

*Commission on Government
Forecasting and Accountability*

***FY 2006 ECONOMIC OUTLOOK
and REVENUE ESTIMATE***



August 23, 2005
703 Stratton Office Building
Springfield, Illinois 62706

*Commission on Government Forecasting
and Accountability*

COMMISSION CO-CHAIRMEN

Senator Jeffrey M. Schoenberg
Representative Terry R. Parke

SENATE

Don Harmon
Christine Radogno
Steven Rauschenberger
David Syverson
Donne Trotter

HOUSE

Mark H. Beaubien, Jr.
Frank Mautino
Robert Molaro
Richard Myers
Elaine Nekritz

EXECUTIVE DIRECTOR

Dan R. Long

DEPUTY DIRECTOR

Trevor J. Clatfelter

REVENUE MANAGER

Jim Muschinske

CHIEF ECONOMIST

Edward H. Boss, Jr.

EXECUTIVE SECRETARY

Donna K. Belknap

BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, 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. The Commission's specific responsibilities include:

- 1) Preparation of annual revenue estimates with periodic updates;
- 2) Analysis of the fiscal impact of revenue bills;
- 3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
- 4) Periodic assessment of capital facility plans;
- 5) Annual estimates of public pension funding requirements and preparation of pension impact notes;
- 6) 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;
- 7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a Monthly Briefing, the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Illinois Bond Watcher" report examines the State's debt position as well as other issues directly related to conditions in the financial markets. The "Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year Budget Summary; Report on the Liabilities of the State Employees' Group Insurance Program; and Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program. The Commission also publishes each year special topic reports that have or could have an impact on the economic well being of Illinois. All reports are available on the Commission's website. (http://www.ilga.gov/commission/cgfa/cgfa_home.html)

Commission on Government Forecasting and Accountability
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320 -- (217) 782-3513 (FAX)

CHART 1: Change in Real GDP

- Revised data now show that the economic recovery was a bit slower developing than previously thought, but picked up momentum over the past two fiscal years.
- Real growth increased 3.7% in FY 2005, down somewhat from the sharp 4.1% growth in FY 2004, but significantly higher than the previous two fiscal years and remained above its long-term trend.
- Growth in FY 2006 is expected to show little change, rising an estimated 3.7%, but moderating as the year progresses.
- An early look at FY 2007 indicates further moderation in growth, with preliminary estimates suggesting a real rate of growth at 2.8%.

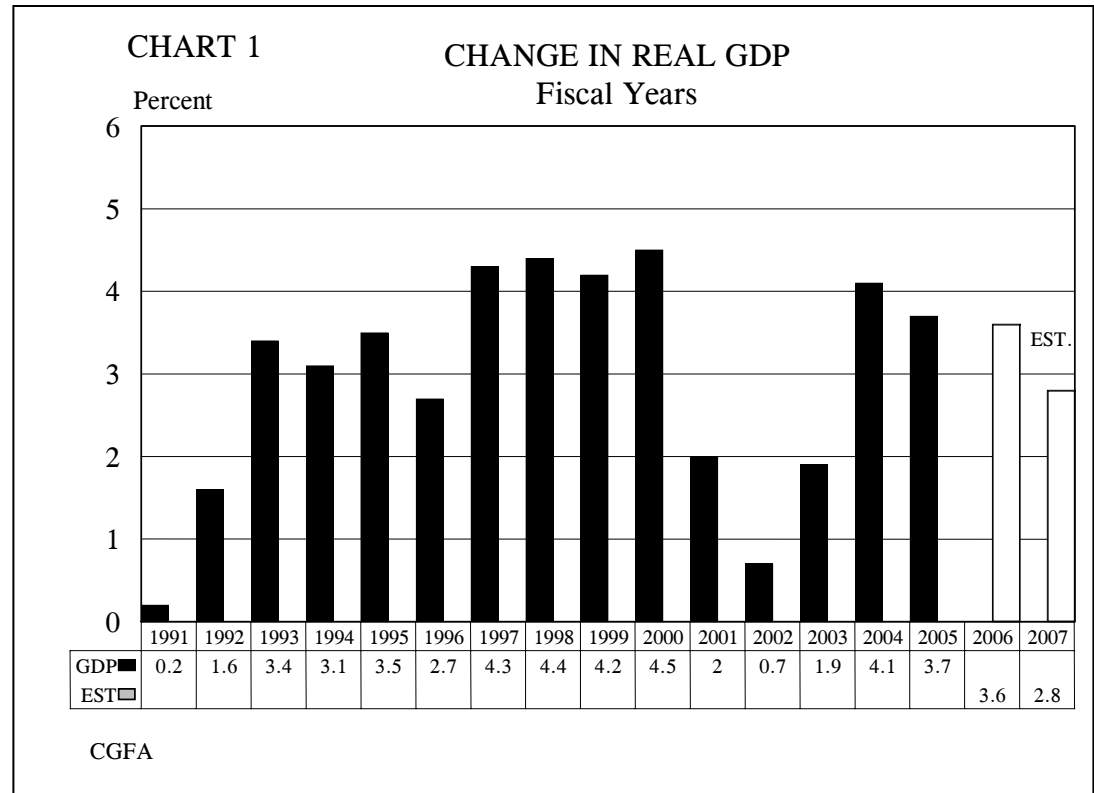


TABLE 1: Economic Forecasts – August 2005

- Personal consumption, the largest spending component of GDP, is expected to moderate as the impact of tax cuts fade further and rising interest rates dampen auto sales and other durable goods purchases.
- Business spending will continue healthy, but moderate somewhat from the near double-digit gains of the previous two years as profit gains slow.
- Weaker sectors are likely to be residential investment, as mortgage rates rise, pent up demand for housing is satisfied, and home price appreciation slows.
- A bright spot will be a continuation of a strengthening in the U.S. trade sector. Increased U.S. competitiveness and a slowing in imports should improve the foreign sector.

