



Commission on Government Forecasting and Accountability

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MONTHLY BRIEFING FOR THE MONTH ENDED: FEBRUARY 2016

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LATEST PUBLICATIONS

State of Illinois Economic Forecast Report Prepared for CGFA by Moody's/Economy.com

FY 2017 Economic Forecast & Revenue Estimate and FY 2016 Revenue Update

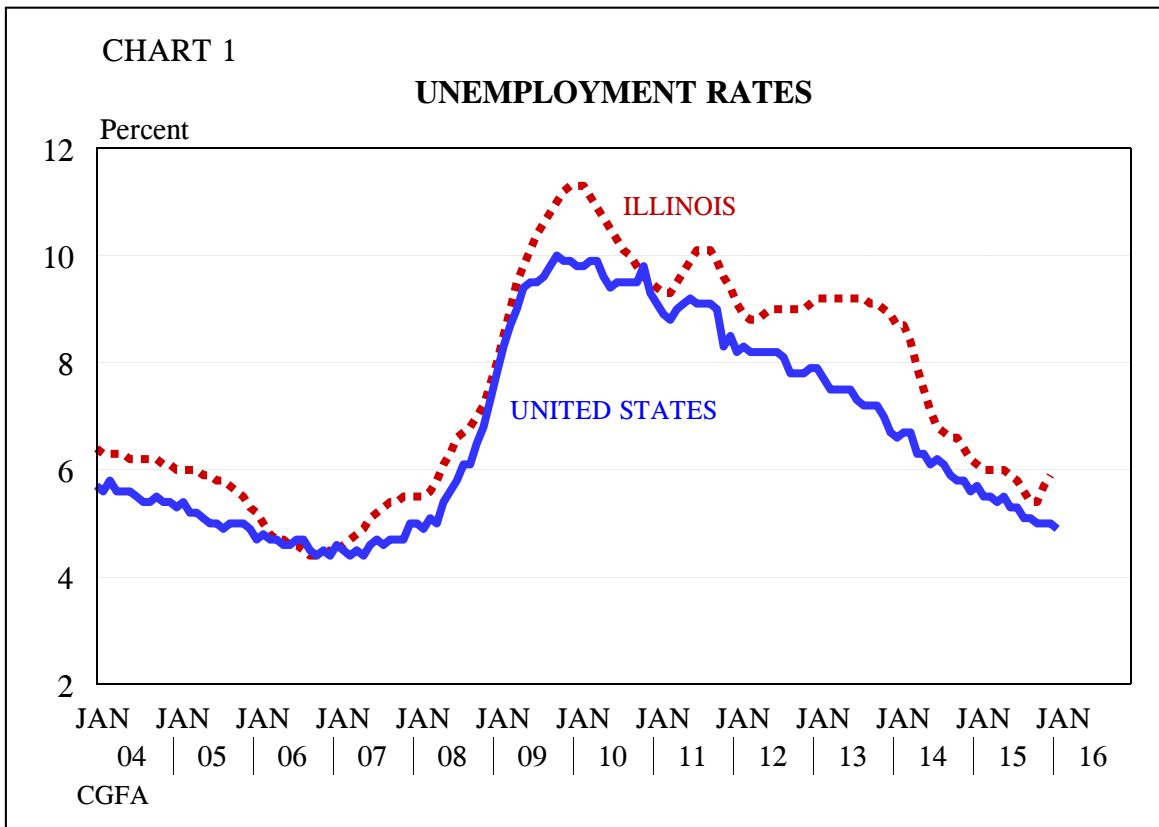
ECONOMY: Illinois' Economic U-Turn

Edward H. Boss, Jr., Chief Economist

The unemployment rate recently made a U-turn in Illinois and is barely below year-ago levels in most Illinois areas of the State according to an independent analysis of Illinois done for the Commission by Moody's Analytics. The report cites that *"Illinois' economy is the weakest of the underperforming Midwest. Poor public sector finances, an ailing downstate economy, and deteriorating demographics are hampering the State's recovery. Job growth has run at less than half of the national rate in 2015, and the payroll survey actually showed a year-over-year decline in December."* The entire report can be accessed on the Commission's web site. The study compares the employment situation as it currently exists with that of the nation and sub sector groups within the State.

