



Commission on Government Forecasting and Accountability

703 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: FEBRUARY 2014

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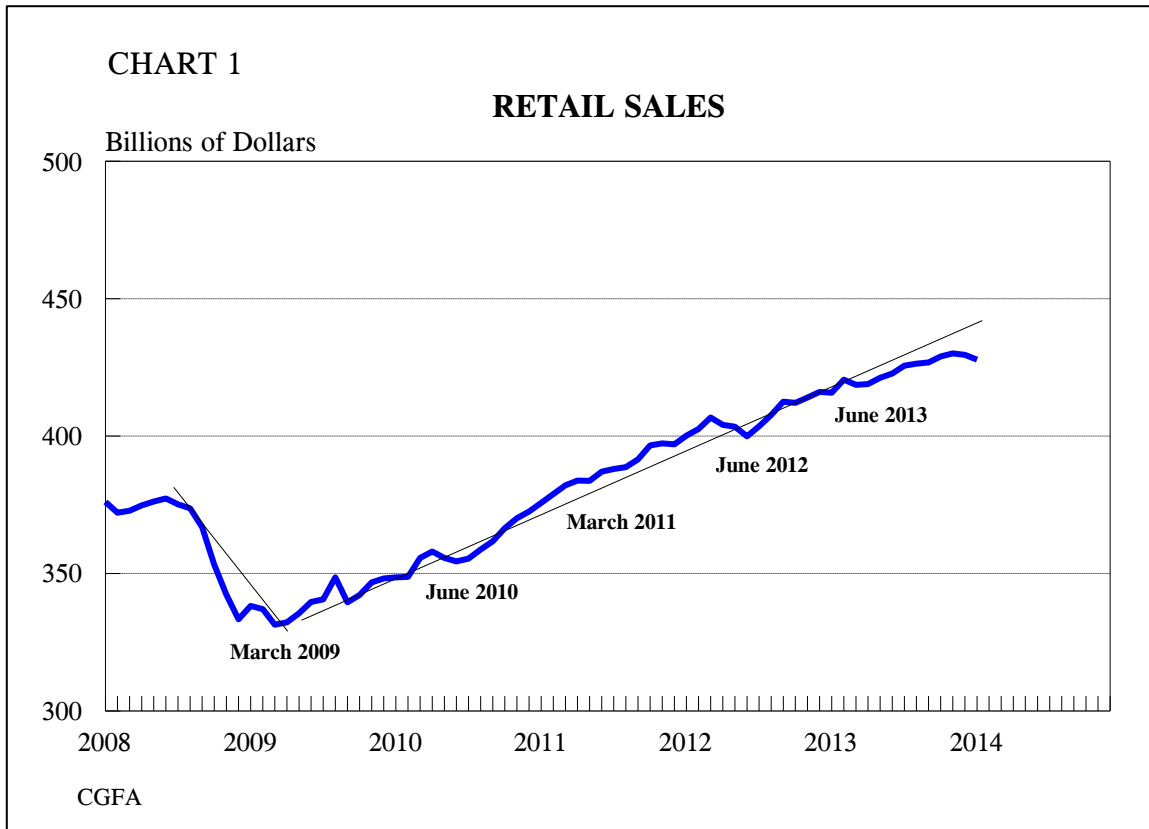
ECONOMY: Entering Another Soft Patch?

Edward H. Boss, Jr., Chief Economist

The severe winter weather that prevailed throughout a large portion of the United States is being blamed for a rash of weak economic reports released in recent weeks. Still, some prognosticators are raising the prospect that, like that which occurred in many recent years, the economy may be experiencing a slowdown following two relatively strong quarters of economic growth. Indeed, after rising at a healthy 4.1% annual rate in the third quarter of last year and an advance report of 3.2% in the final quarter, further growth at these rates anytime soon seems quite unlikely. Already at month's end the Commerce Department, based on more complete data, lowered its reported GDP growth for the final quarter of 2013 to a 2.4% annual rate, lowest since the first quarter.

Perhaps most affected by the inclement weather was housing activity. Sales of existing homes fell 5.1% in January from December as well as over the previous 12 months. Thus, it was not a total surprise when new housing starts data for January showed a decline of 16%, the lowest since September and the largest percentage drop since February 2011. Even so, the magnitude of the starts decline, which is reported on a seasonally adjusted basis, seemed a bit steep. At the same time it was reported the building permits, a precursor to new housing activity and presumed to be not greatly affected by the weather, fell by 5.4%, the largest drop since June. Given the continuation of this weather pattern in February, no bounce back can be expected this month.

