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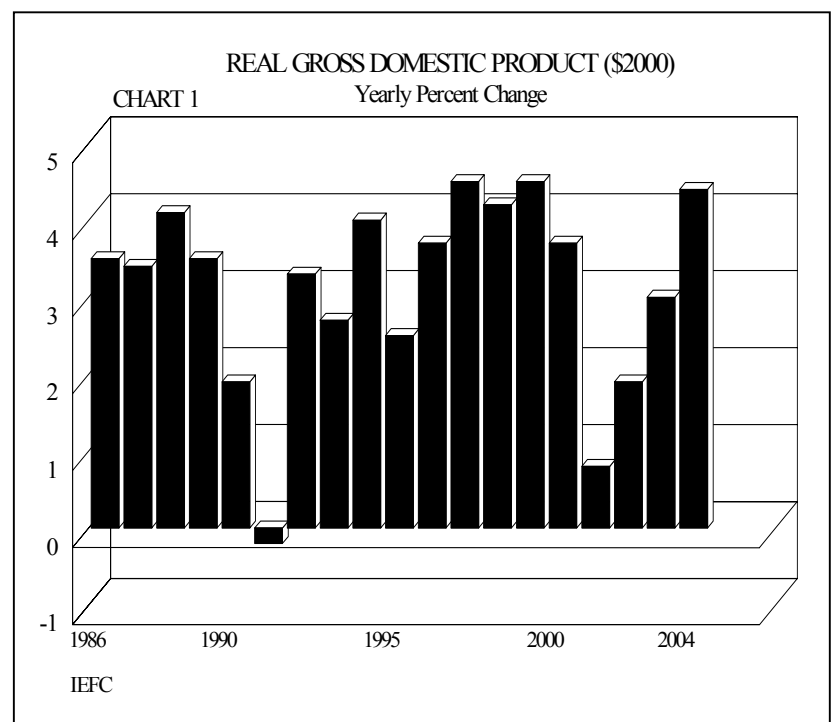
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ECONOMY: All in All, Not A Bad Year

Edward H. Boss, Jr., Chief Economist

The economy in 2004 continued to show improved growth despite many uncertainties, from the war in Iraq to the election, and is expected to record its best performance in five years, as shown in Chart 1. With final data now in for the third quarter, real gross domestic product (GDP) rose at an upwardly revised 4% annual rate, as it emerged from the soft spot the economy hit during the summer. And, with projections of similar growth in the final quarter of calendar 2004, the year's growth of 4.4% would be the highest since the late 1990s. Once again the consumer, which generally accounts for two-thirds of total spending, was the major force. After a sharp slowing to a 1.6% annual rate in the third quarter, real consumer expenditures recovered sharply to record a 5.1% annual rate in the third quarter, and even with the third quarter weakening, is anticipated to be up 3.7% for the year as a whole, the fastest pace since 2000.



Data on consumer spending in the final quarter of the year will not be available for more than a month; even so, there are signs that the all-important holiday buying season did not disappoint. Holiday sales started off strong following Thanksgiving but began to falter and by mid December were described as tepid. A strong last minute buying spree coupled with increased sales and more shopping days this year then provided a nice year-end bounce. Sales for the week ended December 27th were up a strong 5.5% above year-ago levels according to the International Council of Shopping Centers. The National Retail Federation continues to project a 4.5% gain in holiday sales. And, MasterCard said sales were up 6.5% from November 28 through December 24th with total holiday sales rising 8.1%. These sales exclude autos and gasoline purchases but do include Internet sales and purchases of gift cards, which are not recorded at stores until spent. Internet sales soared, up 28%, and there was a reported 20% increase in gift card purchases this year, which are yet to be reflected in store sales figures.

In addition to consumer spending, business spending was a powerful force during the year. Real business nonresidential investment rose at an annual rate of 13% in the third quarter, and for the year as a whole is estimated to have expanded by almost 11%. A primary contributor to this growth was investment in equipment and software. This category of spending rose at a 17.5% annual rate in the third quarter and is estimated to have grown by 13.4% for all of 2004, more than double the rate of increase of the previous year and

compared to actual declines of about 5% recorded in each of the two prior years. This rate of spending is at its fastest pace since the late 1990s when there was acceleration in activity designed to thwart potential Y2-K difficulties. At the same time, businesses added many fewer inventories in the latest quarter, a factor that subtracted almost 1% from the third quarter rate of GDP advance. With sales likely to have expanded at year-end, inventories may well have to be restocked which would provide a positive factor to growth in the New Year.

Once again, housing played an important role in overall economic growth, although it slowed in the second half of the year. Rising interest rates, high prices, and slowing sales of new homes are likely to weaken this sector further in 2005. On the trade front, rising exports helped by a weakening dollar added to growth, offset partially by rising imports, due in part to record high oil prices, which subtract from GDP. Real federal government spending rose slightly above the overall growth rate while state and local expenditures remained constrained by budgetary concerns and showed little gain in inflation-adjusted terms.

