



# Commission on Government Forecasting and Accountability

**MONTHLY BRIEFING**

**FEBRUARY 2008**

<http://www.ilga.gov/commission/cgfa2006/home.aspx>

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**REVENUE: FY 2008 Revenue Estimate and FY 2009 Revenue Forecast**

Jim Muschinske, Revenue Manager

On March 5, 2008, the Commission released its revenue estimate for FY 2008 as well as its forecast for FY 2009. While the full summary can be found on the Commission's website, the following provides a brief synopsis of the revenue outlook.

**FY 2008 GENERAL FUNDS ESTIMATE**

As shown on the table on page 4, the Commission forecasts overall base revenues to be \$29.445 billion, an increase of \$805 million over the previous year.

While the FY 2008 budget was implemented with the hopes of recording nearly \$1.6 billion in growth, actual performance through February coupled with a slowing economy point to revenues falling well short of those expectations. Noteworthy items include:

- The impressive year to date growth in personal income tax is expected to slow over the remainder of the year, although still finish with a gain of 6.5%.
- Both corporate income tax and sales tax are expected to continue to under perform for the rest of this year and into next.
- Inheritance tax and corporate franchise taxes both benefited from one-time receipt boosts that are not expected to repeat next year.
- Other transfers dropped due to lack of fund sweeps and chargebacks.

## CGFA vs. GOMB FY 2008 COMPARISON

As shown on page 5, the Commission's FY 2008 general funds estimate of \$29.445 billion is \$75 million below the GOMB's latest official estimate reflected in the FY 2009 Budget Book. The estimates are presented as base revenues, although the Governor has proposed generating an additional \$750 million in FY 2008 via "fund sweeps" and corporate tax changes. Since those items would require legislative action, they are not included in the base estimates.

- The Commission projects a slightly more pronounced slowing in personal income tax receipts over the last third of the year. In addition, the Commission is more conservative in the estimates of

other sources, interest earnings, and riverboat transfers. While the estimate of other transfers is considerably lower than the GOMB, it is because their estimate includes an additional \$80 million transfer related to the Hospital Assessment Program. In order to capture that amount, a supplemental appropriation and likely additional short-term borrowing would be required.

- Despite being lower overall, the Commission projects somewhat higher revenues in a number of areas. The estimates of inheritance tax, corporate income tax, and public utility taxes serve as the largest examples.

## FY 2009 GENERAL FUNDS ESTIMATE

As shown in the table on page 6, base revenues are forecast at \$30.075 billion in FY 2009, reflecting a modest \$630 million or 2.1% growth over the previous year. Unfortunately, current economic uncertainty serves to temper growth expectations for FY 2009. The latest economic forecasts indicate real personal income as well as personal consumption should slow in the upcoming fiscal year, while before tax profits are expected to struggle again. Furthermore, the unemployment rate, which has moved higher in recent months, is anticipated to continue to climb.

- Personal income taxes, while holding up quite well over the first part of the current fiscal year are expected to slow, continue below trend into FY 2009, and forecast to grow approximately 3.2%. Despite some corporate tax changes enacted last year, no growth is expected in gross corporate income tax receipts.
- While sales taxes are expected to improve somewhat next year, the estimate of 2.2% growth reflects continued consumer weakness.
  - A few revenue areas that are enjoying a good FY 2008 may very

well return losses next year. For example, inheritance tax, interest earnings, and the Cook County Intergovernmental transfer are all expected to decline. And finally, absent Legislative action, certain fund transfers are not scheduled to be repeated in the future, i.e.

hospital assessment program transfers.

Given the current uncertain status of the economy, the revenue picture for FY 2009 is far from clear. However, it would appear that limited base growth is the best that can be hoped for.

### **GCFA vs. GOMB FY 2009 COMPARISON**

As shown on page 7, excluding the Governor's proposed \$1.428 billion in proposed revenue changes, the Commission's FY 2009 base general funds estimate of \$30.075 billion is \$166 million below the GOMB's base estimate of \$30.241 billion. That

difference is comprised of the Commission's \$75 million lower estimate in FY 2008, coupled with its lower growth estimate in FY 2009 of \$91 million. Obviously, it is unclear what, if any, of the Governor's proposed revenue changes will be adopted.

**FY 2008 CGFA ESTIMATE & FY 2007 ACTUALS**

(millions)

|   | <b>CGFA<br/>FY 2008<br/>Estimate March-08</b> | <b>ACTUAL<br/>FY 2007</b> | <b>\$<br/>Difference</b> | <b>%<br/>Difference</b> |
|---|---|---------------------------|--------------------------|-------------------------|
| <b>Revenue Sources</b>                      |   |                           |                          |                         |
| <b>State Taxes</b>                          |   |                           |                          |                         |
| Personal Income Tax                         | \$11,100                                      | \$10,424                  | \$676                    | 6.5%                    |
| Corporate Income Tax                        | \$2,153                                       | \$2,121                   | \$32                     | 1.5%                    |
| Sales Taxes                                 | \$7,156                                       | \$7,136                   | \$20                     | 0.3%                    |
| Public Utility (regular)                    | \$1,140                                       | \$1,131                   | \$9                      | 0.8%                    |
| Cigarette Tax                               | \$350   | \$350                     | \$0                      | 0.0%                    |
| Liquor Gallonage Taxes                      | \$160   | \$156                     | \$4                      | 2.6%                    |
| Vehicle Use Tax                             | \$33  | \$33                      | \$0                      | 0.0%                    |
| Inheritance Tax (gross)                     | \$360   | \$264                     | \$96                     | 36.4%                   |
| Insurance Taxes & Fees                      | \$325   | \$310                     | \$15                     | 4.8%                    |
| Corporate Franchise Tax & Fees              | \$220   | \$193                     | \$27                     | 14.0%                   |
| Interest on State Funds & Investments       | \$185   | \$204                     | (\$19)                   | -9.3%                   |
| Cook County Intergovernmental Transfer      | \$302   | \$307                     | (\$5)                    | -1.6%                   |
| <u>Other Sources</u>                        | <u>\$453</u>                                  | <u>\$449</u>              | <u>\$4</u>               | <u>0.9%</u>             |
| <b>Subtotal</b>                             | <b>\$23,937</b>                               | <b>\$23,078</b>           | <b>\$859</b>             | <b>3.7%</b>             |
| <b>Transfers</b>                            |   |                           |                          |                         |
| Lottery                                     | \$675   | \$622                     | \$53                     | 8.5%                    |
| Riverboat Transfers & Receipts              | \$625   | \$685                     | (\$60)                   | -8.8%                   |
| <u>Other</u>                                | <u>\$598</u>                                  | <u>\$939</u>              | <u>(\$341)</u>           | <u>-36.3%</u>           |
| <b>Total State Sources</b>                  | <b>\$25,835</b>                               | <b>\$25,324</b>           | <b>\$511</b>             | <b>2.0%</b>             |
| <b>Federal Sources</b>                      | <b>\$4,804</b>                                | <b>\$4,703</b>            | <b>\$101</b>             | <b>2.1%</b>             |
| <b>Total Federal &amp; State Sources</b>    | <b>\$30,639</b>                               | <b>\$30,027</b>           | <b>\$612</b>             | <b>2.0%</b>             |
| <b>Nongeneral Funds Distribution:</b>       |   |                           |                          |                         |
| <b>Refund Fund</b>                          |   |                           |                          |                         |
| Personal Income Tax                         | (\$860)                                       | (\$1,016)                 | \$156                    | -15.4%                  |
| Corporate Income Tax                        | (\$334)                                       | (\$371)                   | \$37                     | -10.0%                  |
| <b>Subtotal General Funds</b>               | <b>\$29,445</b>                               | <b>\$28,640</b>           | <b>\$805</b>             | <b>2.8%</b>             |
| Short-Term Borrowing                        | \$1,200                                       | \$900                     | \$300                    | 33.3%                   |
| Hospital Provider Fund (cash flow transfer) | \$300   | \$456                     | (\$156)                  | -34.2%                  |
| Budget Stabilization Fund Transfer          | \$276   | \$276                     | \$0                      | 0.0%                    |
| <b>Total General Funds</b>                  | <b>\$31,221</b>                               | <b>\$30,272</b>           | <b>\$949</b>             | <b>3.1%</b>             |
| <b>CGFA</b>                                 |   |                           |                          |                         |

