



Commission on Government Forecasting and Accountability

MONTHLY BRIEFING

JUNE 2007

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

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REVENUE: Base FY 2007 Revenue Growth \$1.281 billion: Income Taxes Exceed Expectations But Sales Tax and Federal Sources Disappoint
Jim Muschinske, Revenue Manager

General funds revenues ended the year by posting gains of \$151 million in June. The increase was attributed to continued strength from income taxes as well as a comparatively good month for federal sources. June had one less receipting day than the same month last year.

Gross personal income taxes ended the year with a flourish as receipts grew \$80 million, or \$73 million net of refunds. Gross corporate income taxes also did well, up \$23 million, or \$25 million net of refunds. The Cook County IGT increased by \$10 million while inheritance tax grew by \$6 million.

Despite an overall increase in revenues, a number of sources posted declines in June. Sales tax receipts were down again, this time by \$19 million, marking the fifth consecutive monthly decline in sales tax. Concern continues to grow over this source's second half performance. Public utility taxes declined by \$14 million, as did other sources. Corporate franchise taxes and fees lost \$5 million, cigarette taxes \$4 million, interest income \$2 million, and liquor taxes \$1 million.

Overall transfers increased \$21 million in June. Lottery transfers grew by \$10 million, other transfers by \$6 million, and riverboat transfers by \$5 million. Federal sources were up \$79 million, fueled in large part by a comparatively weak month last year.

Year End

Excluding \$456 million in Hospital Provider Fund cash flow transfers and \$900 million in short-term borrowing, overall base general funds finished the fiscal year up \$1.281 billion.

While income taxes outperformed expectations for virtually all of the fiscal year, sales taxes and federal sources were disappointing over the latter part of the fiscal year.

For the year, gross personal income taxes were up \$856 million, or \$773 million net of refunds. Gross corporate income taxes were up \$337 million, or \$322 million net of refunds. Public utility taxes increased by \$57 million, while interest income rose by \$51 million. Sales tax receipts grew by a disappointing \$44 million, corporate franchise taxes increased \$12 million, other sources \$8 million, and liquor taxes \$4 million.

As expected, cigarette taxes were down \$50 million for the year due to a change in tax distribution. The Cook County IGT was down \$43 million, inheritance tax finished off by \$8 million, insurance taxes were down by \$7 million, and vehicle use tax declined a modest \$1 million.

For the year, overall transfers were up by \$141 million. Other transfers were up \$193 million due to transfers from the Refund Fund, fund sweeps, chargeback activity, and a one-time \$80 million transfer resulting from the hospital assessment program. A \$48 million falloff in lottery transfers and a \$4 million dip in riverboat transfers served to offset some of those gains.

Finally, federal sources finished down \$22 million.

In summary, overall receipts performed quite well in FY 2007, particularly income taxes. Not so encouraging, however, were the meager gains posted by sales taxes. This divergence in the performance of the most closely tied economic sources is somewhat unsettling and caution is advised for the upcoming fiscal year as rates of growth for income taxes are expected to moderate considerably. In a recent June report of the National Association of State Budget Officers "The Fiscal Survey of States", projected collections of personal income taxes are expected to grow 3.5%, sales tax by 2.6%, while corporate income tax is estimated to drop 4.1%. The forecasting services utilized by the Commission also calls for a moderation in growth expectations.

Usually in July, the Commission is recalculating its revenue forecast to include the recently established base of the previous fiscal year as well as legislative changes that impact revenues. With the uncertainty involving this year's overtime session what, if any, legislative changes will be incorporated in next year's estimate is yet to be seen. Updates will be provided in upcoming monthly briefings.

GENERAL FUNDS RECEIPTS: JUNE

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

Revenue Sources	June FY 2007	June FY 2006	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$919	\$839	\$80	9.5%
Corporate Income Tax (regular)	278	255	\$23	9.0%
Sales Taxes	618	637	(\$19)	-3.0%
Public Utility Taxes (regular)	83	97	(\$14)	-14.4%
Cigarette Tax	29	33	(\$4)	-12.1%
Liquor Gallonage Taxes	15	16	(\$1)	-6.3%
Vehicle Use Tax	3	3	\$0	0.0%
Inheritance Tax (Gross)	26	20	\$6	30.0%
Insurance Taxes and Fees	57	61	(\$4)	-6.6%
Corporate Franchise Tax & Fees	10	15	(\$5)	-33.3%
Interest on State Funds & Investments	15	17	(\$2)	-11.8%
Cook County IGT	10	0	\$10	N/A
Other Sources	67	81	(\$14)	-17.3%
Subtotal	\$2,130	\$2,074	\$56	2.7%
Transfers				
Lottery	61	51	\$10	19.6%
Riverboat transfers & receipts	160	155	\$5	3.2%
Other	197	191	\$6	3.1%
Total State Sources	\$2,548	\$2,471	\$77	3.1%
Federal Sources	\$366	\$287	\$79	27.5%
Total Federal & State Sources	\$2,914	\$2,758	\$156	5.7%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$89)	(\$82)	(\$7)	8.5%
Corporate Income Tax	(\$49)	(51)	\$2	-3.9%
Subtotal General Funds	\$2,776	\$2,625	\$151	5.8%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Hopital Provider Fund (cash flow transfer)	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$2,776	\$2,625	\$151	5.8%