All in all, the economy in 2004 turned out to be the best so far in this decade. As we enter the New Year, a number of uncertainties remain and only time and developments will determine the outcome. Even so, at this point, the IEFEC forecasting service is characterizing that 2005 will be a good, but not great year, with overall growth somewhat less than in 2004, but above that of the prior three years with the expansion continuing.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY			
<u>INDICATORS</u>	<u>NOV. 2004</u>	<u>OCT. 2004</u>	<u>NOV. 2003</u>
Unemployment Rate (Average)	6.0%	6.1%	6.7%
Annual Rate of Inflation (Chicago)	-0.6%	5.1%	2.7%
██			
	<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) (November)	6,424	-0.3%	1.2%
Employment (thousands) (November)	6,037	-0.2%	1.9%
New Car & Truck Registration (November)	N/A	N/A	N/A
Single Family Housing Permits (November)	3,331	-13.2%	15.7%
Total Exports (\$ mil) (October)	2,733	9.2%	9.3%
Chicago Purchasing Managers Index (December)	61.2	-6.1%	3.4%

FEES UNDER SEIGE?

Mike Moore, Revenue Analyst

While the floodgates of litigation have not yet opened completely, it appears that several organizations will be challenging the legality of many of the fee increases imposed in FY 2004. One organization, the Illinois Chamber of Commerce, has been successful in blocking the collection of one fee used to fund the Illinois Industrial Commission. A judge ruled in Case No. 04 CH 06750 in Cook County Court that the Industrial Commission Worker’s Compensation Surcharge fee was unconstitutional. Monies currently held and funds collected in the future are now being placed in an escrow account in the State treasury. Thus far \$11.5 million has been placed in the Industrial Commission Surcharge Escrow Fund (#937). The surcharge raised around \$30 million last year. The Illinois Chamber claimed that this was more than double the cost needed to operate the program. The State does plan to appeal the ruling.

Like the Illinois Chamber of Commerce, several banking associations have joined together to file suit relating to fees being assessed on them by the State of Illinois. The Community Bankers Association of

Illinois, the Illinois Credit Union League, and the Illinois League of Financial Institutions filed suit in Sangamon County Court protesting last years fee hike and “sweep” arrangement. These organizations are asking the court to prohibit the collection of these fees in amounts that exceed the cost of regulatory oversight. The co-plaintiffs are also asking the court to prohibit “sweeps” and to restore fees which have already been swept and transferred into the General Revenue Fund. According to the lawsuit, about \$6 million in surplus fees were rolled into the general budget.

At this time, it’s difficult to gauge the budgetary impact of these fee rulings and filings. If courts continue to rule that these types of fee increases are unconstitutional, then fee revenues will certainly decline. It will be interesting to watch these developments as they continue to unfold and progress through the legal system. One fear from a revenue standpoint is that this will be the beginning of a siege on fees that will severely impact revenue collections.

The first quarter of FY 2005 brought in approximately \$142.8 million, which is an improvement from the same period of FY 2004 in which \$55.8 million

was collected. However, comparing these two time frames is difficult. The first quarter of FY 2004 was fairly weak due to the fact that most fees either had not taken effect, or had time to actually receipt the increased implementations and annualized their estimates. With the beginning of a new

fiscal year, fee revenues should increase simply because fees are now being collected all year.

Below is a chart that details first quarter revenue collections for fees related to new and/or higher fees established under P.A. 93-0032.

Agency	1st Qtr/FY 2005
<i>Illinois Environmental Protection Agency</i>	\$17,070,126.00
<i>Illinois Commerce Commission</i>	\$207,344.00
<i>Department of Natural Resources</i>	\$105,110.00
<i>Office of the State Fire Marshall</i>	\$346,527.00
<i>Department of Revenue (1)</i>	\$3,393,397.80
<i>Secretary of State (2)</i>	\$30,786,000.00
<i>Department of Agriculture</i>	\$252,833.00
<i>Capitol Development Board</i>	\$372,195.00
<i>DFPR/Industrial Commission (3)</i>	\$35,797,954.00
<i>Commercial Distribution Fee (4)</i>	\$54,148,785.00
<i>State Treasurer (5)</i>	\$344,770.00
<i>Illinois Department of Public Health (6)</i>	\$133,002.00
Total Fees from 1st Qtr FY 2005	\$142,825,174.80

1. The Department of Revenue estimate does not include monies collected via delinquent account fees or motor fuel tax prepay.
2. The Secretary of State compares the first quarter of FY 2003 with the first quarter of FY 2005. Several of the new fees that fall under the jurisdiction of the Secretary of State have just taken effect.
3. Includes fees from the previous Department of Insurance, Office of Banks and Real Estate, and Department of Financial Institutions. Since the majority of fees collected for the Industrial Commission are collected by DFPR, Industrial Commission fees are also included in this line. The DFPR collected \$22.6 million in Worker's Compensation Surcharge in the first quarter of FY 2005. Due to legal rulings monies collected from this fee will be placed in an escrow account in the State Treasury. As of January 3, 2005 roughly \$11.5 million has been transferred into this escrow account. (Fund # 0937 Industrial Commission Surcharge Escrow Fund)
4. Commercial Distribution Fee total is current through January 3, 2005.
5. Treasurer's totals do not include new monies collected by DUI fine increases. According to the Treasurer no new monies have been received via this fee yet in FY 2005.
6. The fee structure for the Illinois Department of Public Health changed due to P.A 93-0841. This new legislation imposed a \$995 flat fee for nursing home licensure, in contrast to a fee based on beds as it was in FY 2004.

