

Fiscal Focus

A Publication of the Illinois State Comptroller



• DECEMBER 2006 ISSUE •



Illinois' Diverse Transportation System

Illinois' transportation system, like all modern systems, is comprised of an intricate network of highways, air, and rail transportation and mass transit. An adequate intermodal transportation system is vital for a strong economy. It is essential for the distribution of goods and services, for getting people to work and other places where they participate in the economy, and for retaining and attracting businesses.

Providing and maintaining such an intermodal transportation system is one of the primary functions of state government which is handled in Illinois by the Department of Transportation. With about 140,000 miles of state and local roads including more than 26,400 bridges, maintaining the state infrastructure is a challenge. The department is directly responsible for approximately 17,000 miles of highway, including nearly 8,000 bridges and more than 2,100 miles of Interstate highways. This gives Illinois the third largest interstate highway system in the country. According to the department, of the state's resources allocated to transportation, more than 80% is directed to maintaining and improving the Illinois highway system.

In addition to the highway system, the department allocates other state and federal resources to local governments and regional transportation agencies. The Regional Transportation Authority (RTA),

covering northeastern Illinois, is one of the largest public transportation systems in the country providing over 578.8 million rides in fiscal year 2006 (see page 15). Illinois' public transportation also includes the three transit authorities in the Metro-East St. Louis area. The remaining 41 public transportation systems include 11 other metropolitan areas and 30 rural areas. Illinois has 83 public airports including O'Hare International which remains one of the world's busiest airports. With a combined route mileage of approximately 7,900 miles of railroad, the state has the second largest rail transportation system in the country. The railroads are an important method of transporting coal and grain in the state.

Maintaining Illinois' Highway System

Besides having one of the largest highway systems, three of the five transcontinental highways (I-70, I-80, and I-90) pass through the state. Such a system is a major asset but the sheer size of the highway network means that a substantial amount of resources are consumed in maintenance and repair. As stated earlier, 80% of the state resources allocated for transportation is directed to the highway program, of which little is dedicated to new highways. Road construction is generally for repairing or replacing existing highways and

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Dear Readers:

Illinois' transportation system is one of the largest in the nation. The network includes federal, state and local highways, mass transit, airports and railways. The Illinois Department of Transportation has a primary role in providing and maintaining important segments of the system. Roads and bridges are vital for the movement of goods and people, and of the state's resources allocated to transportation, more than 80% is directed to maintaining and improving the Illinois highway system.

The department is directly responsible for approximately 17,000 miles of highway, including nearly 8,000 bridges and more than 2,100 miles of Interstate highways. In addition, grants are available to local governments not only for local road and bridge projects, but also for mass transit and airport assistance.

Significant portions of the revenue available to fund highway construction and maintenance projects come from users. At the state level, monies collected from the motor fuel tax for each gallon of fuel sold, and from driver's licenses and motor vehicle fees are deposited in accounts that support the road program. At the federal level, taxes on gasoline and other fuels, tires, and the retail price of truck and trailer sales are collected and returned to the states in the form of grants to support state and local road projects. These revenues, however, tend to be flat over time and increases in the dollars collected tend not to keep pace with rising highway construction costs.

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Sincerely,

Daniel W. Hynes, Comptroller

Fiscal Focus

Fiscal Focus is one of the ways the Comptroller's Office strives to assist taxpayers and the people of Illinois. This report is designed to provide fiscal information of general interest.

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Is There Equity in the Distribution of Federal Highway Aid?

Studies of federal spending in the states traditionally have shown that Illinois ranks near the bottom of all states with a return of about 73 cents for every tax dollar sent to Washington. It is argued that this poor showing is because Illinois is wealthier relative to other states, and has fewer federal employees, Social Security recipients, and defense establishments.

However, this poor showing does not extend to the area of highway construction. According to data from the U.S. Department of Transportation, in federal fiscal year 2005, Illinois "received" 93 cents in federal highway aid for every tax dollar

contributed to the Federal Highway Trust Fund. [Note: The term "received" may be misleading in this context. In calculating the ratio, the Federal Highway Administration uses the apportionments and allocations of funds to the states, not the actual outlays or grants made in a given fiscal year. An apportionment is the funding level available to a state based on formulas prescribed by law, and an allocation is an administrative distribution of funds to a state. Federal expenditures or outlays are the grants made to states and they generally lag behind the apportionments.]

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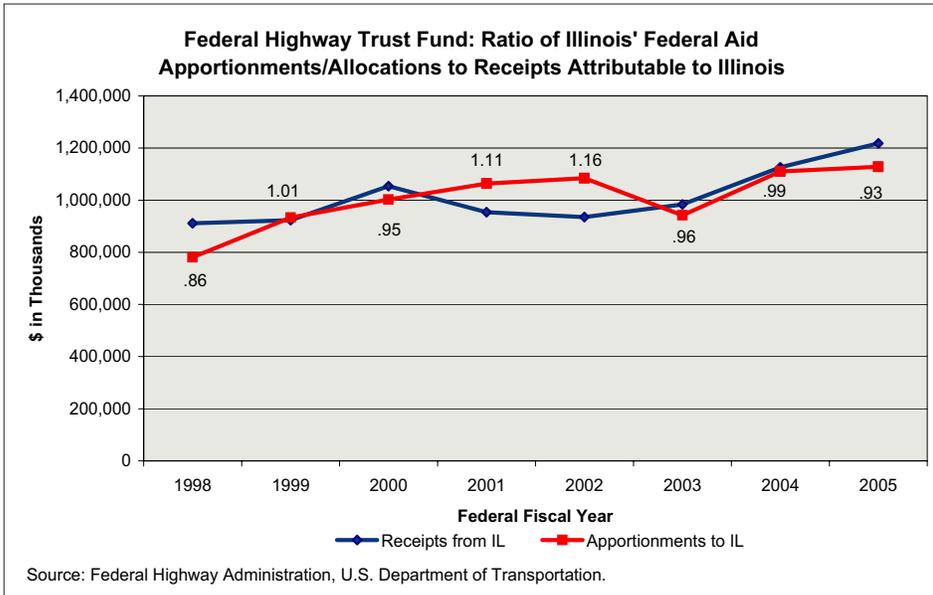
Three times during the past eight years, Illinois' ratio of federal highway apportionments to federal highway trust fund taxes exceeded 1.00. In federal fiscal year 1999, Illinois was apportioned

on diesel and kerosene fuel, various per gallon taxes on other special fuels, a tax on tires, a 12 percent tax on the retail price of truck and trailer sales, and an annual use tax on heavy vehicles.

tainty, the Federal Highway Administration calculates a ratio of federal highway apportionments and allocations relative to payments into the trust fund (excluding the Mass Transit Account) for each state. The ratio is expressed as a decimal where a value of 1.00 indicates that a state's federal highway apportionments equaled the payments made to the trust fund (i.e., a state received \$1.00 for every \$1.00 contributed). A value less than 1.00, such as .85, indicates that a state received 85 cents for every dollar contributed, while a value greater than 1.00, such as 1.15 indicates that a state received \$1.15 for every dollar contributed.

An argument is often made that each state should get its fair share of federal highway aid which suggests that each state's ratio should equal 1.00. However, this simple argument overlooks the fact that characteristics of the transportation systems in the states vary considerably, and that the federal aid programs themselves have different formulas or factors that are weighted to direct funds accordingly.

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\$1.01 for every tax dollar contributed, while in fiscal years 2001 and 2002 the figure climbed to \$1.11 and \$1.16, respectively. The lowest ratio in the 8-year period was in fiscal year 1998 when Illinois' apportionment was only 86 cents for every dollar contributed to the federal highway trust fund (see line chart).

Federal Highway Trust Fund

The Federal Highway Trust Fund was created in 1956 to finance a highway construction program including the Interstate Highway System. The trust fund receives federal taxes that are dedicated (some would say "earmarked") for specific transportation purposes as established by the Congress. While originally created to finance highways, in 1983 a Mass Transit Account was added to the trust fund.

Receipts into the trust fund come from a 18.4 cents per gallon tax on gasoline and gasohol, a 24.4 cents per gallon tax

Expenditures from the trust fund are primarily in the form of grants to state governments for highway programs authorized by the federal government. (See page 7 for list of the major grant programs).

Fair Share?

Since receipts into the trust fund come from taxes paid by users in each state, and since expenditures out of the trust fund are made as grants to states, it should be possible to compare what states contribute to the trust fund relative to what they get back in federal aid. However, since the amount of outlays needed to reimburse the states for eligible costs cannot be forecast with cer-



bridges, adding lanes to reduce congestion and for traffic safety improvements. For the current five-year program (fiscal years 2007-12), the breakdown of the four categories for the highway program include; system maintenance (46%), bridge maintenance (20%), congestion mitigation (23%), and system expansion (11%).

Highway construction expenditures totaled \$1.8 billion in fiscal year 2006.

After fiscal year 1997, the Trans A bond authorization was totally exhausted. When the Illinois FIRST program was enacted it added over \$2 billion in bond authorization in fiscal year 2000 to cover spending needs over the next five to seven years. [The Illinois FIRST bond program was a major infrastructure initiative of the late 1990s to increase funding for state transportation needs (see page 10)]. Additionally, Illinois FIRST

increased motor vehicle licenses and fees yielding higher deposits into both the Road and State Construction Account Funds. As of the end of fiscal year 2006, all but just over \$100 million in bond authorization had been used (although appropriations from the fund continue to be made).

