3-Year Budget Forecast
FY 2013 – FY 2015

Commission on Government
Forecasting and Accountability

March, 2012

Commission on Government
Forecasting and Accountability

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TABLE OF CONTENTS

3-Year Budget Forecast
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INTRODUCTION

As part of Public Act 0958 of the 96th General Assembly, the Commission on Government Forecasting and Accountability has been directed to **"...develop a 3-year budget forecast for the State, including opportunities and threats concerning anticipated revenues and expenditures, with an appropriate level of detail."**

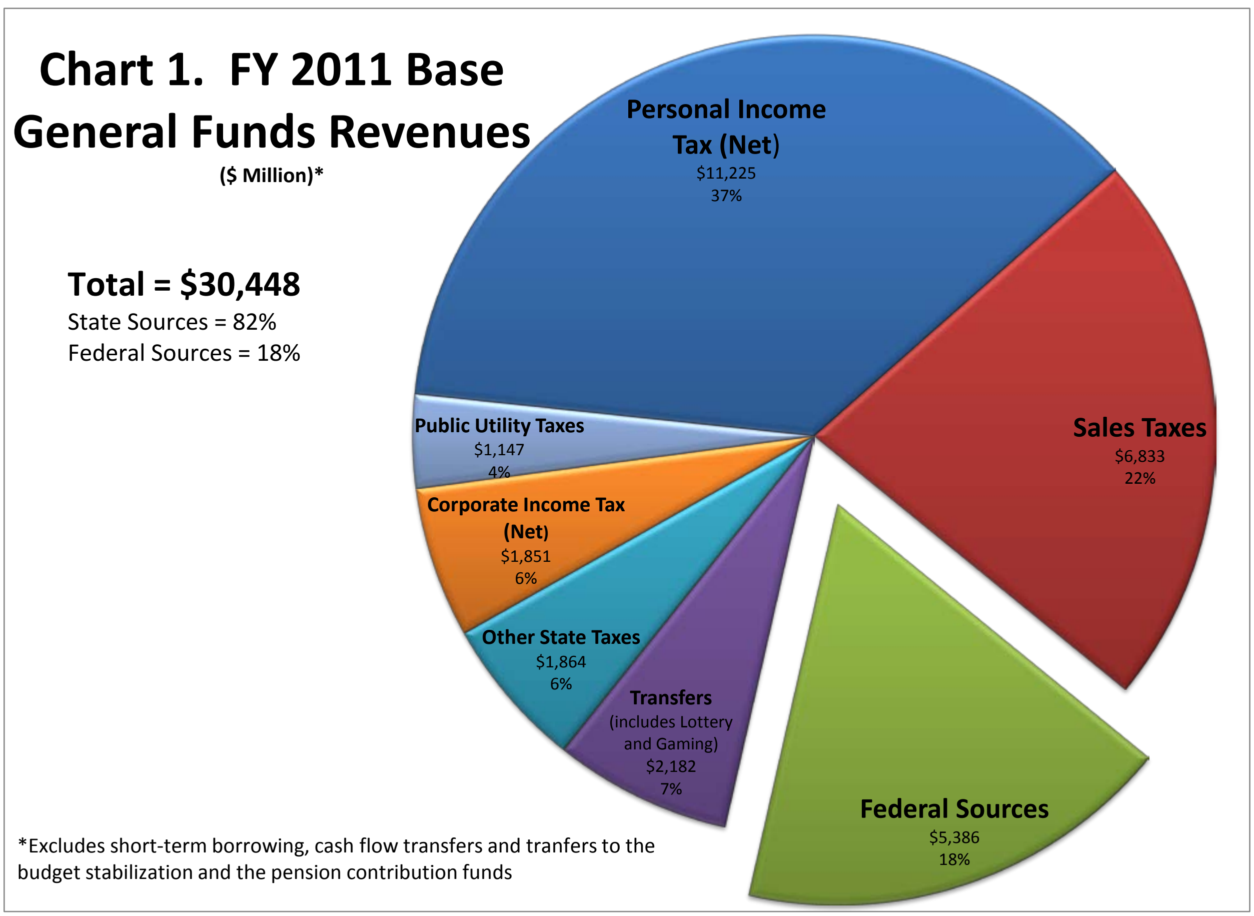
This report represents the Commission's second annual effort towards developing the mandated 3-year budget forecast. It begins with an examination of the State of Illinois' General Funds revenue and expenditures over the last 15 years; then considers threats and opportunities to Illinois' budget; finally, it concludes with potential 3-year budget results based upon scenario analysis.

I. Illinois' Budget History

To begin analyzing Illinois' budget, an assessment of historical General Fund revenues and expenditures was conducted. The examined data was from the Illinois State Comptroller's annual report entitled "Traditional Budgetary Financial Report." The composition of base revenues and expenditures were evaluated. In addition, growth rates for both revenues and expenditures were calculated over various time periods. These assessments were then used to assist in the Commission's 3-year budget forecast.

