



# Commission on Government Forecasting and Accountability

**MONTHLY BRIEFING**

**JULY 2006**

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**ECONOMY: Illinois Employment: A Tale of Two Measures**

Edward H. Boss, Jr., Chief Economist

Illinois unemployment rate fell to 4.5% in June, the lowest level since 2000 and below the national 4.6% unemployment rate, the first time this has happened in seven years. At the same time, however, a different view emerged as payroll jobs in the State fell by 2,400 in June from May and, while 67,200 jobs have been created in the past 12-months, the State has yet to recoup the jobs lost during the last recession that officially began in March 2001 and ended in November 2001. Indeed, the level of non-farm payroll employment in the State in June is 142,000 below that reached in June 2000, some 6 years earlier. This apparent disparity between the two pictures of Illinois' employment position is dependent upon which measure of employment is used.

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**CHART 1 ILLINOIS EMPLOYMENT**  
Seasonally-adjusted

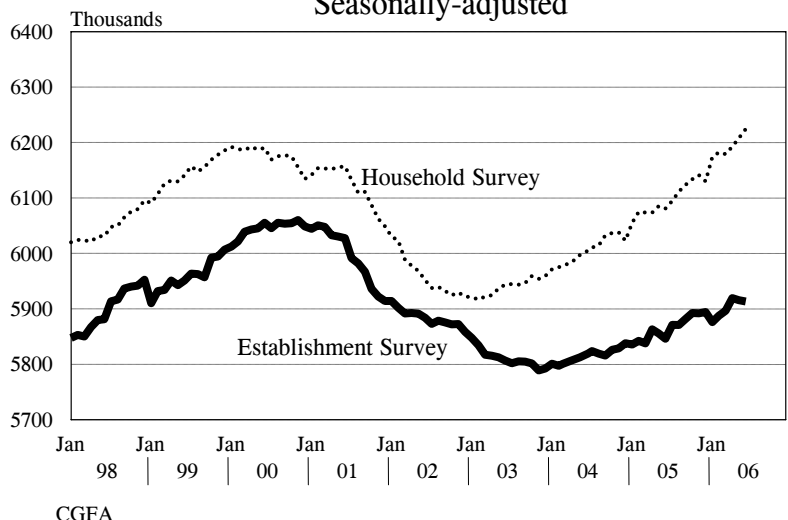


Chart 1, on the previous page, shows Illinois employment as measured both by the Household and Establishment, or non-farm payroll series. The Household survey provides information on the size of the labor force, employment, and unemployment. The data is based upon a sample survey of about 60,000 households conducted by the U.S. Census Bureau for the Bureau of Labor Statistics. In the Household series, people 16 years and older are considered employed if they did any work as a paid employee during the survey week; worked in their own business or farm, or worked without pay for a family business or farm. People also are counted as employed if they were temporarily absent due to illness, bad weather, strikes, or personal reasons. As depicted in the chart, the level of employment in Illinois as measured by the Household survey now has surpassed its previous peak.

In contrast, the Establishment, or payroll, series provides information on the employment, hours, and earnings of workers on non-farm payrolls. The sample survey includes 160,000 businesses and government agencies and covers about 400,000 individual worksites. In the Establishment survey people are counted as employed if they were on non-farm payrolls and received pay for any part of the reference pay period, including those on unpaid leave.

Because of the larger sample size and because the data are considered “hard”

as they come directly from company payroll records, the payroll measure is considered more reliable by most analysts. As shown in the Chart, this measure of employment suggests Illinois would have to create about twice as many new jobs as it did in the past twelve months just to recapture the jobs that existed in the State prior to the last recession.

The differences in the employment series in part explain the gap between the two measures. For example, the Household survey shows more employed as it includes agricultural workers, unpaid family workers, and private household workers not included in the Establishment survey. Since the Establishment survey counts payrolls, however, it duplicates individuals who hold more than one job. Another distinction is that while most new jobs come from small businesses, it may take some time for these to make their way into the survey sample. As a result, the Establishment or payroll series tends to follow the Household series with a lag.

National data show that the U.S. economy recouped all the jobs lost during the recession by the fall of 2003 but did not regain all the jobs lost in the Establishment survey until January 2005. Thus, recent Illinois data showing that Household employment now has reached its pre-recession high suggests the State is on a path to do the same as measured by the Establishment survey, although with a significant lag to what has been accomplished by the nation as a whole.

## INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS	JUNE 2006	MAY 2006	JUNE 2005
Unemployment Rate (Average)	4.5%	4.6%	5.9%
Annual Rate of Inflation (Chicago)	3.6%	4.2%	2.6%
<hr/>			
	LATEST MONTH	% CHANGE OVER PRIOR MONTH	% CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (June)	6,518	0.2%	0.9%
Employment (thousands) (June)	6,507	0.3%	2.3%
New Car & Truck Registration (June)	62,120	6.4%	-5.8%
Single Family Housing Permits (June)	3,778	-14.3%	-23.0%
Total Exports (\$ mil) (May)	3,768	9.7%	19.9%
Chicago Purchasing Managers Index (July)	57.9	2.5%	-16.7%

### Special Transfers

Lynnae Kapp, Bond-Revenue Analyst

Public Act 94-0839 made more changes to the statutes controlling special transfers. It eliminated the mandatory repayment from selected fund sweeps to the GRF if there is insufficient money coming into the fund.