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

5-Jul-07

GENERAL FUNDS RECEIPTS: YEAR END

FY 2007 vs. FY 2006

(\$ million)

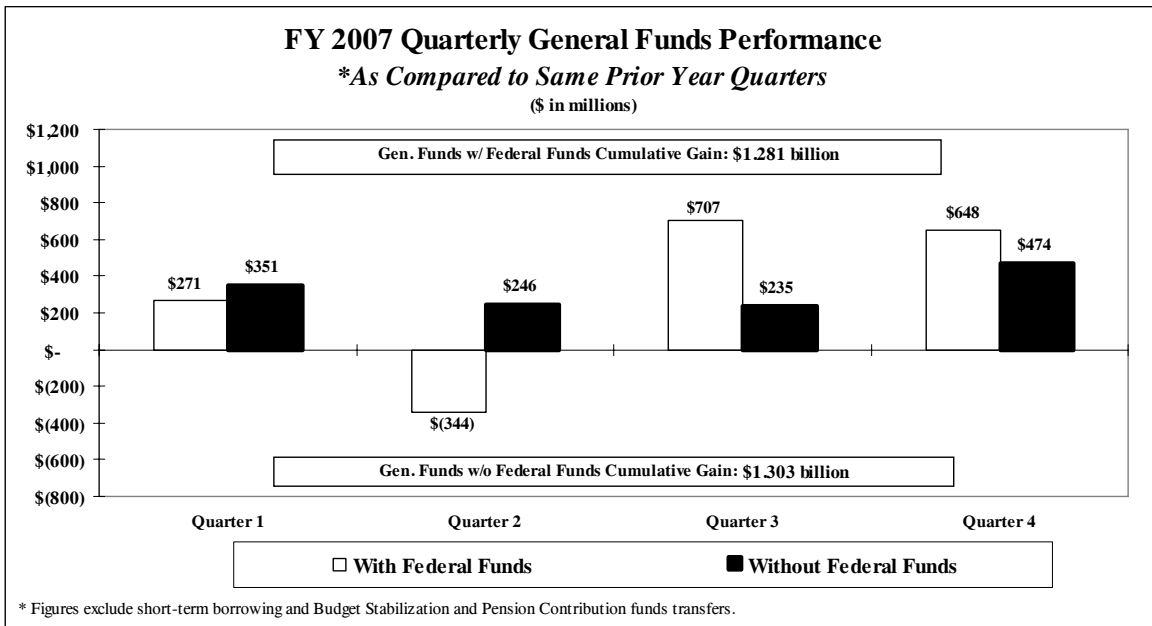
Revenue Sources	FY 2007	FY 2006	CHANGE FROM FY 2006	% CHANGE
State Taxes				
Personal Income Tax	\$10,424	\$9,568	\$856	8.9%
Corporate Income Tax (regular)	2,121	1,784	\$337	18.9%
Sales Taxes	7,136	7,092	\$44	0.6%
Public Utility Taxes (regular)	1,131	1,074	\$57	5.3%
Cigarette Tax	350	400	(\$50)	-12.5%
Liquor Gallonage Taxes	156	152	\$4	2.6%
Vehicle Use Tax	33	34	(\$1)	-2.9%
Inheritance Tax (Gross)	264	272	(\$8)	-2.9%
Insurance Taxes and Fees	310	317	(\$7)	-2.2%
Corporate Franchise Tax & Fees	193	181	\$12	6.6%
Interest on State Funds & Investments	204	153	\$51	33.3%
Cook County IGT	307	350	(\$43)	-12.3%
Other Sources	449	441	\$8	1.8%
Subtotal	\$23,078	\$21,818	\$1,260	5.8%
Transfers				
Lottery	622	670	(\$48)	-7.2%
Riverboat transfers & receipts	685	689	(\$4)	-0.6%
Other	939	746	\$193	25.9%
Total State Sources	\$25,324	\$23,923	\$1,401	5.9%
Federal Sources	\$4,703	\$4,725	(\$22)	-0.5%
Total Federal & State Sources	\$30,027	\$28,648	\$1,379	4.8%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$1,016)	(\$933)	(\$83)	8.9%
Corporate Income Tax	(\$371)	(\$356)	(\$15)	4.2%
Subtotal General Funds	\$28,640	\$27,359	\$1,281	4.7%
Short-Term Borrowing	\$900	\$1,000	(\$100)	-10.0%
Hospital Provider Fund (cash flow transfer)	\$456	\$0	\$456	N/A
Budget Stabilization Fund Transfer	\$276	\$276	\$0	N/A
Total General Funds	\$30,272	\$28,635	\$1,637	5.7%

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

CGFA

5-Jul-07

FY 2007 REVENUE RECAP



FIRST QUARTER

To begin the fiscal year, July general revenue receipts increased \$78 million. The increase occurred despite a number of revenue sources experiencing declines. A large part of the increase was the result of a transfer from the Income Tax Refund Fund in the amount of \$81 million. Absent a \$23 million gain in federal sources, all other revenue sources were up a modest \$55 million. In August, overall general funds revenues increased \$127 million. The larger economic sources did well, while some of the other areas posted small losses. Similar to last year, \$276 million from the Budget Stabilization Fund was transferred into the General Fund to assist in cash flow. Excluding \$19 million in federal source gains, all other areas increased \$108 million. Overall general funds revenues increased \$66 million in September.

