



# Commission on Government Forecasting and Accountability

**MONTHLY BRIEFING**

**OCTOBER 2010**

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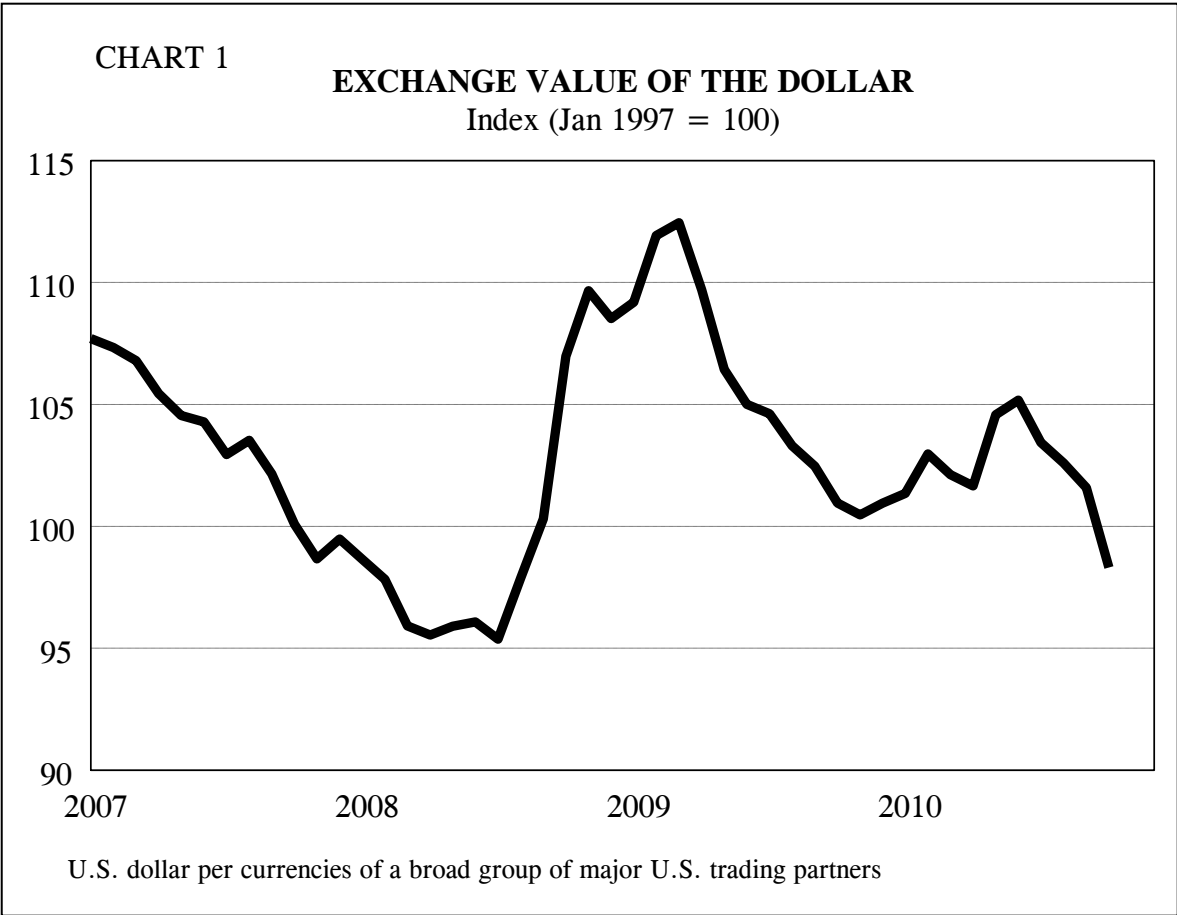
## **ECONOMY: QE2**

Edward H. Boss, Jr., Chief Economist

Financial gurus once again have expanded financial jargon; further complicating understanding the twists and turns of policies being attempted to keep the economic recovery from further weakening. The latest addition to its vocabulary is the term QE2. This neither refers to Queen Elizabeth of Great Britain nor the former luxury liner named for her, rather it refers to quantitative easing of monetary policy. Moreover the 2, suggests this would be the second time this action would be employed by the Federal Reserve during this cycle.

