



# Commission on Government Forecasting and Accountability

**MONTHLY BRIEFING**

**JULY 2005**

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## **ECONOMY: Illinois Employment Picture**

Edward H. Boss, Jr., Chief Economist

In June 2005, the unemployment rate in Illinois was reported at 6.0%, little changed from the 6.1% rate of a year earlier, although down from a high of 6.9% reached in late summer 2003. Even so, Illinois' employment picture does not compare favorably with the national situation or what is happening in most States. The national unemployment rate fell to a recent low of 5.0% at midyear, down from 5.6% in June 2004 and has been edging down on a rather consistent basis since a high of 6.3% was recorded in June 2003. Recent Illinois unemployment performance is in contrast to the years 1994 through 1998 when Illinois' unemployment rate held below the national rate on a rather consistent basis.

According to a recent release from the Bureau of Labor Statistics, with the exception of Washington D.C. and Mississippi where the unemployment rate was 7.0% or above, only 7 States in June 2005 had an unemployment rate at 6.0% or above, Illinois being one of them. All other States had unemployment rates of 5.9% or below, with 12 States recording unemployment rates of 3.9% or lower.

This is not to say job increases have not occurred in Illinois. Indeed, over the past 12-month period ended in June 2005, Illinois has seen employment rise by 59,100 according to the Household Survey and 50,900 according to the Nonfarm Payroll Survey. Still, as shown in Chart 1, by either measure the number of jobs in the State remains below their previous peaks reached prior to the last recession. This is in contrast to the nation as a whole where previous peaks in employment levels by both measures were surpassed some time ago and continue to set new records. (See Chart 2).

According to the same Labor Department report covering regional and State employment and unemployment, only 2 States (Michigan and South Carolina) saw a decline in nonfarm employment in the year ended June 2005. But the

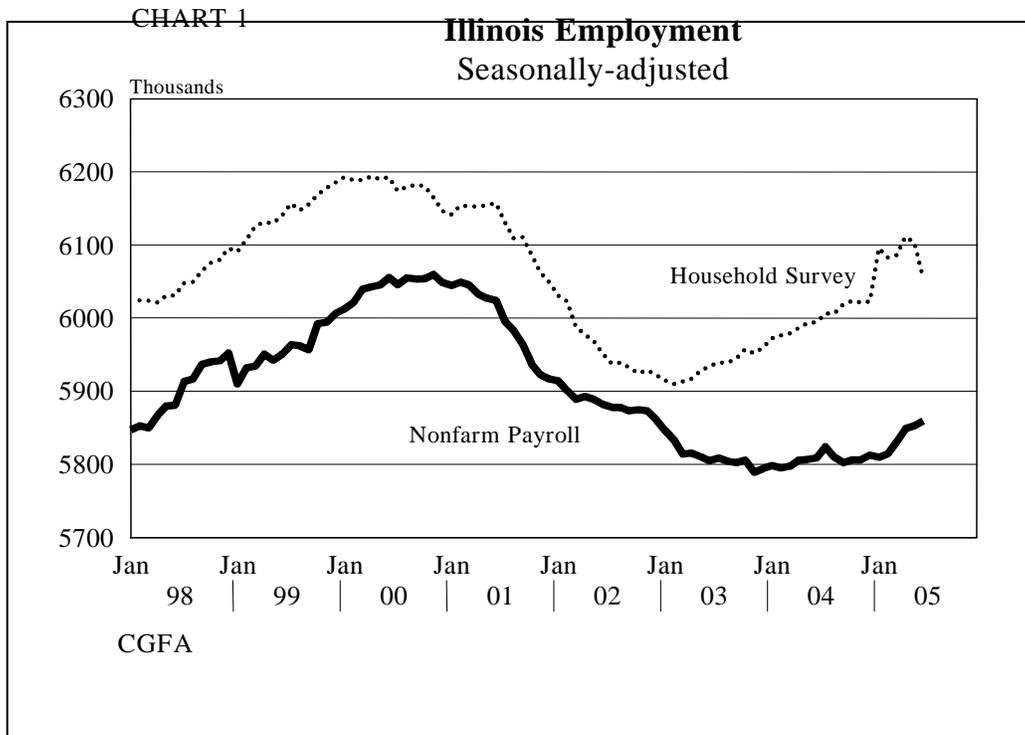
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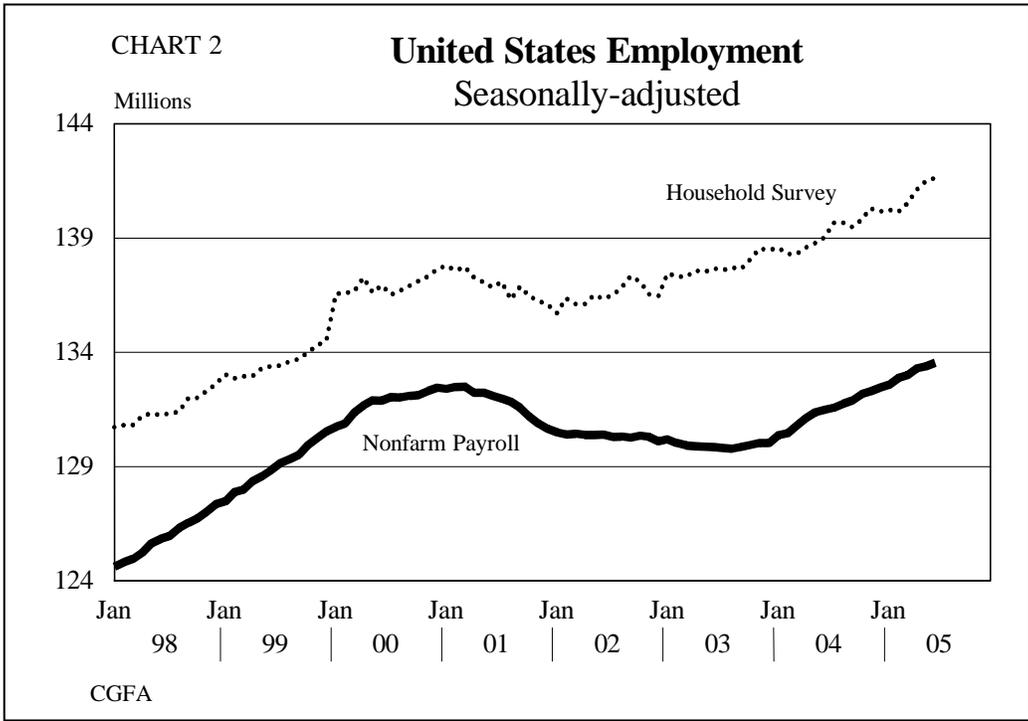
next lowest category, States with employment growth of 0.0% to 0.9% gains in nonfarm employment, was represented by only 8 States, Illinois being one. The surrounding States of Indiana, Kentucky, Missouri, Iowa and Wisconsin showed nonfarm employment growth of 1.0% to 1.9%, comprising a group consisting of 28 States, while 12 States had exceptional employment growth of 2.0% or more. The largest percentage gains in employment were recorded in Nevada, Arizona, Idaho, Utah, Florida and Oregon in descending order from 6.4% to 2.9%. Not surprisingly, these are some of the same areas that have shown the fastest rise in home prices. (See **MONTHLY BRIEFING** for June 2005 and the article *Housing Bubble or Localized Froth?*)

**W**ithin Illinois, of the near 50,900 nonfarm payroll jobs created in the 12-months ended June 2005, the largest gains

(27,300) were in the category of professional and business services. In terms of the number of new jobs, this category was followed by: jobs in the leisure and hospitality sector; education and health services; trade, transportation, and utilities; financial activities; and construction, respectively. Declining from a year ago, were jobs in the manufacturing sector (down 5,300) and government (down 1,200).

