



Commission on Government Forecasting and Accountability

MONTHLY BRIEFING

MARCH 2009

<http://www.ilga.gov/commission/cgfa2006/home.aspx>

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REVENUE: FY 2009 Revenue Update and FY 2010 Revenue Forecast

Jim Muschinske, Revenue Manager

On April 1, 2009, the Commission released its revenue estimate for FY 2009 as well as its forecast for FY 2010. While the full summary can be found on the Commission's website, the following provides a brief synopsis.

FY 2009 GENERAL FUNDS ESTIMATE

As shown on the table on page 5, the Commission's updated FY 2009 estimate of base general funds receipts is \$27.356 billion. The forecast reflects a dramatic \$2.303 billion falloff from the previous year, and reflects a decline of 7.8%. Items of note include:

- The rate of decline of the most closely tied economically related sources (income and sales) is expected to accelerate further over the remainder of the fiscal year. Combined, the net year over year decline for personal, corporate, and sales tax is expected to total \$1.569 billion.
- Interest earnings are expected to continue to free-fall and end the year down \$137 million as rates of return continue to be much lower.
- Overall transfers are expected to post a combined decline of \$323 million due to lower transfers from the lottery, riverboat gaming, and other transfers.
- Base federal sources (unrelated to anticipated federal stimulus) are expected to fall \$115 million from last year.

Fortunately, much of the base decline will be eliminated by an anticipated \$2.154 billion in direct federal stimulus. Of that amount, \$1.350 billion is from increased reimbursement related to Medicaid spending, while the remaining \$804 million is connected to education.

When the \$2.154 billion in federal stimulus monies are included, the year over year falloff is a much lower

\$149 million. The resulting total of \$29.510 billion reflects a decline of 0.5% from the previous year.

CGFA vs. GOMB FY 2009 ESTIMATE COMPARISON

As shown on page 6, the Commission's updated revenue outlook for FY 2009 is \$185 million higher than the forecast presented in the Governor's March budget. While the overall differences in the estimates represent only approximately 0.7%, a number of individual differences exist.

- Both forecasts anticipate significant accelerations in declines for the estimates of personal, corporate, and sales taxes, although those rates of decline are more pronounced under the GOMB outlook.
- Conversely, CGFA is significantly lower in the estimates of overall transfers.

While both estimates display the anticipated federal stimulus of \$2.154 billion, they do not include \$200 million in "fund sweeps" proposed in the Governor's budget plan.

Overall, the base growth rates used in forecasting FY 2009 revenues by GOMB seem quite conservative. Given the severity of the current recession, no doubt a conservative outlook is warranted. However, the degree to which base revenues must fall over the remaining months to reach the GOMB estimate is somewhat higher than what CGFA expects.

CGFA's FY 2010 ESTIMATE

Revenues are expected to slide again in FY 2010 as the deepening recession continues to manifest well into next fiscal year. As shown on page 7, the Commission estimates that base general funds (excluding federal stimulus) are forecast to fall \$488 million from the previous year's estimate. The decline will mark two consecutive year's of base revenue declines totaling \$2.816 billion, far worse than the \$1.320 billion falloff experienced over the two-year period of the last recession (FY'02 and FY'03). *While \$1.882 billion in federal stimulus*

funds are anticipated in FY 2010, that amount is \$272 million less than expected in FY 2009. As a result, when the federal stimulus funds are included in the year over year comparison, the falloff grows to \$760 million less than the previous year.

- Personal income tax is forecast to tumble (5.7%) as the shedding of jobs will continue at least in the near term. Even if improvement occurs, it will be well into the fiscal year, too late to avoid another significant year of declines.

- Corporate income tax is expected to suffer a second year of catastrophic declines (25.0%) as the business sector continues to contract and profitability continues to be elusive. During the last recession, gross corporate taxes experienced three consecutive years of decline before aggressively rebounding.
- Higher proposed refund fund percentages will also serve to reduce net personal and corporate income taxes.
- Sales tax receipts are expected to decline (1.5%). While some glimmer of improvement can be hoped for in the second half of the upcoming fiscal year, it will not arrive in time to avoid another year of decline.
- Federal sources are expected to jump 18.2% as a concerted effort to maintain an anticipated improved Medicaid payment cycle results in increase spending and subsequent enhanced reimbursement. Since federal sources are largely dependent on spending, the estimate could change significantly based on enacted appropriation levels.

DETAILED CGFA/GOMB FY 2010 COMPARISON

The Commission's base FY 2010 estimate of \$26.868 billion, or \$28.750 billion when \$1.882 billion in anticipated federal stimulus funds are included, is \$82 million higher than the base estimate provided in the Governor's budget plan. While the difference represents a mere 0.3%, there are a number of areas where the estimates differ. See table on page 8.