The first quantitative easing, QE1, began in September 2008 during the financial meltdown. Passage of the TARP program to stabilize the financial system followed by the near- trillion dollar Stimulative Program caused the Federal Reserve to triple its reserves by purchasing securities to accommodate those government borrowings and to keep interest rates low to assist in an economic recovery. These actions, however, were expected to be temporary, with the Federal Reserve reducing its reserves of purchased financial securities as the recovery took hold.

While the TARP program may well have been a major factor in stabilizing the financial system, the Stimulative Program failed to live up to its promised results. Indeed the economic recovery that had begun in the summer of 2009 actually slowed its pace of advance, threatening a double-dip recession with the ongoing unemployment rate holding at unacceptable levels. Thus, the Federal Reserve announced it may become necessary for a renewed period of quantitative easing, QE2. The alternative to this monetary action of course would be a more stimulative fiscal policy in the form of even more deficit spending. However, given the negative response to the effectiveness of the Stimulative Program and surging federal deficit, this alternative would likely find little support.



Since talk of a QE2 has emerged, it already seems to have worked from a financial point of view. For example, as shown in Chart 1, the dollar has depreciated since June, falling further since August; stock prices have risen, and long-term bond rates are down. These are all factors working to stimulate aggregate demand, which is the goal of the Federal Reserve. The specifics of how QE2 will be implemented, its size, and duration, however, is yet to be determined and much discussion undoubtedly will ensue, both inside and outside of the Fed.

In contrast to the U.S., the government of Great Britain announced the implementation of the most severe cut-

back in government spending since the end of WWII. The measures undertaken are anticipated to eliminate the country's deficit in five years, which is faster than in almost any other Western capital. The measures are reported to include cutting almost 500,000 public-sector jobs and slashing government agency spending by 19%. No one is spared: banks will see a permanent tax based on size; middle and upper-income individuals will lose child benefits; the pension age will rise; the Value Added Tax will increase, and the Queen has agreed that total Royal Household spending will fall by 14 percent in 2012-2013 while grants to the household will be frozen in cash terms. These are some of the more significant changes. Meanwhile in

France, student riots have occurred as the government rushed to increase the retirement age from 60 to 62 and from 65 to 67 for full benefits with a goal of cutting the deficit to six percent of gross domestic product next year.

In conclusion, weakening in the pace of the U.S. economic recovery accompanied with unacceptably high unemployment rates is pressuring authorities to take action to further stimulate the economy. The focus has

been on monetary policy. This may be the only way in which to add stimulus as vastly increasing the size of the government deficit through fiscal policy not only is unpopular at home, but also runs counter to actions undertaken by many nations abroad with similar deficit problems. The extent of QE2 may well depend on the strength of the U.S. economy, improvement in the employment picture, and the relative strength of the dollar in the months ahead.

<b>INDICATORS OF ILLINOIS ECONOMIC ACTIVITY</b>			
<u>INDICATORS</u>	<u>SEPT. 2010</u>	<u>AUG. 2010</u>	<u>SEPT. 2009</u>
Unemployment Rate (Average)	9.9%	10.1%	10.8%
Annual Rate of Inflation (Chicago)	3.1%	1.4%	0.9%
<b>—————</b>			
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (September)	6,637	0.2%	0.5%
Employment (thousands) (September)	5,977	0.4%	1.4%
New Car & Truck Registration (September)	41,495	-5.2%	-19.4%
Single Family Housing Permits (September)	676	1.1%	-19.6%
Total Exports (\$ mil) (August)	4,119	1.2%	21.3%
Chicago Purchasing Managers Index (October)	60.6	0.3%	11.3%

**Interfund Borrowing**  
Lynnae Kapp, Senior Bond Analyst

The Governor has the authority, through Public Act 96-0958, to conduct “cash flow” borrowing from the State’s funds to the General Revenue Fund, through January 9, 2011. Borrowing from any fund must be paid

back within 18 months of the date borrowed. In October, almost \$46.4 million was transferred from various funds to the General Revenue Fund through Interfund Borrowing. The total for Interfund Borrowing transfers year-to-date is \$309.4 million.

