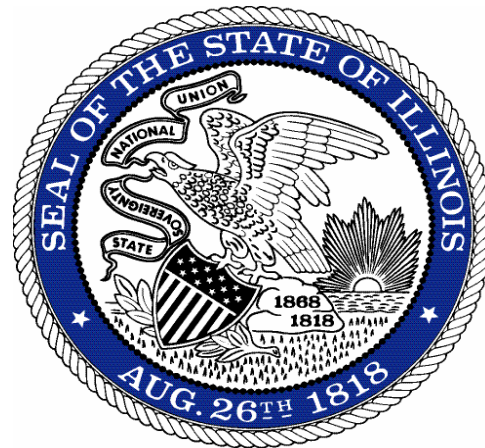


**FY 2010 ECONOMIC and REVENUE FORECAST
and
UPDATED FY 2009 REVENUE ESTIMATE**



Commission on Government Forecasting and Accountability

703 Stratton Office Building
Springfield, Illinois 62706

April 1, 2009

CGFA Commission Members

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

Senate

Senator Jeffrey M. Schoenberg
Co-Chairman

Senator Bill Brady
Senator Michael Frerichs
Senator Matt Murphy
Senator David Syverson
Senator Donne Trotter

Dan R. Long
Executive Director

Jim Muschinske
Revenue Manager

Dan Hankiewicz
Pension Manager

House of Representatives

Representative Richard P. Myers
Co-Chairman

Representative Patricia Bellock
Representative Frank Mautino
Representative Elaine Nekritz
Representative Raymond Poe

Trevor J. Clatfelter
Deputy Director

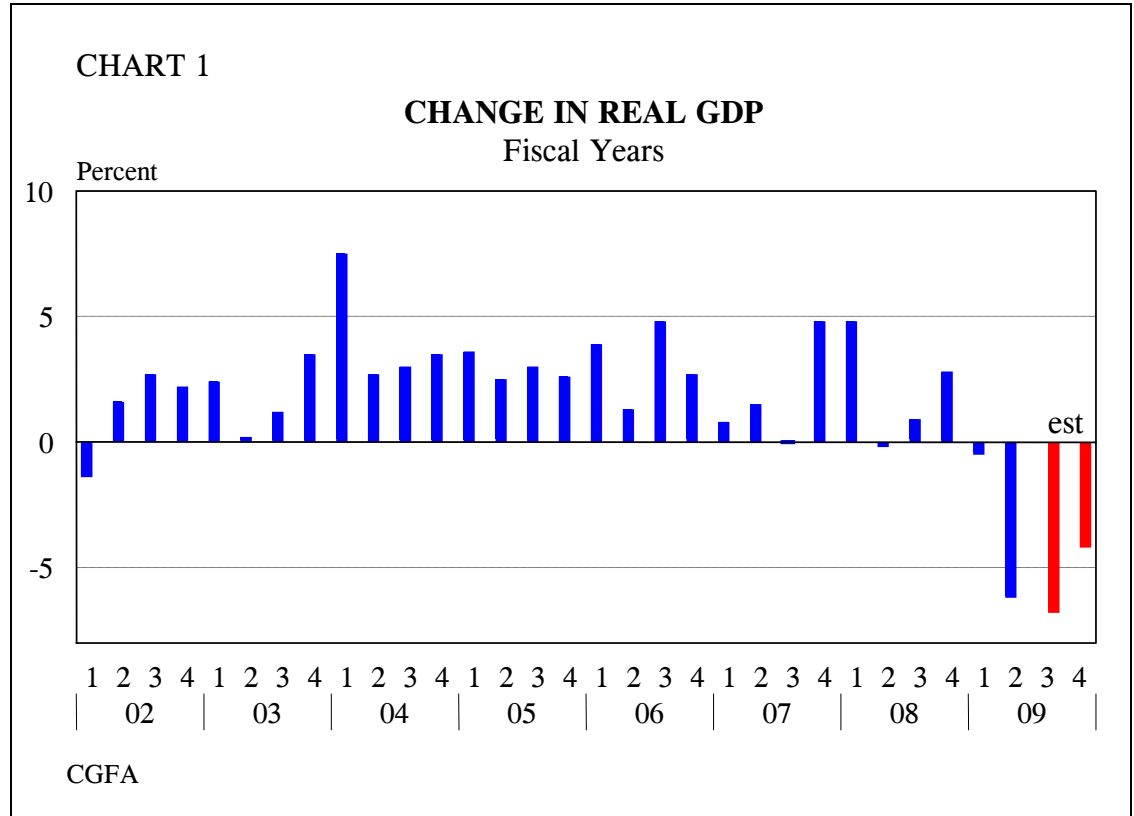
Edward H. Boss, Jr.
Chief Economist

CGFA Background & Responsibilities

- Bi-Partisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State.
- Preparation of annual revenue estimates with periodic updates;
- Analysis of the fiscal impact of revenue bills;
- Preparation of State Debt Impact Notes;
- Periodic assessment of capital facility plans;
- Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;
- Implement the provisions of the State Facility Closure Act;
- Annual estimates of public pension funding requirements and preparation of pension impact notes.

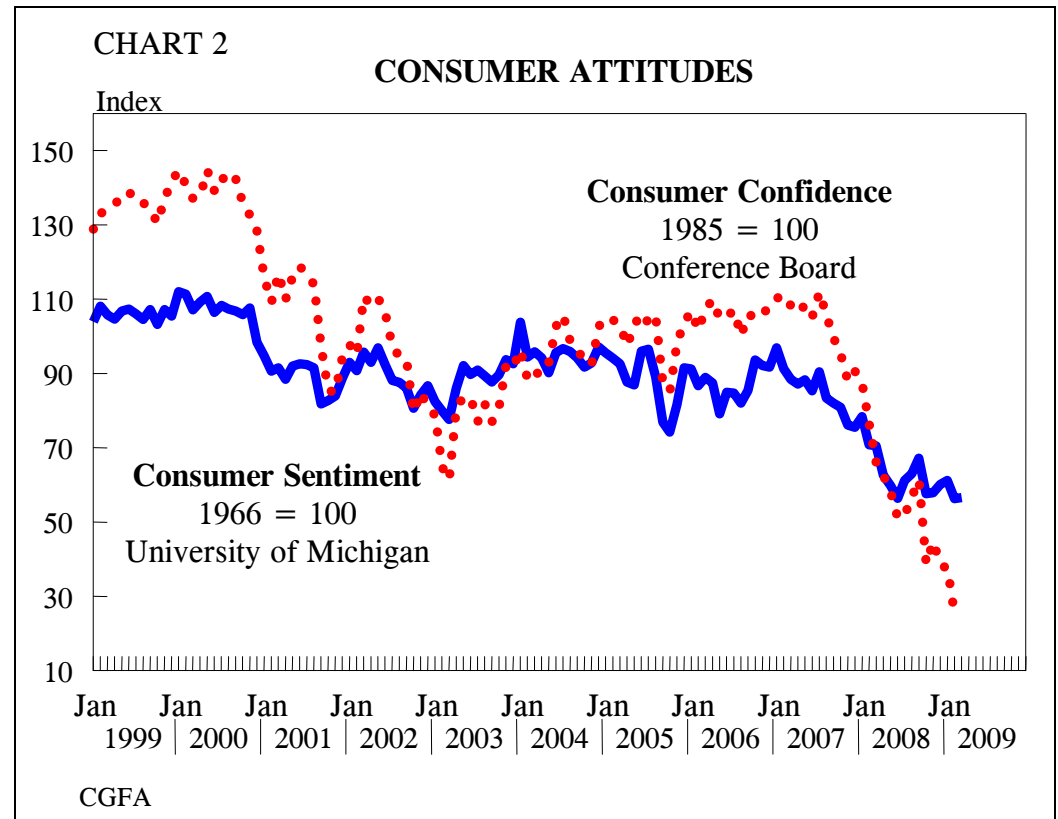
CHANGE IN REAL GDP

- Economic activity in FY 2009 declined in every quarter of the fiscal year, following 2.4% growth in FY 2008. Moreover, the rate of decline in real gross domestic product was particularly sharp in the second half of the year.
- The worsening position of the economy reflected extreme pessimism as unemployment jumped sharply, housing continued to plummet and confidence over government rescue and stimulative programs waned.
- This in turn led to sharp declines in home prices, an increasing number of home foreclosures, the wiping out of a large portion of consumer retirement savings as stock prices erased the gains made over the past decade or more, and a growing number of businesses failed.
- As a result, overall gross domestic product in FY 2009 fell at an estimated 1.8%.



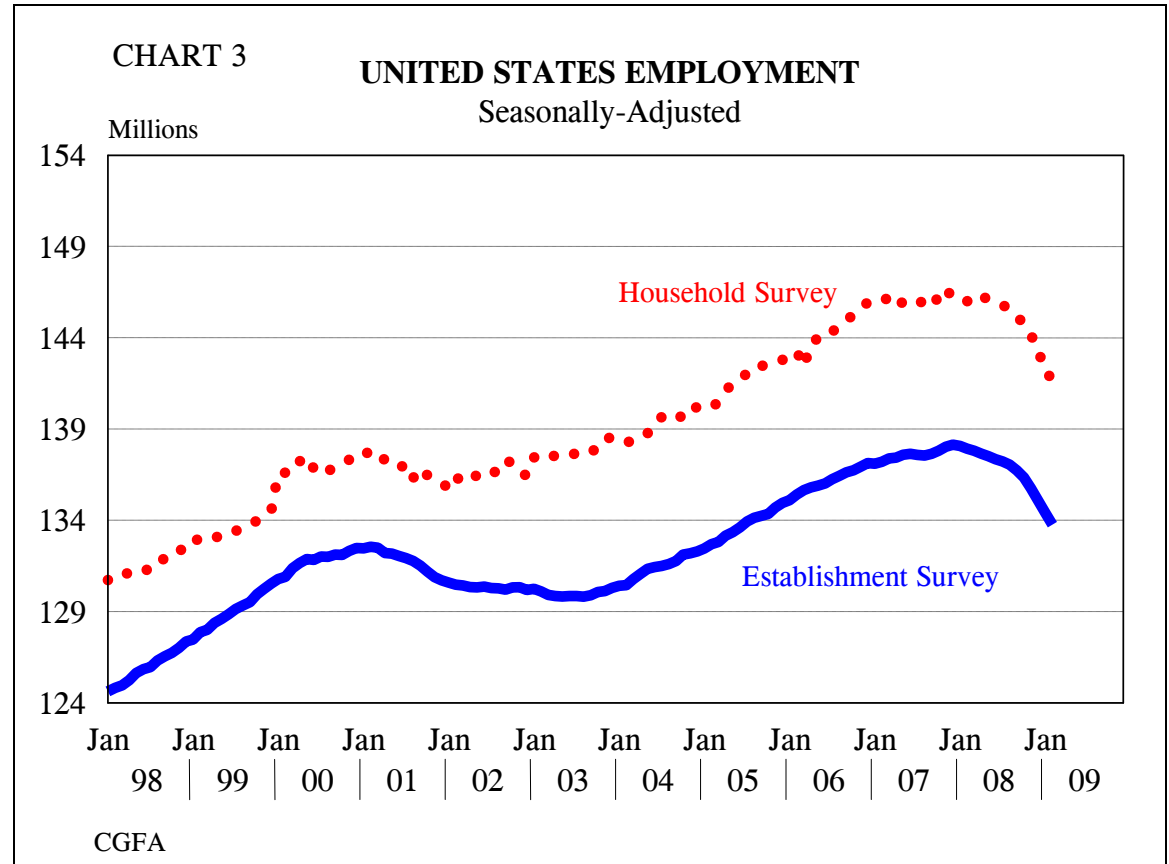
CONSUMER ATTITUDES

- The consumer sector, which generally accounts for two-thirds or more of total spending in the economy, has been weak. Following the worst holiday season spending in years, consumer spending, particularly on long-lasting durable goods remained depressed.
- For example, questions over the viability of the American auto producers led to the slowest sales in almost three decades as new U.S. auto sales fell 41% in February. Weak consumer spending reflects the sharp deterioration in consumer attitudes that show no signs of any near term improvement.
- As shown in Chart 2, consumer attitudes as measured by either the University of Michigan's Consumer Sentiment Index or the Conference Board's Consumer Confidence Index have reached all-time lows.
- While the Consumer Sentiment appears to be leveling out at a low level in recent months, the Conference Board Index continues to plunge. The Consumer Confidence Index stood at 25 in February (1985 = 100) down from 37.4 in January with both the Present Situation and Expectations components decreasing.



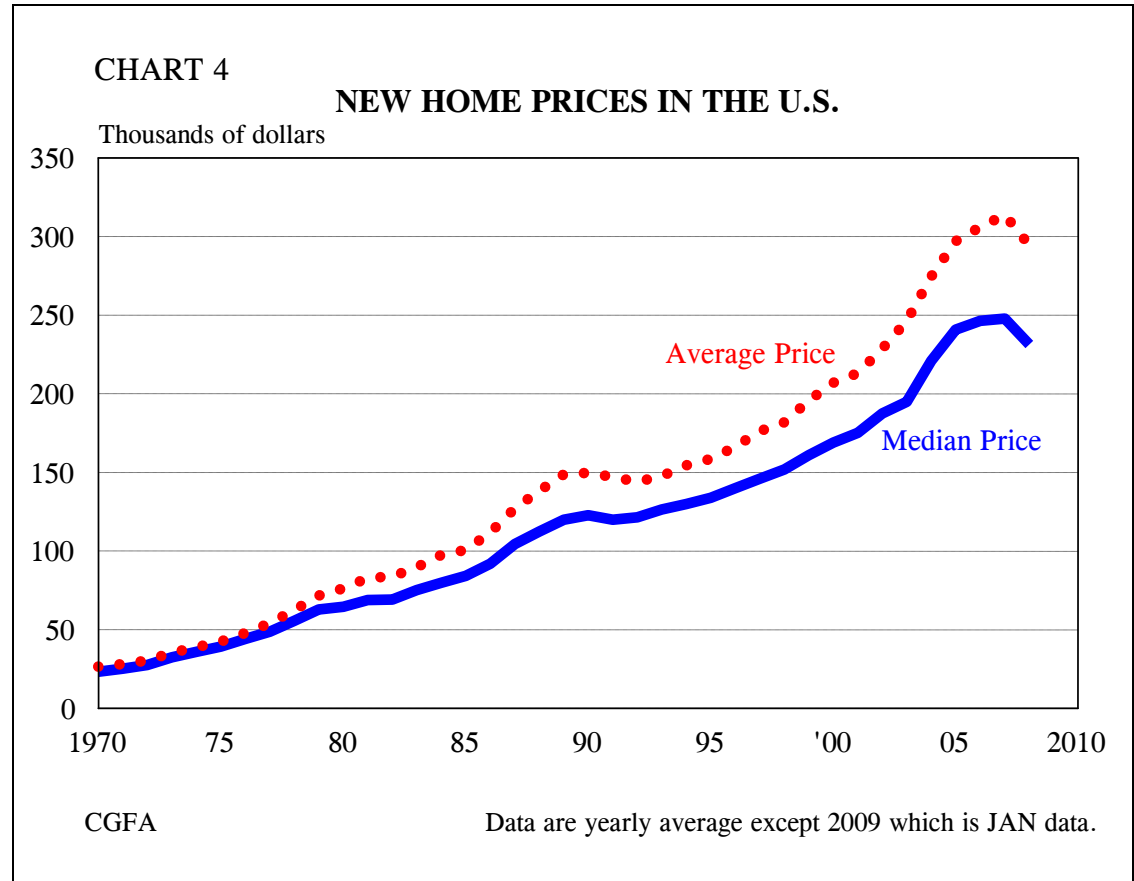
UNITED STATES EMPLOYMENT

- The rising level of job loss is perhaps the major ingredient behind the continuing erosion in consumer attitudes.
- As Chart 3 shows, employment in the United States has been on a decline since the end of 2007, whether measured by the Household Survey, used to measure the unemployment rate, or the more comprehensive Establishment, or Payroll Survey.
- Indeed, in the past 14 months ended in February, 4.4 million payroll jobs have been lost with 1.3 million coming in just the past two months. The increasing rate of falloff in jobs has further weakened confidence, as those still employed fear layoff.
- Moreover, growing concern over job security has led consumers to increase their savings, which in turn has had a dampening effect on consumer spending.



