Illinois Economic and Fiscal Commission

FY 2004
Economic and Revenue Update

November 20, 2003
703 Stratton Building
Springfield, IL 62706

Illinois Economic and Fiscal Commission

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CHART 1: Change in Real GDP

- The economy continued to recover in FY2003 from the recession that developed during FY2001, albeit at a pace that failed to stop the decline in employment, at least until now.

- Stimulative measures taken by the federal government in the form of tax cuts and increased spending coupled with a commitment from the Federal Reserve to keep interest rates low sparked a surge in growth in the first quarter of FY 2004. There are concerns, however, whether this can be sustained in the months ahead or if these were merely one-time factors.

- The consumer has been the mainstay of the economic recovery to date. Moreover, reduced income tax withholding and millions of checks sent to families with children in July provided a near-term lift to spending. Housing also has continued strong.

- It will take an increase in business hirings if the improved economic growth anticipated is to occur. There are some signs that the business sector, which has been the weakest sector, is beginning to strengthen.

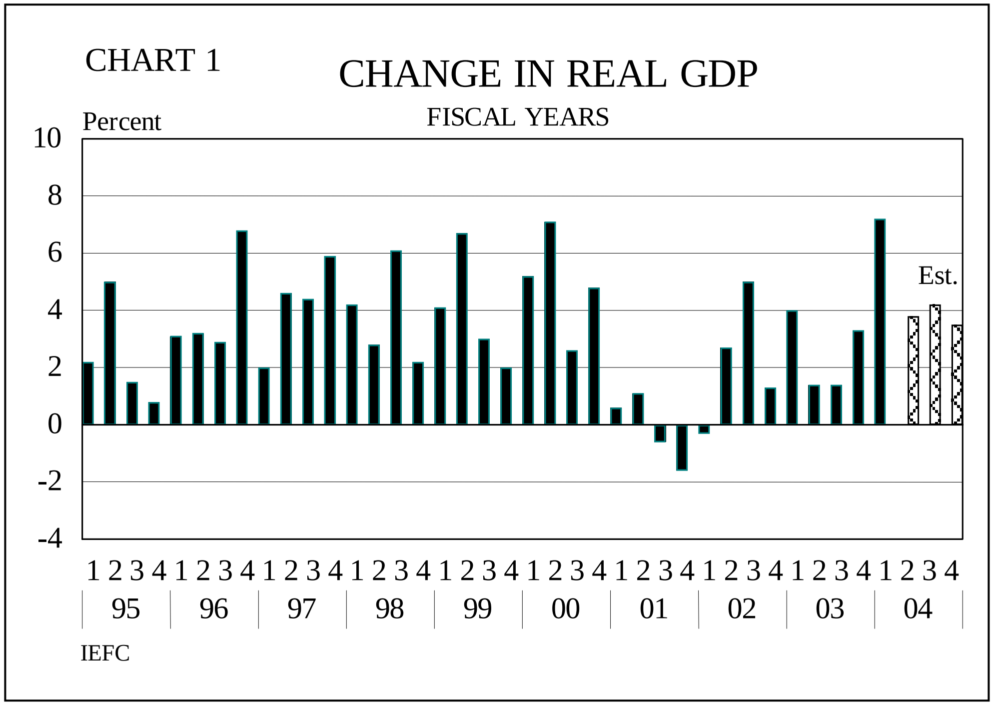


CHART 2: Unemployment Rates

- The sluggishness of the economic recovery failed to improve conditions in the labor markets.

- In October, however, the national unemployment rate dropped to 6.0%, due to long-awaited gains in employment.

- Illinois' unemployment rate for October dropped to 6.7% from a recent high of 7.1% in September. This continued the pattern of Illinois being above the national rate that has continued since late 1999.

- There are some signs that at least modest improvement may lay ahead. Nationally, payroll jobs increased 126,000 in October following a combined upwardly revised gain of 160,000 during the prior two months.

- While manufacturing payrolls continued to shrink, they did so at a slower rate.

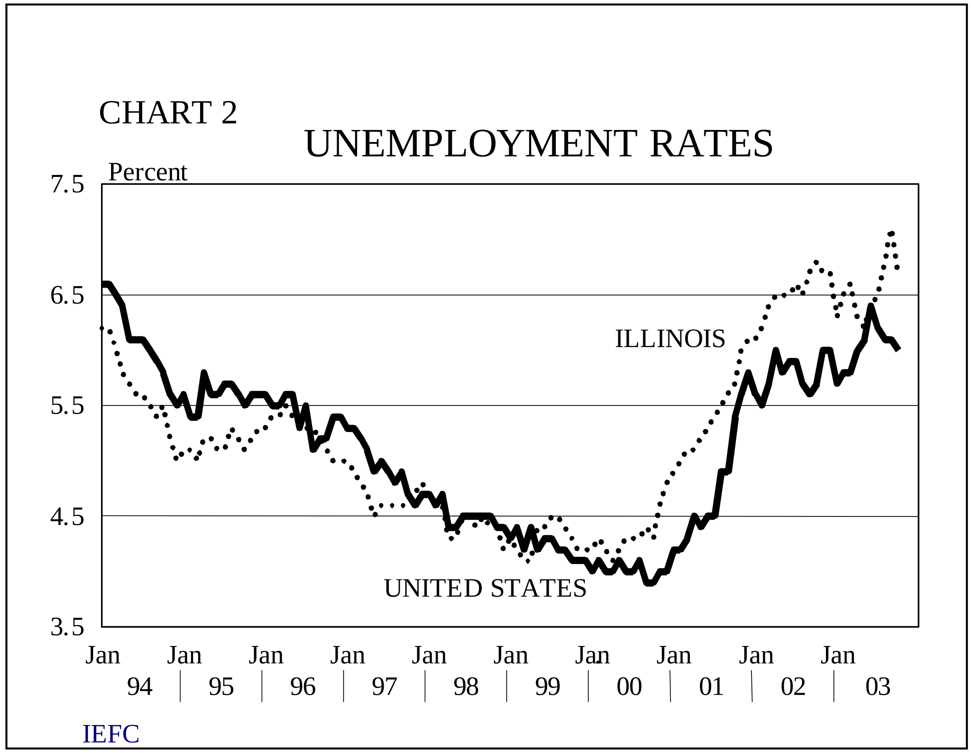


CHART 3: Consumer Price Index

- In addition to concerns over the lack of jobs, **"deflation"** has crept up, coming into policy discussions at the Federal Reserve. Deflation is generally defined as a prolonged period of declining prices. Japan has been experiencing such deflationary forces in recent years, which has crippled a nation, which once was looked upon as the epitome of a well-run economy and emerging economic power. This is somewhat true in China today.

- While deflation is rare and has not been experienced in the U.S. since the late 1920s and 1930s, that was a period of declining economic activity as the failure to generate profits caused firms to lay off employees, which in turn caused a reduction in consumer spending, which then led to further cuts in prices, and a general spiral downward. It wasn't until the buildup and finally entrance into World War II that the deflationary period came to an end.

- As shown in the chart, prices have been under downward pressure despite the economic recovery that has been underway, particularly the core rate of inflation, which takes out the volatile food and energy sectors. Overall consumer prices have been rising at around a 2% annual rate in recent months while the core rate has fallen to 1.3%. Studies in recent years have indicated that this measure of prices probably overstates actual inflation by 1% or more, thus indicating virtually no inflation recently.