As the weather improves this spring, an overhanging factor is how the run-up in home prices and uptick in mortgage rates will affect housing activity. While the rise in home prices last year returned equity to many borrowers, it has considerably weakened affordability for a large pool of potential buyers. The Mortgage Bankers Association reported that it's seasonally adjusted index of mortgage application activity, for



both refinancing and home purchase, fell 4.1% in the week ended February 14th while the fixed 30-year mortgage interest rate averaged 4.50% up 5 basis points from the previous week. At the same time, The National Association of Home Builders reported that homebuilder confidence in February recorded its largest one month drop ever. These reports suggest factors other than just the weather may be tempering the pace of the recovery in housing activity.

Weather also may have played a role in the slower increases in payroll employment that averaged slightly fewer than 100,000 in December and January. At the same time, new claims for unemployment benefits showed little change, remaining in the 325,000 to 350,000 range showing no significant shift in labor market conditions. On the weaker side, extended unemployment

claims were not renewed at year end and household energy costs have soared. Electricity costs rose 1.8% in January, highest since March, while natural gas prices were up 3.6%, and heating oil costs jumped 3.7%. The effect of these increased costs on consumers is uncertain, but it may add to the disappointing performance of retail sales last month.

The consumer generally accounts for two-thirds or more of total spending in the economy making it the most important element to future growth. As shown in the chart, consumer spending at the retail level has softened. Holiday sales at year end rose a modest 3.8%, slightly less than what at the time was considered a conservative estimate, and well below that recorded in each of the prior two years. In January retail sales fell, reaching their lowest level since

September as severe weather took its toll. Moreover, the harsh winter continued in February so that, to the extent that weather again was the dominant factor, little near-term improvement can be expected.

The Conference Board reported that its Leading Economic Indicator Series rose a modest 0.3% in January following no change in December and was well below November's 0.9% increase. It noted that the Index continues to fluctuate on a monthly basis but the six-month average growth rate has been relatively stable in recent months. It stated that the economy is expanding moderately, although held back by persistent and severe inclement weather in most part of the country. However, it went on to report that, "If the economy is going to move on a faster track in 2014 compared

to last year, consumer demand and especially investment will need to pick up significantly from their current trends." In a subsequent report, the Conference Board said its measure of Consumer Confidence fell moderately in February and January's measure was revised downward.

Should the economy hit a soft patch, it would not be unusual. As shown in the chart, in each of the past five years there were times when the pace of the economy slowed noticeably, most often hitting a low point in March or June. On each occasion, however, growth subsequently resumed. The strength of any rebound this time from a weather-related economic soft patch may well rest on stronger consumer spending and more vigorous improvement in housing activity.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY			
<u>INDICATORS</u> *	<u>JAN. 2014</u>	<u>DEC. 2013</u>	<u>JAN. 2013</u>
Unemployment Rate (Average)	N/A%	8.6%	9.0%
Annual Rate of Inflation (Chicago)	7.9%	-4.0%	1.2%
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (Jan)	N/A	-%	-%
Employment (thousands) (Jan)	N/A	-%	-%
New Car & Truck Registration (Jan)	N/A	-%	-%
Single Family Housing Permits (Jan)	339	-14.0%	-17.1%
Total Exports (\$ mil) (Dec.)	5,787	-2.3%	13.8%
Chicago Purchasing Managers Index (Feb.)	59.8	0.3%	5.2%

* Due to monthly fluctuations, trend best shown by % change from a year ago
 N/A: January State data delayed due to additional time to revise historical data (benchmarking)

February 2014 Bond Sale
Lynnae Kapp, Senior Analyst

Illinois sold \$1.025 billion in tax-exempt General Obligation bonds in February 2014. With over \$5.5 billion in orders from about 109 investors, the State was able to re-price the bond twice, to the State's benefit. The true interest cost on the sale was 4.46%, a savings of approximately \$60 million over the 25-year life of the bond compared to the rate the State received on a similar issue in June 2013, based on statements from State officials.

In December, Illinois sold \$350 million of taxable General Obligation Bonds. The True Interest Cost was 5.40%, with a spread over Treasuries of 251 basis points. This spread is 59 basis points lower than an identical sale in April of 2013. The Governor's Office of Management and Budget attributes the smaller spread to the passage of SB 1 affecting pension reform. This smaller spread will save the State over \$20 million over the life of the bonds.