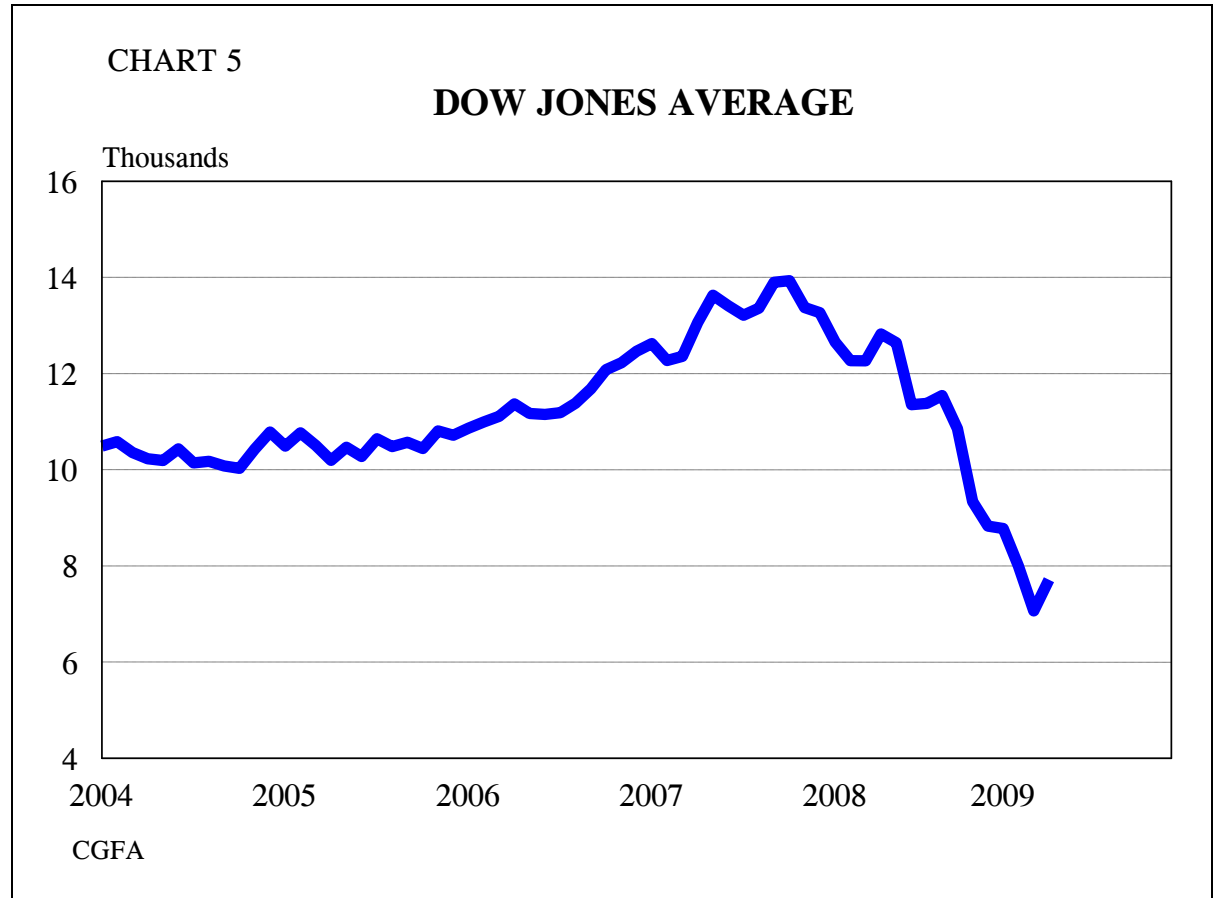
NEW HOME PRICES IN THE U.S.

- A major source of consumer spending in recent years has been achieved through the increased use of home equity loans as home prices continued to increase at a rapid pace. Thus, consumers were using the increased home value to supplement income for various uses from college expenses for their children, to remodeling their homes, to other large-ticket purchases.
- Also as home prices kept rising and interest rates came down, many refinanced their homes, which increased their spendable cash. Indeed, given the continued rise in home prices many found they could purchase a home with little or no down payment and often at a sub prime or adjustment interest rate. This of course came home to roost once home prices stopped increasing.
- Chart 4 shows the average and median price of new homes and the unexpected sharp fall off in the past several months, which put many homeowners under water, increasing foreclosures and adding to the inventory of unsold homes. Home prices in the 4th quarter of 2008 fell at a 13% annual rate that exceeded the fastest rates of appreciation in the bubble years of 2004 and 2005 and median new home prices have fallen by 22% since peaking in 2007.



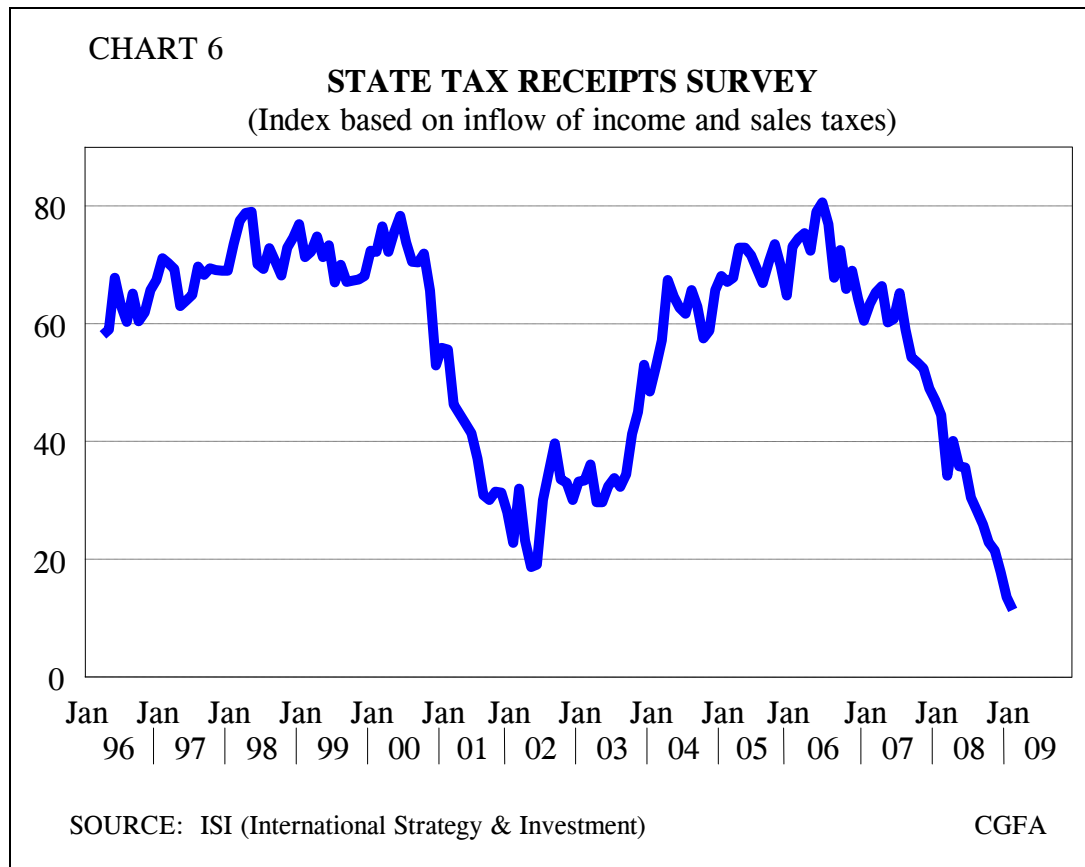
DOW JONES AVERAGE

- Not only has consumer net worth been reduced by the declining value of real estate, but also the financial crises have sharply reduced the value of their investments.
- Chart 5 shows the plunge in equity prices as measured by the Dow Jones Average since 2007. Indeed, by early March, the Dow had reached the lowest level in 12 years, reaching half its earlier peak value, although there has been some improvement in recent weeks.
- Thus, as pointed out, many 401K accounts were first being referred to as 201Ks and more recently 101Ks. It's no wonder that the combination of reduced home values and equity prices have caused the consumer to show increasingly reduced confidence, particularly given the uncertainty of keeping a job as well as if or when the current government financial rescue and stimulative programs will work.



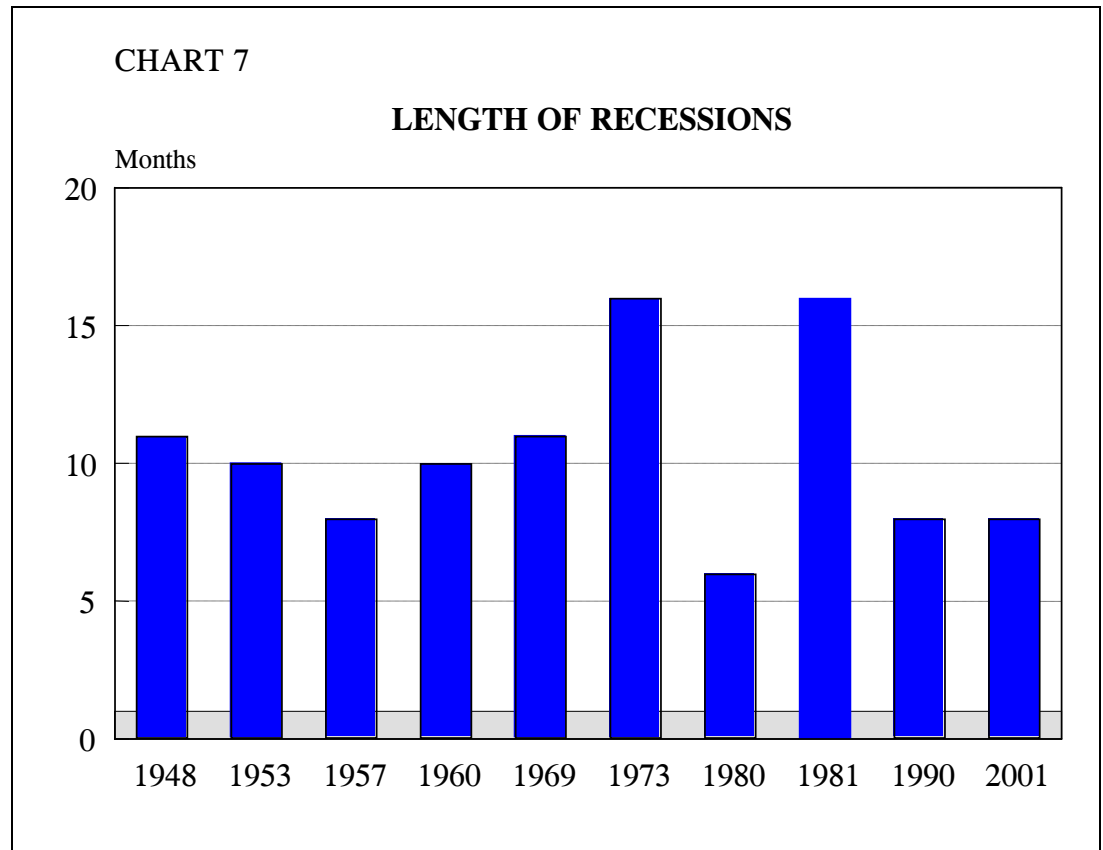
STATE TAX RECEIPTS SURVEY

- The loss of jobs was a major factor reducing sales taxes as well as income taxes, which were further weakened by declining corporate profits.
- The sharp decline in State receipts is depicted in Chart 6 that is based upon data from 16 states –including Illinois– that have diverse geographic and population characteristics.
- In February for the second straight month, all portions of the ISI State Tax Survey experienced declines. Personal income receipts were extremely soft as sales receipts continued to decline. Business receipts held up better, but as the report states... “February is not traditionally a big month for corporate receipts and caution that a more significant decline may be on the horizon”.
- *The index for overall receipts for February was at 11.4; an all time low since the index measure was begun. While Illinois mirrors the national pattern, it often lags the general trend and, therefore, further moderation in revenue inflows from economic sources can be expected to continue well into the next fiscal year.*