ECONOMIC FORECASTS - AUGUST 2005						
(\$ Change from prior year levels)						
REAL (2000 \$)	FY 2002*	FY 2003*	FY 2004*	FY 2005*	FY 2006	FY 2007
	Actual	Actual	Actual	Actual	Est.	Est.
Gross Domestic Product	0.7	1.9	4.1	3.7	3.6	2.8
Personal Consumption	2.7	2.4	3.8	3.7	3.3	3.1
Durable	7.5	5.3	8.1	5.1	4.0	3.1
Nondurable	2.3	2.2	4.6	4.4	3.9	3.2
Services	1.8	1.9	2.6	3.1	2.9	3.0
Fixed Investment	-8.9	1.7	9.4	8.9	6.9	1.1
Exports	-8.6	0.7	3.4	8.0	8.1	7.7
Imports	-4.2	6.8	9.9	7.9	6.3	3.5
Government	4.2	3.8	2.4	1.9	2.0	1.8
Federal	4.5	7.1	7.3	3.8	2.4	2.0
State & Local	3.4	1.9	0.3	1.1	1.6	1.9
OTHER MEASURES						
Personal Income (Current \$)	2.1	2.2	4.7	6.5	6.1	5.7
Personal Consumption (Current \$)	4.2	4.3	5.9	6.5	5.9	5.0
Before Tax Profits (Current \$)	1.1	19.0	17.6	11.1	10.4	0.9
Current Prices	1.8	2.2	2.2	3.0	2.9	1.8
Unemployment Rate (Average)	5.5	5.9	5.8	5.3	5.2	5.3
* Revised						

CHART 2: Consumer Price Index

- Consumer prices have been rising at a faster rate in recent months as a strengthening in economic activity raises inflationary concerns. This is in sharp contrast to conditions two years ago when the major issue at that time was fear of deflation, or falling prices.
- In July 2005, overall consumer prices were 3.2% higher than a year ago while the core rate, excluding food and energy prices, was up at 2.1%. While neither looks particularly disturbing in hindsight, both rates are higher than in January 2004 when overall prices were rising 1.9% and the core rate was up only 1.1%. Moreover, higher energy prices, particularly record-high oil prices, have yet to be fully reflected in the price indices.
- Price increases generally lag, following the pattern of economic activity. Thus, as the economy continues to exhaust the remaining excess resources that still exist, the propensity to raise prices will also increase.

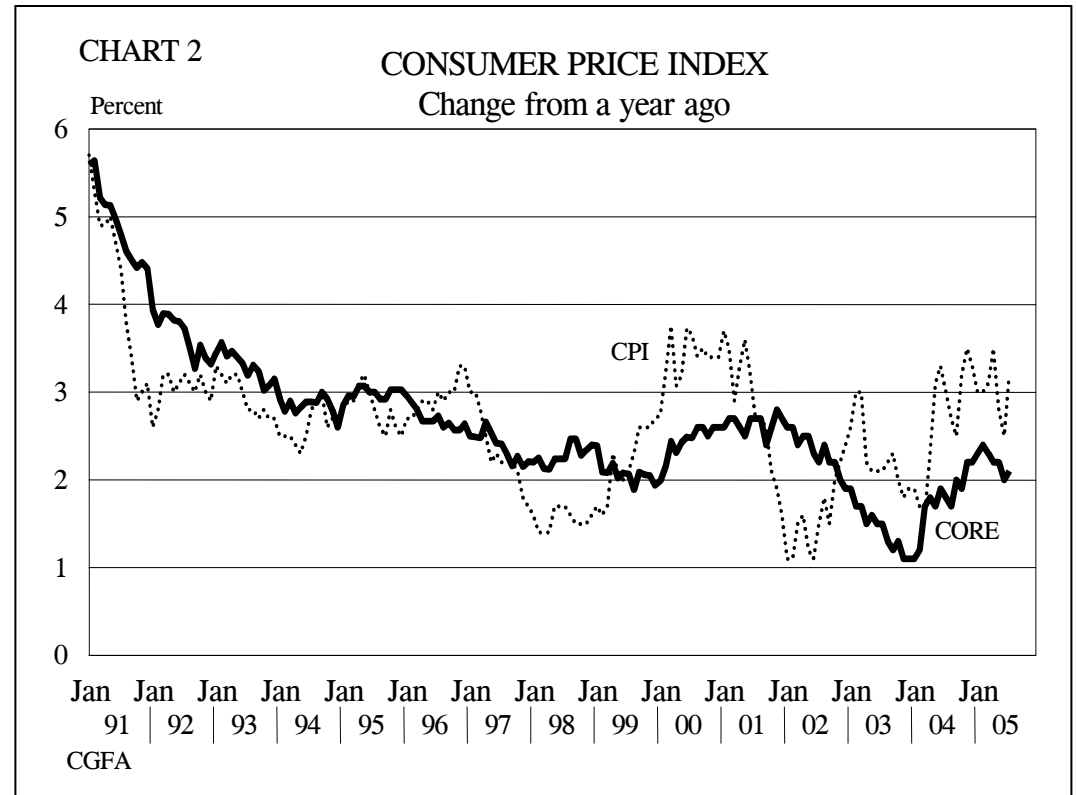


CHART 3: U.S. Interest Rates

- To prevent inflation from re-igniting, the Federal Reserve has been removing stimulus by increasing the federal funds rate in quarter point increments ten times from a low of 1% last summer to its current target rate of 3.5% just a few days ago.
- As stated in the Fed’s response to the latest rate increase, “core inflation has been relatively low in recent months and longer-term inflation expectations remain well contained, *but pressures on inflation have stayed elevated.*”
- The rise in short-term rates had not yet been transferred to higher long-term interest rates, represented in the chart by the mortgage rate. Some increase has been noted in recent days, however, following the latest rise in short-term rates.
- In addition, commercial banks have raised their prime, or best lending rate, from 4% to 6.5%, increasing the cost of business and personal borrowing. Moreover, further interest rate increases are expected in the months ahead.