No.	Fund	FY2011 INTERFUND BORROWING			PA 96-0958	
		Aug	Sep	Oct	TOTAL	
0021	Financial Institution Fund	\$1,783,000		\$169,000	\$1,952,000	
0046	Aeronautics Fund			\$10,000	\$10,000	
0049	Industrial Hygiene Regulatory & Enforcement Fund	\$8,000			\$8,000	
0057	IL State Pharmacy Disciplinary Fund	\$77,000			\$77,000	
0113	Community Health Center Care Fund	\$21,000		\$49,000	\$70,000	
0114	Emergency Response Reimbursement Fund	\$33,000			\$33,000	
0151	Registered CPA Administration & Disciplinary Fund	\$3,200,000		\$338,000	\$3,538,000	
0163	Weights and Measures Fund	\$302,000	\$500,000	\$408,000	\$1,210,000	
0189	Local Government Tax Fund		\$100,000,000		\$100,000,000	
0197	Epilepsy Treatment & Education Grants-in-Aid Fund	\$26,000			\$26,000	
0198	Diabetes Research Checkoff Fund	\$33,000			\$33,000	
0215	CDB Revolving Fund	\$185,000	\$900,000	\$617,000	\$1,702,000	
0238	IL Health Facilities Planning Fund	\$372,000	\$300,000	\$157,000	\$829,000	
0241	Transmitters of Money Act (TOMA) Consumer Protection	\$198,000			\$198,000	
0265	State Rail Freight Loan Repayment Fund	\$8,492,000			\$8,492,000	
0277	Pollution Control Board Fund	\$61,000			\$61,000	
0279	Debt Collection Fund	\$9,000			\$9,000	
0286	IL Affordable Housing Trust Fund		\$15,000,000		\$15,000,000	
0287	Home Care Services Agency Licensure Fund		\$25,000	\$63,000	\$88,000	
0292	Securities Investors Education Fund			\$1,000,000	\$1,000,000	
0299	Open Space Lands Acquisition & Development Fund		\$15,000,000		\$15,000,000	
0306	I-FLY Fund	\$45,000			\$45,000	
0310	Tax Recovery Fund	\$184,000		\$39,000	\$223,000	
0316	IL Prescription Drug Discount Program Fund	\$256,000			\$256,000	
0356	Law Enforcement Camera Grant Fund	\$2,212,000	\$99,000	\$211,000	\$2,522,000	
0362	Securities Audit and Enforcement Fund			\$2,000,000	\$2,000,000	
0375	Natural Heritage Fund		\$45,000		\$45,000	
0378	Insurance Premium Tax Refund Fund	\$567,000			\$567,000	
0386	Appraisal Administration Fund	\$500,000		\$314,000	\$814,000	
0390	IL Habitat Endowment Trust Fund		\$11,600,000		\$11,600,000	
0406	Comprehensive Regional Planning Fund	\$150,000			\$150,000	
0418	University Grant Fund	\$9,000		\$18,000	\$27,000	
0424	IL Power Agency Trust Fund	\$12,500,000	\$11,800,000		\$24,300,000	
0429	Multiple Sclerosis Research Fund	\$818,000	\$82,000	\$27,000	\$927,000	
0430	Livestock Management Facilities Fund	\$30,000			\$30,000	
0435	Charitable Trust Stabilization Fund	\$393,000	\$1,049,000	\$36,000	\$1,478,000	
0437	Quality of Life Endowment Fund	\$1,112,000			\$1,112,000	
0446	Employee Classification Fund	\$15,000			\$15,000	