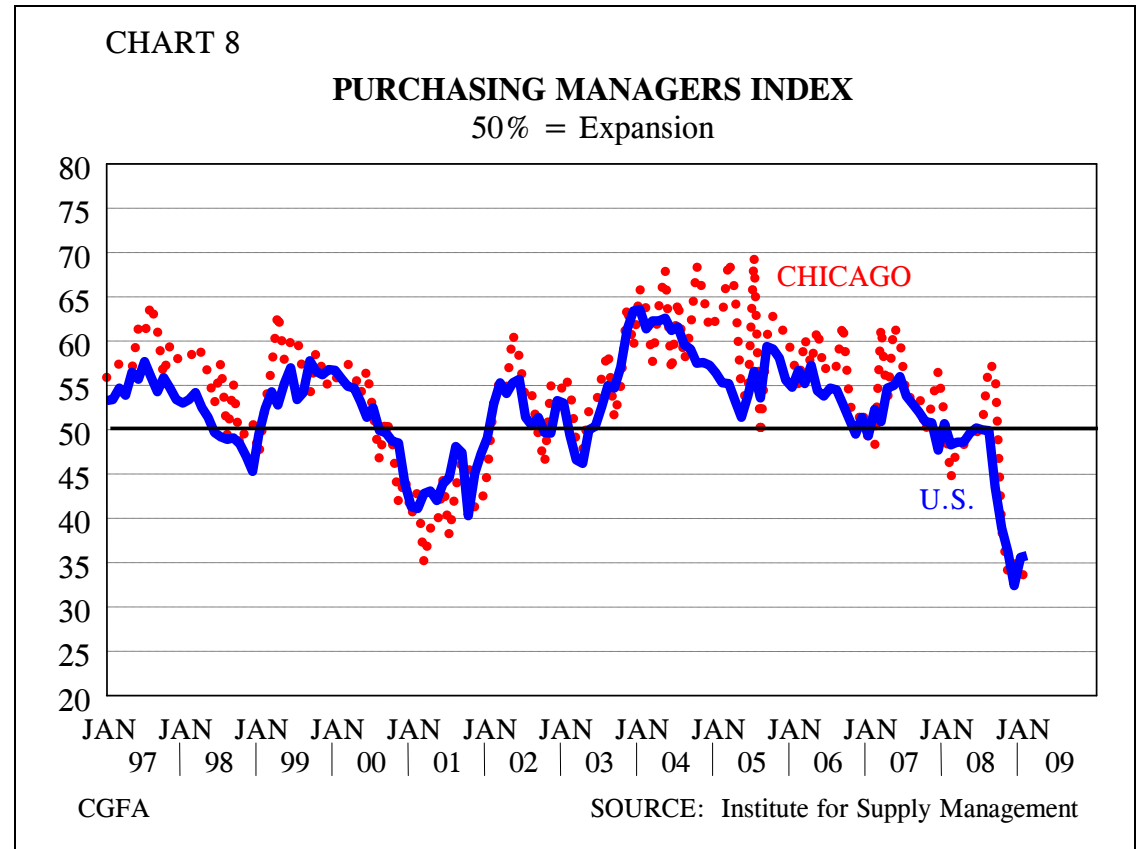
LENGTH OF RECESSION

- While it is now officially established that a recession began at the end of 2007, the question now becomes how long and deep it will be.
- Chart 7 shows the 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 each lasted 8 months, while the recessions in 1973 and 1981 were twice as long, each lasted 16 months. The shortest recession was 6 months in 1980, while the longest starting in 1929 lasted 43 months.
- The current recession already is 15 months old, and while more in line with those of 1973 and 1981, it is highly probable that the current recession will surpass those two in length.
- With this in mind, the outlook for FY 2010 is likely to continue to weaken in the first half of the year followed by some modest improvement in the second half of the year. While this implies a recovery starting in the next fiscal year, the shape of that recovery is likely to be U rather than V in shape.



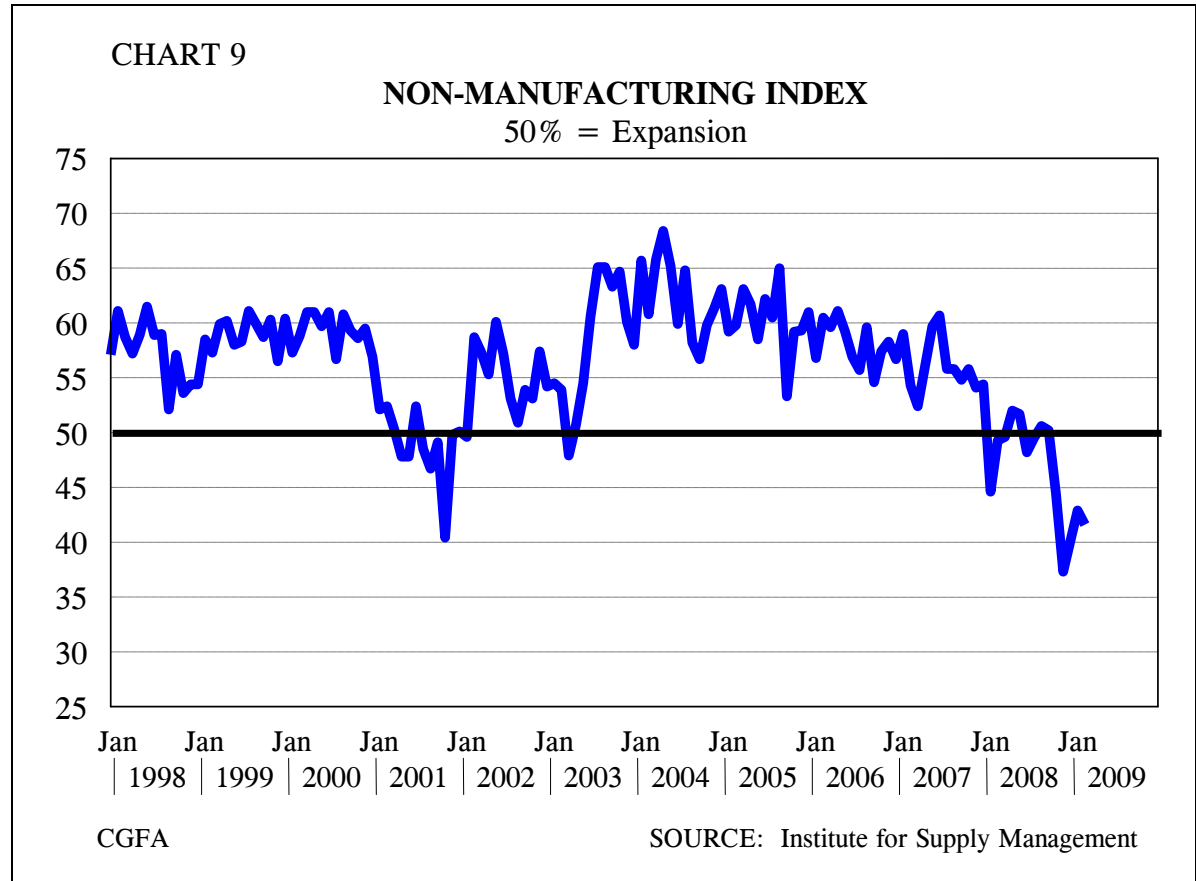
PURCHASING MANAGERS INDEX

- As mentioned earlier, the consumer accounts for the majority of spending in the economy and this has deteriorated sharply. Latest data, however, at least give a hint of perhaps bottoming out.
- Indeed, excluding auto and auto part sales, retail sales rose 0.7% in February after a 1.6% increase in January. The sales pattern is a large factor accounting for the continued sharp decline in manufacturing.
- Chart 8 shows the index of manufacturing has been in contraction, registering an index number of less than 50%, in 12 of the past 15 months and has been in the 30% area in the past 5 months. The Chicago area has mirrored the national figures.



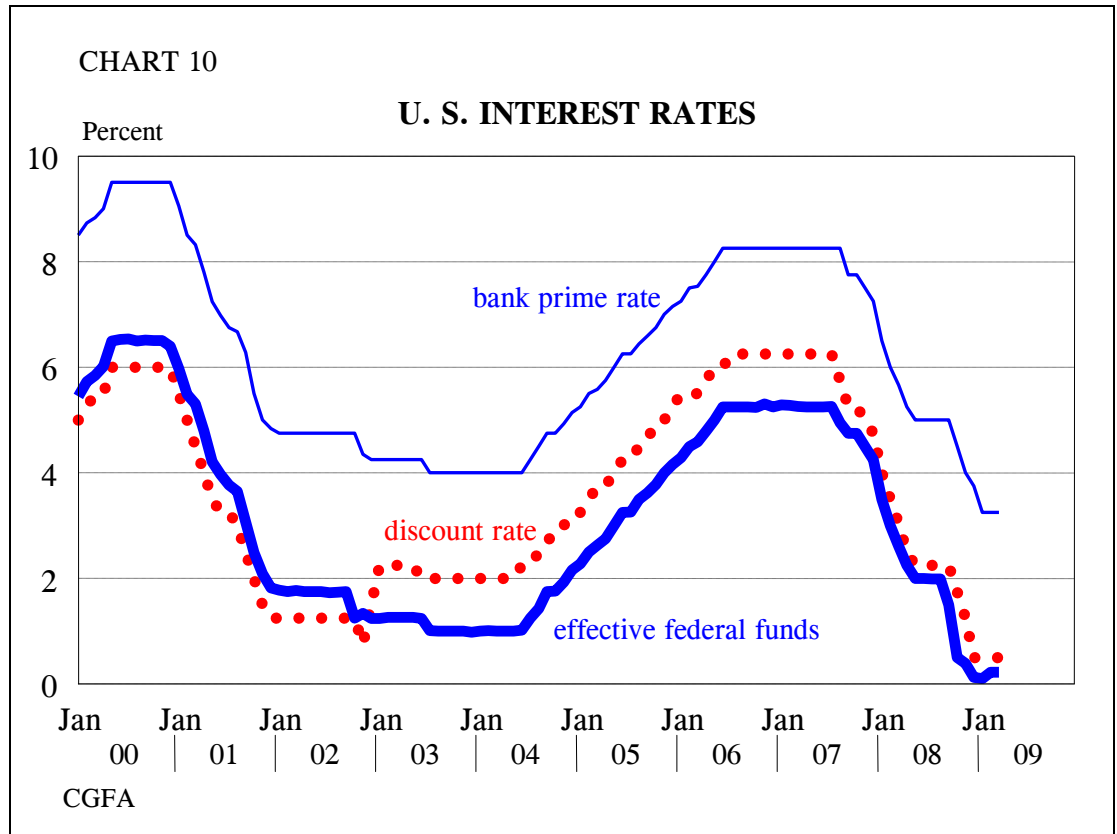
NON-MANUFACTURING INDEX

- The decline in activity has been widespread. Chart 9 takes a look at the growing service sector of the economy.
- Economic activity in the non-manufacturing sector contracted in February, registering 41.6%, 1.3 percentage points lower than the 42.9% registered in January, indicating contraction in the non-manufacturing sector for the fifth consecutive month at a slightly faster rate.
- The decline in the current recession has far surpassed that of the last.



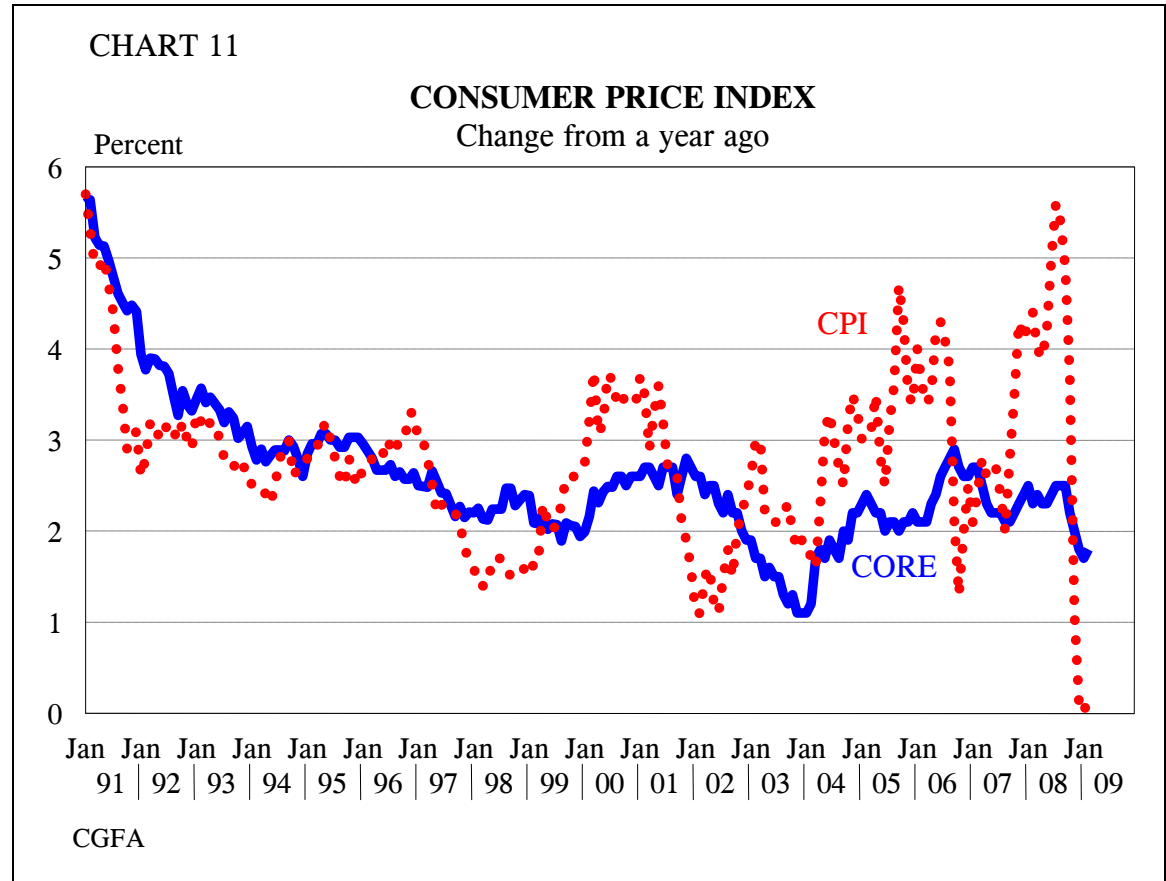
U.S. INTEREST RATES

- A turnaround in consumer spending and a return to expansion from contraction in the manufacturing and non-manufacturing sectors of the economy leading to an improvement in jobs may well lie in the success of the dramatic changes underway in fiscal and monetary policies. The federal government stimulative programs have yet to be fully implemented, although earlier actions to rescue the financial system have had a positive effect on the credit markets.
- In contrast, the Federal Reserve Board began lowering key monetary policy interest rates since the summer of 2007. As shown in Chart 10, an acceleration in the decline to meet the credit crisis came in late 2008 when the federal funds rate was lowered to a range of 0% to 0.25%.
- In addition to interest rate declines, the Federal Reserve took a myriad of other actions such as increasing the limits on bank insured CDs, extending that privilege on a temporary basis to money market funds, aided in unfreezing the commercial paper market, etc.