- CGFA's estimate of gross personal income tax is \$200 million lower than the GOMB (\$175 million net of refunds). The Commission anticipates another difficult year for personal income tax with receipts expected to fall 5.7%. GOMB anticipates growth to dip only 2.2%. In essence, GOMB has the worst part of the recession hitting earlier than the Commission.
- CGFA's forecast of sales tax receipts is \$281 million higher than the GOMB outlook. While the Commission foresees a continued falloff in FY 2010, the 1.5% rate of decline is not as severe as the GOMB's estimated drop of 4.2%.
- The Commission is overall more conservative in other areas such as corporate franchise tax, lottery transfers, and riverboat transfers.

GOMB FY 2010 GENERAL FUNDS REVENUE ESTIMATE

The table on page 9 provides a comparison of the GOMB's FY 2009 and FY 2010 estimates outlined in the Budget Book. As shown, excluding \$6.290 billion in proposed revenue adjustments, base revenues are forecast to be \$26.786 billion, a decline of \$385 million or 1.4% over the previous year estimate.

There are some interesting growth rates assumed for the economic related sources. In the case of personal income tax, the rate of decline, -2.2% is expected to improve measurably from the -6.7% drop forecast in FY 2009. It seems somewhat optimistic to believe the falloff will slow so substantially. In general terms, it appears GOMB was very conservative in their estimate of FY 2009, but perhaps at the expense of being overly optimistic for FY 2010. As shown previously, personal income tax actually hit a trough roughly one-year after the last recession ended. As

a result, it seems unlikely the rate of decline will improve so dramatically over the forecast horizon.

Also of note is the continued significant falloff in sales tax. While the rate of decline expected in FY 2010, -4.2%, is better than the anticipated falloff of -7.5% in FY 2009, it too is viewed as being very conservative. While no doubt the consumer is sitting the current recession out, both rates of decline seem borderline overly conservative.

The Governor's FY 2010 budget assumes \$6.290 billion in revenue adjustments to the FY 2010 base revenues, comprised of \$2.246 billion in one-time revenues and \$4.044 billion in recurring revenues (see table on page 10). When added to the base, the overall estimate of \$33.076 billion represents an increase of \$3.551 billion over their estimates of FY 2009.

FY 2009 CGFA ESTIMATE & FY 2008 ACTUALS

(millions)

	CGFA			
	FY 2009	ACTUAL	\$	%
<u>Revenue Sources</u>	<u>Estimate March-09</u>	<u>FY 2008</u>	<u>Difference</u>	<u>Difference</u>
State Taxes				
Personal Income Tax	\$10,600	\$11,187	(\$587)	-5.2%
Corporate Income Tax	\$1,800	\$2,201	(\$401)	-18.2%
Sales Taxes	\$6,775	\$7,215	(\$440)	-6.1%
Public Utility (regular)	\$1,159	\$1,157	\$2	0.2%
Cigarette Tax	\$350	\$350	\$0	0.0%
Liquor Gallonage Taxes	\$160	\$158	\$2	1.3%
Vehicle Use Tax	\$27	\$32	(\$5)	-15.6%
Inheritance Tax (gross)	\$287	\$373	(\$86)	-23.1%
Insurance Taxes & Fees	\$319	\$298	\$21	7.0%
Corporate Franchise Tax & Fees	\$200	\$225	(\$25)	-11.1%
Interest on State Funds & Investments	\$75	\$212	(\$137)	-64.6%
Cook County Intergovernmental Transfer	\$253	\$302	(\$49)	-16.2%
<u>Other Sources</u>	<u>\$423</u>	<u>\$442</u>	<u>(\$19)</u>	<u>-4.3%</u>
Subtotal	\$22,428	\$24,152	(\$1,724)	-7.1%
Transfers				
Lottery	\$605	\$657	(\$52)	-7.9%
Riverboat Transfers & Receipts	\$440	\$564	(\$124)	-22.0%
<u>Other</u>	<u>\$532</u>	<u>\$679</u>	<u>(\$147)</u>	<u>-21.6%</u>
Total State Sources	\$24,005	\$26,052	(\$2,047)	-7.9%
Federal Sources	\$4,700	\$4,815	(\$115)	-2.4%
Total Federal & State Sources	\$28,705	\$30,867	(\$2,162)	-7.0%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$1,034)	(\$867)	(\$167)	19.3%
Corporate Income Tax	(\$315)	(\$341)	\$26	-7.6%
Subtotal General Funds	\$27,356	\$29,659	(\$2,303)	-7.8%
Anticipated Federal Stimulus	\$2,154	\$0	\$2,154	N/A
Total with Federal Stimulus	\$29,510	\$29,659	(\$149)	-0.5%
NOTE: Totals exclude short-term borrowing, Budget Stabilization transfers, and other cash flow transfers.				
CGFA				

FY 2009 CGFA/GOMB ESTIMATE COMPARISON

Excludes \$200 million in Governor Proposed Fund Sweeps
(millions)