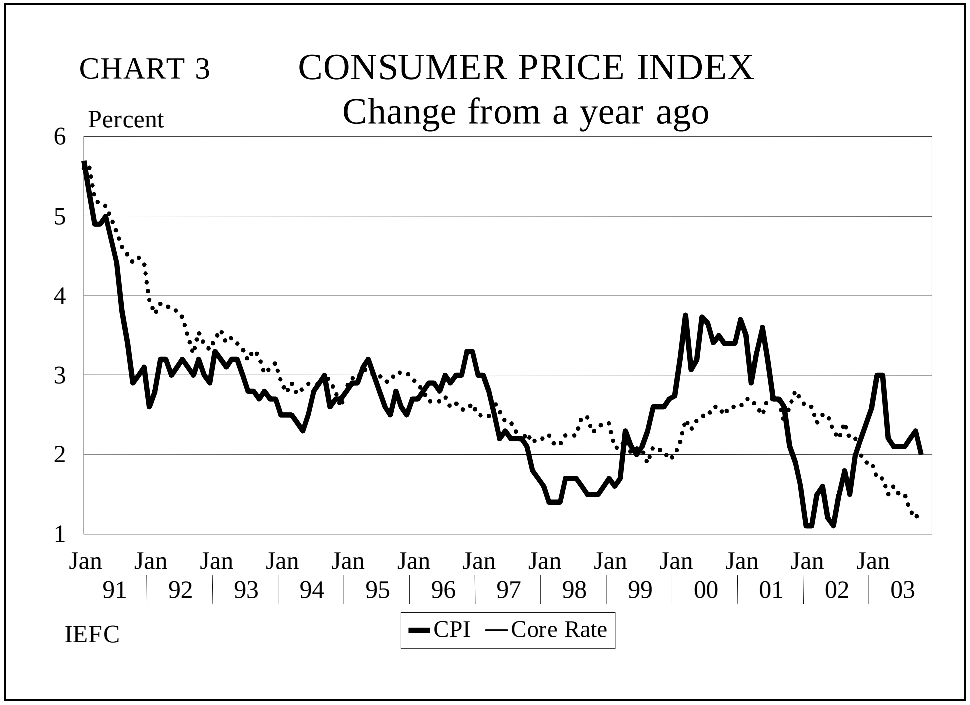


CHART 4: Interest Rates

- In an attempt to stimulate a struggling economy and avoid deflation, the government has been on an aggressive path to speed up economic activity. The federal government turned to further sizeable tax cuts and increased defense spending.

- The monetary authorities in late June reduced interest rates for the thirteenth time in two and a half years. (See Chart 4). This brought interest rates over which the Federal Reserve has influence down to the lowest level in 45 years. At its meeting in late October the Federal Reserve not only held rates at these low levels, but continued to imply that these levels would be maintained well into the future.

- While short-term rates have remained relatively stable at these low levels, there has been somewhat of a back up in longer-term rates, as represented in Chart 4 by the 30-year mortgage rate. Whether this up tick in long-term rates is merely a blip or the beginning of a trend has raised some concerns that housing activity, which has been one of the strongest sectors of the economy, could be damped.

- It is difficult, at least at this time, to expect any further sharp increase in long-term rates as long as there are no signs of inflation. Indeed, a hiccup in long-term rates has occurred before in economic recoveries but not sustained without some upward pressure on prices. Even so, it is also probably true that the markets have seen the low in mortgage interest rates for some time to come.

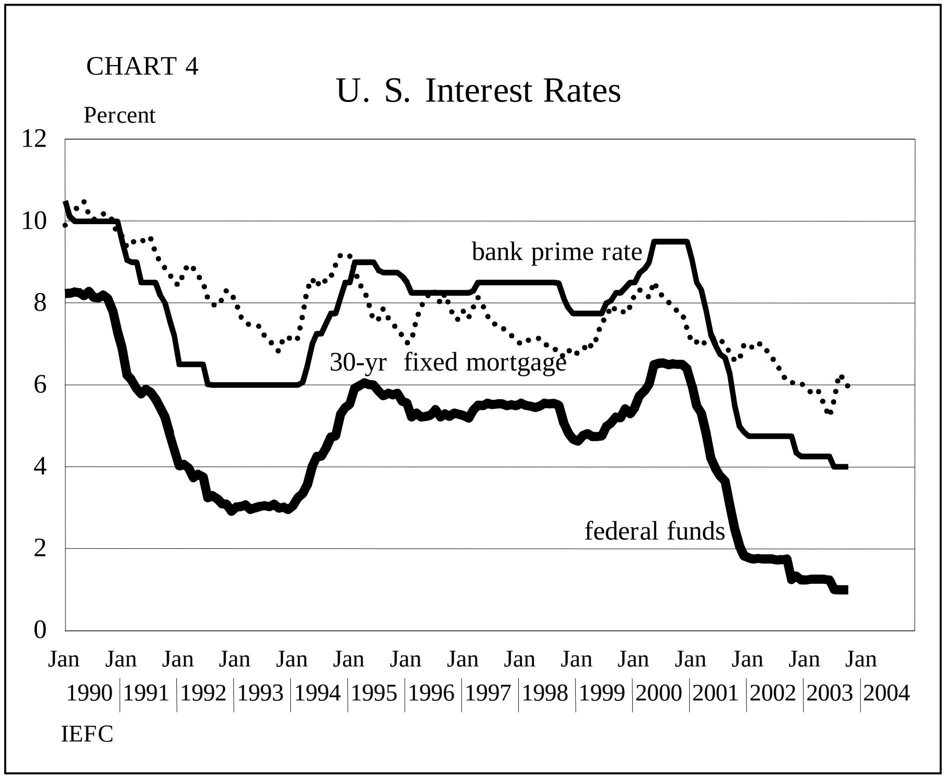


CHART 5: Housing Activity

- Housing activity has been a major contributor to the economy, sparked by historically low mortgage interest rates and seen as a good investment alternative to depressed equity and bond prices.
- New single-family housing starts rose to 1.52 million units in September, up 3.1% from August and 4.9% higher than a year earlier. This continues the strong upward trend that has been in effect for over three years now. (See Chart 5).
- A precursor to future housing activity is data on building permits, as a permit must be issued before construction can begin. While national numbers on single-family permits edged down in September, they are up 3.2% from a year earlier. In Illinois, single-family permits in September held at August's high level and these permits were up a strong 11% from a year ago.
- Mortgage interest rates have come off their lows, the stock market has improved, and there are concerns housing prices are moving into bubble territory. To date, however, there have been few signs that higher mortgage interest rates and home prices have substantially hurt housing, at least yet.
- Sales of existing homes surged in September to a record seasonally-adjusted annual rate of 6.69 million units. And, while new home sales slipped slightly, previous months were revised upward, with both measures far exceeding analysts' expectations.
- Still, housing activity is unlikely to be as strong a contributor to the economy in the months ahead as it has been over the past few years.

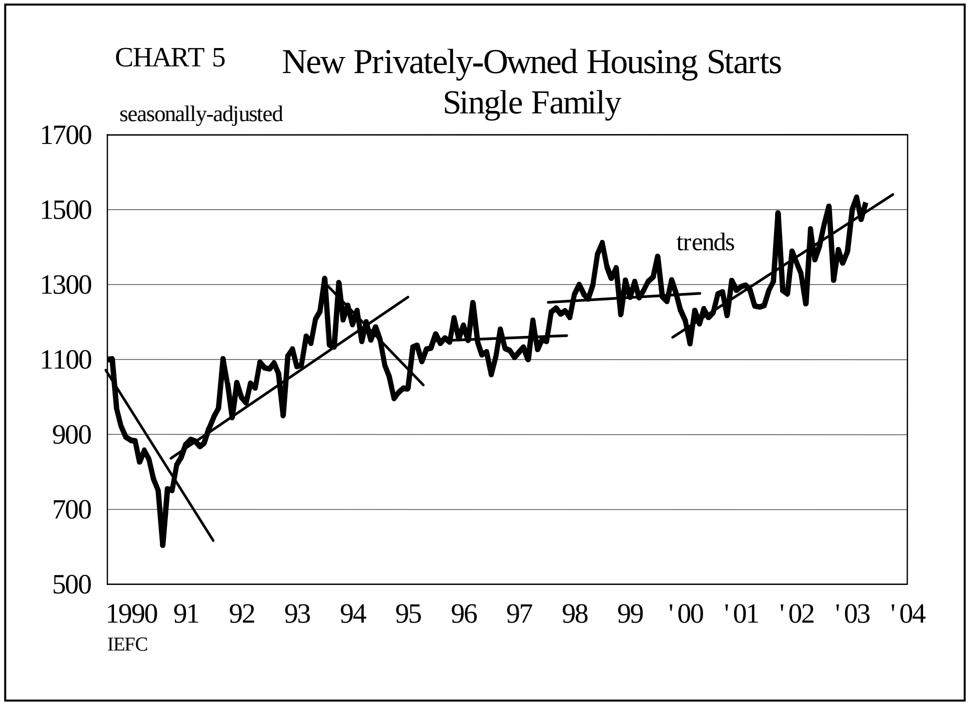


CHART 6: Non-Manufacturing Index

- While most analysts' attention centers on the manufacturing sector, which is the most cyclical, the U. S. service sector accounts for the bulk of the overall economy.

- Chart 6 shows the service, or non-manufacturing sector, has been expanding since 9-11 except for a brief dip below 50% earlier this year, in large part due to uncertainties concerning the Iraq War at the time.

- With the speedy conclusion of major combat activities, despite continuing outbursts of sabotage and resistance, this sector has rebounded nicely.

- In July the index rose to 65%, the highest level in recent years, and the index has remained near that level through October. Perhaps most important was the employment component which rose last month to 52.9%, indicating expansion, up from 49.1% in September and the highest level in many months.