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**Department of Transportation
Expenditures by Category and Fund
(Dollars in Millions)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operations:										
Road Fund	\$ 507	\$ 502	\$ 525	\$ 548	\$ 595	\$ 606	\$ 613	\$ 590	\$ 579	\$ 566
All Other	51	12	12	16	18	18	17	114	16	21
Total, Operations	558	514	537	564	613	624	630	704	595	587
Awards & Grants:										
Road Fund	56	76	90	118	117	114	97	98	114	87
Motor Fuel Tax Funds	463	480	498	572	606	609	615	628	641	646
Public Transportation Funds	205	216	226	236	251	267	278	307	333	360
Transportation Bond Series B Fund	75	55	40	56	96	139	121	106	72	74
Federal/Local Airport Fund	148	119	89	76	100	146	109	106	131	102
All Other	55	63	61	80	87	90	92	85	71	129
Total, Awards & Grants	1,002	1,009	1,004	1,138	1,257	1,365	1,312	1,330	1,362	1,398
Highway Construction:										
Road Fund	572	534	522	736	739	869	1,093	1,012	566	581
State Construction Account Fund	576	576	516	730	655	864	699	672	730	1,032
Transportation Bond Series A Fund	47	0	0	67	258	308	387	287	344	160
All Other	18	22	20	33	33	48	47	27	31	25
Total, Highway Construction	1,213	1,132	1,058	1,566	1,685	2,089	2,226	1,998	1,671	1,798
All Other:	6	6	6	6	5	6	5	5	10	5
TOTAL, TRANSPORTATION	\$ 2,779	\$ 2,661	\$ 2,605	\$ 3,274	\$ 3,560	\$ 4,084	\$ 4,173	\$ 4,037	\$ 3,638	\$ 3,788

Source: Comptroller's records.

Three funds provide the bulk of the construction spending: the Road Fund, the State Construction Account Fund, and the Transportation Bond Series A Fund (Trans A Fund). The State Construction Account Fund, created in fiscal year 1984, was specifically limited for highway construction purposes and receives motor fuel tax and motor vehicle license fees. The Trans A Fund is also limited to construction projects using proceeds from state general obligation bond sales. The accompanying table lays out the expenditures from each of the 3 major funds over the last ten years.

**Department of Transportation
Highway Program**

Fiscal Year	Miles	Bridges/Structures	Safety
	Improved	Improved	Improvements
1997	1,553	431	287
1998	873	381	352
1999	1,255	443	319
2000	1,515	350	306
2001	1,996	403	272
2002	1,554	333	333
2003	1,561	319	268
2004	1,237	249	247
2005	919	206	111
2006	820	255	157

State Financial Support for the Road Program

State support for the road program comes from user charges with the bulk of monies collected from the motor fuel tax and from driver's licenses and motor vehicle fees and deposited into the Road Fund and State Construction Account Fund. Since the revenue from these sources depends on the number of gallons of motor fuel used and the number of drivers and motor vehicles in the state, revenues tend to be flat other than when there is an increase in the tax or fee rate for the revenue source.

Motor Fuel Tax

The current state motor fuel tax rates are 19 cents per gallon for gasoline and 21.5 cents for diesel with the proceeds

local government Motor Fuel Tax Funds that distribute monies to local government highway programs. Smaller amounts of Motor Fuel Tax Fund monies are transferred annually to the Vehicle Inspection, Grade Crossing Protection, and State Boating Funds and spent directly from the fund for motor fuel tax administration, refunds, and payments owed to other states under the International Fuel Tax Agreement.

The Illinois FIRST initiative included a shift in Motor Fuel Tax Fund payments from the Road and State Construction Account Funds to the local government funds. The percent distributed to the Road and State Construction Account funds after allocations for prior purposes

was reduced from 58.4% to 45.6% with a corresponding increase in the percent to the local government funds from 41.6% to 54.4%.

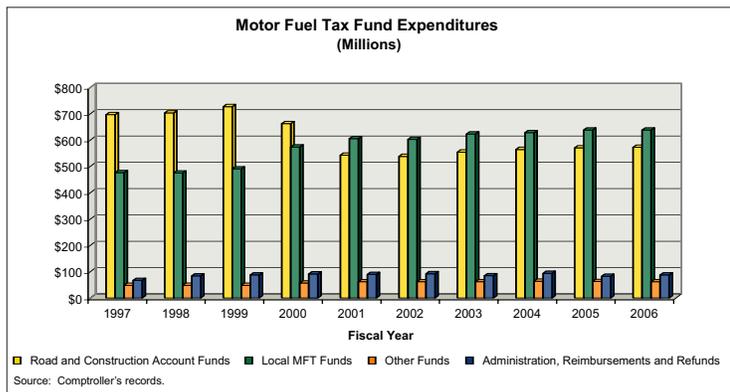
Between fiscal year 1997 and fiscal year 2006, total payments from the Motor Fuel Tax Fund increased

the federal highway construction composite price index. Transfers to the Road and State Construction Account Fund declined from \$697 million to \$573 million, while transfers to the local government funds increased from \$476 million to \$638 million during the ten-year period.

Licenses and Fees

Increased deposits from driver's and vehicle licenses and fees starting with increases included in the Illinois FIRST initiative served to more than offset the reduction in motor fuel tax monies into the Road and State Construction Account Funds. The general public is most familiar with the \$10 driver's license fee, the \$78 annual passenger car registration fee, and the \$65 title certificate fee. Many additional drivers and vehicle related licenses are issued in Illinois reflecting the variety of vehicles that are licensed and sales of specialty plates, fees charged to various auto related businesses, differing levels of driving skill that need to be attained, and special situations such as fees to reinstate suspended licenses or fees for the purchase of drivers' information.

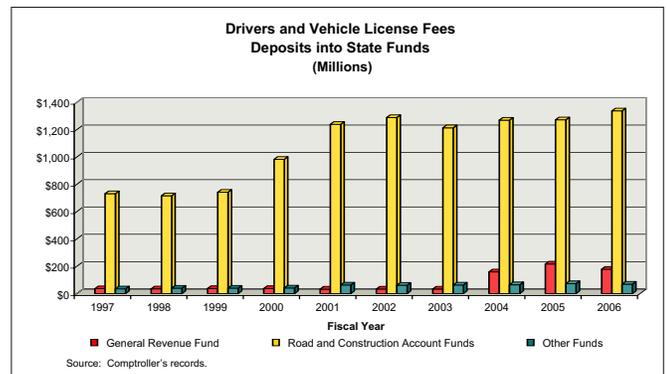
From fiscal year 1997 to fiscal year 1999, driver's license and vehicle fees collected by the Secretary of State averaged around \$800 million. The first



deposited into the Motor Fuel Tax Fund. An additional 1.1 cent-per-gallon tax is levied for the Underground Storage Tank Fund to help remediate damage from leaking underground storage tanks. The tax rate for the Motor Fuel Tax Fund was last increased in 1990 when the rate for gasoline was increased from 16 cents per gallon to 19 cents per gallon.

Deposits into the Motor Fuel Tax Fund are primarily divided between transfers into the Road and State Construction Account Funds that pay for state highway construction, maintenance, debt service, and administration and three

from the Motor Fuel Tax Fund increased only \$73 million or 5.7% from \$1.288 billion to \$1.361 billion in part due to the elimination of a roughly \$100 million annual transfer from the General Revenue Fund in fiscal year 2001 which was also part of the Illinois FIRST initiative. The increase in spending from the Motor Fuel Tax Fund lagged rising highway construction costs which were up 52.7% between calendar year 1996 and calendar year 2005 as calculated by



major increase in driver's and vehicle license fees since 1984 occurred in 1999. The annual passenger car registration

State Financial Support continued, next page

Federal Financial Support for Highways

The federal government has been a major partner in the construction of highways that link urban and rural areas throughout the states. Starting with the Federal Aid Road Act of 1916, one of the first major programs providing federal grants to the states, the system of federal assistance has evolved up to the enactment of the most recent law entitled the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) that was signed by the

president on August 10, 2005. Like its predecessors, SAFETEA-LU continues the system of providing federal grants to the states for important highway construction and maintenance projects.

Grants are made to the states for major programs including for the National Highway System, Surface Transportation Program, Interstate Maintenance, Bridge Program, Congestion Mitigation and Air Quality Improvement, Highway Safety Improvement Program, Metro-

politan Planning, and Rail Highway Crossings Program. Projects to be funded with the federal grants are generally selected by state departments of transportation in cooperation with appropriate local officials. The federal share for most projects is 80 percent, but for projects on the Interstate System the federal matching rate is 90 percent.

As shown in the accompanying table, during the past five fiscal years, federal aid highway grants to Illinois have

ranged from a low of \$718 million to a high of slightly more than \$1 billion. For fiscal year 2006, the Interstate Maintenance Program received the most funding followed by the Surface Transportation Program, the National Highway System and the Bridge Program. ■

**Federal Aid Highway Grants to Illinois
Selected Programs, State Fiscal Years 2002 - 2006**

	2002	2003	2004	2005	2006
Interstate Maintenance	\$ 102,665,283	\$ 145,872,898	\$ 171,842,836	\$ 170,278,651	\$ 205,160,275
Surface Transportation Program	170,395,662	143,471,944	144,944,499	92,309,919	193,585,022
National Highway System	211,055,697	115,828,224	171,141,058	165,472,034	187,115,216
Bridge	74,717,638	91,014,977	118,951,939	161,521,738	131,806,619
Congestion Mitigation/Air Quality	54,201,115	27,264,708	31,783,538	58,428,381	20,004,824
Metropolitan Planning	9,613,167	8,259,601	6,211,763	7,798,614	7,765,372
Recreation Trails	119,280	355,403	1,092,028	93,432	197,104
Minimum Guarantee/Equity Bonus	21,894,460	26,648,654	75,166,842	9,315,529	112,254,326
Selected Programs Total	644,662,301	558,716,408	721,134,502	665,218,299	857,888,759
Highway Safety	20,372,466	19,687,127	20,895,504	20,895,504	21,446,795
Other	169,262,762	139,593,776	142,282,623	174,244,642	152,438,245
TOTAL	834,297,529	717,997,311	884,312,630	860,358,445	1,031,773,800

SOURCE: Illinois Department of Transportation.

State Financial Support concluded from page 6

was increased from \$48 to \$78 and annual registration fees for commercial vehicles were also increased about 25% as part of Illinois FIRST. Additional fee revenues were raised in 2003 with a significant increase in motor vehicle license reinstatement fees and the imposition of a commercial distribution fee equal to 36% of total taxes owed for commercial vehicles. The rate for the controversial commercial distribution fee, which was primarily for deposit into the General Revenue Fund, was later reduced to 21.5% in July 2005 and 14.35% in July 2006.