Revenues

Base General Funds revenue totaled $30.4 billion in FY 2011. This amount excludes short-term borrowing, transfers to the budget stabilization fund and pension contribution fund, and other cash flow transfers. The largest component of base revenue came from the Personal Income Tax (Net) which equaled $11.2 billion after refunds. This amounted to 37% of total General Funds revenue. The next highest amount came from the Sales Tax which totaled $6.8 billion, or just over 22% of the total. Federal Sources contributed $5.4 billion (18%). Transfers (including lottery and gaming) added $2.1 billion. The Corporate Income Tax contributed $1.9 billion. Chart 1 illustrates the make-up of FY 2010 General Funds revenue.



Appendix A shows historical totals for General Funds revenue from FY 2002 to FY 2011. Three sources, Personal Income Tax (Net), Sales Taxes, and Federal Sources, annually contributed approximately 75% of total revenue. The proportional make-up of General Funds revenue has been relatively steady over the last decade although Federal Sources, which is highly dependent on Medicaid and related reimbursement rates, rose in importance FY 2009 and FY 2010. Federal Sources declined as expected in FY 2011 but the increase in income tax revenues due to the income tax rate increase more than made up for the drop off in Federal Sources.

Over the last decade, base General Funds revenue grew at an average rate of 2.6% per year. Three of the ten years analyzed actually had declines when compared to the previous year. Of the three biggest sources, Personal Income Tax (Net) averaged the highest growth rate at 4.1%. This growth was largely due to the increase in the income tax rate for tax year 2011. Federal sources grew approximately 3.3% per year, while Sales Taxes grew only 1.5%. Table 1 shows growth rates for each revenue source.

When data from the late 1990's are included into the data analysis, overall revenue growth increases to 3.7%. Personal income tax grew at 5.1% per year, while sales tax receipts averaged growth of 2.5%. Federal Sources grew at a rate of 4.0% which was above its 10-year average.

TABLE 1. GENERAL FUNDS REVENUE GROWTH RATES
FY 1997 - FY 2011
($ million)*

Revenue Sources	1-Year Average	3-Year Average	5-Year Average	10-Year Average	15-Year Average
State Taxes					
Personal Income Tax (Net)	31.9%	4.5%	6.4%	4.1%	5.1%
Sales Taxes	8.3%	-1.6%	-0.6%	1.5%	2.5%
Other State Taxes	-7.6%	-7.9%	-3.9%	-1.5%	3.6%
Transfers (includes Lottery and Gaming)	15.8%	6.0%	1.8%	5.7%	5.4%
Corporate Income Tax (Net)	36.1%	2.5%	7.3%	8.0%	5.9%
Public Utility Taxes	5.3%	-0.2%	1.4%	0.1%	2.3%
Total State Sources	**18.6%**	**1.1%**	**2.6%**	**2.7%**	**3.9%**
Federal Sources	**-9.0%**	**5.8%**	**3.9%**	**3.3%**	**4.0%**
Total, Base Revenues	**12.5%**	**1.3%**	**2.4%**	**2.6%**	**3.7%**

*Excludes short-term borrowing, cash flow transfers, and tranfers to the budget stabilization and the pension contribution funds