**I**n conclusion, while it is encouraging to see renewed increases in nonfarm employment being recorded in the State, the gain to date has lagged that of the nation as a whole as well as that which has occurred in a majority of other States, including most adjoining States. Moreover, there still is a significant way to go in order for Illinois to recover all the jobs lost stemming in the aftermath of the 9/11 attacks and those lost during the past recession.





<b>INDICATORS OF ILLINOIS ECONOMIC ACTIVITY</b>			
<u>INDICATORS</u>	<u>JUNE 2005</u>	<u>MAY 2005</u>	<u>JUNE 2004</u>
Unemployment Rate (Average)	6.0%	5.8%	6.1%
Annual Rate of Inflation (Chicago)	4.3%	0.6%	2.6%
<b>—————</b>			
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (June)	6,441	-0.6%	0.9%
Employment (thousands) (June)	6,054	-0.8%	1.0%
New Car & Truck Registration (June)	65,935	12.2%	10.7%
Single Family Housing Permits (June)	4,906	5.1%	9.2%
Total Exports (\$ mil) (May )	3,142	4.2%	19.0%
Chicago Purchasing Managers Index (July)	63.5	18.5%	-1.9%

**FY 2006 SPECIAL TRANSFERS**

Lynnae Kapp, Bond/Revenue Analyst

Public Act 94-0091 listed funds to be swept into the General Revenue Fund. The total amount for FY 2006 is to be transferred in quarterly installments, as soon as practical in July, and then October 1<sup>st</sup>, January 1<sup>st</sup>, and April 1<sup>st</sup>. If any of these funds have insufficient cash for normal expenditures, the Comptroller and State Treasurer are to reverse only the

amount necessary from the transfer to satisfy outstanding expenditure obligations. The amounts shall be re-transferred to the General Revenue Fund when available, but no later than June 30, 2006. In July, approximately \$35.2 million was transferred to the GRF. Seven of the funds transferred had to be reversed to pay the original funds' expenditures and quarterly transfers for seven funds did not occur. Of the 23 repealed funds, 16 have transferred amounts to GRF totaling \$0.7 million.

FY06 FUND SWEEPS				
No.	Fund	Statutory Amount	July	Remainder
0014	Food and Drug Safety Fund	\$421,401.00	\$105,350.25	\$316,050.75
0016	Teacher Certificate Fee Revolving Fund	\$982,399.00	\$245,599.75	\$736,799.25
0021	Financial Institution Fund	\$2,448,690.00	\$612,172.50	\$1,836,517.50
0022	General Professions Dedicated Fund	\$3,975,808.00	\$993,952.00	\$2,981,856.00
0023	Economic Research and Information Fund	\$49,005.00	\$12,251.25	\$36,753.75
0024	IL Dept. of AG Lab Services Revolving Fund	\$174,795.00	\$43,698.75	\$131,096.25
0031	Drivers Education Fund	\$30,152.00	\$7,538.00	\$22,614.00
0036	IL Veterans' Rehab Fund	\$218,940.00	\$54,735.00	\$164,205.00
0039	State Boating Act Fund	\$401,824.00	\$100,456.00	\$301,368.00
0040	State Parks Fund	\$1,045,889.00	\$261,472.25	\$784,416.75
0043	Military Affairs Trust Fund	\$68,468.00	\$17,117.00	\$51,351.00
0046	Aeronautics Fund	\$2,186.00	\$546.50	\$1,639.50
0048	Rural/Downstate Health Access Fund	\$4,644.00	\$1,161.00	\$3,483.00
0049	Industrial Hygiene Reg and Enforcement Fund	\$3,564.00	\$891.00	\$2,673.00
0067	Radiation Protection Fund	\$212,010.00	\$53,002.50	\$159,007.50
0069	Natural Heritage Endowment Trust Fund	\$557,264.00	\$139,316.00	\$417,948.00
0071	Firearm Owner's Notification Fund	\$3,960.00	\$990.00	\$2,970.00
0074	EPA Special State Projects Trust Fund	\$284,263.00	\$71,065.75	\$213,197.25
0078	Solid Waste Management Fund	\$6,587,173.00	\$1,646,793.25	\$4,940,379.75
0085	IL Gaming Law Enforcement Fund	\$650,646.00	\$162,661.50	\$487,984.50
0089	Subtitle D Management Fund	\$169,744.00	\$42,436.00	\$127,308.00
0094	DCFS Training Fund*	\$1,408,106.00	\$352,026.50	\$1,056,079.50
0098	DuQuoin State Fair Harness Racing Trust Fund	\$3,368.00	\$842.00	\$2,526.00
0111	Toxic Pollution Prevention Fund	\$28,534.00	\$7,133.50	\$21,400.50
0113	Community Health Center Care Fund	\$104,480.00	\$26,120.00	\$78,360.00
0114	Emergency Response Reimbursement Fund	\$15,873.00	\$3,968.25	\$11,904.75
0118	Facility Licensing Fund	\$22,958.00	\$5,739.50	\$17,218.50
0124	Workers Compensation Benefit Trust Fund	\$266,574.00	\$66,643.50	\$199,930.50
0127	IL Underground Utility Facilities Damage Prevention Fund	\$2,175.00	\$543.75	\$1,631.25
0128	Youth Alcoholism and Substance Abuse Prevention Fund	\$29,995.00	unexecuted	\$29,995.00
0130	School District Emergency Financial Assistance Fund	\$2,130,848.00	\$532,712.00	\$1,598,136.00
0145	Explosives Regulatory Fund	\$23,125.00	\$5,781.25	\$17,343.75
0146	Aggregate Operations Regulatory Fund	\$32,750.00	\$8,187.50	\$24,562.50
0147	Coal Mining Regulatory Fund	\$127,583.00	\$31,895.75	\$95,687.25
0152	State Crime Lab Fund	\$44,965.00	\$11,241.25	\$33,723.75
0153	Agrichemical Incident Response Trust Fund	\$419,830.00	\$104,957.50	\$314,872.50
0154	EPA Court Trust Fund	\$338,646.00	\$84,661.50	\$253,984.50
0156	Motor Vehicle Theft Prevention Trust Fund	\$1,415,361.00	\$353,840.25	\$1,061,520.75