While most of the economic sources posted monthly gains, particularly income taxes, those increases in large part were offset by a \$122 million falloff in federal sources due to an unusually large

month in federal receipts last year. Federal sources aside, other revenue sources posted an impressive \$188 million monthly increase.

Through the first three months of the fiscal year, overall revenues were up \$271 million. Most of the economically sensitive sources performed well, although some of the smaller sources as well as certain transfers struggled. A falloff in federal sources held down overall first quarter growth. In fact, excluding an \$80 million decline in federal receipts, all other sources posted a gain of \$351 million.

SECOND QUARTER

Overall general funds revenues increased \$65 million in October. The economic sources again fared well, although some of those gains were offset by another monthly falloff in federal sources. Excluding a \$28 million decline in federal sources, other sources experienced a gain of \$93 million. In November, overall receipts fell \$337 million due to

FY 2006's \$1 billion in short-term borrowing that was used to pay overdue Medicaid bills. That borrowing resulted in a huge month for federal reimbursement. In fact, excluding the falloff of \$486 million in federal sources, November receipts posted an impressive \$149 million gain. The first half of the fiscal year concluded with a \$72 million decline. Receipt performance was somewhat mixed, although another poor month for federal receipts, down \$76 million, was the reason behind the drop. Absent that, all other sources would have managed to eke out a \$4 million gain.

With the fiscal year half over, excluding short-term borrowing, overall general revenues were down \$74 million. The decline was due to the large November fall-off in federal sources stemming from last year's spending on Medicaid bills. Most of the economically related sources continued to perform very well. If the decline of \$670 million in federal sources was excluded, all other receipts were up a respectable \$596 million through December.

THIRD QUARTER

The third quarter began in dramatic fashion with overall receipts jumping \$563 million. The large increase mainly was due to much higher federal sources, up \$299 million, as the result of reimbursable Medicaid spending. Medicaid spending lagged for much of the year (in part due to last year's short-term borrowing), resulting in much lower federal reimbursements. Also contributing to the monthly increase were gains in the economically related sources. If the gain in federal sources was excluded, all other revenues still would have posted a \$264 million increase. Excluding \$900 million in short-term borrowing, February receipts fell \$96 million. While personal

income taxes continued to perform well, a number of other sources took a break from what had been good year to date performance. In addition, a comparatively low month for transfers contributed to the monthly decline. Overall March revenues jumped \$240 million on the strength of federal sources and income tax receipts. Absent a \$167 million gain in federal sources, the monthly advance would have been a more moderate \$73 million.

Excluding short-term borrowing, with three-fourths of the fiscal year completed, overall revenues were up \$633 million. A comparative decline of \$198 million in federal sources held down overall growth. Excluding the falloff in federal sources, all other revenues were up a strong \$831 million.

FOURTH QUARTER

The final quarter began very strong as overall receipts leapt \$460 million on the strength of income taxes and federal sources. Even if \$119 million in federal source gains were excluded, other revenues still posted a remarkable \$341 million in April. In contrast, May was a rather mundane month. Overall revenues grew by only \$37 million, although they would have been better if not for a \$24 million decline in federal sources. June revenues grew by \$151 million as both personal and corporate income taxes finished the year on a high note. Unfortunately, sales tax receipts suffered its fifth consecutive decline. Absent a \$79 million gain in federal sources, the month still posted a \$72 million advance.

For the year, overall base receipt grew \$1.281 billion or \$1.303 billion if the slight decline in federal sources is excluded. The performance of the larger economically related sources was mixed. While both personal and corporate income taxes exceeded

expectations for virtually all of the fiscal year, sales tax receipts stumbled coming down the stretch, signifying that slower overall growth can be expected in the upcoming fiscal year.

REVIEW OF THE FY 2007 REVENUE ESTIMATE

The following table tracks the Commission's as well as the GOMB's official revenue forecasts over the course of the fiscal year. As shown the FY 2007 budget was enacted based on the GOMB's estimate of \$28.330 billion, which was virtually identical to the Commission's July forecast.

In November, the Commission increased its estimate by \$60 million due to slightly better than expected performance over the first third of the fiscal year. The GOMB's first official revision was outlined in the March Budget Book when their initial forecast was increased \$163 million. The GOMB revision also

recognized better than expected performance from the economically related areas. In March, the Commission released its final official estimate which included an upward revision of \$125 million as income taxes continued to perform very well. Also addressed in the Commission's revision was the falloff in the performance of sales tax receipts.

As shown, actual FY 2007 base revenues exceeded the Commission's March forecast by \$135 million, and the GOMB's estimate by \$147 million. Not surprisingly, the largest variances were recorded in the estimates of the economically related sources such as income and sales. Income tax performance exceeded the estimates of both agencies, while sales tax fell well short of expectations. Other transfers, with a host of last minute transfers, managed to exceed earlier expectations, while federal sources fell short of estimates. In summary, while variances did exist on a line by line basis, taken on a whole, both forecasts were very close to actual, with an error of only 0.5%.