The Act removes 16 funds from the sweeps lists due to legal issues prohibiting their diversion to GRF, and prohibits chargebacks from the newly created Pension Stabilization Fund. FY 2007 is to be the last year that chargebacks are allowed, and \$200 million in fund sweeps are expected from 97 funds. In July, the first fund sweeps occurred in the amount of \$46.9 million.

FY07 FUND SWEEPS (30 ILCS 105/8.45)				
No.	Fund	Statutory Amount	July	Remainder
0014	Food and Drug Safety Fund	\$421,000	\$105,250.00	\$315,750.00
0019	Grade Crossing Prevention Fund	\$4,000,000	\$1,000,000.00	\$3,000,000.00
0022	General Professions Dedicated Fund	\$5,000,000	\$1,250,000.00	\$3,750,000.00
0023	Economic Research and Information Fund	\$25,000	\$6,250.00	\$18,750.00
0024	IL Dept. of AG Lab Services Revolving Fund	\$100,000	\$25,000.00	\$75,000.00
0031	Drivers Education Fund	\$900,000	\$225,000.00	\$675,000.00
0040	State Parks Fund	\$1,046,000	\$261,500.00	\$784,500.00
0057	IL State Pharmacy Disciplinary Fund	\$3,000,000	\$750,000.00	\$2,250,000.00
0059	Pubic Utility Fund	\$440,000	\$110,000.00	\$330,000.00
0078	Solid Waste Management Fund	\$200,000	\$50,000.00	\$150,000.00
0085	IL Gaming Law Enforcement Fund	\$652,000	\$163,000.00	\$489,000.00
0089	Subtitle D Management Fund	\$300,000	\$75,000.00	\$225,000.00
0113	Community Health Center Care Fund	\$100,000	\$25,000.00	\$75,000.00

FY07 FUND SWEEPS (30 ILCS 105/8.45)				
No.	Fund	Statutory Amount	July	Remainder
0130	School District Emergency Financial Assistance Fund	\$1,325,000	\$331,250.00	\$993,750.00
0145	Explosives Regulatory Fund	\$23,000	\$5,750.00	\$17,250.00
0146	Aggregate Operations Regulatory Fund	\$33,000	\$8,250.00	\$24,750.00
0147	Coal Mining Regulatory Fund	\$50,000	\$12,500.00	\$37,500.00
0151	Registered CPAs' Admin & Disciplinary Fund	\$1,000,000		\$1,000,000.00
0153	Agrichemical Incident Response Trust Fund	\$200,000	\$50,000.00	\$150,000.00
0156	Motor Vehicle Theft Prevention Trust Fund	\$500,000		\$500,000.00
0163	Weights and Measures Fund	\$600,000	\$150,000.00	\$450,000.00
0167	Div. Of Corporations Registered LLP Fund	\$555,000	\$138,750.00	\$416,250.00
0193	Local Gov't. Health Insurance Reserve Fund	\$1,000,000	\$250,000.00	\$750,000.00
0195	IPTIP Administrative Trust Fund	\$700,000	\$175,000.00	\$525,000.00
0218	Professions Indirect Cost Fund	\$500,000	\$125,000.00	\$375,000.00
0222	State Police DUI Fund	\$150,000	\$37,500.00	\$112,500.00
0224	Asbestos Abatement Fund	\$500,000	\$125,000.00	\$375,000.00
0244	Savings and Residential Finance Regulatory Fund	\$6,000,000		\$6,000,000.00
0245	Fair and Exposition Fund	\$200,000	\$50,000.00	\$150,000.00
0246	State Police Vehicle Fund	\$144,000	\$36,000.00	\$108,000.00
0251	Dept. of Labor Special State Trust Fund	\$162,000	\$40,500.00	\$121,500.00
0258	Nursing Dedicated & Professional Fund	\$3,000,000	\$750,000.00	\$2,250,000.00
0261	Underground Resources Conservation Enforcement	\$100,000	\$25,000.00	\$75,000.00
0262	Mandatory Arbitration Fund	\$906,000	\$226,500.00	\$679,500.00
0278	Income Tax Refund Fund	\$44,000,000	\$11,000,000.00	\$33,000,000.00
0285	Long Term Care Monitor/Receiver Fund	\$300,000	\$75,000.00	\$225,000.00
0288	Community Water Supply Lab Fund	\$200,000	\$50,000.00	\$150,000.00
0294	Used Tire Management Fund	\$1,000,000	\$250,000.00	\$750,000.00
0298	Natural Areas Acquisition Fund	\$5,000,000	\$1,250,000.00	\$3,750,000.00
0303	State Garage Revolving Fund	\$691,300	\$172,825.00	\$518,475.00
0304	Statistical Services Revolving Fund	\$231,600	\$57,900.00	\$173,700.00
0308	Paper and Printing Revolving Fund	\$9,900	\$2,475.00	\$7,425.00
0309	Air Transportation Revolving Fund	\$100,000	\$25,000.00	\$75,000.00
0310	Tax Recovery Fund	\$150,000	\$37,500.00	\$112,500.00
0312	Communications Revolving Fund	\$1,076,800	\$269,200.00	\$807,600.00
0314	Facilities Management Revolving Fund	\$111,900	\$27,975.00	\$83,925.00
0317	Professional Services Fund	\$1,064,800	\$266,200.00	\$798,600.00
0331	Treasurer's Rental Fee Fund	\$100,000	\$25,000.00	\$75,000.00
0332	Workers' Compensation Revolving Fund	\$530,800	\$132,700.00	\$398,100.00
0342	Audit Expense Fund	\$1,800,000	\$450,000.00	\$1,350,000.00
0362	Securities Audit and Enforcement Fund	\$695,000	\$173,750.00	\$521,250.00
0363	Dept. of Business Services Special Operations Fund	\$7,650,000	\$1,912,500.00	\$5,737,500.00
0371	Innovations in Long-term Care Quality Demonstration Grants	\$300,000	\$75,000.00	\$225,000.00
0373	State Treasurer's Bank Services Trust Fund	\$5,000,000	\$1,250,000.00	\$3,750,000.00
0380	Corporate Franchise Tax Refund Fund	\$1,400,000	\$350,000.00	\$1,050,000.00
0384	Tax Compliance and Admin Fund	\$429,400	\$107,350.00	\$322,050.00