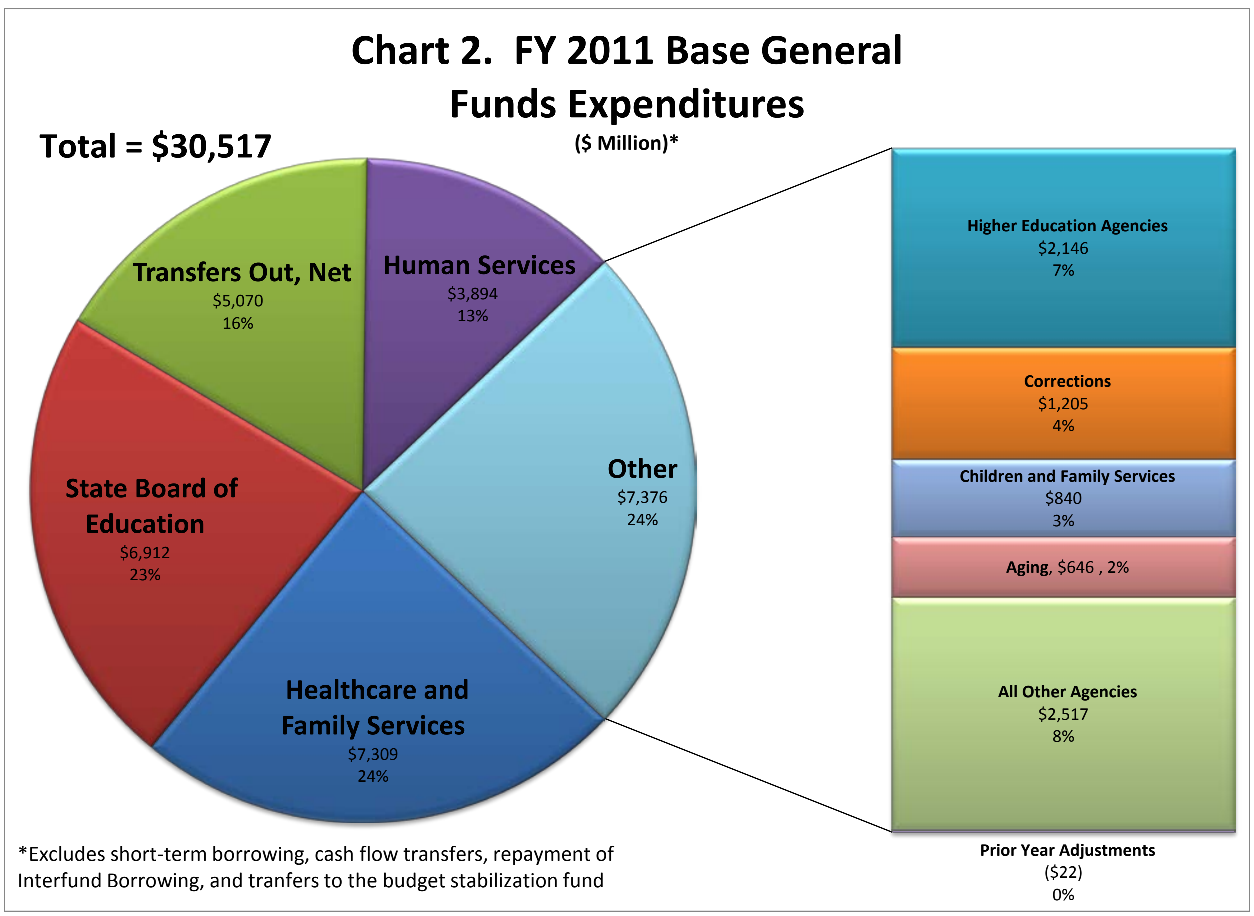
Expenditures

Base General Funds expenditures amounted to $30.5 billion in FY 2011. Base expenditures exclude short-term borrowing, transfers to the budget stabilization fund, and cash flow transfers. This was an increase of 3.1% from FY 2010 when base expenditures equaled $29.6 billion.

Of the $30.5 billion in base General Funds expenditures in FY 2011, the largest portion came from the Department of Healthcare and Family Services (DHFS) which spent just over $7.3 billion. DHFS was followed by the State Board of Education at $6.9 billion, which was $361 less than in FY 2010. Each of these made up just less than 1/4th of total expenditures.

Transfers Out (net) made up $5.0 billion or 16% of total expenditures. The Department of Human Services (DHS) spent $3.9 billion, while Higher Education Agencies totaled $2.1 billion. Appendix B. highlights expenditures for the last 10 fiscal years.

Over the last ten years, the base General Fund expenditures have grown at an average rate of 2.3% per year. The fastest growing expenditure category was Transfers Out (net) which grew over 15% per year. This high level of growth was due to a surge in Transfers Out (net) in FY 2005 when it grew from $1.5 billion to $3.7 billion largely due to an increase in debt payments. This was single year growth of over 140%. FY 2011 saw another



large increase in net transfers out due to changes in one-time transfers and cash flow transfers.

DHFS and ISBE, the two largest agencies in FY 2011, grew at an average of 4.7% and 3.2% per year respectively over the last decade. The Department of Aging has averaged expenditure growth of over 13% over the last five years. Table 2 contains year-over-year percentage changes by agency over different time periods during the past fifteen years.

The growth rates in Table 2 are somewhat skewed as FY 2010's decline of -10.2% is lowering all of the averages considerably, similar to revenues. FY 2010's decrease in expenditures is related to a decline in reimbursable spending primarily at the Department of Healthcare and Family Services. The 10-year average increase in total base expenditures excluding FY 2010 was 4.2%, while the 15-year average would have been 4.9%. The Commission believes that spending growth of 4.0%-4.5% per year has been the norm over the last fifteen years rather than the 10-year and 15-year averages calculated below which are heavily influenced by FY 2010.