Actual FY 2007 General Revenues: \$28.640 billion				
Excludes short-term borrowing and cashflow transfers				
	CGFA	Difference	GOMB	Difference
	Estimates	From	Estimates	From
		Actual		Actual
July-06	\$28,320	\$320	\$28,330	\$310
Aug-06	\$28,320	\$320	\$28,330	\$310
Sept-06	\$28,320	\$320	\$28,330	\$310
Oct-06	\$28,320	\$320	\$28,330	\$310
Nov-06	\$28,380	\$260	\$28,330	\$310
Dec-06	\$28,380	\$260	\$28,330	\$310
Jan-07	\$28,380	\$260	\$28,330	\$310
Feb-07	\$28,380	\$260	\$28,330	\$310
Mar-07	\$28,505	\$135	\$28,493	\$147
Apr-07	\$28,505	\$135	\$28,493	\$147
May-07	\$28,505	\$135	\$28,493	\$147
June-07	\$28,505	\$135	\$28,493	\$147

FY 2007 Actuals vs. Estimates: CGFA and GOMB

(\$ millions)

	ACTUAL	CGFA EST.	DIFFERENCE	DIFFERENCE	
	FY 2007	March- 07	ACTUALS	GOMB EST.	ACTUALS
		FY 2007	FROM	March- 07	FROM
			ESTIMATE	FY 2007	ESTIMATE
Revenue Sources					
State Taxes					
Personal Income Tax	\$10,424	\$10,238	\$186	\$10,117	\$307
Corporate Income Tax (regular)	\$2,121	\$1,987	\$134	\$2,046	\$75
Sales Taxes	\$7,136	\$7,315	(\$179)	\$7,356	(\$220)
Public Utility (regular)	\$1,131	\$1,114	\$17	\$1,110	\$21
Cigarette Tax	\$350	\$350	\$0	\$350	\$0
Liquor Gallonage Taxes	\$156	\$155	\$1	\$153	\$3
Vehicle Use Tax	\$33	\$34	(\$1)	\$35	(\$2)
Inheritance Tax (gross)	\$264	\$257	\$7	\$255	\$9
Insurance Taxes & Fees	\$310	\$314	(\$4)	\$322	(\$12)
Corporate Franchise Tax & Fees	\$193	\$186	\$7	\$186	\$7
Interest on State Funds & Investments	\$204	\$190	\$14	\$185	\$19
Cook County Intergovernmental Transfer	\$307	\$307	\$0	\$307	\$0
<u>Other Sources</u>	<u>\$449</u>	<u>\$440</u>	<u>\$9</u>	<u>\$440</u>	<u>\$9</u>
Subtotal	\$23,078	\$22,887	\$191	\$22,862	\$216
Transfers					
Lottery	\$622	\$620	\$2	\$631	(\$9)
Riverboat transfers & receipts	\$685	\$700	(\$15)	\$692	(\$7)
<u>Other</u>	<u>\$939</u>	<u>\$841</u>	<u>\$98</u>	<u>\$850</u>	<u>\$89</u>
Total State Sources	\$25,324	\$25,048	\$276	\$25,035	\$289
Federal Sources	\$4,703	\$4,803	(\$100)	\$4,803	(\$100)
Total Federal & State Sources	\$30,027	\$29,851	\$176	\$29,838	\$189
Nongeneral Funds Distribution:					
Refund Fund					
Personal Income Tax	(\$1,016)	(\$998)	(\$18)	(\$987)	(\$29)
Corporate Income Tax	(\$371)	(\$348)	(\$23)	(\$358)	(\$13)
Subtotal General Funds	\$28,640	\$28,505	\$135	\$28,493	\$147
Short Term Borrowing	\$900	\$900	\$0	\$900	\$0
Hospital Provider Fund (cash flow transfer)	\$456	\$456	\$0	\$456	\$0
Budget Stabilization Fund Transfer	\$276	\$276	\$0	\$276	\$0
Total General Funds	\$30,272	\$30,137	\$135	\$30,125	\$147
* Both March estimates updated to reflect short-term borrowing and cash flow transfers.					
07/03/07					

FY 2007 Special Transfers

Lynnae Kapp, Bond/Revenue Analyst

Special transfers in FY 2007 to the General Revenue Fund were part of the FY 2007 budget resulting from Public Act 94-0839. These special transfers include: fund sweeps, administrative chargebacks, and increased fee revenues. Revenues from increased fees go directly into their specific funds or into the General Revenue Fund through Other Sources. The increased fee revenues reported here are transfers from these other funds to the General Revenue Fund

after the fees have been receipted. June had a final flurry of transfers from fee increases and chargebacks, with this being the last year that chargebacks are allowed by law. Special transfers to the General Revenue Fund for FY 2007 include approximately \$188.3 million in fund sweeps, \$98.0 million in chargebacks, and \$28.2 million of increased fee revenue transfers. Total special transfers for FY 2007 equal \$314.5 million, an increase of \$9.5 million (3.1%) over FY 2006.