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

It is difficult at this time to determine the rate at which fee revenues will come in over the remainder of the fiscal year. Some new fees will take effect in January that could increase fee revenues. Meanwhile, as stated

earlier, there are ongoing legal challenges that could reduce the amount of fee revenue collected over the remainder of the fiscal year. Second quarter totals should start to paint a clearer picture of how fees might perform in FY 2005.

YEAR TO DATE FY 2005
SPECIAL TRANSFERS
Lynnae Kapp, Bond Analyst

Special transfers for December administrative chargebacks equaled \$0.1 million, while statutory transfers (fund sweeps) equaled approximately \$41.6 million (including \$1.25 million transferred to

the Common School Fund). The Special Transfers year-to-date total is approximately \$301.9 million, consisting of \$51.6 million in Administrative chargebacks and \$250.3 million in statutory transfers. Total FY 2005 statutory transfers will be \$265.4 million by the end of the fiscal year.

Special Transfers in FY 2005 YTD as of 12/31/2004						
FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Executive Order 10	Fee Increase	TOTAL
0014	Food & Drug Safety		\$817,000			\$817,000
0018	Transportation Regulatory Fund	\$97,549	\$2,379,000			\$2,476,549
0021	Financial Institution Fund	\$315,981	\$2,003,000			\$2,318,981
0022	General Professions Dedicated Fund	\$59,799	\$497,000			\$556,799
0026	Live & Learn Fund	\$1,096,866				\$1,096,866
0031	Drivers Education	\$581,162	\$2,967,000			\$3,548,162
0036	IL Veterans' Rehabilitation	\$70,994				\$70,994
0039	State Boating Act	\$251,497	\$1,072,000			\$1,323,497
0044	Lobbyist Registration Administration Fund		\$163,000			\$163,000
0045	Agricultural Premium Fund	\$457,886	\$7,777,000			\$8,234,886
0050	Mental Health	\$2,086,290				\$2,086,290
0059	Public Utility	\$934,519	\$8,202,000			\$9,136,519
0067	Radiation Protection		\$750,000			\$750,000
0078	Solid Waste Management	\$317,419	\$10,084,000			\$10,401,419
0089	Subtitle D Management Fund	\$100,439	\$2,706,000			\$2,806,439
0129	State Gaming Fund	\$4,549,590				\$4,549,590
0137	Plugging & Restoration		\$1,255,000			\$1,255,000
0147	Coal Mining Regulatory Fund	\$2,755				\$2,755
0151	Registered CPA Administration & Disciplinary Fund		\$819,000			\$819,000
0163	Weights and Measures	\$131,345	\$1,800,000			\$1,931,345
0167	Registered Limited Liability Partnership Fund	\$24,560	\$356,000			\$380,560
0184	Violence Prevention Fund	\$48,630				\$48,630
0185	SOS Special License Plate Fund		\$856,000			\$856,000
0207	Pollution Control Board State Trust Fund	\$19,751				\$19,751
0213	Response Contractors Indemnification Fund		\$107,000			\$107,000
0214	Brownfields Redevelopment Fund	\$309,322				\$309,322
0215	Capital Development Board Revolving		\$1,229,000			\$1,229,000
0218	Professions Indirect Cost Fund	\$341,483	\$39,000			\$380,483
0222	State Police DUI Fund	\$22,971				\$22,971
0224	Asbestos Abatement Fund	\$104,559				\$104,559
0238	IL Health Facilities Planning Fund		\$2,351,000			\$2,351,000
0248	Racing Board Fingerprint License Fund	\$2,804				\$2,804
0251	Dept. of Labor Special State Trust Fund	\$8,235				\$8,235
0258	Nurse Dedicated & Professional Fund	\$203,445				\$203,445
0259	Optometric Licensing & Disciplinary Committee Fund		\$1,121,000			\$1,121,000
0265	State Rail Freight Loan Repayment Fund	\$275,565	\$3,500,000			\$3,775,565
0272	LaSalle Veterans Home Fund	\$36,434				\$36,434
0273	Anna Veterans Home Fund	\$148,628				\$148,628
0274	Self-Insurers Administration Fund	\$14,008				\$14,008
0276	Drunk & Drugged Driving Prevention Fund	\$99,517				\$99,517
0280	IL Racing Board Grant Fund	\$24,902				\$24,902
0281	IL Tax Increment	\$853,806	\$1,500,000			\$2,353,806
0285	Long-Term Care Monitor/Receiver Fund	\$51,192				\$51,192
0286	IL Affordable Housing Trust	\$243,489				\$243,489
0290	Fertilizer Control Fund	\$16,632				\$16,632
0292	Securities Investors Education Fund	\$186,442	\$3,271,000			\$3,457,442
0294	Used Tire Management Fund		\$3,278,000			\$3,278,000
0295	SOS Interagency Grant Fund	\$2,043				\$2,043
0298	Natural Areas Acquisition Fund	\$762,295				\$762,295
0299	Open Space Lands Acquisition and Development	\$1,303,203				\$1,303,203
0301	Working Capital Revolving Fund		\$12,000,000			\$12,000,000
0323	Motor Vehicle Review Board Fund	\$8,821				\$8,821
0342	Audit Expense		\$1,237,000			\$1,237,000
0344	Care Providers for Persons w/ Developmental Disabilities	\$1,212,397				\$1,212,397
0362	Securities Audit and Enforcement		\$14,000,000			\$14,000,000
0363	Dept. Business Service Spec. Ops Fund	\$261,447	\$524,000			\$785,447
0373	State Treasurer's Bank Service	\$1,099				\$1,099
0378	Insurance Premium Tax Refund Fund	\$292,099	\$2,500,000			\$2,792,099
0380	Corporate Franchise Tax Refund Fund		\$1,000,000			\$1,000,000
0384	Tax Compliance & Administration	\$300,974	\$9,513,000			\$9,813,974
0386	Appraisal Administration	\$33,790	\$1,107,000			\$1,140,790
0421	Public Aid Recoveries Trust	\$5,063,408				\$5,063,408
0436	Safety Responsibility Fund	\$21,605				\$21,605
0438	IL State Fair	\$229,724				\$229,724