- The continued strength in this key sector is a positive prior to the holiday shopping season.

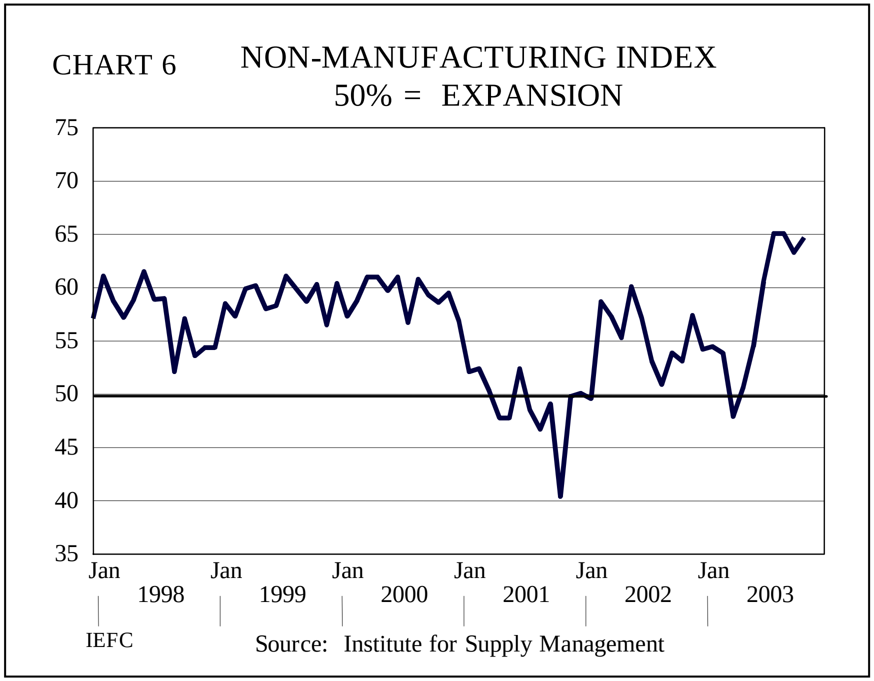


CHART 7: Consumer Attitudes

- Consumer confidence has improved from earlier this year, supporting continued gains in consumer spending. Recent gains, however, have been restrained. (See Chart 7.)

- The bulk of the gain in attitudes in recent months has centered in consumer expectations for the future. Much lower in value, although improved substantially last month as reported by the Conference Board, was their assessment about current conditions.

- The gain in consumer attitudes about present conditions reported for October by the Conference Board ended a five-month decline in this measure. Similarly, the Michigan Survey rose in October, reversing a two- month decline in this measure.

- This divergent pattern between present and future conditions undoubtedly reflects the continued weak job market. Still, consumers remain optimistic and any further strengthening in the employment situation would likely cause these attitudes to rise further.

- Should confidence continue to strengthen, this would be a real positive for consumer spending during the coming holiday season. On Friday November 14th the Michigan survey jumped to 93.5, the highest level since May of 2002 .

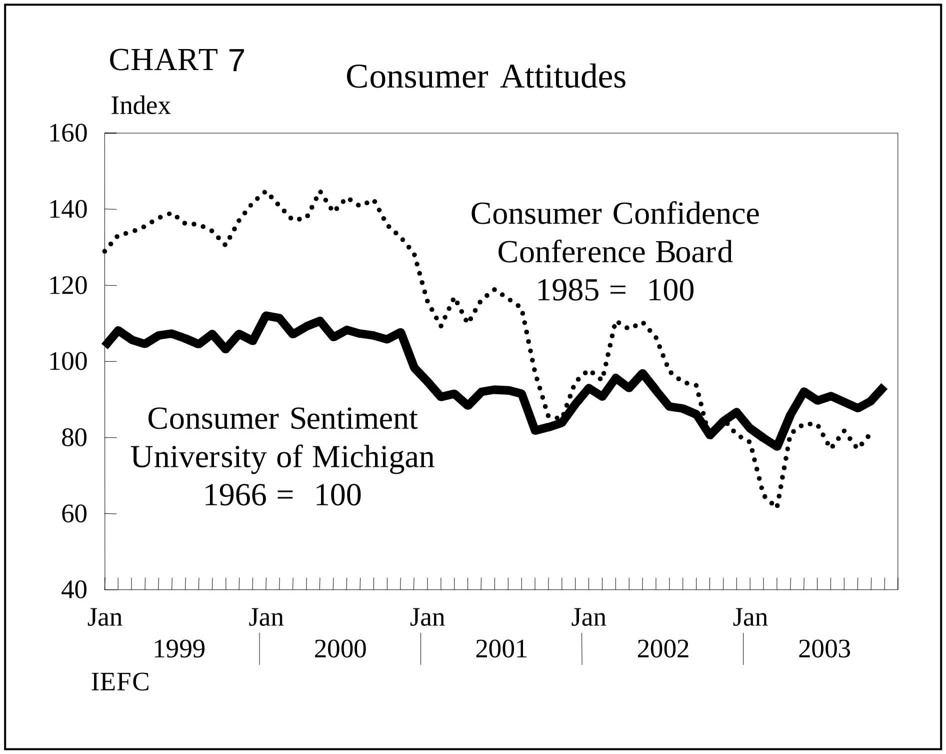


Chart 8: Purchasing Manager's Index

- By far the weakest sector in the economy has been manufacturing. After contracting from late 2000 until early 2002, the sector began to expand again until late in the year and since then has been fluctuating between expansion and contraction.

- After contracting in March and April 2003, the Chicago Index expanded at a faster rate in each succeeding month through August. While it edged slightly lower in September, there was a rebound in October. At the same time, the national number reached the fastest pace in nearly four years last month. (See Chart 8).

- The strongest components of the index were new orders, actual production, and exports. All suggesting improving manufacturing and laying the prospect for some job improvement in this very depressed sector.

- The employment index recorded a reading of 47.7, indicating continuing contraction for the 37th consecutive month. Even so, October's reading was the best since late 2000, and at least a sign that the pace of job losses is slowing.

- Because manufacturing is a larger component of the Illinois economy than nationally, the movement of the Chicago Purchasing Manager's Index is particularly noteworthy.

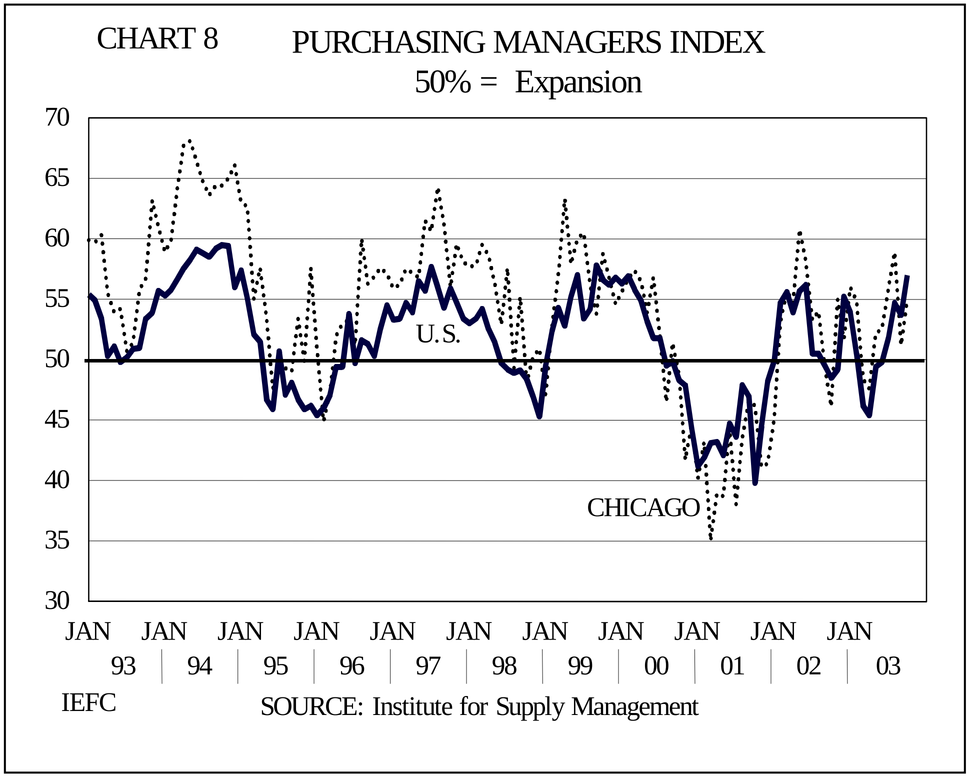


CHART 9: Illinois Exports

- After declining in 2001 through early 2002, Illinois exports are showing signs of gradual improvement.

