shall make a penalty payment, in addition to any other required payments. The current language, implemented by P.A. 100-0023, states that an employee's salary should be converted to a "full-time equivalent basis" salary even when an employee is not on the full-time employment. For both the SURS and TRS Articles, SB 2954 removes the words "full-time equivalent basis" for more accurate calculations of the Governor's salary cap penalty payments.

The changes for the SURS Article including the change on the Governor's salary cap penalty rule and other technical changes will apply retroactively to July 6, 2017, the effective date of P.A. 100-0023. Also, this legislation allows SURS to receive delinquent employer payments directly from the State Comptroller.

SB 3119

Sponsors: Althoff (Zalewski)

Passed Senate:	54-0-0
Passed House:	106-4-0
Senate Concurrence:	58-0-0

IMRF Return-to-Work Provision for Police Chiefs

Currently, the IMRF article of the Pension Code sets forth the requirements for a person to be considered an "employee" for purposes of participation in the pension fund. Under SB 3119, the following person would be explicitly prohibited from participation in IMRF: a person who was not a participating employee under IMRF before the effective date of this bill and participated as a chief of police in a fund under Article 3 (the Downstate Police Article) and returns to work in any capacity with the police department, with any oversight of the police department, or in an advisory capacity for the police department with the same municipality with which the Article 3 pension was earned. The bill states that the foregoing exclusion in IMRF shall be in force regardless of whether the person in question is considered an employee of the police department or is eligible for inclusion in the municipality's Article 3 fund.

Downstate Fire Article – Determination of Disability

SB 3119 amends the provision of the Downstate Fire Article of the Pension Code dealing with determinations of disability, specifically with regard to medical examinations for the condition of post-traumatic stress disorder (PTSD). Current law states that a disability pension shall not be paid until the firefighter has been examined by 3 physicians selected by the pension board, and, upon the award of a disability pension, the firefighter must undergo an annual physical each year until attainment of age 50. Under SB 3119, a medical examination of a firefighter receiving a disability for PTSD related to his or her service as a firefighter shall not be made if the firefighter has attained age 45 and provided to the board documentation approving discontinuance of the medical exam from at least 2 physicians. Under the amendment, at least 4 members of the board must have voted to allow the firefighter to discontinue the medical examination.