

**STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL**

**COMPLIANCE EXAMINATION**

**For the Year Ended June 30, 2014**

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
 TRUST FUND COUNCIL  
 COMPLIANCE EXAMINATION  
 For the Year Ended June 30, 2014

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STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2014

**COUNCIL MEMBERS**

John Polak, Chairman (Term Expired 5/1/2008)

John Bredenkamp (10/31/2012 - 5/1/2015)

Sung Do Kang (6/26/2013 - 5/1/2016)

Young B. Kim (Term Expired 5/1/2007)

Daniel Kim (7/3/2013 - 5/1/2016)

Paul K. Kwak (Term Expired 5/1/2013)

Jerome Lewicki (10/31/2012 - 5/1/2015)

Dae Kim (10/31/2012 - 7/3/2013)

**ADMINISTRATOR**

Williams & Company Consulting, Inc.

Council administrator offices are located at:

814 Pierce Street  
Sioux City, Iowa 51101

1000 Tower Lane, Suite 140  
Bensenville, Illinois 60106



Honorable William G. Holland  
Auditor General  
740 East Ash Street  
Springfield, IL 62703-3154

JAN 13 2015

Dear General Holland:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Drycleaner Environmental Response Trust Fund Council (Council). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Council's compliance with the following assertions during the one year period ended June 30, 2014. Based on this evaluation, we assert that during the year ended June 30, 2014, the Council has materially complied with the assertions below.

- A. The Council has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Council has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Council has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Council are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

Yours truly,

Drycleaner Environmental Response Trust Fund Council

(John Polak, Chairman)

(H. Patrick Eriksen, Third Party Administrator)

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2014

**COMPLIANCE REPORT**

**SUMMARY**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**ACCOUNTANT'S REPORT**

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	1
Repeated findings	1	1
Prior recommendations implemented or not repeated	0	0

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2014-001	7	Expired Council Member Appointments	Noncompliance

**EXIT CONFERENCE**

The Council waived a formal exit conference in correspondence dated January 9, 2015 from H. Patrick Eriksen, Third Party Administrator. The Council's response to the recommendation was provided by H. Patrick Eriksen, Third Party Administrator, in correspondence dated January 13, 2015.

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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have examined the State of Illinois, Drycleaner Environmental Response Trust Fund Council's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2014. The management of the State of Illinois, Drycleaner Environmental Response Trust Fund Council is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Drycleaner Environmental Response Trust Fund Council's compliance based on our examination.

- A. The State of Illinois, Drycleaner Environmental Response Trust Fund Council has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Drycleaner Environmental Response Trust Fund Council has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Drycleaner Environmental Response Trust Fund Council has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Drycleaner Environmental Response Trust Fund Council are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Drycleaner Environmental Response Trust Fund Council's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Drycleaner Environmental Response Trust Fund Council's compliance with specified requirements.

In our opinion, the State of Illinois, Drycleaner Environmental Response Trust Fund Council complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2014. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2014-001.

### **Internal Control**

Management of the State of Illinois, Drycleaner Environmental Response Trust Fund Council is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Drycleaner Environmental Response Trust Fund Council's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Drycleaner Environmental Response Trust Fund Council's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of State of Illinois, Drycleaner Environmental Response Trust Fund Council's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

There were no immaterial findings that have been excluded from this report.

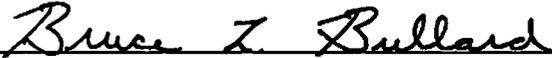
The State of Illinois, Drycleaner Environmental Response Trust Fund Council's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Drycleaner Environmental Response Trust Fund Council's responses and, accordingly, we express no opinion on the responses.

### **Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 6 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2014 accompanying supplementary information in Schedules 1 through 6. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2013 accompanying supplementary information in Schedules 2 through 6 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Council management, and Council members and is not intended to be and should not be used by anyone other than these specified parties.

  
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BRUCE L. BULLARD, CPA  
Director of Financial and Compliance Audits

Springfield, Illinois  
January 13, 2015

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2014

2014-001. **FINDING** (Expired Council Member Appointments)

The Drycleaner Environmental Response Trust Fund Council (Council) member appointments or reappointments had not been made as required by statute during the examination period.

The appointed terms had expired for three of seven (43%) of the Council members. The appointed terms expired for the three Council members on May 1, 2007, May 1, 2008, and May 1, 2013.

The Drycleaner Environmental Response Trust Fund Act (Act) (415 ILCS 135/15) requires the Council be comprised of seven voting members appointed by the Governor to terms of three years.

Council administration stated that the Council has made repeated attempts to contact the Governor's Office regarding reappointments for the three expired members. The Council hopes the three members get reappointed in the near future after they have had time to discuss reappointing members with the Governor-elect.