As a result of these rate increases, driver's license and vehicle fees almost doubled from \$819 million to \$1.584 bil-

lion between fiscal year 1999 and fiscal year 2006. Although most of these revenues continued to be deposited into the Road and State Construction Account Funds, an increased share has been deposited into the General Revenue Fund. In fiscal year 1997, the only General Revenue receipt was \$36 million from title certificates. In fiscal year 2006, General Revenue received \$72 million from the commercial distribution fee and \$33 million from the sale of individual driving records in addition to the title fees. The remainder of these fees went to a variety of special state funds including monies for driver education, to distribute the extra proceeds from the sale of special license plates, and to provide new or

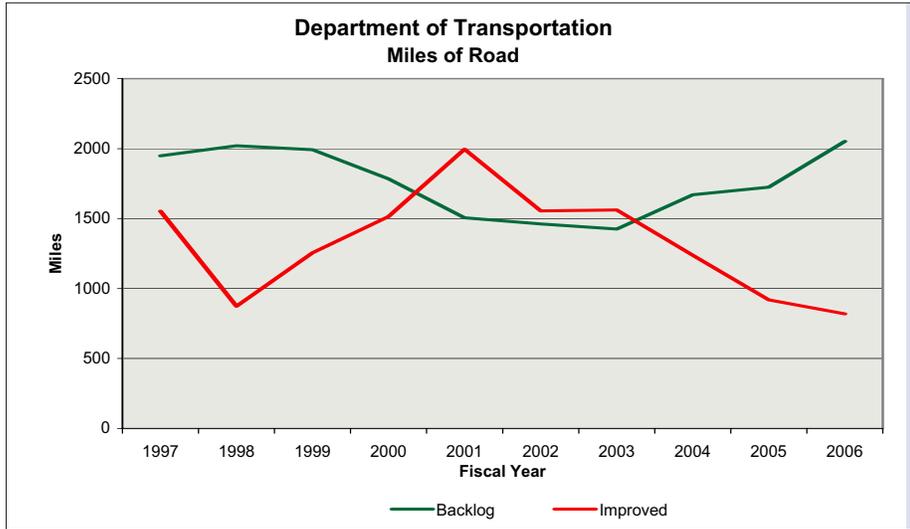
replacement license plates for motor vehicles.

In fiscal year 1997, the Road and Construction Account Funds received \$1.428 billion from motor fuel taxes and licenses and fees with 49% from motor fuel tax revenues and 51% from licenses and fees collected by the Secretary of State. The total increased 33.7% to \$1.910 billion in fiscal year 2006. Due to the fee rate increases and the reallocation of motor fuel tax revenues to local government funds, the percentages changed to 30% from motor fuel taxes and 70% from licenses and fees. ■

The impact of Illinois FIRST on highway construction spending is evident in the

highway program, the major portion of operation spending is for highway main-

included over \$14 million spent on road salt, almost \$14 million on gas and oil, and \$11 million on equipment. Operational spending from all other funds in fiscal year 2004 included \$100 million from the Trans A Fund to reimburse the Road Fund for some construction spending that year.



Spending Pressures on the Road Funds

The Road and State Construction Account Funds are the primary funds supporting the highway transportation program. Revenue sources that provide the major portion of funding for transportation include the motor fuel tax, motor vehicle and operator license fees, and federal revenues. Also, general obligation bonds (deposited into the Trans A Fund) have been utilized for major highway projects but the main road revenue sources pay the debt service on the bonds. The problem with the state sources of revenue is their inability to

growth in expenditures beginning in fiscal year 2000 from the Road, State Construction Account and Trans A funds. Through fiscal year 2006, approximately

tenance. Payrolls are the largest component of operational spending while contractual services, operation of auto equipment, and commodities are other major

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Warrants Issued:										
Transportation	\$ 1,140	\$ 1,117	\$ 1,142	\$ 1,408	\$ 1,456	\$ 1,596	\$ 1,808	\$ 1,705	\$ 1,264	\$ 1,239
Secretary of State	129	129	127	76	79	78	127	124	126	123
State Police	53	53	53	53	53	53	97	94	97	97
Central Management Services	69	69	74	78	84	91	99	104	121	126
Other	8	3	2	4	3	3	2	2	3	7
Total Warrants Issued	1,399	1,371	1,398	1,619	1,675	1,821	2,133	2,029	1,611	1,592
Transfers Out:										
General Obligation B.R. & I.	200	191	188	183	192	211	225	227	249	249
Other								133	24	37
Total Expenditures	\$ 1,599	\$ 1,562	\$ 1,586	\$ 1,802	\$ 1,867	\$ 2,032	\$ 2,358	\$ 2,389	\$ 1,884	\$ 1,878

Source: Comptroller's records.

\$3.7 billion in highway construction spending from Illinois FIRST had resulted in an increase in the number of miles improved and a reduction in the backlog of miles in need of repair (see chart above). With the bond authorization being almost totally utilized, highway construction spending has begun to be scaled back and should lead to a decrease of federal reimbursements.

While direct expenditures for road construction are obviously related to the

objects of expenditure. In addition to funding construction, the Road Fund is the primary fund for operation costs of the Department of Transportation. Over half the \$566 million in operational spending in fiscal year 2006 was for payrolls. Since fiscal year 2003, operations and payroll spending has declined as employee numbers are down over 1,000 since then due primarily to the impact of the early retirement initiative. Other fiscal year 2006 operational expenditures

keep pace with the inflation of highway related costs. (See article on page 6) Because of this problem, over the years there have been efforts to limit the spending from these funds for non-highway purposes.

As stated earlier, the State Construction Account Fund originally was statutorily limited to road construction expenditures. However, the Road Fund has supported other agencies and expenditures considered to be transportation related.

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During periods of financial difficulty, restrictions limiting the uses of the Road Fund have been lifted.

For example, with the recent financial difficulties, spending limits on the Secretary of State and the Department of State Police from the Road Fund were increased in fiscal year 2003. That year Secretary of State spending increased from \$78 million to \$127 million while the limit on State Police increased from \$53 million to \$97 million. The increased limits remain in effect through fiscal year 2007. In fiscal year 2004, legislation authorized the transfer of \$132 million from the Road Fund and \$36 million from the State Construction Account Fund to the General Revenue Fund. Continued spending on other state agencies, transfers, and the increased spending necessary for group insurance and transfers for workers' compensation claims limit the monies available in the Road Fund for highway construction. Once spending is used for other related purposes it is almost impossible for the highway program to recoup the loss.

Debt service payments on state general obligation bonds have increased demands on Road Fund revenues. Transfers out to the General Obligation Bond Retirement & Interest Fund to pay debt service on the transportation bonds issued accounted for 13.3% of total Road Fund expenditures in fiscal year 2006. This percentage is the highest it has been in recent history.

Other Transportation Functions

Grant spending, which totaled \$1.4 billion in fiscal year 2006, is how the

department provides funding for the other modes of transportation. Over 46% of grant expenditures were for the distribution of motor fuel taxes to local governments. The \$646 million was allocated to municipalities, townships, and road districts to maintain local roads. Additionally, over \$55 million in Road Fund grant spending in fiscal year 2006 went to local governments.

Sales taxes are used to support public transportation in the state. Transfers from the General Revenue Fund provide the monies for three funds. The Public Transportation Fund receives 25% of net revenue collected from the RTA sales tax (see page 15). Of the net sales tax revenues collected in Madison, Monroe, and St. Clair counties, 1/16 is transferred to the Metro-East Public Transportation Fund, while for other local governments that have mass transit districts, the same proportion is transferred to the Downstate Public Transportation Fund.

Some of the fiscal year 2006 grant spending from all other funds, primarily the General Revenue Fund (\$91 million) and Federal Mass Transit Trust Fund (\$15 million), was for public transportation purposes. Grant spending from the Transportation Bond Series B Fund is for mass transportation, aeronautics and rail. Here again, Illinois FIRST added approximately \$800 million to the Transportation Series B bond authorization. Currently, there is a little over \$300 million in bond authorization remaining.

In addition to bonds, the Illinois Department of Transportation distributes federal funds for airports. Federal funds are

generally for airport improvement projects. Bond funding can be used for financial assistance, acquisition and/or development of airports. The Department of Transportation is responsible for performing operational safety inspections of airports. Bond fund monies have also been used to support rail passenger and freight improvements. Operational funding support for daily AMTRAK trains is provided by the department. A Rail Freight program provides low-interest loans to communities, railroads, and businesses to maintain or improve rail freight services.

Conclusion

The state and the Department of Transportation provide and maintain one of the largest transportation systems in the country. Illinois ranks near or at the top in the size of its public transportation systems, busy airports, and number of highway and railroad miles. The financial aspect of maintaining and expanding such a massive transportation system is an ongoing challenge. The limited revenue sources available for funding the transportation system adds to the challenge.

Illinois is the transportation hub of the nation. As such, it provides us with a competitive advantage and any deterioration in the transportation infrastructure could reduce that advantage. Our ability to compete in the future will depend on funding and maintaining the state's intermodal transportation system. ■

Department of Transportation Highway Maintenance Statistics									
Output Indicators	Fiscal Year								
	1998	1999	2000	2001	2002	2003	2004	2005	2006
Acres mowed	187,930	210,330	233,035	250,273	282,899	280,645	244,730	241,560	220,663
Tons of asphalt used for repair	28,034	29,145	20,247	25,138	23,324	18,528	23,588	36,596	15,523
Tons of salt used	376,300	426,200	395,000	590,000	295,739	496,102	432,837	387,767	385,409

An Overview of Illinois FIRST

The Illinois FIRST (Fund for Infrastructure, Roads, Schools and Transit) program was enacted in June 1999. Touted as an approximately \$12 billion infrastructure program, Illinois FIRST included roughly \$4 billion for road projects, \$4 billion for mass transit programs, \$2.3 billion for school construction, and \$1.5 billion for local infrastructure projects. The amounts were expected to be spent over five to seven years.