<b>FY07 FUND SWEEPS (30 ILCS 105/8.45)</b>				
<b>No.</b>	<b>Fund</b>	<b>Statutory Amount</b>	<b>July</b>	<b>Remainder</b>
0386	Appraisal Administration Fund	\$1,000,000	\$250,000.00	\$750,000.00
0397	Trauma Center Fund	\$5,000,000	\$1,250,000.00	\$3,750,000.00
0421	Public Aid Recoveries Trust Fund	\$8,611,000	\$2,152,750.00	\$6,458,250.00
0514	State Asset Forfeiture Fund	\$250,000	\$62,500.00	\$187,500.00
0524	Health Facility Plan Review Fund	\$166,000	\$41,500.00	\$124,500.00
0536	LEADS Maintenance Fund	\$77,000	\$19,250.00	\$57,750.00
0538	IL Historic Sites Fund	\$134,400	\$33,600.00	\$100,800.00
0546	Public Pension Regulation Fund	\$50,000	\$12,500.00	\$37,500.00
0562	Pawnbroker Regulation Fund	\$100,000	\$25,000.00	\$75,000.00
0567	Charter Schools Revolving Fund	\$1,200,000	\$300,000.00	\$900,000.00
0600	AG Whistleblower Reward & Protection Fund	\$1,000,000	\$250,000.00	\$750,000.00
0613	Wireless Carrier Reimbursement Fund	\$8,000,000	\$2,000,000.00	\$6,000,000.00
0621	International Tourism Fund	\$3,000,000	\$750,000.00	\$2,250,000.00
0629	Real Estate Recovery Fund	\$200,000	\$50,000.00	\$150,000.00
0635	Death Certificate Surcharge Fund	\$1,000,000	\$250,000.00	\$750,000.00
0643	Auction Recovery Fund	\$50,000	\$12,500.00	\$37,500.00
0649	Motor Carrier Safety Inspection Fund	\$150,000	\$37,500.00	\$112,500.00
0705	State Police Whistleblower Reward and Protection	\$750,000	\$187,500.00	\$562,500.00
0712	Post Transplant Maintenance and Retention Fund	\$75,000	\$18,750.00	\$56,250.00
0733	Tobacco Settlement Recovery Fund	\$19,900,000	\$4,975,000.00	\$14,925,000.00
0740	Medicaid Buy-In Program Revolving Fund	\$319,000	\$79,750.00	\$239,250.00
0746	Home Inspector Admin Fund	\$200,000	\$50,000.00	\$150,000.00
0763	Tourism Promotion Fund	\$4,000,000	\$1,000,000.00	\$3,000,000.00
0769	Lawyers Assistance Program Fund	\$67,200	\$16,800.00	\$50,400.00
0776	Presidential Library and Museum Operating Fund	\$750,000	\$187,500.00	\$562,500.00
0821	Dram Shop Fund	\$112,000	\$28,000.00	\$84,000.00
0823	IL State Dental Disciplinary Fund	\$250,000	\$62,500.00	\$187,500.00
0850	Real Estate License Admin Fund	\$5,000,000		\$5,000,000.00
0879	Traffic & Criminal Conviction Surcharge Fund	\$250,000	\$62,500.00	\$187,500.00
0888	Design Professionals Admin and Investigation Fund	\$100,000	\$25,000.00	\$75,000.00
0903	State Surplus Property Revolving Fund	\$6,300	\$1,575.00	\$4,725.00
0906	State Police Services Fund	\$200,000	\$50,000.00	\$150,000.00
0907	Health Insurance Reserve Fund	\$21,000,000	\$5,250,000.00	\$15,750,000.00
0921	DHS Recoveries Trust Fund	\$3,591,800	\$897,950.00	\$2,693,850.00
0922	Insurance Producer Administration Fund	\$2,000,000	\$500,000.00	\$1,500,000.00
0932	State Treasurer Court Ordered Escrow Fund	\$250,000	\$62,500.00	\$187,500.00
0944	Environ Protection Permit and Inspect Fund	\$181,000	\$45,250.00	\$135,750.00
0954	IL State Podiatric Disciplinary Fund	\$250,000	\$62,500.00	\$187,500.00
0982	IL Beach Marina Fund	\$100,000	\$25,000.00	\$75,000.00
0984	International and Promotional Fund	\$70,000	\$17,500.00	\$52,500.00
0997	Insurance Financial Regulation Fund	\$5,000,000	\$1,250,000.00	\$3,750,000.00
	<b>Total</b>	<b>\$200,084,200</b>	<b>\$46,896,050.00</b>	<b>\$153,188,150.00</b>