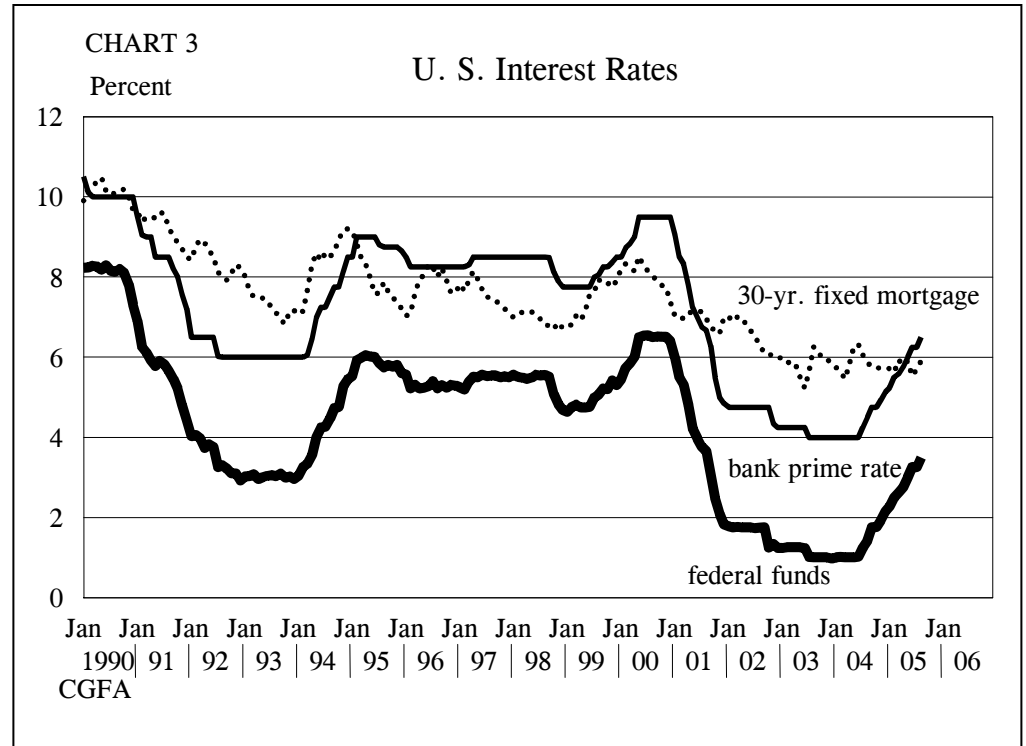


CHART 4: Privately-Owned Housing Starts

- New single-family housing starts have leveled out at a record pace after a sharp rising trend that has existed over the past four years.
- Most attention has centered on the extreme rise in home appreciation that has occurred in recent years, although the extent of the appreciation varies greatly by location.
- There is some evidence, however, that overall prices may be stabilizing. While average sales prices in June 2005 were up from a year ago, median sales prices were about flat with that seen a year earlier.
- Higher mortgage interest rates coupled with stabilizing prices are likely to slow this surging sector of the private economy.

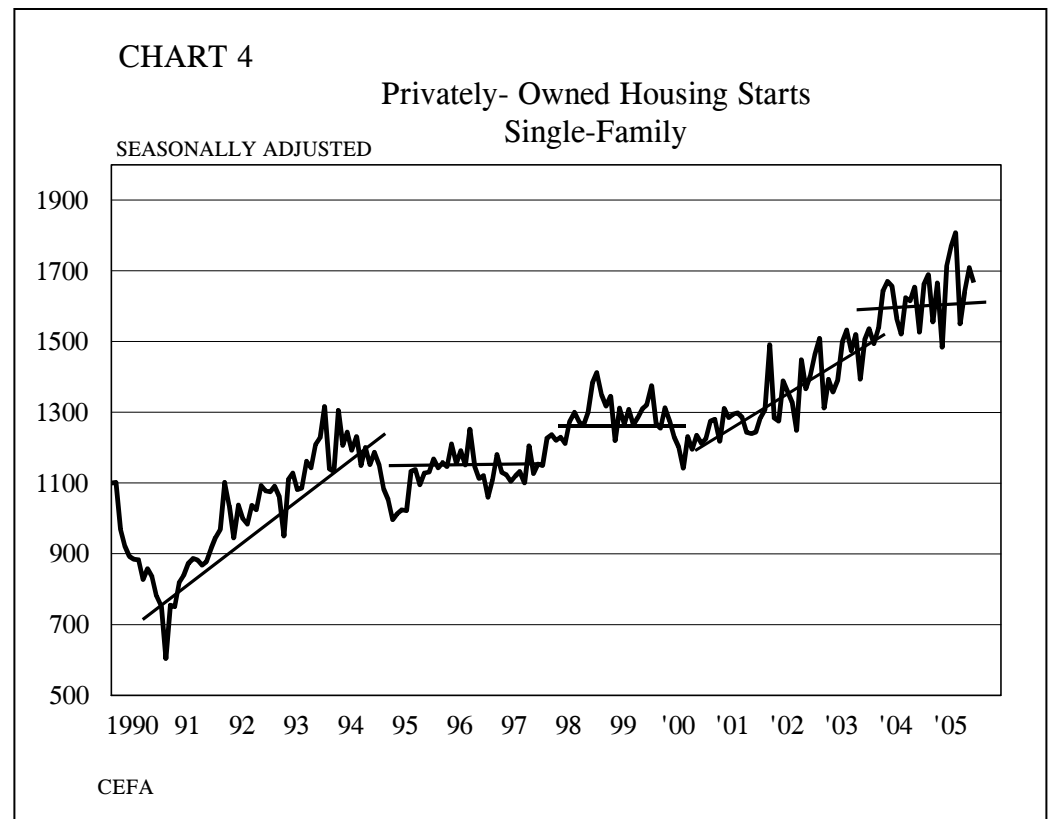


CHART 5: Illinois Exports

- In contrast to the housing sector, which is anticipated to slow, Illinois exports have been strengthening and are expected to continue this trend.
- Illinois ranks fifth in overall exports, so this is important to the State.
- A weaker dollar has improved U.S. price competitiveness while a mostly healthy agricultural sector augurs well for continued gains in Illinois exports.
- As shown, the gains have been particularly sharp in recent months, reaching new highs.
- The road to a reduced balance-of-trade deficit from rising exports, however, will be dependent on world oil prices, which can offset any improvement in U.S. exports.