Although Council members are allowed to continue to serve past their terms until new appointments are made, lack of current appointments or reappointments fails to satisfy Act provisions for re-evaluation of Council membership every three years. (Finding Code No. 2014-001, 2013-001, 12-1, 11-1, 10-1, 09-1, 08-2, 07-3)

**RECOMMENDATION**

We recommend the Council continue to work with the Governor's Office to obtain current Council member appointments as soon as possible.

**COUNCIL RESPONSE**

Council members have applied for reappointment directly and online. The Council has and will continue to make contacts with the Governor's Office to secure appointments for the terms that have expired.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2014

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Cash Receipts and Reconciliation
  - Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
  - Analysis of Significant Variations in Expenditures
  - Analysis of Significant Variations in Receipts
  - Analysis of Accounts Receivable

- Analysis of Operations (Not Examined):

- Council Functions and Planning Program (Not Examined)
  - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2014 accompanying supplementary information in Schedules 1 through 6. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND COUNCIL  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**

Appropriations for Fiscal Year 2014  
 Fourteen Months Ended August 31, 2014

	Appropriations	Expenditures Through 06/30/14	Lapse Period Expenditures 7/01-8/31/14	Total Expenditures	Balances Lapsed
Public Act 98-0064					
<b><u>APPROPRIATED FUND</u></b>					
Drycleaner Environmental Response Trust Fund - 0548					
For use in accordance with the Drycleaner Environmental Response Trust Fund Act	\$ 5,360,000	\$ 3,145,884	\$ 341,673	\$ 3,487,557	\$ 1,872,443
<b>GRAND TOTAL</b>	<b><u>\$ 5,360,000</u></b>	<b><u>\$ 3,145,884</u></b>	<b><u>\$ 341,673</u></b>	<b><u>\$ 3,487,557</u></b>	<b><u>\$ 1,872,443</u></b>

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records and were reconciled to Council records.

Note 2: Expenditures amounts are vouchers approved for payment by the Council and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND COUNCIL  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
 EXPENDITURES AND LAPSED BALANCES**  
 For the Fiscal Years Ended June 30,

	Fiscal Year	
	2014	2013
	<u>P.A. 98-0064</u>	<u>P.A. 97-0727</u>
Drycleaner Environmental Response Trust Fund - 0548		
Appropriations	<u>\$ 5,360,000</u>	<u>\$ 5,360,000</u>
Expenditures		
For use in accordance with the Drycleaner Environmental Response Trust Fund Act	<u>3,487,557</u>	<u>3,160,513</u>
Total Expenditures	<u>\$ 3,487,557</u>	<u>\$ 3,160,513</u>
Lapsed Balances	<u><u>\$ 1,872,443</u></u>	<u><u>\$ 2,199,487</u></u>

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND COUNCIL  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
 RECONCILIATION OF CASH RECEIPTS TO  
 DEPOSITS REMITTED TO THE COMPTROLLER**

For the Fiscal Years Ended June 30,

Drycleaner Environmental Response Trust Fund - 0548	2014	2013
Insurance premiums	\$ 573,600	\$ 578,600
Solvent suppliers penalties	16,500	42,885
Late payment fees	19,742	25,492
Receipts from Council	<u>\$ 609,842</u>	<u>\$ 646,977</u>
<p>The following information was obtained from the Council and Comptroller records and includes that portion of the receipts reported by the Illinois Department of Revenue and the Office of the Treasurer. License fees and solvent taxes collected are reported net of a 4% collection fee charged by the Department of Revenue.</p>		
Statutory transfer in related to repayment of General Revenue Fund borrowing	\$ -	\$ 955,623
License fees collected	\$ 1,555,800	\$ 1,648,396
Solvent taxes collected	405,111	459,271
Total deposits recorded by the Comptroller deposited by the Department of Revenue	\$ 1,960,911	\$ 2,107,667
Interest income recorded by the Comptroller and deposited by the State Treasurer	\$ 10,466	\$ 11,072
Receipts from other agencies	<u>\$ 1,971,377</u>	<u>\$ 3,074,362</u>
Total receipts from all sources	\$ 2,581,219	\$ 3,721,339
Less - In transit at End of Year	(81,900)	(104,745)
Plus - In transit at Beginning of Year	104,745	121,950
Total receipts per State Comptroller's Records	<u>\$ 2,604,064</u>	<u>\$ 3,738,544</u>

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2014

Significant variances were determined to be changes of at least 20% between fiscal years as reported in the Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances.