TABLE 2. GENERAL FUNDS EXPENDITURES GROWTH RATES
FY 1997 - FY 2011
($ million)

WARRANTS ISSUED	1-Year Average*	3-Year Average*	5-Year Average*	10-Year Average*	15-Year Average*
BY AGENCY					
Healthcare and Family Services	1.0%	-1.7%	1.0%	4.7%	3.2%
State Board of Education	-5.0%	-0.3%	2.8%	3.2%	4.6%
Human Services	-2.6%	-1.6%	0.5%	0.5%	n/a
Higher Education Agencies	-3.8%	-0.5%	-0.2%	-1.2%	1.2%
Corrections	4.2%	0.3%	0.9%	0.3%	3.1%
Teachers Retirement System	-72.0%	-24.9%	-1.0%	-0.8%	5.8%
Children and Family Services	-0.8%	-1.7%	1.2%	-0.7%	-0.3%
Aging	-1.1%	12.6%	13.2%	n/a	n/a
All Other Agencies	12.5%	2.1%	5.1%	-1.8%	-1.1%
Prior Year Adjustments	29.4%	16.9%	17.6%	19.9%	-2.0%
Total Warrants Issued (14 months)	**-3.2%**	**-1.8%**	**1.4%**	**1.5%**	**3.2%**
Transfers					
Transfers Out, Net	53.5%	18.9%	12.3%	15.2%	12.6%
Total, Base Expenditures	**3.1%**	**0.5%**	**2.6%**	**2.3%**	**3.8%**

* FY 2010 and FY 2011 spending was 18 months as lapse period spending was extended 4 months

II. Threats and Opportunities

Coming out of the Great Recession, Illinois faces a tough fiscal situation. General Fund expenditures have outgrown revenues in the last decade. The State continues to have to deal with increasing pension and healthcare costs, while still needing to take care of a backlog of unpaid bills. The economy remains the biggest threat to State finances. While the Illinois economy continues to show signs of improvement, due to the importance of the economy on the main revenue sources (income and sales taxes) and its linkage with the demand for government services, it remains a threat to the State's financial condition if it were to return to a recessionary economic stage.

In January of 2012, the Comptroller estimated that the backlog of unpaid bills amounted to approximately $8.5 billion. These unpaid bills are a significant threat to the Illinois economy. By not paying these bills in a timely manner, the State is likely hindering other potential economic activity. This hindering of economic activity dampens the potential for job growth which would bring in more revenue in the form of taxes.

Balancing the budget will also help deal with another threat to the State's finances, which is increasing pension costs. Total state contribution to the five pension systems is expected to be $5.1 billion in FY 2012, $5.9 billion in FY 2013, $6.1 billion in FY 2014 and $6.5 billion in FY 2015. These estimates are based on the June 30, 2011 actuarial valuations as reported by the retirement systems. These increases are expected to eat up a significant portion of the natural growth in revenues over the next few years.

Another threat to the State is the potential for a decrease in the State's bond rating. The more unstable a State's finances are the more the cost of borrowing will be. Illinois' debt has had one of the lowest ratings, if not the lowest, of all the States. Steps taken to solve the structural deficit, like the increase in the income tax, improve the State's fiscal stability and therefore decrease its borrowing costs.

A threat also exists concerning Federal Source revenues. Federal Source revenue has been significantly higher in the last few years and is expected to decrease in the coming years. From FY 2005 through FY 2007, Federal Sources were approximately $4.7 billion per year. In FY 2009 they increased to $6.6 billion and totaled $5.9 billion in FY 2010. They equaled approximately $5.4 billion in FY 2011 but are expected to drop to $3.8 billion in FY 2012. Both the Governor and members of the General Assembly have shown interest in cutting expenditures to the Medicaid program. Federal Source revenues are largely predicated on reimbursements from this kind of spending, any reductions in State spending on these types of programs will lead to reductions in revenue from Federal Sources.

The changing demographics of Illinois residents also are a threat to Illinois' economic well-being. As stated in the Commission's "State of Illinois Forecast" prepared by Moody's Analytics, an important determinant of the prospects for the Illinois economy is its demographic profile, which is considerably weaker than the national average. Population growth has been weakening steadily since 1992, reaching as low as 0.3% per annum, before reversing in 2006 to its present rate of 0.5%. However, much of this reversal appears to be tied to declining house prices, which have slowed migration across the U.S.

Our latest forecast projects the state's population growth rate falling back to 0.4% by mid-decade.

The state will continue to diversify into service-providing industries while nurturing its more efficient and smaller traditional manufacturing core. Chicago will continue to develop as the transportation/distribution center for the Midwest, fueled by the recent push for a high-speed passenger rail that will also result in an upgrade and modernization of its freight rail system and will increasingly develop its tech industry. The best growth prospects for downstate are found in agriculture-related projects such as food-processing facilities, energy projects and distribution facilities. Moody's entire report can be found at http://www.ilga.gov/commission/cgfa2006/Upload/2012FebMoodysEconomyILforecast.pdf

III. 3-Year Budget Forecasts

Below is the Commission's 3-year estimate for base General Funds revenues. Base General Funds revenue is estimated to be $33.4 billion in FY 2012, $34.0 billion in FY 2013, $35.1 billion in FY 2014, and $33.6 billion in FY 2015. The Income Taxes and Sales Taxes continue to be the largest sources of revenue along with Federal Sources. Base revenues are expected to grow 1.8% in FY 2013 mainly due to minimal growth in the main revenue sources. Revenue growth is estimated at 3.2% and -4.1% in FY 2014 and FY 2015. The significant decrease in revenues in FY 2015 is due to the scheduled reduction in income tax rates that is required by current law. When fully annualized in FY 2016, this decrease in income tax revenue will be even larger.