FUND #	FUND NAME	Chargebacks	Statute (Funds Sweep)	Executive Order 10	Fee Increase	TOTAL
0452	IL Tourism Tax	\$148,097				\$148,097
0483	Secretary of State Special Services	\$43,943	\$600,000			\$643,943
0502	Early Intervention Services Revolving Fund	\$743,449				\$743,449
0514	State Asset Forfeiture Fund		\$1,500,000			\$1,500,000
0520	Federal Asset Forfeiture Fund		\$1,500,000			\$1,500,000
0523	Department of Corrections Reimbursement		\$14,500,000			\$14,500,000
0530	Grape & Wine Resources Fund		\$1,000,000			\$1,000,000
0536	LEADS Maintenance		\$2,000,000			\$2,000,000
0537	State Offender DNA ID System Fund		\$250,000			\$250,000
0548	Drvcleaner Environ Response Fund	\$272,563				\$272,563
0552	Workforce, Technology & Econ. Dvlpmt Fund		\$250,000			\$250,000
0564	Renewable Energy Resources Trust Fund		\$5,000,000			\$5,000,000
0571	Energy Efficiency Trust Fund	\$194,091	\$3,040,000			\$3,234,091
0576	Pesticide Control	\$38,899				\$38,899
0608	Conservation 2000		\$7,439,000			\$7,439,000
0612	Wireless Service Emergency Fund	\$253,973				\$253,973
0632	Horse Racing		\$2,500,000			\$2,500,000
0634	IL Aquaculture Develop Fund		\$1,067,020			\$1,067,020
0637	State Police Wireless Service Emergency Fund	\$52,862	\$500,000			\$552,862
0642	DHS State Projects Fund	\$105,712				\$105,712
0648	Downstate Public Transportation	\$764,939				\$764,939
0649	Motor Carrier Safety Inspection	\$90,277				\$90,277
0650	Municipal Economic Development Fund	\$14,796				\$14,796
0669	Airport Land Loan Revolving Fund	\$212				\$212
0705	Whistleblower Reward & Protection Fund		\$750,000			\$750,000
0708	IL Standardbred Breeders Fund	\$32,787				\$32,787
0728	Drug Rebate Fund	\$6,757,347				\$6,757,347
0732	SOS DUI Administration Fund	\$52,699	\$582,000			\$634,699
0733	Tobacco Settlement Recovery		\$19,400,000			\$19,400,000
0743	Statewide Economic Development Fund		\$4,329,246			\$4,329,246
0763	Tourism Promotion	\$52,796				\$52,796
0770	Digital Divide Elimination Fund	\$403,523				\$403,523
0776	Presidential Library and Museum Fund		\$500,000			\$500,000
0795	Bank & Trust Company	\$1,204,710				\$1,204,710
0808	Medical Special Purpose Trust Fund	\$83,223	\$967,000			\$1,050,223
0821	Dram Shop		\$1,000,000			\$1,000,000
0840	Hazardous Waste Research Fund	\$12,672				\$12,672
0850	Real Estate License Administration	\$103,472				\$103,472
0863	Cycle Rider Safety Training	\$81,636				\$81,636
0884	DNR Special Projects Fund	\$91,281				\$91,281
0888	Design Professionals Administration & Investigation		\$1,172,000			\$1,172,000
0905	IL Forestry Development Fund		\$1,257,000			\$1,257,000
0906	State Police Services	\$596,452	\$250,000			\$846,452
0907	Health Insurance Reserve	\$12,874,230				\$12,874,230
0920	Metabolic Screening & Treatment Fund		\$3,435,000			\$3,435,000
0921	DHS Recoveries Trust	\$315,318				\$315,318
0922	Insurance Producer Administration	\$121,724	\$12,727,000			\$12,848,724
0925	Coal Technology Development Assistance Fund	\$176,342				\$176,342
0942	Radioactive Waste Facility Development & Operation		\$2,202,000			\$2,202,000
0943	Low-Level Radioactive Waste Facility Closure, Post-Closure Care & Compensation		\$6,000,000			\$6,000,000
0944	Environmental Protection Permit & Inspection		\$874,000			\$874,000
0955	Tech Innovation & Commercialization Fund		\$76,729			\$76,729
0962	Park & Conservation		\$1,000,000			\$1,000,000
0969	Local Tourism Fund	\$502,405				\$502,405
0982	IL Beach Marina	\$50,000				\$50,000
0993	Public Infrastructure Construction Loan	\$23,579	\$1,822,000			\$1,845,579
0997	Insurance Financial Regulation	\$1,721,874				\$1,721,874
	TOTAL	\$51,565,254	\$202,269,995	\$0	\$0	\$253,835,249
0569	School Technology Revolving Loan Fund to Common School Fund		\$48,025,000			\$48,025,000
	General Funds TOTAL	\$51,565,254	\$250,294,995	\$0	\$0	\$301,860,249