The State sold \$600 million of Build Illinois refunding bonds in June 2013.

The sale received a 2.70% true interest cost, and gave the State approximately 9% in present value savings equaling \$55 million. The refunding also freed up \$30 million - \$40 million of reserves that will no longer be required.

Illinois also sold \$1.3 billion of General Obligation bonds at the end of June 2013. This occurred after four days of massive sell-offs of bonds in the market. Illinois' G.O. bonds "received more than \$9 billion in bids from 145 investors...and it was able to pare between 6 to 14 basis points off yields on some maturities after lowering some by as much as 10 basis points from preliminary marketing levels" ["Buyers Devour Illinois GOs As Market Rallies Back From Selloff", The Bond Buyer, June 26, 2013]. Even though the State was able to somewhat lower the yields of the bonds, the Governor stated that the ratings downgrades cost the State an additional \$130 million in debt service over the 25-year maturity of the bonds.

DATE	BOND SALE TYPE	AMOUNT	TAXABLE v. TAX-EXEMPT	NEGOTIATED v. COMPETITIVE SALE	TRUE INTEREST COST	S&P	FITCH	MOODY'S
Apr-13	GO Series A bonds	\$450 million	tax-exempt	competitive	3.92%	A-	A	A2
Apr-13	GO Series B bonds	\$350 million	taxable	competitive	4.97%			
May-13	BI bonds	\$300 million	taxable	competitive	3.29%	AAA	AA+	A2
Jun-13	BI Refunding bonds	\$604 million	tax-exempt	negotiated	2.70%	AAA	AA+	A3
Jun-13	GO bonds	\$1.3 billion	tax-exempt	negotiated	5.04%	A-	A-	A3
Dec-14	GO bonds	\$350 million	taxable	competitive	5.40%	A-	A-	A3
Feb-14	GO bonds	\$1.025 billion	tax-exempt	negotiated	4.46%	A-	A-	A3

In FY 2013, the State sold a total of \$2.15 billion in G.O. capital projects bonds, \$300 million in Building Illinois project bonds, and \$604 million in Build Illinois refunding bonds.

State Employees Group Insurance Program Claims Hold Update

Anthony Bolton, Revenue Analyst

As of February 19, 2014, the State of Illinois had approximately \$1.62 billion in claims on hand between the State Employees Group Insurance Program (SEGIP), the Teacher's Retirement Insurance Program (TRIP), and the College Insurance Program (CIP). SEGIP accounted for the largest share of

claims, with approximately \$1.46 billion in held payments and payments in processing. TRIP and CIP had \$139.04 million and \$18.79 million in held payments and payments in processing respectively. Claims listed as "In Processing" have been processed by CMS, but have not yet cleared.

Current FY 2014 Claims on Hand (2/19/2014)			
	SEGIP	TRIP	CIP
Payment Holds	\$1,454,784,757	\$137,425,352	\$18,467,604
In Processing	\$9,577,296	\$1,616,000	\$323,000
Net Payment Holds	\$1,464,452,053	\$139,041,352	\$18,790,604

At this time, the hold cycle for claims payments is still quite long for most participants. For SEGIP participants, medical claims are being held for at least seven to ten months, depending on the network (HMO/CIGNA/OAP). Dental claims are better, at a listed hold of 11 weeks, but prescription claims through Medco still remain at 7 months. TRIP and CIP partici-

pants have a mixed bag of results, with medical claims being held for 1 to 9 months, dental claims held for 7 to 21 weeks (CIP only), and Medco claims being held 6 to 7 months. In the following table, CIGNA claims are split between open access network and non-network claims for SEGIP members. Also, dental claims are split between in-network and out-of-network providers for SEGIP and CIP members.

Current FY 2014 Claims/Hold Cycle			
	SEGIP	TRIP	CIP
HMO Delay	7 months	6 months	9 months
CIGNA - Out of Network	294 (OAP) / 420 (Non-OAP) days	49 days	70 days
Dental	11 weeks (in-network) / 25 weeks (out-of-network)	N/A	7 weeks (in-network)/ 21 weeks (out-of-network)
OAPs	7 months	None	1 month
Medco	7 months	6 months	7 months

According to CMS, the current claims hold cycle for SEGIP, TRIP and CIP is not expected to change in the next fiscal year. In addition, the backlog in claims to be paid out is not expected to improve. This indicates

that the current pattern of slow payments to medical/dental/prescription providers and nearly \$1.5 billion in held bills by the State of Illinois for the Group Insurance Program is not likely to improve in the near future.