FY06 FUND SWEEPS				
No.	Fund	Statutory Amount	July	Remainder
0159	ISBE Teacher Certificate Institution Fund	\$122,117.00	\$30,529.25	\$91,587.75
0161	ISBE GED Testing Fund	\$146,196.00	\$36,549.00	\$109,647.00
0163	Weights and Measures Fund	\$1,078,121.00	\$269,530.25	\$808,590.75
0167	Div. Of Corporations Registered LLP Fund	\$150,000.00	\$37,500.00	\$112,500.00
0173	Emergency Planning and Training Fund	\$28,845.00	\$7,211.25	\$21,633.75
0175	IL School Asbestos Abatement Fund	\$183,191.00	\$45,797.75	\$137,393.25
0185	SoS Special License Plate Fund	\$520,200.00	\$130,050.00	\$390,150.00
0192	Professional Regulation Evidence Fund	\$2,817.00	\$704.25	\$2,112.75
0207	Pollution Control Board Trust Fund	\$410,651.00	\$102,662.75	\$307,988.25
0213	Response Contractors Indemnification Fund	\$126.00	\$31.50	\$94.50
0215	CDB Revolving Fund	\$453,054.00	\$113,263.50	\$339,790.50
0229	Sports Facilities Tax Trust Fund	\$1,112,590.00	\$278,147.50	\$834,442.50
0237	Medicaid Fraud and Abuse Prevention Fund	\$60,306.00	\$15,076.50	\$45,229.50
0238	IL Health Facilities Planning Fund	\$23,066.00	\$5,766.50	\$17,299.50
0240	Emergency Public Health Fund	\$139,997.00	\$34,999.25	\$104,997.75
0242	ISAC Accounts Receivable Fund	\$26,374.00	\$6,593.50	\$19,780.50
0244	Savings and Residential Finance Regulatory Fund	\$5,200,000.00	unexecuted	\$5,200,000.00
0246	State Police Vehicle Fund	\$22,899.00	\$5,724.75	\$17,174.25
0248	Racing Board Fingerprint License Fund	\$16,835.00	\$4,208.75	\$12,626.25
0251	Dept. of Labor Special State Trust Fund	\$359,895.00	\$89,973.75	\$269,921.25
0256	Public Health Water Permit Fund	\$17,624.00	\$4,406.00	\$13,218.00
0261	Underground Resources Conservation Enforcement Fund	\$294,251.00	\$73,562.75	\$220,688.25
0265	State Rail Freight Loan Repayment Fund	\$1,147,727.00	\$286,931.75	\$860,795.25
0274	Self Insurers Admin Fund	\$286,964.00	\$71,741.00	\$215,223.00
0276	Drunk and Drugged Driving Prevention Fund	\$51,220.00	\$12,805.00	\$38,415.00
0277	Pollution Control Board Fund	\$23,004.00	\$5,751.00	\$17,253.00
0282	Hazardous Waste Occup. Licensing Fund	\$14,939.00	\$3,734.75	\$11,204.25
0285	Long Term Care Monitor/Receiver Fund	\$427,850.00	\$106,962.50	\$320,887.50
0288	Community Water Supply Lab Fund	\$716,232.00	\$179,058.00	\$537,174.00
0289	Motor Fuel and Petroleum Standards Fund	\$19,673.00	\$4,918.25	\$14,754.75
0290	Fertilizer Control Fund	\$207,398.00	\$51,849.50	\$155,548.50
0291	Regulatory Fund	\$55,246.00	\$13,811.50	\$41,434.50
0292	Securities Investors Education Fund	\$100,000.00	\$25,000.00	\$75,000.00
0294	Used Tire Management Fund	\$1,918,500.00	\$479,625.00	\$1,438,875.00
0295	SoS Interagency Grant Fund	\$40,900.00	\$10,225.00	\$30,675.00
0296	IL Executive Mansion Trust Fund	\$56,154.00	\$14,038.50	\$42,115.50
0297	Guardianship and Advocacy Fund	\$27,289.00	\$6,822.25	\$20,466.75
0301	Working Capital Revolving Fund	\$1,404,868.00	\$351,217.00	\$1,053,651.00
0303	State Garage Revolving Fund	\$639,662.00	\$159,915.50	\$479,746.50
0304	Statistical Services Revolving Fund	\$4,847,783.00	\$1,211,945.75	\$3,635,837.25
0308	Paper and Printing Revolving Fund	\$48,476.00	\$12,119.00	\$36,357.00
0309	Air Transportation Revolving Fund	\$181,478.00	\$45,369.50	\$136,108.50
0310	Tax Recovery Fund	\$113,591.00	\$28,397.75	\$85,193.25
0312	Communications Revolving Fund	\$12,999,839.00	\$3,249,959.75	\$9,749,879.25
0314	Facilities Management Revolving Fund	\$4,803,971.00	\$1,200,992.75	\$3,602,978.25
0315	Efficiency Initiatives Revolving Fund	\$6,178,298.00	\$1,544,574.50	\$4,633,723.50
0317	Professional Services Fund	\$46,222.00	\$11,555.50	\$34,666.50
0323	Motor Vehicle Review Board Fund	\$250,000.00	\$62,500.00	\$187,500.00
0332	Workers Compensation Revolving Fund	\$520,285.00	\$130,071.25	\$390,213.75
0335	Criminal Justice Information Projects Fund	\$18,212.00	\$4,553.00	\$13,659.00
0336	Environmental Lab Certification Fund	\$62,039.00	\$15,509.75	\$46,529.25
0339	IL Community College Board Contracts and Grants Fund	\$9.00	\$2.25	\$6.75
0340	Public Health Lab Services Revolving Fund	\$92,276.00	\$23,069.00	\$69,207.00
0341	Provider Inquiry Trust Fund	\$207,098.00	\$51,774.50	\$155,323.50
0344	Care Provider Fund for Persons with a Developmental Disability	\$2,378,270.00	\$594,567.50	\$1,783,702.50
0361	State Appellate Defender Special State Projects Fund	\$23,820.00	\$5,955.00	\$17,865.00
0362	Securities Audit and Enforcement Fund	\$3,400,000.00	\$850,000.00	\$2,550,000.00
0363	Dept. of Business Services Special Operations Fund	\$2,000,000.00	\$500,000.00	\$1,500,000.00

FY06 FUND SWEEPS				
No.	Fund	Statutory Amount	July	Remainder
0368	Drug Treatment Fund	\$160,030.00	\$40,007.50	\$120,022.50
0369	Feed Control Fund	\$478,234.00	\$119,558.50	\$358,675.50
0370	Tanning Facility Permit Fund	\$64,571.00	\$16,142.75	\$48,428.25
0371	Innovations in Long-term Care Quality Demonstration Grants Fund	\$565,494.00	\$141,373.50	\$424,120.50
0375	Natural Heritage Fund	\$3,336.00	\$834.00	\$2,502.00
0376	State Police Motor Vehicle Theft Prevention Fund	\$164,843.00	\$41,210.75	\$123,632.25
0380	Corporate Franchise Tax Refund Fund	\$500,000.00	\$125,000.00	\$375,000.00
0382	Dept. of Insurance State Trust Fund	\$18,009.00	\$4,502.25	\$13,506.75
0384	Tax Compliance and Admin Fund	\$429,377.00	\$107,344.25	\$322,032.75
0386	Appraisal Administration Fund	\$250,000.00	\$62,500.00	\$187,500.00
0387	Small Business Environmental Assistance Fund	\$13,686.00	\$3,421.50	\$10,264.50
0388	Regulatory Evaluation and Basic Enforcement Fund	\$64,221.00	\$16,055.25	\$48,165.75
0389	Sexual Assault Services Fund	\$12,210.00	\$3,052.50	\$9,157.50
0390	IL Habitat Endowment Trust Fund	\$3,641,262.00	\$0.00	\$3,641,262.00
0398	EMS Assistance Fund	\$40,923.00	\$10,230.75	\$30,692.25
0416	Armory Rental Fund	\$111,538.00	\$27,884.50	\$83,653.50
0417	State College and University Trust Fund	\$139,439.00	\$34,859.75	\$104,579.25
0418	University Grant Fund	\$23,881.00	\$5,970.25	\$17,910.75
0420	MAP Reserve Fund	\$879,700.00	\$219,925.00	\$659,775.00
0421	Public Aid Recoveries Trust Fund	\$7,610,631.00	\$1,902,657.75	\$5,707,973.25
0422	Alternate Fuels Fund	\$1,056,833.00	\$264,208.25	\$792,624.75
0430	Livestock Management Facilities Fund	\$47,800.00	\$11,950.00	\$35,850.00
0431	Second Injury Fund	\$151,493.00	\$37,873.25	\$113,619.75
0434	Court of Claims Admin and Grant Fund	\$24,949.00	\$6,237.25	\$18,711.75
0438	IL State Fair Fund	\$50,176.00	\$12,544.00	\$37,632.00
0440	Agricultural Master Fund	\$17,827.00	\$4,456.75	\$13,370.25
0441	Kaskaskia Commons Permanent Fund	\$79,813.00	\$19,953.25	\$59,859.75
0452	IL Tourism Tax Fund	\$647,749.00	\$161,937.25	\$485,811.75
0483	SoS Special Services Fund	\$2,500,000.00	\$625,000.00	\$1,875,000.00
0502	Early Intervention Services Revolving Fund	\$1,044,935.00	\$261,233.75	\$783,701.25
0514	State Asset Forfeiture Fund	\$71,988.00	\$17,997.00	\$53,991.00
0517	Police Training Board Service Fund	\$1,540.00	\$385.00	\$1,155.00
0520	Federal Asset Forfeiture Fund	\$1,871.00	\$467.75	\$1,403.25
0523	Dept. of Corrections Reimbursement and Education Fund	\$2,208,323.00	\$552,080.75	\$1,656,242.25
0524	Health Facility Plan Review Fund	\$165,972.00	\$41,493.00	\$124,479.00
0525	Statewide Grand Jury Prosecution Fund	\$7,645.00	\$1,911.25	\$5,733.75
0535	Sex Offender Registration Fund	\$7,647.00	\$1,911.75	\$5,735.25
0536	LEADS Maintenance Fund	\$76,981.00	\$19,245.25	\$57,735.75
0537	State Offender DNA ID System Fund	\$81,740.00	\$20,435.00	\$61,305.00
0538	IL Historic Sites Fund	\$134,366.00	\$33,591.50	\$100,774.50
0546	Public Pension Regulation Fund	\$222,433.00	\$55,608.25	\$166,824.75
0548	Drycleaner Environmental Response Trust Fund	\$1,137,971.00	\$0.00	\$1,137,971.00
0555	Good Samaritan Energy Trust Fund	\$7,191.00	\$1,797.75	\$5,393.25
0562	Pawnbroker Regulation Fund	\$94,131.00	\$23,532.75	\$70,598.25
0564	Renewable Energy Resources Trust Fund	\$14,033.00	\$3,508.25	\$10,524.75
0567	Charter Schools Revolving Fund	\$650,721.00	\$162,680.25	\$488,040.75
0569	School Technology Revolving Loan Fund	\$19,158.00	\$4,789.50	\$14,368.50
0571	Energy Efficiency Trust Fund	\$1,300,938.00	\$325,234.50	\$975,703.50
0573	Petroleum Resources Revolving Fund	\$85,540.00	\$21,385.00	\$64,155.00
0574	Off-Highway Vehicle Trails Fund	\$244,815.00	\$61,203.75	\$183,611.25
0576	Pesticide Control Fund	\$420,223.00	\$105,055.75	\$315,167.25
0582	DCFS Special Purposes Trust Fund	\$77,835.00	\$19,458.75	\$58,376.25
0595	IL Rural Rehab Fund	\$8,190.00	\$2,047.50	\$6,142.50
0610	Energy Assistance Contribution Fund**	\$89,692.00	unexecuted	\$89,692.00
0635	Death Certificate Surcharge Fund	\$1,134,341.00	\$283,585.25	\$850,755.75
0642	DHS State Projects Fund	\$89,917.00	unexecuted	\$89,917.00
0649	Motor Carrier Safety Inspection Fund	\$147,477.00	\$36,869.25	\$110,607.75