	CGFA FY 2009 Estimate March-09	GOMB FY 2009 Estimate March-09	\$ Difference
Revenue Sources			
State Taxes			
Personal Income Tax	\$10,600	\$10,434	\$166
Corporate Income Tax	\$1,800	\$1,757	\$43
Sales Taxes	\$6,775	\$6,674	\$101
Public Utility (regular)	\$1,159	\$1,159	\$0
Cigarette Tax	\$350	\$350	\$0
Liquor Gallonage Taxes	\$160	\$161	(\$1)
Vehicle Use Tax	\$27	\$26	\$1
Inheritance Tax (gross)	\$287	\$275	\$12
Insurance Taxes & Fees	\$319	\$325	(\$6)
Corporate Franchise Tax & Fees	\$200	\$205	(\$5)
Interest on State Funds & Investments	\$75	\$80	(\$5)
Cook County Intergovernmental Transfer	\$253	\$253	\$0
<u>Other Sources</u>	<u>\$423</u>	<u>\$426</u>	<u>(\$3)</u>
Subtotal	\$22,428	\$22,125	\$303
Transfers			
Lottery	\$605	\$625	(\$20)
Riverboat Transfers & Receipts	\$440	\$470	(\$30)
<u>Other</u>	<u>\$532</u>	<u>\$575</u>	<u>(\$43)</u>
Total State Sources	\$24,005	\$23,795	\$210
Federal Sources	\$4,700	\$4,700	\$0
Total Federal & State Sources	\$28,705	\$28,495	\$210
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$1,034)	(\$1,017)	(\$17)
Corporate Income Tax	(\$315)	(\$307)	(\$8)
Subtotal General Funds	\$27,356	\$27,171	\$185
Change from Prior Year	(\$2,303)	(\$2,488)	
Percent Change	-7.8%	-8.4%	
Anticipated Federal Stimulus	\$2,154	\$2,154	\$0
Total with Federal Stimulus	\$29,510	\$29,325	\$185
Change from Prior Year	(\$149)	(\$334)	
Percent Change	-0.5%	-1.1%	

NOTE: Totals exclude short-term borrowing, Budget Stabilization transfers, and other cash transfers. Excludes Governor proposed \$200 million in FY'09 fund sweeps.

CGFA ESTIMATE FY 2010 vs. FY 2009 (Base Revenues)

(millions)

<u>Revenue Sources</u>	<u>CGFA FY 2010 Estimate March-09</u>	<u>CGFA FY 2009 Estimate March-09</u>	<u>\$ Difference</u>	<u>% Difference</u>
State Taxes				
Personal Income Tax	\$10,000	\$10,600	(\$600)	-5.7%
Corporate Income Tax	\$1,350	\$1,800	(\$450)	-25.0%
Sales Taxes	\$6,675	\$6,775	(\$100)	-1.5%
Public Utility (regular)	\$1,164	\$1,159	\$5	0.4%
Cigarette Tax	\$350	\$350	\$0	0.0%
Liquor Gallonage Taxes	\$160	\$160	\$0	0.0%
Vehicle Use Tax	\$29	\$27	\$2	7.4%
Inheritance Tax (gross)	\$290	\$287	\$3	1.0%
Insurance Taxes & Fees	\$329	\$319	\$10	3.1%
Corporate Franchise Tax & Fees	\$180	\$200	(\$20)	-10.0%
Interest on State Funds & Investments	\$75	\$75	\$0	0.0%
Cook County Intergovernmental Transfer	\$240	\$253	(\$13)	-5.1%
<u>Other Sources</u>	<u>\$436</u>	<u>\$423</u>	<u>\$13</u>	<u>3.1%</u>
Subtotal	\$21,278	\$22,428	(\$1,150)	-5.1%
Transfers				
Lottery	\$620	\$605	\$15	2.5%
Riverboat transfers and receipts	\$440	\$440	\$0	0.0%
Proceeds from sale of 10th license	\$50	\$0	\$50	N/A
<u>Other</u>	<u>\$499</u>	<u>\$532</u>	<u>(\$33)</u>	<u>-6.2%</u>
Total State Sources	\$22,887	\$24,005	(\$1,118)	-4.7%
Federal Sources	\$5,555	\$4,700	\$855	18.2%
Total Federal & State Sources	\$28,442	\$28,705	(\$263)	-0.9%
Nongeneral Funds Distribution:				
Refund Fund*				
Personal Income Tax	(\$1,250)	(\$1,034)	(\$216)	20.9%
Corporate Income Tax	(\$324)	(\$315)	(\$9)	2.9%
Subtotal General Funds	\$26,868	\$27,356	(\$488)	-1.8%
Anticipated Federal Stimulus	\$1,882	\$2,154	(\$272)	-12.6%
Total with Federal Stimulus	\$28,750	\$29,510	(\$760)	-2.6%
*The FY 2010 estimate based on proposed refund percentages at 12.5% for PIT and 24.0% for CIT.				
NOTE: Totals exclude short-term borrowing, Budget Stabilization transfers, and other cash flow transfers.				
CGFA				