The Commission used these revenue estimates to present various budget scenarios using different spending levels as spending will change based upon priorities that will be

TABLE 3. CGFA ESTIMATES FY 2012-FY 2015 (Base Revenues)
(millions)

Revenue Sources	Actual FY 2011	CGFA FY 2012 Estimate Mar-12	CGFA FY 2013 Estimate Mar-12	CGFA FY 2014 Estimate Mar-12	CGFA FY 2015 Estimate Mar-12
State Taxes					
Personal Income Tax	$12,301	$16,716	$16,879	$17,382	$15,709
Corporate Income Tax	$2,277	$2,874	$3,070	$3,329	$2,859
Sales Taxes	$6,833	$7,160	$7,340	$7,524	$7,698
Public Utility (regular)	$1,147	$1,080	$1,085	$1,095	$1,110
Cigarette Tax	$355	$355	$355	$355	$355
Liquor Gallonage Taxes	$157	$162	$162	$163	$165
Vehicle Use Tax	$30	$28	$29	$30	$30
Inheritance Tax (gross)	$122	$205	$230	$230	$230
Insurance Taxes & Fees	$317	$308	$296	$300	$315
Corporate Franchise Tax & Fees	$207	$192	$195	$200	$206
Interest on State Funds & Investments	$28	$20	$20	$35	$114
Cook County Intergovernmental Transfer	$244	$244	$244	$244	$244
Other Sources	$404	$385	$400	$413	$422
Subtotal	**$24,422**	**$29,729**	**$30,305**	**$31,300**	**$29,457**
Transfers					
Lottery	$632	$639	$655	$668	$681
Riverboat transfers and receipts	$324	$318	$361	$376	$392
Proceeds from sale of 10th license	$0	$73	$10	$10	$10
Other	$1,226	$794	$800	$806	$813
Total State Sources	**$26,604**	**$31,553**	**$32,131**	**$33,160**	**$31,353**
Federal Sources	**$5,386**	**$3,805**	**$3,935**	**$4,069**	**$4,207**
Total Federal & State Sources	**$31,990**	**$35,358**	**$36,066**	**$37,229**	**$35,560**
Nongeneral Funds Distribution:					
Refund Fund*					
Personal Income Tax [9.75%]	($1,076)	($1,463)	($1,646)	($1,695)	($1,532)
Corporate Income Tax [17.5%]	($426)	($503)	($430)	($466)	($400)
Total, Base Revenues	**$30,488**	**$33,392**	**$33,990**	**$35,068**	**$33,628**
Change from Prior Year Estimate	**$3,398**	**$2,904**	**$598**	**$1,078**	**($1,440)**
Percent Change	**12.5%**	**9.5%**	**1.8%**	**3.2%**	**-4.1%**

*The FY 2012-15 estimates based on current refund percentages at 9.75% for PIT and 17.5% for CIT.

NOTE: Totals exclude short-term borrowing, Budget Stabilization transfers, and other cash flow transfers.

CGFA

determined during budget negotiations. Eight budget scenarios were analyzed using different spending growth rates. These growth rates were applied to the FY 2012 spending base of $33.7 billion as enacted in the FY 2012 budget. No debt restructuring was assumed in any scenario.

The first growth rate scenario was annual declines in spending of -2%. The second rate was annual declines of -1.753% which is the rate at which the cumulative surplus/deficit would equal $0 at the end of the three years. The third scenario looked at was annual declines of -1%. The fourth scenario was 0.0% or flat spending. This was done to demonstrate what would happen if spending was held constant over the next three years. Scenario five had annual growth rates in spending of 1% which is still below the 10-year average. The sixth growth rate was 2.3%. The 2.3% growth rate was the 10-year average growth in base expenditures from FY 2002 – FY 2011. The next spending growth rate was 4.3% which is what typical spending increases were prior to the Great Recession. The last spending level used were the spending limits mandated by Public Act 096-1496.

As part of Public Act 096-1496, spending limits were put into place for General Revenue fund expenditures for Fiscal Years 2012 – 2015. The spending limits rose significantly in FY 2012 and then limit growth to 2% per year. If spending is higher than the set limits in any fiscal year, the increase in the income tax rate would revert back to the old rates that were in effect prior to Public Act 096-1496.

Scenario Analysis Results

Results of the various budget scenarios can be found in Table 4. Table 4 contains revenues, spending, operating surplus/deficit, and cumulative surplus/deficit information for each scenario. The cumulative surplus/deficit data assumes a cumulative deficit of -$4.7 billion at the beginning of FY 2012, per unaudited February 2012 figures [Chapter 2-18 FY 2013 Budget Book].