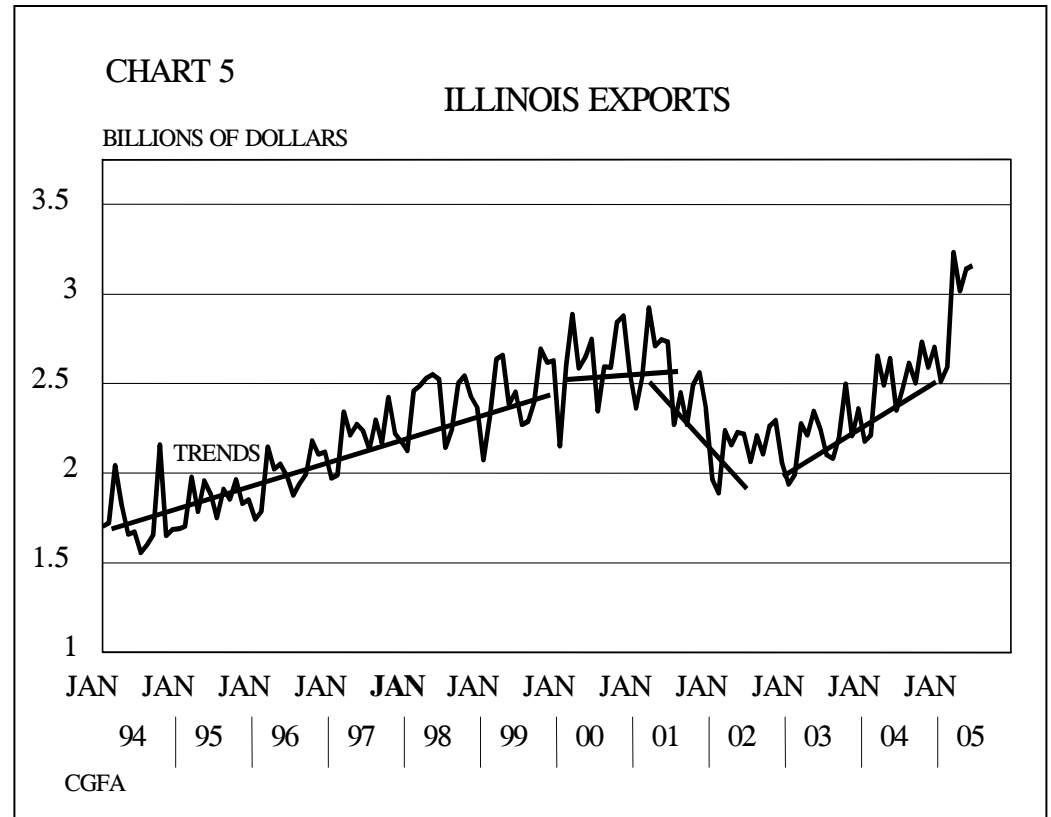


CHART 6: Unemployment Rates

- Ultimately, the strength of the economy as well as that of State revenues is tied to jobs.
- As shown in Chart 6, the unemployment rate has continued to fall. For the past two months, the national rate was 5%, lower than the average it reached in the decade of the 1960s, 70s, 80s, or 90s.
- Unlike the mid-to-late-1990s, however, when the Illinois' unemployment rate held below the national rate on a rather consistent basis, the State rate has continued to exceed the national rate during the current economic recovery.
- The Illinois rate, while declining from a high of 6.9%, has exceeded the national rate since early 1999. The gap in June was a full percent, with the Illinois unemployment rate at 6%, only slightly below the 6.1% rate of a year earlier.



CHART 7: United States Employment

- The employment situation has continued to show strong gains throughout the year, with new highs reached in both the household and payroll series.
- In the 12-months ended in July, 2.4 million new jobs were recorded in the household series and 2.2 million in the payroll series.
- The gain was particularly striking in the more detailed payroll series, which at this time last year was still below its previous peak, although the household survey had surpassed the previous peak some time earlier.

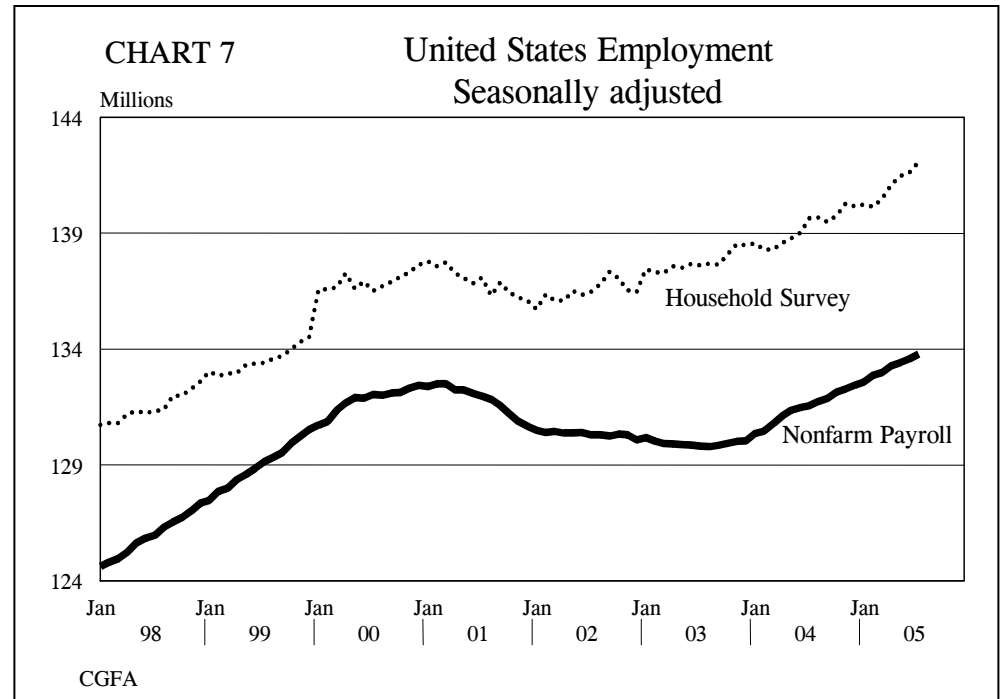


CHART 8: Illinois Employment

- The employment situation also has continued to improve throughout the year in Illinois.
- In the past 12-months, Illinois has added 59,100 according to the Household Survey, and 50,900 jobs by the Payroll Survey.
- The State gain has been evidenced mainly in the Household Survey, while improvement in the more comprehensive Payroll series has been significantly less apparent.
- Unlike the national data, however, the level of employment by either measure remains well below their previous peaks. At the current pace, it appears that it will take some time before Illinois recoups all of the jobs lost following 9-11 and the past recession.