FY 2010 CGFA/GOMB COMPARISON (Base Revenues)

(millions)

Revenue Sources	CGFA FY 2010 Estimate March-09	GOMB FY 2010 Estimate March-09	\$ Difference	% Difference
State Taxes				
Personal Income Tax	\$10,000	\$10,200	(\$200)	-2.0%
Corporate Income Tax	\$1,350	\$1,373	(\$23)	-1.7%
Sales Taxes	\$6,675	\$6,394	\$281	4.4%
Public Utility (regular)	\$1,164	\$1,150	\$14	1.2%
Cigarette Tax	\$350	\$350	\$0	0.0%
Liquor Gallonage Taxes	\$160	\$161	(\$1)	-0.6%
Vehicle Use Tax	\$29	\$25	\$4	16.0%
Inheritance Tax (gross)	\$290	\$275	\$15	5.5%
Insurance Taxes & Fees	\$329	\$325	\$4	1.2%
Corporate Franchise Tax & Fees	\$180	\$205	(\$25)	-12.2%
Interest on State Funds & Investments	\$75	\$80	(\$5)	-6.3%
Cook County Intergovernmental Transfer	\$240	\$240	\$0	0.0%
<u>Other Sources</u>	<u>\$436</u>	<u>\$405</u>	<u>\$31</u>	<u>7.7%</u>
Subtotal	\$21,278	\$21,183	\$95	0.4%
Transfers				
Lottery	\$620	\$645	(\$25)	-3.9%
Riverboat transfers and receipts	\$440	\$478	(\$38)	-7.9%
Proceeds from sale of 10th license	\$50	\$50	\$0	0.0%
<u>Other</u>	<u>\$499</u>	<u>\$480</u>	<u>\$19</u>	<u>4.0%</u>
Total State Sources	\$22,887	\$22,836	\$51	0.2%
Federal Sources	\$5,555	\$5,555	\$0	0.0%
Total Federal & State Sources	\$28,442	\$28,391	\$51	0.2%
Nongeneral Funds Distribution:				
Refund Fund*				
Personal Income Tax	(\$1,250)	(\$1,275)	\$25	-2.0%
Corporate Income Tax	(\$324)	(\$330)	\$6	-1.8%
Subtotal General Funds	\$26,868	\$26,786	\$82	0.3%
Anticipated Federal Stimulus	\$1,882	\$1,882	\$0	0.0%
Total with Federal Stimulus	\$28,750	\$28,668	\$82	0.3%
*The FY 2010 estimate based on proposed refund percentages at 12.5% for PIT and 24.0% for CIT.				
NOTE: Totals exclude short-term borrowing, Budget Stabilization transfers, and other cash flow transfers.				
CGFA				

GOMB FY 2010 vs. FY 2009 ESTIMATE

(millions)

	GOMB FY 2010	GOMB FY 2009	\$	%
Revenue Sources	Estimate Mar-09	Estimate Mar-09	Difference	Difference
State Taxes				
Personal Income Tax	\$10,200	\$10,434	(\$234)	-2.2%
Corporate Income Tax	\$1,373	\$1,757	(\$384)	-21.9%
Sales Taxes	\$6,394	\$6,674	(\$280)	-4.2%
Public Utility (regular)	\$1,150	\$1,159	(\$9)	-0.8%
Cigarette Tax	\$350	\$350	\$0	0.0%
Liquor Gallonage Taxes	\$161	\$161	\$0	0.0%
Vehicle Use Tax	\$25	\$26	(\$1)	-3.8%
Inheritance Tax (gross)	\$275	\$275	\$0	0.0%
Insurance Taxes & Fees	\$325	\$325	\$0	0.0%
Corporate Franchise Tax & Fees	\$205	\$205	\$0	0.0%
Interest on State Funds & Investments	\$80	\$80	\$0	0.0%
Cook County Intergovernmental Transfer	\$240	\$253	(\$13)	-5.1%
<u>Other Sources</u>	<u>\$405</u>	<u>\$426</u>	<u>(\$21)</u>	<u>-4.9%</u>
Subtotal	\$21,183	\$22,125	(\$942)	-4.3%
Transfers				
Lottery	\$645	\$625	\$20	3.2%
Riverboat Transfers & Receipts	\$478	\$470	\$8	1.7%
Tenth License	\$50	\$0	\$50	N/A
<u>Other</u>	<u>\$480</u>	<u>\$575</u>	<u>(\$95)</u>	<u>-16.5%</u>
Total State Sources	\$22,836	\$23,795	(\$959)	-4.0%
Federal Sources	\$5,555	\$4,700	\$855	18.2%
Total Federal & State Sources	\$28,391	\$28,495	(\$104)	-0.4%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax [12.5% in FY'10]	(\$1,275)	(\$1,017)	(\$258)	25.4%
Corporate Income Tax [24.0% in FY'10]	(\$330)	(\$307)	(\$23)	7.5%
Subtotal General Funds	\$26,786	\$27,171	(\$385)	-1.4%
Proposed Increases to Base Revenues				
One-time Revenues				
Federal Recovery	\$1,882	\$2,154	(\$272)	-12.6%
Transfer In	\$364	\$200	\$164	82.0%
Recurring Revenues				
Income Taxes	\$3,207	\$0	\$3,207	N/A
Cigarette/Tobacco Product Tax	\$365	\$0	\$365	N/A
Equity Changes	\$287	\$0	\$287	N/A
Title and Fees	\$185	\$0	\$185	N/A
Total Proposed Revenue Adjustments	\$6,290	\$2,354	\$3,936	167.2%
Total General Funds	\$33,076	\$29,525	\$3,551	12.0%
CGFA				