- The slight rise in Illinois exports reflects modest improvement in conditions within the economies of our trading partners as well as a gain in the value of their currencies relative to the U.S. dollar.

- After declining 8.5% in FY 2002, U.S. exports in inflation-adjusted terms rose 2.1% in FY 2003 and are expected to approach 5% in FY 2004. This will be a positive force for Illinois as the State ranks fifth in the nation in total exports.

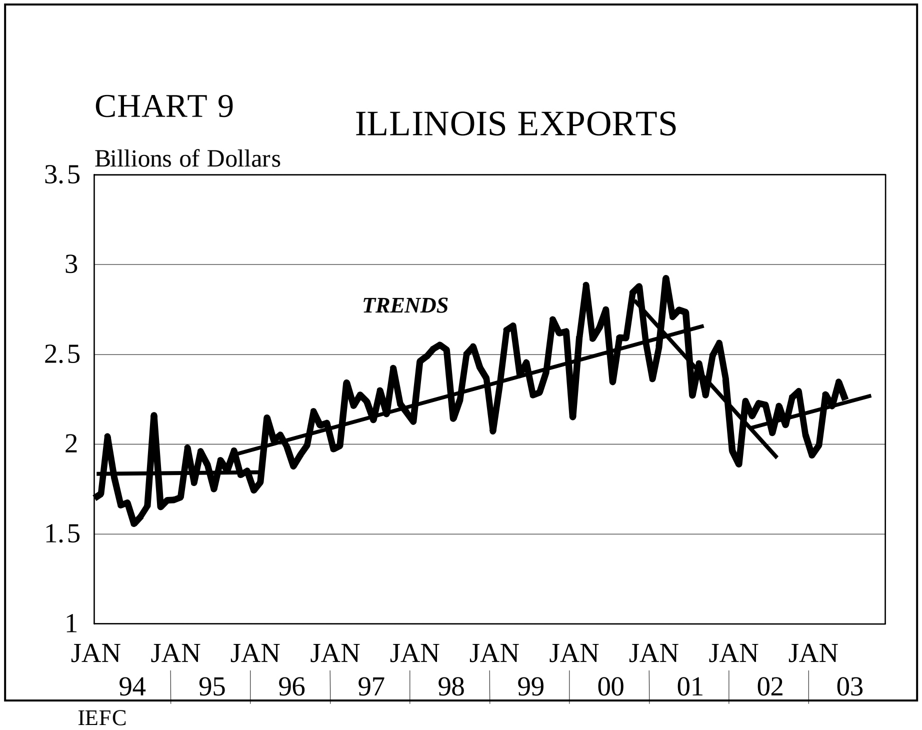


CHART 10: Illinois Leading Economic Indicator

- The IEFC leading economic indicator has fluctuated sharply but overall has improved from the levels of the previous two years.

- The indicator, which is based on measures of employment, hours worked, new building permits, and manufacturing components has been a good predictor of the future direction of the economy. The recent softness has been once again in the employment components.

- The indicator suggests continued growth, but no rapid acceleration on a sustained basis anytime soon.

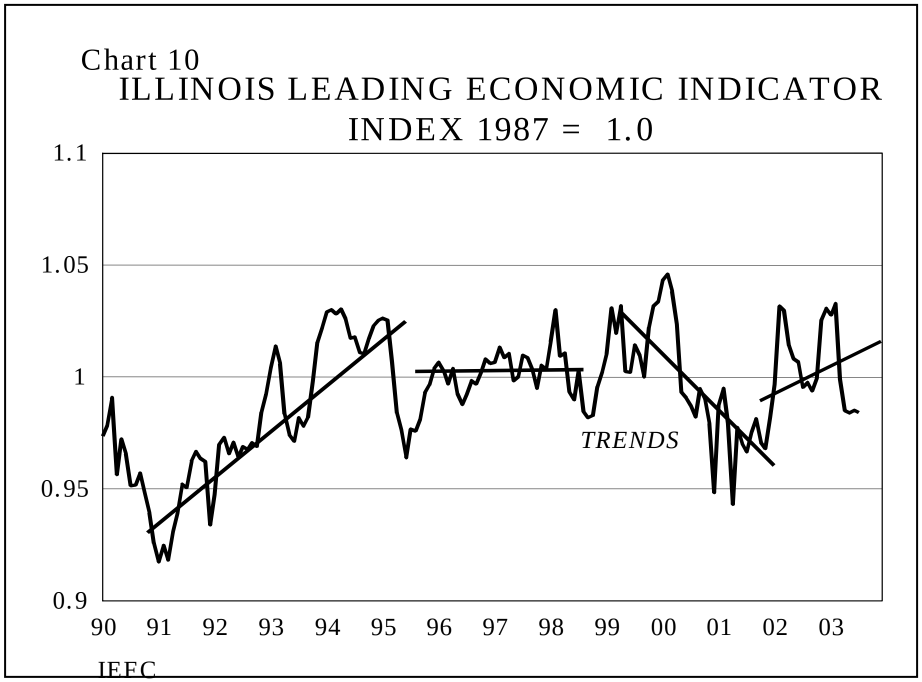
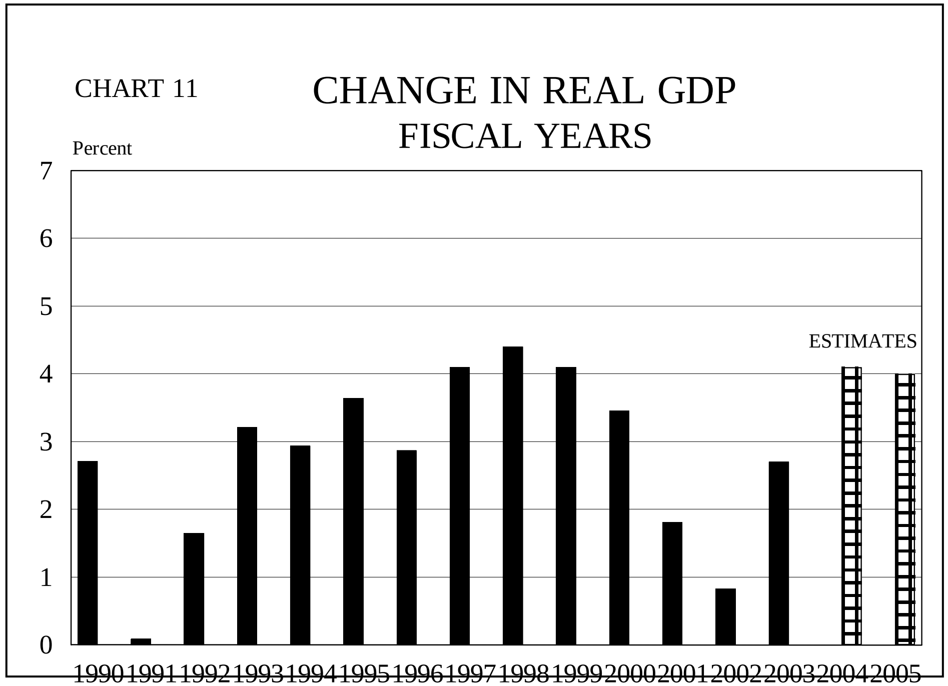


CHART 11: Change in Real GDP

- The forecast for FY 2004 is for an increase in the pace of economic activity, with real growth of 4.1%, up noticeably from the 2.7% rate achieved in FY 2003. (See Table below.) A similar increase is anticipated for FY 2005.
- Consumer spending is likely to remain strong, but a long- awaited improvement in business spending is anticipated to begin to add to overall strength.
- An improvement in the business sector should help to begin to narrow the gap that has existed between the performance of the Illinois economy and activity at the national level in recent years.
- While growth will be improved, serious financial problems will continue to be faced by most state governments as they adjust to the severe budget shortfalls accumulated over the past few years.