<b>FY2011 INTERFUND BORROWING</b>		<b>PA 96-0958</b>			
<b>No.</b>	<b>Fund</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>TOTAL</b>
0449	Interpreters for the Deaf Fund	\$21,000			\$21,000
0469	Autoimmune Disease Research Fund	\$4,000			\$4,000
0474	Human Services Priority Capital Program Fund	\$1,648,000			\$1,648,000
0478	Predatory Lending Database Program Fund	\$550,000			\$550,000
0480	Secretary of State Identification Security and Theft Prevention Fund			\$5,000,000	\$5,000,000
0510	IL Fire Fighters' Memorial Fund	\$2,783,000		\$97,000	\$2,880,000
0534	IL Workers' Compensation Commission Operations Fund		\$10,000,000		\$10,000,000
0535	Sex Offender Registration Fund	\$45,000			\$45,000
0559	Downstate Transit Improvement Fund		\$17,000,000		\$17,000,000
0562	Pawnbroker Regulation Fund	\$29,000			\$29,000
0582	DCFS Special Purposes Trust Fund			\$102,000	\$102,000
0588	September 11th Fund	\$77,000		\$19,000	\$96,000
0613	Wireless Carrier Reimbursement Fund			\$1,114,000	\$1,114,000
0621	International Tourism Fund		\$1,000,000	\$950,000	\$1,950,000
0623	Special Olympics IL Fund	\$23,000			\$23,000
0637	State Police Wireless Service Emergency Fund	\$985,000		\$259,000	\$1,244,000
0638	IL Adoption Registry & Medical Information Exchange	\$4,000			\$4,000
0643	Auction Recovery Fund	\$288,000			\$288,000
0660	Academic Quality Assurance Fund	\$33,000	\$100,000	\$20,000	\$153,000
0661	Private College Academic Quality Assurance Fund	\$35,000		\$15,000	\$50,000
0669	Airport Land Loan Revolving Fund	\$90,000			\$90,000
0678	FY09 Budget Relief Fund	\$14,000,000			\$14,000,000
0697	Roadside Memorial Fund	\$7,000	\$17,000	\$18,000	\$42,000
0705	State Police Whistleblower Reward and Protection Fund		\$1,600,000	\$103,000	\$1,703,000
0714	Spinal Cord Injury Paralysis Cure Research Trust Fund	\$127,000		\$27,000	\$154,000
0731	IL Clean Water Fund		\$767,000	\$437,000	\$1,204,000
0738	Alternative Compliance Market Account Fund	\$202,000			\$202,000
0740	Medicaid Buy-In Program Revolving Fund	\$267,000		\$117,000	\$384,000
0744	IL Animal Abuse Fund	\$5,000			\$5,000
0746	Home Inspector Admin Fund	\$195,000		\$53,000	\$248,000
0750	Real Estate Audit Fund	\$151,000			\$151,000
0753	IL Future Teacher Corps Scholarship Fund	\$88,000		\$11,000	\$99,000
0774	Oil Spill Response Fund			\$14,000	\$14,000
0778	Dept. of Human Rights Training & Development Fund	\$15,000			\$15,000
0794	Metro-East Public Transportation Fund	\$91,000			\$91,000
0795	Bank and Trust Company Fund		\$8,000,000		\$8,000,000
0797	Dept. of Human Rights Special Fund	\$136,000			\$136,000
0823	Illinois State Dental Disciplinary Fund	\$1,300,000		\$100,000	\$1,400,000
0830	Dept. of Aging State Projects Fund		\$53,000		\$53,000
0836	IL Power Agency Renewable Energy Resources Fund		\$2,000,000	\$4,710,000	\$6,710,000
0845	Environmental Protection Trust Fund		\$780,000	\$295,000	\$1,075,000
0849	Real Estate Research and Education Fund	\$241,000			\$241,000
0878	Drug Traffic Prevention Fund			\$48,000	\$48,000
0888	Design Professionals Admin and Investigation Fund	\$143,000		\$175,000	\$318,000
0922	Insurance Producer Administration Fund			\$1,531,000	\$1,531,000
0942	Low-level Radioactive Waste Facility Development and Operation Fund		\$514,000		\$514,000
0963	Vehicle Inspection Fund		\$2,800,000	\$15,260,000	\$18,060,000
0993	Public Infrastructure Construction Loan Revolving Fund			\$9,971,000	\$9,971,000
0997	Insurance Financial Regulation Fund	\$3,568,000	\$1,271,000	\$467,000	\$5,306,000
<b>Total</b>		<b>\$60,742,000</b>	<b>\$202,302,000</b>	<b>\$46,369,000</b>	<b>\$309,413,000</b>

## REVENUE

### Revenues Again Mixed—Lower Transfers Results in Monthly Drop

Jim Muschinske, Revenue Manager

October revenues suffered an overall loss of \$34 million despite some modest gains in economically-related areas. Those gains, however, were more than offset by a falloff in transfers as well as federal sources. October had one less receipting day than the same month last year.

For the month, sales tax receipts managed to post a \$28 million gain. Gross personal income tax grew by \$19 million, or \$24 million net of refunds. Liquor taxes increased by \$7 million, inheritance \$5 million, public utility \$4 million, interest income \$3 million, and cigarette tax \$1 million.