FY06 FUND SWEEPS				
No.	Fund	Statutory Amount	July	Remainder
0651	Watershed Park Fund	\$19,786.00	\$4,946.50	\$14,839.50
0658	State Off-set Claims Fund	\$1,487,926.00	\$0.00	\$1,487,926.00
0669	Airport Land Loan Revolving Fund	\$1,669,970.00	\$417,492.50	\$1,252,477.50
0677	ISAC Contracts and Grants Fund	\$5,589.00	\$1,397.25	\$4,191.75
0688	IEMA State Projects Fund	\$13.00	\$3.25	\$9.75
0702	Assisted Living and Shared Housing Reg. Fund	\$24,493.00	\$6,123.25	\$18,369.75
0703	State Whistleblower Reward and Protection Fund	\$1,592.00	\$398.00	\$1,194.00
0705	State Police Whistleblower Reward and Protection Fund	\$199,699.00	\$49,924.75	\$149,774.25
0712	Post Transplant Maintenance and Retention Fund	\$75,100.00	\$18,775.00	\$56,325.00
0720	Family Care Fund	\$22,585.00	\$5,646.25	\$16,938.75
0728	Drug Rebate Fund	\$17,315,821.00	\$4,328,955.25	\$12,986,865.75
0731	IL Clean Water Fund	\$1,835,796.00	\$458,949.00	\$1,376,847.00
0738	Alternative Compliance Market Account Fund	\$53,120.00	\$13,280.00	\$39,840.00
0739	Group Worker's Compensation Pool Insolvency Fund	\$136,547.00	\$34,136.75	\$102,410.25
0740	Medicaid Buy-In Program Revolving Fund	\$318,894.00	\$79,723.50	\$239,170.50
0745	State's Attorneys Appellate Prosecutor's County Fund	\$70,101.00	\$17,525.25	\$52,575.75
0746	Home Inspector Admin Fund	\$244,503.00	\$61,125.75	\$183,377.25
0753	IL Future Teachers Corps Scholarship Fund	\$4,836.00	\$1,209.00	\$3,627.00
0757	Child Support Administrative Fund	\$1,117,266.00	\$279,316.50	\$837,949.50
0762	Local Initiative Fund	\$1,940,646.00	\$485,161.50	\$1,455,484.50
0769	Lawyers Assistance Program Fund	\$198,207.00	\$0.00	\$198,207.00
0774	Oil Spill Response Fund	\$167,547.00	\$41,886.75	\$125,660.25
0776	Presidential Library and Museum Operating Fund	\$727,250.00	\$181,812.50	\$545,437.50
0795	Bank and Trust Company Fund	\$3,800,000.00	unexecuted	\$3,800,000.00
0808	Medical Special Purposes Trust Fund	\$930,668.00	\$232,667.00	\$698,001.00
0821	Dram Shop Fund	\$110,554.00	\$27,638.50	\$82,915.50
0830	Dept. of Aging State Projects Fund	\$10,059.00	\$2,514.75	\$7,544.25
0831	Natural Recourses Restoration Trust Fund	\$63,002.00	\$15,750.50	\$47,251.50
0835	State Fair Promotional Activities Fund	\$8,734.00	\$2,183.50	\$6,550.50
0840	Hazardous Waste Research Fund	\$125,209.00	\$31,302.25	\$93,906.75
0844	Continuing Legal Education Trust Fund	\$23,419.00	\$5,854.75	\$17,564.25
0845	Environ Protection Trust Fund	\$2,228,031.00	\$0.00	\$2,228,031.00
0850	Real Estate License Admin Fund	\$1,500,000.00	\$375,000.00	\$1,125,000.00
0858	Land Reclamation Fund	\$30,582.00	\$0.00	\$30,582.00
0866	Snowmobile Trail Establishment Fund	\$3,124.00	\$781.00	\$2,343.00
0878	Drug Traffic Prevention Fund	\$22,123.00	\$5,530.75	\$16,592.25
0884	DNR Special Projects Fund	\$301,649.00	\$75,412.25	\$226,236.75
0888	Design Professionals Admin and Investigation Fund	\$51,701.00	\$12,925.25	\$38,775.75
0896	Public Health Special State Projects Fund	\$816,202.00	\$204,050.50	\$612,151.50
0903	State Surplus Property Revolving Fund	\$388,284.00	\$97,071.00	\$291,213.00
0905	IL Forestry Development Fund	\$1,389,096.00	unexecuted	\$1,389,096.00
0910	Youth Drug Abuse Prevention Fund	\$4,091.00	unexecuted	\$4,091.00
0914	Natural Recourses Information Fund	\$64,596.00	\$16,149.00	\$48,447.00
0921	DHS Recoveries Trust Fund	\$1,591,834.00	\$397,958.50	\$1,193,875.50
0924	LT Governor's Grant Fund	\$188.00	\$47.00	\$141.00
0927	IL National Guard Armory Construction Fund	\$31,469.00	\$7,867.25	\$23,601.75
0931	JJ Wolf Memorial for Conservation Investigation Fund	\$8,137.00	\$2,034.25	\$6,102.75
0938	Hearing Instrument Dispenser Examining and Disciplinary Fund	\$102,842.00	\$25,710.50	\$77,131.50
0944	Environ Protection Permit and Inspect Fund	\$180,571.00	\$45,142.75	\$135,428.25
0947	Governor's Grant Fund	\$1,592.00	\$398.00	\$1,194.00
0951	Narcotics Profit Forfeiture Fund	\$39,379.00	\$9,844.75	\$29,534.25
0954	IL State Podiatric Disciplinary Fund	\$317,239.00	\$79,309.75	\$237,929.25
0962	Park and Conservation Fund	\$3,050,154.00	\$762,538.50	\$2,287,615.50
0969	Local Tourism Fund	\$132,876.00	\$33,219.00	\$99,657.00
0973	Build IL Capital Revolving Loan Fund	\$4,024,106.00	\$1,006,026.50	\$3,018,079.50
0974	IL Equity Fund	\$119,193.00	\$29,798.25	\$89,394.75
0975	Large Business Attraction Fund	\$340,777.00	\$85,194.25	\$255,582.75
0982	IL Beach Marina Fund	\$177,801.00	\$44,450.25	\$133,350.75