**REVENUE**  
**Revenues Begin FY 2007 on**  
**Mixed Note**

Jim Muschinske, Revenue Manager

Overall general funds revenues increased \$78 million in July, although the number of revenue sources experiencing monthly declines was virtually equal to those showing advances. July had the same number of receipting days as last fiscal year.

Gross personal income taxes led those sources experiencing increases as receipts rose \$38 million, or \$34 million net of refunds. Inheritance tax posted a \$7 million increase while gross corporate income taxes gained \$6 million (same on a net basis). Interest income also gained \$6 million, while corporate franchise taxes advanced \$4 million. Insurance taxes and fees managed a \$2 million increase and vehicle use tax eked out a \$1 million gain.

As mentioned, despite an overall increase in revenues, a number of sources experienced declines to begin the fiscal year. Sales tax receipts fell \$30 million, while due to timing the Cook County transfer fell \$34 million. Other sources retreated \$10 million in July and public utility taxes dipped \$7 million. Due to a change in tax distribution, cigarette taxes to the general funds dropped \$5 million, while liquor taxes declined by \$3 million.

Overall transfers increased \$84 million in large part due to an \$81 million transfer from the Income Tax Refund

Fund [this amount is separate from the \$44 “fund sweep” million transfer from the ITRF authorized under the FY 2007 enacted budget]. *As stated in 35 ILCS 5/901 (d) (4.5), as soon as possible after the end of a fiscal year, the Director of the Department of Revenue shall order transferred from the ITRF to the General Fund any surplus remaining in the ITRF as of the end of such fiscal year.* Federal sources contributed \$23 million to the monthly advance.

**FY 2007 Revenue Estimate**

The table on page 9 details the Commission’s updated forecast for FY 2007. The estimate reflects actual FY 2006 base revenues, a new corporate refund percentage, and includes \$277 million in other legislative changes used to craft the FY 2007 budget [for a breakout of these assumption please see the May 2006 monthly briefing]. As shown, base FY 2007 general revenues are estimated to be \$28.320 billion, which represents an increase of \$961 million or 3.5% over the previous year.

Most of the economically related sources are expected to have a decent year, although rates of growth are anticipated to moderate considerably from last year’s levels. The following briefly discusses the Commission’s estimates of the larger sources and/or other significant changes:

Personal income tax- Gross personal income taxes are estimated at \$10.050 billion, or \$9.070 billion on a net basis. The estimate assumes gross receipts will

rise a more moderate 5.0%, down from last year's stellar 7.8% rate of growth. The refund percentage used in FY 2007 is again 9.75%.

Corporate income tax- Gross corporate income taxes are estimated to be \$1.873 billion and assume growth of 5.0%. In FY 2007 the refund percentage for corporate income tax was statutorily set at 17.5%, somewhat less than the 20.0% utilized last year. As a result, on a net of refund basis, receipts are expected to be \$1.545 billion.

Sales tax receipts- Sales tax receipts are estimated to be \$7.345 billion, or 3.6% higher than last year's actuals. The forecast assumes a moderation in growth from last year's increase of 7.5%.

Cigarette tax- The estimate of cigarette tax receipts is \$350 million in FY 2007 and reflects a \$50 million drop in distributions to the general funds as a result of P.A. 94-839.

Cook County Intergovernmental Transfer- The IGT is expected to continue to fall in FY 2007 and subsequent years. The transfer is anticipated to drop \$41 million from last year's level.

Transfers- Overall transfers are forecast to increase \$145 million in FY 2007. While lottery and riverboat transfers to the general funds are expected to be virtually flat, other transfers are projected to increase \$134 million due to higher fund sweeps, an anticipated transfer from the sale of student loans, and much higher transfers from the Income Tax Refund Fund.

Federal Sources- Federal sources to the general funds are expected to grow by only \$78 million or 1.7% in FY 2007 and reflect newly established appropriation levels and Administration spending plan and reimbursement assumptions.

### **CGFA vs. GOMB Comparison**

The table on page 10 compares the Commission's FY 2007 estimate with that of the enacted budget (GOMB). While significant differences exist between anticipated revenues in a number of individual lines, in total the Commission's forecast is similar, albeit \$10 million lower than the enacted budget. A comparison of the estimates show that, while the Commission is slightly higher in its estimates for State tax sources, its lower estimate for overall transfers into the general funds more than offset other gains.