**FY 2008 CGFA/GOMB ESTIMATE COMPARISON**  
**Excludes \$750 million in Governor Proposed Revenue Enhancements**  
(millions)

| <b>Revenue Sources</b>                      | <b>CGFA<br/>FY 2008<br/>Estimate March-08</b> | <b>GOMB<br/>FY 2008<br/>Estimate Feb-08</b> | <b>\$<br/>Difference</b> |
|---|---|---|--------------------------|
| <b>State Taxes</b>                          |   |   |                          |
| Personal Income Tax                         | \$11,100                                      | \$11,136                                    | (\$36)                   |
| Corporate Income Tax                        | \$2,153                                       | \$2,121                                     | \$32                     |
| Sales Taxes                                 | \$7,156                                       | \$7,172                                     | (\$16)                   |
| Public Utility (regular)                    | \$1,140                                       | \$1,111                                     | \$29                     |
| Cigarette Tax                               | \$350   | \$350                                       | \$0                      |
| Liquor Gallonage Taxes                      | \$160   | \$159                                       | \$1                      |
| Vehicle Use Tax                             | \$33  | \$30  | \$3                      |
| Inheritance Tax (gross)                     | \$360   | \$315                                       | \$45                     |
| Insurance Taxes & Fees                      | \$325   | \$320                                       | \$5                      |
| Corporate Franchise Tax & Fees              | \$220   | \$215                                       | \$5                      |
| Interest on State Funds & Investments       | \$185   | \$204                                       | (\$19)                   |
| Cook County Intergovernmental Transfer      | \$302   | \$302                                       | \$0                      |
| <u>Other Sources</u>                        | <u>\$453</u>                                  | <u>\$502</u>                                | <u>(\$49)</u>            |
| <b>Subtotal</b>                             | <b>\$23,937</b>                               | <b>\$23,937</b>                             | <b>\$0</b>               |
| <b>Transfers</b>                            |   |   |                          |
| Lottery                                     | \$675   | \$657                                       | \$18                     |
| Riverboat Transfers & Receipts              | \$625   | \$636                                       | (\$11)                   |
| <u>Other</u>                                | <u>\$598</u>                                  | <u>\$678</u>                                | <u>(\$80)</u>            |
| <b>Total State Sources</b>                  | <b>\$25,835</b>                               | <b>\$25,908</b>                             | <b>(\$73)</b>            |
| <b>Federal Sources</b>                      | <b>\$4,804</b>                                | <b>\$4,804</b>                              | <b>\$0</b>               |
| <b>Total Federal &amp; State Sources</b>    | <b>\$30,639</b>                               | <b>\$30,712</b>                             | <b>(\$73)</b>            |
| <b>Nongeneral Funds Distribution:</b>       |   |   |                          |
| <b>Refund Fund</b>                          |   |   |                          |
| Personal Income Tax                         | (\$860)                                       | (\$863)                                     | \$3                      |
| Corporate Income Tax                        | (\$334)                                       | (\$329)                                     | (\$5)                    |
| <b>Subtotal General Funds</b>               | <b>\$29,445</b>                               | <b>\$29,520</b>                             | <b>(\$75)</b>            |
| <b>Change from Prior Year</b>               | <b>\$805</b>                                  | <b>\$880</b>                                | <b>(\$75)</b>            |
| <b>Percent Change</b>                       | <b>2.8%</b>                                   | <b>3.1%</b>                                 |                          |
| Short-Term Borrowing                        | \$1,200                                       | \$1,200                                     | \$0                      |
| Hospital Provider Fund (cash flow transfer) | \$300   | \$300                                       | \$0                      |
| Budget Stabilization Fund Transfer          | \$276   | \$276                                       | \$0                      |
| <b>Total General Funds</b>                  | <b>\$31,221</b>                               | <b>\$31,296</b>                             | <b>(\$75)</b>            |
| Change from Prior Year                      | \$949   | \$1,024                                     |                          |
| Percent Change                              | 3.1%  | 3.4%  |                          |
| CGFA  |   |   |                          |

**CGFA ESTIMATE FY 2009 vs. FY 2008 (Base Revenues)**

(millions)