Special Transfers in FY 2007 [PA 94-0839]					
FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Fee Increase	TOTAL
0014	Food & Drug Safety	\$111,300	\$421,000		\$532,300
0019	Grade Crossing Protection	\$2,160,000	\$4,000,000		\$6,160,000
0021	Financial Institution	\$577,100		\$1,981,000	\$2,558,100
0022	General Professions Dedicated	\$768,600	\$5,000,000		\$5,768,600
0023	Economic Research and Information	\$3,600	\$25,000		\$28,600
0024	IL Dept. of Ag. Laboratory Services	\$62,400	\$0		\$62,400
0031	Drivers Education		\$900,000		\$900,000
0039	State Boating Act			\$1,400,000	\$1,400,000
0040	State Parks	\$893,900	\$1,046,000		\$1,939,900
0044	Lobbyist Registration Administration	\$51,000		\$100,000	\$151,000
0045	Agricultural Premium	\$2,041,400			\$2,041,400
0057	IL State Pharmacy Disciplinary	\$140,400	\$3,000,000		\$3,140,400
0059	Public Utility	\$2,045,400	\$440,000	\$70,000	\$2,555,400
0071	Firearm Owner's Notification	\$17,900			\$17,900
0078	Solid Waste Management		\$200,000	\$728,600	\$928,600
0085	Illinois Gaming Law Enforcement	\$311,980	\$652,000		\$963,980
0089	Subtitle D Management		\$300,000		\$300,000
0109	CDLIS/AAMVA Net Trust	\$86,400			\$86,400
0111	Toxic Pollution Prevention	\$1,400			\$1,400
0113	Community Health Center Care	\$19,500	\$100,000		\$119,500
0115	Safe Bottled Water	\$1,400			\$1,400
0118	Facility Licensing	\$45,900			\$45,900
0130	School District Emergency Financial Assistance	\$55,900	\$1,325,000		\$1,380,900
0137	Plugging & Restoration	\$41,900			\$41,900
0145	Explosives Regulatory		\$23,000		\$23,000
0146	Aggregate Operation Regulatory		\$33,000		\$33,000
0147	Coal Mining Regulatory		\$50,000		\$50,000
0151	Registered CPA Administration & Disciplinary	\$124,400	\$1,000,000		\$1,124,400

Special Transfers in FY 2007 [PA 94-0839]					
FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Fee Increase	TOTAL
0152	State Crime Laboratory	\$66,500			\$66,500
0153	Agrichemical Incident Response Trust		\$200,000		\$200,000
0163	Weights and Measures	\$271,500	\$600,000	\$29,100	\$900,600
0167	Registered Limited Liability Partnership		\$416,250		\$416,250
0175	Illinois School Asbestos Abatement	\$51,000			\$51,000
0184	Violence Prevention	\$45,000			\$45,000
0193	Local Government Health Insurance Reserve		\$1,000,000		\$1,000,000
0195	IPTIP Administrative Trust		\$700,000		\$700,000
0215	Capital Development Board Revolving	\$320,225			\$320,225
0218	Professions Indirect Cost		\$500,000		\$500,000
0222	State Police DUI	\$93,700	\$150,000		\$243,700
0224	Asbestos Abatement		\$500,000		\$500,000
0238	IL Health Facilities Planning	\$237,400			\$237,400
0240	Emergency Public Health	\$275,500		\$300,000	\$575,500
0245	Fair & Exposition	\$132,900	\$200,000		\$332,900
0246	State Police Vehicle		\$144,000		\$144,000
0251	Dept. of Labor Special State Trust		\$162,000		\$162,000
0258	Nurse Dedicated & Professional		\$3,000,000		\$3,000,000
0259	Optometric Licensing & Disciplinary Committee	\$12,200			\$12,200
0261	Underground Resource Conservation Enforcement	\$54,600	\$100,000		\$154,600
0262	Mandatory Arbitration		\$906,000		\$906,000
0276	Drunk & Drugged Driving Prevention	\$147,800			\$147,800
0278	Income Tax Refund		\$44,000,000		\$44,000,000
0285	Long-Term Care Monitor/Receiver	\$141,300	\$300,000		\$441,300
0288	Community Water Supply Lab		\$200,000		\$200,000
0290	Fertilizer Control	\$46,200		\$95,000	\$141,200
0292	Securities Investors Education	\$176,000			\$176,000
0294	Used Tire Management		\$1,000,000	\$5,000,000	\$6,000,000
0298	Natural Areas Acquisition	\$1,459,600	\$5,000,000		\$6,459,600
0299	Open Space Lands Acquisition and Development	\$3,408,800			\$3,408,800
0301	Working Capital Revolving	\$580,000			\$580,000
0303	State Garage Revolving		\$691,300		\$691,300
0304	Statistical Services Revolving	\$2,000,000	\$231,600		\$2,231,600
0308	Paper and Printing Revolving		\$9,900		\$9,900
0309	Air Transportation Revolving		\$100,000		\$100,000
0310	Tax Recovery		\$150,000		\$150,000
0312	Communications Revolving	\$1,500,000	\$1,076,800		\$2,576,800
0314	Facilities Management Revolving		\$111,900		\$111,900
0317	Professional Services		\$1,064,800		\$1,064,800
0323	Motor Vehicle Review Board	\$18,600		\$82,500	\$101,100
0331	Treasurer's Rental Fee		\$100,000		\$100,000
0332	Workers Compensation Revolving		\$530,800		\$530,800
0340	Public Health Services Revolving	\$62,300			\$62,300