**GENERAL FUNDS RECEIPTS: JULY**

FY 2007 vs. FY 2006  
(\$ million)

<u>Revenue Sources</u>	<u>JULY FY 2007</u>	<u>JULY FY 2006</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
<b>State Taxes</b>				
Personal Income Tax	\$618	\$580	\$38	6.6%
Corporate Income Tax (regular)	47	41	\$6	14.6%
Sales Taxes	592	622	(\$30)	-4.8%
Public Utility Taxes (regular)	70	77	(\$7)	-9.1%
Cigarette Tax	29	34	(\$5)	-14.7%
Liquor Gallonage Taxes	12	15	(\$3)	-20.0%
Vehicle Use Tax	3	2	\$1	50.0%
Inheritance Tax (Gross)	26	19	\$7	36.8%
Insurance Taxes and Fees	6	4	\$2	50.0%
Corporate Franchise Tax & Fees	14	10	\$4	40.0%
Interest on State Funds & Investments	16	10	\$6	60.0%
Cook County IGT	6	40	(\$34)	-85.0%
Other Sources	37	47	(\$10)	-21.3%
<b>Subtotal</b>	<b>\$1,476</b>	<b>\$1,501</b>	<b>(\$25)</b>	<b>-1.7%</b>
<b>Transfers</b>				
Lottery	35	50	(\$15)	-30.0%
Riverboat transfers & receipts	35	49	(\$14)	-28.6%
Other	175	62	\$113	182.3%
<b>Total State Sources</b>	<b>\$1,721</b>	<b>\$1,662</b>	<b>\$59</b>	<b>3.5%</b>
<b>Federal Sources</b>	<b>\$301</b>	<b>\$278</b>	<b>\$23</b>	<b>8.3%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$2,022</b>	<b>\$1,940</b>	<b>\$82</b>	<b>4.2%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$60)	(\$56)	(\$4)	7.1%
Corporate Income Tax	(\$8)	(8)	\$0	0.0%
<b>Subtotal General Funds</b>	<b>\$1,954</b>	<b>\$1,876</b>	<b>\$78</b>	<b>4.2%</b>
<b>Short-Term Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>NA</b>
<b>Budget Stabilization Fund Transfer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>NA</b>
<b>Total General Funds</b>	<b>\$1,954</b>	<b>\$1,876</b>	<b>\$78</b>	<b>4.2%</b>

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

1-Aug-06



**FY 2007 CGFA ESTIMATE & FY 2006 ACTUALS**

(millions)

<u>Revenue Sources</u>	<u>CGFA FY 2007 Estimate July-06</u>	<u>ACTUAL FY 2006</u>	<u>\$ Difference</u>	<u>% Difference</u>
<b>State Taxes</b>				
Personal Income Tax	\$10,050	\$9,568	\$482	5.0%
Corporate Income Tax	\$1,873	\$1,784	\$89	5.0%
Sales Taxes	\$7,345	\$7,092	\$253	3.6%
Public Utility (regular)	\$1,074	\$1,074	\$0	0.0%
Cigarette Tax	\$350	\$400	(\$50)	-12.5%
Liquor Gallonage Taxes	\$153	\$152	\$1	0.7%
Vehicle Use Tax	\$34	\$34	\$0	0.0%
Inheritance Tax (gross)	\$262	\$272	(\$10)	-3.7%
Insurance Taxes & Fees	\$320	\$317	\$3	0.9%
Corporate Franchise Tax & Fees	\$190	\$181	\$9	5.0%
Interest on State Funds & Investments	\$160	\$153	\$7	4.6%
Cook County Intergovernmental Transfer	\$309	\$350	(\$41)	-11.7%
<u>Other Sources</u>	<u>\$455</u>	<u>\$441</u>	<u>\$14</u>	<u>3.2%</u>
<b>Subtotal</b>	<b>\$22,575</b>	<b>\$21,818</b>	<b>\$757</b>	<b>3.5%</b>
<b>Transfers</b>				
Lottery	\$670	\$670	\$0	0.0%
Riverboat Transfers & Receipts	\$700	\$689	\$11	1.6%
<u>Other</u>	<u>\$880</u>	<u>\$746</u>	<u>\$134</u>	<u>18.0%</u>
<b>Total State Sources</b>	<b>\$24,825</b>	<b>\$23,923</b>	<b>\$902</b>	<b>3.8%</b>
<b>Federal Sources</b>	<b>\$4,803</b>	<b>\$4,725</b>	<b>\$78</b>	<b>1.7%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$29,628</b>	<b>\$28,648</b>	<b>\$980</b>	<b>3.4%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund*</b>				
Personal Income Tax	(\$980)	(\$933)	(\$47)	5.0%
Corporate Income Tax	(\$328)	(\$356)	\$28	-7.9%
<b>Subtotal General Funds</b>	<b>\$28,320</b>	<b>\$27,359</b>	<b>\$961</b>	<b>3.5%</b>
Short-Term Borrowing	\$0	\$1,000	(\$1,000)	-100.0%
Budget Stabilization Fund Transfer	\$276	\$276	\$0	0.0%
<b>Total General Funds</b>	<b>\$28,596</b>	<b>\$28,635</b>	<b>(\$39)</b>	<b>-0.1%</b>

\*The FY 2006 estimate includes the refund percentages at 9.75% for PIT and 20% for CIT. In addition, it is assumed that \$276 million in Budget Stabilization Fund transfers will be utilized in FY 2006 for cash flow purposes.