| <u>Revenue Sources</u>  | <u>CGFA<br/>FY 2009<br/>Estimate March-08</u> | <u>CGFA<br/>FY 2008<br/>Estimate March-08</u> | <u>\$<br/>Difference</u> | <u>%<br/>Difference</u> |
|---|---|---|--------------------------|-------------------------|
| <b>State Taxes</b>  |   |   |                          |                         |
| Personal Income Tax   | \$11,460                                      | \$11,100                                      | \$360                    | 3.2%                    |
| Corporate Income Tax  | \$2,153                                       | \$2,153                                       | \$0                      | 0.0%                    |
| Sales Taxes   | \$7,314                                       | \$7,156                                       | \$158                    | 2.2%                    |
| Public Utility (regular)  | \$1,150                                       | \$1,140                                       | \$10                     | 0.9%                    |
| Cigarette Tax   | \$350   | \$350   | \$0                      | 0.0%                    |
| Liquor Gallonage Taxes  | \$162   | \$160   | \$2                      | 1.3%                    |
| Vehicle Use Tax   | \$33  | \$33  | \$0                      | 0.0%                    |
| Inheritance Tax (gross)   | \$330   | \$360   | (\$30)                   | -8.3%                   |
| Insurance Taxes & Fees  | \$335   | \$325   | \$10                     | 3.1%                    |
| Corporate Franchise Tax & Fees  | \$210   | \$220   | (\$10)                   | -4.5%                   |
| Interest on State Funds & Investments   | \$155   | \$185   | (\$30)                   | -16.2%                  |
| Cook County Intergovernmental Transfer  | \$256   | \$302   | (\$46)                   | -15.2%                  |
| <u>Other Sources</u>  | <u>\$463</u>                                  | <u>\$453</u>                                  | <u>\$10</u>              | <u>2.2%</u>             |
| <b>Subtotal</b>   | <b>\$24,371</b>                               | <b>\$23,937</b>                               | <b>\$434</b>             | <b>1.8%</b>             |
| <b>Transfers</b>  |   |   |                          |                         |
| Lottery   | \$685   | \$675   | \$10                     | 1.5%                    |
| Riverboat Transfers & Receipts  | \$615   | \$625   | (\$10)                   | -1.6%                   |
| <u>Other</u>  | <u>\$518</u>                                  | <u>\$598</u>                                  | <u>(\$80)</u>            | <u>-13.4%</u>           |
| <b>Total State Sources</b>  | <b>\$26,189</b>                               | <b>\$25,835</b>                               | <b>\$354</b>             | <b>1.4%</b>             |
| <b>Federal Sources</b>  | <b>\$5,108</b>                                | <b>\$4,804</b>                                | <b>\$304</b>             | <b>6.3%</b>             |
| <b>Total Federal &amp; State Sources</b>  | <b>\$31,297</b>                               | <b>\$30,639</b>                               | <b>\$658</b>             | <b>2.1%</b>             |
| <b>Nongeneral Funds Distribution:</b>   |   |   |                          |                         |
| <b>Refund Fund*</b>   |   |   |                          |                         |
| Personal Income Tax   | (\$888)                                       | (\$860)                                       | (\$28)                   | 3.3%                    |
| Corporate Income Tax  | (\$334)                                       | (\$334)                                       | \$0                      | 0.0%                    |
| <b>Subtotal General Funds</b>   | <b>\$30,075</b>                               | <b>\$29,445</b>                               | <b>\$630</b>             | <b>2.1%</b>             |
| Short-Term Borrowing  | \$0   | \$1,200                                       | (\$1,200)                | N/A                     |
| Hospital Provider Fund (cash flow transfer)   | \$0   | \$300   | (\$300)                  | N/A                     |
| Budget Stabilization Fund Transfer  | \$276   | \$276   | \$0                      | 0.0%                    |
| <b>Total General Funds</b>  | <b>\$30,351</b>                               | <b>\$31,221</b>                               | <b>(\$870)</b>           | <b>-2.8%</b>            |
| *The FY 2009 estimate based on current refund percentages at 7.75% for PIT and 15.5% for CIT. |   |   |                          |                         |
| CGFA  |   |   |                          |                         |

**FY 2009 CGFA/GOMB COMPARISON**  
**"Base" and "With Proposed Revenue Changes"**  
(millions)

| <b>Revenue Sources</b>  | <b>CGFA<br/>FY 2009<br/>Estimate Mar-08</b> | <b>GOMB<br/>FY 2009<br/>Estimate Feb-08</b> | <b>\$<br/>Difference</b> |
|---|---|---|--------------------------|
| <b>State Taxes</b>  |   |   |                          |
| Personal Income Tax   | \$11,460                                    | \$11,559                                    | (\$99)                   |
| Corporate Income Tax  | \$2,153                                     | \$2,121                                     | \$32                     |
| Sales Taxes   | \$7,314                                     | \$7,297                                     | \$17                     |
| Public Utility (regular)  | \$1,150                                     | \$1,110                                     | \$40                     |
| Cigarette Tax   | \$350                                       | \$350                                       | \$0                      |
| Liquor Gallonage Taxes  | \$162                                       | \$161                                       | \$1                      |
| Vehicle Use Tax   | \$33  | \$31  | \$2                      |
| Inheritance Tax (gross)   | \$330                                       | \$275                                       | \$55                     |
| Insurance Taxes & Fees  | \$335                                       | \$325                                       | \$10                     |
| Corporate Franchise Tax & Fees  | \$210                                       | \$205                                       | \$5                      |
| Interest on State Funds & Investments   | \$155                                       | \$180                                       | (\$25)                   |
| Cook County Intergovernmental Transfer  | \$256                                       | \$256                                       | \$0                      |
| <u>Other Sources</u>  | <u>\$463</u>                                | <u>\$504</u>                                | <u>(\$41)</u>            |
| <b>Subtotal</b>   | <b>\$24,371</b>                             | <b>\$24,374</b>                             | <b>(\$3)</b>             |
| <b>Transfers</b>  |   |   |                          |
| Lottery   | \$685                                       | \$664                                       | \$21                     |
| Riverboat Transfers & Receipts  | \$615                                       | \$642                                       | (\$27)                   |
| <u>Other</u>  | <u>\$518</u>                                | <u>\$678</u>                                | <u>(\$160)</u>           |
| <b>Total State Sources</b>  | <b>\$26,189</b>                             | <b>\$26,358</b>                             | <b>(\$169)</b>           |
| <b>Federal Sources</b>  | <b>\$5,108</b>                              | <b>\$5,108</b>                              | <b>\$0</b>               |
| <b>Total Federal &amp; State Sources</b>                                      | <b>\$31,297</b>                             | <b>\$31,466</b>                             | <b>(\$169)</b>           |
| <b>Nongeneral Funds Distribution:</b>   |   |   |                          |
| <b>Refund Fund</b>  |   |   |                          |
| Personal Income Tax   | (\$888)                                     | (\$896)                                     | \$8                      |
| Corporate Income Tax  | (\$334)                                     | (\$329)                                     | (\$5)                    |
| <b>Subtotal General Funds "Base"</b>  | <b>\$30,075</b>                             | <b>\$30,241</b>                             | <b>(\$166)</b>           |
| <b>Change from Prior Year Estimate</b>  | <b>\$630</b>                                | <b>\$721</b>                                | <b>(\$91)</b>            |
| <b>Percent Change</b>   | <b>2.1%</b>                                 | <b>2.4%</b>                                 |                          |
| <b>Net Value of Proposed Revenue Changes</b>                                  | <b>\$1,428</b>                              | <b>\$1,428</b>                              | <b>\$0</b>               |
| <b>Subtotal With Proposed Changes</b>   | <b>\$31,503</b>                             | <b>\$31,669</b>                             | <b>(\$166)</b>           |
| <b>Change from Prior Year Estimate*</b>                                       | <b>\$1,308</b>                              | <b>\$1,399</b>                              | <b>(\$91)</b>            |
| <b>Percent Change</b>   | <b>4.3%</b>                                 | <b>4.6%</b>                                 |                          |
| *Both estimates include \$750 million in FY 2008 for proposed revenue changes |   |   |                          |
| CGFA  |   |   |                          |

## REVENUE

### February Revenues Tick Up

Jim Muschinske, Revenue Manager

Overall receipts in February increased \$67 million, excluding last year's short-term borrowing. While a number of revenue sources experienced declines, gains in personal income taxes, corporate income taxes, and in a few other areas were able to more than offset those deficits. February had one more receipting day than last year.

Of the revenue sources that posted gains, gross personal income tax rose \$86 million, or \$93 million net of refunds. Gross corporate income tax receipts were up \$54 million, or \$46 million net of refunds, although the increase is believed due to the timing of reconciliations. Inheritance posted another surprisingly strong month as receipts grew by \$18 million, while insurance taxes jumped \$12 million.