The first scenario analyzed (-2% annual decline in spending) was the only scenario under which the State had a cumulative surplus by the end of FY 2015. The State would have a cumulative surplus of $487 million at the end of the three years. Under this scenario, the State would have surpluses in each of the three years forecasted, reaching a high point of a surplus of $2.7 billion in FY 2014. The Expenditures would fall to $31.7 billion in this scenario. **In all scenarios analyzed, there is a significant decline in the annual surplus/deficit in FY 2015 due the reduction of income tax rates that is scheduled to occur under current law.**

The second scenario (annual declines of -1.753%) would have surpluses in all three years and end with a cumulative surplus/deficit of $0. The surpluses once again peak in FY 2014 at just over $2.5 billion but fall to $1.6 billion in FY 2015 due to the reduction of income tax rates. Under this scenario, State spending falls to just under $32.0 billion in FY 2015.

Scenario 3 (-1% annual decline in spending) has surpluses in each year from FY 2013 – FY 2015 but ends with a cumulative deficit of -$1.5 billion. Surpluses peak at just over $2.0 billion in FY 2014. Expenditures decline to $32.7 billion in FY 2015 in this scenario.

Scenario 4 examines the results if spending is held constant at FY 2012 levels ($33.7 billion). This led to a small surplus in FY 2013 ($264 million), a larger surplus ($1.3 billion) in FY 2014, and a small deficit (-$98 million) in FY 2015. A cumulative deficit of -$3.5 billion was forecast after FY 2015 in this scenario.

Only one year of surpluses is forecast with 1% annual growth in expenditures. Two years of deficits (-$73 million in FY 2013 and -$1.2 billion in FY 2015) and one year of surplus ($664 million in FY 2014) are predicted in Scenario 5. Expenditures are expected to grow to $34.7 billion and a cumulative deficit of -$5.5 billion are predicted by FY 2015.

Scenario 6 uses 10-year average growth in spending (2.3%). Spending at this level leads to three years of continued deficits. Under this scenario, the annual deficit is expected to grow to a little over -$500 million in FY 2013, shrink to -$227 million in FY 2014, and then explode to -$2.5 billion in FY 2015. This scenario would see spending reach just over $36 billion. The cumulative deficit would increase to -$8.2 billion.

Scenario 7 analyzes what the budgeting results would be if spending trends prior to the Great Recession were assumed. Annual spending growth averaged approximately 4.3% per year during the decade prior to the Great Recession. Deficits of -$1.2 billion and -$1.6 billion would occur in the first two years before they grew to a staggering -$4.6 billion in FY 2015. Spending would rise to over $38. 2 billion and the cumulative deficit would grow to -$12.5 billion.

The last scenario looks at what would happen if the spending caps imposed by Public Act 096-1496 were used as the spending estimates over the next three years. This scenario sees the highest levels of spending, annual deficits, and cumulative deficit. Spending would peak at over $39 billion in FY 2015 with an annual deficit of over -$5.4 billion. The cumulative deficit would be over -$17 billion if these spending levels were used. This scenario ends with the largest deficit even though the increases in spending were limited to 2% per year due to a large increase in the assumed base that was written into the public act for FY 2012. The FY 2012 spending limit was $36.8 billion in the public act which is approximately $3.1 billion more than what is currently forecast for FY 2012.

TABLE 4. 3-YEAR BUDGET SCENARIOS
($ million)

Scenario 1: -2% Annual Decline in Spending

	Revenues	Spending	Operating Surplus/Deficit	Cumulative Surplus/Deficit*
FY 2012	$33,392	$33,726	($334)	($5,014)
FY 2013	$33,990	$33,051	$939	($4,075)
FY 2014	$35,068	$32,390	$2,678	($1,398)
FY 2015	$33,628	$31,743	$1,885	**$487**

Scenario 2: -1.753% Annual Decline in Spending

	Revenues	Spending	Operating Surplus/Deficit	Cumulative Surplus/Deficit*
FY 2012	$33,392	$33,726	($334)	($5,014)
FY 2013	$33,990	$33,135	$855	($4,159)
FY 2014	$35,068	$32,554	$2,514	($1,645)
FY 2015	$33,628	$31,983	$1,645	**$0**

Scenario 3: -1% Annual Decline in Spending

	Revenues	Spending	Operating Surplus/Deficit	Cumulative Surplus/Deficit*
FY 2012	$33,392	$33,726	($334)	($5,014)
FY 2013	$33,990	$33,389	$601	($4,413)
FY 2014	$35,068	$33,055	$2,013	($2,400)
FY 2015	$33,628	$32,724	$904	($1,496)

Scenario 4: Flat Spending

	Revenues	Spending	Operating Surplus/Deficit	Cumulative Surplus/Deficit*
FY 2012	$33,392	$33,726	($334)	($5,014)
FY 2013	$33,990	$33,726	$264	($4,750)
FY 2014	$35,068	$33,726	$1,342	($3,408)
FY 2015	$33,628	$33,726	($98)	($3,506)