There is a wide difference in unemployment rates within the State. Illinois has been particularly hard hit by the slowdown in manufacturing. Manufacturing in the nation had been on a long term decline as the U.S. economy transformed from a manufacturing-based economy to a service-based economy, reaching a low point in February 2010. As the economy emerged from recession, however, a recovery in autos, housing, and energy production, particularly oil and gas, sparked a return of manufacturing jobs. This was not widespread. In Illinois for example new car and truck registrations in Illinois in December were 2.4% below a year earlier while new single family housing building permits, a precursor to housing starts, were 27.5% lower than a year earlier and exports on the same basis dropped 7.8%.

Manufacturing jobs increased by 33,000 last year even as Illinois saw a loss of 4,000 manufacturing jobs. This particularly hit those areas in the State where manufacturing is centered. At year end, there were 5 areas where the unemployment rate was 7.0% or above. This included the



metropolitan areas of Decatur and Danville with rates at 7.4%; Rockford with a rate of 7.2%; and in Peoria and Kankakee both at 7.0%. In contrast, the unemployment rate in the Chicago-Naperville-Arlington Heights Metro area was 5.6%. In the recent State of Illinois Analysis issued by IHS Economics it lists that in the past year closures at St. Mary’s Hospital, General Mills, Gate Gourmet, and WMS Industries totaled 1,865 jobs. At the same time, layoffs were announced by Deere, Expedia, American Coal, Honeywell, and Mondeleze totaling 1,749 jobs. And, due to market conditions US Steel/Granite City lost 2060 positions.

In recent years, as shown in the chart, the gap between the Illinois unemployment rate at the close of 2007,

prior to the recession at the end of that year, there was little difference between the national and Illinois unemployment rates. By the end of 2009, however, following the recovery that began at mid-year, the gap between Illinois and the national rate began to widen sharply. Some analysts point to the past when the Illinois economy, while slow to feel the effects entering a recession, feels its effect later. The gap widened throughout the year so that by February 2013 the Illinois unemployment rate reached 8.7%, a full 2% percent above the national rate of 6.7%. Since then the gap continued to narrow again, only to rise in the past couple of months in a U-turn. The latest available data show the Illinois rate at 5.9% and the national rate at 4.9%, a gap of 1%. This may be in part due to the uncertainty surrounding the budget and tax issues.

In Chicago a record increase in property taxes has been announced. Illinois already has one of the highest property tax rates in the nation. On sales taxes, last year according to the Tax Foundation, Illinois ranked 10th highest of the States with combined State and average local tax rates at 8.19%. A recently imposed 1% increase in the Cook County sales tax to a level of 10 ¼ %, if not the highest, certainly is one of the highest in the nation. These are in addition a myriad of other taxes this year enacted or proposed which include: a \$100 million garbage collection fee; a tax on e-cigarettes and other smokeless products; a \$1 per ride surcharge per ride on Uber and other ride-hailing services; a penny an ounce “fat tax” on

sugary soft drinks, etc. Even taxing all these items and implementing increases do not come close to meeting projected budget shortfalls.

As to the outlook, the gap between the national unemployment rate and that of Illinois that has developed is likely to remain and even get larger. According to IHS Economic forecast, the national unemployment rate that averaged 6.2% in 2014, fell to 5.3% in 2015, is likely to average 4.9% in 2016, 2017, and 2018 before edging up to 5.0% in 2019. In Illinois, the unemployment rate which averaged 7.0% in 2014, fell to 5.8% in 2015, is expected to edge down to 5.6% in 2016 and 2017 before rising to 5.8% in 2018 and 6.0% in 2019.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS *	JAN. 2016	DEC. 2016	JAN. 2015
Unemployment Rate (Average)	(2)	(2)	(2)
Annual Rate of Inflation (Chicago)	6.5%	-7.0%	0.9%
—————			
	LATEST MONTH	% CHANGE OVER PRIOR MONTH	% CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (MO)	(2)	(2)	(2)
Employment (thousands) (MO)	(2)	(2)	(2)
NonFarm Payroll Employment (MO)	(2)	(2)	(2)
New Car & Truck Registration (MO)	47,223	-7.2%	-9.5%
Single Family Housing Permits (MO)	532	-11.0%	30.7%
Total Exports (\$ mil) (MO)	5,114	-2.7%	-5.3%
Chicago Purchasing Managers Index (MO)	47.6	-14.4%	0.4%
* Due to monthly fluctuations, trend best shown by % change from a year ago			
(2) January Statewide release delayed until March 10 th as historical data benchmarking takes place			