Governor Proposed Increases to Base General Revenues--GOMB Projections

\$ in Millions

	<u>FY 2009</u>	<u>FY 2010</u>		
Personal Income Tax Increase	\$0	\$2,910		
Corporate Income Tax Increase	\$0	\$297		
Fund Sweeps	\$200	\$274		
Chargebacks	\$0	\$50		
Cigarette/Tobacco	\$0	\$365		
Tax "loopholes"	\$0	\$287	→→→→	<u>Detail of Tax Loopholes</u>
Title and fees	\$0	\$185		Include Continental Shelf as U.S. \$57
Miscellaneous	\$0	\$40		Decouple from 2004 federal legislation \$64
Subtotal	\$200	\$4,408		Repeal R & D tax credit \$52
				Prewritten (canned) software \$50
<u>One-Time Federal</u>				Expiration of Manuf. Purchase Credit \$20
Medicaid	\$1,350	\$631		Change Tea/Coffee and Hygiene rates \$14
Education	\$658	\$1,023		Limit graphic arts exemption \$10
Discretionary [for education]	\$146	\$228		Miscellaneous \$20
Subtotal	\$2,154	\$1,882		\$287
Total Changes to Base Revenues	\$2,354	\$6,290		

REVENUE

Revenue Decline Continues—March Receipts Down \$110 Million

Jim Muschinske, Revenue Manager

Base general funds receipts fell \$110 million in March as revenues continued to manifest the deepening recession. Key revenue sources experienced another dismal month, with income taxes and sales taxes especially hard hit. March had one more receipting day than last year.

Overall transfers suffered a modest \$4 million decline for the month. While lottery transfers managed to eke out a \$2 million increase, that gain was wiped out by a \$6 million decline in other transfers. Federal sources posted a \$2 million gain for the month.

Sales tax receipts lead the decliners, with revenues down \$62 million. Gross corporate income tax fell \$58 million, or \$60 million net of refunds. Gross personal income taxes dropped \$22 million, or \$36 million net of refunds. Inheritance tax receipts were off \$5 million, other sources down \$3 million, interest earnings declined \$2 million, and corporate franchise taxes posted a \$1 million dip.

Year to Date

Through the first three-quarters of the fiscal year, overall base revenues are down \$1.321 billion. The declines are attributed to battered economic related sources as combined income and sales taxes represent \$664 million of the fall off. In addition, lower transfers account for \$268 million of the slowing, with lower federal sources another \$193

million. Only public utility taxes and insurance taxes are demonstrating any growth on a year to date basis, indicating that the deepening recession is not discriminating, and that virtually all sectors of the economy are being impacted negatively.

Gross personal income tax is down \$152 million, although on a net of refund basis that falloff grows to a loss of \$286 million. Sales tax is down a startling \$241 million, reflecting the bruised consumer who is reluctant to spend amid the worsening employment outlook. Gross corporate income tax also has been hit with receipts falling \$134 million, or \$137 million net of

refunds. Interest income is off \$97 million due to lower rates of return as well as reduced investable balances, while inheritance taxes are down \$72 million. All other remaining tax sources add another net \$27 million in year to date losses.

As mentioned, total transfers are down \$268 million, reflecting \$122 million in lower other transfers, \$109 million in transfers from riverboat gaming, and \$37 million in reduced lottery transfers. Federal sources contributed \$193 million to the year to date loss, although they are expected to rebound as increased Medicaid match stemming from the stimulus package can be expected in the near future.