There were no significant variations in expenditures (fluctuations of 20% or more) for the Fiscal Year ended June 30, 2014.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2014

Significant variations in receipts were determined to be fluctuations of 20% or more between fiscal years, and explained below.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2014 AND 2013**

**Drycleaner Environmental Response Trust Fund - 0548**

Statutory Transfer In (Decrease of \$955,623 or 100%)

The decrease in Statutory Transfer In was the result of the General Revenue Fund repaying a cash flow borrowing from the Drycleaner Environmental Response Trust Fund in Fiscal Year 2013. No further borrowings or repayments are expected to occur.

Solvent Supplier Penalties (Decrease of \$26,385 or 62%)

The decrease in Solvent Supplier Penalties is due to one solvent supplier that was fined and paid the total amount of \$35,500 during Fiscal Year 2013. No large fines were issued or paid off in Fiscal Year 2014.

Late Payment Fees (Decrease of \$5,750 or 23%)

The decrease was due to less licenses being issued in Fiscal Year 2014 which resulted in less late payment fees. In addition, large late payment fees balances were paid off in Fiscal Year 2013.

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
 TRUST FUND COUNCIL  
**ANALYSIS OF ACCOUNTS RECEIVABLE**  
 For the Fiscal Year Ended June 30,

<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND – 0548</u>	Fiscal Year	
	2014	2013
Current	\$ 0	\$ 0
31-90 days	1,400	10,600
91-180 days	0	0
Over 180 days	209,042	253,499
<b>GROSS RECEIVABLES</b>	\$ 210,442	\$ 264,099
Less estimated uncollectibles	(209,992)	(264,099)
<b>NET RECEIVABLES</b>	\$ 450	\$ 0

**ANALYSIS OF ACCOUNTS RECEIVABLE**

License fee and late payment fee receivables

Pursuant to statutory authority, the Council assesses a late payment fee of \$3 per day on the 31<sup>st</sup> day after payment was due through day 60 and then \$5 per day on the 61<sup>st</sup> day thereafter. In addition, the Council requires drycleaners to pay for licenses for years in which they were operating without a license.

Solvent Supplier Penalties

Certain provisions of the Act stipulate that drycleaner facilities cannot purchase solvents from vendors without a valid license. The vendors are subject to various penalties and fines if found in violation of these provisions. The Council becomes aware of a solvent supplier delivering solvent to an unlicensed drycleaner when the drycleaner renews their license the next calendar year.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
**ANALYSIS OF ACCOUNTS RECEIVABLE**  
For the Fiscal Year Ended June 30,

Collection procedures

For some drycleaners and solvent suppliers, the late fees and penalties are significant and payment would represent a financial hardship to the drycleaners and solvent suppliers. To provide a financially viable alternative, the Council may enter into a longer term payment arrangement requiring payment of the total receivable balance. In other instances, the Council may refer outstanding receivables to the Attorney General's Office for collection efforts, which may result in a legal judgment against the drycleaner or solvent supplier for a determined amount. The Attorney General's Office and the Council may also enter into an installment agreement with the drycleaner or solvent supplier to satisfy the balance owed as determined through legal judgment.

The Council provides notification when a receivable subject to an installment agreement is approximately 10 days past due. During this process, the Council attempts to determine the likelihood of collection. Generally, uncollectible receivables over 90 days past due and greater than \$5,000 are referred to the Department of Revenue Collection Bureau and the Comptroller's Offset system and those over \$250 are referred to the Comptroller's Offset system and internal collections are performed.

Gross receivables decreased by \$53,657 from FY13 to FY14, primarily due to drycleaners where judgments were obtained by the Attorney General's Office for license and late fees owed but were later referred to the Revenue Litigation Bureau of the Attorney General's Office for collection, which deemed them uncollectible.

Drycleaners and solvent suppliers that have not been able to generate enough revenue to be profitable in the current economy have not been able to pay fees and penalties that are based on annual solvent usage. In addition, those drycleaners have not been able to pay the associated late renewal fees of \$3 per day and \$5 per day. The Council has pursued payment of these overdue fees and penalties through the Illinois Attorney General's Office legal judgment. The Council has estimated \$209,992 of the \$210,442 gross receivables to be uncollectible at June 30, 2014 as reported because the Council has determined the facilities owing these balances are discontinuing or have discontinued their operations.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
**COUNCIL FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED)**  
For the Year Ended June 30, 2014

**COUNCIL FUNCTIONS**

The Drycleaner Environmental Response Trust Fund Council (Council) was created August 19, 1997 by the Drycleaner Environmental Response Trust Fund Act (Act) (415 ILCS 135). The Council was established to provide financial resources for dry cleaning facilities to pay for the cleanup of dry cleaning solvent contamination. The Council administers a mandatory license program, a remediation program, and a voluntary insurance program for all retail drycleaning facilities in Illinois.