<b>FY06 FUND SWEEPS</b>				
<b>No.</b>	<b>Fund</b>	<b>Statutory Amount</b>	<b>July</b>	<b>Remainder</b>
0993	Public Infrastructure Construction Loan Revolving Fund	\$63,802.00	\$15,950.50	\$47,851.50
0996	Educational Labor Relations Board Fair Share Trust Fund	\$40,933.00	\$0.00	\$40,933.00
0997	Insurance Financial Regulation Fund	\$800,000.00	\$200,000.00	\$600,000.00
<b>Total</b>		<b>\$160,213,387.00</b>	<b>\$35,211,421.00</b>	<b>\$125,001,966.00</b>
*Fund 94 is also a repealed fund whose revenues will now be receipted to Fund 220- DCFS Children's Services Fund.				
** Fund 610 is also a repealed fund. The fund's amount has already been transferred as a repealed fund and therefore won't be transferred as a fund sweep.				

The following table lists the funds and amounts repealed in July 2006.

<b>Repealed Funds</b>		<b>July</b>
0017	Keep IL Beautiful Fund	\$10,352.00
0094	DCFS Training Fund (to go to another DCFS fund)	
0099	MFEA Reconstruction Fund	
0119	IL Rural Bond Bank Trust Fund	\$34.74
0126	New Technology Recovery Fund	\$4,177.44
0162	ISBE School Bus Driver Permit Fund	\$192.00
0171	Solid Waste Management Revolving Loan Fund	
0217	State Postsecondary Review Program Fund	
0234	Tourism Attraction Development Matching Grant Fund	
0247	Patent and Copyright Fund	
0255	Credit Enhancement Development Fund	\$51.00
0325	Community MH and DD Services Provider Participation Fee Trust	\$46,636.59
0348	Nursing Home Grant Assistance Fund	\$145.00
0393	By-product Material Safety Fund	
0423	ISAC Higher EdNet Fund	\$0.52
0448	DORS State Project Fund	\$13,916.91
0544	School Technology Revolving Fund	\$355,989.94
0610	Energy Assistance Contribution Fund	\$258,584.66
0628	IL Building Commission Revolving Fund	\$1,398.06
0634	IL Aquaculture Development Fund	\$1.00
0672	Homelessness Prevention Fund	\$3,697.38
0684	DCFS Refugee Assistance Fund	\$327.63
0729	IL Century Network Special Purposes Fund	\$3,889.00
0972	Build IL Purposes Fund	
0989	Special Events Revolving Fund	
<b>Total</b>		<b>\$699,393.87</b>

**REVENUE ASSUMPTIONS USED  
TO CRAFT 2006 BUDGET**

Jim Muschinske, Revenue Manager

The table below illustrates the various revenue assumptions used to craft the FY 2006 budget. They were compiled utilizing information provided by the GOMB. **These figures do not represent the CGFA's FY 2006 estimate. The Commission's estimate will be presented at the next scheduled meeting on August 23, 2005.**

In the Governor's introduced budget, base FY 2006 revenues were anticipated to be \$26.411 billion. In addition, the Governor proposed \$255 million in deficit reduction sources comprised of:

- Increased cigarette and other tobacco products tax: \$155 million

- Sales tax on canned software: \$65 million
- Increased DoR Audit Enforcement: \$18 million
- Reform retail rate law: \$17 million

As a result, total revenues were forecast to be \$26.666 billion

As shown, virtually all of the proposed deficit reduction sources were not factored into the enacted budget. Those items, as well as others, including a shift of Medicaid spending from GRF to other funds, equate to a total reduction in revenues of \$439 million. More than offsetting those decreases, however, were \$444 million in revenue increases. Therefore, the enacted budget is based on a revenue forecast that is \$5 million higher than the introduced budget (see table on page 10).

<b>*Walk-Up of FY 2006 Revenues From Introduced Budget vs. Enacted Budget</b>	
	(in Millions)
Total Base Revenues per Budget Book	\$26,411
Proposed Deficit Reduction Sources	\$255
<b>Adjusted Base</b>	<b>\$26,666</b>
<b><u>Items Decreasing FY 2006 Revenues (Not Passed)</u></b>	
Increased Cigarette/Tobacco Products Tax	(\$155)
GRF Federal Revenue from Medicaid Spending	(\$135)
Out of State Fuel Fee	(\$67)
Canned Software	(\$65)
Reform Retail Rate Law	(\$17)
<b>Total of Revenue Reductions</b>	<b>(\$439)</b>
<b><u>Items Increasing FY 2006 Revenues</u></b>	
Additional Base Revenue Growth	
Income Taxes	\$121
Sales Taxes	\$95
Inheritance Tax	\$30
Riverboat Taxes	\$11
Secretary of State Fee Growth	\$48
Additional Other Revenues	\$23
Miscellaneous GRF Revenues (I.e. Interest income)	<u>\$29</u>
Total Additional Base Growth	\$358
Other Statutory Transfers In	\$62
Additional Federal Revenues- IDPA (MH/DD COLA)	<u>\$24</u>
<b>Total of Revenue Increases</b>	<b>\$444</b>
<b>REVISED FY 2006 BUDGET (Unofficial)</b>	<b>\$26,671</b>
<b>*This information should be considered unofficial and was provided by the GOMB. These figures do not represent the CGFA's FY 2006 estimate.</b>	

**GOMB FY 2006 GENERAL REVENUE ESTIMATES**

**BUDGET BOOK vs. ENACTED\***

(millions)