Special Transfers in FY 2007 [PA 94-0839]

FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Fee Increase	TOTAL
0342	Audit Expense	\$1,528,800	\$1,800,000		\$3,328,800
0362	Securities Audit and Enforcement	\$1,328,000	\$695,000		\$2,023,000
0363	Dept. Business Service Spec. Ops	\$440,000	\$7,650,000	\$800,000	\$8,890,000
0368	Drug Treatment	\$247,600			\$247,600
0369	Feed Control	\$76,000		\$144,100	\$220,100
0370	Tanning Facility Permit	\$27,600			\$27,600
0371	Innovations in Long-term Care Quality Demonstration Grants	\$63,500	\$300,000		\$363,500
0372	Plumbing Licensure & Program	\$128,100			\$128,100
0373	State Treasurer's Bank Service		\$5,000,000		\$5,000,000
0380	Corporate Franchise Tax Refund	\$230,000	\$1,400,000	\$245,000	\$1,875,000
0384	Tax Compliance & Administration	\$198,508	\$429,400		\$627,908
0386	Appraisal Administration	\$48,000	\$1,000,000	\$200,000	\$1,248,000
0397	Trauma Center	\$1,318,000	\$5,000,000		\$6,318,000
0421	Public Aid Recoveries Trust		\$8,611,000		\$8,611,000
0422	Alternative Fuels	\$124,800			\$124,800
0436	Safety Responsibility	\$76,000			\$76,000
0514	State Asset Forfeiture	\$202,400	\$250,000		\$452,400
0524	Health Facility Plan Review	\$155,000	\$166,000		\$321,000
0536	LEADS Maintenance	\$159,100	\$77,000		\$236,100
0537	State Offender DNA ID System	\$247,300			\$247,300
0538	IL Historic Sites		\$134,400		\$134,400
0546	Public Pension Regulation	\$56,000	\$50,000		\$106,000
0562	Pawnbroker Regulation	\$11,600	\$100,000		\$111,600
0567	Charter Schools Revolving		\$1,200,000		\$1,200,000
0569	School Technology Revolving Loan	\$243,900			\$243,900
0571	Energy Efficiency Trust	\$240,000			\$240,000
0576	Pesticide Control	\$124,000			\$124,000
0589	Trans. Safety Highway Hire-back	\$27,800			\$27,800
0600	AG Whistleblower Reward & Protection		\$1,000,000		\$1,000,000
0613	Wireless Carrier Reimbursement	\$1,583,700	\$8,000,000		\$9,583,700
0621	International Tourism	\$719,500	\$3,000,000		\$3,719,500
0629	Real Estate Recovery		\$200,000		\$200,000
0632	Horse Racing	\$891,000			\$891,000
0635	Death Certificate Surcharge	\$151,100	\$1,000,000		\$1,151,100
0637	State Police Wireless Service Emergency	\$116,900			\$116,900
0643	Auction Recovery		\$50,000		\$50,000
0648	Downstate Public Transportation	\$6,000,100			\$6,000,100
0649	Motor Carrier Safety Inspection	\$182,100	\$150,000		\$332,100
0702	Assisted Living and Shared Housing Reg.	\$13,600			\$13,600
0705	Whistleblower Reward & Protection	\$109,300	\$750,000		\$859,300
0708	IL Standardbred Breeders	\$134,800			\$134,800
0712	Post Transplant Maintenance and Retention		\$75,000		\$75,000
0731	IL Clean Water	\$839,100		\$9,400,000	\$10,239,100
0733	Tobacco Settlement Recovery	\$43,592,400	\$19,900,000		\$63,492,400
0738	Alternative Compliance Market Account	\$28,000			\$28,000
0740	Medicaid Buy-In Program Revolving		\$319,000		\$319,000
0746	Home Inspector Administration	\$100,700	\$200,000		\$300,700
0763	Tourism Promotion	\$3,260,300	\$4,000,000		\$7,260,300

Special Transfers in FY 2007 [PA 94-0839]					
FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Fee Increase	TOTAL
0769	Lawyers Assistance Program		\$67,200		\$67,200
0770	Digital Divide Elimination	\$242,400			\$242,400
0776	Presidential Library and Museum		\$750,000		\$750,000
0821	Dram Shop	\$469,300	\$112,000	\$1,600,000	\$2,181,300
0823	IL State Dental Disciplinary	\$376,200	\$250,000		\$626,200
0879	Traffic & Criminal Conviction Surcharge		\$250,000		\$250,000
0888	Design Professionals Administration & Investigation	\$96,300	\$100,000		\$196,300
0903	State Surplus Property Revolving		\$6,300		\$6,300
0906	State Police Services	\$2,461,100	\$200,000		\$2,661,100
0907	Health Insurance Reserve		\$21,000,000		\$21,000,000
0910	Youth Drug Abuse Prevention	\$33,800			\$33,800
0921	DHS Recoveries Trust	\$1,113,400	\$3,591,800		\$4,705,200
0922	Insurance Producer Administration	\$1,221,100	\$2,000,000	\$3,000,000	\$6,221,100
0925	Coal Technology Development Assistance	\$1,759,900			\$1,759,900
0930	Senior Citizens Real Estate Deferred Tax Revolving	\$400,000			\$400,000
0932	State Treasurer Court Ordered Escrow		\$250,000		\$250,000
0944	Environmental Protection Permit & Inspection		\$181,000		\$181,000
0954	Illinois State Podiatric Disciplinary		\$250,000		\$250,000
0962	Park & Conservation	\$1,250,300			\$1,250,300
0969	Local Tourism	\$1,279,000			\$1,279,000
0975	Large Business Attraction	\$55,000			\$55,000
0982	IL Beach Marina		\$100,000		\$100,000
0984	International & Promotional		\$70,000		\$70,000
0997	Insurance Financial Regulation	\$1,566,200	\$5,000,000	\$3,000,000	\$9,566,200
	TOTAL	\$98,011,513	\$188,345,450	\$28,175,300	\$314,532,263
	General Funds TOTAL FY 2006	\$140,356,525	\$129,404,733	\$35,309,438	\$305,070,696
	Difference from Previous Year	-\$42,345,012	\$58,940,717	-\$7,134,138	\$9,461,567