BOND SALE TRANSPARENCY

Lynnae Kapp, Bond Analyst

P.A. 93-0839 (SB 2206) requires the Governor's Office of Management and Budget to disclose of bond deals beginning in FY 2005. The November 2004 General Obligation bonds issued totaled \$275 million. The 25-year

bonds will be paid off using level principal debt service payments. The following table lists the costs of issuance. Of the expected \$1 billion in total FY 2005 bond sales estimated by the Office of Management and Budget, approximately \$560 million has been sold, with the September issue meeting the competitive sale requirement of the Public Act.

\$275,000,000 Series November 2004					
Cost of Issuance Disclosure					
Line Item	Status	Participation Percentage	Amount	Total	
Underwriting Syndicate	Morgan Stanley		36.4%	240,300.00	
	Lehman Brothers		29.7%	195,942.50	
	Ramirez & Co.	MBE	10.5%	69,335.00	
	Cabrera Capital Markets	MBE	4.3%	28,480.00	
	Siebert Brandford	MBE	10.0%	65,752.50	
	First Midstate		5.2%	34,030.00	
	SBK Brooks	MBE	4.0%	26,160.00	660,000.00
Underwriting Expenses	Bond Market Association Fee			8,250.00	
	Dalnet Wire Charges			210.00	
	Dalnet Usage Fee			16,500.00	
	DTC Fee			275.00	
	CUSIP			670.50	
	Day Loan on Gross Proceeds			8,272.09	
	Conference Calls & Misc.			197.41	34,375.00
Bond Counsel	Arnstein & Lehr			43,500.00	
	Pugh, Jones, Johnson & Quandt	MBE		12,375.00	
Co-Bond Counsel	Freeborn & Peters			28,875.00	
Underwriters Counsel	Burns, Wright, Slaughter & Tom	MBE		8,662.50	93,412.50
Co-Underwriters Counsel					
Financial Advisor	Mesirow Financial			78,250.00	
Market Pricing Advisor	Delphis Hanover Corporation			18,750.00	97,000.00
Rating Agencies	Moody's Investor Services			30,000.00	
	Standard and Poor's			25,000.00	
	Fitch Ratings			21,500.00	76,500.00
Printing & shipping	ImageMaster			6,367.82	6,367.82
Total Expenses (Excluding Bond Insurance)					<u>967,655.32</u>
	Maximum Allowable Expenses (Par amount x 0.5%)			1,375,000.00	
Bond Insurance	AMBAC			614,021.10	614,021.10
Total Expenses (Including Bond Insurance)					<u>1,581,676.42</u>
MBE FIRM SUBTOTALS	Underwriting		28.7%	189,727.50	
	Legal		22.5%	21,037.50	
	Financial Advisory		0.0%	-	210,765.00

*MBE stands for minority business enterprises. State law requires a minimum amount of all state contracts to be with businesses owned by minorities, females, and persons with disabilities.

REVENUE

Revenues Rise in December

Jim Muschinske, Revenue Manager

General revenue receipts in December, excluding Budget Stabilization Fund and Pension Contribution Fund transfers, increased by \$238 million. A strong month for federal sources as well as higher transfers related to statutory “funds sweeps” resulted in the gain. December had one less receipting day than the same month last year.

While overall monthly receipts were up due to federal sources and transfers, only a few sources experienced gains. Inheritance tax posted a \$13 million increase, while liquor tax receipts rose \$3 million. Insurance taxes and fees managed a \$2 million increase and interest earnings eked out a \$1 million gain.

Of the decliners, gross personal income tax experienced the largest loss as receipts fell \$26 million, although on a net of refund basis that drop moderated to \$12 million. Other sources fell \$14 million, while sales tax receipts slipped \$9 million. Corporate franchise taxes and fees dipped \$6 million as gross corporate income tax receipts eased \$4 million (although on a net of income basis actually posted a \$15 million gain). Finally, public utility tax receipts suffered a modest \$2 million loss.

Overall transfers increased \$58 million in December. The increase was attributed to a \$42 million increase in other transfers due to statutory funds sweeps. Lottery transfers contributed \$16 million to the monthly advance as riverboat transfers and receipts were flat.