ECONOMIC FORECASTS – NOVEMBER 2003
($ Change From Prior Year Levels)

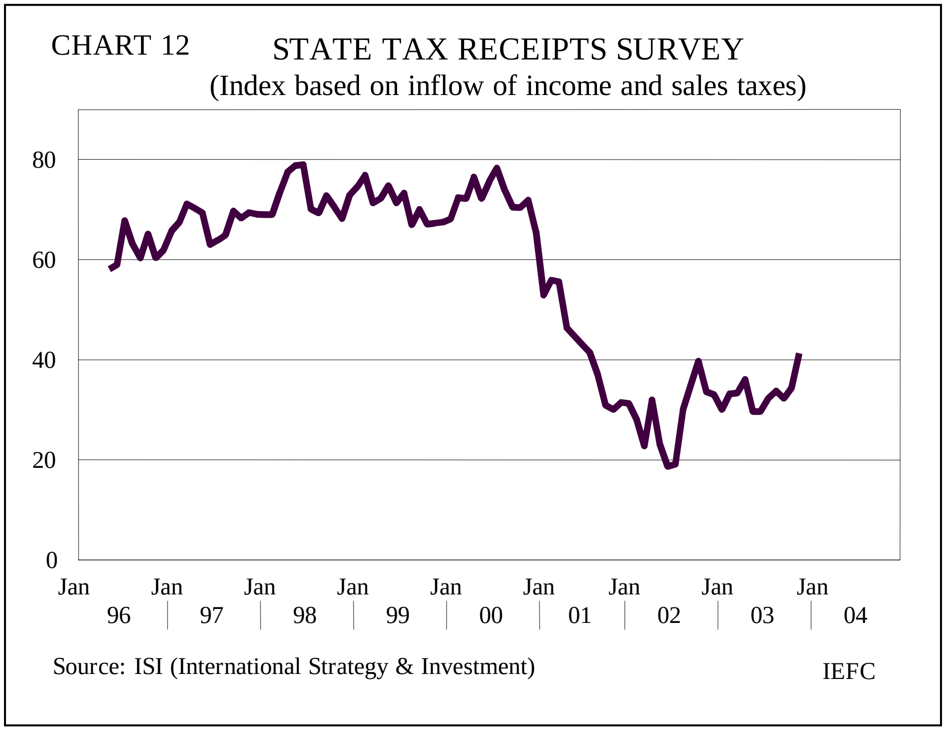
REAL (1996 $)	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimated	FY 2005 Estimated
Gross Domestic Product	1.8	0.8	2.7	4.1	4.0
Personal Consumption	3.3	2.7	2.9	3.6	3.6
Durable	4.7	8.2	6.2	7.6	4.4
Nondurable	2.9	2.4	3.2	4.5	3.4
Services	3.1	1.7	2.2	2.4	3.6
Fixed Investment (Business Spending)	-2.0	-8.6	3.8	7.7	6.6
Exports	4.7	-8.5	2.1	4.5	11.4
Imports	7.1	-4.2	6.8	6.0	6.9
Government	2.5	4.3	3.7	3.0	1.8
Federal	1.6	6.6	7.9	7.3	3.4
State & Local	2.9	3.2	1.6	0.6	0.8
OTHER MEASURES					
Personal Income (Current $)	6.4	2.1	3.1	4.1	5.6
Personal Consumption (Current $)	5.8	4.0	4.9	5.3	5.0
Before Tax Profits (Current $)	-6.0	-13.8	9.5	20.7	17.1
Consumer Prices	3.4	1.8	2.2	1.7	1.6
Unemployment Rate (Average)	4.2	5.5	5.9	6.1	5.8

CHART 12: State Tax Receipts Survey

- Chart 12 indicates that State tax receipts, while up from the lows seen last year, remain at levels well below those seen from 1995 through mid-2000. This survey is based upon data from 16 states --including Illinois -- that have diverse geographic and population characteristics.

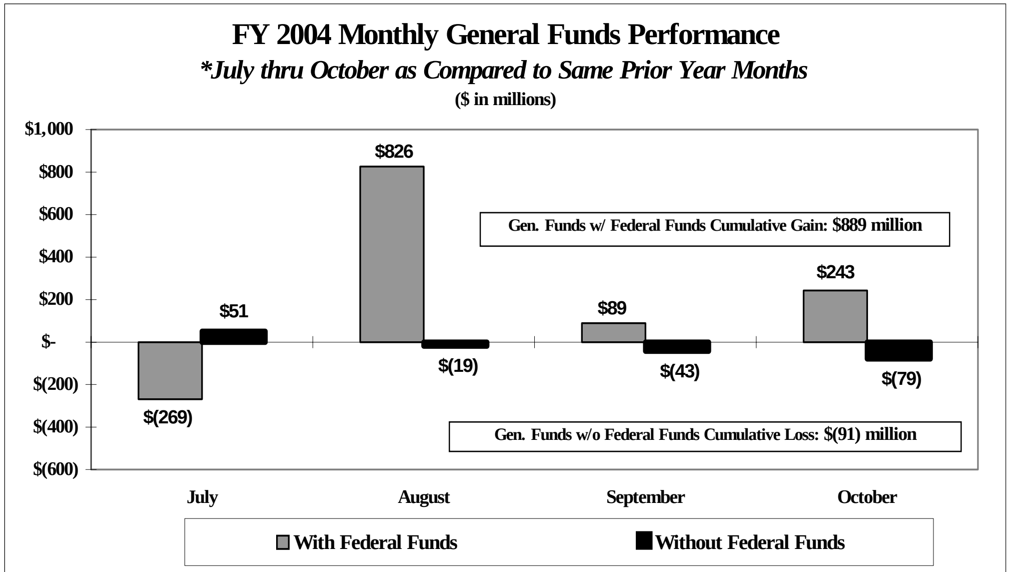
- It will take sustained improvement in employment to substantially increase income tax revenues and give consumers confidence to feel secure enough to increase spending and take on additional debt. The gain during October, however, may be the beginning of such a long-awaited trend.

- Even as State tax receipts improve, however, States first will have to begin to close the huge budget gaps that developed over recent years as their first priority.



FY 2004 Revenue Recap

General funds revenue performance through the first third of the year have been mixed. **While a significant influx in federal monies have resulted in overall revenues being up $889 million through October, absent gains experienced by federal receipts, base revenues continue to struggle and on a net basis are actually down $91 million.**



* Figures exclude short-term borrowing and Budget Stabilization and Pension Contribution funds transfers.

- July- On a monthly comparative basis, the fiscal year began on a down note as overall revenues fell $269 million due to a large influx of federal money receipted in the prior year as a consequence of short-term borrowing which allowed a large amount of reimbursable spending to take place. Absent the decline in federal, base revenues rose by $51 million.

- August- Monthly revenues jumped up dramatically as overall revenues rose $826 million. The increase was due entirely to higher federal sources resulting from an expected grant from the federal government and a temporary increase in the Medicaid matching rate, a concerted effort to pay down an accumulated backlog in Medicaid bills, and further reimbursements stemming from prior fiscal year activity. However, absent those federal gains, net base revenues actually posted a $19 million decline.

- September- Overall base revenues rose $89 million, but were once again aided by a good month for federal sources. If federal gains of $132 are excluded, net base revenues fell by $43 million.

- October- Federal sources once again resulted in a dramatic increase in revenue as overall receipts gained $243 million. However, as has been the case in earlier months, when gains from federal sources are excluded, net base revenues fell once more, off $79 million.

GENERAL FUNDS RECEIPTS: THROUGH OCTOBER FY 2004 vs. FY 2003 ($ million)				
Revenue Sources	FY 2004	FY 2003	CHANGE FROM FY 2003	% CHANGE
State Taxes				
Personal Income Tax	$2,353	$2,355	($2)	-0.1%
Corporate Income Tax (regular)	222	229	($7)	-3.1%
Sales Taxes	2,102	2,067	$35	1.7%
Public Utility Taxes (regular)	327	330	($3)	-0.9%
Cigarette Tax	133	133	$0	0.0%
Liquor Gallonage Taxes	43	42	$1	2.4%
Vehicle Use Tax	13	13	$0	0.0%
Inheritance Tax (Gross)	63	101	($38)	-37.6%
Insurance Taxes and Fees	80	66	$14	21.2%
Corporate Franchise Tax & Fees	49	45	$4	8.9%
Interest on State Funds & Investments	22	25	($3)	-12.0%
Cook County IGT	130	130	$0	0.0%
Other Sources	64	65	($1)	-1.5%
Subtotal	$5,601	$5,601	$0	0.0%
Transfers				
Lottery	161	165	($4)	-2.4%
Riverboat transfers & receipts	259	220	$39	17.7%
Other	284	314	($30)	-9.6%
Total State Sources	$6,305	$6,300	$5	0.1%
Federal Sources	$2,223	$1,243	$980	78.8%
Total Federal & State Sources	$8,528	$7,543	$985	13.1%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($275)	($188)	($87)	46.3%
Corporate Income Tax	($71)	($62)	($9)	14.5%
Subtotal General Funds	$8,182	$7,293	$889	12.2%
Short-Term Borrowing	$0	$700	($700)	N/A
Budget Stabilization Fund Transfer	$226	$226	$0	0.0%
Pension Contribution Fund Transfer	$669	$0	$669	N/A
Total General Funds	$9,077	$8,219	$858	10.4%

SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.
IEFC 10-Nov-03

Individual Source Performance To Date

- Gross personal income tax is essentially flat, validating the current state of recovery as "jobless". However, this year's higher refund percentages actually results in net personal income taxes being down $89 million through October.