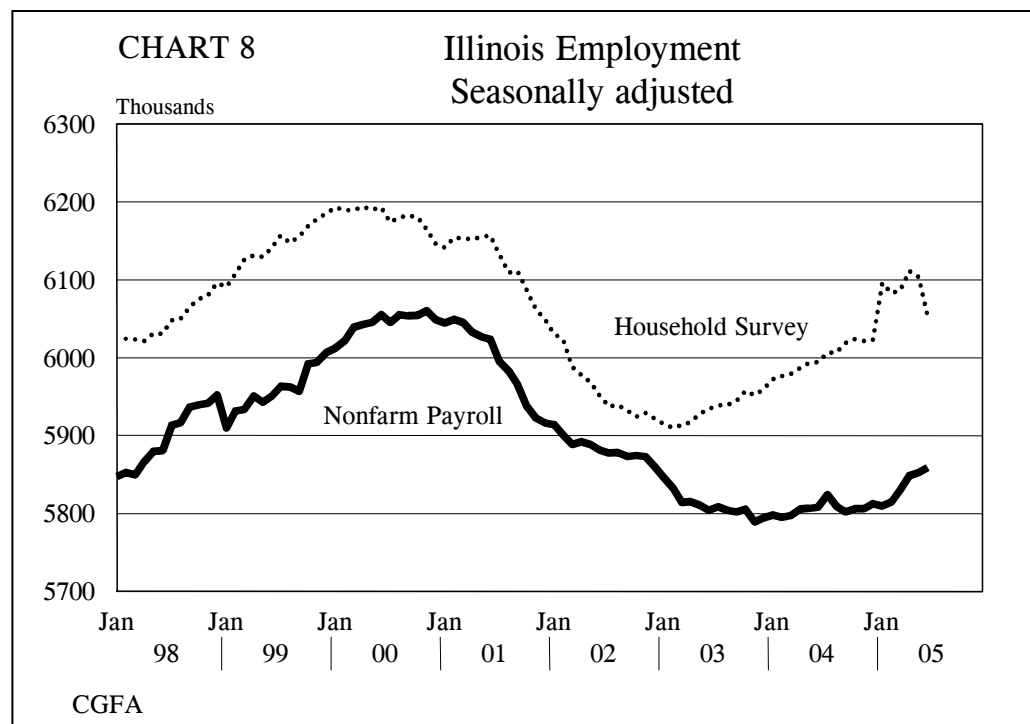
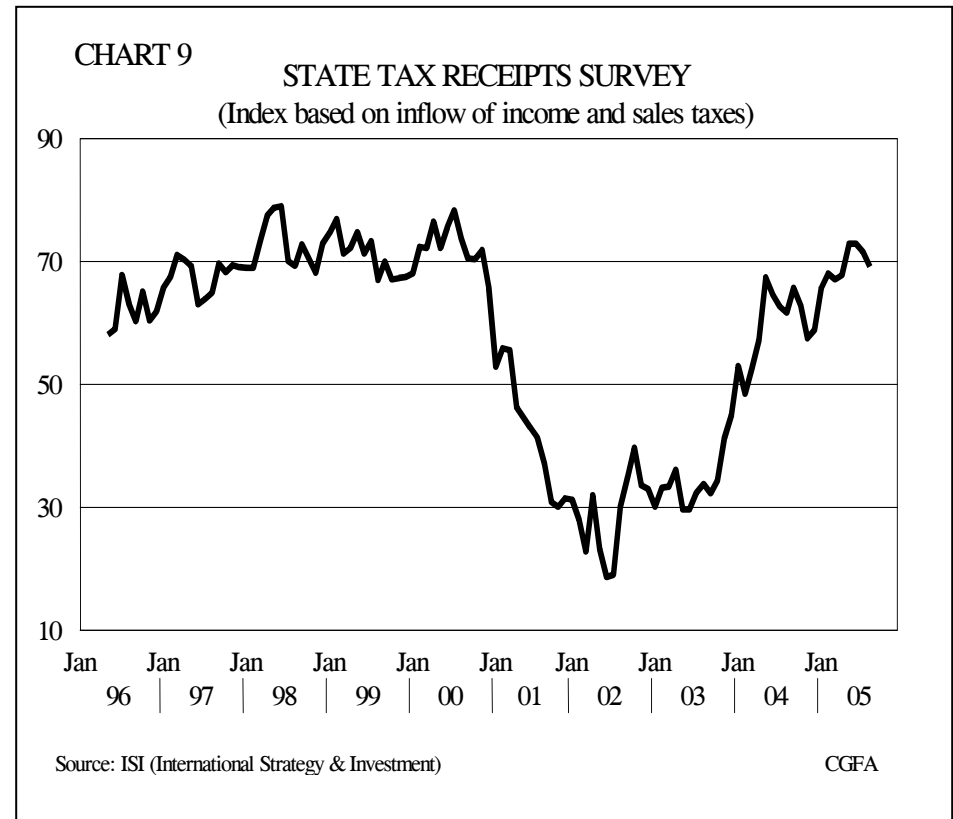


Chart 9: State Tax Receipts Survey

- The improved employment situation is being reflected in an increase in state tax receipts.
- Personal income in current dollars rose from a 4.7% gain in FY 2004 to 6.5% in FY 2005. This coupled with rising corporate profits are behind the improvement seen in income taxes.
- At the same time, further strong gains in consumer spending and somewhat higher prices, particularly for gasoline, have added to sales tax collections.
- With the pace of business expansion moderating, consumer attitudes weakening, and both inflation and interest rates rising, there is concern, however, that future gains in State revenues also may be tempered somewhat.
- Moreover, with employment growth in Illinois lagging the nation, it may take even longer for Illinois to see the full benefits.



REVENUE ASSUMPTIONS USED TO CRAFT 2006 BUDGET

The table below illustrates the various revenue assumptions used to craft the FY 2006 budget. They were compiled utilizing information provided by the GOMB. **These figures do not represent the CGFA's FY 2006 estimate.** (see CGFA estimate on next page)

In the Governor's introduced budget, base FY 2006 revenues were anticipated to be \$26.411 billion. In addition, the Governor proposed \$255 million in deficit reduction sources.

As a result, total revenues were forecast to be \$26.666 billion.