REVENUE

February Revenues Post Modest Increase

Jim Muschinske, Revenue Manager

Overall base revenues grew \$81 million in February. A small gain in personal income tax, coupled with improved public utility taxes and a comparatively better month for federal sources accounted for the modest increase. One more receipting day in February also likely contributed to the monthly uptick.

Gross personal income tax receipts posted a monthly gain for the first time in FY 2017, raising \$36 million, or \$35 million net of refunds. [We are once again comparing similar tax rates to the prior year]. Public utility taxes grew \$21 million, cigarette tax increased by \$9 million [a make-up of a prior month shortfall], and insurance tax receipts grew \$6 million.

A few revenue sources experienced declines in February. Sales tax receipts continue to disappoint, raising further concerns for the outlook from this source. Inheritance tax interrupted its stellar fiscal year, falling \$7 million, gross corporate income tax dipped \$2 million and liquor taxes fell \$1 million as did corporate franchise taxes.

Overall transfers held unchanged for the month. While lottery transfers and riverboat transfers each grew \$1 million, those small gains were offset by a \$2 million decline in all other transfers. Federal sources, while still performing poorly compared to expectations, did manage to grow \$23 million, although the increase simply

due to an extremely low level last year.

Year To Date

Through two thirds of the fiscal year, base receipts are down \$1.982 billion. The drop reflects comparatively lower income tax rates for the first part of the fiscal year as well as the one-time nature of some pharmaceutical court settlements recovered by the Attorney General's Office last fiscal year.

Gross personal income taxes are down \$1.602 billion, \$1.417 billion net of refunds, or \$1.903 billion when the diversions to the education and human service funds are included. Gross corporate income taxes are behind last year's receipting by \$402 million, or \$357 million net of refunds. Other sources are \$136 million lower, reflecting the aforementioned court settlement proceeds received last fiscal year. Public utility taxes are off \$17 million, corporate franchise taxes by \$4 million, sales tax \$2 million, and interest earnings \$1 million.

A small number of sources posted gains as inheritance tax receipts are up \$34 million, insurance taxes \$16 million, cigarette tax \$7 million, liquor taxes \$2 million and vehicle use tax \$2 million.

Overall transfers are higher by \$52 million, and federal sources are ahead of last year's slow pace by \$325 million.

FEBRUARY
FY 2016 vs. FY 2015
(\$ million)

Revenue Sources	Feb. FY 2016	Feb. FY 2015	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$1,062	\$1,026	\$36	3.5%
Corporate Income Tax (regular)	47	49	(\$2)	-4.1%
Sales Taxes	561	571	(\$10)	-1.8%
Public Utility Taxes (regular)	108	87	\$21	24.1%
Cigarette Tax	37	28	\$9	32.1%
Liquor Gallonage Taxes	9	10	(\$1)	-10.0%
Vehicle Use Tax	2	2	\$0	0.0%
Inheritance Tax	22	29	(\$7)	-24.1%
Insurance Taxes and Fees	24	18	\$6	33.3%
Corporate Franchise Tax & Fees	15	16	(\$1)	-6.3%
Interest on State Funds & Investments	1	3	(\$2)	-66.7%
Cook County IGT	94	94	\$0	0.0%
Other Sources	28	28	\$0	0.0%
Subtotal	\$2,010	\$1,961	\$49	2.5%
Transfers				
Lottery	42	41	\$1	2.4%
Riverboat transfers & receipts	5	4	\$1	25.0%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Fund sweeps	0	0	\$0	N/A
Other	29	31	(\$2)	-6.5%
Total State Sources	\$2,086	\$2,037	\$49	2.4%
Federal Sources	\$231	\$208	\$23	11.1%
Total Federal & State Sources	\$2,317	\$2,245	\$72	3.2%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$104)	(\$103)	(\$1)	1.0%
Corporate Income Tax	(\$7)	(7)	\$0	0.0%
Fund for Advancement of Education	(\$55)	(60)	\$5	-8.3%
Commitment to Human Services Fund	(\$55)	(60)	\$5	-8.3%
Subtotal General Funds	\$2,096	\$2,015	\$81	4.0%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$2,096	\$2,015	\$81	4.0%