	<b>GOMB (Budget Book)</b>	<b>GOMB (Enacted)</b>	<b>\$</b>
	<b>FY 2006</b>	<b>FY 2006</b>	
<b>Revenue Sources</b>	<b>Estimate Feb-05</b>	<b>Estimate May-05</b>	<b>Difference</b>
<b>State Taxes</b>			
Personal Income Tax	\$9,017	\$9,125	\$108
Corporate Income Tax	\$1,554	\$1,583	\$29
Sales Taxes	\$6,778	\$6,873	\$95
Public Utility (regular)	\$1,096	\$1,069	(\$27)
Cigarette Tax	\$555	\$400	(\$155)
Liquor Gallonage Taxes	\$146	\$150	\$4
Vehicle Use Tax	\$35	\$35	\$0
Inheritance Tax (gross)	\$255	\$285	\$30
Insurance Taxes & Fees	\$366	\$327	(\$39)
Corporate Franchise Tax & Fees	\$194	\$183	(\$11)
Interest on State Funds & Investments	\$45	\$65	\$20
Cook County Intergovernmental Transfer	\$340	\$340	\$0
<u>Other Sources</u>	<u>\$401</u>	<u>\$472</u>	<u>\$71</u>
<b>Subtotal</b>	<b>\$20,782</b>	<b>\$20,907</b>	<b>\$125</b>
<b>Transfers</b>			
Lottery	\$628	\$628	\$0
Riverboat Transfers & Receipts	\$696	\$707	\$11
<u>Other</u>	<u>\$916</u>	<u>\$844</u>	<u>(\$72)</u>
<b>Total State Sources</b>	<b>\$23,022</b>	<b>\$23,086</b>	<b>\$64</b>
<b>Federal Sources</b>	<b>\$4,834</b>	<b>\$4,791</b>	<b>(\$43)</b>
<b>Total Federal &amp; State Sources</b>	<b>\$27,856</b>	<b>\$27,877</b>	<b>\$21</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund</b>			
Personal Income Tax	(\$879)	(\$890)	(\$11)
Corporate Income Tax	(\$311)	(\$316)	(\$5)
<b>Total General Funds</b>	<b>\$26,666</b>	<b>\$26,671</b>	<b>\$5</b>

\* The GOMB FY 2006 Feb-05 estimate includes \$255 million in proposed deficit reduction sources. While in the Budget Book those items were not included in individual source estimates, they are here for ease of comparison (per GOMB). While not shown, it is assumed that \$276 million in Budget Stabilization Fund transfers will be utilized in FY 2006 for cashflow purposes.

CGFA

**REVENUE**  
**Revenues Begin FY 2006**  
**on Mixed Note**

Jim Muschinske, Revenue Manager

Overall July general revenue receipts fell \$202 million. While most of the economically-related revenue sources continued to perform well, an expected decline in federal related sources more than offset gains experienced in other areas. Also contributing to the decline in July was one less receipting day.

Despite the overall drop in revenues, most tax related sources experienced gains. Sales tax receipts grew by \$59 million and gross personal income taxes increased by \$42 million, or \$46 million net of refunds. Other sources jumped by \$23 million due to receipt timing of commercial distribution fees. Interest income increased by \$7 million due to higher rates of return. Gross corporate income tax also increased \$7 million, although on a net of refund basis increased \$12 million. Insurance taxes and fees grew by \$2 million and cigarette and liquor taxes each managed a monthly gain of \$1 million.

A few sources began the fiscal year on a down note as the Cook

County IGT fell by \$14 million, corporate franchise taxes dropped by \$3 million, inheritance tax slid \$2 million, and public utility taxes were off \$2 million.

Overall transfers increased by \$11 million in July. Other transfers rose \$29 million due to statutory fund sweeps (see previous section), while lottery transfers fell by \$11 million and riverboat transfers and receipts dipped \$7 million. As mentioned earlier, federal-related sources had an expectedly down month. In essence, P.A. 93-674 caused approximately \$434 million in federal reimbursement (stemming from \$850 million in borrowed spending on Medicaid bills) to be transferred to the general funds. [See the July 2004 monthly briefing for more detail].

**A Look Ahead**

The Commission has scheduled a meeting for August 23<sup>rd</sup> in Chicago. While the meeting will focus on pension related items, an updated FY 2006 economic and revenue estimate also will be presented. Details of the forecast will be explained at next month's briefing.

**GENERAL FUNDS RECEIPTS: JULY**

*FY 2006 vs. FY 2005  
(\$ million)*

<u>Revenue Sources</u>	<u>JULY FY 2006</u>	<u>JULY FY 2005</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
<b>State Taxes</b>				
Personal Income Tax	\$580	\$538	\$42	7.8%
Corporate Income Tax (regular)	41	34	\$7	20.6%
Sales Taxes	622	563	\$59	10.5%
Public Utility Taxes (regular)	77	79	(\$2)	-2.5%
Cigarette Tax	34	33	\$1	3.0%
Liquor Gallonage Taxes	15	14	\$1	7.1%
Vehicle Use Tax	2	2	\$0	0.0%
Inheritance Tax (Gross)	19	21	(\$2)	-9.5%
Insurance Taxes and Fees	4	2	\$2	100.0%
Corporate Franchise Tax & Fees	10	13	(\$3)	-23.1%
Interest on State Funds & Investments	10	3	\$7	233.3%
Cook County IGT	40	54	(\$14)	-25.9%
Other Sources	47	24	\$23	95.8%
<b>Subtotal</b>	<b>\$1,501</b>	<b>\$1,380</b>	<b>\$121</b>	<b>8.8%</b>
<b>Transfers</b>				
Lottery	50	61	(\$11)	-18.0%
Riverboat transfers & receipts	49	56	(\$7)	-12.5%
Other	62	33	\$29	87.9%
<b>Total State Sources</b>	<b>\$1,662</b>	<b>\$1,530</b>	<b>\$132</b>	<b>8.6%</b>
<b>Federal Sources</b>	<b>\$278</b>	<b>\$621</b>	<b>(\$343)</b>	<b>-55.2%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$1,940</b>	<b>\$2,151</b>	<b>(\$211)</b>	<b>-9.8%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$56)	(\$60)	\$4	-6.7%
Corporate Income Tax	(\$8)	(13)	\$5	-38.5%
<b>Subtotal General Funds</b>	<b>\$1,876</b>	<b>\$2,078</b>	<b>(\$202)</b>	<b>-9.7%</b>
<b>Short-Term Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>HPF and HHSMTF Transfers</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Budget Stabilization Fund Transfer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Total General Funds</b>	<b>\$1,876</b>	<b>\$2,078</b>	<b>(\$202)</b>	<b>-9.7%</b>

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

2-Aug-05

**FEE TOTALS FOR FY 2005**  
Mike Moore, Revenue Analyst

Reported fee revenues for FY 2005 totaled \$398.6 million. Major sources of fee revenue came in via fees collected by the Secretary of State, Department of Financial and Professional Regulation, and the Illinois Environmental Protection Agency. Fees collected by agencies in FY 2005 came in higher than the \$307 million collected in FY 2004, mostly due to the fact that timing (effective dates of legislation in FY 2004) did not allow a full year of collections, as was the case in FY 2005.

Legal disputes continue over the validity of some fees and future court rulings could reduce the amount of future fee revenue. Monies collected for the Worker's Compensation Surcharge are already placed in an escrow account (Fund # 0937 Industrial Commission Surcharge Escrow Fund). It has been reported that the banking industry is also challenging some fees

that are currently being collected by the Department of Financial and Professional Regulation.

The Commercial Distribution Fee (CDF) was a major source of fee revenue for the State in FY 2005. Statutory changes however will reduce the amount of CDF revenues in the future. Effective July 1, 2005, the CDF fee for new purchases and registration renewals is reduced from the current 36 percent to a 21.5 percent surcharge of the registration fees. Effective July 1, 2006, the CDF fee for new purchases and registration renewals will be reduced to a 14.35 percent surcharge of the registration fees.

The Secretary of State has a two-month lag in their accounting of fees. Fees representing the Secretary of State in the following chart reflect fee collections through April 30, 2005. Total fee revenues for FY 2005 will likely increase due to the Secretary of State reporting of the months of May and June.