Scenario 5: 1% Annual Growth in Spending

	Revenues	Spending	Operating Surplus/Deficit	Cumulative Surplus/Deficit*
FY 2012	$33,392	$33,726	($334)	($5,014)
FY 2013	$33,990	$34,063	($73)	($5,087)
FY 2014	$35,068	$34,404	$664	($4,423)
FY 2015	$33,628	$34,748	($1,120)	($5,543)

Scenario 6: 10-Year Average Growth (2.3%)

	Revenues	Spending	Operating Surplus/Deficit	Cumulative Surplus/Deficit*
FY 2012	$33,392	$33,726	($334)	($5,014)
FY 2013	$33,990	$34,502	($512)	($5,526)
FY 2014	$35,068	$35,295	($227)	($5,753)
FY 2015	$33,628	$36,107	($2,479)	($8,232)

Scenario 7: Typical Spending prior to Great Recession (4.3%)

	Revenues	Spending	Operating Surplus/Deficit	Cumulative Surplus/Deficit*
FY 2012	$33,392	$33,726	($334)	($5,014)
FY 2013	$33,990	$35,176	($1,186)	($6,200)
FY 2014	$35,068	$36,689	($1,621)	($7,821)
FY 2015	$33,628	$38,266	($4,638)	($12,459)

Scenario 8: Spending Caps (P.A. 096-1496)

	Revenues	Spending	Operating Surplus/Deficit	Cumulative Surplus/Deficit*
FY 2012	$33,392	$33,726	($334)	($5,014)
FY 2013	$33,990	$37,554	($3,564)	($8,578)
FY 2014	$35,068	$38,305	($3,237)	($11,815)
FY 2015	$33,628	$39,072	($5,444)	($17,259)

***This analysis assumes a cumulative deficit of ($4,680) at the beginning of FY 2012.**

All scenarios use GGFA revenue estimates and the enacted FY 2012 Budget as the base for spending

APPENDIX A. DETAILED GENERAL FUNDS REVENUE HISTORY FY 2002 - FY 2011
($ million)

Revenue Sources	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
State Taxes										
Personal Income Tax	$8,086	$7,979	$8,235	$8,873	$9,568	$10,424	$11,187	$10,219	$9,430	$12,301
Corporate Income Tax (regular)	1,043	1,011	1,379	1,548	1,784	2,121	2,201	2,073	1,649	2,277
Sales Taxes	6,051	6,059	6,331	6,595	7,092	7,136	7,215	6,773	6,308	6,833
Public Utility Taxes (regular)	1,104	1,006	1,079	1,056	1,074	1,131	1,157	1,168	1,089	1,147
Cigarette Tax	400	400	400	450	400	350	350	350	355	355
Liquor Gallonage Taxes	123	123	127	147	152	156	158	158	159	157
Vehicle Use Tax	38	34	35	32	34	33	32	27	30	30
Inheritance Tax (Gross)	329	237	222	310	272	264	373	288	243	122
Insurance Taxes and Fees	272	313	362	342	317	310	298	334	322	317
Corporate Franchise Tax & Fees	159	142	163	181	181	193	225	201	208	207
Interest on State Funds & Investments	135	66	55	73	153	204	212	81	26	28
Cook County Intergovernmental Transfer	245	355	428	433	350	307	302	253	244	244
Other Sources	512	349	439	468	441	449	442	418	431	404
Subtotal	**$18,497**	**$18,074**	**$19,255**	**$20,508**	**$21,818**	**$23,078**	**$24,152**	**$22,343**	**$20,494**	**$24,422**
Transfers										
Lottery	555	540	570	614	670	622	657	625	625	632
Gaming Fund Transfer [and related]	470	554	661	699	689	685	564	430	431	324
Other	454	589	1,159	918	746	939	679	538	828	1,226
Total State Sources	**$19,976**	**$19,757**	**$21,645**	**$22,739**	**$23,923**	**$25,324**	**$26,052**	**$23,936**	**$22,378**	**$26,604**
Federal Sources	**$4,258**	**$3,940**	**$5,189**	**$4,691**	**$4,725**	**$4,703**	**$4,815**	**$6,567**	**$5,920**	**$5,386**
Total Federal & State Sources	**$24,234**	**$23,697**	**$26,834**	**$27,430**	**$28,648**	**$30,027**	**$30,867**	**$30,503**	**$28,298**	**$31,990**
Nongeneral Funds Distribution:										
Refund Fund										
Personal Income Tax	($615)	($638)	($964)	($894)	($933)	($1,016)	($867)	($996)	($919)	($1,076)
Corporate Income Tax	(240)	(273)	(442)	(376)	(356)	(371)	(341)	(363)	(289)	(426)
Total, Base Revenues	**$23,379**	**$22,786**	**$25,428**	**$26,160**	**$27,359**	**$28,640**	**$29,659**	**$29,144**	**$27,090**	**$30,488**
Change from Prior Year	($727)	($593)	$2,642	$732	$1,199	$1,281	$1,019	($515)	($2,054)	$3,398
Percent Change	-3.0%	-2.5%	11.6%	2.9%	4.6%	4.7%	3.6%	-1.7%	-7.0%	12.5%
Short-Term Borrowing	$0	$1,675	$0	$765	$1,000	$900	$2,400	$2,400	$1,250	$1,300
Tobacco Liquidation Proceeds	0	0	0	0	0	0	0	0	0	1,250
HPF and HHSMTF Transfers	0	0	0	982	0	456	1,503	0	0	0
Budget Stabilization Fund Transfer	226	226	226	276	276	276	276	576	1,146	535
Pension Contribution Fund Transfer	0	300	1,395	0	0	0	0	0	843	224
Total General Funds Revenue	**$23,605**	**$24,987**	**$27,049**	**$28,183**	**$28,635**	**$30,272**	**$33,838**	**$32,120**	**$30,329**	**$33,797**
Change from Prior Year	($501)	$1,382	$2,062	$1,134	$452	$1,637	$3,566	($1,718)	($1,791)	$3,468
Percent Change	-2.1%	5.9%	8.3%	4.2%	1.6%	5.7%	11.8%	-5.1%	-5.6%	11.4%