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

2-Mar-16

GENERAL FUNDS RECEIPTS: YEAR TO DATE
FY 2016 vs. FY 2015

(\$ million)

Revenue Sources	FY 2016	FY 2015	CHANGE FROM FY 2015	% CHANGE
State Taxes				
Personal Income Tax	\$9,663	\$11,265	(\$1,602)	-14.2%
Corporate Income Tax (regular)	1,102	1,504	(\$402)	-26.7%
Sales Taxes	5,375	5,377	(\$2)	0.0%
Public Utility Taxes (regular)	623	640	(\$17)	-2.7%
Cigarette Tax	235	228	\$7	3.1%
Liquor Gallonage Taxes	116	114	\$2	1.8%
Vehicle Use Tax	22	20	\$2	10.0%
Inheritance Tax	238	204	\$34	16.7%
Insurance Taxes and Fees	199	183	\$16	8.7%
Corporate Franchise Tax & Fees	140	144	(\$4)	-2.8%
Interest on State Funds & Investments	15	16	(\$1)	-6.3%
Cook County IGT	150	150	\$0	0.0%
Other Sources	261	397	(\$136)	-34.3%
Subtotal	\$18,139	\$20,242	(\$2,103)	-10.4%
Transfers				
Lottery	417	410	\$7	1.7%
Riverboat transfers & receipts	210	219	(\$9)	-4.1%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	77	63	\$14	22.2%
Fund sweeps	0	0	\$0	N/A
Other	382	342	\$40	11.7%
Total State Sources	\$19,225	\$21,276	(\$2,051)	-9.6%
Federal Sources	\$1,941	\$1,616	\$325	20.1%
Total Federal & State Sources	\$21,166	\$22,892	(\$1,726)	-7.5%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$942)	(\$1,127)	\$185	-16.4%
Corporate Income Tax	(\$167)	(\$212)	\$45	-21.2%
Fund for Advancement of Education	(\$303)	(\$60)	(\$243)	N/A
Commitment to Human Services Fund	(\$303)	(\$60)	(\$243)	N/A
Subtotal General Funds	\$19,451	\$21,433	(\$1,982)	-9.2%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$125	\$275	(\$150)	-54.5%
Total General Funds	\$19,576	\$21,708	(\$2,132)	-9.8%

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

CGFA

2-Mar-16

Updated FY 2016 Estimate

The table on page 8 presents an updated outlook of FY 2016 general funds revenue. As shown, the forecast is for \$31.697 billion, a drop of \$442 million from the Commission's July 2015 estimate. The following highlights explain the largest revisions and/or discussions of note.

- The estimate of gross personal income tax remains unchanged. While the year to date performance of the withholding and estimated tax components have been somewhat stronger than expected, uncertainty related to what that early performance may have on final payments in March/April gives pause for any revision at this time. A slight reduction in the refund rate assumption results in a net increase in the forecast of \$44 million.
- Gross corporate income tax, after underwhelming performance thus far, is revised down \$130 million, or \$73 million net of refunds.
- Sales tax has experienced weakness over the entire fiscal year. Lower sales tax receipts on motor fuel due to price declines contributed to the lack of growth, but underlying consumer weakening also no doubt contributed. With little reason to expect improvement over the remainder of the fiscal year, the estimate is revised down \$230 million.
- Public utility tax receipts have performed somewhat below expectations through the first two-thirds of the fiscal year. As a result, the estimate is lowered \$32 million.
- Inheritance tax receipts continue to over perform relative to expectations.