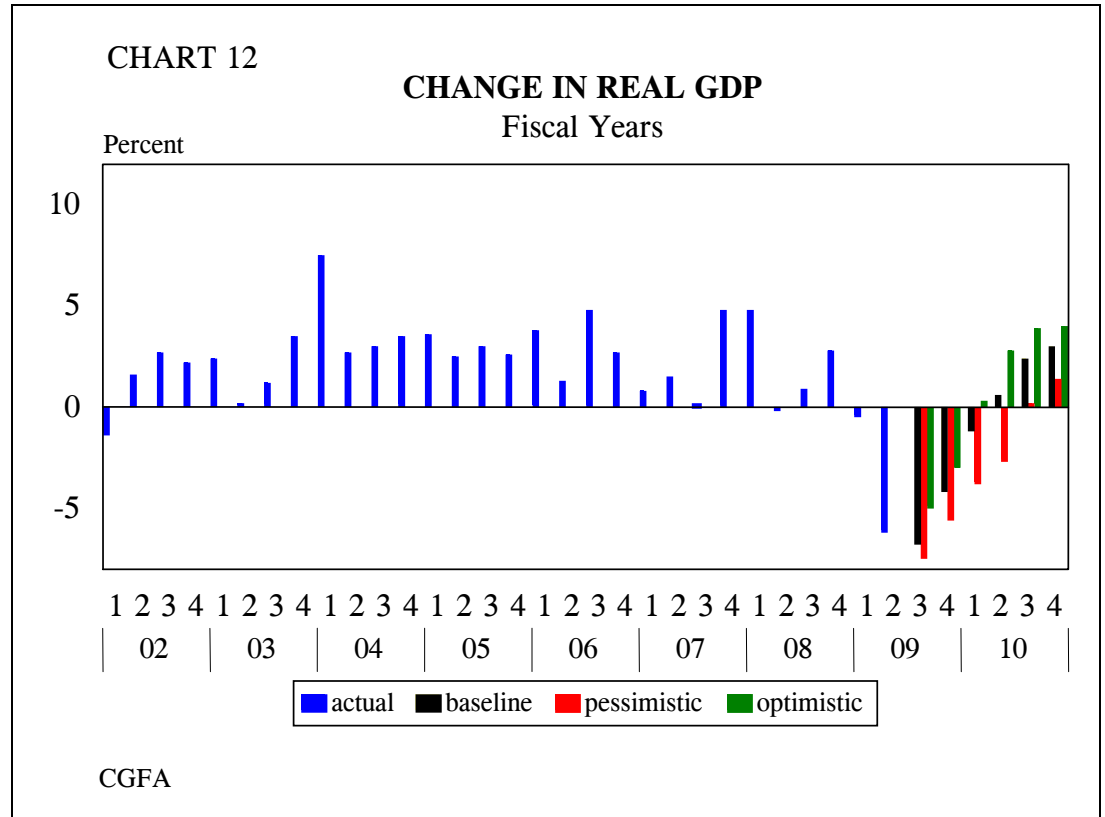
CONSUMER PRICE INDEX

- While monetary policy is in position to stimulate the economy, it must be sensitive to the potential inflationary pressures it could generate once the economy resumes a path of growth. Too often in the past the Federal Reserve has overstayed its policy stance only to have to make severe corrections later.
- Right now, however, there is more concern over deflation, or a general decline in the prices stemming from the world wide recession underway.
- As shown in Chart 11, consumer prices had taken a nosedive, showing 0.2% in February following no change from a year earlier the month before and even the core rate, that excludes food and energy, rose only 1.8%.



CHANGE IN REAL GDP

- Chart 12 shows three alternative forecasts of the U.S. economy in the upcoming FY 2010. The **BASELINE** shows the most likely solution with a 60% chance of occurrence. This forecast has the economy continuing to fall in the first quarter of FY 2010 followed by slow but steady increases through the remainder of the year.
- A more **OPTIMISTIC** scenario, with a 20% change of happening, shows improving growth in all four quarters of next year and assumes success in the effects of the various stimulative programs.
- Finally, a **PESSIMISTIC** alternative is provided, also with a 20% chance, whereby the economy continues to decline and at greater rates in the first half of FY 2010 before flattening out in the third quarter with a meager gain at year end.
- *By any of these scenarios it indicates a recession that is longer term than anything experienced during post war periods although falling far short of the prolonged period of the Great Depression.*



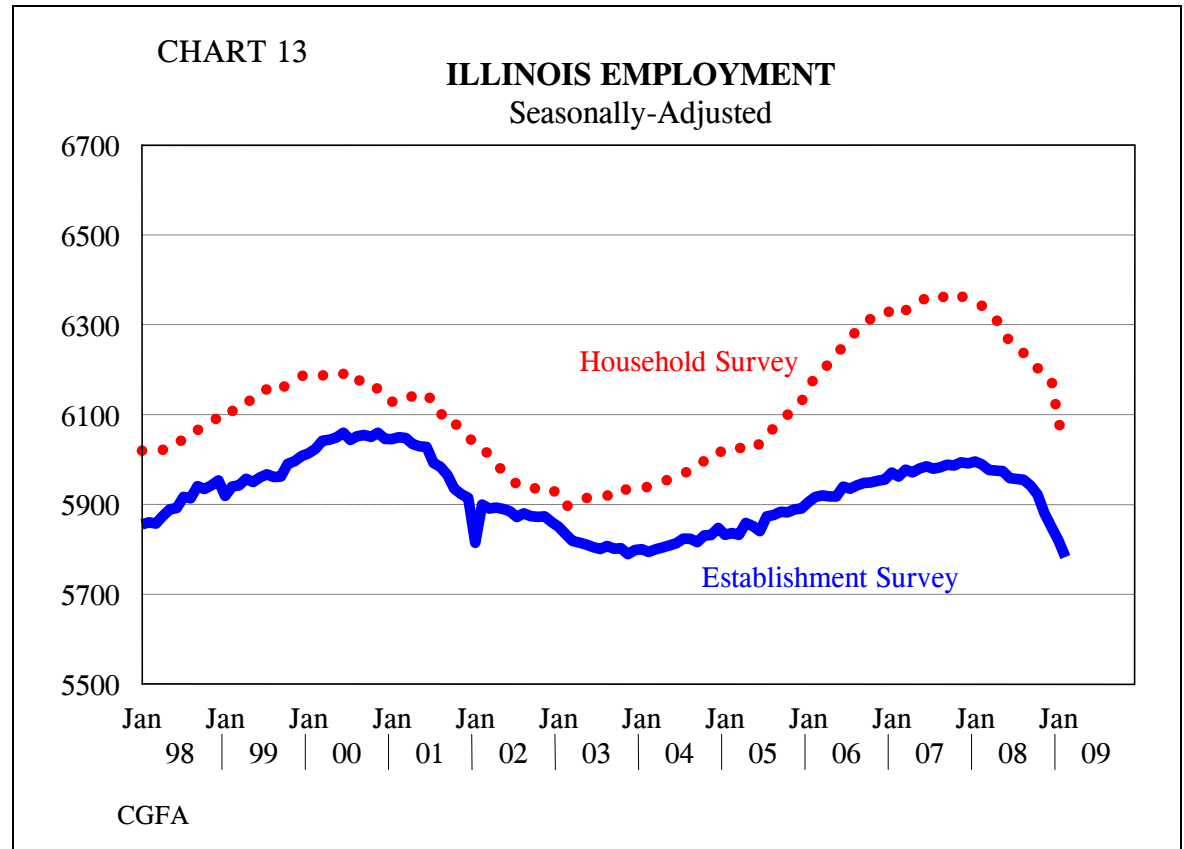
BASELINE FORECAST - MARCH 2009

(\$ Change from prior year levels)

REAL (2000\$)	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Estimated
Gross Domestic Product	3.1	3.0	2.0	2.4	-1.8	-0.8
Personal Consumption	3.3	3.1	3.0	1.9	-1.6	0.8
Durable	5.2	4.0	4.9	2.2	-10.0	1.4
Nondurable	3.2	3.8	3.1	1.5	-3.4	0.6
Services	2.9	2.5	2.6	2.1	0.9	0.8
Fixed Investment	8.5	4.5	-3.8	-4.1	-16.1	-14.5
Exports	9.0	7.6	8.3	12.3	-5.5	-11.6
Imports	7.6	6.2	2.7	-0.3	-10.4	-4.6
Government	0.6	1.1	1.7	2.5	2.4	0.6
Federal	2.8	1.7	1.3	4.2	6.8	3.6
State & Local	-0.4	0.6	2.0	1.9	0.0	-1.2
OTHER MEASURES						
Personal Income (Current \$)	6.3	6.3	6.6	5.3	2.0	0.2
Personal Consumption (Current \$)	6.1	6.4	5.4	5.2	-0.2	0.3
Before Tax Profits (Current \$)	20.4	14.2	7.3	-3.6	-17.7	-4.2
Consumer Prices	3.0	3.8	2.6	3.7	1.0	-0.8
Unemployment Rate (Average)	5.3	4.8	4.5	4.9	7.5	10.0

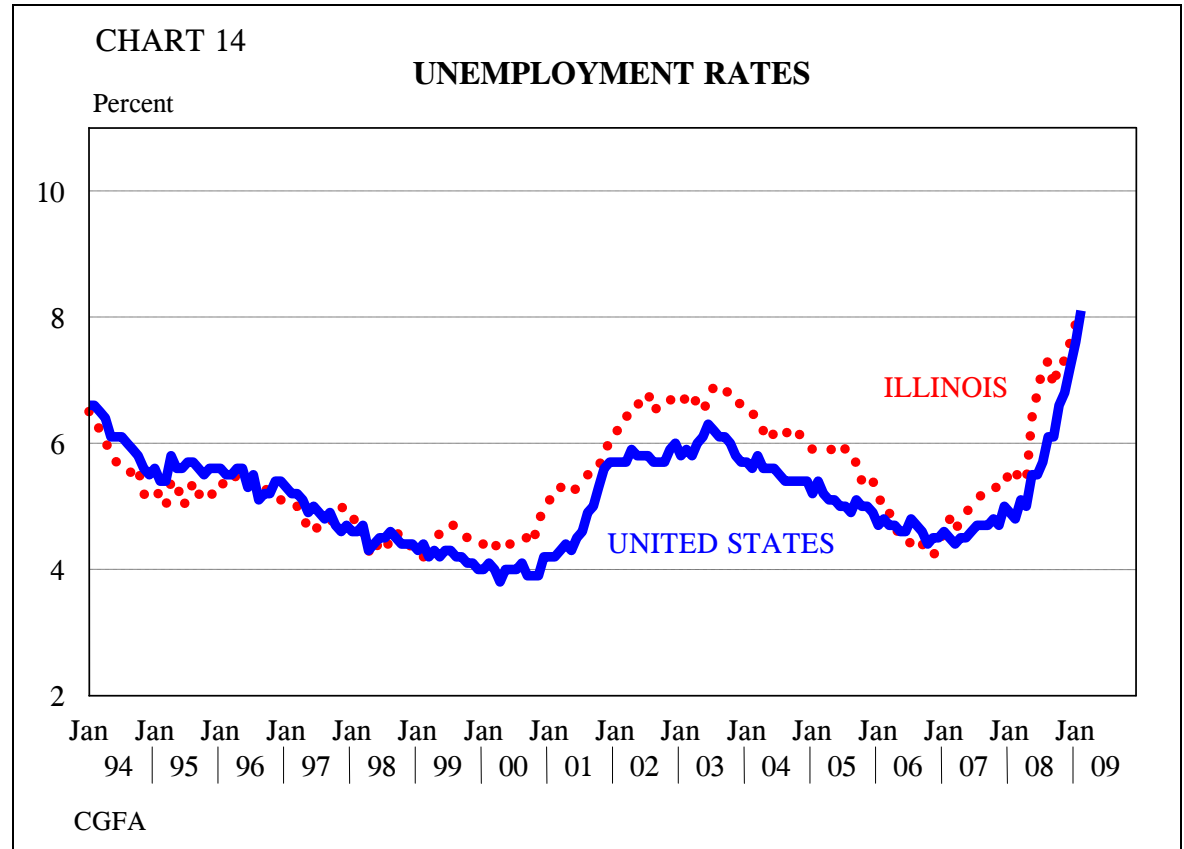
ILLINOIS EMPLOYMENT

- The Illinois economy is in recession and as stated in the State Economic Outlook done for the Commission by Moody's/Economy.com, "The State's economy held up slightly longer than the U.S. economy but succumbed during the second half of last year."
- This confirms the historical pattern of the Illinois economy that tends to lag the nation in economic cycles. For example, as shown in Chart 13, the decline in payroll employment, which had held up throughout most of last year, has plunged in recent months.
- Thus, while national payroll employment fell 3% in the 12-month period ended February 2009, Illinois' payrolls fell by a sharper 3.5%.



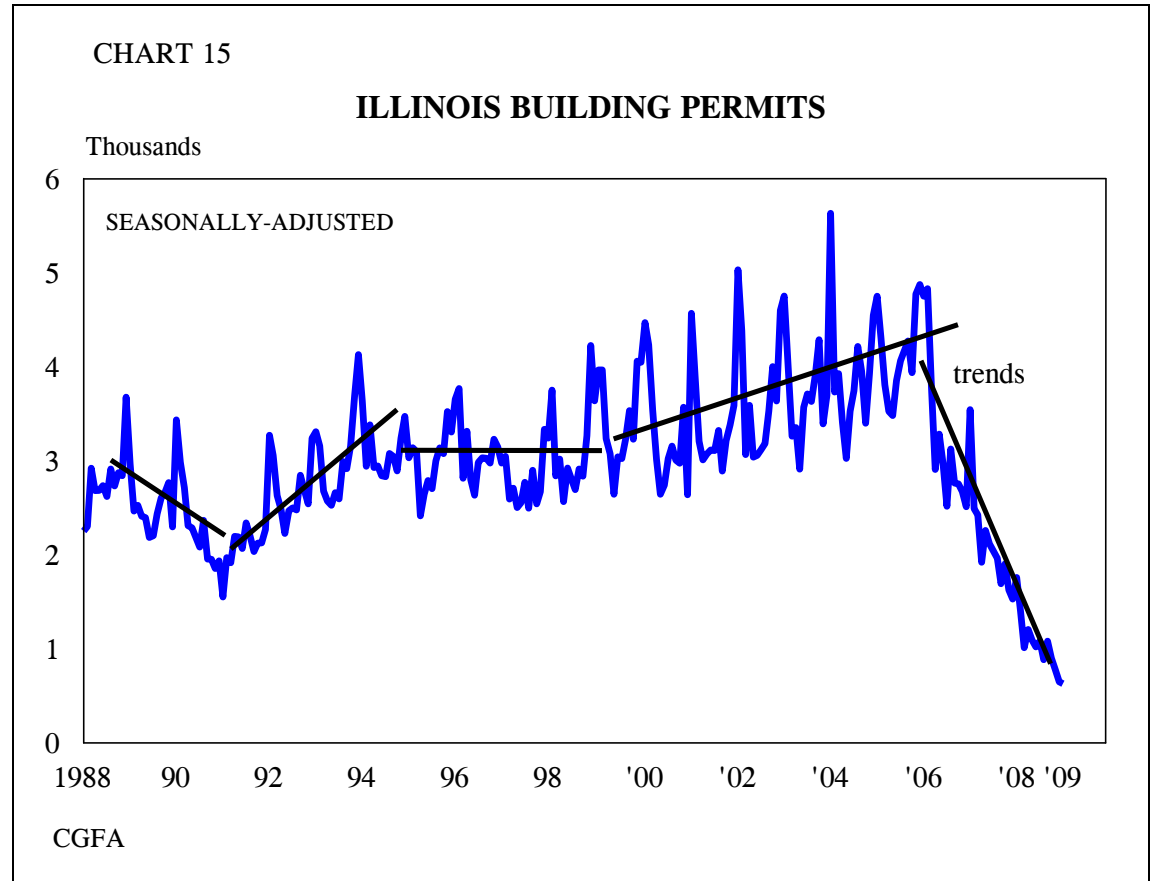
UNEMPLOYMENT RATES

- As a result, as shown in Chart 14, Illinois' unemployment rate, which for a brief period in 2006 inched below the national unemployment rate, has risen above that rate.
- This repeats the pattern from the late 1990s through 2005 when the State unemployment rate, although trending coincidentally with the national rate, held consistently above it.
- In February, Illinois' unemployment rate was 8.6% compared to 8.1% nationally.