Finally, as mentioned earlier, federal sources experienced an increase in December, rising \$189 million.

Based on information provided from the Comptroller’s Office, as of January 4, 2005 \$1.611 billion in bills are awaiting payment, of which \$495 million are Medicaid bills. December ended with a general funds balance of \$251 million, of which the General Revenue Fund represented only \$25 million (the remaining balance of \$226 million was comprised of education funds).

Year to Date

Through the first half of FY 2005, excluding Budget Stabilization and Pension Contribution funds transfers, receipts were up \$260 million over the same period of last fiscal year. With a few exceptions, virtually all revenue sources continue to experience gains over the same period of last year.

Gross personal income receipts have contributed the most to the year to date increase with receipts posting gains of \$105 million, or \$149 million net of refunds. Sales tax revenue is up \$100 million while other sources experienced a \$73 million increase. Due to a distribution change in FY 2005, cigarette tax receipts are up \$50 million. Inheritance tax is ahead by \$38 million, and all other sources experiencing gains contributed an additional \$56 million. Only four sources declined thus far in FY 2005 with gross corporate income tax off \$50 million, although on a net or refund basis receipts are actually up \$8 million. Public utility taxes are off \$10 million, and both interest income and

vehicle use taxes are each down \$2 million.

Overall transfers in the first six months of the fiscal year are up \$563 million. However, \$434 of that gain was due to transfers from the Medicaid Provider Relief Fund resulting from last fiscal year's short-term borrowing. Excluding that transfer, all other transfers would be up \$129 million, comprised of an increase of \$92 million in other transfers, a \$30

million increase in lottery transfers, and a \$7 million increase in riverboat transfers and receipts.

While federal sources are down \$763 million over the first six months, \$434 million in transfers in from the Medicaid Provider Fund could be considered "federal money" as it represents the federal reimbursement stemming from spending made available due to last year's short-term borrowing. If viewed in that context, the year-over-year decline in federal sources would be lessened to \$329 million; with that decline being attributed mostly to \$422 million in flexible federal grants received last fiscal year.

GENERAL FUNDS RECEIPTS: DECEMBER

*FY 2005 vs. FY 2004
(\$ million)*

Revenue Sources	DEC. FY 2005	DEC. FY 2004	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$669	\$695	(\$26)	-3.7%
Corporate Income Tax (regular)	212	216	(\$4)	-1.9%
Sales Taxes	589	598	(\$9)	-1.5%
Public Utility Taxes (regular)	117	119	(\$2)	-1.7%
Cigarette Tax	33	33	\$0	0.0%
Liquor Gallonage Taxes	13	10	\$3	30.0%
Vehicle Use Tax	3	3	\$0	0.0%
Inheritance Tax (Gross)	25	12	\$13	108.3%
Insurance Taxes and Fees	74	72	\$2	2.8%
Corporate Franchise Tax & Fees	11	17	(\$6)	-35.3%
Interest on State Funds & Investments	6	5	\$1	20.0%
Cook County IGT	23	23	\$0	0.0%
Other Sources	23	37	(\$14)	-37.8%
Subtotal	\$1,798	\$1,840	(\$42)	-2.3%
Transfers				
Lottery	65	49	\$16	32.7%
Riverboat transfers & receipts	75	75	\$0	0.0%
Medicaid Provider Relief Fund	0	N/A	\$0	N/A
Other	64	22	\$42	190.9%
Total State Sources	\$2,002	\$1,986	\$16	0.8%
Federal Sources	\$463	\$274	\$189	69.0%
Total Federal & State Sources	\$2,465	\$2,260	\$205	9.1%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$67)	(\$81)	\$14	-17.3%
Corporate Income Tax	(\$51)	(70)	\$19	-27.1%
Subtotal General Funds	\$2,347	\$2,109	\$238	11.3%
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Pension Contribution Fund Transfer	\$0	\$148	(\$148)	N/A
Total General Funds	\$2,347	\$2,257	\$90	4.0%

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

4-Jan-05

GENERAL FUNDS RECEIPTS: YEAR TO DATE

*FY 2005 vs. FY 2004
(\$ million)*

Revenue Sources	FY 2005	FY 2004	CHANGE FROM FY 2004	% CHANGE
State Taxes				
Personal Income Tax	\$3,715	\$3,610	\$105	2.9%
Corporate Income Tax (regular)	557	607	(\$50)	-8.2%
Sales Taxes	3,333	3,233	\$100	3.1%
Public Utility Taxes (regular)	511	521	(\$10)	-1.9%
Cigarette Tax	250	200	\$50	25.0%
Liquor Gallonage Taxes	76	64	\$12	18.8%
Vehicle Use Tax	17	19	(\$2)	-10.5%
Inheritance Tax (Gross)	138	100	\$38	38.0%
Insurance Taxes and Fees	168	153	\$15	9.8%
Corporate Franchise Tax & Fees	87	75	\$12	16.0%
Interest on State Funds & Investments	28	30	(\$2)	-6.7%
Cook County IGT	193	176	\$17	9.7%
Other Sources	188	115	\$73	63.5%
Subtotal	\$9,261	\$8,903	\$358	4.0%
Transfers				
Lottery	280	250	\$30	12.0%
Riverboat transfers & receipts	402	395	\$7	1.8%
Medicaid Provider Relief Fund	434	0	\$434	N/A
Other	422	330	\$92	27.9%
Total State Sources	\$10,799	\$9,878	\$921	9.3%
Federal Sources	\$2,108	\$2,871	(\$763)	-26.6%
Total Federal & State Sources	\$12,907	\$12,749	\$158	1.2%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$378)	(\$422)	\$44	-10.4%
Corporate Income Tax	(\$138)	(\$196)	\$58	-29.6%
Subtotal General Funds	\$12,391	\$12,131	\$260	2.1%
Budget Stabilization Fund Transfer	\$276	\$226	\$50	22.1%
Pension Contribution Fund Transfer	\$0	\$965	(\$965)	N/A
Total General Funds	\$12,667	\$13,322	(\$655)	-4.9%