Obviously this source is quite unpredictable and a small number of large estates can skew performance. However, with two thirds of the fiscal year complete, an upward revision of \$25 million is being made.

- While an unexpected transfer early in the fiscal year of \$77 million from the Refund Fund is now incorporated into the estimate, other transfers into the general funds are expected to fall short of the earlier forecast. The estimate is lowered by \$57 million.
- Federal sources are one of the most uncertain elements in the estimate. Federal sources are normally governed by appropriation levels, available cash for spending, and the priority of payments made by the Comptroller. This year with no actual budget, spending on federal reimbursable programs is being made under court orders and decrees. With unpaid bills hovering around \$7 billion, the Comptroller is under the unenviable position of deciding what bills to pay, and what ones to defer. While it stands to reason that some consideration is given to bills that can generate federal reimbursement, current performance to date would indicate that federal sources will fall well short of initial expectations. As a result, the forecast has been revised down \$211 million at this time. Absent some infusion of resources over the remainder of the year, even that outlook may prove too optimistic. [\$1.284b in fund sweeps last year significantly boosted reimbursable spending and subsequent reimbursement in the final quarter].

UPDATED CGFA FY 2016 ESTIMATE

[Based on Current Law]

(millions)

<u>Revenue Sources</u>	<u>FY 2016</u> <u>March-16</u>	<u>FY 2016</u> <u>July-15</u>	<u>\$</u> <u>Difference</u>
State Taxes			
Personal Income Tax	\$15,173	\$15,173	\$0
Corporate Income Tax (regular)	\$2,700	\$2,830	(\$130)
Sales Taxes	\$8,050	\$8,280	(\$230)
Public Utility (regular)	\$958	\$990	(\$32)
Cigarette Tax	\$355	\$355	\$0
Liquor Gallonage Taxes	\$168	\$168	\$0
Vehicle Use Tax	\$34	\$32	\$2
Inheritance Tax	\$345	\$320	\$25
Insurance Taxes & Fees	\$365	\$353	\$12
Corporate Franchise Tax & Fees	\$211	\$212	(\$1)
Interest on State Funds & Investments	\$25	\$25	\$0
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$511</u>	<u>\$511</u>	<u>\$0</u>
Subtotal	\$29,139	\$29,493	(\$354)
Transfers			
Lottery	\$691	\$689	\$2
Riverboat transfers and receipts	\$280	\$280	\$0
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund transfer	\$77	\$0	\$77
<u>Other</u>	<u>\$590</u>	<u>\$647</u>	<u>(\$57)</u>
Total State Sources	\$30,787	\$31,119	(\$332)
Federal Sources	\$3,711	\$3,922	(\$211)
Total Federal & State Sources	\$34,498	\$35,041	(\$543)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.75% vs. 10%]	(\$1,479)	(\$1,517)	\$38
Corporate Income Tax [15.2% vs. 16.5%]	(\$410)	(\$467)	\$57
Fund for Advancement of Education	(\$456)	(\$459)	\$3
Commitment to Human Services Fund	(\$456)	(\$459)	\$3
Subtotal General Funds	\$31,697	\$32,139	(\$442)

NOTE: Totals exclude Budget Stabilization transfers, and other cash flow transfers.

Revised FY 2016 General Funds Forecast			
CGFA vs. GOMB [Current Law]			
(\$ millions)	CGFA	GOMB	Difference
"Big Three"--Personal, Corporate, and Sales Taxes	\$23,122	\$22,750	\$372
All Other State Sources	\$3,216	\$3,135	\$81
Transfers In	\$1,648	\$1,666	(\$18)
Federal Sources	\$3,711	\$4,161	(\$450)
Interfund Borrowing	\$0	\$0	\$0
Total	\$31,697	\$31,712	(\$15)

The accompanying table compares the revised FY 2016 Commission's estimate to the one presented in the Governor's Budget Book. As shown, overall the estimates are similar differing by only \$15 million; however, closer inspection reveal some significant differences.