However, virtually all of the proposed deficit reduction sources were not factored into the enacted budget. Those items, as well as others, including a shift of Medicaid spending from GRF to other funds, equate to a total reduction in revenues of \$439 million. More than offsetting those decreases, however, were \$444 million in revenue increases. **Therefore, the enacted budget is based on a revenue forecast that is \$5 million higher than the introduced budget.**

\$ in Millions	
*Walk-Up of FY 2006 Revenues from Introduced Budget vs. Enacted Budget	
Total Base Revenues per Budget Book	\$26,411
Proposed Deficit Reduction Sources	\$255
Adjusted Base	\$26,666
Items Decreasing FY 2006 Revenues (Not Passed)	
Increased Cigarette/Tobacco Products Tax	(\$155)
GRF Federal Revenue from Medicaid Spending	(\$135)
Out-of-State Fuel Fee	(\$67)
Canned Software	(\$65)
Reform Retail Rate Law	(\$17)
Total of Revenue Reductions	(\$439)
Items Increasing FY 2006 Revenues	
Additional Increasing FY 2006 Revenues	
Income Taxes	\$121
Sales Taxes	\$95
Inheritance Tax	\$30
Riverboat Taxes	\$11
Secretary of State Fee Growth	\$48
Additional Other Revenues	\$23
Miscellaneous GRF Revenues (i.e. Interest Income)	\$29
Total Additional Base Growth	\$358
Other Statutory Transfers-In	\$62
Additional Federal Revenues - IDPA (MH/DD COLA)	\$24
Total Revenue Increases	\$444
REVISED FY 2006 BUDGET (Unofficial)	\$26,671
*This information should be considered unofficial and was provided by the GOMB. These figures do not represent the CGFA's FY 2006 estimate.	

GOMB FY 2006 GENERAL REVENUE ESTIMATES			
BUDGET BOOK vs. ENACTED*			
(millions)			
Revenue Sources	GOMB (Budget Book) FY 2006 Estimate Feb-05	GOMB (Enacted) FY 2006 Estimate May-05	\$ Difference
State Taxes			
Personal Income Tax	\$9,017	\$9,125	\$108
Corporate Income Tax	\$1,554	\$1,583	\$29
Sales Taxes	\$6,778	\$6,873	\$95
Public Utility (regular)	\$1,096	\$1,069	(\$27)
Cigarette Tax	\$555	\$400	(\$155)
Liquor Gallonage Taxes	\$146	\$150	\$4
Vehicle Use Tax	\$35	\$35	\$0
Inheritance Tax (gross)	\$255	\$285	\$30
Insurance Taxes & Fees	\$366	\$327	(\$39)
Corporate Franchise Tax & Fees	\$194	\$183	(\$11)
Interest on State Funds & Investments	\$45	\$65	\$20
Cook County Intergovernmental Transfer	\$340	\$340	\$0
Other Sources	\$401	\$472	\$71
Subtotal	\$20,782	\$20,907	\$125
Transfers			
Lottery	\$628	\$628	\$0
Riverboat Transfers & Receipts	\$696	\$707	\$11
Other	\$916	\$844	(\$72)
Total State Sources	\$23,022	\$23,086	\$64
Federal Sources	\$4,834	\$4,791	(\$43)
Total Federal & State Sources	\$27,856	\$27,877	\$21
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$879)	(\$890)	(\$11)
Corporate Income Tax	(\$311)	(\$316)	(\$5)
Total General Funds	\$26,666	\$26,671	\$5
* The GOMB FY 2006 Feb-05 estimate includes \$255 million in proposed deficit reduction sources. While in the Budget Book those items were not included in individual source estimates, they are here for ease of comparison (per GOMB). While not shown, it is assumed that \$276 million in Budget Stabilization Fund transfers will be utilized in FY 2006 for cashflow purposes.			
CGFA			

FY 2006 CGFA ESTIMATE & FY 2005 ACTUALS

(millions)

	CGFA FY 2006 Estimate Aug-05	ACTUAL FY 2005	\$ Difference	% Difference
Revenue Sources				
State Taxes				
Personal Income Tax	\$9,217	\$8,873	\$344	3.9%
Corporate Income Tax	\$1,614	\$1,548	\$66	4.3%
Sales Taxes	\$6,890	\$6,595	\$295	4.5%
Public Utility (regular)	\$1,072	\$1,056	\$16	1.5%
Cigarette Tax	\$405	\$450	(\$45)	-10.0%
Liquor Gallonage Taxes	\$150	\$147	\$3	2.0%
Vehicle Use Tax	\$32	\$32	\$0	0.0%
Inheritance Tax (gross)	\$300	\$310	(\$10)	-3.2%
Insurance Taxes & Fees	\$342	\$342	\$0	0.0%
Corporate Franchise Tax & Fees	\$185	\$181	\$4	2.2%
Interest on State Funds & Investments	\$96	\$73	\$23	31.5%
Cook County Intergovernmental Transfer	\$340	\$433	(\$93)	-21.5%
<u>Other Sources</u>	<u>\$445</u>	<u>\$467</u>	<u>(\$22)</u>	<u>-4.7%</u>
Subtotal	\$21,088	\$20,507	\$581	2.8%
Transfers				
Lottery	\$625	\$614	\$11	1.8%
Riverboat Transfers & Receipts	\$688	\$699	(\$11)	-1.6%
<u>Other</u>	<u>\$770</u>	<u>\$899</u>	<u>(\$129)</u>	<u>-14.3%</u>
Total State Sources	\$23,171	\$22,719	\$452	2.0%
Federal Sources	\$4,791	\$4,691	\$100	2.1%
Total Federal & State Sources	\$27,962	\$27,410	\$552	2.0%
Nongeneral Funds Distribution:				
Refund Fund*				
Personal Income Tax	(\$899)	(\$894)	(\$5)	0.6%
Corporate Income Tax	(\$323)	(\$376)	\$53	-14.1%
Subtotal General Funds	\$26,740	\$26,140	\$600	2.3%
Short-Term Borrowing	\$0	\$765	(\$765)	-100.0%
HPF and HHSMTF Transfer	\$0	\$1,002	(\$1,002)	-100.0%
Budget Stabilization Fund Transfer	\$276	\$276	\$0	0.0%
Total General Funds	\$27,016	\$28,183	(\$1,167)	-4.1%
*The FY 2006 estimate includes the refund percentages at 9.75% for PIT and 20% for CIT. In addition, it is assumed that \$276 million in Budget Stabilization Fund transfers will be utilized in FY 2006 for cash flow purposes.				
CGFA				

CGFA's REVISED FY 2006 ESTIMATE

The accompanying table details the Commission's updated forecast for FY 2006. The estimate reflects actual FY 2005 base figures and incorporates new refund percentages as well as other legislative changes used to craft the FY 2006 budget. **As shown, base FY 2006 revenues are estimated to be \$26.740 billion, which represents an increase of \$600 million or 2.3% over the previous fiscal year.**

In essence, most of the economically related sources are expected to have another good year, although rates of growth are expected to moderate from last year's levels. Unfortunately, a significant amount of growth will be offset by decreases related to changes that took place last year and will not be repeated such as the temporary cigarette tax distribution change and higher funds sweeps. In addition, the reduction in the IGT will also have a significant impact on the year over year growth rate.