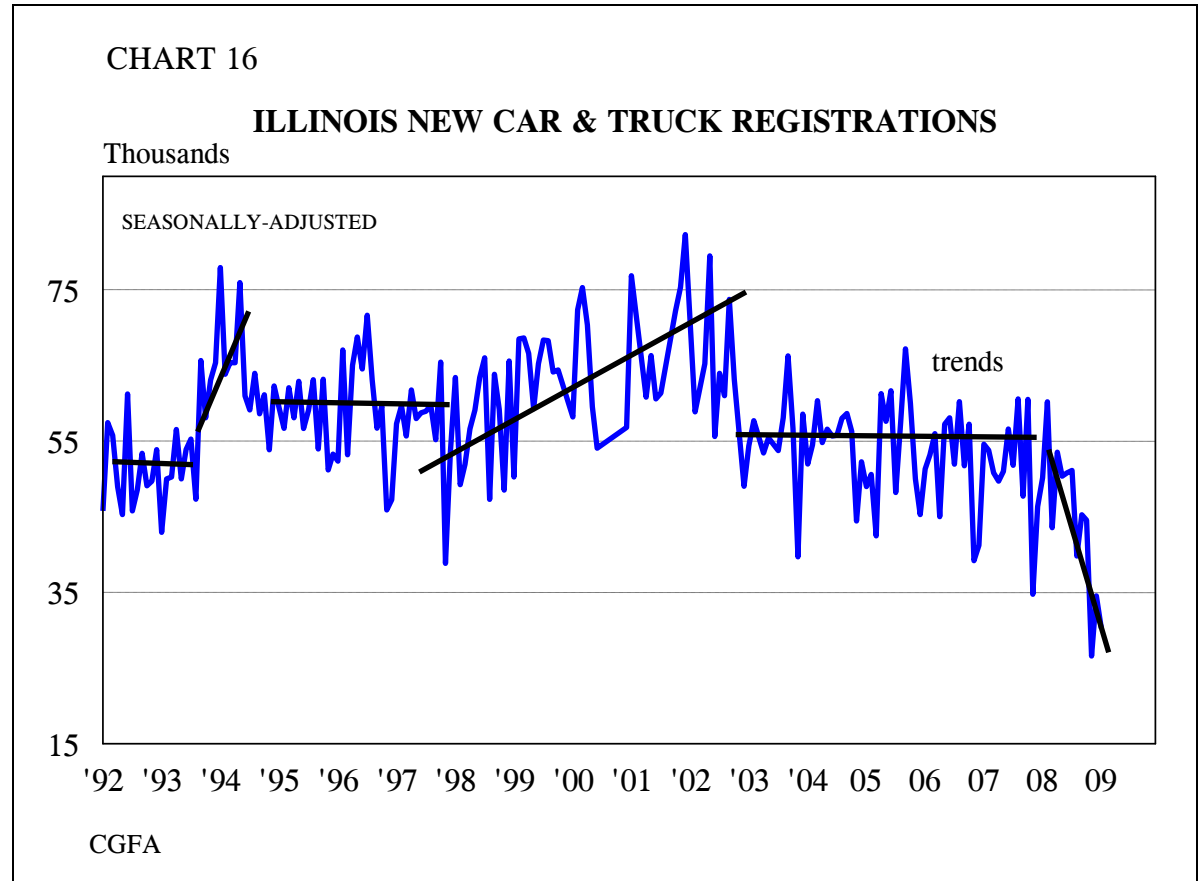
ILLINOIS BUILDING PERMITS

- Many of the same severely hit areas of the national economy have been felt in Illinois either to the same or greater degree. Certainly housing has been hit hard.
- Chart 15 shows permits for single-family homes in the State that have hit levels not seen in decades. Moreover, since permits must be issued before construction can start, it is a leading indicator of new housing activity. This suggests the decline is not yet over.
- While the State has not seen the sharp drop in housing prices seen in some parts of the country such as Las Vegas, Florida, and other areas where the housing bubble was most extreme, neither has it been immune.



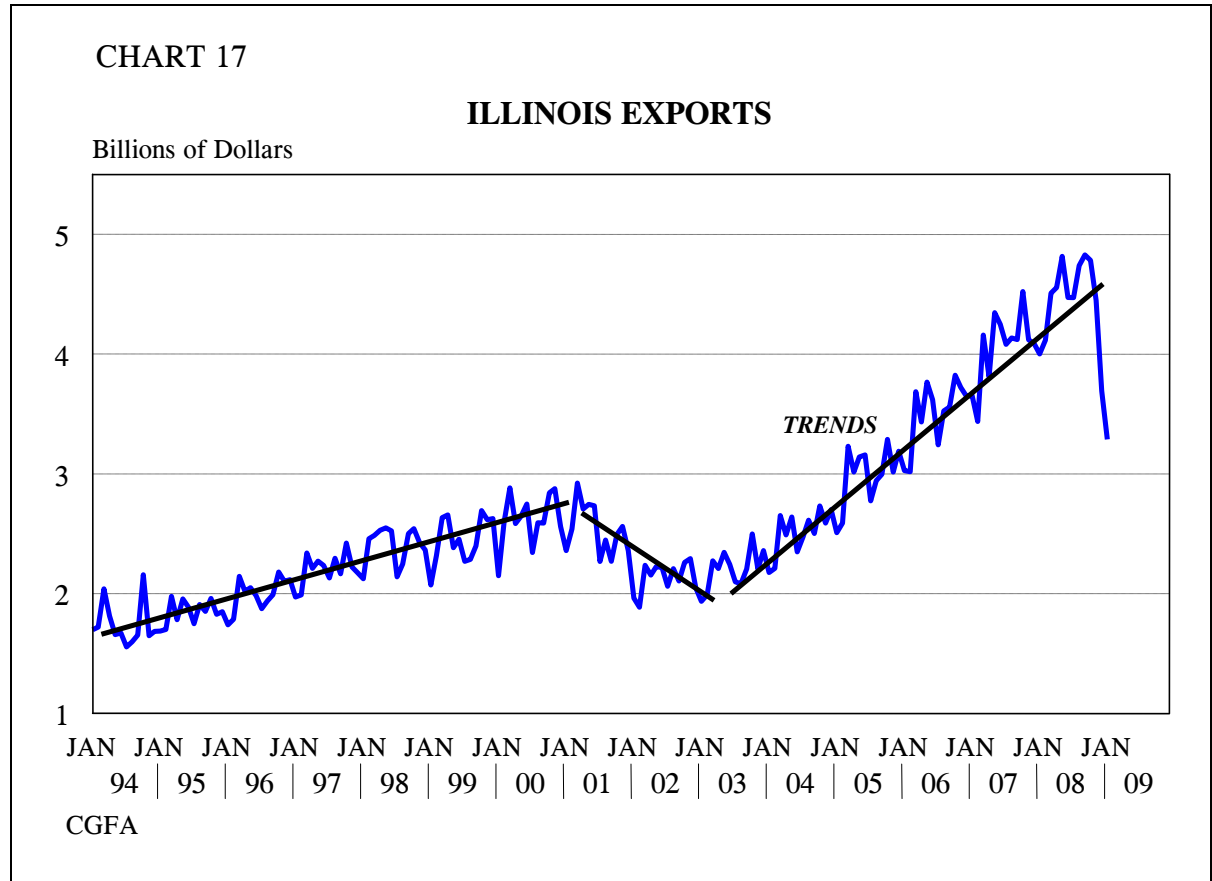
ILLINOIS NEW CAR & TRUCK REGISTRATIONS

- Similarly, fewer people employed, the inability to get credit, and problems in the automobile industry have been felt in Illinois.
- Chart 16 shows new car and truck registrations in Illinois. These sales have fallen to levels not seen in decades. Moreover, there are no signs of any near term change in direction.
- Similarly, auto parts and manufacturers within the State including Ford in Chicago, Chrysler in Belvidere and Mitsubishi in Normal have been hit hard and are not expected to rebound for some time.



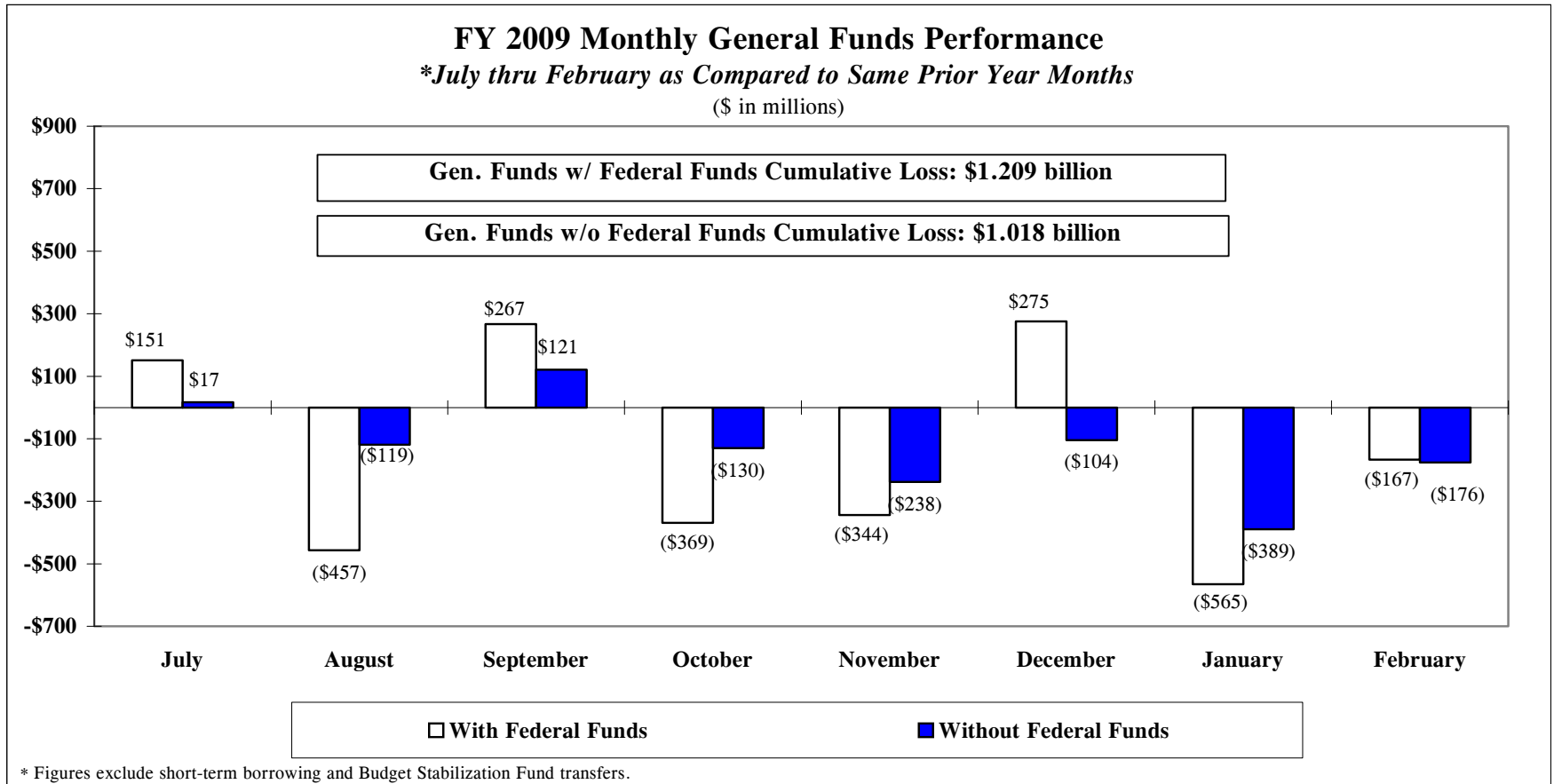
ILLINOIS EXPORTS

- Finally, a major uplift to the Illinois economy has been its growth in exports. Illinois ranks fifth in the nation's exports.
- These exports had been on a strong up trend from 2003 until late fall of 2008. A rise in the value of the U.S. dollar and deep recession abroad, however, quickly have changed that trend.
- Indeed by January 2009, Illinois exports fell sharply to levels not seen since the summer of 2006. Thus one reason for the sober outlook for the State is that exports can no longer be relied on as a support to its economy.
- *In conclusion, according to Moody's/Economy.com, 97% of the variation in the Illinois economy is related to variations in the national economy. Even so, there has been a tendency for Illinois to lag during economic cycles and thus may continue to do somewhat worse than the nation in the period immediately ahead.*



FY 2009 REVENUE RECAP

Through the first two-thirds of FY 2009, overall base revenues are down \$1.209 billion. The decline is primarily attributed to general overall weakness, coupled with \$264 million less from transfers, and \$191 million less from federal sources. A number of items are serving to restrict revenue growth in FY 2009 (i.e. increased refund percentage, lower miscellaneous transfers, reduced Cook County IGT, less from riverboat transfers, returns from interest income, no expected growth from base federal sources). Those items, when combined with an economy now in recession, are causing already difficult budgetary pressures to build.



INDIVIDUAL SOURCE PERFORMANCE TO DATE

The most closely related economic sources continue their dismal performance. Unfortunately, worsening economic conditions suggest that even these rates of decline will struggle to be maintained over the remainder of the fiscal year.