- In terms of the "Big Three", the Commission is \$372 million above levels forecast by GOMB. The estimates of corporate income tax are very similar, while the Commission's outlook for sales taxes are \$90 million less than GOMB as there appears little reason to expect growth over the remaining third of the fiscal year. It is in the forecast of personal income tax that fairly significant differences can be found. While both agencies anticipate declines in final payments due to what appears to be the surprisingly strong performance earlier in the fiscal year as some taxpayers may have been slow to adjust to the lower rates, the Commission is quite comfortable at this stage in retaining its earlier forecast. Only until final payments are made in the coming months will this uncertainly be removed. If necessary, an adjustment can be made in early May.
- For the most part, the estimates of all other state sources are similar, although the Commission's forecast is \$81 million higher than GOMB. While CGFA is lower in the estimate of public utility tax receipts, it is more than offset by higher projections for inheritance, insurance and corporate franchise taxes.
- Little difference exists in the estimates of transfers into the general funds.
- Federal sources continue to present challenges to forecasters. With no specific appropriation spending authority in place at this time, coupled with cash flow problems as well as continued use of Medicare premium off-set methodology, forecasting federal sources elevates from difficult to near impossible. The Commission's estimate of federal sources is \$450 million lower than that presented by GOMB in the Budget Book. That amount is the value assigned to the impact of the current Medicare premium off-set methodology being employed. The GOMB's forecast appears to assume a spend/reimburse method which has not been employed for a number of fiscal years.

FY 2017 Estimate

As shown in the table on page 12, the Commission's FY 2017 estimate of general funds revenues, based on current law, is \$31.912 billion, reflecting a net increase of \$215 million from the revised FY 2016 forecast. The following provides a brief overview of the assumptions used to develop the estimates of the larger economic sources.

“The Big Three”

- The estimate of gross personal income tax assumes underlying base growth of 2.0%. The subpar growth reflects continued weakness in jobs, wages, and the increased likelihood of recessionary pressures. That modest growth rate is further reduced by the inclusion of comparative timing elements of the lower tax rate [first qtr. FY'16 final payments still reflected the higher rates]. On a net basis, the estimate is further limited by the assumption that the refund rate will increase from 9.75% in FY 2016 to 10% in FY 2017. Ultimately, net growth is expected to be only \$115 million. [It should be pointed out that even further upward pressure on the refund percentage may develop should a backlog in unpaid refunds occur, a distinct possibility given preliminary DoR observations.]
- The estimate of gross corporate income tax assumes underlying base growth of 1.5%. Lack of meaningful growth is consistent with what has been described as a “profits recession”, and is in line with low profit expectations per our fore-

casting service Global Insight. The estimate is further adjusted down by timing elements still at work related to the rate reduction of January 2015. In fact, those timing elements, coupled with lackluster base growth actually translate into a small loss in gross receipts on a year over year basis. Adding the assumed higher refund percentage of 15.5%, and on a net basis, the estimate actually reflects a decline of \$52 million.

- Sales tax is forecast to grow only 1.9%, or \$153 million. The relatively modest growth reflects lower fuel prices that have not translated into other consumer activity. Also, a modest rate of growth is appropriate given other conditions that may lead to a continued cautious consumer i.e. lack of a state budget and increased possibility of recession.

All Other State Sources

- Public Utility Taxes are expected to fall \$12 million, continuing its downward trend experienced over the last several years, primarily due to a weakening telecommunication tax.
- The estimate of Inheritance Tax (Estate Tax) reflects a reduction of \$35 million from what appears to be a period of excessively strong receipts likely brought about by wealth created during stellar market conditions during 2012-2014. With subpar 2015 and thus far weak 2016, at some point estate valuations may

very well slide, resulting in reduced receipts. Complicating this estimate is the uncertainty over the number of qualifying deaths, and fairly long lag from death to tax payment, which can be more than nine months.