REVENUE
Receipts Mixed – February Up Modestly
Jim Muschinske, Revenue Manager

Overall base revenues grew \$75 million in February. The larger economically related sources of income and sales taxes were mixed. Both corporate and sales tax took a break from their recent strong performances, while personal income tax posted decent gains. A comparatively good month for federal receipts also contributed to the monthly advance. There was the same number of processing days in February as last year.

Gross personal income tax receipts grew \$61 million, or \$58 million net of refunds. Other sources grew \$10 million, while corporate franchise tax eked out a \$1 million increase.

Despite the overall monthly gain, several sources experienced a drop in performance. Sales tax paused from what had been a good trend, falling \$26 million. Gross corporate income taxes dipped \$5 million, or \$3 million net of refunds. A number of revenue lines each fell \$1 million—public utility tax, cigarette tax, insurance tax, and interest income.

Overall transfers fell \$22 million in February. There were no riverboat transfers this month, presumably due to the timing of transfers. As a result, gaming transfers were down \$21 million. Other transfers were off \$2 million, while lottery transfers managed to post a \$1 million gain. Federal sources experienced a comparatively good month, growing \$61 million in February.

Year to Date

Through two-thirds of FY 2014, base general funds are up \$1.010 billion compared to last fiscal year. Much of that growth can be attributed to the one-time surge in transfers related to the refund fund [\$397 million]. However, despite the occasional pause, the larger economically-related sources performed fairly well to date.

Gross personal income taxes are up \$423 million, or \$410 million net of refunds. Despite a lackluster February, sales tax receipts have done quite well, up \$204 million to date. Gross corporate income tax is up a strong \$164 million, or \$152 million net of refunds. Other sources are up \$67 million for the year, although all of that increase can be attributed to September's receipt of one-time court settlement proceeds.

Despite the performance of the larger sources, a number of smaller revenue lines suffered declines worth noting. The Cook County IGT is off \$30 million, inheritance tax is down \$33 million, and public utility tax is down \$9 million.

Through February, overall transfers are up \$424 million. Nearly all of those gains stem from the one-time \$397 million transfer from the Income Tax Refund Fund. Federal sources are down \$168 million thus far, reflecting lower reimbursable spending.

GENERAL FUNDS RECEIPTS: FEBRUARY

FY 2014 vs. FY 2013

(\$ million)

<u>Revenue Sources</u>	<u>Feb.</u> <u>FY 2014</u>	<u>Feb.</u> <u>FY 2013</u>	<u>\$</u> <u>CHANGE</u>	<u>%</u> <u>CHANGE</u>
State Taxes				
Personal Income Tax	\$1,245	\$1,184	\$61	5.2%
Corporate Income Tax (regular)	64	69	(\$5)	-7.2%
Sales Taxes	522	548	(\$26)	-4.7%
Public Utility Taxes (regular)	89	90	(\$1)	-1.1%
Cigarette Tax	28	29	(\$1)	-3.4%
Liquor Gallonage Taxes	10	10	\$0	0.0%
Vehicle Use Tax	2	2	\$0	0.0%
Inheritance Tax (Gross)	20	20	\$0	0.0%
Insurance Taxes and Fees	13	14	(\$1)	-7.1%
Corporate Franchise Tax & Fees	16	15	\$1	6.7%
Interest on State Funds & Investments	1	2	(\$1)	-50.0%
Cook County IGT	94	94	\$0	N/A
Other Sources	31	21	\$10	47.6%
Subtotal	\$2,135	\$2,098	\$37	1.8%
Transfers				
Lottery	41	40	\$1	2.5%
Riverboat transfers & receipts	0	21	(\$21)	-100.0%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Other	22	24	(\$2)	-8.3%
Total State Sources	\$2,198	\$2,183	\$15	0.7%
Federal Sources	\$290	\$229	\$61	26.6%
Total Federal & State Sources	\$2,488	\$2,412	\$76	3.2%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$118)	(\$115)	(\$3)	2.6%
Corporate Income Tax	(\$8)	(10)	\$2	-20.0%
Subtotal General Funds	\$2,362	\$2,287	\$75	3.3%
Short-Term Borrowing	\$0	\$0	\$0	N/A
FY'13/14 Backlog Payment Fund	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$2,362	\$2,287	\$75	3.3%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				3-Mar-14