Note: Fund Sweeps for FY 2006 include repealed funds that were swept.

Changes in the State Employee Group Insurance Program for FY 2008

Michael Moore, Revenue Analyst

The Governor requested \$1.984 billion to fund the State Employees Group Insurance Program for FY 2008. In FY 2007, the recommended funding level was \$1.886 billion. The Commission is statutorily required to estimate the liabilities of the State Employees Group Insurance Program. The Commission estimated that in order to fully fund the liabilities of the State's Group Insurance Program for FY 2008, an amount of \$1.984 billion will be necessary. The Department of Healthcare and Family Services estimated that FY 2008 liabilities for the program would be \$1.957 billion.

The difference between the Commission's and DHFS liability is \$27.3 million.

The States benefit choice for the upcoming year was May 1-31, 2007. Members of the State Group Insurance plan probably noticed some slight changes in benefit coverage and co-pays when they examined their benefit choice options. Most of the plan changes involve participants in the States Quality Care Health Plan (QCHP) administered by CIGNA. There are seven total substantive changes to co-pays and out-of-pocket expenses for the upcoming fiscal year that are worth noting. The table below highlights changes to the QCHP.

Changes to Quality Care Health Plan for FY 2008

General out-of-pocket maximum (individual) increases to \$1,100.

General out-of-pocket maximum (family) increases to \$2,750.

Non-QCHP hospital out-of-pocket maximum (individual) increases to \$4,400.

Non-QCHP hospital out-of-pocket maximum (family) increases to \$8,800.

Prescription co-payments increase to \$11/\$22/\$44.

Employee and dependant health contributions and deductibles have increased \$50.

Emergency room visit co-payment increase to \$400.

Source: CMS

A new disease management program is also being rolled out in FY 2008. It will be available to QCHP members and their dependants. This program will offer personal health care support seven days a week, twenty four hours per day focusing on diabetes and cardiac health conditions. Participants will get wellness tools, such as reminders of regular health screenings. The program will also provide educational materials on various health conditions.

Employees participating in one of the State managed care offerings, or the Open Access Plan, will not experience many changes in FY 2008. The

outpatient surgery co-payment increases to \$150. Employee and dependant health contributions will increase by \$4 and \$8 respectively per income bracket in FY 2008.

There are a few other minor changes that will affect the Quality Care Dental Plan, MCAP and the Optional Life Insurance Coverage. The dental plan will now cover dental implants, inlays, onlays and adult sealants. The yearly grace period for MCAP has been extended until September 15th of each year. Finally, life insurance contributions for the 40-44 and 50 and above age brackets have increased.