- Other Sources are forecast to grow \$29 million due primarily to higher expected Build Illinois escrow deposits that are initiated by GOMB and are reflected in their forecast.

Transfers

- Overall transfers are expected to drop \$40 million in FY 2017. Lottery transfer growth of \$12 million is statutorily tied to an inflation index and the \$6 million decline in riverboat transfers and receipts reflect further erosion. With the likelihood building of a backlog of unpaid tax refunds, no such transfer is assumed next fiscal year (\$77 in FY 2016). Finally, all other miscellaneous transfers are expected to grow \$31 million.

Federal Sources

- Federal sources are anticipated to grow \$56 million in FY 2017. At this time, the Commission is utilizing

as a starting point the FY 2017 federal source estimate displayed in the Governor's Budget Book. However, the Commission is adjusting the forecast down by \$500 million to account for the expected continuation of the federal government off-setting reimbursements by what the state owes for Medicare premium payments under the Medicaid program.

In essence, the federal government has been reducing Illinois' reimbursement for a number of fiscal years now by an amount equal to what is owed them for Medicare premiums. The value of the offset method versus the old "spend and reimburse" method is approximately \$500 million. Should the federal government make the state return to the "spend and reimburse" method, the result would be upward pressure on the estimate.

Although, it must be mentioned that several factors govern federal sources; appropriation levels, cash available for spending, and bill payment priorities of the Comptroller. All of which can have a significant impact on the actual amount of federal reimbursement realized in a given fiscal year.

CGFA FY 2016 & FY 2017 ESTIMATES

[Based on Current Law]

(millions)

<u>Revenue Sources</u>	<u>FY 2017</u> <u>March-16</u>	<u>FY 2016</u> <u>March-16</u>	<u>\$</u> <u>Difference</u>
State Taxes			
Personal Income Tax	\$15,354	\$15,173	\$181
Corporate Income Tax (regular)	\$2,648	\$2,700	(\$52)
Sales Taxes	\$8,203	\$8,050	\$153
Public Utility (regular)	\$946	\$958	(\$12)
Cigarette Tax	\$355	\$355	\$0
Liquor Gallonage Taxes	\$169	\$168	\$1
Vehicle Use Tax	\$34	\$34	\$0
Inheritance Tax	\$310	\$345	(\$35)
Insurance Taxes & Fees	\$365	\$365	\$0
Corporate Franchise Tax & Fees	\$211	\$211	\$0
Interest on State Funds & Investments	\$25	\$25	\$0
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$540</u>	<u>\$511</u>	<u>\$29</u>
Subtotal	\$29,404	\$29,139	\$265
Transfers			
Lottery	\$703	\$691	\$12
Riverboat transfers and receipts	\$274	\$280	(\$6)
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund transfer	\$0	\$77	(\$77)
<u>Other</u>	<u>\$621</u>	<u>\$590</u>	<u>\$31</u>
Total State Sources	\$31,012	\$30,787	\$225
Federal Sources	\$3,767	\$3,711	\$56
Total Federal & State Sources	\$34,779	\$34,498	\$281
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.75% '16 & 10% '17]	(\$1,535)	(\$1,479)	(\$56)
Corporate Income Tax [15.2% '16 & 15.5% '17]	(\$410)	(\$410)	\$0
Fund for Advancement of Education	(\$461)	(\$456)	(\$5)
Commitment to Human Services Fund	(\$461)	(\$456)	(\$5)
Subtotal General Funds	\$31,912	\$31,697	\$215
NOTE: Totals exclude Budget Stabilization transfers, and other cash flow transfers.			

The table on page 14 compares FY 2017 revenue outlooks between the Commission and the GOMB. As shown, the overall differences are minimal, accounting for a difference of \$19 million. However, as presented in the Budget Book, the Governor’s FY 2017 forecast includes approximately \$925 million in revenue in what can be described in varying degrees from being unlikely to uncertain.