A few sources experienced declines for the month. Sales tax continued to falter, dropping \$14 million. Public utility taxes as well as liquor taxes dipped \$4 million each. Lastly, interest income declined by \$3 million, reflecting lower rates of return.

Overall transfers fell by \$28 million in February. Other transfers declined by \$18 million, lottery transfers were off by \$6 million, and riverboat transfers eased \$4 million. Federal sources declined \$49 million.

## Year to Date

Through the first two-thirds of the fiscal year, overall base receipts were up \$631 million. While receipt performance has been mixed, one area that continued to fare well is gross personal income tax receipts. Through February, receipts were up \$515 million, or \$598 million on a net of refund basis. While this revenue source continued to be fueled by gains in withholding and estimated payments, concern remains that upcoming final payments and later estimated payments will reflect the slowed economy.

Despite an up tick in February, gross corporate income taxes were still under performing, generating growth of \$29 million, although up \$42 million on a net of refund basis. Sales tax continued to disappoint with little prospect for a reversal of fortune, as receipts continue to plod along and are actually down \$12 million for the year. Some positive news continued to come from the strength of: inheritance tax up \$74 million; corporate franchise tax \$23 million; and interest earnings \$9 million. However, while lottery and riverboat transfers were up \$36 million and \$9 million, respectively, other transfers more than erased those gains and were down \$129 million. Finally, after beginning the fiscal year on an up note, the recent drop off in federal sources has receipts running behind last year—off \$54 million.



## GENERAL FUNDS RECEIPTS: FEBRUARY

FY 2008 vs. FY 2007

(\$ million)

| <u>Revenue Sources</u>   | <u>Feb.</u><br><u>FY 2008</u> | <u>Feb.</u><br><u>FY 2007</u> | <u>\$</u><br><u>CHANGE</u> | <u>%</u><br><u>CHANGE</u> |
|--|-------------------------------|-------------------------------|----------------------------|---------------------------|
| <b>State Taxes</b>   |                               |                               |                            |                           |
| Personal Income Tax  | \$768                         | \$682                         | \$86                       | 12.6%                     |
| Corporate Income Tax (regular)   | 61                            | 7                             | \$54                       | 771.4%                    |
| Sales Taxes  | 502                           | 516                           | (\$14)                     | -2.7%                     |
| Public Utility Taxes (regular)   | 95                            | 99                            | (\$4)                      | -4.0%                     |
| Cigarette Tax  | 29                            | 29                            | \$0                        | 0.0%                      |
| Liquor Gallonage Taxes   | 10                            | 14                            | (\$4)                      | -28.6%                    |
| Vehicle Use Tax  | 2                             | 2                             | \$0                        | 0.0%                      |
| Inheritance Tax (Gross)  | 36                            | 18                            | \$18                       | 100.0%                    |
| Insurance Taxes and Fees   | 20                            | 8                             | \$12                       | 150.0%                    |
| Corporate Franchise Tax & Fees   | 16                            | 16                            | \$0                        | 0.0%                      |
| Interest on State Funds & Investments  | 14                            | 17                            | (\$3)                      | -17.6%                    |
| Cook County IGT  | 94                            | 94                            | \$0                        | 0.0%                      |
| Other Sources  | 28                            | 28                            | \$0                        | 0.0%                      |
| <b>Subtotal</b>  | \$1,675                       | \$1,530                       | \$145                      | 9.5%                      |
| <b>Transfers</b>   |                               |                               |                            |                           |
| Lottery  | 44                            | 50                            | (\$6)                      | -12.0%                    |
| Riverboat transfers & receipts   | 16                            | 20                            | (\$4)                      | -20.0%                    |
| Other  | 2                             | 20                            | (\$18)                     | -90.0%                    |
| <b>Total State Sources</b>   | \$1,737                       | \$1,620                       | \$117                      | 7.2%                      |
| <b>Federal Sources</b>   | \$244                         | \$293                         | (\$49)                     | -16.7%                    |
| <b>Total Federal &amp; State Sources</b>   | \$1,981                       | \$1,913                       | \$68                       | 3.6%                      |
| <b>Nongeneral Funds Distribution:</b>  |                               |                               |                            |                           |
| <b>Refund Fund</b>   |                               |                               |                            |                           |
| Personal Income Tax  | (\$60)                        | (\$67)                        | \$7                        | -10.4%                    |
| Corporate Income Tax   | (\$9)                         | (1)                           | (\$8)                      | 800.0%                    |
| <b>Subtotal General Funds</b>  | \$1,912                       | \$1,845                       | \$67                       | 3.6%                      |
| <b>Short-Term Borrowing</b>  | \$0                           | \$900                         | (\$900)                    | N/A                       |
| <b>Hopital Provider Fund (cash flow transfer)</b>                                  | \$0                           | \$0                           | \$0                        | N/A                       |
| <b>Budget Stabilization Fund Transfer</b>  | \$0                           | \$0                           | \$0                        | N/A                       |
| <b>Total General Funds</b>   | \$1,912                       | \$2,745                       | (\$833)                    | -30.3%                    |
| CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding |                               |                               |                            | 5-Mar-08                  |

## GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2008 vs. FY 2007

(\$ million)