CGFA

**FY 2007 CGFA/GOMB ESTIMATE COMPARISON**

(millions)

	<b>CGFA FY 2007 Estimate July-06</b>	<b>GOMB FY 2007 Estimate June-06</b>	<b>\$ Difference</b>
<b>Revenue Sources</b>			
<b>State Taxes</b>			
Personal Income Tax	\$10,050	\$9,844	\$206
Corporate Income Tax	\$1,873	\$2,074	(\$201)
Sales Taxes	\$7,345	\$7,280	\$65
Public Utility (regular)	\$1,074	\$1,090	(\$16)
Cigarette Tax	\$350	\$350	\$0
Liquor Gallonage Taxes	\$153	\$152	\$1
Vehicle Use Tax	\$34	\$35	(\$1)
Inheritance Tax (gross)	\$262	\$255	\$7
Insurance Taxes & Fees	\$320	\$322	(\$2)
Corporate Franchise Tax & Fees	\$190	\$196	(\$6)
Interest on State Funds & Investments	\$160	\$143	\$17
Cook County Intergovernmental Transfer	\$309	\$309	\$0
<u>Other Sources</u>	<u>\$455</u>	<u>\$505</u>	<u>(\$50)</u>
<b>Subtotal</b>	<b>\$22,575</b>	<b>\$22,555</b>	<b>\$20</b>
<b>Transfers</b>			
Lottery	\$670	\$670	\$0
Riverboat Transfers & Receipts	\$700	\$692	\$8
<u>Other</u>	<u>\$880</u>	<u>\$933</u>	<u>(\$53)</u>
<b>Total State Sources</b>	<b>\$24,825</b>	<b>\$24,850</b>	<b>(\$25)</b>
<b>Federal Sources</b>	<b>\$4,803</b>	<b>\$4,803</b>	<b>\$0</b>
<b>Total Federal &amp; State Sources</b>	<b>\$29,628</b>	<b>\$29,653</b>	<b>(\$25)</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund*</b>			
Personal Income Tax	(\$980)	(\$960)	(\$20)
Corporate Income Tax	(\$328)	(\$363)	\$35
<b>Subtotal General Funds</b>	<b>\$28,320</b>	<b>\$28,330</b>	<b>(\$10)</b>
<b>Change from Prior Year</b>	<b>\$961</b>	<b>\$971</b>	<b>(\$10)</b>
<b>Percent Change</b>	<b>3.5%</b>	<b>3.5%</b>	
Budget Stabilization Fund Transfer	\$276	\$276	\$0
<b>Total General Funds</b>	<b>\$28,596</b>	<b>\$28,606</b>	<b>(\$10)</b>
*The FY 2006 estimates includes the refund percentages at 9.75% for PIT and 20% for CIT. In addition, it is assumed that \$276 million in Budget Stabilization Fund transfers will be utilized in FY 2006 for cash flow purposes. Since a line by line breakout of the GOMB estimate of \$28.330 billion has not been published, the CGFA spread the \$277 million in legislated changes in the lines deemed appropriate.			
CGFA			

## Costs of Issuance

Lynnae Kapp, Bond/Revenue Analyst

There were three bond sales in June of Fiscal Year 2006. A sale of \$150 million of Build Illinois bonds, a \$300 million General Obligation sale and a \$275 million General Obligation refunding. Costs of issuance for each sale were within the required limit, 0.50% of the bond sale amount (excluding bond insurance --

Build Illinois cost of issuance	= 0.43%
General Obligation cost of issuance	= 0.35%
G.O. Refunding cost of issuance	= 0.36%

The costs of issuance for each sale are shown below and on the following pages:

### Build Illinois Sales Tax Revenue Bonds \$150,000,000 Series June 2006 Cost of Issuance Disclosure

Line Item	Status	Participation Percentage	Amount	Total	
Underwriting Syndicate	Popular Securities	MBE	37.3%	139,687.50	375,000.00
	Siebert Brandford Shank & Co., LLC	MBE	16.5%	61,931.25	
	Cabrera Capital Markets, Inc.	MBE	16.9%	63,418.75	
	Grigsby & Associates, Inc.	MBE	10.5%	39,350.00	
	Podesta & Co.	WBE	8.5%	31,800.00	
	SBK-Brooks Investment Corp.	MBE	10.4%	38,812.50	
Underwriting Expenses	Bond Market Association Fee		4,500.00	35,106.00	
	Dalcomp per bond Fee		9,000.00		
	Dalcomp Wire Charges		175.00		
	Depository Trust Company Fee		275.00		
	Bond CUSIPs		664.00		
	Day Loan on Gross Proceeds		20,492.00		
	Subtotal Underwriting Spread		2,734.04		410,106.00
	Bond Counsel		Base Fee		Expenses
Pugh Jones Johnson & Quandt, PC		37,500.00	2,500.00	40,000.00	
Tyson Strong Hill, LLC		22,500.00	-	22,500.00	
Financial Advisor Budget & Cashflow advisor Market Pricing Advisor		Base Fee	Expenses	Total	
	Scott Balice Strategies	63,500.00	-	63,500.00	
	Ronald D. Picur, PhD.	9,500.00	-	9,500.00	
Rating Agencies	Delphis Hanover Corporation	11,500.00	-	11,500.00	
	Moody's Investor Services			26,000.00	
	Standard and Poor's			25,000.00	
Printing & shipping	Fitch Ratings			14,500.00	
	ImageMaster Printing & Delivery			4,936.15	
	Parity I-Deal Website Posting			1,500.00	
	Remaining Amount, Distributed to Build Illinois Program Expense Fund			11,063.85	
SubTotal Issuance Expenses				230,000.00	
Total Expenses (Excluding Bond Insurance)				640,106.00	
Maximum Allowable Expenses (Par amount x 0.5%)				750,000.00	
Bond Insurance	Municipal Bond Investor's Assurance (MBIA) for Maturity years 2012-2031			269,000.00	
	Total Expenses (Including Bond Insurance)			909,106.00	
MBE/WBE FIRM SUBTOTALS	Underwriting	MBE/WBE	100.00%	375,000.00	
	Legal	MBE	100.00%	60,000.00	
	Financial Advisory	WBE	75.15%	63,500.00	
				498,500.00	

State of Illinois - General Obligation Bonds  
\$285,000,000 Series of June 2006-A  
\$15,000,000 Series of June 2006-B  
Cost of Issuance Disclosure

Line Item	Status	Participation Percentage	Amount	Total	
Underwriting Syndicate	Goldman Sachs	41.98%	305,753.00		
	Lehman Brothers	17.16%	125,005.50		
	Merrill Lynch	13.71%	99,845.00		
	Morgan Stanley & Co.	17.12%	124,693.50		
	Ramirez & Co.	MBE	4.54%	33,033.50	
	Key Banc Capital Markets	5.50%	40,069.50	728,400.00	
Underwriting Expenses	Bond Market Association Fee		9,000.00		
	GASB Fee		1,500.00		
	Dalcomp per bond Fee		18,000.00		
	Dalcomp Wire Charges		175.00		
	Depository Trust Company Fee		400.00		
	CUSIP		536.00		
	Day Loan on Gross Proceeds		8,333.33		
	Miscellaneous		155.67	38,100.00	
	Subtotal Underwriting Expenses		2,555.00	766,500.00	
	Bond Counsel		Base Fee	Expenses	Total
Katten Muchin Rosenman		39,750.00	1,800.00	41,550.00	
	Burris, Wright, Slaughter & Tom, LLC	28,500.00	-	70,050.00	
Financial Advisor Budget & Cashflow advisor Market Pricing Advisor	Kirkpatrick Pettie		86,250.00		
	Ronald D. Picur, PhD.		19,500.00		
	Delphis Hanover Corporation		20,000.00	125,750.00	
Rating Agencies	Moody's Investor Services		30,000.00		
	Standard and Poor's		20,000.00		
	Fitch Ratings		15,000.00	65,000.00	
Printing & shipping	ImageMaster Printing & Delivery		4,209.85		
	Parity I-Deal Website Posting		1,500.00	5,709.85	
	Remainder to be deposited in Project Funds by the State Treasurer		8,490.15	8,490.15	
			275,000.00		
	<b>Total Expenses (Excluding Bond Insurance)</b>			<b>1,041,500.00</b>	
	Maximum Allowable Expenses (Par amount x 0.5%)			750,000.00	
Bond Insurance	NONE		-	-	
	<b>Total Expenses (Including Bond Insurance)</b>			<b>1,041,500.00</b>	
MBE/WBE FIRM SUBTOTALS	Underwriting	MBE/WBE	4.54%	33,033.50	
	Legal	MBE	41.76%	28,500.00	
	Financial Advisory	WBE	0.0%	-	61,533.50