- Gross corporate income tax is down $7 million or 3.1%, however, with higher refund percentages, net falloff is $16 million or 9.6%. Despite forecasts of improved corporate profitability, those measures have yet to manifest in receipt gains.

- Sales taxes have at least been able to manage a modest increase through October, up $35 million or 1.7%. The upcoming holiday shopping season is forecast to be an improvement over prior years, but until evidence of that projection occurs, receipts continue to plod along.

- Despite decoupling from the federal phase-out of inheritance tax, due to a natural lag in estate settlements, receipts are off $38 million over the first third of the year.

- Interest earnings continue to fall from prior year levels as rates of return remain at historic lows, and in all likelihood will stay that way for at least the near future.

- Federal sources, as mentioned earlier, have exploded over the first third of the fiscal year due to federal grants, increased Medicaid match, and prioritizing spending to reduce the Medicaid billing cycle.

With base revenues up $889 million or 12.2% over the first third of the fiscal year, on first glance it continues to appear that the revenue picture is markedly improved. However, on closer inspection, it is clear that, absent gains experienced by federal receipts, base revenues continue to struggle signifying that the economic recovery phase has yet to manifest in actual revenue gains.

Review of IEFC FY 2004 General Funds Estimate

In September, the Commission presented its FY 2004 revenue forecast. As detailed in the tables below, the base estimate called for growth to rise only $26 million over the previous year. However, after $4.314 billion in adjustments were included, growth over FY 2003 jumped by $2.365 billion.

IEFC FY 2004 Estimate: Base and Adjusted Estimate
(millions)

Revenue Sources	IEFC BASE FY 2004	Adjustments	IEFC Sept-03 Adjusted Estimate
State Taxes			
Personal Income Tax	$8,220	$0	$8,220
Corporate Income Tax	$1,062	$33	$1,095
Sales Taxes	$6,200	$65	$6,265
Public Utility (regular)	$962	$38	$1,000
Cigarette Tax	$400	$0	$400
Liquor Gallonage Taxes	$125	$0	$125
Vehicle Use Tax	$35	$0	$35
Inheritance Tax (gross)	$150	$75	$225
Insurance Taxes & Fees	$313	$19	$332
Corporate Franchise Tax & Fees	$146	$4	$150
Interest on State Funds & Investments	$75	$0	$75
Cook County Intergovernmental Transfer	$400	$0	$400
Other Sources	$265	$1,138	$1,403
Subtotal	**$18,353**	**$1,372**	**$19,725**
Transfers			
Lottery	$540	$0	$540
Riverboat Transfers & Receipts	$544	$173	$717
Other	$410	$505	$915
Total State Sources	**$19,847**	**$2,050**	**$21,897**
Federal Sources	**$4,275**	**$675**	**$4,950**
Total Federal & State Sources	**$24,122**	**$2,725**	**$26,847**
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	($965)	$0	($965)
Corporate Income Tax	($345)	($11)	($356)
Subtotal General Funds	**$22,812**	**$2,714**	**$25,526**
Change from Prior Year Actual	**$26**	**N/A**	**$2,740**
Percent Change	**0.1%**	**N/A**	**12.0%**
Short-Term Borrowing	$0	$0	$0
Budget Stabilization Fund Transfer	$226	$0	$226
Pension Contribution Fund Transfer	$0	$1,600	$1,600
Total General Funds	**$23,038**	**$4,314**	**$27,352**
IEFC			

ADJUSTED FY 2004 GENERAL FUNDS ESTIMATE
FY 2004 vs. FY 2003
($ million)

Revenue Sources	Adjusted Sept-03 Estimate FY 2004	Actuals FY 2003	$ CHANGE FY 2003-2004	% CHANGE
State Taxes				
Personal Income Tax	$8,220	$7,979	$241	3.0%
Corporate Income Tax (regular)	$1,095	1,011	$84	8.3%
Sales Taxes	$6,265	6,059	$206	3.4%
Public Utility Taxes (regular)	$1,000	1,006	($6)	-0.6%
Cigarette Tax	$400	400	$0	0.0%
Liquor Gallonage Taxes	$125	123	$2	1.6%
Vehicle Use Tax	$35	34	$1	2.9%
Inheritance Tax (Gross)	$225	237	($12)	-5.1%
Insurance Taxes and Fees	$332	313	$19	6.1%
Corporate Franchise Tax & Fees	$150	142	$8	5.6%
Interest on State Funds & Investments	$75	66	$9	13.6%
Cook County Intergovernmental Transfer	$400	355	$45	12.7%
Other Sources	$1,403	349	$1,054	302.0%
Subtotal	$19,725	$18,074	$1,651	9.1%
Transfers				
Lottery	$540	540	$0	0.0%
Riverboat Transfers & Receipts	$717	554	$163	29.4%
Other	$915	589	$326	55.3%
Total State Sources	$21,897	$19,757	$2,140	10.8%
Federal Sources	$4,950	$3,940	$1,010	25.6%
Total Federal & State Sources	$26,847	$23,697	$3,150	13.3%
Nongeneral Funds Distribution				
Refund Fund				
Personal Income Tax (11.7% in FY '04)	($965)	($638)	($327)	51.3%
Corporate Income Tax (32% in FY'04)	($356)	(273)	($83)	30.2%
Subtotal General Funds	$25,526	$22,786	$2,740	12.0%
Short-Term Borrowing	$0	$1,675	($1,675)	N/A
Budget Stabilization Fund Transfer	$226	$226	$0	0.0%
Pension Contribution Fund Transfer	$1,600	$300	$1,300	433.3%
Total General Funds	$27,352	$24,987	$2,365	9.5%

GENERAL FUNDS GROWTH NEEDED TO MEET ESTIMATE *FY 2004 ESTIMATE vs. FY 2003 ACTUAL* *Receipts through November* *($ million)*						
Revenue Sources	ESTIMATE FY 2004	FYTD 2004	AMOUNT NEEDED FY 2004 EST.	FYTD 2003	GROWTH NEEDED	% CHANGE
State Taxes						
Personal Income Tax	$8,220	$2,353	$5,867	$2,355	$243	4.3%
Corporate Income Tax (regular)	1,095	222	$873	229	$91	11.6%
Sales Taxes	6,265	2,102	$4,163	2,067	$171	4.3%
Public Utility Taxes (regular)	1,000	327	$673	330	($3)	-0.4%
Cigarette Tax	400	133	$267	133	$0	0.0%
Liquor Gallonage Taxes	125	43	$82	42	$1	1.2%
Vehicle Use Tax	35	13	$22	13	$1	4.8%
Inheritance Tax (Gross)	225	63	$162	101	$26	19.1%
Insurance Taxes and Fees	332	80	$252	66	$5	2.0%
Corporate Franchise Tax & Fees	150	49	$101	45	$4	4.1%
Interest on State Funds & Investments	75	22	$53	25	$12	29.3%
Cook County IGT	400	130	$270	130	$45	20.0%
Other Sources	1,403	64	$1,339	65	$1,055	371.5%
Subtotal	$19,725	$5,601	$14,124	$5,601	$1,651	13.2%
Transfers						
Lottery	540	161	$379	165	$4	1.1%
Riverboat transfers & receipts	717	259	$458	220	$124	37.1%
Other	915	284	$631	314	$356	129.5%
Total State Sources	$21,897	$6,305	$15,592	$6,300	$2,135	15.9%
Federal Sources	$4,950	$2,223	$2,727	$1,243	$30	1.1%
Total Federal & State Sources	$26,847	$8,528	$18,319	$7,543	$2,165	13.4%
Nongeneral Funds Distribution:						
Refund Fund						
Personal Income Tax	($965)	($275)	($690)	($188)	($240)	53.3%
Corporate Income Tax	(356)	(71)	($285)	(62)	($74)	35.1%
Subtotal General Funds	$25,526	$8,182	$17,344	$7,293	$1,851	11.9%
Short-Term Borrowing	$0	$0	$0	$700	($975)	N/A
Budget Stabilization Fund Transfer	$226	$226	$0	$226	$0	N/A
Proceeds from Pension Obligation Bonds	$1,600	$669	$931	$0	$631	N/A
Total General Funds	$27,352	$9,077	$18,275	$8,219	$1,507	9.0%
IEFC						14-Nov-03

Updated FY 2004 Revenue Forecast

Despite completion of one-third of the fiscal year, due to the large number of new adjustments used to create the FY 2004 revenue estimate, as well as continued economic uncertainties, it is difficult to make definitive revisions at this time. As a result, the forecast remains $27.352 billion.