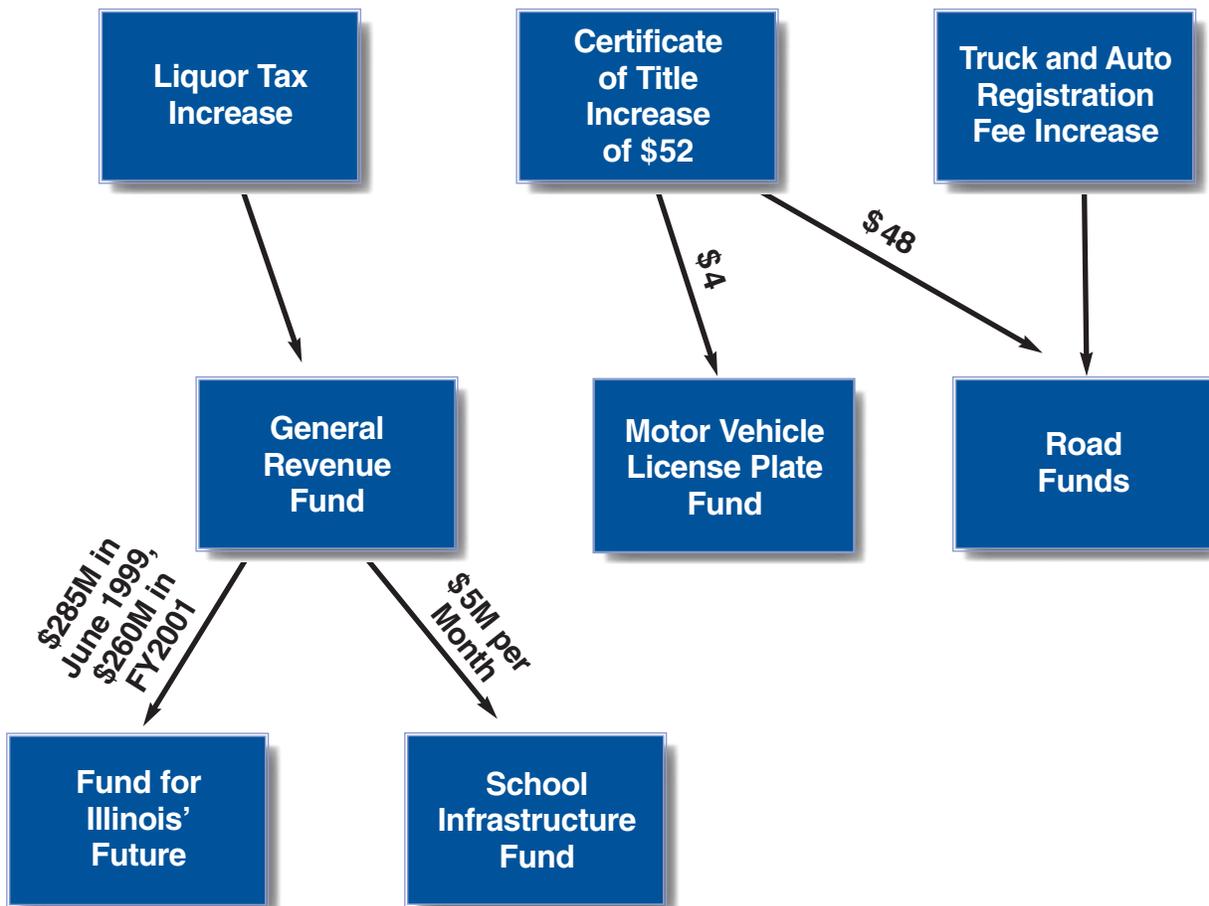
The total dollar amounts of planned projects included projected matching amounts from the federal government, school districts and other local governments. The state funded portions included approximately \$4.5 billion in state

bonded indebtedness (general obligation and Build Illinois sales tax bonds), \$2.0 billion in pay-as-you-go projects, and \$1.6 billion in additional indebtedness for the Regional Transit Authority.

The state revenues raised to help pay for the state's share of the program are outlined in the accompanying graph. The basic passenger automobile registration annual fee was raised from \$48 to \$78 per year and registrations for large trucks and trailers were raised by 25% and deposited into the Road Fund. The Certificate of Title fee was increased from \$13 to \$65 with most of the increase pledged to the Road Fund and a small portion set aside for a statewide replating plan. The other

significant change was an increase in the state's liquor tax rate which was deposited into the General Revenue Fund (GRF) before most of it was transferred to the School Infrastructure Fund (SIF). Pay-as-you-go projects were primarily funded from the Road Fund or SIF, although two GRF transfers to the Fund for Illinois' Future were used to pay for local infrastructure projects.

The general obligation bonds to support Illinois FIRST projects were issued as a part of the state's regular capital program; however, transfers from the Road Fund, GRF, and SIF were increased as needed to repay the additional bonds. ■



Illinois State Highway System

State System Mileage

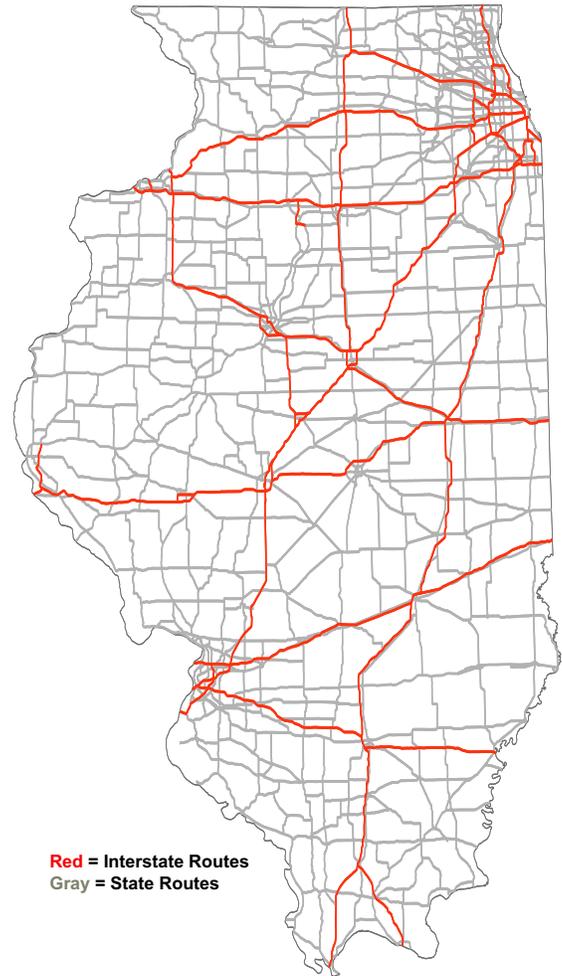
	<u># of Miles</u>	<u>% of Total</u>
Interstate	2,169	13.2%
Other Principal Arterial	5,117	31.1%
Minor Arterial	5,877	35.8%
Collector	2,630	16.0%
Local Roads/Streets	637	3.9%
Total	16,430 *	100.0%

* Includes 282 miles of toll roads.

Annual Vehicle Miles of Travel (In Thousands)

	<u># of Miles</u>	<u>% of Total</u>
Interstate	31,620	45.6%
Other Principal Arterial	24,027	34.7%
Minor Arterial	10,552	15.2%
Collector	2,909	4.2%
Local Roads/Streets	196	0.3%
Total	69,303	100.0%

Source: Illinois Department of Transportation.



Is There Equity concluded from page 4

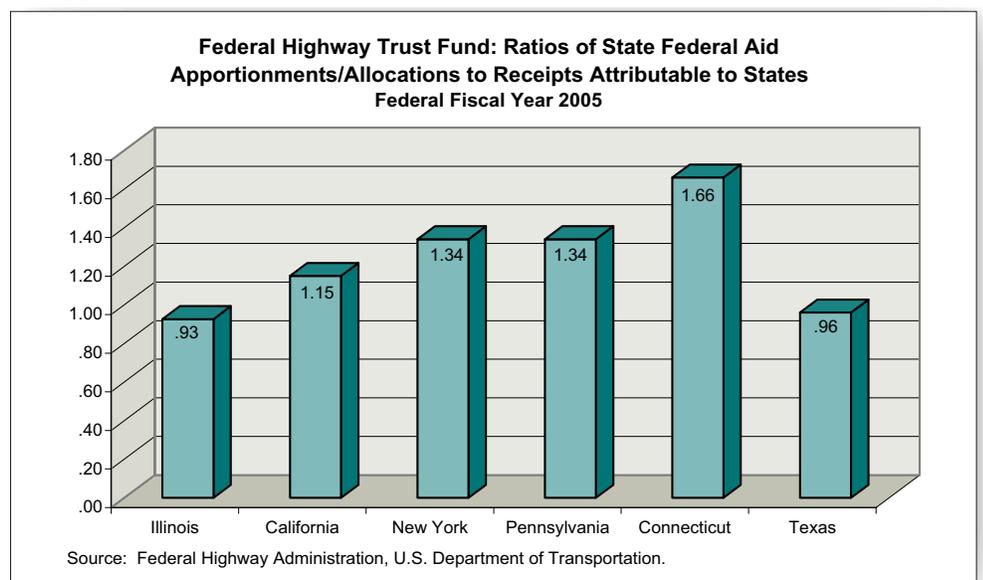
An example of the range in the ratios is shown in the bar chart that compares states based on data from federal fiscal year 2005. While Illinois' ratio was .93 that year, California's ratio was 1.15, New York and Pennsylvania came in at 1.34, and Connecticut was at 1.66. But as illustrated by the Illinois line chart presented earlier, these ratios are dynamic and can fluctuate considerably from one year to the next. One year a state can receive less than it contributed to the trust fund and the next year it can receive more.