**General Obligation Refunding \$274,950,000**  
**Cost of Issuance Disclosure**

Line Item	Status	Participation Percentage	Amount	Total	
Underwriting Syndicate	Loop Capital Markets	MBE	46.7%	320,793.00	
	UBS Investment Bank		21.6%	148,719.00	
	Cabrera Capital Markets, Inc.	MBE	10.3%	70,844.00	
	Melvin Securities	MBE	2.6%	17,850.00	
	Ramirez & Company	MBE	8.8%	60,278.00	
	Siebert Brandford Shank	MBE	10.0%	68,891.00	687,375.00
Underwriting Expenses	Bond Market Association Fee		8,248.50		
	Dalcomp per bond Fee		19,456.50		
	Depository Trust Company Fee		1,164.15		
	CUSIP		326.00		
	Day Loan on Gross Proceeds		15,890.95		
	Misc to get to Clean Rounding on 3 decimal Spread		5.70	45,091.80	
	SubTotal Underwriting Expenses		2,664.00		732,466.80
Bond Counsel		Base Fee	Expenses	Total	
	Mayer, Brown, Rowe & Maw, LLP	36,248.00	1,500.00	37,748.00	
	Schiff Hardin, LLP	27,498.00	-	27,498.00	65,246.00
Financial Advisor Budget & Cashflow advisor Market Pricing Advisor		Base Fee	Expenses	Total	
	Scott Balice Strategies	82,493.00	-	82,493.00	
	Ronald D. Picur, PHD.	19,600.00		19,500.00	
	Delphis Hanover Corporation	20,000.00		20,000.00	121,993.00
Rating Agencies	Moody's Investor Services		30,000.00		
	Standard and Poor's		20,000.00		
	Fitch Ratings		15,000.00	65,000.00	
Printing & shipping	ImageMaster Printing & Delivery		3,937.66		
	Parity I-Deal Website Posting		1,500.00	5,437.66	
	Escrow Verification		3,000.00		
	Escrow Agency		1,000.00	4,000.00	
	Miscellaneous		2,073.34	2,073.34	
	SubTotal Issuance Expenses				263,750.00
Total Expenses (Excluding Bond Insurance)				996,216.80	
Maximum Allowable Expenses (Par amount x 0.5%)				1,374,750.00	
Bond Insurance	NONE		-	-	
Total Expenses (Including Bond Insurance)				996,216.80	
MBE/WBE FIRM SUBTOTALS	Underwriting	MBE/WBE	78.36%	538,656.00	
	Legal	MBE	0.00%	-	
	Advisory Services	WBE	67.6%	82,493.00	

**The Financial Condition of the Chicago Transit Authority Pension Fund**  
 Dan Hankiewicz, Pension Manager

The Illinois Pension Code does not define the specific pension benefits that must be provided to CTA employees, but rather it gives the CTA board of trustees the authority to create and maintain a financially sound retirement system. Table 1 below provides a statistical overview of active employees, total annuitants, average CTA employee salary, and average retirement annuity for the last nine years.

Table 1 Chicago Transit Authority Pension Fund Statistical Information				
<u>Fiscal Year</u>	<u>Active Employees</u>	<u>Total Annuitants</u>	<u>Average Salary</u>	<u>Average Pension</u>
1997	10,949	6,085	\$42,656	\$13,489
1998	9,584	7,471	\$45,380	\$16,427
1999	9,559	7,741	\$44,424	\$16,990
2000	9,298	8,088	\$46,645	\$17,707
2001	9,598	8,038	\$47,000	\$17,862
2002	10,106	8,057	\$47,952	\$18,039
2003	10,170	8,160	\$49,870	\$18,273
2004	10,376	8,399	\$49,479	\$19,534
2005	10,751	8,877	\$53,426	\$20,254

A nine-year history of the financial condition of the Chicago Transit Authority Pension Fund is shown in Table 2 below:

Table 2 Chicago Transit Authority Pension Fund Summary of Financial Condition (\$ in Millions)				
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Net Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>
1997	\$1,748.2	\$1,373.7	\$374.5	78.6%
1998	1,994.4	1,470.5	523.9	73.7%
1999	2,055.0	1,576.9	478.1	76.7%
2000	2,156.3	1,722.2	434.1	79.9%
2001	2,358.9	1,828.1	530.8	77.5%
2002	2,812.2	1,864.7	947.5	66.3%
2003	3,026.6	1,726.9	1,299.7	57.1%
2004	3,258.6	1,581.0	1,677.6	48.5%
2005	3,510.6	1,382.3	2,128.3	39.4%

Table 3 below shows a nine-year history of CTA and employee contributions to the pension fund. Also shown are the annual required contributions that should have been made in order to amortize the unfunded liabilities of the system over a 40-year period (if contributions had been made on a normal-cost-plus-interest basis).

Fiscal Year	CTA Contribution	Employee Contribution	Total Contribution	Required Contribution
1997	\$12.7	\$6.3	\$19.0	\$68.5
1998	24.4	12.2	36.6	82.1
1999	25.6	12.9	38.5	76.1
2000	25.9	13.0	38.9	73.7
2001	27.2	13.6	40.9	82.9
2002	29.0	14.5	43.6	142.8
2003	29.5	14.8	44.4	177.4
2004	30.6	15.3	45.9	231.9
2005	34.5	17.2	51.9	277.6

In accordance with the current collective bargaining agreement, the CTA makes an annual pension contribution of 6% of payroll, while CTA employees contribute 3% of payroll. According to the CTA Pension Fund's 2005 actuarial report, pension contributions made under the current collective bargaining agreement are not sufficient to amortize the unfunded liabilities of the system over a 40-year period.

P.A. 94-0839 (SB 1977) stipulates that, beginning January 1, 2009, the Chicago Transit Authority must make annual contributions to the CTA Pension Fund in order to bring the system's funded ratio to 90% by Fiscal Year 2058. The Act specifies that contributions will be made as a level percentage of payroll over the years remaining to and including FY 2058. The CTA must then make annual contributions in FY 2059 and thereafter at an amount necessary to maintain a 90% funded ratio. The Act also requires that contributions and liabilities relating to retiree healthcare shall not be included in the calculation of the total actuarial liabilities of the CTA pension fund.