| <b>Revenue Sources</b>  | <b>FY 2008</b>  | <b>FY 2007</b>  | <b>CHANGE<br/>FROM<br/>FY 2007</b> | <b>%<br/>CHANGE</b> |
|---|-----------------|-----------------|------------------------------------|---------------------|
| <b>State Taxes</b>  |                 |                 |                                    |                     |
| Personal Income Tax   | \$6,651         | \$6,136         | \$515                              | 8.4%                |
| Corporate Income Tax (regular)  | 923             | 894             | \$29                               | 3.2%                |
| Sales Taxes   | 4,850           | 4,862           | (\$12)                             | -0.2%               |
| Public Utility Taxes (regular)  | 750             | 744             | \$6                                | 0.8%                |
| Cigarette Tax   | 234             | 234             | \$0                                | 0.0%                |
| Liquor Gallonage Taxes  | 110             | 107             | \$3                                | 2.8%                |
| Vehicle Use Tax   | 21              | 22              | (\$1)                              | -4.5%               |
| Inheritance Tax (Gross)   | 256             | 182             | \$74                               | 40.7%               |
| Insurance Taxes and Fees  | 173             | 163             | \$10                               | 6.1%                |
| Corporate Franchise Tax & Fees  | 149             | 126             | \$23                               | 18.3%               |
| Interest on State Funds & Investments   | 145             | 136             | \$9                                | 6.6%                |
| Cook County IGT   | 193             | 178             | \$15                               | 8.4%                |
| Other Sources   | 277             | 275             | \$2                                | 0.7%                |
| <b>Subtotal</b>   | <b>\$14,732</b> | <b>\$14,059</b> | <b>\$673</b>                       | <b>4.8%</b>         |
| <b>Transfers</b>  |                 |                 |                                    |                     |
| Lottery   | 416             | 380             | \$36                               | 9.5%                |
| Riverboat transfers & receipts  | 429             | 420             | \$9                                | 2.1%                |
| Other   | 327             | 456             | (\$129)                            | -28.3%              |
| <b>Total State Sources</b>  | <b>\$15,904</b> | <b>\$15,315</b> | <b>\$589</b>                       | <b>3.8%</b>         |
| <b>Federal Sources</b>  | <b>\$3,043</b>  | <b>\$3,097</b>  | <b>(\$54)</b>                      | <b>-1.7%</b>        |
| <b>Total Federal &amp; State Sources</b>  | <b>\$18,947</b> | <b>\$18,412</b> | <b>\$535</b>                       | <b>2.9%</b>         |
| <b>Nongeneral Funds Distribution:</b>   |                 |                 |                                    |                     |
| <b>Refund Fund</b>  |                 |                 |                                    |                     |
| Personal Income Tax   | (\$515)         | (\$598)         | \$83                               | -13.9%              |
| Corporate Income Tax  | (\$143)         | (\$156)         | \$13                               | -8.3%               |
| <b>Subtotal General Funds</b>   | <b>\$18,289</b> | <b>\$17,658</b> | <b>\$631</b>                       | <b>3.6%</b>         |
| <b>Short-Term Borrowing</b>   | <b>\$1,200</b>  | <b>\$900</b>    | <b>\$300</b>                       | <b>33.3%</b>        |
| <b>Hospital Provider Fund (cash flow transfer)</b>  | <b>\$300</b>    | <b>\$0</b>      | <b>\$300</b>                       | <b>N/A</b>          |
| <b>Budget Stabilization Fund Transfer</b>   | <b>\$276</b>    | <b>\$276</b>    | <b>\$0</b>                         | <b>0.0%</b>         |
| <b>Total General Funds</b>  | <b>\$20,065</b> | <b>\$18,834</b> | <b>\$1,231</b>                     | <b>6.5%</b>         |
| SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding. |                 |                 |                                    |                     |
| CGFA  |                 |                 |                                    | 5-Mar-08            |

**GENERAL FUNDS GROWTH NEEDED TO MEET ESTIMATE**  
**FY 2008 ESTIMATE vs. FY 2007 ACTUAL**  
(\$ million)

|  | <b>Mar-08<br/>ESTIMATE<br/>FY 2008</b> | <b>FYTD<br/>2008</b> | <b>AMOUNT<br/>NEEDED<br/>FY 2008 EST.</b> | <b>FYTD<br/>2007</b> | <b>GROWTH<br/>NEEDED</b> | <b>%<br/>CHANGE</b> |
|--|--|----------------------|---|----------------------|--------------------------|---------------------|
| <b>Revenue Sources</b>                                       |  |                      |   |                      |                          |                     |
| <i>State Taxes</i>   |  |                      |   |                      |                          |                     |
| Personal Income Tax  | \$11,100                               | \$6,651              | \$4,449                                   | \$6,136              | \$161                    | 3.8%                |
| Corporate Income Tax (regular)                               | 2,153                                  | 923                  | \$1,230                                   | 894                  | \$3                      | 0.2%                |
| Sales Taxes  | 7,156                                  | 4,850                | \$2,306                                   | 4,862                | \$32                     | 1.4%                |
| Public Utility Taxes (regular)                               | 1,140                                  | 750                  | \$390                                     | 744                  | \$3                      | 0.8%                |
| Cigarette Tax  | 350                                    | 234                  | \$116                                     | 234                  | \$0                      | 0.0%                |
| Liquor Gallonage Taxes                                       | 160                                    | 110                  | \$50                                      | 107                  | \$1                      | 2.0%                |
| Vehicle Use Tax  | 33                                     | 21                   | \$12                                      | 22                   | \$1                      | 9.1%                |
| Inheritance Tax (Gross)                                      | 360                                    | 256                  | \$104                                     | 182                  | \$22                     | 26.8%               |
| Insurance Taxes and Fees                                     | 325                                    | 173                  | \$152                                     | 163                  | \$5                      | 3.4%                |
| Corporate Franchise Tax & Fees                               | 220                                    | 149                  | \$71                                      | 126                  | \$4                      | 6.0%                |
| Interest on State Funds & Investments                        | 185                                    | 145                  | \$40                                      | 136                  | (\$28)                   | -41.2%              |
| Cook County IGT  | 302                                    | 193                  | \$109                                     | 178                  | (\$20)                   | -15.5%              |
| Other Sources  | 453                                    | 277                  | \$176                                     | 275                  | \$2                      | 1.1%                |
| <b>Subtotal</b>  | \$23,937                               | \$14,732             | \$9,205                                   | \$14,059             | \$186                    | 2.1%                |
| <i>Transfers</i>   |  |                      |   |                      |                          |                     |
| Lottery  | 675                                    | 416                  | \$259                                     | 380                  | \$17                     | 7.0%                |
| Riverboat transfers & receipts                               | 625                                    | 429                  | \$196                                     | 420                  | (\$69)                   | -26.0%              |
| Other  | 598                                    | 327                  | \$271                                     | 456                  | (\$212)                  | -43.9%              |
| <b>Total State Sources</b>                                   | \$25,835                               | \$15,904             | \$9,931                                   | \$15,315             | (\$78)                   | -0.8%               |
| <b>Federal Sources</b>                                       | \$4,804                                | \$3,043              | \$1,761                                   | \$3,097              | \$155                    | 9.7%                |
| <b>Total Federal &amp; State Sources</b>                     | \$30,639                               | \$18,947             | \$11,692                                  | \$18,412             | \$77                     | 0.7%                |
| <b>Nongeneral Funds Distribution:</b>                        |  |                      |   |                      |                          |                     |
| <i>Refund Fund</i>   |  |                      |   |                      |                          |                     |
| Personal Income Tax  | (\$860)                                | (\$515)              | (\$345)                                   | (\$598)              | \$73                     | -17.5%              |
| Corporate Income Tax   | (334)                                  | (\$143)              | (\$191)                                   | (156)                | \$24                     | -11.2%              |
| <b>Subtotal General Funds</b>                                | \$29,445                               | \$18,289             | \$11,156                                  | \$17,658             | \$174                    | 1.6%                |
| <b>Short-Term Borrowing</b>                                  | \$1,200                                | \$1,200              | \$0                                       | \$900                | \$0                      | N/A                 |
| <b>Hospital Provider Fund (cash flow transfer)</b>           | \$300                                  | \$300                | \$0                                       | \$0                  | (\$456)                  | N/A                 |
| <b>Budget Stabilization Fund Transfer</b>                    | \$276                                  | \$276                | \$0                                       | \$276                | \$0                      | N/A                 |
| <b>Total General Funds</b>                                   | \$31,221                               | \$20,065             | \$11,156                                  | \$18,834             | (\$282)                  | -2.5%               |
| CGFA estimate updated to reflect actual short-term borrowing |  |                      |   |                      |                          |                     |
|  |  |                      |   |                      |                          | 5-Mar-08            |