Equity Bonus

Federal law makers are aware that states are concerned about receiving a fair share of federal transportation taxes, and have added a provision to the federal authorizing legislation to provide additional funds based on equity considera-

tions. This provision creates an Equity Bonus to ensure that states receive a minimum rate of return on their contributions to the highway account of the High-

way Trust Fund. The specified percentage is 90.5% for federal fiscal years 2005 and 2006, 91.5% for 2007, and 92% for 2008 and 2009. ■



Specialty License Plate Revenues

In 1994, Illinois' Secretary of State started offering the environmental specialty plate adorned with the state's official bird, the cardinal. The license plate initially cost the vehicle owner an extra \$40 over the traditional license plate renewal fee (and \$27 per year in subsequent years), and the majority of the additional charge went to help fund the state's park system. The environmental license plate proved to be very popular and spurred legislators to allow production of other specialty plates to generate revenues for other causes. As of the end of fiscal year 2006, approximately 20 different spe-

cialty plate are deposited into a separate fund from which an appropriation is granted to allow spending for the plate's designated purpose. Many funds only receive revenues from the specialty plates; however, funds such as the State Parks Fund (revenues from the environmental plate) and the Illinois Habitat Fund (revenues from the Sportsman Series Plate) receive revenues from multiple sources – total revenues to the funds are not included here. It should be noted that a portion of the annual charge from specialty plates is deposited into the Secretary of State's Special License



During fiscal year 2000, the basic vehicle registration fees charged by the state prior to the add-on for the specialty plates was raised to help fund road projects under Illinois FIRST from \$48/year to \$78/year. However, this fee increase does not appear to have had a substantial impact on the total amount of additional fees generated by the specialty plates.

The two most widely distributed plates are the environmental plate and the vio-

Revenues from Motor Vehicle Specialty License Plates to Selected Funds

Fund Name	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Illinois and Michigan Canal Fund	\$ -	\$ -	\$ -	\$ -	\$ 3,775	\$ 6,425	\$ 7,675	\$ 7,800	\$ 8,900	\$ 8,300
Illinois Fire Fighters' Memorial Fund	36,276	103,029	150,198	166,794	207,840	254,913	278,307	296,970	362,508	367,410
Illinois Future Teacher Corps Scholarship Fund	-	-	-	-	-	-	-	7,002	16,135	22,733
Illinois Habitat Fund (Sportsman Series)	-	50,725	101,100	132,775	190,625	241,200	249,850	256,275	278,300	268,100
Illinois Pan Hellenic Trust Fund	-	-	-	-	-	-	-	-	-	14,050
Illinois Route 66 Heritage Project Fund	-	-	-	-	-	-	-	16,150	30,100	40,750
Mammogram Fund	-	-	-	25,565	38,794	63,478	78,822	89,999	106,308	110,228
Marine Corps Scholarship Fund	-	-	-	-	-	-	-	4,373	18,412	32,258
Master Mason Fund	10,490	25,729	34,456	35,481	41,305	43,560	41,796	42,489	48,730	44,434
Organ Donor Awareness Fund	-	-	-	-	-	30,897	66,313	92,372	117,109	126,918
Park District Youth Program Fund	-	-	-	-	-	-	3,375	11,100	16,500	19,115
Pet Overpopulation Control Fund	-	-	-	-	-	-	23,325	29,025	52,725	69,375
Police Memorial Committee Fund	-	-	-	-	-	-	13,070	29,009	52,019	67,188
September 11th Fund	-	-	-	-	-	-	20,043	38,457	57,500	65,125
State College and University Trust Fund	51,525	79,600	106,675	135,325	165,225	201,325	205,225	206,750	235,350	232,825
State Parks Fund (Environmental Plate)	1,787,325	2,322,175	1,921,150	1,886,775	1,958,750	1,827,900	1,516,400	1,360,200	1,412,750	1,312,025
University Grant Fund	16,125	34,650	36,650	41,800	47,400	54,800	51,625	50,825	56,700	53,325
Violence Prevention Fund	651,025	903,975	1,072,825	948,700	959,950	920,150	722,575	636,425	638,625	573,125
Wildlife Prairie Park Fund	-	7,975	13,550	17,350	20,550	23,550	23,250	22,425	25,650	23,125
Total	\$ 2,552,766	\$ 3,527,858	\$ 3,436,604	\$ 3,390,565	\$ 3,634,214	\$ 3,668,198	\$ 3,301,651	\$ 3,197,646	\$ 3,534,321	\$ 3,450,409

Source: Comptroller's records.

cialty plate offerings were available to the general public (excluding plates such as those for municipalities and veterans) for causes such as violence prevention, the Illinois' Firefighters Memorial, breast cancer research, scholarships, and organ donor awareness.

The accompanying table includes a ten-year history of the revenues deposited from a number of specialty plates into state funds. Revenues from each type of



Plate Fund for costs associated with the plate program. These amounts are also not included in this table.

It is interesting to note that although the number of plate offerings has increased, the total amount deposited into the special funds has been fairly steady since fiscal year 1998 when there was less than half the current number of plates. The total amount deposited among the state funds has ranged between approximately \$3.2 million and \$3.67 million.



lence prevention plate. However, it is evident from the data that the plates have become significantly less common over the years. These two plates have a flat

\$25/year charge that is deposited into their respective funds regardless of whether or not it is the initial year of the plate or a renewal year. Therefore, the revenues

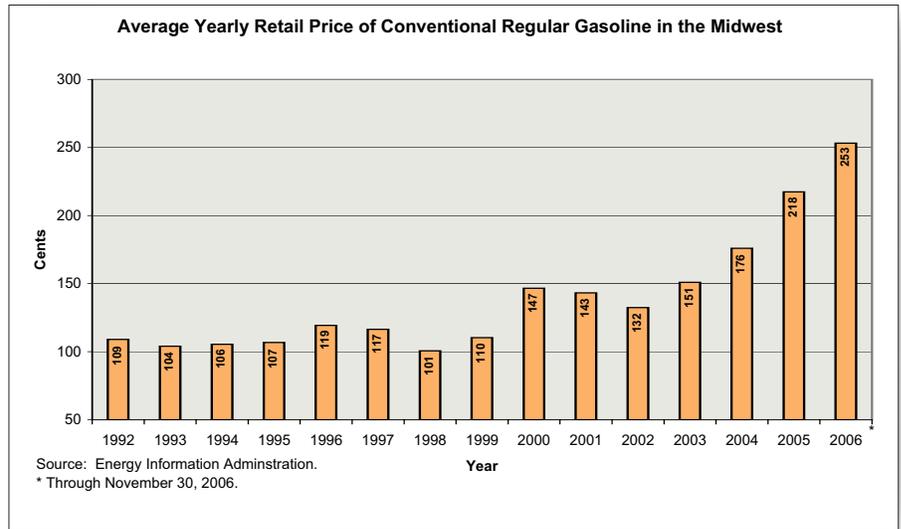
can be used to calculate the number of plates for which registrations were paid. For the environmental plate, fiscal year 1998 was the peak year – there were close to 93,000 registrations. By fiscal

Specialty Plates continued page 14

Rising Gas Prices – Causes and Effects

Over the last fifteen years the average annual price of regular gasoline in the Midwest has increased from just over \$1.09 per gallon in 1992 to an estimated \$2.53 per gallon in 2006. Throughout the 1990's the price of a gallon of gas at the pump was fairly steady ranging from a yearly average low of \$1.01 in 1998 to a high of \$1.19 in 1996. As the accompanying chart shows, the price of gas increased significantly in 2000 before declining slightly in 2001 and 2002. From 2002 forward, prices have jumped each year with the average yearly price in 2006 estimated to be slightly over \$2.53 per gallon. The rising cost of crude oil has been the driving factor in the price of gas.

In the 1990's the average yearly composite refiner acquisition cost of a barrel of crude oil ranged from a low of \$12.52 in 1998 to a high of \$20.71 in 1996. From 1999 to 2000 the average price increased



more than triple the price just less than three years earlier.

Causes

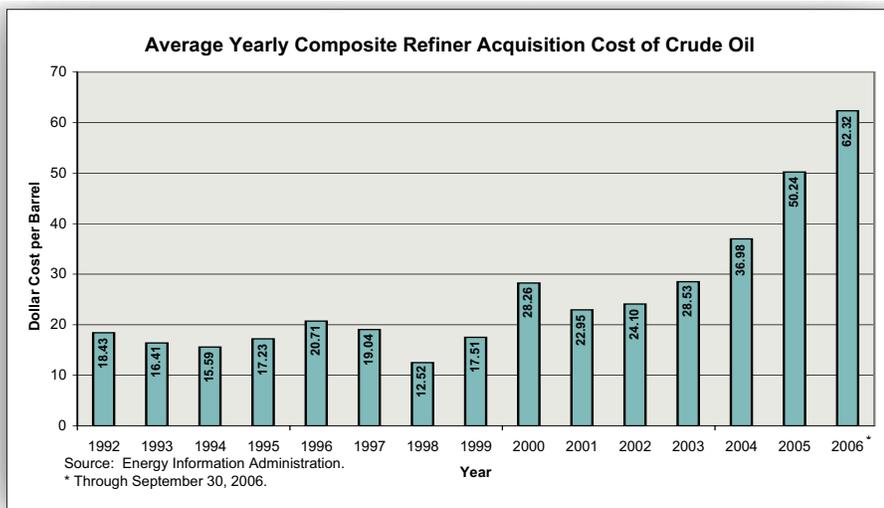
Theories abound as to the cause or causes of the increase in oil prices, and as a

is the probability of peak oil production already being reached. Given the fact that there is a limited amount of oil and that the pace of consumption has heightened as Third World countries continue to industrialize, it is the belief of many that supply will not be able to keep up with demand.

Other critics believe that the price of oil is almost entirely speculative and that the increase in price is due to oil speculation extending into the long term. These people argue that speculators foresee increasing demand, decreasing supply, or both which has led to the runup in oil prices. If the speculators are wrong, which they could be due to indications of declining Asian demand and the development of alternative fuel sources, then the oil market bubble could burst.

Still others suggest that the main issue is a lack of energy efficiency in general. These analysts believe the problem would be solved by increasing the efficiency of factories, homes and transportation.

While these theories may well be true and reflect the price increases over time, it is certain that some of the general prob-



from \$17.51 to \$28.26. After declining slightly in 2001 and 2002 crude oil prices spiked sharply culminating in a yearly estimated cost of \$62.32 for 2006. In September of 2003 the price of a standard barrel of crude oil was under \$25. By August of 2005 the price had risen to over \$60 per barrel, and topped out at a record price of \$78.40 per barrel on July 13, 2006. The \$78/barrel cost of oil was

result, gas prices. Some argue that labor strikes, hurricane threats, terrorist threats, and other general problems are not responsible for higher oil prices. These critics believe that such problems periodically and temporarily push prices higher, but are not fundamental or long term enough to cause large and sustained increases. A more fundamental problem

Rising Gas Prices continued, page 14

Rising Gas Prices concluded from page 13

lems referred to above have certainly affected prices over certain periods of time. Events such as the North Korea missile launches, Hurricane Katrina and the growing trouble in the Mideast including the war in Iraq have caused shocks in the oil market.