- Interest income has plunged due to lower rates of return and fewer investable balances. With rates expected to remain flat or possibly fall further, prospects of any improvement are dim.
- Riverboat transfers continue to falter. A combination of a slowed economy, the indoor smoking ban, competition from other states, and recent fire at the Joliet Empress, have conspired to erode performance.
- Other transfers are down due to timing resulting from last year's hospital assessment program as well as other miscellaneous transfers. *While approximately \$221 million in fund transfers were approved to occur in FY 2009, those monies are being transferred into the FY 2009 Budget Relief Fund, not the general funds.*

GENERAL FUNDS RECEIPTS: YEAR TO DATE				
<i>FY 2009 vs. FY 2008</i>				
<i>(\$ million)</i>				
<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	\$6,521	\$6,651	(\$130)	-2.0%
Corporate Income Tax (regular)	848	923	(\$75)	-8.1%
Sales Taxes	4,672	4,850	(\$178)	-3.7%
Public Utility Taxes (regular)	750	750	\$0	0.0%
Cigarette Tax	234	234	\$0	0.0%
Liquor Gallonage Taxes	109	110	(\$1)	-0.9%
Vehicle Use Tax	18	21	(\$3)	-14.3%
Inheritance Tax (Gross)	190	256	(\$66)	-25.8%
Insurance Taxes and Fees	156	173	(\$17)	-9.8%
Corporate Franchise Tax & Fees	134	149	(\$15)	-10.1%
Interest on State Funds & Investments	50	145	(\$95)	-65.5%
Cook County IGT	159	193	(\$34)	-17.6%
Other Sources	263	277	(\$14)	-5.1%
Subtotal	\$14,104	\$14,732	(\$628)	-4.3%
Transfers				
Lottery	377	416	(\$39)	-9.4%
Riverboat transfers & receipts	320	429	(\$109)	-25.4%
Other	211	327	(\$116)	-35.5%
Total State Sources	\$15,012	\$15,904	(\$892)	-5.6%
Federal Sources	\$2,852	\$3,043	(\$191)	-6.3%
Total Federal & State Sources	\$17,864	\$18,947	(\$1,083)	-5.7%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$636)	(\$515)	(\$121)	23.5%
Corporate Income Tax	(\$148)	(\$143)	(\$5)	3.5%
Subtotal General Funds	\$17,080	\$18,289	(\$1,209)	-6.6%
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	\$18,806	\$20,065	(\$1,259)	-6.3%

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

CGFA

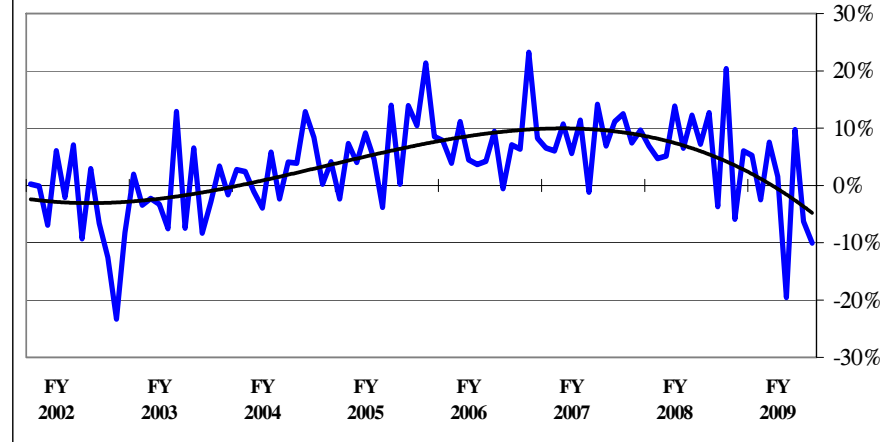
27-Mar-09

ONEROUS TRENDS

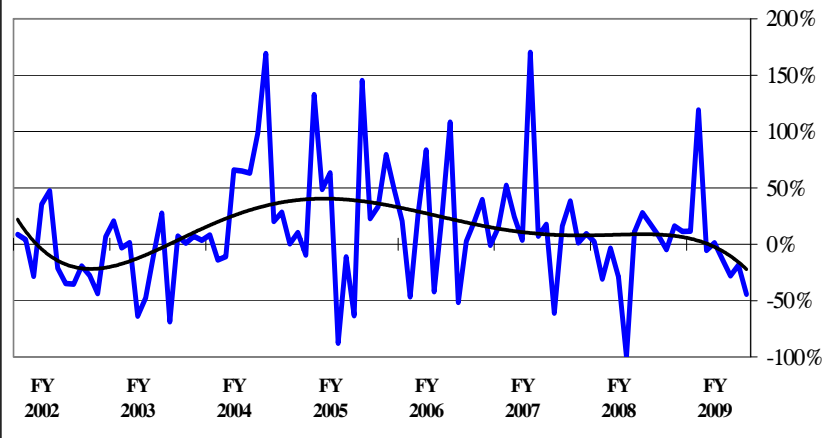
Gross personal income tax receipts are down 2.0% over the first eight months of the year, as shown in the accompanying chart. Based on monthly year-over-year percent change, the trend is markedly down.

Similarly, year-over-year percent change by month for both corporate income tax as well as sales tax point to worsening receipt patterns. Corporate profits have been decimated over recent months, while consumer sentiments have eroded to record low levels, neither of which bode well for the remainder of the year.

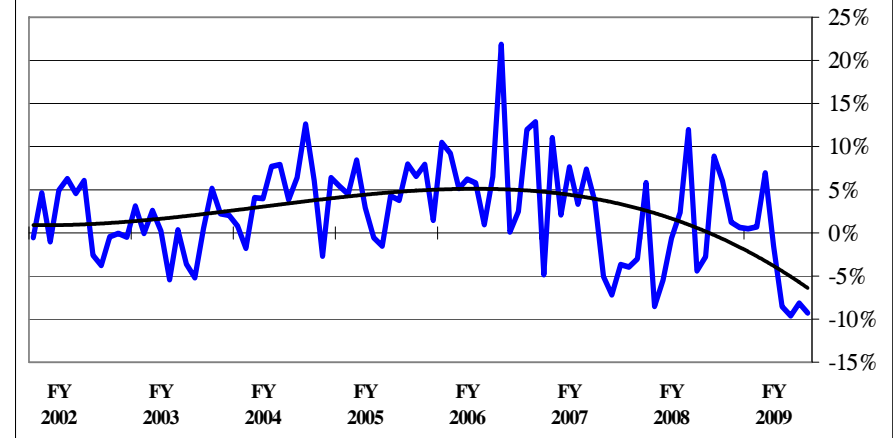
Personal Income Tax Revenues
Year-Over-Year Percent Change by Month



Corporate Income Tax Revenues
Year-Over-Year Percent Change by Month



Sales Tax Revenues
Year-Over-Year Percent Change by Month



FY 2009 GENERAL FUNDS ESTIMATE

As shown in the accompanying table, 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 further accelerate 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.

FY 2009 CGFA ESTIMATE & FY 2008 ACTUALS				
(millions)				
	CGFA FY 2009	ACTUAL	\$	%
Revenue Sources	Estimate March-09	FY 2008	Difference	Difference
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 ESTIMATE COMPARISON: CGFA vs. GOMB

As shown, 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.

Rates Needed to Reach Updated Estimates Over Remainder of FY 2009			
Revenue Source	YTD [Feb.]	CGFA	GOMB
Personal (gross)	-2.0%	-10.1%	-13.7%
Corporate (gross)	-8.1%	-25.5%	-28.9%
Sales	-3.7%	-11.1%	-15.3%
Lottery tranfers	-9.4%	-5.4%	2.9%
Riverboat transfers	-25.4%	-11.5%	11.1%
Other transfers	-35.5%	-8.8%	3.4%

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.			

REVENUE SHORTFALL: Revised FY 2009 Estimates vs. Enacted Budgeted Expectations

Unofficially, the FY 2009 budget was based upon revenues of \$30.451 billion which assumed \$792 million growth. Below and at right, GOMB's revised estimate of \$27.171 billion is \$3.280 billion less than those budgeted figures, or \$1.126 billion less when \$2.154 billion in Federal stimulus is included. Comparable CGFA figures are \$3.095 billion and \$941 million, respectively.

Forecast of FY 2009 Revenue Shortfalls Compared to Enacted Revenue Assumptions \$ millions

<u>Downward Pressure</u>	<u>CGFA</u>	<u>GOMB</u>
Personal Income Tax	\$866	\$1,015
Corporate Income Tax	\$452	\$487
Sales Tax	\$557	\$658
Other Misc. Taxes	\$144	\$137
Loss of 10th License	\$575	\$575
Transfers [total]	\$407	\$314
Federal [base]	\$94	\$94
Total Downward Pressures	\$3,095	\$3,280
Anticipated Federal Stimulus	\$2,154	\$2,154
Net Revenue Shortfall	\$941	\$1,126

NOTE: Excludes \$200 million proposed fund sweeps.

<i>GOMB [March-09] vs. Unofficial Enacted FY 2009 Budget (per GOMB)</i>				
(millions)				
<u>Revenue Sources</u>	<u>GOMB FY 2009 Estimate March-09</u>	<u>Unofficial FY 2009 Budget Assumptions Estimate Aug-08</u>	<u>\$ Difference</u>	<u>% Difference</u>
State Taxes				
Personal Income Tax	\$10,434	\$11,559	(\$1,125)	-9.7%
Corporate Income Tax	\$1,757	\$2,348	(\$591)	-25.2%
Sales Taxes	\$6,674	\$7,332	(\$658)	-9.0%
Public Utility (regular)	\$1,159	\$1,110	\$49	4.4%
Cigarette Tax	\$350	\$350	\$0	0.0%
Liquor Gallonage Taxes	\$161	\$161	\$0	0.0%
Vehicle Use Tax	\$26	\$31	(\$5)	-16.1%
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	\$180	(\$100)	-55.6%
Cook County Intergovernmental Transfer	\$253	\$256	(\$3)	-1.2%
<u>Other Sources</u>	<u>\$426</u>	<u>\$504</u>	<u>(\$78)</u>	<u>-15.5%</u>
Subtotal	\$22,125	\$24,636	(\$2,511)	-10.2%
Transfers				
Lottery	\$625	\$664	(\$39)	-5.9%
Riverboat Transfers & Receipts	\$470	\$642	(\$172)	-26.8%
Sale of 10th Riverboat License [approx.]	\$0	\$575	(\$575)	N/A
<u>Other</u>	<u>\$575</u>	<u>\$678</u>	<u>(\$103)</u>	<u>-15.2%</u>
Total State Sources	\$23,795	\$27,195	(\$3,400)	-12.5%
Federal Sources				
	\$4,700	\$4,794	(\$94)	-2.0%
Total Federal & State Sources	\$28,495	\$31,989	(\$3,494)	-10.9%
Nongeneral Funds Distribution:				
Refund Fund*				
Personal Income Tax	(\$1,017)	(\$1,127)	\$110	-9.8%
Corporate Income Tax	(\$307)	(\$411)	\$104	-25.3%
Subtotal General Funds	\$27,171	\$30,451	(\$3,280)	-10.8%
Change from Prior Year	(\$2,488)	\$792	(\$3,280)	N/A
Percent Change	-8.4%	2.7%		
Anticipated Federal Stimulus	\$2,154	\$0	\$2,154	N/A
Total General Funds	\$29,325	\$30,451	(\$1,126)	-3.7%
Change from Prior Year	(\$334)	\$792		
Percent Change	-1.1%	2.7%		
*The FY 2009 estimate does not include \$200 million in Governor proposed one-time fund sweeps.				
CGFA				

3/19/2009 15:46

Looking Ahead to FY 2010

Keep Your Seatbelts Buckled – It's Going to Stay Bumpy

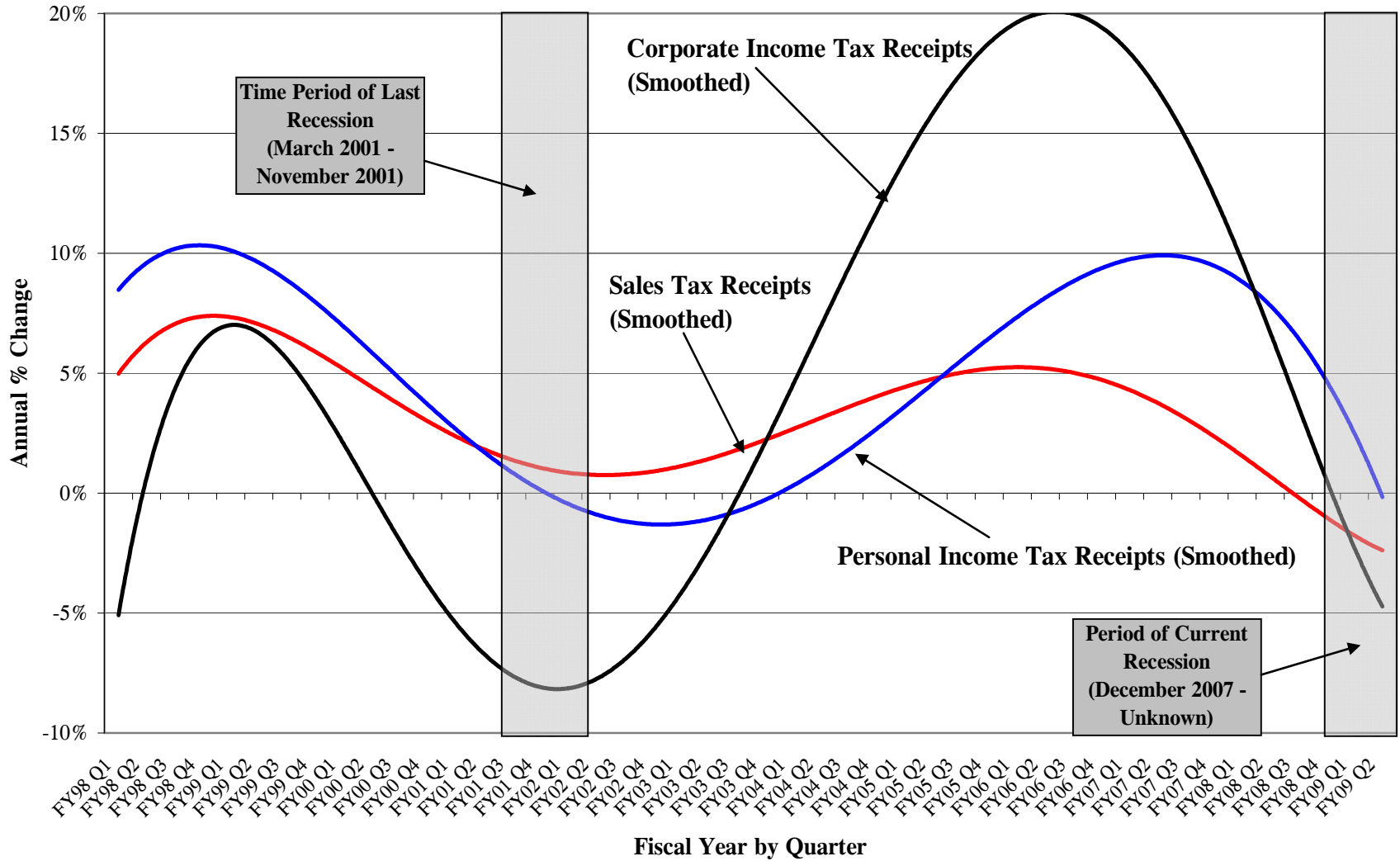
Most economic forecasts are calling for a more severe recession than the last two experienced in 1990 and 2001, perhaps even deeper than the recessions experienced in the early 1970s and early 1980s. Recent history indicates that any slowing manifests in severe consequences for State revenues.