Beginning January 1998, all active dry cleaning facilities in Illinois were required to obtain a license from the Council. The license is required to be renewed annually. All drycleaning facilities are required to pay annual license fees and a tax based on the quantity of drycleaning solvent purchases. The Department of Revenue collects all license fees and taxes, and deposits the receipts into the Drycleaner Environmental Response Trust Fund (Fund), less a 4% processing fee as set by statute.

Pursuant to the Act, the Council has established a program to reimburse drycleaner facilities for costs of remedial action in the event of solvent releases that were discovered after July 1, 1997 and prior to July 1, 2006. In addition, the Council has established a program to offer insurance to drycleaner facilities to insure against solvent release cleanup costs subsequent to June 30, 2006.

While the Council is ultimately responsible for administering the Fund, it has contracted with Williams & Company Consulting, Inc. (administrator) to provide third party administrative services. The administrator is responsible for all administrative and fiscal duties, under the oversight of the Council. These services include accounting and record keeping, as well as receipt and processing of applications for licensure, insurance coverage, and remedial claims.

The Act requires the Council to be composed of seven members appointed by the Governor to three year terms. Four members are to own or operate a dry cleaning facility, one member is to represent wholesale distributors of dry cleaning solvents, one member is to represent drycleaning equipment manufacturers and the vendor community, and one member is to have experience in financial markets or the insurance industry.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
**COUNCIL FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED)**  
For the Year Ended June 30, 2014

**PLANNING PROGRAM**

The Council's planning activities include program reviews performed on an on-going basis by the administrator. These reviews are discussed at regular Council meetings and annual strategic planning sessions. The annual session addresses the licensure, remedial action, and insurance programs, which are the three major components of the Council's responsibilities. A significant component of the planning session is the discussion of financial projections prepared by the administrator. The projections are prepared using multiple variations of assumptions of the revenues to be collected (solvent taxes and licensure fees), estimated administrative costs, and projected claims. Also discussed is how such assumptions could be impacted by existing and proposed legislation.

During Fiscal Year 2014, the Council's Fund financial projections for the period of July 1, 2014 through the Fund's sunset date of January 1, 2020 indicated the Fund would have program deficits of approximately \$20,889,430, based on program assumptions as of July 1, 2014. At the Council's August 28, 2014 meeting, the Council stated they will continue to monitor the Fund's solvency. The Council discussed possible options for addressing the Fund's solvency. These include increasing license fees, increasing solvent taxes, increasing the remedial action deductible, and the possibility of extending the sunset date to June 30, 2030. It was noted that increasing the sunset date will still, using today's numbers, result in a deficit. The Council voted to seek legislation to extend the sunset date of the Fund and also voted to seek legislation requiring all license fees be submitted to the Drycleaner Trust Fund and not to the Illinois Department of Revenue (this would save 4% of administrative costs). The Administrator will provide to the legislature all necessary facts and figures for these issues. As of June 30, 2014, the Fund balance was \$2,015,981.

Public Act 098-0327 was signed into law August 13, 2013 and changes the 10-day cancellation notice for nonpayment to a 30-day cancellation notice. The law requires insurance providers that terminate an owner/operator's coverage under this act to send a written notice and provide instructions on how to reapply for coverage along with copy of the appeals procedures.

Public Act 098-0327 also establishes a Task Force to Study the Fund and make recommendation for funding and improving the Fund. The Task Force will be made up of 17 appointed members.

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
 TRUST FUND COUNCIL  
**SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)**  
 For the Year Ended June 30, 2014

The Council has identified the following key financial and performance data that are significant to the operations, functions, and responsibilities of the Council:

	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Target</u>	<u>Fiscal Year 2014 Actual</u>
<b>Input Indicators</b>			
Budgeted appropriation/expenditures	\$3,160,500	\$5,360,000	\$3,487,500
License applications received	958	875	917
Insurance applications received	531	500	514
Eligible remedial and insurance claims filed	699	699	699
<b>Output Indicators</b>			
Licenses in force	953	875	914
Insurance policies in force	526	500	513
Eligible remedial and insurance claims closed	477	495	502
Open remedial claims	222	n/a	197
Remedial claims with payments made	678	n/a	678
Open insurance claims	0	n/a	0
Insurance claims with payments made	1	n/a	1
<b>Efficiency/Cost Effectiveness Indicators</b>			
Cost per license application	\$104	\$105	\$105
Cost per insurance application	\$104	\$105	\$105
Cost per eligible claim filed	\$710	\$700	\$802

Note: n/a denotes that no FY14 targets were established by the Council for this output indicator.