Effects

There has been much debate over the effects of recent oil price shocks. After previous energy crises, notably in 1973 and 1979, recession set in. Other theorists cite hits to the stock market, a curb-

ing effect in economic growth and increased interest rates to curb inflation as other effects of rapid increases in the price of oil.

One area of the U.S. economy has clearly been impacted is the increase in gas prices. Vehicle production and sales numbers have certainly signaled a trend in consumers foregoing high fuel usage SUVs for more fuel efficient front wheel drive four cylinder passenger cars as well as hybrid vehicles.

At the state government level, a positive effect from the sharp increase in gasoline

prices is higher collections of sales tax dollars. Based on a study done by the Commission on Government Forecasting and Accountability in the fall of 2005, if gas prices in fiscal years 2003 through 2006 had remained at the same level as fiscal year 2002, an estimated \$679 million less in sales taxes on motor fuel would have been collected. Certainly not all of the \$679 million in estimated revenue is “new” revenue for the state. It is likely that consumers trimmed spending in other areas to deal with rising gas prices. ■

Specialty Plates concluded from page 12

year 2006, the number had dropped to around 52,500. For the violence prevention plate, the peak year was fiscal year 1999 where there were close to 43,000 registrations. In fiscal year 2006, there were fewer than 23,000.

This data suggests that a reliance on specialty plates as a significant revenue source for specific programs is not prudent. In several cases, the money collected from the license plates (such as the mammogram plate and the organ donor awareness plate) is used to make grants to charitable groups. However, the violence prevention plate is used to support a significant part of the operations of a state agency – the Illinois Violence Pre-

vention Authority – in addition to providing state grants. As the license plate revenues have fallen off, money from the General Revenue Fund has been transferred to the Violence Prevention Fund to help sustain the activities of the agency.

The revenues collected from the specialty license plates are pledged to notable causes; however, in many cases, the total license plate fees are small when compared to total state expenditures. For instance, the environmental plate, the largest plate program, generated \$1.3 million in revenues in fiscal year 2006, but this represented only 12% of total receipts into the State Parks Fund. The plates that support the Illinois Future

Teacher Corps Scholarship generated \$22,733 in revenues in fiscal year 2006; however, the Illinois Student Assistance Commission spent \$3.8 million on this scholarship program in fiscal year 2006. The Department of Natural Resources spent over \$800,000 on operations and improvements at the Wildlife Prairie Park in fiscal year 2006; during this time, the license plates only generated \$23,125 to support operations at the park. In many cases, license plate revenues do make important contributions, but it should be remembered that they may only be a small part of the total program funding. ■

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A Look at the Regional Transportation Authority

In the early 1970's, the General Assembly passed legislation creating the Regional Transportation Authority (RTA) in order to address public transit concerns prevalent in northeastern Illinois. Titled the Regional Transportation Authority Act, the legislation sought to put an end to the historically disjointed system of privately owned transit ways by establishing one overarching public transit governing body. The legislation became effective in 1974 after the people of Cook County and the collar counties passed a referendum authorizing the RTA, which was a key requirement of the RTA Act.

Once established, the RTA was charged with the oversight, operations and financial assistance of three Service Boards in the six-county region (Cook, DuPage, Kane, Lake, McHenry, and Will). The three Service Boards are the Chicago Transit Authority (CTA), the Pace Bus Service (Pace) and the Metra Rail Service (Metra). The latter two Service Boards serve the entire six-county region, while the CTA provides service primarily to the City of Chicago. The key component of the RTA Act of 1973 was that it gave taxing power to the RTA to provide financial support to the service boards, as well as to allow the RTA to purchase service agreements with private bus and rail operators. This newly unified system, backed by tax dollars, created a stable mass transit system in northeastern Illinois.

In 1983, the RTA Act was amended to alter the RTA funding formula to its current version. The legislation mandated that Chicago and Cook County residents pay a 1% sales tax and residents of the collar counties pay a 0.25% sales tax to the RTA. Of the taxes collected, the RTA

retains 15% of the sales tax revenues, and the remaining 85% is split between the CTA, Metra and Pace at different levels, depending on where they are collected (see chart).

If tax collected in:	Then each Service Board receives:		
	CTA	Metra	Pace
Subregion			
Chicago	100%	0%	0%
Suburban Cook	30%	55%	15%
Collar Counties	0%	70%	30%

Another product of the 1983 legislation was the requirement that fare box and other revenues generated by the Service Boards must cover 50% of the operating costs. This obligation was imposed to discipline the public transportation system in order to minimize transit subsidies from the state.

In addition to the revenues realized from the sales tax formula, the RTA also receives assistance from the State of Illinois. The biggest boost comes from the state's Public Transportation Fund (PTF). The PTF receives an amount equal to 25% of the net revenue realized from the six-county sales tax. To put that in perspective, the fiscal year 2006 amount received from the PTF was \$178.6 million or about 17% of the RTA's revenue. None of the PTF revenue is payable to the RTA until it certifies to the Governor, State Comptroller and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the RTA Act. The amounts that each Service Board receives through the RTA from the PTF are allocated at the discretion of the RTA

Board upon the review and approval of each Service Board's annual or revised budget.

The state also provides supplemental appropriations to the RTA through a yearly appropriation from the Illinois General Assembly. These funds are aimed at reimbursing the RTA for their debt service expenses for the Strategic Capital Improve-

ment Program (SCIP) bonds. The RTA received \$86.8 million in fiscal year 2004, \$100.1 million in fiscal year 2005, and \$108.4 million in fiscal year 2006 and up to approximately \$122.8 million in fiscal year 2007, and \$125.2 million in fiscal year 2008 based on actual debt service needs.

There are several other forms of assistance the state provides the RTA. From sales tax revenue interest to reimbursements for elderly and student reduced fare programs, the RTA receives millions of dollars from the state. These and other forms of assistance represent nearly \$52 million dollars transferred from the state to the RTA. Finally, the General Assembly has provided discretionary appropriations to the RTA for various reasons. The most recent example occurred in fiscal year 2005 when the General Assembly appropriated \$54.3 million to the RTA to offer paratransit and other services in the six-county region. The funds provided from the state, as well as other tax revenue and federal sources, help to make the RTA one of the biggest transit systems in the country.

Regional Transportation Authority continued, page 16

Comparison with Other Systems

The transit system encompassed by the RTA is the second largest in the country in terms of passenger trips, smaller only than the transit network of New York’s Metropolitan Transportation Authority (MTA). A comparison of the RTA, the MTA, and the slightly smaller Massa-

capital budgets for the RTA, MTA, and MBTA are formulated in advance for a five or six-year period of time, which allows transportation authorities to plan projects that may have durations in excess of one year. The RTA plans to apportion \$2.8 billion to its capital investment program between 2007 and 2011. The MTA plans to invest almost 8

of the Metra Union Pacific – Northwest Line. Furthermore, two new Pace Bus Rapid Transit lines will be added.

Part of this long-term capital budget will also go toward initiatives aimed at reducing pollution and emissions. When public transportation is appropriately funded and its services are utilized by the populace, it can positively impact the environment by removing gas-guzzling vehicles from the road, which decreases air pollutants. In fact, the RTA estimates that its system as a whole currently saves 150 million gallons of gas and reduces air pollutants by over 2,500 tons each year. Additionally, the RTA has made efforts to switch to more environmentally-friendly vehicles. In the past few years, CTA has purchased 650 New Flyer buses with low-emission engines, 20 of which are diesel-electric hybrids. The RTA hopes to expand on these initiatives and to increase investment in cleaner burning engines and alternative fuel vehicles, reducing emissions costs by \$1.4 billion over the next several years.

	Regional Transportation Authority	Metropolitan Transportation Authority	Massachusetts Bay Transportation Authority
Ridership	1.9 million per day	7.8 million per day	792,600 per day
Track/Bus Routes	1,518 miles	5,025 miles	1,198 miles
# of Employees	16,500	63,511	6,500
Operations Budget	\$1.9 billion	\$9.8 billion	\$985 million
Multi-year Capital Plan	\$2.8 billion	\$21.3 billion	\$3.8 billion

achusetts Bay Transportation Authority (MBTA) will help put the RTA’s size and budgetary statistics in perspective (see table).

On any given weekday, RTA ridership is in the region of 1.9 million rides per day, while New York’s MTA averages 7.8 million and Massachusetts’ MBTA averages 792,600. In terms of infrastructure, the RTA has 1,518 total track and bus route miles. New York’s track and bus route miles total 5,025 and the Massachusetts MBTA has 1,198 total line miles from its rapid transit, bus, ferries, and commuter rail system. To keep the systems up and running, the RTA employs roughly 16,500 workers, while the MTA and the MBTA employ 63,511 and 6,500 respectively. Employee salaries are one component of the overall operating budget for each transit system, with fiscal year 2007 estimates of approximately \$1.9 billion in total operating expenses for the RTA, \$9.8 billion for the MTA, and \$985 million for the MBTA.

times this amount, with a proposed capital plan of around \$21.3 billion over the next five years. Even the smaller MBTA system plans to spend more than the RTA, investing \$3.8 billion in its capital program from 2007 to 2012. Although currently the RTA may have smaller short-term ambitions, a long-term capital improvement plan is in the works.