A few sources declined in October as gross corporate income tax fell \$8 million, or \$7 million net of refunds. Insurance taxes dropped \$6 million, while corporate franchise taxes and other sources each experienced a \$3 million decline.

Overall transfers in October were down \$70 million. Despite \$46 million in interfund borrowing, other transfers for the month fell \$44 million due to last year's approximately \$78 million in fund sweeps. Riverboat transfers dropped \$20 million for the month, while lottery transfers fell \$6 million. As mentioned earlier, federal sources dropped slightly in October, by \$17 million.

### Year to Date

Excluding short-term borrowing, base general funds revenues are up \$233 million through the October. However, that increase is only made possible due to \$309 million of interfund borrowing.

While the larger economic sources have managed to post year-to-date gains, their performance has been expectedly underwhelming. Gross personal income tax is up \$49 million [\$72 million net of refunds], sales taxes \$27 million, and gross corporate income taxes by \$22 million [\$18 million net of refunds]. Inheritance has performed surprisingly well, up \$39 million thus far, but is expected to fall significantly in the coming months. Public utility taxes are ahead by \$18 million, corporate franchise \$6 million and cigarette tax \$1 million.

A number of sources experienced losses thus far in the fiscal year. Other sources are behind last year's pace by \$9 million, liquor taxes are down \$7 million related to "stock piling" sales of last year, insurance taxes are down by \$7 million, interest income is off \$6 million and the vehicle use tax \$1 million.

Overall transfers are up \$229 million for the year, principally due to \$309 million in interfund borrowing. Federal sources, after falling again in October, are now down \$147 million for the year.

**GENERAL FUNDS RECEIPTS: OCTOBER**

*FY 2011 vs. FY 2010*

(\$ million)

<b>Revenue Sources</b>	<b>Oct. FY 2011</b>	<b>Oct. FY 2010</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$708	\$689	\$19	2.8%
Corporate Income Tax (regular)	74	82	(\$8)	-9.8%
Sales Taxes	543	515	\$28	5.4%
Public Utility Taxes (regular)	83	79	\$4	5.1%
Cigarette Tax	30	29	\$1	3.4%
Liquor Gallonage Taxes	13	6	\$7	116.7%
Vehicle Use Tax	2	2	\$0	0.0%
Inheritance Tax (Gross)	17	12	\$5	41.7%
Insurance Taxes and Fees	0	6	(\$6)	-100.0%
Corporate Franchise Tax & Fees	16	19	(\$3)	-15.8%
Interest on State Funds & Investments	5	2	\$3	150.0%
Cook County IGT	0	0	\$0	N/A
Other Sources	24	27	(\$3)	-11.1%
<b>Subtotal</b>	<b>\$1,515</b>	<b>\$1,468</b>	<b>\$47</b>	<b>3.2%</b>
<b>Transfers</b>				
Lottery	55	61	(\$6)	-9.8%
Riverboat transfers & receipts	40	60	(\$20)	-33.3%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Other	72	116	(\$44)	-37.9%
<b>Total State Sources</b>	<b>\$1,682</b>	<b>\$1,705</b>	<b>(\$23)</b>	<b>-1.3%</b>
<b>Federal Sources</b>	<b>\$452</b>	<b>\$469</b>	<b>(\$17)</b>	<b>-3.6%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$2,134</b>	<b>\$2,174</b>	<b>(\$40)</b>	<b>-1.8%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$62)	(\$67)	\$5	-7.5%
Corporate Income Tax	(\$13)	(14)	\$1	-7.1%
<b>Subtotal General Funds</b>	<b>\$2,059</b>	<b>\$2,093</b>	<b>(\$34)</b>	<b>-1.6%</b>
<b>Short-Term Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Pension Contribution Fund Transfer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Budget Stabilization Fund Transfer</b>	<b>\$0</b>	<b>\$40</b>	<b>(\$40)</b>	<b>N/A</b>
<b>Total General Funds</b>	<b>\$2,059</b>	<b>\$2,133</b>	<b>(\$74)</b>	<b>-3.5%</b>
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				3-Nov-10

## GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2010 vs. FY 2009

(\$ million)