GENERAL FUNDS RECEIPTS: MARCH

FY 2009 vs. FY 2008

(\$ million)

<u>Revenue Sources</u>	<u>March FY 2009</u>	<u>March FY 2008</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$799	\$821	(\$22)	-2.7%
Corporate Income Tax (regular)	344	402	(\$58)	-14.4%
Sales Taxes	498	560	(\$62)	-11.1%
Public Utility Taxes (regular)	127	102	\$25	24.5%
Cigarette Tax	29	29	\$0	0.0%
Liquor Gallonage Taxes	10	10	\$0	0.0%
Vehicle Use Tax	3	2	\$1	50.0%
Inheritance Tax (Gross)	29	34	(\$5)	-14.7%
Insurance Taxes and Fees	60	25	\$35	140.0%
Corporate Franchise Tax & Fees	16	17	(\$1)	-5.9%
Interest on State Funds & Investments	8	10	(\$2)	-20.0%
Cook County IGT	0	0	\$0	N/A
Other Sources	28	31	(\$3)	-9.7%
Subtotal	\$1,951	\$2,043	(\$92)	-4.5%
Transfers				
Lottery	63	61	\$2	3.3%
Riverboat transfers & receipts	25	25	\$0	0.0%
Other	38	44	(\$6)	-13.6%
Total State Sources	\$2,077	\$2,173	(\$96)	-4.4%
Federal Sources	\$418	\$420	(\$2)	-0.5%
Total Federal & State Sources	\$2,495	\$2,593	(\$98)	-3.8%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$78)	(\$64)	(\$14)	N/A
Corporate Income Tax	(\$60)	(62)	\$2	N/A
Subtotal General Funds	\$2,357	\$2,467	(\$110)	-4.5%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Hopital Provider Fund (cash flow transfer)	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$2,357	\$2,467	(\$110)	-4.5%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				
1-Apr-09				

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2009 vs. FY 2008

(\$ million)

<u>Revenue Sources</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>CHANGE FROM FY 2008</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$7,320	\$7,472	(\$152)	-2.0%
Corporate Income Tax (regular)	1,191	1,325	(\$134)	-10.1%
Sales Taxes	5,170	5,411	(\$241)	-4.5%
Public Utility Taxes (regular)	878	853	\$25	2.9%
Cigarette Tax	263	263	\$0	0.0%
Liquor Gallonage Taxes	119	120	(\$1)	-0.8%
Vehicle Use Tax	20	24	(\$4)	-16.7%
Inheritance Tax (Gross)	219	291	(\$72)	-24.7%
Insurance Taxes and Fees	216	198	\$18	9.1%
Corporate Franchise Tax & Fees	150	166	(\$16)	-9.6%
Interest on State Funds & Investments	57	154	(\$97)	-63.0%
Cook County IGT	159	193	(\$34)	-17.6%
Other Sources	291	306	(\$15)	-4.9%
Subtotal	\$16,053	\$16,776	(\$723)	-4.3%
Transfers				
Lottery	440	477	(\$37)	-7.8%
Riverboat transfers & receipts	345	454	(\$109)	-24.0%
Other	249	371	(\$122)	-32.9%
Total State Sources	\$17,087	\$18,078	(\$991)	-5.5%
Federal Sources				
Total Federal & State Sources	\$20,357	\$21,541	(\$1,184)	-5.5%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$713)	(\$579)	(\$134)	23.1%
Corporate Income Tax	(\$208)	(\$205)	(\$3)	1.5%
Subtotal General Funds	\$19,436	\$20,757	(\$1,321)	-6.4%
Short-Term Borrowing	\$1,400	\$1,200	\$200	N/A
Hospital Provider Fund (cash flow transfer)	\$0	\$300	(\$300)	N/A
Budget Stabilization Fund Transfer	\$326	\$276	\$50	18.1%
Total General Funds	\$21,162	\$22,533	(\$1,371)	-6.1%