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2014 vs. FY 2013

(\$ million)

<u>Revenue Sources</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>CHANGE FROM FY 2013</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$11,311	\$10,888	\$423	3.9%
Corporate Income Tax (regular)	1,746	1,582	\$164	10.4%
Sales Taxes	5,089	4,885	\$204	4.2%
Public Utility Taxes (regular)	660	669	(\$9)	-1.3%
Cigarette Tax	234	235	(\$1)	-0.4%
Liquor Gallonage Taxes	114	114	\$0	0.0%
Vehicle Use Tax	18	18	\$0	0.0%
Inheritance Tax (Gross)	167	200	(\$33)	-16.5%
Insurance Taxes and Fees	174	178	(\$4)	-2.2%
Corporate Franchise Tax & Fees	144	144	\$0	0.0%
Interest on State Funds & Investments	12	14	(\$2)	-14.3%
Cook County IGT	120	150	(\$30)	-20.0%
Other Sources	336	269	\$67	24.9%
Subtotal	\$20,125	\$19,346	\$779	4.0%
Transfers				
Lottery	403	396	\$7	1.8%
Riverboat transfers & receipts	242	263	(\$21)	-8.0%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	397	0	\$397	N/A
Other	372	331	\$41	12.4%
Total State Sources	\$21,539	\$20,336	\$1,203	5.9%
Federal Sources	\$2,292	\$2,460	(\$168)	-6.8%
Total Federal & State Sources	\$23,831	\$22,796	\$1,035	4.5%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$1,074)	(\$1,061)	(\$13)	1.2%
Corporate Income Tax	(\$234)	(\$222)	(\$12)	5.4%
Subtotal General Funds	\$22,523	\$21,513	\$1,010	4.7%
Short-Term Borrowing	\$0	\$0	\$0	N/A
FY'13/14 Backlog Payment Fund Transfer	\$50	\$264	(\$214)	N/A
Tobacco Liquidation Proceeds	\$0	\$0	\$0	N/A
Pension Contribution Fund Transfer	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$275	\$275	\$0	0.0%
Total General Funds	\$22,848	\$22,052	\$796	3.6%

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

CGFA

3-Mar-14

Updated Revenue Forecasts

FY 2014 Estimate Summary:

On May 31, 2013, the Illinois House adopted HR 389 as the official revenue estimate for the new fiscal year. The FY 2014 budget was based upon a forecast of \$35.446 billion.

In November, CGFA adjusted its estimate of FY 2014 revenues up a net \$369 million, which reflected continued strong performance of sales taxes as well as a couple of one-time revenue items.

CGFA is making another upward revision to its FY 2014 forecast of approximately \$258 million. As shown, the forecast of both corporate income taxes and sales tax are expected to be revised up due to strong year-to-date growth. However, some of those adjustments will be offset by downward revisions in other sources, transfers-in, and federal sources.

When the recent adjustments are included, FY 2014 revenues are expected to exceed HR 389 by \$627 million.

CGFA Revised FY 2014 General Funds Estimate [Nov-13]		
[\$millions]		
FY 2014 Estimate per HR 389	\$	35,446
<u>CGFA Adjustments [Nov-13]</u>		
Sales Tax Receipts	\$	200
Refund Fund Transfer	\$	97
Other Sources	\$	72
Revised FY 2014 Estimate [Nov-13]	\$	35,815
Net Adjustment	\$	369

CGFA Revised FY 2014 Estimate [Feb/Mar-14]		
[\$millions]		
FY 2014 Revised Estimate [Nov-13]	\$	35,815
<u>CGFA Anticipated Adjustments [Feb/Mar-14]</u>		
Net Corporate Income Tax	\$	300
Sales Tax	\$	125
Other Sources [Net]	\$	23
Transfers In	\$	(40)
Federal Sources	\$	(150)
FY 2014 Estimate [Feb/Mar-14]	\$	36,073
Net Adjustment	\$	258

Net Revisions Since HR 389	\$	627
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FY 2015 Outlook

FY 2015 Revenue Forecast

As summarized in the table below and in more detail on the accompanying table, the forecast for FY 2015 is \$34.495 billion. The estimate represents a drop in revenues of \$1.578 billion which reflects the mid-year decrease in the income tax rates.