<u>Revenue Sources</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>CHANGE FROM FY 2010</u>	<u>% CHANGE</u>
<b>State Taxes</b>				
Personal Income Tax	\$2,843	\$2,794	\$49	1.8%
Corporate Income Tax (regular)	395	373	\$22	5.9%
Sales Taxes	2,149	2,122	\$27	1.3%
Public Utility Taxes (regular)	348	330	\$18	5.5%
Cigarette Tax	118	117	\$1	0.9%
Liquor Gallonage Taxes	54	61	(\$7)	-11.5%
Vehicle Use Tax	10	11	(\$1)	-9.1%
Inheritance Tax (Gross)	107	68	\$39	57.4%
Insurance Taxes and Fees	85	92	(\$7)	-7.6%
Corporate Franchise Tax & Fees	74	68	\$6	8.8%
Interest on State Funds & Investments	8	14	(\$6)	-42.9%
Cook County IGT	0	0	\$0	N/A
Other Sources	115	124	(\$9)	-7.3%
<b>Subtotal</b>	<b>\$6,306</b>	<b>\$6,174</b>	<b>\$132</b>	<b>2.1%</b>
<b>Transfers</b>				
Lottery	190	188	\$2	1.1%
Riverboat transfers & receipts	120	160	(\$40)	-25.0%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Other	557	290	\$267	92.1%
<b>Total State Sources</b>	<b>\$7,173</b>	<b>\$6,812</b>	<b>\$361</b>	<b>5.3%</b>
<b>Federal Sources</b>				
<b>Total Federal &amp; State Sources</b>	<b>\$1,915</b>	<b>\$2,062</b>	<b>(\$147)</b>	<b>-7.1%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$9,088</b>	<b>\$8,874</b>	<b>\$214</b>	<b>2.4%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$249)	(\$272)	\$23	-8.5%
Corporate Income Tax	(\$69)	(\$65)	(\$4)	6.2%
<b>Subtotal General Funds</b>	<b>\$8,770</b>	<b>\$8,537</b>	<b>\$233</b>	<b>2.7%</b>
<b>Short-Term Borrowing</b>	<b>\$1,300</b>	<b>\$1,250</b>	<b>\$50</b>	<b>N/A</b>
<b>Pension Contribution Fund Transfer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Budget Stabilization Fund Transfer</b>	<b>\$0</b>	<b>\$316</b>	<b>(\$316)</b>	<b>-100.0%</b>
<b>Total General Funds</b>	<b>\$10,070</b>	<b>\$10,103</b>	<b>(\$33)</b>	<b>-0.3%</b>
SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.				
CGFA				3-Nov-10



## Sales Tax Revenues from Motor Fuel

Eric Noggle, Senior Revenue Analyst

Over the past decade, there has been a dramatic fluctuation in motor fuel prices. For example, in FY 2002, retail gasoline prices averaged \$1.34 per gallon. In the subsequent six fiscal years, the average price steadily increased to its highest level of \$3.29 per gallon in FY 2008. In FY 2009, the average price fell to \$2.56 per gallon, before creeping up to \$2.71 per gallon in FY 2010. Diesel prices saw similar trends but at slightly higher prices.

The Commission is often asked what effect these higher prices have had on Illinois tax revenues that come from motor fuel. There are two prominent taxes on motor fuel: the motor fuel tax and the sales tax on motor fuel. The State's motor fuel tax is equal to 19-cents per gallon (21.5-cents for diesel and other special fuels). However, because its tax rate is based on consumption and not on price, the dramatic increase in motor fuel prices does not equate to a corresponding increase in motor fuel tax revenues. In fact, the FY 2010 motor fuel tax revenue amount of \$1.37 billion is actually 0.9% lower than the \$1.38 billion collected a decade ago in FY 2000.

The sales tax on motor fuel, on the other hand, is dependent on the price of fuel. The State sales tax is equal to 5% of the selling price of motor fuel. Because of this, any dramatic increase in the price of gasoline or diesel leads to a corresponding increase in the amount of sales tax collected from this sale of motor fuel.