Total General Revenue		
Base FY 2003 Actuals	$22,786	
Short-term borrowing	$1,675	
Budget Stabilization transfer	$226	
Pension Contribution Fund transfer	$300	
Total FY'03	**$24,987**	
		Change
IEFC Base FY 2004 Estimate	$22,812	$26
Short-term borrowing	$0	-$1,675
Budget Stabilization transfer	$226	$0
Adjustments (State & Federal)	$4,314	$4,014
Total FY'04	**$27,352**	**$2,365**

In order to reach the forecast, base revenues must grow $1.851 billion or 11.9% over the remainder of the fiscal year. That high rate of growth is significantly dependent on the future performance of many of the revenue adjustments used to craft the FY 2004 budget. See adjustments on following page.

General Revenue Adjustments for FY 2004 (millions)
Based on Legislative Changes and Federal JGTRRA of 2003

Adjusted Revenue Source	Brief Description		Estimated Revenue
Sales tax	Closing of numerous loopholes and taxing private aircraft sales		$65
Corporate income tax	Closing of corporate loopholes (net)		$22
Public Utility tax	Taxing out-of-state purchases of natural gas		$38
Inheritance tax	Decoupling from federal provisions		$75
Insurance tax	Increased fees		$19
Corporate franchise tax	Raises cap on annual report franchise tax		$4
Other sources	Sale of 10th riverboat license	$350	
	Fee increases	$279	
	Sale/leaseback of State property	$233	
	Environmental Trust Fund	$125	
	Commercial distribution fee	$102	
	Tax amnesty	$40	
	Liquor license fee & other misc.	$9	
		Subtotal	$1,138
Riverboat gaming tax	Increase of graduated tax and admissions tax		$173
Other transfers	Fund sweeps $158 million and Fund Chargebacks $347 million		$505
Pension Contribution Fund			$1,600
		Total	**$3,639**
	Plus		
Federal Sources	Jobs & Growth Tax Relief Reconciliation Act of 2003: Includes $422 million in flexible grants and an estimated $253 million in increased Medicaid match	**Total**	**$675**
		Grand Total	**$4,314**

Revenue Pressures

While most of the revenue lines are within expectations thus far, to varying degrees some pressure is becoming evident. In the case of economically related sources, that should be translated to mean that if expected performance is not attained in the coming months, a future revision will be necessary. In the case of one-time or on-going adjustments, that should be interpreted to mean that those items could either be eliminated from or added to the forecast.

Below are identified pressures that could result in a future revisions:

Downward Pressures	**Amount** ($ millions)
Sale of 10th Riverboat License	($0-$350)
Potential shortfall in income taxes due to lagging recovery	($0-$150)
Legal proceedings involving Environmental Trust Fund transfer	($0-$125)
Riverboat performance lagging expectations	($0-$75)
Miscellaneous pressures i.e. inheritance tax & interest earnings	($0-$25)
Potential Downward	**($0-$725)**
Upward Pressures	
GRF share from potential hospital assessment plan	$0-$130
Federal sources from eligible spending (includes match)	$0-$125
Increase in administrative chargebacks per GOMB	$0- $75
Prepaid cigarette monies back to GRF from LTC Provider Fund	$0- $50
Cook County IGT per GOMB	$0-$40
Potential Upward	**$0-$420**

FY 2004 IEFC/GOMB Adjusted Estimates
(millions)

Revenue Sources	Actual FY 2003	IEFC FY 2004 Adjusted Estimate Sept-03	*GOMB Adjusted Estimate Oct-03	Difference
State Taxes				
Personal Income Tax	$7,979	$8,220	$8,265	($45)
Corporate Income Tax	$1,011	$1,095	$1,282	($187)
Sales Taxes	$6,059	$6,265	$6,359	($94)
Public Utility (regular)	$1,006	$1,000	$1,073	($73)
Cigarette Tax	$400	$400	$450	($50)
Liquor Gallonage Taxes	$123	$125	$125	$0
Vehicle Use Tax	$34	$35	$35	$0
Inheritance Tax (gross)	$237	$225	$215	$10
Insurance Taxes & Fees	$313	$332	$317	$15
Corporate Franchise Tax & Fees	$142	$150	$175	($25)
Interest on State Funds & Investments	$66	$75	$100	($25)
Cook County Intergovernmental Transfer	$355	$400	$440	($40)
Other Sources	$349	$1,403	$1,277	$126
Subtotal	**$18,074**	**$19,725**	**$20,113**	**($388)**
Transfers				
Lottery	$540	$540	$560	($20)
Riverboat Transfers & Receipts	$554	$717	$767	($50)
Other	$589	$915	$1,128	($213)
Total State Sources	**$19,757**	**$21,897**	**$22,568**	**($671)**
Federal Sources	**$3,940**	**$4,950**	**$4,937**	**$13**
Total Federal & State Sources	**$23,697**	**$26,847**	**$27,505**	**($658)**
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($638)	($965)	($967)	$2
Corporate Income Tax	($273)	($356)	($410)	$54
Subtotal General Funds	**$22,786**	**$25,526**	**$26,128**	**($602)**
Change from Prior Year Actual	**($593)**	**$2,740**	**$3,342**	**($602)**
Percent Change	**-2.5%**	**12.0%**	**14.7%**	
Short-Term Borrowing	$1,675	$0	$0	$0
Budget Stabilization Fund Transfer	$226	$226	$226	$0
Pension Contribution Fund Transfer	$300	$1,600	$1,600	$0
Total General Funds	**$24,987**	**$27,352**	**$27,954**	**($602)**

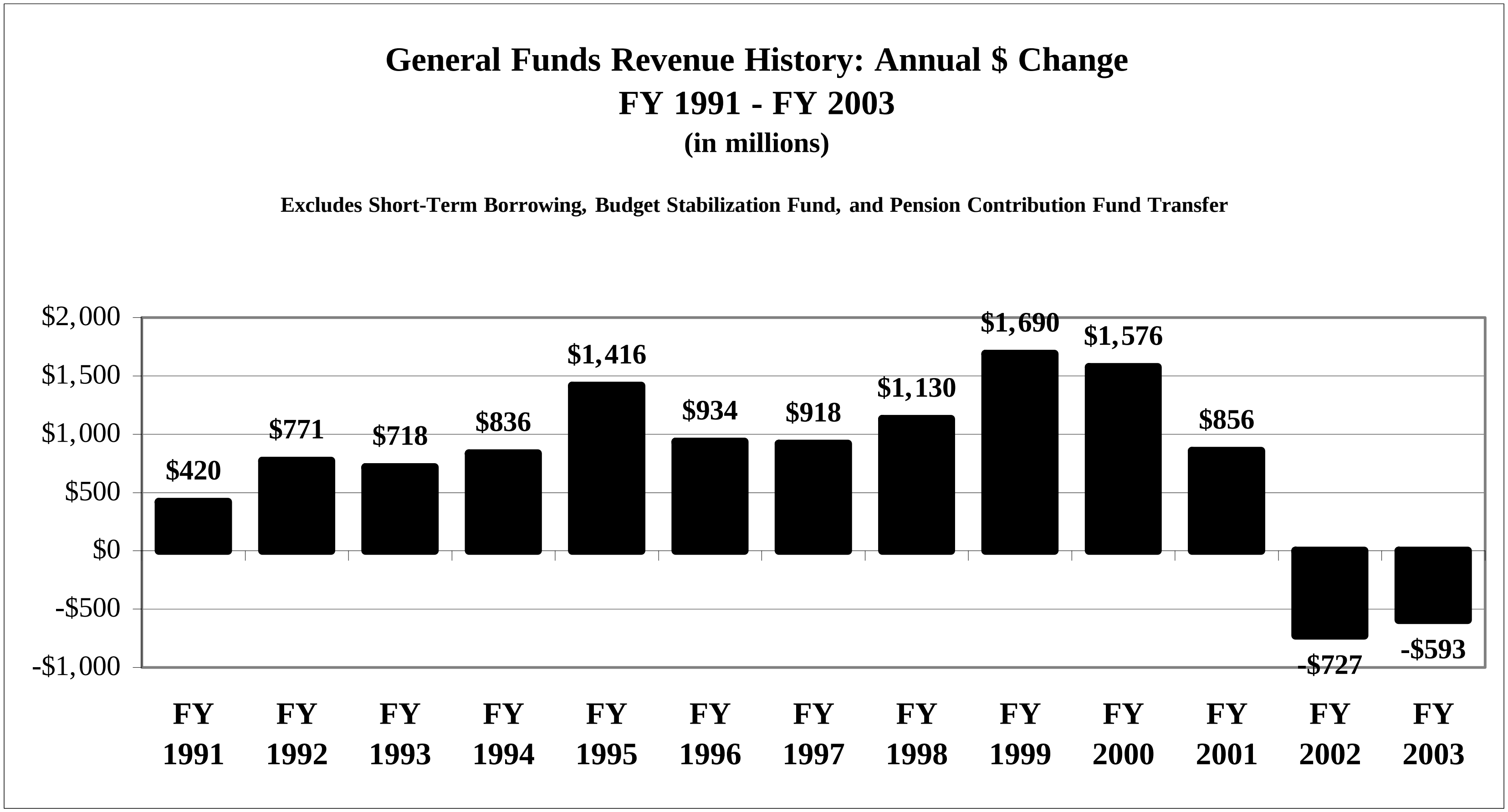
The GOMB estimate was taken from the October 2003 Preliminary Official Statements and was adjusted by the IEFC to enable consistent comparisons. Specifically: $144 million in other transfers was moved into FY 2004 rather than counted in FY 2003 to reflect actual timing of transfers; $690 million was added to the GOMB's estimate of federal sources to reflect their forecast of additional federal money; and, $226 million in Budget Stabilization Fund transfers was added to reflect actual activity.