Future Plans

In November of 2006, the RTA issued its long-term “Moving Beyond Congestion” plan for the future of Illinois’ public transportation system. The proposal calls for a \$57 billion capital investment over the course of 30 years, \$19 billion of which would come from the federal government. The RTA is looking to “maintain, enhance, and expand” the transportation system through various improvements and projects. Upgrades include reduced overcrowding, more reliable service, and integrated fares for CTA, Metra, and Pace. Capital projects include the creation of a CTA Circle Line and Metra Southeast service line, the expansion of the CTA red, orange and yellow lines, as well as the extension

The RTA and the General Assembly have made significant strides over the years in addressing financial and service orientated complexities within the mass transit system of northeastern Illinois. However, despite their progress, there will continue to be struggles in preserving and expanding a stable infrastructure, while maintaining a healthy and balanced budget. A major burden will come from the CTA’s low-funded pension system as RTA and CTA will be required to increase the system’s funded ratio from 39% as of 2005 to 90% or above by fiscal year 2058. Financial difficulties will be augmented as the RTA attempts to add new, innovative services for the public. To overcome these hurdles, RTA leaders will look to re-examine the current funding formula, search for new revenue opportunities and push to maximize state and federal assistance. ■

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES (Dollars in Millions)

	Three Months			
	Sept. 2006	FY 2007	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 623	\$ 590	\$ 93	18.7 %
Revenues	2,503	6,940	271	4.1
Expenditures	2,529	6,933	367	5.6
Ending Balance	\$ 597	\$ 597	\$ (3)	(0.5) %
General Revenue Fund				
Available Balance	\$ 19	\$ 66	\$ (132)	(66.7) %
Revenues	2,141	5,940	280	4.9
Expenditures	2,118	5,964	313	5.5
Ending Balance	\$ 42	\$ 42	\$ (165)	(79.7) %
Common School Special Account Fund				
Available Balance	\$ 97	\$ 41	\$ 25	156.3 %
Revenues	153	466	12	2.6
Expenditures	171	428	49	12.9
Ending Balance	\$ 79	\$ 79	\$ (12)	(13.2) %
Education Assistance Fund				
Available Balance	\$ 485	\$ 463	\$ 208	81.6 %
Revenues	139	334	16	5.0
Expenditures	164	337	54	19.1
Ending Balance	\$ 460	\$ 460	\$ 170	58.6 %
Common School Fund				
Available Balance	\$ 22	\$ 20	\$ (8)	(28.6) %
Revenues	312	699	84	13.7
Expenditures	318	703	72	11.4
Ending Balance	\$ 16	\$ 16	\$ 4	33.3 %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES (Dollars in Millions)

	Three Months			
	Sept. 2006	FY 2007	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 796	\$ 1,964	\$ 146	8.0 %
Corporate	285	344	76	28.4
Total, Income Taxes	\$ 1,081	\$ 2,308	\$ 222	10.6 %
Sales Taxes	614	1,859	48	2.7
Other Sources:				
Public Utility Taxes	86	261	(8)	(3.0)
Cigarette Taxes	29	87	(13)	(13.0)
Inheritance Tax (gross)	27	74	15	25.4
Liquor Gallonage Taxes	14	41	1	2.5
Insurance Taxes and Fees	61	81	(1)	(1.2)
Corporation Franchise Tax and Fees	23	51	8	18.6
Investment Income	16	51	20	64.5
Cook County IGT	0	6	(34)	(85.0)
Riverboat Gambling Taxes	0	0	(4)	(100.0)
Other	25	106	(18)	(14.5)
Total, Other Sources	\$ 281	\$ 758	\$ (34)	(4.3) %
Total, Cash Receipts	\$ 1,976	\$ 4,925	\$ 236	5.0 %
Transfers In:				
Lottery Fund	\$ 47	\$ 129	\$ (40)	(23.7) %
State Gaming Fund	60	165	0	0.0
Other Funds	53	253	155	158.2
Total, Transfers In	\$ 160	\$ 547	\$ 115	26.6 %
Total, State Sources	\$ 2,136	\$ 5,472	\$ 351	6.9 %
Federal Sources	\$ 367	\$ 1,192	\$ (80)	(6.3) %
Total, Base Revenues	\$ 2,503	\$ 6,664	\$ 271	4.2 %
Short-Term Borrowing	0	0	0	0.0
Transfer from Budget Stabilization Fund	0	276	0	0.0
Total, Revenues	\$ 2,503	\$ 6,940	\$ 271	4.1 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES (Dollars in Millions)

	Three Months			
	Sept. 2006	FY 2007	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Healthcare & Family Services	\$ 454	\$ 1,817	\$ (362)	(16.6) %
Elem. & Sec. Education:				
State Board of Education	716	1,291	80	6.6
Teachers Retirement	68	203	51	33.6
Total, Elem. & Sec. Education	\$ 784	\$ 1,494	\$ 131	9.6 %
Human Services	264	854	3	0.4
Higher Education	91	183	1	0.5
All Other Grants	126	335	22	7.0
Total, Awards and Grants	\$ 1,719	\$ 4,683	\$ (205)	(4.2) %
Operations:				
Other Agencies	\$ 419	\$ 1,321	\$ 65	5.2 %
Higher Education	146	373	(13)	(3.4)
Total, Operations	\$ 565	\$ 1,694	\$ 52	3.2 %
Regular Transfers Out	\$ 289	\$ 822	\$ 149	22.1 %
All Other	\$ 0	\$ 5	\$ 0	0.0 %
Vouchers Payable Adjustment	\$ (44)	\$ (271)	\$ 371	N/A
Total, Base Expenditures	\$ 2,529	\$ 6,933	\$ 367	5.6 %
Transfers to Repay GRF Short- Term Borrowing	0	0	0	0.0
Total, Expenditures	\$ 2,529	\$ 6,933	\$ 367	5.6 %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT (Dollars in Millions)

	Three Months			
	Sept. 2006	FY 2007	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 305	\$ 885	\$ 19	2.2 %
Other Personal Services	15	45	(7)	(13.5)
Total, Personal Services	\$ 320	\$ 930	\$ 12	1.3 %
Contribution Retirement	40	86	1	1.2
Contribution Social Security	15	45	2	4.7
Contribution Group Insurance	83	234	2	0.9
Contractual Services	45	192	28	17.1
Travel	2	5	1	25.0
Commodities	11	28	(4)	(12.5)
Printing	1	1	(1)	(50.0)
Equipment	1	6	(6)	(50.0)
Electronic Data Processing	3	15	1	7.1
Telecommunications	4	13	(1)	(7.1)
Automotive Equipment	3	7	1	16.7
Other Operations	37	132	16	13.8
Total, Operations	\$ 565	\$ 1,694	\$ 52	3.2 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS (Dollars in Millions)

	Three Months			
	Sept. 2006	FY 2007	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 342	\$ 684	\$ 38	5.9 %
All Other	374	607	42	7.4
Healthcare & Family Services	454	1,817	(362)	(16.6)
Human Services	264	854	3	0.4
Higher Education:				
Student Assistance Commission	77	91	10	12.3
Community College Board	13	88	0	0.0
Other	1	4	(9)	(69.2)
Teacher's Retirement	68	203	51	33.6
Children and Family Services	68	161	20	14.2
Aging	34	90	17	23.3
Revenue	2	4	0	0.0
All Other	22	80	(15)	(15.8)
Total, Awards and Grants	\$ 1,719	\$ 4,683	\$ (205)	(4.2) %

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES

(Dollars in Millions)

	Four Months			
	Oct. 2006	FY 2007	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 597	\$ 590	\$ 93	18.7 %
Revenues	1,985	8,925	336	3.9
Expenditures	2,128	9,061	547	6.4
Ending Balance	\$ 454	\$ 454	\$ (118)	(20.6) %
General Revenue Fund				
Available Balance	\$ 42	\$ 66	\$ (132)	(66.7) %
Revenues	1,655	7,595	323	4.4
Expenditures	1,690	7,654	422	5.8
Ending Balance	\$ 7	\$ 7	\$ (231)	(97.1) %
Common School Special Account Fund				
Available Balance	\$ 79	\$ 41	\$ 25	156.3 %
Revenues	155	620	23	3.9
Expenditures	156	583	42	7.8
Ending Balance	\$ 78	\$ 78	\$ 6	8.3 %
Education Assistance Fund				
Available Balance	\$ 460	\$ 463	\$ 208	81.6 %
Revenues	108	442	24	5.7
Expenditures	213	550	129	30.6
Ending Balance	\$ 355	\$ 355	\$ 103	40.9 %
Common School Fund				
Available Balance	\$ 16	\$ 20	\$ (8)	(28.6) %
Revenues	317	1,016	108	11.9
Expenditures	319	1,022	96	10.4
Ending Balance	\$ 14	\$ 14	\$ 4	40.0 %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES

(Dollars in Millions)

	Four Months			
	Oct. 2006	FY 2007	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 588	\$ 2,551	\$ 176	7.4 %
Corporate	65	409	81	24.7
Total, Income Taxes	\$ 653	\$ 2,960	\$ 257	9.5 %
Sales Taxes	618	2,477	91	3.8
Other Sources:				
Public Utility Taxes	69	331	(7)	(2.1)
Cigarette Taxes	29	117	(16)	(12.0)
Inheritance Tax (gross)	23	97	18	22.8
Liquor Gallonage Taxes	9	50	(2)	(3.8)
Insurance Taxes and Fees	2	83	0	0.0
Corporation Franchise				
Tax and Fees	15	65	1	1.6
Investment Income	17	68	26	61.9
Cook County IGT	0	6	(34)	(85.0)
Riverboat Gambling Taxes	0	0	(4)	(100.0)
Other	29	135	(17)	(11.2)
Total, Other Sources	\$ 193	\$ 952	\$ (35)	(3.5) %
Total, Cash Receipts	\$ 1,464	\$ 6,389	\$ 313	5.2 %
Transfers In:				
Lottery Fund	\$ 45	\$ 175	\$ (39)	(18.2) %
State Gaming Fund	60	225	5	2.3
Other Funds	69	321	165	105.8
Total, Transfers In	\$ 174	\$ 721	\$ 131	22.2 %
Total, State Sources	\$ 1,638	\$ 7,110	\$ 444	6.7 %
Federal Sources	\$ 347	\$ 1,539	\$ (108)	(6.6) %
Total, Base Revenues	\$ 1,985	\$ 8,649	\$ 336	4.0 %
Short-Term Borrowing	0	0	0	0.0
Transfer from				
Budget Stabilization Fund	0	276	0	0.0
Total, Revenues	\$ 1,985	\$ 8,925	\$ 336	3.9 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES

(Dollars in Millions)