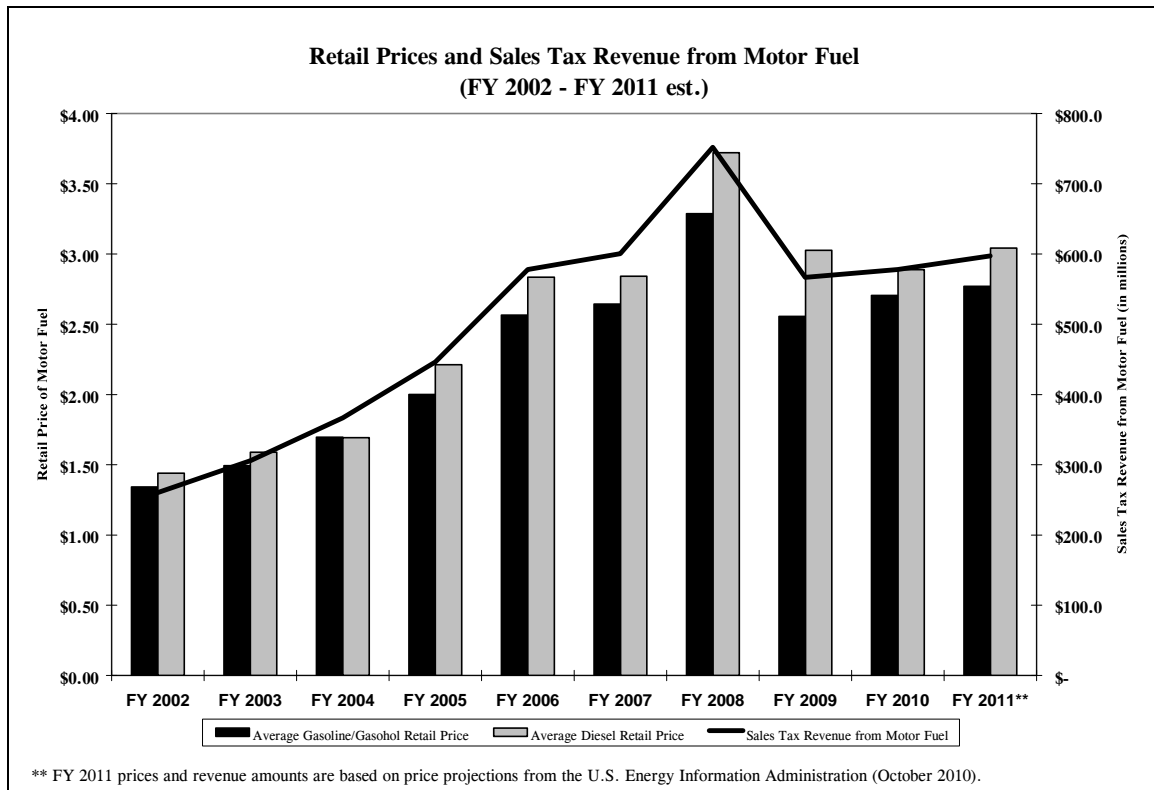
It was a decade ago that there was a public outcry over motor fuel prices in Illinois. During the summer of 2000, gasoline retail prices approached, and in some cases, surpassed the \$2.00 per gallon price mark. While a figure of \$2.00 per gallon would seem "cheap" by today's standards, this was in comparison to retail prices averaging less than \$1.00 per gallon in the Spring of 1999. The higher prices compared to typical prices at that time led State legislators to explore tax relief for motorists in Illinois. In response, a six-month suspension on the sales tax of motor fuel was enacted in FY 2001. In the follow-up analysis of this suspension, the Commission determined that this six-month tax break reduced sales tax revenues from motor fuel by approximately \$157 million.

Ever since this temporary tax suspension took place, the Commission has continued to track the approximate amounts of sales tax revenue from motor fuel that is collected each year. We say "approximate" because determining this amount sales tax revenue collected is difficult to calculate. This is because when sales tax receipts are collected, there is not a single line distinguishing how much sales tax revenue comes directly from motor fuel and how much comes from other sales. For example, sales taxes paid from a gas station would include sales tax from motor fuel as well as ancillary items, such as chips, soda, etc. However, the Commission is able to formulate rough estimates of how much sales tax revenue is received from motor fuel in

Illinois by using gallonage figures from the Department of Revenue and average Statewide motor fuel prices.