<i>FY 2015 GENERAL FUNDS REVENUE CGFA ESTIMATES</i>			
(millions)			
Revenue Sources	FY'15 CGFA Feb-14	FY'14 CGFA Feb-14	\$ Difference
State Taxes			
Personal Income Tax	\$16,717	\$17,713	(\$996)
Corporate Income Tax	\$3,267	\$3,738	(\$471)
Sales Taxes	\$7,842	\$7,673	\$169
Public Utility (regular)	\$995	\$1,005	(\$10)
Cigarette Tax	\$355	\$355	\$0
Liquor Gallonage Taxes	\$165	\$165	\$0
Vehicle Use Tax	\$29	\$29	\$0
Inheritance Tax (gross)	\$205	\$230	(\$25)
Insurance Taxes & Fees	\$330	\$330	\$0
Corporate Franchise Tax & Fees	\$205	\$203	\$2
Interest on State Funds & Investments	\$25	\$20	\$5
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources *</u>	<u>\$486</u>	<u>\$530</u>	<u>(\$44)</u>
Subtotal	\$30,865	\$32,235	(\$1,370)
Transfers			
Lottery	\$682	\$669	\$13
Riverboat transfers and receipts	\$300	\$316	(\$16)
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund transfer	\$100	\$397	(\$297)
<u>Other</u>	<u>\$790</u>	<u>\$780</u>	<u>\$10</u>
Total State Sources	\$32,747	\$34,407	(\$1,660)
Federal Sources	\$4,273	\$3,850	\$423
Total Federal & State Sources	\$37,020	\$38,257	(\$1,237)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.5% '14; 10% '15]	(\$1,672)	(\$1,683)	\$11
Corporate Income Tax [13.4% '14; 14% '15]	(\$457)	(\$501)	\$44
Fund for Advancement of Education	(\$198)	N/A	(\$198)
Commitment to Human Services Fund	(\$198)	N/A	(\$198)
Subtotal General Funds	\$34,495	\$36,073	(\$1,578)
NOTE: Totals exclude Budget Stabilization transfers, transfers from FY 2013/14 Backlog Payment Fund, and other cash flow transfers. * Other sources estimate includes GOMB stated intent to initiate \$58 million in Build Illinois Escrow deposit in FY'14 and \$66 million in FY'15.			
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**FY 2014/FY2015 General Funds Revenue
CGFA vs. GOMB/IDoR Estimates**

Throughout the month of February, CGFA presented its latest outlook for FY 2014 and FY 2015 revenues to both House and Senate committees. The following table summarizes the estimates as well as preliminary forecasts furnished by the GOMB/IDoR. (Please see below and accompanying pages for further detail).

FY 2014 & FY 2015 GENERAL FUNDS REVENUE CGFA vs. GOMB/IDoR ESTIMATES						
(millions)						
Revenue Sources	FY'14 CGFA Feb-14	FY'15 CGFA Feb-14	\$ Growth	FY'14 GOMB/IDoR Feb-14	FY'15 GOMB/IDoR Feb-14	\$ Growth
State Taxes						
Personal Income Tax [net]	\$16,030	\$14,649	(\$1,381)	\$16,301	\$14,844	(\$1,457)
Corporate Income Tax [net]	\$3,237	\$2,810	(\$427)	\$3,317	\$3,071	(\$246)
Sales Taxes	\$7,673	\$7,842	\$169	\$7,610	\$7,810	\$200
All Other state source revenue	\$3,111	\$3,039	(\$72)	\$3,096	\$3,010	(\$86)
Transfers	\$2,172	\$1,882	(\$290)	\$2,228	\$1,934	(\$294)
Federal Sources	<u>\$3,850</u>	<u>\$4,273</u>	<u>\$423</u>	<u>\$4,113</u>	<u>\$4,487</u>	<u>\$374</u>
Total Federal & State Sources	\$36,073	\$34,495	(\$1,578)	\$36,665	\$35,156	(\$1,509)

NOTE: Totals exclude Budget Stabilization, \$50m transfers from FY 2013/14 Backlog Payment Fund and other cash flow transfers.
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Observations and Comments:

Personal Income Tax: IDoR made an upward adjustment in their FY14 estimate based primarily on strong performance of estimated payments. While CGFA is well aware of the surprisingly strong performance estimated payments to date, the Commission is not making a revision at this time due to 1) the remaining uncertainty related to how final payments may be effected both of these surprisingly large estimate payments as well as last year's April Surprise; 2) a recent weakening in the trend of withholding (wage) taxes.