IEFC/GOMB FY 2004 Comparison

The accompanying table compares and contrasts the Commission's current estimate and the GOMB's forecast presented in their October Preliminary Official Statement. **After adjusting the estimates to take into account actual timing of certain transfers and updated federal receipts, the Commission's estimate is $602 million lower than the GOMB.**

Most of the differences reside in the estimates of the larger more closely tied economic sources with the Commission being lower in each instance. In order to reach the GOMB estimate, a significant turn around would have to occur in a number of economically related sources. For example: gross personal income tax needs to rise by 5.1% over the remaining months; gross corporate income tax by 35.5%; and, sales tax by 6.6%. In addition, the Commission is markedly lower in our expectations of riverboat proceeds.

The GOMB estimates already include a number of the "upward" pressures identified earlier, i.e. $75 million in higher chargebacks, $50 million in additional cigarette transfers, and $40 million in higher IGT estimates. While those expectations may be met, because legislative action is necessary in some instances, the IEFC will for now delay their inclusion in our forecast.


General Funds Revenue History: Annual $ Change
FY 1991 - FY 2003
(in millions)
Excludes Short-Term Borrowing, Budget Stabilization Fund, and Pension Contribution Fund Transfer
$2,000
$1,500
$1,000
$500
$0
-$500
-$1,000
$420
$771
$718
$836
$1,416
$934
$918
$1,130
$1,690
$1,576
$856
-$727
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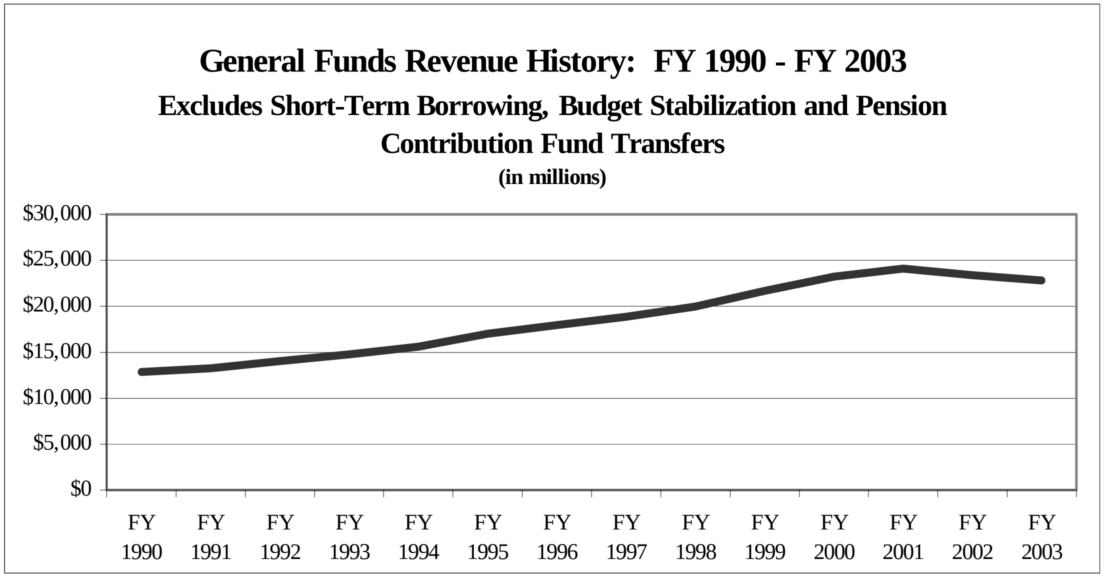
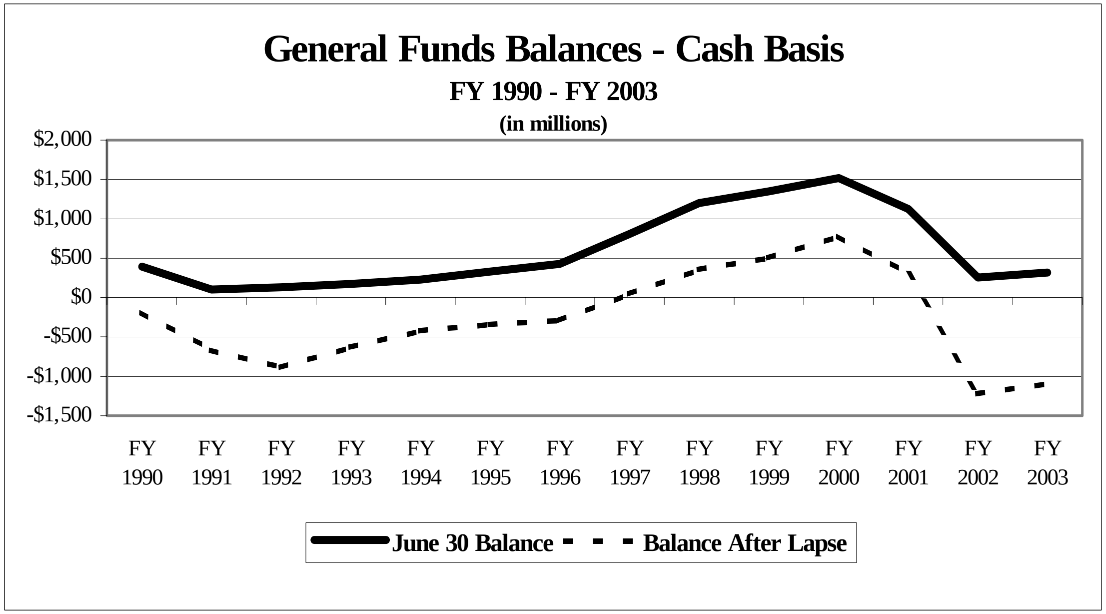
FY 2000
FY 2001
FY 2002
FY 2003



	General Funds	Annual $ Change
	(in millions)	
FY 1990	$12,841	-
FY 1991	$13,261	$420
FY 1992	$14,032	$771
FY 1993	$14,750	$718
FY 1994	$15,586	$836
FY 1995	$17,002	$1,416
FY 1996	$17,936	$934
FY 1997	$18,854	$918
FY 1998	$19,984	$1,130
FY 1999	$21,674	$1,690
FY 2000	$23,250	$1,576
FY 2001	$24,106	$856
FY 2002	$23,379	-$727
FY 2003	$22,786	-$593



	June 30 Balance	Balance After Lapse
	(in millions)	
FY 1990	$395	-$191
FY 1991	$100	-$666
FY 1992	$131	-$887
FY 1993	$172	-$630
FY 1994	$230	-$422
FY 1995	$331	-$341
FY 1996	$426	-$292
FY 1997	$806	$45
FY 1998	$1,202	$356
FY 1999	$1,351	$503
FY 2000	$1,517	$777
FY 2001	$1,126	$300
FY 2002	$256	-$1,220
FY 2003	$317	-$1,093