As shown in the chart below, the Commission estimates that the amount of sales tax revenue from motor fuel in FY 2010 (based on fiscal year average per-gallon prices of \$2.71 for gasoline and \$2.89 for diesel) was

approximately \$578 million. This amount is estimated to be \$11 million higher than the FY 2009 estimated amount of \$566 million due to slightly higher motor fuel prices in FY 2010. However, these amounts are significantly lower than the estimated \$752 million collected in FY 2008 when motor fuel prices averaged \$3.29 per gallon for gasoline and \$3.72 per gallon for diesel fuel.



When the State has a year when the sales tax revenue from motor fuel figure is higher than previous years, this is often portrayed as a “windfall” for Illinois. This especially seems to be the case in years when the year-over-year difference is dramatically different, as was the situation in FY 2008. While a revenue “windfall” may be true to some extent as it specifically relates to sales tax from motor fuel, the Commission

repeatedly points out that if people are spending more on motor fuel, they are likely spending less on other areas.

For example, as shown in the following table, when motor prices dramatically increased in FY 2008, the Commission estimated sales tax revenues from motor fuel increased \$151.6 million or 25.3%. However, overall sales taxes in that fiscal year only grew 1.1%. This

means that non-motor fuel sales tax revenues actually decreased by approximately 1.1% in FY 2008. It is estimated that motor fuel revenue made up approximately 10.4% of all sales tax revenues in that fiscal year.

Similarly, in FY 2010, it is estimated that sales tax revenues from motor fuel increased 2.0% in FY 2010. However, overall sales tax revenues fell 6.9%. This means that non-motor fuel sales

tax revenues decreased by a staggering 7.7% in FY 2010. Therefore, disappointing sales tax figures from other areas have more than offset FY 2010 increases caused by higher motor fuel prices. In the struggling economic times of today, once the “essentials” like fuel for transportation were paid for, the significant declines in non-motor fuel sales tax revenue figures would suggest that fewer dollars were left for the consumer to spend in other areas.

<i>Illinois Motor Fuel Related Sales Tax Data</i>					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 (est.)
Average Gasoline Price:	\$2.64	\$3.29	\$2.56	\$2.71	\$2.77
Average Diesel Price:	\$2.84	\$3.72	\$3.03	\$2.89	\$3.04
Est. Sales Tax Revenue from Motor Fuel (in millions):	\$600.3	\$751.9	\$566.6	\$578.0	\$597.3
Difference from Previous Year (in millions):	\$22.4	\$151.6	-\$185.3	\$11.3	\$19.3
Overall Sales Tax Revenues (in millions):	\$7,136.1	\$7,214.6	\$6,772.8	\$6,308.0	\$6,400.0
Motor Fuel % of All Sales Tax Revenues:	8.4%	10.4%	8.4%	9.2%	9.3%
Est. Growth of Sales Tax Revenue from Motor Fuel:	3.9%	25.3%	-24.6%	2.0%	3.3%
Est. Growth of Non-Motor Fuel Sales Tax Revenues:	0.3%	-1.1%	-4.0%	-7.7%	1.3%
Overall Growth in Sales Tax Revenues:	0.6%	1.1%	-6.1%	-6.9%	1.5%

Note: FY 2011 estimates are based on projected motor fuel prices from the U.S. Energy Information Administration.

So, what are motor fuel related revenues expected to do in FY 2011? Using motor fuel projected prices from the Energy Information Administration ([www.eia.doe.gov/steo](http://www.eia.doe.gov/steo)), gasoline prices are expected to average \$2.77 per gallon in FY 2011 and diesel prices to average \$3.04 per gallon. Assuming then that motor fuel gallonage would remain flat; approximately \$597.3 million in sales tax revenues are anticipated to be collected from motor fuel in FY 2011. This would be an approximate \$19.3 million, or 3.3% increase over FY 2010 estimated levels.

(These estimates are included in the previous chart and table).

However, as stated previously, the modest increase expected in FY 2011 should not be translated as a “windfall” because if people are spending more money on gasoline and diesel they are likely spending less in other areas. The Commission currently only anticipates an approximate 1.5% growth in overall sales tax revenues in FY 2011. If revenues would come in as expected, sales tax revenues from motor fuel will make up approximately 9.3% of all sales tax revenues in FY 2011.