## GENERAL FUNDS GROWTH NEEDED TO MEET GOMB ESTIMATE

FY 2008 ESTIMATE vs. FY 2007 ACTUAL

(\$ million)

| Revenue Sources  | Feb-08<br>ESTIMATE<br>FY 2008 | FYTD<br>2008    | AMOUNT<br>NEEDED<br>FY 2008 EST. | FYTD<br>2007    | GROWTH<br>NEEDED | %<br>CHANGE  |
|--|-------------------------------|-----------------|----------------------------------|-----------------|------------------|--------------|
| <b>State Taxes</b>   |                               |                 |                                  |                 |                  |              |
| Personal Income Tax  | \$11,136                      | \$6,651         | \$4,485                          | \$6,136         | \$197            | 4.6%         |
| Corporate Income Tax (regular)                               | 2,121                         | 923             | \$1,198                          | 894             | (\$29)           | -2.4%        |
| Sales Taxes  | 7,172                         | 4,850           | \$2,322                          | 4,862           | \$48             | 2.1%         |
| Public Utility Taxes (regular)                               | 1,111                         | 750             | \$361                            | 744             | (\$26)           | -6.7%        |
| Cigarette Tax  | 350                           | 234             | \$116                            | 234             | \$0              | 0.0%         |
| Liquor Gallonage Taxes                                       | 159                           | 110             | \$49                             | 107             | \$0              | 0.0%         |
| Vehicle Use Tax  | 30                            | 21              | \$9                              | 22              | (\$2)            | -18.2%       |
| Inheritance Tax (Gross)                                      | 315                           | 256             | \$59                             | 182             | (\$23)           | -28.0%       |
| Insurance Taxes and Fees                                     | 320                           | 173             | \$147                            | 163             | \$0              | 0.0%         |
| Corporate Franchise Tax & Fees                               | 215                           | 149             | \$66                             | 126             | (\$1)            | -1.5%        |
| Interest on State Funds & Investments                        | 204                           | 145             | \$59                             | 136             | (\$9)            | -13.2%       |
| Cook County IGT  | 302                           | 193             | \$109                            | 178             | (\$20)           | -15.5%       |
| Other Sources  | 502                           | 277             | \$225                            | 275             | \$51             | 29.3%        |
| <b>Subtotal</b>  | <b>\$23,937</b>               | <b>\$14,732</b> | <b>\$9,205</b>                   | <b>\$14,059</b> | <b>\$186</b>     | <b>2.1%</b>  |
| <b>Transfers</b>   |                               |                 |                                  |                 |                  |              |
| Lottery  | 657                           | 416             | \$241                            | 380             | (\$1)            | -0.4%        |
| Riverboat transfers & receipts                               | 636                           | 429             | \$207                            | 420             | (\$58)           | -21.9%       |
| Other  | 678                           | 327             | \$351                            | 456             | (\$132)          | -27.3%       |
| <b>Total State Sources</b>                                   | <b>\$25,908</b>               | <b>\$15,904</b> | <b>\$10,004</b>                  | <b>\$15,315</b> | <b>(\$5)</b>     | <b>0.0%</b>  |
| <b>Federal Sources</b>                                       | <b>\$4,804</b>                | <b>\$3,043</b>  | <b>\$1,761</b>                   | <b>\$3,097</b>  | <b>\$155</b>     | <b>9.7%</b>  |
| <b>Total Federal &amp; State Sources</b>                     | <b>\$30,712</b>               | <b>\$18,947</b> | <b>\$11,765</b>                  | <b>\$18,412</b> | <b>\$150</b>     | <b>1.3%</b>  |
| <b>Nongeneral Funds Distribution:</b>                        |                               |                 |                                  |                 |                  |              |
| <b>Refund Fund</b>   |                               |                 |                                  |                 |                  |              |
| Personal Income Tax  | (\$863)                       | (\$515)         | (\$348)                          | (\$598)         | \$70             | -16.7%       |
| Corporate Income Tax   | (329)                         | (\$143)         | (\$186)                          | (156)           | \$29             | -13.5%       |
| <b>Subtotal General Funds</b>                                | <b>\$29,520</b>               | <b>\$18,289</b> | <b>\$11,231</b>                  | <b>\$17,658</b> | <b>\$249</b>     | <b>2.3%</b>  |
| <b>Short-Term Borrowing</b>                                  | <b>\$1,200</b>                | <b>\$1,200</b>  | <b>\$0</b>                       | <b>\$900</b>    | <b>\$0</b>       | <b>N/A</b>   |
| <b>Hospital Provider Fund (cash flow transfer)</b>           | <b>\$300</b>                  | <b>\$300</b>    | <b>\$0</b>                       | <b>\$0</b>      | <b>(\$456)</b>   | <b>N/A</b>   |
| <b>Budget Stabilization Fund Transfer</b>                    | <b>\$276</b>                  | <b>\$276</b>    | <b>\$0</b>                       | <b>\$276</b>    | <b>\$0</b>       | <b>N/A</b>   |
| <b>Total General Funds</b>                                   | <b>\$31,296</b>               | <b>\$20,065</b> | <b>\$11,231</b>                  | <b>\$18,834</b> | <b>(\$207)</b>   | <b>-1.8%</b> |
| CGFA estimate updated to reflect actual short-term borrowing |                               |                 |                                  |                 |                  | 5-Mar-08     |

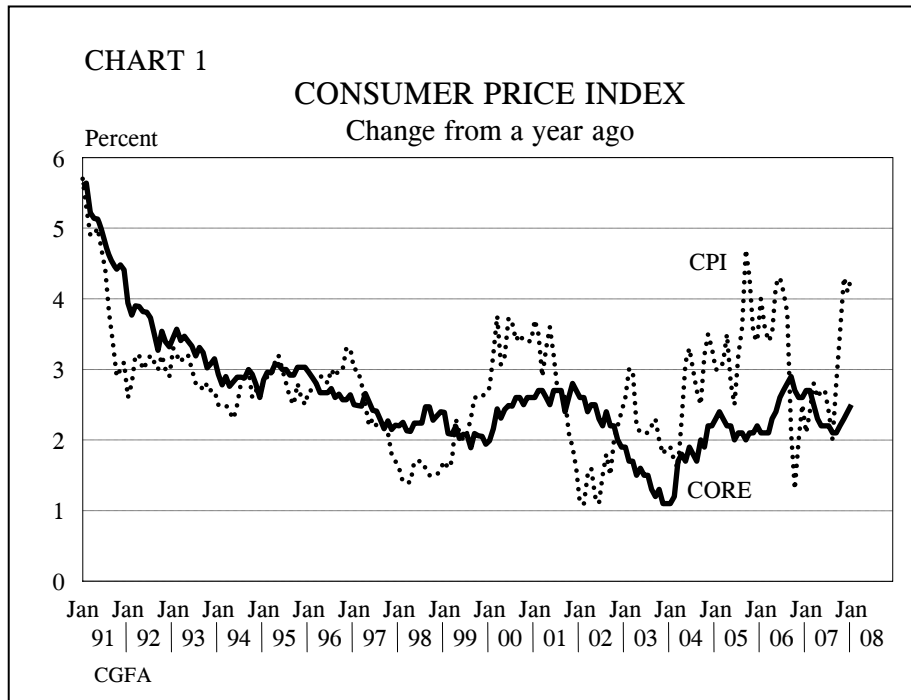
**ECONOMY**  
**Worst of Both Worlds**

Edward H. Boss, Jr.  
 Chief Economist

The economy slowed sharply as 2007 ended, evidenced by the preliminary report on real Gross Domestic Product (GDP) that showed that the economy slowed from a rapid annual rate of 4.9% in the third quarter of 2007 to a meager 0.6% in the final quarter. At the same time, prices have accelerated—the worst of both worlds. As shown in the chart below, consumer prices (CPI) on a year-over-year basis have been on the rise since a recent low of 1.3% in August 2006 increasing to 4.3% in January 2008. Even eliminating the acceleration of prices in the volatile food and energy sectors, the