ILLINOIS COMPTROLLER, CGFA

APPENDIX B. GENERAL FUNDS EXPENDITURES HISTORY BY AGENCY FY 2002 - FY 2011
($ million)

WARRANTS ISSUED	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010*	FY 2011*
BY AGENCY										
Healthcare and Family Services	$5,153	$5,099	$5,690	$4,990	$7,343	$7,725	$8,089	$9,556	$7,239	$7,309
State Board of Education	5,292	5,133	5,471	5,751	6,045	6,472	6,995	7,357	7,273	6,912
Human Services	3,668	3,502	3,597	3,747	3,817	3,885	4,086	4,144	3,997	3,894
Higher Education Agencies	2,637	2,471	2,284	2,210	2,190	2,269	2,195	2,398	2,230	2,146
Corrections	1,243	1,162	1,183	1,198	1,170	1,119	1,208	1,308	1,156	1,205
Children and Family Services	904	824	795	754	803	771	887	906	847	840
Aging	0	0	0	331	352	421	458	537	653	646
Teachers Retirement System	805	923	805	942	610	814	1,110	1,527	914	256
All Other Agencies	3,043	2,795	2,853	2,619	1,783	2,035	2,143	2,055	2,009	2,261
Prior Year Adjustments	(5)	(15)	(48)	25	(10)	(11)	(14)	(14)	(17)	(22)
Total Warrants Issued (14 months)	**$22,740**	**$21,894**	**$22,630**	**$22,567**	**$24,103**	**$25,500**	**$27,157**	**$29,774**	**$26,301**	**$25,447**
Transfers										
Transfers Out (14 months)	2,385	2,967	2,735	5,680	4,349	4,616	7,380	5,185	6,450	6,937
Total Expenditures	**$25,125**	**$24,861**	**$25,365**	**$28,247**	**$28,452**	**$30,116**	**$34,537**	**$34,959**	**$32,751**	**$32,384**
Change from Prior Year	$5,860	($264)	$504	$2,882	$205	$1,664	$4,421	$422	($2,208)	($367)
Percent Change	30.4%	-1.1%	2.0%	11.4%	0.7%	5.8%	14.7%	1.2%	-6.3%	-1.1%
Repayment of Short-Term Borrowing	**0**	**710**	**990**	**768**	**1,014**	**11**	**1,503**	**1,424**	**2,276**	**1,322**
Cash Flow Transfers	**0**	**0**	**0**	**979**	**0**	**1,356**	**2,400**	**300**	**870**	**260**
Repayment of Interfund Borrowing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9**
Budget Stabilization Fund Transfers	**226**	**226**	**226**	**276**	**276**	**276**	**276**	**276**	**0**	**276**
Total, Base Expenditures	**$24,899**	**$23,925**	**$24,149**	**$26,224**	**$27,162**	**$28,473**	**$30,358**	**$32,959**	**$29,605**	**$30,517**
Change from Prior Year	$5,634	($974)	$224	$2,075	$938	$1,311	$1,885	$2,601	($3,354)	$912
Percent Change	29.2%	-3.9%	0.9%	8.6%	3.6%	4.8%	6.6%	8.6%	-10.2%	3.1%

* FY 2010 and FY 2011 spending was 18 months as lapse period spending was extended 4 months

ILLINOIS COMPTROLLER, CGFA

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 "Bonded Indebtedness 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.

These reports are available from:

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

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