- By most measures, the 2001 recession was considered quite shallow, both in terms of depth as well as duration. And yet, Illinois revenues suffered a record two consecutive years of actual declines, falling between 3.0% in FY 2002 and another 2.5% in FY 2003.
- During the 2001 recession, non-adjusted employment fell 37 consecutive months on a month vs. same month prior-year basis. This would indicate that even if the current recession were to end sometime in early to mid-2009, the lingering effects should drift well into FY 2010. In fact, gross personal income tax suffered year over year declines through FY 2003, well after the recovery phase had begun.
- Similarly, gross corporate income tax also suffered multiple years of declines, falling on average over 17% in FY 2001 and FY 2002, and a third year drop of 3.0% in FY 2003.
- Sales tax held up somewhat better during the last slowdown, experiencing only one year of decline with FY 2001 dropping 1.1%. However, the consumer appears to be sitting this recession out. Consumer confidence is at record lows, and new car sales have plummeted. This retrenchment of the consumer cannot be expected to turn around overnight.

Enough uncertainty exists to make estimating FY 2009 revenues difficult, extending that forecast horizon to FY 2010 compounds the challenge. However, based on recent history as well as most current views of the length and severity of this slowdown, there is little reason to expect an abrupt end to revenue difficulties.

Personal Income Tax, Corporate Income Tax, and Sales Tax Receipts

Personal Income Tax, Corporate Income Tax, and Sales Tax Receipts FY '98 thru Q2 FY '09



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, 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.

CGFA ESTIMATE FY 2010 vs. FY 2009 (Base Revenues)				
(millions)				
Revenue Sources	CGFA FY 2010 Estimate March-09	CGFA FY 2009 Estimate March-09	\$ Difference	% Difference
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

GOMB FY 2010 GENERAL FUNDS REVENUE ESTIMATE

This table 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. 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.

GOMB FY 2010 vs. FY 2009 ESTIMATE (millions)				
Revenue Sources	GOMB FY 2010 Estimate Mar-09	GOMB FY 2009 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's Proposed Increases to Base General Revenues – GOMB Projections

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	<u>\$0</u>	<u>\$40</u>		Decouple from 2004 federal legislation \$64
Subtotal	\$200	\$4,408		Repeal R & D tax credit \$52
<u>One-Time Federal</u>				Prewritten (canned) software \$50
Medicaid	\$1,350	\$631		Expiration of Manuf. Purchase Credit \$20
Education	\$658	\$1,023		Change Tea/Coffee and Hygiene rates \$14
Discretionary [for education]	<u>\$146</u>	<u>\$228</u>		Limit graphic arts exemption \$10
Subtotal	\$2,154	\$1,882		Miscellaneous \$20
				\$287
Total Changes to Base Revenues	\$2,354	\$6,290		

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.

- 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.

FY 2010 CGFA/GOMB COMPARISON (Base Revenues)				
(millions)				
	CGFA FY 2010	GOMB FY 2010	\$	%
<u>Revenue Sources</u>	<u>Estimate March-09</u>	<u>Estimate March-09</u>	<u>Difference</u>	<u>Difference</u>
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.

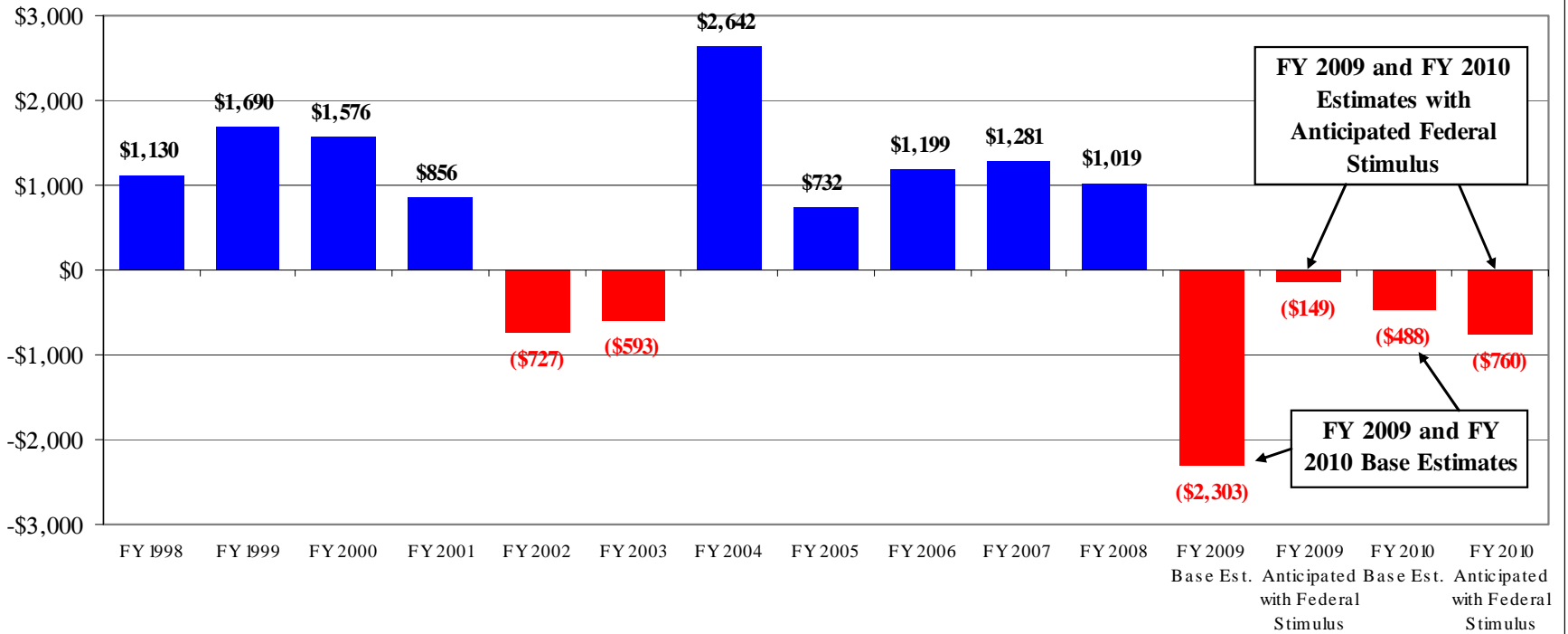
CGFA

General Funds Revenue History: Annual \$ Change

FY 1998 - FY 2010 (Est.)

(in millions)

Excludes Budget Stabilization Fund and Pension Contribution Fund Transfers, Short-Term Borrowing, and Related Transfers



ALL APPROPRIATED FUNDS REVENUE FY 2002 to FY 2010

(\$ millions)

REVENUE SOURCES	ACTUAL RECEIPTS FY 2002	ACTUAL RECEIPTS FY 2003	ACTUAL RECEIPTS FY 2004	ACTUAL RECEIPTS FY 2005	ACTUAL RECEIPTS FY 2006	ACTUAL RECEIPTS FY 2007	ACTUAL RECEIPTS FY 2008	Mar-09 Estimate FY 2009	Mar-09 Estimate FY 2010
State Taxes									
Personal Income Tax	\$8,086	\$7,979	\$8,235	\$8,873	\$9,568	\$10,425	\$11,187	\$10,600	\$10,000
Corporate Income Tax									
Regular	\$1,043	\$1,012	\$1,419	\$1,548	\$1,784	\$2,120	\$2,201	\$1,800	\$1,350
Replacement	\$755	\$760	\$922	\$1,055	\$1,216	\$1,439	\$1,486	\$1,047	\$837
Sales	\$7,056	\$7,052	\$7,442	\$7,783	\$8,425	\$8,603	\$8,733	\$8,202	\$8,081
Public Utility									
Regular	\$1,353	\$1,326	\$1,576	\$1,567	\$1,595	\$1,666	\$1,713	\$1,716	\$1,723
Replacement	\$213	\$208	\$207	\$201	\$226	\$212	\$207	\$215	\$215
Motor Fuel (gross)	\$1,400	\$1,416	\$1,453	\$1,465	\$1,477	\$1,484	\$1,369	\$1,550	\$1,465
Cigarette	\$469	\$700	\$760	\$656	\$640	\$639	\$614	\$573	\$520
Liquor Taxes	\$127	\$127	\$138	\$153	\$163	\$167	\$170	\$165	\$165
Vehicle Use Tax	\$43	\$39	\$40	\$37	\$39	\$37	\$37	\$32	\$35
Inheritance Tax	\$329	\$237	\$222	\$310	\$272	\$264	\$373	\$287	\$290
Insurance Taxes and Fees	\$315	\$364	\$466	\$425	\$393	\$393	\$384	\$410	\$425
Horse Racing Taxes & Fees	\$13	\$13	\$13	\$12	\$11	\$9	\$9	\$8	\$7
Corporate Franchise Taxes	\$165	\$147	\$169	\$190	\$189	\$201	\$234	\$210	\$190
Other Privilege Taxes	\$231	\$212	\$256	\$281	\$310	\$314	\$307	\$270	\$270
<u>Riverboat Gambling Taxes & Fees</u>	<u>\$580</u>	<u>\$670</u>	<u>\$775</u>	<u>\$816</u>	<u>\$817</u>	<u>\$813</u>	<u>\$688</u>	<u>\$550</u>	<u>\$565</u>
SUBTOTAL	\$22,178	\$22,262	\$24,093	\$25,372	\$27,125	\$28,786	\$29,712	\$27,635	\$26,138
State Nontax Sources									
Motor Vehicle & License Fees	\$1,178	\$1,107	\$1,162	\$1,169	\$1,296	\$1,288	\$1,302	\$1,245	\$1,255
Cigarette Settlement Distributions	\$312	\$407	\$270	\$274	\$273	\$285	\$310	\$324	\$298
Other Fees	\$312	\$316	\$468	\$523	\$492	\$449	\$483	\$462	\$462
Provider Assessment Fees	\$656	\$818	\$901	\$1,601	\$890	\$1,529	\$2,189	\$1,654	\$1,616
Receipts From State Hospital Patients	\$25	\$31	\$24	\$23	\$26	\$28	\$29	\$29	\$29
Interest on State Funds & Investments	\$216	\$110	\$88	\$125	\$261	\$358	\$357	\$100	\$100
Reimbursements & Repayments	\$270	\$227	\$151	\$137	\$154	\$180	\$184	\$195	\$200
Revolving Fund Receipts	\$290	\$244	\$425	\$284	\$495	\$515	\$563	\$500	\$500
Lottery (net gross)	\$827	\$819	\$881	\$907	\$984	\$960	\$997	\$918	\$933
All Other Nonfederal Receipts	\$4,179	\$4,385	\$4,110	\$5,838	\$5,887	\$5,588	\$5,847	\$5,800	\$5,800
Income from Sale of Bonds	\$2,566	\$12,717	\$2,411	\$1,143	\$1,484	\$611	\$181	\$250	\$1,155
Local Government Health Plan	\$87	\$83	\$73	\$68	\$59	\$63	\$60	\$56	\$56
SUBTOTAL	\$33,096	\$43,526	\$35,057	\$37,464	\$39,426	\$40,640	\$42,214	\$39,168	\$39,377
State Transfers In	\$32	\$103	\$334	\$151	\$250	\$442	\$329	\$329	\$329
TOTAL STATE SOURCES	\$33,128	\$43,629	\$35,391	\$37,615	\$39,676	\$41,082	\$42,543	\$39,497	\$39,706
Federal Sources	\$10,168	\$10,525	\$12,940	\$12,210	\$12,366	\$13,112	\$13,702	\$17,449	\$21,417
SUBTOTAL ALL APPROPRIATED	\$43,296	\$54,154	\$48,331	\$49,825	\$52,042	\$54,194	\$56,245	\$56,946	\$61,123
Short Term Borrowing	\$0	\$2,500	\$850	\$765	\$1,000	\$900	\$2,400	\$1,400	\$0
TOTAL ALL APPROPRIATED	\$43,296	\$56,654	\$49,181	\$50,590	\$53,042	\$55,094	\$58,645	\$58,346	\$61,123

CGFA

APPENDIX: Other Pertinent Financial Information

- Breakdown of Governor's Estimated Budget Deficit
- History of General Funds Balances
- Income Tax Increase Scenarios
- State-funded Retirement Systems
- Bonded Indebtedness
- Status of G.O. and State-Issued Bonds
- Proposed Illinois Jobs Now!
- Requested FY 2010 Capital Appropriations