core rate of inflation has begun to increase at a faster pace, from 2.1% last fall to 2.5% in January 2008. This is well above what is perceived to be the 2.0% upper limit of the Federal Reserve’s target range.

Among the fastest rising components of the index has been food and beverages, up 4.8%; transportation, up 9.4%; and medical care, up 4.9%. Combined, the weight of these three categories account for almost 40% of the CPI. In the special index of energy alone, which accounts for almost 10% of the CPI, the year-over-year increase was up 19.6% in January. There is likely to be continued pressure on consumer prices as producer price increases have accelerated which will put pressure on business to pass these higher prices on to the consumer.



Producer prices jumped one percent in January, posting the biggest 12-month gain in more than 26 years and were up 7.4% from a year earlier. The jump in producer prices largely reflected soaring energy costs. The Labor Department report showed energy prices at the wholesale level rose 1.5% in January and were up 22.6% over a year earlier while gasoline prices gained 2.9% in the month and a huge 48.1% over the year. Moreover since January, energy prices have risen further with oil prices reaching record highs, at times trading as high as \$105 per barrel. Thus, there appears little likelihood of any near term relief coming from the producer price front.

Despite the acceleration in price increases, there is little chance the Federal Reserve will tighten credit policy. Indeed, the opposite is likely. In recent testimony before Congress, Federal Reserve Chairman Bernanke said that the economic situation has become distinctively less favorable and added the Fed “will act in a timely manner as needed to support growth and to provide adequate insurance against downside risks.” Thus, it

appears quite likely that further cuts in key monetary rates will be made at the next Open Market Committee meeting on March 20/21<sup>st</sup>.

A nemic economic growth and rising prices are bringing up the possibility of *stagflation*, a period of a stagnant economy with accelerating prices, like the situation that developed in the 1970s. The 1970s was characterized by inflation that seemed to feed upon itself which led consumers, expecting ever-increasing prices to spend more, driving up demand and putting further upward pressure on prices. This time it is the consumer that is being affected by the housing crisis, declining home prices, etc. that is slowing its spending and adding to economic weakness. While this could change in time, Fed Chairman Bernanke stated, “I don’t anticipate stagflation. I don’t think we’re anywhere near the situation that prevailed in the 1970s.” Given the differences between the current situation and the 1970s, it appears that, while the economy is likely to continue to be weak in the months ahead, stagflation can be avoided.

| <b>INDICATORS OF ILLINOIS ECONOMIC ACTIVITY</b> |                     |                                  |                                 |
|---|---------------------|----------------------------------|---------------------------------|
| <u>INDICATORS</u>                               | <u>JAN. 2008</u>    | <u>DEC. 2007</u>                 | <u>JAN. 2007</u>                |
| Unemployment Rate (Average)                     | 5.6%                | 5.3%                             | 4.6%                            |
| Annual Rate of Inflation (Chicago)              | 9.5%                | -4.1%                            | 4.7%                            |
|   |                     |                                  |                                 |
|   | <u>LATEST MONTH</u> | <u>% CHANGE OVER PRIOR MONTH</u> | <u>% CHANGE OVER A YEAR AGO</u> |
| Civilian Labor Force (thousands) (January)      | 6,788               | 0.7%                             | 2.1%                            |
| Employment (thousands) January)                 | 6,406               | 0.4%                             | 1.1%                            |
| New Car & Truck Registration (January)          | 49,628              | 14.1%                            | -8.2%                           |
| Single Family Housing Permits (January)         | 806                 | -11.9%                           | -50.3%                          |
| Total Exports (\$ mil) (December)               | 4,087               | -0.8%                            | 12.0%                           |
| Chicago Purchasing Managers Index (February)    | 44.5                | -13.6%                           | -7.1%                           |

## **Possible ISFA Purchase of Wrigley Field**

Lynnae Kapp, Bond Analyst

The Illinois Sports Facilities Authority (ISFA) is looking into the possible purchase of Wrigley Field to renovate it, as a way to entice future buyers of the Cubs to stay in Chicago. The city of Chicago would have to relax the Field's landmark designation to allow parts of the Field to be torn down and rebuilt, and for possible naming rights to be sold. And under a plan by ISFA Chairman and Former Governor Jim Thompson, the city would also have to give up 30 years of sales tax TIF revenues at Wrigley Field and its new building(s)—on such things as tickets and concessions. Under his proposed plan, bonds would be financed by increased stadium revenues and the sales tax increment being generated at Wrigley Field, and would not have to be paid for by the State. As part of the deal, whoever owns the Cubs would have to sign a 30-year lease keeping the Cubs at Wrigley and giving revenues for debt service. Currently the ISFA is looking into the cost of renovation and may make an offer on Wrigley Field in the next two weeks.

The General Assembly would have to give the ISFA the authority to purchase Wrigley Field and give them bonding authority for the project. The ISFA can sell tax-exempt bonds for up to a 40 year maturity. Debt issued by the ISFA is not an obligation of the State. Currently the Authority only has authorization for the bonds sold for Comiskey Park (\$150 million) and the Soldier Field Renovation (\$399

million). Those bonds are paid for by local and State hotel taxes.

The Illinois Sports Facilities Authority (ISFA) was created in 1987 to fund and build new and lasting infrastructure and make other improvements as necessary for the retention of professional sports teams, which would generate economic activity. The ISFA entered into an agreement with the Chicago White Sox to build the new Comiskey Park. In March of 1989, the Authority issued \$150.0 million in bonds to enable construction of the new park, which was used during the 1991 ball season. With Public Act 91-935, the General Assembly allowed the Authority to enter into agreements with the Chicago Park District and the Chicago Bears to renovate Soldier Field and related lake front improvements projects. As part of the agreement, the Authority sold \$399 million of bonds in October of 2001 to provide financial assistance to another government facility, the Chicago Park District. The Comiskey Park bonds will be paid off in 2010, allowing the money used for the debt service on those bonds to be used for the debt service on the Soldier Field bonds.