	Four Months			
	Oct. 2006	FY 2007	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Healthcare & Family Services	\$ 569	\$ 2,385	\$ (409)	(14.6) %
Elem. & Sec. Education:				
State Board of Education	484	1,775	156	9.6
Teachers Retirement	68	271	69	34.2
Total, Elem. & Sec. Education	\$ 552	\$ 2,046	\$ 225	12.4 %
Human Services	253	1,108	(10)	(0.9)
Higher Education	72	254	(3)	(1.2)
All Other Grants	90	425	(8)	(1.8)
Total, Awards and Grants	\$ 1,536	\$ 6,218	\$ (205)	(3.2) %
Operations:				
Other Agencies	\$ 410	\$ 1,731	\$ 63	3.8 %
Higher Education	155	528	(38)	(6.7)
Total, Operations	\$ 565	\$ 2,259	\$ 25	1.1 %
Regular Transfers Out	\$ 97	\$ 920	\$ 61	7.1 %
All Other	1	6	0	0.0 %
Vouchers Payable Adjustment	(71)	(342)	666	N/A
Total, Base Expenditures	\$ 2,128	\$ 9,061	\$ 547	6.4 %
Transfers to Repay GRF Short-Term Borrowing	0	0	0	0.0
Total, Expenditures	\$ 2,128	\$ 9,061	\$ 547	6.4 %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT

(Dollars in Millions)

	Four Months			
	Oct. 2006	FY 2007	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 301	\$ 1,186	\$ 2	0.2 %
Other Personal Services	15	60	(10)	(14.3)
Total, Personal Services	\$ 316	\$ 1,246	\$ (8)	(0.6) %
Contribution Retirement	45	131	16	13.9
Contribution Social Security	15	60	3	5.3
Contribution Group Insurance	91	325	(8)	(2.4)
Contractual Services	37	228	8	3.6
Travel	2	7	1	16.7
Commodities	10	38	(4)	(9.5)
Printing	0	2	0	0.0
Equipment	2	8	(5)	(38.5)
Electronic Data Processing	4	19	3	18.8
Telecommunications	3	16	(4)	(20.0)
Automotive Equipment	2	9	1	12.5
Other Operations	38	170	22	14.9
Total, Operations	\$ 565	\$ 2,259	\$ 25	1.1 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS

(Dollars in Millions)

	Four Months			
	Oct. 2006	FY 2007	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 343	\$ 1,027	\$ 59	6.1 %
All Other	141	748	97	14.9
Healthcare & Family Services	569	2,385	(409)	(14.6)
Human Services	253	1,108	(10)	(0.9)
Higher Education:				
Student Assistance Commission	55	146	11	8.1
Community College Board	11	99	(1)	(1.0)
Other	6	9	(13)	(59.1)
Teacher's Retirement	68	271	69	34.2
Children and Family Services	36	197	(15)	(7.1)
Aging	30	119	23	24.0
Revenue	2	6	1	20.0
All Other	22	103	(17)	(14.2)
Total, Awards and Grants	\$ 1,536	\$ 6,218	\$ (205)	(3.2) %

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES (Dollars in Millions)

	Five Months			
	Nov. 2006	FY 2007	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 454	\$ 590	\$ 93	18.7 %
Revenues	1,971	10,896	(1,001)	(8.4)
Expenditures	1,905	10,966	(891)	(7.5)
Ending Balance	\$ 520	\$ 520	\$ (17)	(3.2) %
General Revenue Fund				
Available Balance	\$ 7	\$ 66	\$ (132)	(66.7) %
Revenues	1,629	9,224	(1,027)	(10.0)
Expenditures	1,570	9,224	(1,010)	(9.9)
Ending Balance	\$ 66	\$ 66	\$ (149)	(69.3) %
Common School Special Account Fund				
Available Balance	\$ 78	\$ 41	\$ 25	156.3 %
Revenues	145	766	28	3.8
Expenditures	148	732	54	8.0
Ending Balance	\$ 75	\$ 75	\$ (1)	(1.3) %
Education Assistance Fund				
Available Balance	\$ 355	\$ 463	\$ 208	81.6 %
Revenues	117	559	45	8.8
Expenditures	117	667	107	19.1
Ending Balance	\$ 355	\$ 355	\$ 146	69.9 %
Common School Fund				
Available Balance	\$ 14	\$ 20	\$ (8)	(28.6) %
Revenues	328	1,344	115	9.4
Expenditures	318	1,340	120	9.8
Ending Balance	\$ 24	\$ 24	\$ (13)	(35.1) %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES (Dollars in Millions)

	Five Months			
	Nov. 2006	FY 2007	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 612	\$ 3,163	\$ 239	8.2 %
Corporate	29	438	99	29.2
Total, Income Taxes	\$ 641	\$ 3,601	\$ 338	10.4 %
Sales Taxes	580	3,057	110	3.7
Other Sources:				
Public Utility Taxes	103	434	5	1.2
Cigarette Taxes	29	146	(20)	(12.0)
Inheritance Tax (gross)	34	131	24	22.4
Liquor Gallonage Taxes	13	63	1	1.6
Insurance Taxes and Fees	1	84	0	0.0
Corporation Franchise				
Tax and Fees	18	83	4	5.1
Investment Income	18	86	32	59.3
Cook County IGT	56	62	(27)	(30.3)
Riverboat Gambling Taxes	0	0	(4)	(100.0)
Other	43	178	(2)	(1.1)
Total, Other Sources	\$ 315	\$ 1,267	\$ 13	1.0 %
Total, Cash Receipts	\$ 1,536	\$ 7,925	\$ 461	6.2 %
Transfers In:				
Lottery Fund	\$ 54	\$ 229	\$ (56)	(19.6) %
State Gaming Fund	70	295	20	7.3
Other Funds	19	340	168	97.7
Total, Transfers In	\$ 143	\$ 864	\$ 132	18.0 %
Total, State Sources	\$ 1,679	\$ 8,789	\$ 593	7.2 %
Federal Sources	\$ 292	\$ 1,831	\$ (594)	(24.5) %
Total, Base Revenues	\$ 1,971	\$ 10,620	\$ (1)	0.0 %
Short-Term Borrowing	0	0	(1,000)	(100.0)
Transfer from				
Budget Stabilization Fund	0	276	0	0.0
Total, Revenues	\$ 1,971	\$ 10,896	\$ (1,001)	(8.4) %

GENERAL FUNDS ANALYSIS OF EXPENDITURES (Dollars in Millions)

	Five Months			
	Nov. 2006	FY 2007	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Healthcare & Family Services	\$ 581	\$ 2,966	\$ (915)	(23.6) %
Elem. & Sec. Education:				
State Board of Education	434	2,209	192	9.5
Teachers Retirement	68	339	86	34.0
Total, Elem. & Sec. Education	\$ 502	\$ 2,548	\$ 278	12.2 %
Human Services	215	1,323	(32)	(2.4)
Higher Education	129	383	12	3.2
All Other Grants	113	538	2	0.4
Total, Awards and Grants	\$ 1,540	\$ 7,758	\$ (655)	(7.8) %
Operations:				
Other Agencies	\$ 425	\$ 2,156	\$ 81	3.9 %
Higher Education	138	666	(92)	(12.1)
Total, Operations	\$ 563	\$ 2,822	\$ (11)	(0.4) %
Regular Transfers Out	\$ 283	\$ 1,203	\$ 64	5.6 %
All Other	0	6	0	0.0 %
Vouchers Payable Adjustment	\$ (481)	\$ (823)	\$ (289)	N/A
Total, Base Expenditures	\$ 1,905	\$ 10,966	\$ (891)	(7.5) %
Transfers to Repay GRF Short-Term Borrowing	0	0	0	0.0
Total, Expenditures	\$ 1,905	\$ 10,966	\$ (891)	(7.5) %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT (Dollars in Millions)

	Five Months			
	Nov. 2006	FY 2007	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 307	\$ 1,494	\$ (19)	(1.3) %
Other Personal Services	15	74	(13)	(14.9)
Total, Personal Services	\$ 322	\$ 1,568	\$ (32)	(2.0) %
Contribution Retirement	24	156	11	7.6
Contribution Social Security	15	75	3	4.2
Contribution Group Insurance	100	425	(16)	(3.6)
Contractual Services	41	269	1	0.4
Travel	2	8	1	14.3
Commodities	8	46	(4)	(8.0)
Printing	0	2	(1)	(33.3)
Equipment	3	11	(3)	(21.4)
Electronic Data Processing	1	21	3	16.7
Telecommunications	4	20	(3)	(13.0)
Automotive Equipment	2	11	1	10.0
Other Operations	41	210	28	15.4
Total, Operations	\$ 563	\$ 2,822	\$ (11)	(0.4) %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS (Dollars in Millions)

	Five Months			
	Nov. 2006	FY 2007	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 341	\$ 1,368	\$ 77	6.0 %
All Other	93	841	115	15.8
Healthcare & Family Services	581	2,966	(915)	(23.6)
Human Services	215	1,323	(32)	(2.4)
Higher Education:				
Student Assistance Commission	48	194	20	11.5
Community College Board	77	176	1	0.6
Other	4	13	(9)	(40.9)
Teacher's Retirement	68	339	86	34.0
Children and Family Services	46	243	(7)	(2.8)
Aging	30	149	29	24.2
Revenue	2	8	2	33.3
All Other	35	138	(22)	(13.8)
Total, Awards and Grants	\$ 1,540	\$ 7,758	\$ (655)	(7.8) %

Did You Know...

- ★ The Illinois Department of Transportation (IDOT) is directly responsible for approximately 17,000 miles of highway, including nearly 8,000 bridges and more than 2,100 miles of Interstate highways.
- ★ Three of the nation's five transcontinental highways pass through Illinois – I-70, I-80 and I-90.
- ★ In fiscal year 2001, during the peak of Illinois FIRST construction expenditures, IDOT improved nearly 2,000 miles of highways and over 400 bridges/structures were improved.
- ★ In fiscal year 2006, IDOT mowed more than 220,000 acres and used 385,000 tons of salt.
- ★ On any given workday, the Regional Transportation Authority averages approximately 1.9 million rides per day.
- ★ The average retail price of regular gasoline in the Midwest has risen from an average of \$1.32 in 2002 to an estimated \$2.53 average in 2006.

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