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

IEFC

4-Jan-05

GENERAL FUNDS GROWTH NEEDED TO MEET ESTIMATE

FY 2005 ESTIMATE vs. FY 2004 ACTUAL

(\$ million)

	Aug-04 ESTIMATE FY 2005	FYTD 2005	AMOUNT NEEDED FY 2005 EST.	FYTD 2004	GROWTH NEEDED	% CHANGE
Revenue Sources						
<i>State Taxes</i>						
Personal Income Tax	\$8,572	\$3,715	\$4,857	\$3,610	\$232	5.0%
Corporate Income Tax (regular)	1,308	557	\$751	607	(\$21)	-2.7%
Sales Taxes	6,457	3,333	\$3,124	3,233	\$26	0.8%
Public Utility Taxes (regular)	1,090	511	\$579	521	\$21	3.8%
Cigarette Tax	450	250	\$200	200	\$0	0.0%
Liquor Gallonage Taxes	147	76	\$71	64	\$8	12.7%
Vehicle Use Tax	35	17	\$18	19	\$2	12.5%
Inheritance Tax (Gross)	265	138	\$127	100	\$5	4.1%
Insurance Taxes and Fees	371	168	\$203	153	(\$6)	-2.9%
Corporate Franchise Tax & Fees	168	87	\$81	75	(\$7)	-8.0%
Interest on State Funds & Investments	54	28	\$26	30	\$1	4.0%
Cook County IGT	450	193	\$257	176	\$5	2.0%
Other Sources	500	188	\$312	115	(\$12)	-3.7%
Subtotal	\$19,867	\$9,261	\$10,606	\$8,903	\$254	2.5%
<i>Transfers</i>						
Lottery	575	280	\$295	250	(\$25)	-7.8%
Riverboat transfers & receipts	642	402	\$240	395	(\$26)	-9.8%
Medicaid Provider Relief Fund	433	434	(\$1)	0	N/A	N/A
Other	1,044	422	\$622	330	(\$207)	-25.0%
Total State Sources	\$22,561	\$10,799	\$11,762	\$9,878	(\$5)	0.0%
Federal Sources	\$4,255	\$2,108	\$2,147	\$2,871	(\$171)	-7.4%
Total Federal & State Sources	\$26,816	\$12,907	\$13,909	\$12,749	(\$176)	-1.2%
Nongeneral Funds Distribution:						
<i>Refund Fund</i>						
Personal Income Tax	(\$864)	(\$378)	(\$486)	(\$422)	\$56	-10.3%
Corporate Income Tax	(318)	(\$138)	(\$180)	(196)	\$66	-26.8%
Subtotal General Funds	\$25,634	\$12,391	\$13,243	\$12,131	(\$54)	-0.4%
Budget Stabilization Fund Transfer	\$276	\$276	\$0	\$226	\$0	N/A
Pension Contribution Fund Transfer	\$0	\$0	\$0	\$965	(\$430)	-100.0%
Total General Funds	\$25,910	\$12,667	\$13,243	\$13,322	(\$484)	-3.5%
IEFC						4-Jan-05

GENERAL FUNDS PERFORMANCE TO DATE
GOVERNOR'S OFFICE OF MANANGEMENT AND BUDGET

FY 2005 ESTIMATE vs. FY 2004 ACTUALS

(\$ million)