HIGHLIGHTS OF FY 2006 ESTIMATE

The following section briefly discusses the Commission's estimates of the larger sources and/or other significant changes:

- Personal income tax- Gross personal income taxes are estimated at \$9.217 billion in FY 2006. That figure assumes base receipts will rise 5.0%, but due to the impact of the Voluntary Compliance Program (VCP) in FY 2005, the effective rate of growth is a lower 3.9%, which translates into an increase of \$344 million. The estimate also incorporates the newly established refund percentage of 9.75%, down slightly from last year's 10.0% rate. As a result, on a net of refund basis, personal income tax receipts are expected to increase \$339 million or 4.2%.
- Corporate income tax- Gross corporate income taxes are estimated at \$1.614 billion. That forecast assumes base growth of 7.0%, but due to the impact of the VCP, the effective rate of growth is a lower 4.3%, which represents an increase of \$66 million. The estimate incorporates the new refund percentage of 20.0%, down from last year's 24.0% rate. As a result, on a net of refund basis, corporate income tax receipts are expected to increase \$119 million or 10.2%.
- Sales tax receipts- Sales tax receipts are estimated to be \$6.890 billion, or 4.5% higher than last year's actuals. The forecast assumes growth similar to what was experienced in the prior year.
- Public utility tax- Public utility tax receipts are forecast to be \$1.072 billion in FY 2006. The estimate represents a modest increase of \$16 million or 1.5%.
- Cigarette tax- The estimate of cigarette tax is \$405 million and represents a \$45 million decline from last year. The drop off is due to the temporary change in cigarette tax distribution that took place last year (worth \$50 million). Slightly offsetting that decline is an expected \$5 million from a new distribution change ordered under P.A. 94-91.
- Liquor gallonage tax- The estimate of liquor tax is \$150 million or a \$3 million increase over FY 2005. While last year enjoyed a \$20 million increase due to the elimination of an earlier tax protest, receipts growth should once again flatten.
- Inheritance tax- Inheritance tax is expected to dip slightly to \$300 million in FY 2006. A number of large estate settlements experienced last fiscal year cannot be relied on to be repeated. In addition, the decoupling from the federal phase-out has now been fully annualized and will no longer increase revenues.
- Insurance taxes and fees- The estimate of insurance taxes and fees is \$342 million, reflecting no growth over the previous fiscal year. Last year, insurance receipts fell approximately 5.5% due to higher regular income tax payments (allowed as a deduction against owed insurance taxes). FY 2006 should once again see good regular income tax payments, which should serve to retard any growth from this source.
- Corporate franchise taxes and fees- The forecast is \$185 million and reflects a modest increase of \$4 million or 2.2% over the previous fiscal year.
- Interest income- Last year interest earnings increased nearly 33% as interest rates continually improved. Similar growth is expected in FY 2006 as rates of return continue to improve. The forecast assumes growth of \$23 million or 31.5%.

- Cook County Intergovernmental Transfer- The IGT is expected to begin falling over the coming fiscal years due to the federal government phasing out the “hyper-payments” that are currently used under this funding mechanism. As a result, the transfer is expected to decrease by \$93 million in FY 2006.
- Other sources- The revenue from other sources to the general funds is expected to fall \$22 million in FY 2006. The decline is anticipated due to lower Build Illinois general reserve account transfers as well as an anticipated drop in commercial distribution fee revenue stemming from P.A. 93-1033.
- Lottery transfers- Lottery transfers are expected to rise \$11 million to \$625 million in FY 2006. Some growth is expected due to increased lottery drawings and additional retailers.
- Riverboat transfers and direct receipts- Revenues from riverboat gaming are forecast to dip slightly by \$11 million. Essentially, while the graduated tax rates were allowed to decrease per current law, SB 316 institutes a hold harmless provision that will mitigate any loss associated with the rate change. The slight decrease is anticipated because SB 316 also reduces the admissions tax, and that component is not under the hold harmless provision.
- Other transfers- In FY 2006, other transfers to the general funds are expected to fall \$129 million from the prior fiscal year, primarily reflecting lower statutory funds sweeps and anticipated fund chargebacks.
- Federal Sources- Federal sources are estimated to increase a modest 2.1% or \$100 million, reflecting appropriations and anticipated spending.

FY 2006 CGFA/GOMB ESTIMATE COMPARISON

(millions)

	CGFA FY 2006 Estimate Aug-05	GOMB (Unofficial) FY 2006 Estimate May-05	\$ Difference
Revenue Sources			
State Taxes			
Personal Income Tax	\$9,127	\$9,125	\$92
Corporate Income Tax	\$1,614	\$1,583	\$31
Sales Taxes	\$6,890	\$6,873	\$17
Public Utility (regular)	\$1,072	\$1,069	\$3
Cigarette Tax	\$405	\$400	\$5
Liquor Gallonage Taxes	\$150	\$150	\$0
Vehicle Use Tax	\$32	\$35	(\$3)
Inheritance Tax (gross)	\$300	\$285	\$15
Insurance Taxes & Fees	\$342	\$327	\$15
Corporate Franchise Tax & Fees	\$185	\$183	\$2
Interest on State Funds & Investments	\$96	\$65	\$31
Cook County Intergovernmental Transfer	\$340	\$340	\$0
<u>Other Sources</u>	<u>\$445</u>	<u>\$472</u>	<u>(\$27)</u>
Subtotal	\$21,088	\$20,907	\$181
Transfers			
Lottery	\$625	\$628	(\$3)
Riverboat Transfers & Receipts	\$688	\$707	(\$19)
<u>Other</u>	<u>\$770</u>	<u>\$844</u>	<u>(\$74)</u>
Total State Sources	\$23,171	\$23,086	\$85
Federal Sources	\$4,791	\$4,791	\$0
Total Federal & State Sources	\$27,962	\$27,877	\$85
Nongeneral Funds Distribution:			
Refund Fund*			
Personal Income Tax	(\$899)	(\$890)	(\$9)
Corporate Income Tax	(\$323)	(\$316)	(\$7)
Subtotal General Funds	\$26,740	\$26,671	\$69
Change from Prior Year	\$600	\$531	\$69
Percent Change	2.3%	2.0%	
Budget Stabilization Fund Transfer	\$276	\$276	\$0
Total General Funds	\$27,016	\$26,947	\$69