<b>Agency</b>	<b>Total FY 2005</b>
<i>Illinois Environmental Protection Agency</i>	\$43,889,769.00
<i>Illinois Commerce Commission</i>	\$602,645.00
<i>Department of Natural Resources</i>	\$1,794,946.00
<i>Office of the State Fire Marshall</i>	\$1,506,805.00
<i>Department of Revenue (1)</i>	\$19,088,253.00
<i>Secretary of State (2)</i>	\$140,399,200.00
<i>Department of Agriculture</i>	\$1,942,029.00
<i>Capitol Development Board</i>	\$2,162,985.00
<i>DFPR/Workers Compensation Commission (3)</i>	\$64,458,414.54
<i>Commercial Distribution Fee</i>	\$120,283,199.48
<i>State Treasurer</i>	\$1,769,814.00
<i>Illinois Department of Public Health (4)</i>	\$716,222.00
<b>FY 2005 Fee Totals</b>	<b>\$398,614,282.02</b>

1. The Department of Revenue estimate does not include monies collected via delinquent account fees or motor fuel tax prepay. The Department of Revenue reports \$43.5 million in MFT prepay revenue.
2. Fee revenues reported by the Secretary of State lag two-months behind. Secretary of State revenues for this report represent a comparative analysis of FY 2003 revenue thru April compared to FY 2005 revenues through April. Total fee revenue for the Secretary of State is likely higher than what is shown in this chart.
3. Includes fees from the previous Department of Insurance, Office of Banks and Real Estate, and Department of Financial Institutions. Since the majority of fees collected for the Workers Compensation Commission are collected by DFPR, Industrial Commission fees are also included in this line. Due to legal rulings monies collected from Workers Compensation Surcharge fee will be placed in an escrow account in the State Treasury. In total for FY 2005, \$11.5 million has been transferred into this escrow account. (Fund # 0937 Industrial Commission Surcharge Escrow Fund)
4. The fee structure for the Illinois Department of Public Health changed due to P.A 93-0841. This new legislation imposed a \$995 flat fee for nursing home licensure, in contrast to a fee based on beds as it was in FY 2004.

\*Information for this chart was compiled by data from the Comptroller and information provided to the Commission from various State agencies.

## PENSIONS

### 94<sup>th</sup> GA Pension Legislation

Betsey Drilling, Pension Analyst

During the 2005 session of the 94<sup>th</sup> General Assembly, twenty bills amending the Pension Code passed both chambers and will become law upon signature by the Governor. The most significant legislation, SB 27, implements several benefit reforms to the State Employees', Teachers', and State Universities Retirement Systems, reduces the State contributions to the five State-funded systems for FY 2006 and FY 2007, and effectively changes the funding plan for those systems. The changes made to the affected retirement systems and pension funds, exclusive of SB 27, are outlined this month. The provisions of SB 27 were outlined in the May 2005 Monthly Briefing.

## STATE-FUNDED SYSTEMS

### Teachers' Retirement System

#### Return to Teaching in Subject Shortage Areas

Currently, certain annuitants may accept employment for up to 120 days a year as a teacher in a shortage area without impairing retirement status as long as the school advertises the position for 90 days in the 6 months prior to the school term. Public Act 94-0129 (HB 0741) changes the advertising requirement for vacancies in a subject area to 90 days during the 6 months preceding either the fall or spring term (rather than school term). PA 94-0129 will not affect the accrued liabilities or annual costs of TRS.

#### Board of Trustees

Currently, if an active teacher elected to the Teachers' Retirement System Board

of Trustees ceased to be a teacher, he or she is no longer eligible to serve on the Board, and the Board fills the vacancy by appointing a replacement. HB 3258 allows an active teacher Trustee who ceases to be a teacher – including an active who retires – to serve out the remainder of the term to which he or she was elected. HB 3258 will not affect the accrued liabilities or annual costs of TRS.

#### Working with a Disability Benefit

SB 1660 allows a member of TRS who has received a disability benefit for at least a year to return to work as a teacher on a limited or part-time basis without forfeiting disability benefits. The earnings as a teacher plus the disability benefit cannot exceed 100% of the salary rate on which the benefit is based. SB 1660 states that a disabled teacher who engages in limited or part-time teaching and earns service and contribution credits for that teaching, shall not receive duplicate credits for disability benefits or occupational disability benefits. The fiscal impact has not been determined, as it is unknown how many teachers will participate. However, the costs are expected to be minor.

### State Employees Retirement System

#### Service Credit for Certain Contractual Employment

Until 1988, the Visually Handicapped Managers of Illinois provided vending services to State agencies under a contractual agreement with the Department of Rehabilitation Services. In 1999, the vendors became employees of DORS (now Department of Human Services) and therefore became members of SERS. HB 227 allows members of SERS who worked under the contract before becoming DORS employees to purchase up to 8 years of prior service credit. The member is required to make

the employee contributions and employer contributions (normal cost), plus interest. Due to the required employee contributions and the small number of members that this legislation affects, the fiscal impact of HB 227 is expected to be minimal.

#### Partial Refund Repayment

Currently, employees covered under the State Employees' Retirement System may repay an entire refund in a lump sum or by installments on a pre-tax or post-tax basis. HB 1383 allows members to repay only a portion of their refund and receive credit only for the portion of the refund that was repaid. This would allow a member who does not need to establish all of the service or cannot afford to repay the entire refund to repay just a portion.

#### Alternative Retirement Cancellation Payment

Public Act 94-0109 (SB 1442) provides an alternative retirement cancellation payment (ARCP) for State employees terminating service before October 31, 2005. The ARCP allows certain active members who terminate service to receive a refund in exchange for waiving all rights to any type of SERS benefit. The ARCP would equal the employee's contributions, with interest at 6.5% annually, multiplied by two. This payment can be given to the member in a lump sum, rolled into another qualified plan, or both.

The ARCP is limited to 500 employees under the Governor's purview in job titles that are specified in PA 94-0109. For all other employees, there is no restriction on job titles and no limit to the number eligible, but participation requires authorization from the director

or other department head. Employees in eligible job titles are required to be in active payroll status on July 1, 2005 and in an eligible position continuously since January 1, 2005. The deadline to apply is September 30, 2005 for employees under the Governor's purview, and September 1, 2005 for all other eligible employees. Participants must terminate service within 1 month of the approval of the application and in no event later than October 31, 2005.

An ARCP payment option was offered to member of SERS in 2004. At that time, participation was limited to 3,000, and 542 SERS members chose to participate. The system made ARCP payments of \$23.4 million and \$28.2 million in SERS liability was eliminated.

#### State Universities Retirement System

##### Divided Medicare Coverage Referendum

Teachers hired after April 1, 1986 are required to participate in Medicare. Teachers hired before that date were not given the option to participate in Medicare, unless the teacher changed employers. HB 1384 requires SERS to conduct a divided Medicare coverage referendum for teachers who have been continuously employed by the same

employer since March 31, 1986. During the referendum, eligible teachers will have the option to make an irrevocable decision to participate in Medicare on a prospective basis. The employer is then required to pay the necessary employer contributions and make the necessary deductions from salary for teachers who elect to participate. HB 1384 does not impact the accrued liabilities or pension benefits of SURS.

### **Judges' Retirement System**

No changes besides the contribution reduction in SB 27.

### **General Assembly Retirement System**

#### **Extension of Certification Deadline**

Currently, the five State-funded systems are required to certify to the Governor the required State appropriation amount for the next fiscal year by November 15 of each year. SB 763 extends the deadline for the General Assembly Retirement System's certification to December 15 of each year. The GARS Board requested the change so that the certification meeting can be held around veto session each year. SB 763 will not impact the accrued liabilities or annual costs of GARS.

## **CHICAGO PENSION FUNDS**

### **Chicago Teachers' Pension Fund**

#### **Board of Trustees**

HB 165 clarifies the role of administrators in electing and serving as members of the Board of Trustees of the Chicago Teachers' Pension Fund.

Currently, administrators could vote for and serve in the positions held by teachers. HB 165 clarifies that administrators have the same positions as principals in elections, and therefore, administrators cannot vote for or serve in the teacher positions. HB 165 does not have a fiscal impact.