Revenue Sources	*GOMB AUG-04 Estimate FY 2005	FYTD 2005	AMOUNT NEEDED FY 2005 Est.	FYTD 2004	GROWTH NEEDED	% CHANGE
	State Taxes					
Personal Income Tax	\$8,406	\$3,715	\$4,691	\$3,610	\$66	1.4%
Corporate Income Tax (regular)	1,129	557	\$572	607	(\$200)	-25.9%
Sales Taxes	6,431	3,333	\$3,098	3,233	\$0	0.0%
Public Utility Taxes (regular)	1,102	511	\$591	521	\$33	5.9%
Cigarette Tax	400	250	\$150	200	(\$50)	-25.0%
Liquor Gallonage Taxes	147	76	\$71	64	\$8	12.7%
Vehicle Use Tax	37	17	\$20	19	\$4	25.0%
Inheritance Tax (Gross)	240	138	\$102	100	(\$20)	-16.4%
Insurance Taxes and Fees	347	168	\$179	153	(\$30)	-14.4%
Corporate Franchise Tax & Fees	175	87	\$88	75	\$0	0.0%
Interest on State Funds & Investments	45	28	\$17	30	(\$8)	-32.0%
Cook County IGT	450	193	\$257	176	\$5	2.0%
Other Sources	732	188	\$544	115	\$220	67.9%
Subtotal	\$19,641	\$9,261	\$10,380	\$8,903	\$28	0.3%
Transfers						
Lottery	578	280	\$298	250	(\$22)	-6.9%
Gaming Fund Transfer	653	402	\$251	395	(\$15)	-5.6%
Medicaid Provider Relief Fund	433	434	(\$1)	0	N/A	N/A
Other	1,154	422	\$732	330	(\$97)	-11.7%
Total State Sources	\$22,459	\$10,799	\$11,660	\$9,878	(\$107)	-0.9%
Federal Sources	\$4,255	\$2,108	\$2,147	\$2,871	(\$171)	-7.4%
Total Federal & State Sources	\$26,714	\$12,907	\$13,807	\$12,749	(\$278)	-2.0%
Nongeneral Funds Distribution:						
Refund Fund						
Personal Income Tax	(\$841)	(\$378)	(\$463)	(\$422)	\$79	-14.6%
Corporate Income Tax	(271)	(138)	(\$133)	(196)	\$113	-45.9%
Subtotal General Funds	\$25,602	\$12,391	\$13,211	\$12,131	(\$86)	-0.6%
Budget Stabilization Fund Transfer	\$276	\$276	\$0	\$226	\$0	N/A
Pension Contribution Fund Transfer	\$0	\$0	\$0	\$965	(\$430)	-100.0%
Total General Funds	\$25,878	\$12,667	\$13,211	\$13,322	(\$516)	-3.8%

* The GOMB forecast includes the \$433 million from the Medicaid Provider Fund in their estimate of federal sources. The Comptroller's Office records that money as a transfer in. For comparison purposes, the GOMB's federal source estimate was adjusted to take this into account [\$4.255 billion + \$433 million = \$4.688 billion].

PENSIONS
Growth in FY 2006 GRF for
Retirement

Tim Blair, Pension Manager

The Illinois Economic and Fiscal Commission has estimated the growth in retirement-related GRF from FY 2005 to FY 2006 to be \$633.0 million. This estimate assumes the

historical practice of reporting all non-SPF employer contributions to SERS as GRF would be continued into the future. But, as the amount of non-GRF employer contributions to SERS approaches 35% to 40% annually, an alternative estimate of the GRF increase from FY 2005 to FY 2006 may be helpful in the FY 2006 budgetary process.

Table 1						
FY 2005 Retirement Appropriations						
	1	2	3	4	5	(1+5)
	GRF/CSF	SPF	NON-GRF	TOTAL	DEBT SERVICE	TOTAL GRF
TRS	\$907.0	\$0.0	\$0.0	\$907.0	\$293.7	\$1,200.7
SERS	369.6	0.0	199.0	\$568.6	-42.4	\$327.2
SURS	47.4	222.6	0.0	\$270.0	97.2	\$144.6
JRS	15.1	16.9	0.0	\$32.0	9.6	\$24.7
GARS	2.2	2.5	0.0	\$4.7	1.8	\$4.0
TOTAL	\$1,341.3	\$242.0	\$199.0	\$1,782.3	\$359.9	\$1,701.2
GRF Transfer to SPF						<u>80.0</u>
Total FY 2005 GRF						\$1,781.2

Table 2						
FY 2006 Retirement Certifications						
	1	2	3	4	5	(1+5)
	GRF/CSF	SPF	NON-GRF	TOTAL	DEBT SERVICE	TOTAL GRF
TRS	\$1,058.5	\$0.0	\$0.0	\$1,058.5	\$293.7	\$1,352.2
SERS	493.5	0.0	265.8	\$759.3	24.8	\$518.3
SURS	244.7	80.0	0.0	\$324.7	97.2	\$341.9
JRS	38.0	0.0	0.0	\$38.0	9.6	\$47.6
GARS	5.5	0.0	0.0	\$5.5	1.8	\$7.3
TOTAL	\$1,840.2	\$80.0	\$265.8	\$2,186.0	\$427.1	\$2,267.3
GRF Growth - Transfer Not Included as GRF Spending				\$566.2		
GRF Growth - Transfer Included as GRF Spending				\$486.2		

As the amount of non-GRF contributions to SERS is expected to increase from \$199.0 million in FY 2005 to \$265.8 million in FY 2006, the increase in GRF in FY 2006 is expected to be \$566.2 million. These non-GRF contributions are essentially employer contributions to SERS from all other Funds, including Federal Funds. In addition, if the FY 2005

transfer of \$80 million from GRF to SPF is considered FY 2005 GRF spending, the actual GRF increase in FY 2006 is expected to be \$486.2 million. It should be noted that TRS and SURS also receive employer contributions from Federal and Trust Funds. Unlike SERS, these two systems exclude expected Federal and Trust contributions from the certified contribution amounts.