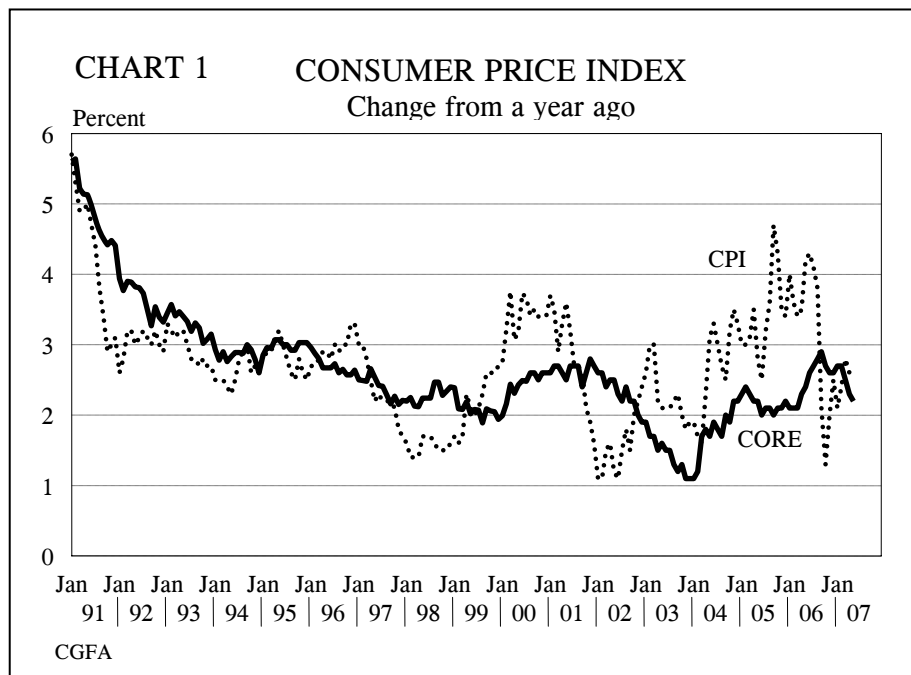
ECONOMY

Inflation – No Problem For Those Who Don't Eat or Drive

Edward H. Boss, Jr., Chief Economist

The equity markets took off immediately following May's consumer price index report from the Department of Labor. It showed the core rate of inflation, which excludes food and energy prices, rose a modest 0.1% that month and brought its year-over-year gain down to 2.2%, the lowest since March 2006 and bringing it closer to the upper limit of the Federal Reserve's comfort range of 2%. As shown in the chart, the core rate has been on a moderating trend following a rise to almost 3% last fall. The continued slowing in the core rate fueled investor expectations that the Federal Reserve would feel no urgency about raising interest rates to keep prices in check. And, as expected, on Thursday, June 28th, the Federal Reserve Open Market Committee did indeed announce that key monetary policy rates would be held unchanged once again.

The response to the easing in the core rate in May seemingly disregarded that part of the report that showed the overall price index rising by 0.7%, the sharpest gain in 1-1/2 years as energy prices soared and food prices continued their upward march. Indeed, as shown in the chart, overall prices rose 2.7% over the past year. The higher rate of gain in the overall index reflects a surge in energy prices, which on a year-over-year basis are up 4.7% and prices for food and beverages that are up 3.9%. The relative importance of these two sectors are particularly relevant not only because they make up almost a quarter of the total items in the basket of goods and services for which prices are measured, but also because they are purchased frequently and are more of a necessity rather than a discretionary expenditure.



Those categories with the smallest price increases over the past 12-months are: recreation, transportation (reflecting declines in prices of new and used vehicles that helped offset a sharp three-month increase in motor fuel prices), and an actual declining trend in apparel prices. Spending on these items is more discretionary in nature and often can be postponed, thus making room for higher priced spending on more necessary items like food and energy as well as medical care. While economists prefer to concentrate on the effect of monetary policy on longer term price trends, and therefore often exclude the sharp volatile swings in food and energy prices, there appears to be no let up in rising prices in these volatile sectors at least in the foreseeable future.

Indeed gasoline prices rose sharply further in mid June, in part due to strikes in Nigeria, a major exporter of light crude oil used in the manufacture of gasoline, reaching the \$70 level with the summer surge in driving underway. At the same time, ask anyone shopping for groceries and they will confirm the higher prices they are being forced to pay for food. Corn prices have risen as ethanol production increases. While farmers are planting more acres in corn rather than soybeans, this in turn has driven up soybean prices. The higher cost of corn used as feed already has driven up prices of many food items such as dairy products. Indeed the higher cost of cheese already has led one major maker of pizzas to increase their prices. Even, as pointed out by ISI (International Strategy & Invest-

ment), there could be a shortage of Tequila, raising prices as ethanol demand is causing Mexican farmers to set their fields of blue agave (cactus-like plants used in making the liquor) ablaze so as to re-sow the acres with corn.

The Federal Reserve Open Market Committee did alter its inflation statement from the May meeting that stated; “*Core inflation remains somewhat elevated*” to the June meeting that stated, “*Readings on core inflation have improved modestly in recent months*”. Thus, the Federal Reserve is still focusing policy on the core inflation rate rather than overall inflation. The statement did go on to say... “*However, a sustained moderation in inflation has yet to be convincingly demonstrated*” and... “*the predominant policy concern remains the risk that inflation will fail to moderate as expected*”.

On Friday, June 29th, the government released data on another price measure, the core PCE, or prices on personal consumption expenditures less food and energy. The measure uses prices based on current quantities purchased rather than a fixed basket of goods and services used in the consumer price index. The year-over-year core PCE index was up 1.9% in May, within the Fed’s comfort range for the first time since a similar reading in March 2004. Nevertheless, the emphasis remains focused on core inflation rates even as food and energy prices continue to lift the overall price level causing continuing consumer discomfort.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS</u>	<u>MAY 2007</u>	<u>APRIL 2007</u>	<u>MAY 2006</u>
Unemployment Rate (Average)	4.8%	4.8%	4.5%
Annual Rate of Inflation (Chicago)	9.8%	9.1%	3.7%
—————			
	<u>LATEST</u>	<u>% CHANGE</u>	<u>% CHANGE</u>
	<u>MONTH</u>	<u>OVER PRIOR</u>	<u>OVER A</u>
		<u>MONTH</u>	<u>YEAR AGO</u>
Civilian Labor Force (thousands) (May)	6,675	0.0%	1.4%
Employment (thousands) (May)	6,670	0.0%	1.1%
New Car & Truck Registration (May)	52,024	6.0%	-10.9%
Single Family Housing Permits (May)	3,030	24.4%	-31.2%
Total Exports (\$ mil) (April)	3,811	-8.4%	11.0%
Chicago Purchasing Managers Index (June)	60.2	-2.4%	6.5%

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