Governor's Proposed Budget--FY 2009 & FY 2010

Source: Based on FY 2010 Budget Book, page 2-12

\$ millions

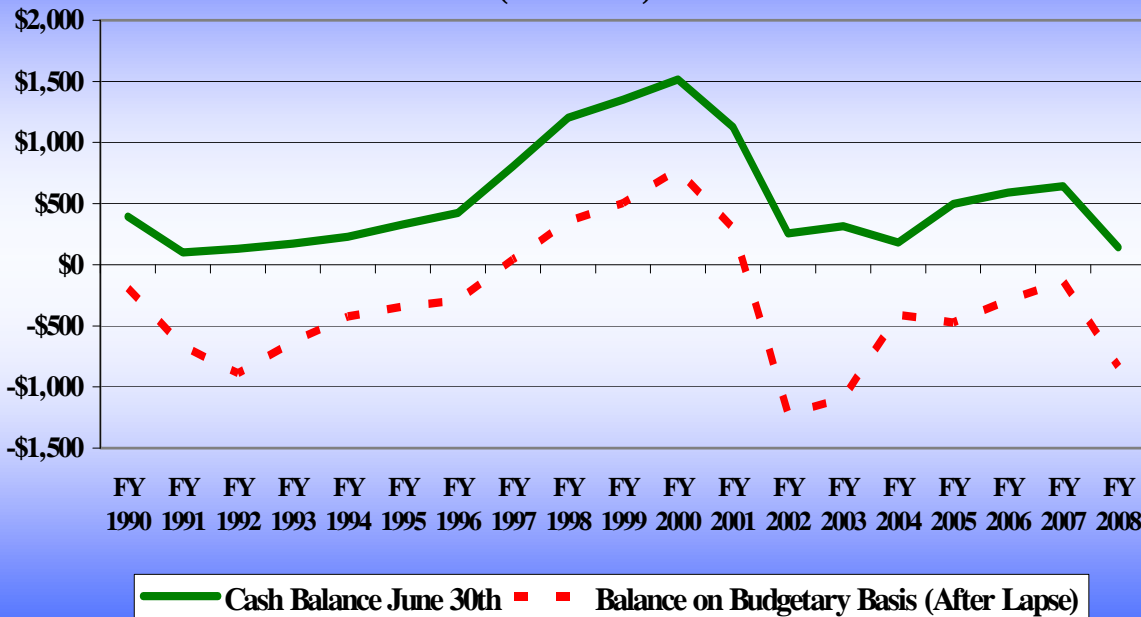
	FY 2009		FY 2010	
	<u>Base</u>	With Revised <u>Revenues</u>	<u>Base</u>	With Revised <u>Revenues</u>
GOMB March-09 Revenue Estimate	\$27,170	\$29,525	\$26,972	\$33,076
Appropriations	\$28,306	\$29,803	\$31,506	\$28,391
less unspent approp	(\$500)	(\$600)	(\$500)	(\$500)
Net Approp Spending	\$27,806	\$29,203	\$31,006	\$27,891
Statutory Transfers Out				
approx. Pension Obligation Bond Debt Service	\$469	\$467	\$467	\$465
Continuing Pension Approp.	\$381	\$381	\$0	\$0
Proposed Reduced Pension Transfer	\$0	(\$550)	\$0	\$0
Legislatively Required Transfers	\$2,804	\$2,744	\$2,788	\$2,306
Total Transfers Out	\$3,654	\$3,042	\$3,255	\$2,771
Total Operating Spending and Transfers Out*	\$31,460	\$32,245	\$34,261	\$30,662
Operating Deficit (Surplus)	(\$4,290)	(\$2,720)	(\$7,289)	\$2,414
Short-term Borrowing	\$1,400	\$3,650	\$0	\$0
Repay of Short-term Borrowing	(\$1,427)	(\$1,427)	\$0	\$2,318
Budget Deficit (Surplus)	(\$4,317)	(\$497)	(\$7,289)	\$96
Budgetary Basis to Begin Year	(\$835)	(\$835)	(\$5,152)	(\$1,332)
Budget Deficit at End of Year	(\$5,152)	(\$1,332)	(\$12,441)	(\$1,236)

NOTE: The often cited deficit figure of \$11.6 billion is obtained by adding GOMB's estimated '09 deficit of \$4.317b to their estimated '10 deficit of \$7.289b. The figure \$12.441b results when the budgetary balance to begin FY'09[-\$835] is added into the presentation.

* The FY'10 base spending figure of \$34.261b reflects the Governor's estimate of what the FY'10 spending would be without reform and cuts i.e. increases in Medicaid, social services, pensions, other required costs.

GENERAL FUNDS BALANCES

General Funds Balances FY 1990 - FY 2008 (in millions)



General Funds Balance June 30th and Budgetary Basis (in millions)

	Cash Balance		Balance on
	June 30th	Lapse Spending	Budgetary Basis (After Lapse)
FY 1990	\$395	\$586	(\$191)
FY 1991	\$100	\$766	(\$666)
FY 1992	\$131	\$1,018	(\$887)
FY 1993	\$172	\$802	(\$630)
FY 1994	\$230	\$652	(\$422)
FY 1995	\$331	\$672	(\$341)
FY 1996	\$426	\$718	(\$292)
FY 1997	\$806	\$761	\$45
FY 1998	\$1,202	\$846	\$356
FY 1999	\$1,351	\$848	\$503
FY 2000	\$1,517	\$740	\$777
FY 2001	\$1,126	\$826	\$300
FY 2002	\$256	\$1,476	(\$1,220)
FY 2003	\$317	\$1,411	(\$1,094)
FY 2004	\$182	\$592	(\$410)
FY 2005	\$497	\$971	(\$474)
FY 2006	\$590	\$881	(\$291)
FY 2007	\$642	\$777	(\$135)
FY 2008	\$141	\$975	(\$834)

TAX INCREASE SCENARIOS

Individual Income Tax: How much would a tax increase generate?

\$ in millions

Rate Increase	Tax Rate	Gross Revenue	Net of 12.5% To Refunds	Net Impact with Effective Date of July 1*	Difference from Current
Current Rate:	3.00%	\$10,000	\$8,750	\$8,750	
0.25%	3.25%	\$10,833	\$9,479	\$9,439	\$689
0.375%	3.375%	\$11,250	\$9,844	\$9,783	\$1,033
0.5%	3.50%	\$11,667	\$10,208	\$10,128	\$1,378
0.75%	3.75%	\$12,500	\$10,938	\$10,816	\$2,066
1.00%	4.00%	\$13,333	\$11,667	\$11,505	\$2,755
1.25%	4.25%	\$14,167	\$12,396	\$12,194	\$3,444
1.50%	4.50%	\$15,000	\$13,125	\$12,883	\$4,133
1.75%	4.75%	\$15,833	\$13,854	\$13,572	\$4,822
2.00%	5.00%	\$16,667	\$14,583	\$14,260	\$5,510

Note: With an effective date of July 1st, it is estimated that 100% of withholding payments and eventually 100% of estimated payments in the fiscal year would be under the new rates. However, in the initial year, it is estimated that 50% of the final payments would be under the new rate, but 50% would be under the current rates because final payments are paid on a calendar year basis. Because of this, the revenue impact with an effective date of July 1 is shown to be slightly less than if the tax change occurred on January 1.

Corporate Income Tax: How much would a tax increase generate?

\$ in millions

(Under the Illinois Constitution, the corporate income tax rate shall not exceed the individual income tax rate by more than a ratio of 8 to 5. The numbers shown below reflect this ratio.)

If Individual Income Tax Rate is...	Corporate Tax Tax Rate Can Be...	Gross Revenue	Net of 24.0% To Refunds	Net Impact with Effective Date of July 1*	Difference from Current
3.00%	4.80%	\$1,350	\$1,026	\$1,026	
3.25%	5.20%	\$1,463	\$1,112	\$1,095	\$69
3.375%	5.40%	\$1,519	\$1,154	\$1,129	\$103
3.50%	5.60%	\$1,575	\$1,197	\$1,164	\$138
3.75%	6.00%	\$1,688	\$1,283	\$1,232	\$206
4.00%	6.40%	\$1,800	\$1,368	\$1,301	\$275
4.25%	6.80%	\$1,913	\$1,454	\$1,370	\$344
4.50%	7.20%	\$2,025	\$1,539	\$1,439	\$413
4.75%	7.60%	\$2,138	\$1,625	\$1,508	\$482
5.00%	8.00%	\$2,250	\$1,710	\$1,577	\$551

Note: With an effective date of July 1st, it is estimated that eventually 100% of estimated payments in the fiscal year would be under the new rates. However, in the initial year, it is estimated that 50% of the final payments would be under the new rate, but 50% would be under the current rates because final payments are paid on a calendar year basis. Because of this, the revenue impact with an effective date of July 1 is shown to be slightly less than if the tax change occurred on January 1.

State-Funded Retirement Systems

State-Funded Retirement Systems
Funding Projections Based on Governor's Budget Book
(\$ in millions)

Fiscal Year	TRS	SURS	SERS	GARS	JRS	Total
<i>FY 2010 Certified</i>						
2010	2,087.7	702.5	1,091.5	10.5	78.8	3,971.0
<i>FY 2010 Governor's Budget Book</i>						
2010	747.6	337.6	391.0	2.8	37.9	1,516.9
<i>Decrease in Governor's Proposed FY 2010 Contribution from Certified Amount</i>						
2010	1,340.1	364.9	700.5	7.7	40.9	2,454.1

BONDED INDEBTEDNESS

ILLINOIS BONDS AT A GLANCE

(\$ in Millions)

	Estimated FY 2009	Estimated FY 2010	<u>From Previous Year</u>		Estimated FY 2011	<u>From Previous Year</u>	
			\$ Change	% Change		\$ Change	% Change
Bond Sales*							
General Obligation	\$150	\$1,105	\$955	636.7%	\$1,376	\$271	24.5%
Revenue	\$100	\$50	-\$50	-50.0%	\$50	\$0	0.0%
TOTAL	\$250	\$1,155	\$905	362.0%	\$1,426	\$271	23.5%
Outstanding Principal							
General Obligation	\$18,952	\$19,419	\$467	2.5%	\$20,134	\$715	3.7%
Revenue	\$2,164	\$2,059	-\$105	-4.9%	\$1,952	-\$107	-5.2%
TOTAL	\$21,116	\$21,478	\$362	1.7%	\$22,086	\$608	2.8%
Debt Service							
General Obligation	\$1,705	\$1,706	\$1	0.1%	\$1,775	\$69	4.0%
Revenue	\$280	\$288	\$8	2.9%	\$286	-\$2	-0.7%
TOTAL	\$1,985	\$1,994	\$9	0.5%	\$2,061	\$67	3.4%

* Bond Sales do not include refunding sales or Short-term borrowing. Table does not include proposed debt restructuring.

Sources: Governor's Office of Management and Budget.

STATUS OF G.O. and STATE-ISSUED BONDS

TABLE 2: STATUS OF G.O. AND STATE-ISSUED BONDS					
as of February 28, 2009					
(in billions)	Authorization	Un-Issued	Appropriated†	Available after appropriations	
Capital Facilities	\$7.320	\$0.823	\$7.723	-\$0.403	
School Construction	\$3.150	\$0.184	\$3.100	\$0.050	
Anti-Pollution	\$0.480	\$0.024	\$0.475	\$0.005	
Transportation A	\$3.432	\$0.099	\$3.495	-\$0.063	
Transportation B	\$1.882	\$0.244	\$1.861	\$0.021	
Coal & Energy Development	\$0.698	\$0.597	\$0.209	\$0.489	
SUBTOTAL	\$16.962	\$1.971	\$16.863	\$0.099	
Tobacco bonds	\$0.750	\$0.750	\$0.000	\$0.000	
Pension bonds	\$10.000	\$0.000	\$10.000	\$0.000	
TOTAL	\$27.712	\$2.721	\$26.863	\$0.099	
	Limit	Un-Issued	Outstanding	Available	
Refunding°	\$2.839	\$0.979	\$1.860	\$0.979	
	Authorization	Un-Issued	Appropriated†	Available after appropriations	
Build Illinois	\$3.806	\$0.422	\$4.090	-\$0.284	
	Limit	Un-Issued	Outstanding	Available	
Build IL Refunding	Unlimited	Unlimited	\$0.648	Unlimited	
	Authorization	Un-Issued	Outstanding	Available	
Civic Center	0.32	0.148	\$0.052	0.148	
	Limit	Un-Issued	Outstanding	Available	
Civic Center Refunding	Unlimited	Unlimited	\$0.048	Unlimited	

Source: Illinois Office of the Comptroller, "Recap of General and Special Obligation Bonded

†Includes cumulative expenditures for prior years up through FY 2008 plus FY 2009 appropriations and reappropriations.

*Only \$6 million of the School Construction Fund "available" is for the \$3.05 billion School Infrastructure Program, while bond premium amounts can be used for this program.

°Refunding is limited only by how much is outstanding at one time. As principal amounts are paid off, those amounts become available for future refundings.

Excludes Bond issue premiums.

ILLINOIS JOBS NOW!

\$26 billion multi-year capital program

Federal Funding Leveraged

- \$11.557 billion Federal Funding
- \$1.995 billion in Federal Stimulus Dollars

Local Funding Match

- \$1.6 billion for School Construction
- \$725 million for the Multi-year Road Program
- \$50 million for Environmental-Energy-Technology

**State Funding of approximately \$10.6 billion
with bonding and Pay-As-You-Go**

State Funding for Illinois Jobs Now!

Transportation A-- bonds would be sold for road and bridge projects. Bonds would be paid off with

\$20 increase in Motor Vehicle Registrations	\$180 million
\$10 increase in Driver's License Fees	\$20 million
<u>Road Fund Revenues</u>	<u>\$150 million</u>
TOTAL for Debt Service	\$350 million
Plan to Sell \$3 billion in bonds	w/ debt service \$285 million

Transportation B-- bonds sold for statewide transit projects and paid by

\$40 increase in Certificate of Title Fees	\$110 million
<u>\$15 increase in Transfer of Registration</u>	<u>\$10 million</u>
TOTAL for Debt Service	\$120 million
Plan to Sell \$1.5 billion in bonds	w/ debt service \$143 million

Remaining G.O. Bonds for School Construction, Higher Education Construction, Economic Development and Environmental/Conservation projects would be paid from

10% of increase in Individual Income Tax	\$280 million
<u>10% of increase in Corporate Income Tax</u>	<u>\$35 million</u>
TOTAL for Debt Service	\$315 million
Plan to Sell \$4.2 billion in bonds	w/ debt service \$399 million

The amount of bonds for new capital projects would be sold over several years from 2010 to 2020. Because G.O. bonds are sold with level principal payments debt service payments decrease over the life of the bond. This allows room in debt service payments to sell remaining bonds later in the schedule. Debt service calculations are based on a conservative 5.5% interest rate.

FY 2010 APPROPRIATIONS

TABLE 1: FY 2010 CAPITAL PLAN REQUESTED APPROPRIATIONS

(\$ in Millions)

FUND TYPE	NEW APPROPRIATIONS	REAPPROPRIATIONS	TOTAL
Bond	\$4,520,000,000	\$2,840,914,952	\$7,360,914,952
Illinois Jobs Now!	\$4,177,733,618	\$0	\$4,177,733,618
Revenue	\$2,109,577,200	\$6,005,928,755	\$8,115,505,955
Federal/Trust	\$160,625,000	\$639,676,928	\$800,301,928
TOTAL	\$10,967,935,818	\$9,486,520,635	\$20,454,456,453

The FY 2010 Capital Budget Request Includes:

- New Appropriations of \$10.9 billion
- Reappropriations of \$9.5 billion
- Totaling approximately \$20.5 billion

FY 2010 NEW APPROPRIATIONS BY PROJECT AREA

FY 2010 BREAKDOWN OF NEW APPROPRIATIONS BY PROJECT AREA	
Road and Bridge Projects	\$4.7 billion
New School Construction Program & Maintenance	\$1.6 billion
Transit and Rail Projects	\$1.5 billion
Environmental/Energy/Technology Projects	\$930 million
Higher Education	\$921 million
Economic Development	\$888 million
State Facilities	\$252 million
Aviation Projects	\$137 million