- On a net basis the Commission’s estimate of the “Big Three” stands at \$67 million higher than the GOMB forecast. CGFA is higher in the estimates of personal income tax, but lower in the outlook for the corporate income tax and sales tax.
- CGFA is slightly higher than the GOMB in the forecasts for a number of the lessor revenue sources, as the total difference is \$48 million.
- The Commission’s estimate of overall transfers into the General Funds is \$96 million below GOMB levels and reflects lower expectations from the Capitol Projects Funds.
- For presentation purposes, both federal source estimates assume the continuation of the “off-set” methodology regarding the Medicare premium payments under the Medicaid program.

As shown in the section entitled Key GOMB Assumptions in Budget Book,

\$925 million is included but certainly not assured. Namely:

- GOMB assumes \$500 million from the old “spend and reimburse” methodology of Medicare premiums rather than the “off-set” method which has been in effect for a number of fiscal years. At this time, it seems unlikely the old method will be applied again. It should be noted that on a budgetary basis the two methods impact the same—while we get less back under the “off-set” method, we also spend less in a similar amount.
- GOMB assumes the receipt of \$200 million from the sale of the Thompson Center. History may be a guide in terms of counting on the sale of this property. It may take some time for such a transaction to occur, if at all.
- GOMB assumes a one-time non-repayable sweep of the balance in the Budget Stabilization Fund, valued at \$275 million. Statutory changes would be required to eliminate repayment provisions.
- GOMB assumes in their estimate of “other sources” a change in the distribution of the hotel tax whereby approximately \$50 million that normally gets deposited into GRF, instead is directed to the Tourism Promotion Fund. Statutory changes are necessary to enact that proposed change.

FY 2017 GENERAL FUNDS REVENUE
CGFA vs. GOMB [Current Law]

(millions)

Revenue Sources	FY 2017 CGFA Mar-2016	FY 2017 GOMB Feb-2016	\$ Difference
State Taxes			
Personal Income Tax	\$15,354	\$15,022	\$332
Corporate Income Tax (regular)	\$2,648	\$2,780	(\$132)
Sales Taxes	\$8,203	\$8,310	(\$107)
Public Utility (regular)	\$946	\$958	(\$12)
Cigarette Tax	\$355	\$355	\$0
Liquor Gallonage Taxes	\$169	\$169	\$0
Vehicle Use Tax	\$34	\$29	\$5
Inheritance Tax	\$310	\$275	\$35
Insurance Taxes & Fees	\$365	\$355	\$10
Corporate Franchise Tax & Fees	\$211	\$201	\$10
Interest on State Funds & Investments	\$25	\$19	\$6
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$540</u>	<u>\$546</u>	<u>(\$6)</u>
Subtotal	\$29,404	\$29,263	\$141
Transfers			
Lottery	\$703	\$705	(\$2)
Riverboat transfers and receipts	\$274	\$273	\$1
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund transfer	\$0	\$0	\$0
Interfund Borrowing	\$0	\$0	\$0
<u>Other</u>	<u>\$621</u>	<u>\$716</u>	<u>(\$95)</u>
Total State Sources	\$31,012	\$30,967	\$45
Federal Sources	\$3,767	\$3,767	\$0
Total Federal & State Sources	\$34,779	\$34,734	\$45
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [10% '17]	(\$1,535)	(\$1,502)	(\$33)
Corporate Income Tax [15.5% '17]	(\$410)	(\$431)	\$21
Fund for Advancement of Education	(\$461)	(\$454)	(\$7)
Commitment to Human Services Fund	(\$461)	(\$454)	(\$7)
Subtotal General Funds	\$31,912	\$31,893	\$19

Including Key GOMB Assumptions in Budget Book			
No Medicare offset to Federal reimbursements	\$500	\$500	\$0
Proceeds from sale of Thompson Center	\$200	\$200	\$0
Sweep of Budget Stabilization Fund Balance	\$275	\$275	\$0
Hotel tax distribution change	(\$50)	(\$50)	\$0
Total GOMB Assumptions	\$925	\$925	\$0
Total General Funds	\$32,837	\$32,818	\$19