*The FY 2006 estimates includes the refund percentages at 9.75% for PIT and 20% for CIT. In addition, it is assumed that \$276 million in Budget Stabilization Fund transfers will be utilized in FY 2006 for cash flow purposes.
CGFA

CGFA vs. GOMB COMPARISON

The accompanying table compares the Commission's new FY 2006 estimate with that of the enacted budget (GOMB). While significant differences exist between anticipated revenues in a number of individual lines, in total the Commission's forecast is similar to the projections used to craft the FY 2006 budget, being \$69 million higher. A comparison of the estimates shows that the Commission is measurably higher in its forecast of income taxes and interest income, while being more conservative in the outlook for other sources and overall transfers.

DETAILED GENERAL FUNDS REVENUE HISTORY FY 1997 - FY 2005 & CGFA FY 2006 ESTIMATE

(\$ million)

Revenue Sources	Actual Receipts FY 1997	Actual Receipts FY 1998	Actual Receipts FY 1999	Actual Receipts FY 2000	Actual Receipts FY 2001	Actual Receipts FY 2002	Actual Receipts FY 2003	Actual Receipts FY 2004	Actual Receipts FY 2005	CGFA Aug-05 Est. FY 2006
State Taxes										
Personal Income Tax	\$6,552	\$7,269	\$7,778	\$8,273	\$8,607	\$8,086	\$7,979	\$8,235	\$8,873	\$9,217
Corporate Income Tax (regular)	1,361	1,402	1,384	1,527	1,279	1,043	1,011	1,379	1,548	1,614
Sales Taxes	4,992	5,274	5,609	6,027	5,958	6,051	6,059	6,331	6,595	6,890
Public Utility Taxes (regular)	873	912	1,019	1,116	1,146	1,104	1,006	1,079	1,056	1,072
Cigarette Tax	300	346	403	400	400	400	400	400	450	405
Liquor Gallonage Taxes	57	57	57	128	124	123	123	127	147	150
Vehicle Use Tax	37	37	38	38	34	38	34	35	32	32
Inheritance Tax (Gross)	199	250	347	348	361	329	237	222	310	300
Insurance Taxes and Fees	146	91	208	209	246	272	313	362	342	342
Corporate Franchise Tax & Fees	121	118	117	139	146	159	142	163	181	185
Interest on State Funds & Investments	144	182	212	233	274	135	66	55	73	96
Cook County Intergovernmental Transfer	251	152	218	245	245	245	355	428	433	340
Other Sources	<u>157</u>	<u>181</u>	<u>190</u>	<u>194</u>	<u>407</u>	<u>512</u>	<u>349</u>	<u>439</u>	<u>467</u>	<u>445</u>
Subtotal	\$15,190	\$16,271	\$17,580	\$18,877	\$19,227	\$18,497	\$18,074	\$19,255	\$20,507	\$21,088
Transfers										
Lottery	590	560	540	515	501	555	540	570	614	625
Gaming Fund Transfer	185	170	240	330	460	470	554	661	699	688
Other	<u>309</u>	<u>346</u>	<u>411</u>	<u>514</u>	<u>452</u>	<u>454</u>	<u>589</u>	<u>1,159</u>	<u>899</u>	<u>770</u>
Total State Sources	\$16,274	\$17,347	\$18,771	\$20,236	\$20,640	\$19,976	\$19,757	\$21,645	\$22,719	\$23,171
Federal Sources	\$3,269	\$3,323	\$3,718	\$3,891	\$4,320	\$4,258	\$3,940	\$5,189	\$4,691	\$4,791
Total Federal & State Sources	\$19,543	\$20,670	\$22,489	\$24,127	\$24,960	\$24,234	\$23,697	\$26,834	\$27,410	\$27,962
Nongeneral Funds Distribution:										
Refund Fund										
Personal Income Tax	(\$413)	(\$421)	(\$552)	(\$587)	(\$611)	(\$615)	(\$638)	(\$964)	(\$894)	(\$899)
Corporate Income Tax	(276)	(265)	(263)	(290)	(243)	(240)	(273)	(442)	(376)	(323)
Subtotal General Funds	\$18,854	\$19,984	\$21,674	\$23,250	\$24,106	\$23,379	\$22,786	\$25,428	\$26,140	\$26,740
Change from Prior Year	\$918	\$1,130	\$1,690	\$1,576	\$856	(\$727)	(\$593)	\$2,642	\$712	\$600
Percent Change	5.1%	6.0%	8.5%	7.3%	3.7%	-3.0%	-2.5%	11.6%	2.8%	2.3%
Short-Term Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$1,675	\$0	\$765	\$0
HPF and HHSMTF Transfers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,002	\$0
Budget Stabilization Fund Transfer	\$0	\$0	\$0	\$0	\$0	\$226	\$226	\$226	\$276	\$276
Pension Contribution Fund Transfer	\$0	\$0	\$0	\$0	\$0	\$0	\$300	\$1,395	\$0	\$0
Total General Funds	\$18,854	\$19,984	\$21,674	\$23,250	\$24,106	\$23,605	\$24,987	\$27,049	\$28,183	\$27,016
Change from Prior Year	\$718	\$1,130	\$1,690	\$1,576	\$856	(\$501)	\$1,382	\$2,062	\$1,134	(\$1,167)
Percent Change	4.0%	6.0%	8.5%	7.3%	3.7%	-2.1%	5.9%	8.3%	4.2%	-4.1%

CGFA

08/12/05