Corporate Income Tax: While both CGFA and IDoR made significant upward adjustments in the FY14 estimate, the Commission remains somewhat more conservative due to remaining uncertainties related to last year's April Surprise. Relatedly, the larger difference in the FY15 estimate is due to IDoR's higher base forecast in FY14 as well as what appears to be a significantly higher base growth forecast than what is assumed by CGFA. The volatility of this source was textbook in FY14. A year ago, forecasters were assuming a decline in corporate profits, and instead we've seen substantial gains. Unfortunately, volatility can work in the other direction as well. CGFA feels that a more conservative view is justified at this time.

Sales Tax: While CGFA's estimates for both years is marginally higher, little actual difference exists as both agencies project similar growth patterns.

All Other State Source Revenue: Overall the estimates are quite similar for both years, however, some differences exist by component.

Transfers In: CGFA is somewhat more conservative in the estimates of other transfers-in for both years. In particular, CGFA forecasts a continued decline in riverboat transfers while IDoR forecasts modest growth.

Federal Sources: CGFA has reduced its FY14 estimate to reflect the current spending patterns related to Medicare Part A/B. Absent legislative action, the current level forecast by GOMB seems unlikely. In terms of FY15, CGFA utilized the Governor's projections published in the January 3-Year forecast. Federal Sources are largely dictated by appropriation levels, available resources, as well as spending priorities.

Final Thoughts: Despite the differences outlined during these recent discussion, the estimates reflect a good deal of similarity. The Commission can accurately be described as adhering to a more conservative outlook at this time, particularly in the estimates of income taxes. Many of the other revenue lines simply contain normal variances that occur during the course of the estimating process.

House Adopts HJR 80 Establishes FY 2015 Revenue Estimate

On February 25, 2014, the Illinois House unanimously approved HJR 80 as well as HR 842. Both pieces of legislation contain the revenue estimate of \$34.495 billion, and reflect the aforementioned CGFA forecast.

**FY 2015 GENERAL FUNDS REVENUE
CGFA vs. GOMB/IDoR ESTIMATES**

(millions)

Revenue Sources	FY'15 CGFA Feb-14	FY'15 GOMB/IDoR Feb-14	\$ Difference
State Taxes			
Personal Income Tax	\$16,717	\$16,993	(\$276)
Corporate Income Tax	\$3,267	\$3,571	(\$304)
Sales Taxes	\$7,842	\$7,810	\$32
Public Utility (regular)	\$995	\$1,031	(\$36)
Cigarette Tax	\$355	\$355	\$0
Liquor Gallonage Taxes	\$165	\$167	(\$2)
Vehicle Use Tax	\$29	\$29	\$0
Inheritance Tax (gross)	\$205	\$190	\$15
Insurance Taxes & Fees	\$330	\$325	\$5
Corporate Franchise Tax & Fees	\$205	\$201	\$4
Interest on State Funds & Investments	\$25	\$17	\$8
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources *</u>	<u>\$486</u>	<u>\$451</u>	<u>\$35</u>
Subtotal	\$30,865	\$31,384	(\$519)
Transfers			
Lottery	\$682	\$682	\$0
Riverboat transfers and receipts	\$300	\$324	(\$24)
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund transfer	\$100	\$100	\$0
<u>Other</u>	<u>\$790</u>	<u>\$818</u>	<u>(\$28)</u>
Total State Sources	\$32,747	\$33,318	(\$571)
Federal Sources	\$4,273	\$4,487	(\$214)
Total Federal & State Sources	\$37,020	\$37,805	(\$785)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [10% FY'15]	(\$1,672)	(\$1,699)	\$27
Corporate Income Tax [14% FY'15]	(\$457)	(\$500)	\$43
Fund for Advancement of Education	(\$198)	(\$225)	\$27
Commitment to Human Services Fund	(\$198)	(\$225)	\$27
Subtotal General Funds	\$34,495	\$35,156	(\$661)

NOTE: Totals exclude Budget Stabilization transfers, transfers from FY 2013/14 Backlog Payment Fund, and other cash flow transfers. * Other sources estimate includes GOMB stated intent to initiate \$58 million in Build Illinois Escrow deposit in FY'14 and \$66 million in FY'15.

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