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

CGFA

1-Apr-09

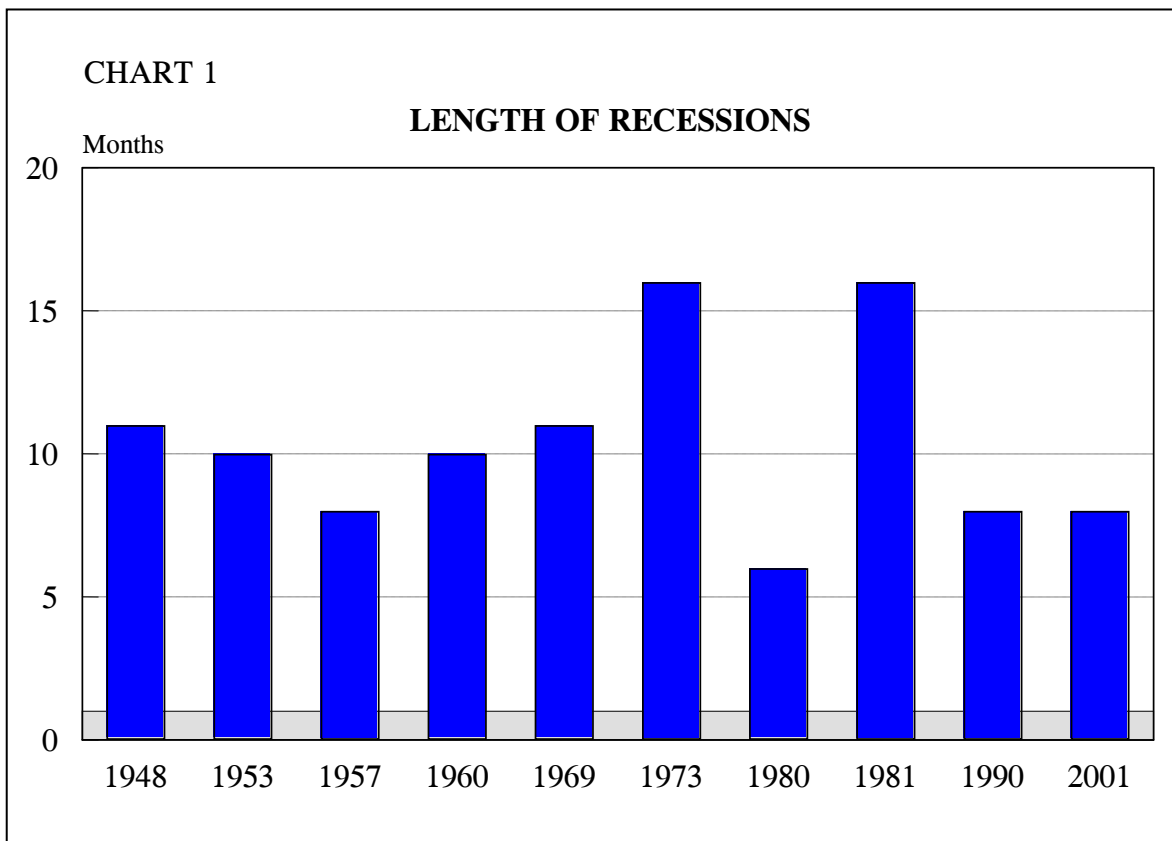
ECONOMY Recessions

Edward H. Boss, Jr., Chief Economist

It is now official; the U.S. economy fell into recession in December 2007. Thus assuming November 2007 was the peak of the business cycle; the recession will be entering its 16th month in April 2009. The question now becomes how long and how deep will the recession be?

Chart 1 shows there were 10 recessions in the post WWII period with an average length of 10 months in duration, although there have been wide

variations. The last two recessions in 1990 and 2001, each lasted 8 months, while the recessions of 1973 and 1981 were twice as long, each lasting 16 months. Going back further in history, there have been 32 cycles from 1854-2001 with an average recession length of 17 months. The shortest recession was 6 months in 1980, while the longest starting in 1929 lasted 43 months. In both cases, however, the ensuing recovery left much to be desired.



The recession (Great Depression) that began in August 1929 followed the roaring 20s and all the excesses that it created. That recession ended in March 1933, 43 months later, but never truly recovered and reentered another recession in May 1937, which lasted until June 1938. At its worst, one in four Americans who wanted to work was unable to find a job. Moreover, this occurred at a time when there were few women in the workforce and few government programs designed to help the poor or those in temporary difficulty. It wasn't until 1941 when the lend/ lease program to aid the allies and WWII was underway that the official unemployment rate fell below 10%.

In the 1980s there also appeared to be an incomplete pattern of recovery. The recession that began in January 1980 officially ended six months later in July 1980 only to fall into a more severe recession in July 1981 which lasted 16 months ending in November 1982. The unemployment rate, which tends to lag during the business cycle, was at 6.3% when the 1980 recession began and was at 7.8% in July when the recession officially ended. It was still at 7.2% when the 1981 recession began in July and continued to rise reaching 10.8% by November 1982 when that recession ended. Some economists consider these twin recessions as one long recession.

It is quite likely that the current recession will be longer in term than

most of the previous recessions but unlikely to be anywhere as severe as those that later became known as the Great Depression. The government as well as the Federal Reserve have been quick to act this time with more to come, the safety net including extended unemployment benefits are in place, and there is even some evidence that the worst of the decline in activity may be behind us. That's not to say we are about to enter an economic recovery, but rather that the rate of descent is slowing, a necessary first step. In the past, the stock market has been a precursor of an economic recovery some months down the road. Thus, its recent improvement could be a positive sign. Similarly, improvement in retail sales in the past two months, a surprising increase in both last month's existing and new home sales as well as new housing starts and a gain in durable goods orders are positive, although not yet conclusive, indicators.