The ISFA receives revenues from: the imposition of a tax of 2% of 98% of the gross rental receipts of hotel operators in Chicago; \$5 million annually from the Local Government Distributive Fund; and annual transfers from the State's Hotel Operators' Occupation Tax—(a) \$5 million into a Subsidy Account, and (b) amounts put into an Advance Account [\$28 million in FY 2008], which is paid back every

year. The Advance amount is based on the request from the Authority, the maximum of which comes from the formula of \$22.179 million beginning in FY 2002 to be increased annually by 5.615% until the year 2032. The ISFA

also receives revenues from ticket fees and media fees as a part of a revenue sharing agreement with the Chicago White Sox; rent payments from the Chicago White Sox; and interest payments from investment of funds.

**PENSIONS**

**The Chicago Teachers' Pension Fund;  
Chicago Board of Education and  
State Contributions for FY 2009**  
Dan Hankiewicz, Pension Manager

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

Fiscal Year 2011, the Board of Education is making contributions as a level percentage of payroll each year through FY 2045.

Public Act 90-0548 revised the funding plan to stipulate that the Chicago Board of Education need not make pension contributions unless the funded ratio drops below 90%. As shown in Table 1 below, the funded ratio stood at 80.4% at the end of Fiscal Year 2007. The Chicago Teachers' Pension Fund experienced an FY 2007 investment gain of approximately \$1.1 billion, which helped to drive up the funding ratio from the FY 2006 level of 78.0%.

| Table 1  |                   |                 |                    |              |
|--|-------------------|-----------------|--------------------|--------------|
| Summary of Financial Condition<br>Chicago Teachers' Pension Fund<br>(\$ in Millions) |                   |                 |                    |              |
| Fiscal Year  | Accrued Liability | Net Assets      | Unfunded Liability | Funded Ratio |
| 1998   | 9,341.9           | 7,064.5         | 2,277.4            | 75.6%        |
| 1999   | 8,551.9           | 8,620.1         | (68.2)             | 100.8%       |
| 2000   | 9,940.4           | 9,612.2         | 328.2              | 96.7%        |
| 2001   | 10,392.7          | 10,387.6        | 5.1                | 100.0%       |
| 2002   | 11,025.5          | 10,640.9        | 384.5              | 96.5%        |
| 2003   | 11,411.5          | 10,494.8        | 916.8              | 92.0%        |
| 2004   | 12,105.7          | 10,392.2        | 1,713.5            | 85.8%        |
| 2005   | 13,295.9          | 10,506.5        | 2,789.4            | 79.0%        |
| 2006   | 14,035.6          | 10,948.0        | 3,087.6            | 78.0%        |
| <b>2007</b>  | <b>14,677.2</b>   | <b>11,807.1</b> | <b>2,870.1</b>     | <b>80.4%</b> |



Public Act 90-0582 requires the state to contribute 0.544% of the fund's total teacher payroll when the funded ratio drops below 90%. The state will make a \$10.2 million contribution to the Chicago Teachers' Pension Fund in FY 2008 in accordance with this provision (P.A. 95-0348 contained the FY 2008 appropriation to the Chicago Teachers' Pension Fund).

Based on the fund's June 30, 2007 actuarial valuation, the Chicago Teachers'

Pension Fund had a funded ratio of 80.4%, as shown in Table 1. Therefore, the Chicago Board of Education will be required to make an FY 2009 contribution of \$188.2 million in FY 2009. The State's FY 2009 contribution in accordance with P.A. 90-0582 will be \$9.8 million. It is assumed that the annual \$65.0 million state retiree healthcare subsidy will continue in FY 2009 and beyond. Projected Chicago Board of Education and State contributions are shown in Table 2 below.

|             | <u>State<br/>Appropriations</u> | <u>Add'l State<br/>Contribution</u> | <u>Board of Ed.<br/>Contributions</u> | <u>Funded<br/>Ratio</u> |
|-------------|---------------------------------|-------------------------------------|---------------------------------------|-------------------------|
| 2008        | \$65.0                          | \$10.2                              | 131.5                                 | 82.2%                   |
| <b>2009</b> | <b>\$65.0</b>                   | <b>\$9.8</b>                        | <b>188.2</b>                          | <b>84.0%</b>            |
| 2010        | \$65.0                          | \$10.1                              | 225.2                                 | 85.6%                   |
| 2011        | \$65.0                          | \$10.4                              | 234.4                                 | 85.5%                   |
| 2012        | \$65.0                          | \$10.7                              | 243.9                                 | 85.4%                   |
| 2013        | \$65.0                          | \$11.1                              | 253.9                                 | 85.4%                   |
| 2014        | \$65.0                          | \$11.4                              | 264.4                                 | 85.3%                   |
| 2015        | \$65.0                          | \$11.8                              | 275.5                                 | 85.2%                   |
| 2016        | \$65.0                          | \$12.2                              | 287.2                                 | 85.2%                   |
| 2017        | \$65.0                          | \$12.7                              | 299.5                                 | 85.2%                   |
| 2018        | \$65.0                          | \$13.1                              | 312.5                                 | 85.1%                   |
| 2019        | \$65.0                          | \$13.6                              | 325.9                                 | 85.1%                   |
| 2020        | \$65.0                          | \$14.1                              | 340.0                                 | 85.1%                   |
| 2030        | \$65.0                          | \$20.1                              | 513.5                                 | 85.9%                   |
| 2040        | \$65.0                          | \$27.9                              | 737.1                                 | 88.2%                   |
| 2045        | \$65.0                          | \$33.2                              | 890.1                                 | 90.0%                   |

State Employees Retirement System  
 Month End Active Member Recap by Fiscal Year

| FY 2006                             |         |                  |
|-------------------------------------|---------|------------------|
|                                     | FY 2006 | Total Employees* |
| July                                | 2005    | 71,726           |
| August                              | 2005    | 71,824           |
| September                           | 2005    | 71,931           |
| October                             | 2005    | 70,613           |
| November                            | 2005    | 70,537           |
| December                            | 2005    | 70,949           |
| January                             | 2006    | 71,061           |
| February                            | 2006    | 70,575           |
| March                               | 2006    | 70,519           |
| April                               | 2006    | 70,892           |
| May                                 | 2006    | 70,673           |
| June                                | 2006    | 71,314           |
| FY 2007                             |         |                  |
| July                                | 2006    | 72,057           |
| August                              | 2006    | 72,313           |
| September                           | 2006    | 72,421           |
| October                             | 2006    | 70,551           |
| November                            | 2006    | 70,530           |
| December                            | 2006    | 70,801           |
| January                             | 2007    | 70,747           |
| February                            | 2007    | 70,284           |
| March                               | 2007    | 70,516           |
| April                               | 2007    | 70,389           |
| May                                 | 2007    | 69,627           |
| June                                | 2007    | 70,588           |
| FY 2008                             |         |                  |
| July                                | 2007    | 71,143           |
| August                              | 2007    | 70,904           |
| September                           | 2007    | 71,113           |
| October                             | 2007    | 69,656           |
| November                            | 2007    | 69,862           |
| December                            | 2007    | 70,367           |
| January                             | 2008    | 70,026           |
| February                            | 2008    | 69,764           |
| <b>*Including Qualifying Period</b> |         |                  |