#### **Recouping Certain Money from Annuitants**

HB 3740 allows the Chicago Teachers' Pension Fund to retain out of an annuity any amounts owed to the Fund because of contributions not made, employee refunds not repaid, and Fund overpayment due to misrepresentation or error. Currently, there is no mechanism for the fund to recoup money that is owed to it. HB 3740 would have a minor positive impact on the Chicago Teachers' Pension Fund, as money owed to the Fund could be withheld from annuity payments.

### **Chicago Police Pension Fund**

#### **Captains in Non-civil Service Positions**

Chicago police officers assigned to non-civil service positions may make contributions and receive retirement benefits based on the non-civil service salary, unless the officer is assigned to a non-civil service position within 3 years of the date of retirement. This 3-year limitation is waived for policemen whose termination from active service is caused by duty disability. SB 0021 provides the 3-year requirement does not apply to policemen in a non-civil service position with the title of Captain. The provision is retroactive to January 1, 2000. The fiscal impact of SB 21 is expected to be minor, as the number of employees affected should be small.

### Chicago Municipal Employees Pension Fund

#### Widow's Annuity – Marriage after Retirement

Currently, the Chicago Municipal Employees Pension Fund requires that a widow must have married the member prior to the date of withdrawal in order to qualify for a widow's annuity. HB 227 provides that a widow of a Chicago Municipal member may receive a benefit if the marriage occurred after retirement provided that the marriage was in effect for at least 10 years and the member died between May 1, 2004 and November 1, 2004. HB 227 includes several provisions necessary for eligibility, and very few persons are expected to be affected. Therefore, the increase in accrued liabilities and annual costs should be small.

## **COOK COUNTY PENSION FUNDS**

### Metropolitan Water Reclamation District Employees' Retirement Fund

#### Increase in Survivor's Benefit Formula

Currently, a surviving spouse annuity for a member participating in the alternative plan is 66 2/3% of the annuity earned by the commissioner on the date of death. HB 2379 increases the survivor's benefit formula to the formula in place for spouses of regular annuitants, which is 60% of the annuity at the time of death plus 1% per year of service to a maximum of 85%, but no less than 66 2/3%. This provision is estimated to increase the total actuarial liability of the Fund by \$65,000 and increase total annual costs by \$4,700.

### Administrative Changes

HB 2379 makes several administrative and clarifying changes to the MWRD Article of the Pension Code, including the following:

- Specifies that for the provision allowing members on disability with 5 years of service to be eligible for retirement, the 5 years of service cannot include periods of duty or ordinary disability
- Extends the minimum retirement annuity to members who retired on or after August 23, 1989 (instead of only member who retired prior to that date)
- Clarifies that early retirement discounts are also applied to surviving spouse benefits
- Extends the child's annuity to children up to the age of 23 if the child is a full-time student and unmarried
- Eliminates the three-day waiting period for Fund to pay disability benefits
- Provides that additional contributions for the Commissioners' alternative plan may be made on a pre-tax basis, pending IRS approval
- Extends allowable service for military credit to service in which the employee volunteers (currently, the provision applies to persons inducted or called into service in national emergencies)
- Allows members to repay refunds no later than 90 days following withdrawal from service
- Gives the Board of Trustees the power to assess and collect interest on amounts due to the Fund from any participant or beneficiary

The impact of these changes to the Fund is expected to be relatively minor.

## **DOWNSTATE PENSION FUNDS**

### **Illinois Municipal Retirement Fund**

#### Transfer of Downstate Police Service

HB 373 allows IMRF members with up to 8 years of service in the Downstate Police Fund to transfer that service to IMRF. The Board must determine the amount of service that is transferable. The fiscal impact of HB 373 is expected to be minor, as transferred and required contributions are estimated to cover the cost of service credit transfers.

#### ERI Participants Holding Elected Office

Currently, ERI participants who accept employment or enter into a personal services contract with an IMRF employer must forfeit the ERI age enhancement and creditable service, even if they do not resume IMRF participation. This includes elected officials, who can choose whether or not to participate in IMRF. HB 1527 allows an elected official to receive ERI benefits and serve as an elected official, provided the annuitant does not participate in IMRF while holding the elected office. HB 1527 is expected to have little or no fiscal impact.

### **Downstate Police Pension Fund**

#### Transfer of IMRF Service

HB 373 provides that members of the Downstate Police Pension Fund who have up to 8 years in IMRF may transfer that service to the Police Fund. Similarly, it allows IMRF members with up to 8 years of service in the Downstate Police Fund to transfer that service to IMRF, although the Board must determine the amount of service transferable. The fiscal impact of HB 373

is expected to be minor, as transferred and required contributions are estimated to cover the cost of service credit transfers.

### **Downstate Firefighters Pension Fund**

#### Board of Trustees

Boards of Trustees for the Downstate Firefighters Pension Fund include 8 members for fire protection districts or 9 members for municipalities. Public Act 94-0317 (HB 1403) replaces these Boards with panels of 5 members - including two appointed by a municipality or district official, two elected active members of the Fund, and one elected annuitant of the Fund. The transition is to take place on the 3<sup>rd</sup> Monday in April 2006. The new Boards would be similar to the Boards that currently exist for the Downstate Police Pension Fund. PA 94-317 will not impact the accrued liabilities or annual costs of the Fund.

## **GENERAL PROVISIONS ARTICLE**

#### Prohibits Investing in the Sudan

Public Act 94-0079 (SB 23) prohibits Illinois public pension funds from investing or depositing in entities doing business in or with the government of Sudan. Specifically, companies that a retirement system invests in must certify that they have not:

- loaned to, invested in, or otherwise transferred any retirement system or pension fund's assets to a forbidden entity after January 27, 2006;
- at least 60% of the system of fund's assets are not invested in forbidden entities at any time more than 12 months after January 27, 2006; and
- 100% of the system of fund's assets are not invested in forbidden entities

at any time more than 18 months after January 27, 2006.

PA 94-0079 defines a “forbidden entity” as:

- The government of the Republic of the Sudan and any of its agencies;
- Any company that is wholly or partially managed or controlled by the government of the Republic of Sudan and any of its agencies;
- Any company that is established and organized under the laws of the Republic of Sudan whose principal place of business is the Republic of Sudan;
- Any company identified as sponsoring terrorist activity, or fined, penalized or sanctioned by the Office of Foreign Assets Control in the United States Department of the Treasury in relation to the Republic of Sudan;
- Any publicly traded company located in or doing business with the Republic of Sudan; and
- Any non publicly-traded company that is located in or doing business with the Republic of Sudan.

If Illinois public pension funds and retirement systems have to divest certain assets and reinvest the proceeds in other assets, there may be a fiscal impact due to a change in asset allocation. Asset allocation affects a system’s or fund’s long-term investment returns. If asset allocation must change significantly, the

impact of PA 94-0079 could be significant.

#### QILDRO Changes

Effective July 1, 1999, Public Act 90-731 allowed an alternate payee (former spouse, child, or dependent) designated in a Qualified Illinois Domestic Relations Order to receive all or a specified portion of a member’s retirement benefits or refund otherwise payable to the member or on behalf of the member. SB 1446 updates the provisions of the Pension Code relating to QILDROs. Most notably, SB 1446 makes an alternate payee entitled to death benefits and allows the alternate payee to receive a percentage of retirement benefits (instead of only a dollar amount). The legislation specifies that retirement systems are held harmless, and their only role in the QILDRO is to follow through on payments as outlined in the order. SB 1446 does not impact liabilities or annual pension costs, as it does not increase benefits but defines who would receive benefits earned.

#### Emerging Investment Managers

Current law defines an emerging investment manager as a qualified investment advisor who managed an investment portfolio of at least \$10 million but not more than \$400 million on January 1, 1993 and is a minority or female owned business as defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. SB 253 changes the maximum portfolio amount to \$2 billion and removes the 1993 date so that the asset range specified refers to current assets. This will broaden the definition of emerging managers, allowing more firms to qualify.