The Commission's economic service, IHS Global Insight, in its most likely forecast, with a 60 % chance of occurrence, has the economy continuing to fall in the first quarter of FY 2010 followed by slow but steady increases throughout the remainder of the year. They give a 20% chance of a quicker improvement in an optimistic scenario which shows growth in every quarter of FY 2010, and a 20% chance of a pessimistic alternative where the economy continues to decline at greater rates in the first half of FY 2010 before flattening out in the third quarter.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS</u>	<u>FEB. 2009</u>	<u>JAN. 2009</u>	<u>FEB. 2008</u>
Unemployment Rate (Average)	8.6%	7.8%	5.9%
Annual Rate of Inflation (Chicago)	-1.4%	9.5%	-1.0%
—————			
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (February)	6,605	0.0%	-2.0%
Employment (thousands) (February)	6,035	-0.8%	-4.8%
New Car & Truck Registration (February)	25,631	-14.4%	-42.9%
Single Family Housing Permits (February)	588	103.4%	-28.2%
Total Exports (\$ mil) (January)	3,289	-10.9%	-17.8%
Chicago Purchasing Managers Index (March)	31.4	-8.2%	-34.8%

PENSIONS

**The Chicago Teachers' Pension Fund
Chicago Board of Education and State Contributions for FY 2010
Dan Hankiewicz, Pension Manager**

Public Act 89-0015 established a funding plan for the Chicago Teachers' Pension Fund under which the Chicago Board of Education is required to make a minimum annual contribution to the fund in an amount that will bring the funded ratio up to 90% by the end of Fiscal Year 2045. For fiscal years 1999 through 2010, the Board's contribution is to be increased in equal annual increments so that by Fiscal Year 2011, the Board of

Education is making contributions as a level percentage of payroll each year through FY 2045.

Public Act 90-0548 revised the funding plan to stipulate that the Chicago Board of Education need not make pension contributions unless the funded ratio drops below 90%. As shown in Table 1 on the following page, the funded ratio stood at 79.7% at the end of Fiscal Year 2008.

Table 1				
Summary of Financial Condition Chicago Teachers' Pension Fund (\$ in Millions)				
Fiscal Year	Accrued Liability	Net Assets	Unfunded Liability	Funded Ratio
1998	9,341.9	7,064.5	2,277.4	75.6%
1999	8,551.9	8,620.1	(68.2)	100.8%
2000	9,940.4	9,612.2	328.2	96.7%
2001	10,392.7	10,387.6	5.1	100.0%
2002	11,025.5	10,640.9	384.5	96.5%
2003	11,411.5	10,494.8	916.8	92.0%
2004	12,105.7	10,392.2	1,713.5	85.8%
2005	13,295.9	10,506.5	2,789.4	79.0%
2006	14,035.6	10,948.0	3,087.6	78.0%
2007	14,677.2	11,807.1	2,870.1	80.4%
2008	15,203.7	12,114.4	3,089.3	79.7%

Pursuant to P.A. 89-0015, the Chicago Board of Education will be required to make an FY 2010 contribution of \$318.2 million in FY 2010. The State's FY 2010 contribution to the Chicago Teachers' Pension Fund in accordance with P.A. 90-

0582 will be \$10.1 million. The actuary's report assumes that the annual \$65.0 million state retiree healthcare subsidy will continue in FY 2010 and beyond. Projected Chicago Board of Education and State contributions are shown in Table 2 below.

Table 2				
Chicago Teachers' Pension Fund Projection of Chicago Board of Ed. And State Contributions (\$ in Millions)				
	State Appropriations	Add'l State Contribution	Board of Ed. Contributions	Funded Ratio
2009	\$65.0	\$9.8	188.2	78.7%
2010	\$65.0	\$10.1	318.2	78.1%
2011	\$65.0	\$10.4	329.8	75.9%
2012	\$65.0	\$10.7	341.8	76.0%
2013	\$65.0	\$11.0	353.9	76.2%
2014	\$65.0	\$11.3	366.5	76.3%
2015	\$65.0	\$11.7	379.5	76.5%
2016	\$65.0	\$12.0	392.9	76.6%
2017	\$65.0	\$12.4	406.7	76.8%
2018	\$65.0	\$12.8	420.8	77.0%
2019	\$65.0	\$13.1	435.5	77.2%
2020	\$65.0	\$13.5	450.7	77.4%
2030	\$65.0	\$18.2	628.5	80.5%
2040	\$65.0	\$24.1	854.1	86.0%
2045	\$65.0	\$28.1	1,005.8	90.0%

**Summary of FY 2009 Investment Returns
State-Funded Retirement Systems**

The table below shows the FY 2009 monthly and year-to-date investment returns for TRS, SURS, and the Illinois State Board of Investments, which over-

sees the investments for the State Employees' Retirement System, the General Assembly Retirement System, and the Judges' Retirement System.

Summary of Investment Returns State Retirement Systems FY 2009			
Month	TRS	SURS	ISBI
July	-1.62%	-1.20%	0.45%
August	-0.56%	-0.20%	-0.03%
September	-8.15%	-8.10%	-6.76%
October	-12.04%	-13.50%	-10.80%
November	-4.31%	-4.40%	-3.29%
December	2.47%	2.90%	1.44%
January	-3.81%	-4.80%	-3.24%
February*	-4.98%	-6.10%	-4.48%
Fiscal 2009 YTD	-29.17%	-31.20%	-24.99%

*TRS February returns are preliminary