

**ILLINOIS ECONOMIC  
and  
FISCAL COMMISSION**

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**PRELIMINARY  
FY 2001 REVENUE ESTIMATE**

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and

**UPDATED FY 2000 REVENUE OUTLOOK**



FEBRUARY 2000  
703 STRATTON BUILDING  
SPRINGFIELD, ILLINOIS 62706

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***ILLINOIS ECONOMIC and FISCAL COMMISSION***

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## REVIEW OF FY 2000 ECONOMY

Economic activity continued to advance in FY 2000 at an estimated healthy 4% inflation-adjusted rate, matching the overall performance achieved in FY 1999 and only modestly slower than in FY 1997 and FY 1998. (See Chart 1 below). In February 2000, the economic expansion set a record for longevity, surpassing the previous longest economic expansion on record that lasted 106 months from February 1961 to December 1969. Despite its record-breaking length, there were few signs of any near-term disruption to the economic expansion as FY 2000 entered its final months.

The prolonged length and strength of the U.S. economy, however, is placing strains on its resources. In calendar 1999, the unemployment rate averaged 4.2%, the lowest annual rate in 30 years, with the final three months at 4.1%. The strength of the job market has greatly reduced the pool of available workers, a sign that the economy could be growing

at an unsustainable rate, as demand for labor outpaces growth in the supply of workers.

The phenomenal strength of the U.S. economy now appears to have spread its effect to other parts of the world which, until lately, had not participated to the same degree and still maintain high rates of unemployment. Even so, while a year ago concern remained over the continuing economic and financial crises in Asia and Latin America and weak growth in Europe, virtually all of those economies have improved since. There has been a dramatic recovery in several Asian stock markets, strengthening economic recoveries in Europe, and increased activity sparked by record exports to the rapidly expanding U.S.

Despite continued exceptional strength in the U.S. economy and improving economic conditions abroad, prices have remained amazingly tame. As shown in

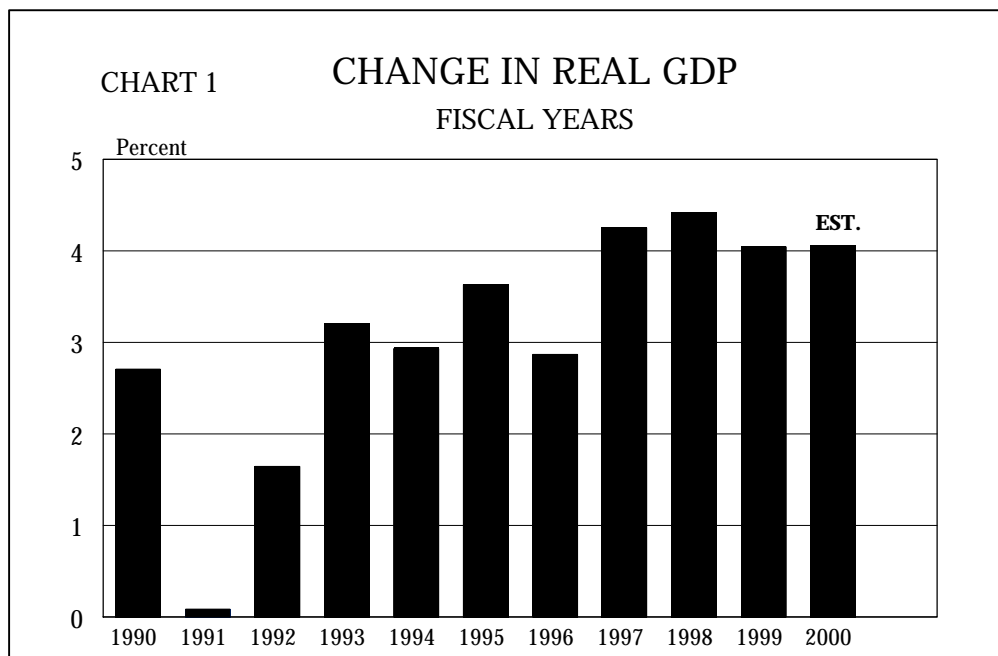


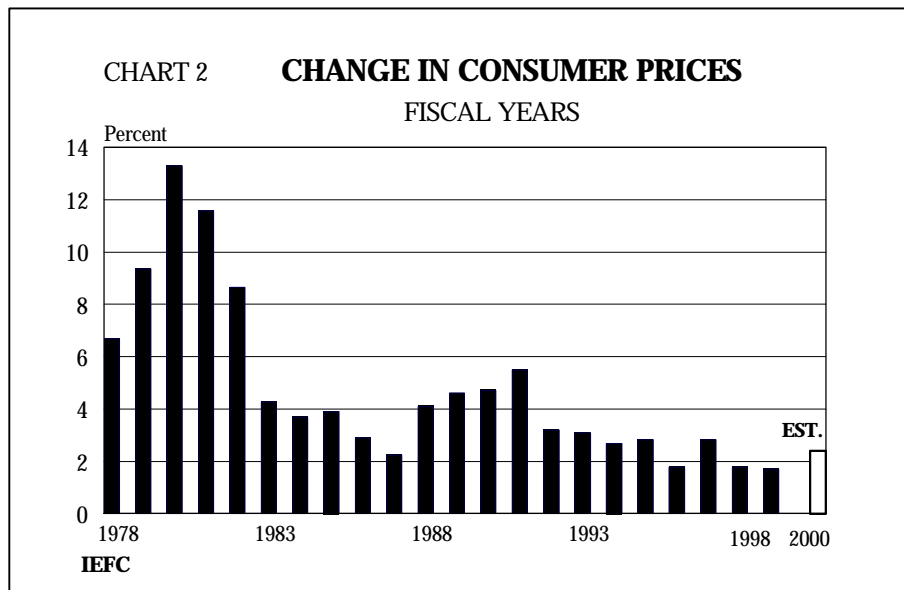
Chart 2, consumer prices are anticipated to rise by about 2 1/2% in FY 2000, up from slightly under 2% in FY 1998 and FY 1999, but well below virtually every other year in the past three decades.

Much of the credit for this price stability is given to high productivity emanating from efficiencies gained through technology. Even so, questions remain as to how long such price performance can continue.

Oil prices already have risen to the highest level in about a decade, sharply boosting gasoline prices and airline fares. As other expanding country economies join the U.S., other basic commodity prices may come under upward pressure. Indeed, according to Federal Reserve Board Governor Laurence Meyer, the main risk to the U.S. economy is overheating. In a recent speech he stated that economic growth and output were currently running at rates that cannot be sustained over the long run without generating inflation. Thus, his policy prescription is timely, typically pre-emptive, credit policy restraint.

The Federal Reserve raised interest rates over which it has control, three times in late 1999, effectively removing the three previous reductions made earlier to provide liquidity and ease tensions from the Asian and Latin American financial crises. While the Federal Reserve failed to move again in December, largely because of uncertainties surrounding Y2K, the lack of any computer-related disruptions and continued rapid economic growth almost assuredly will lead to further interest rate increases in the months ahead. Indeed, the Fed raised rates over which it controls by 1/4% in early February. The major impact of these moves, however, most likely would not be felt until FY 2001.

***In reviewing FY 2000, the overall economy and relative position of the State mirrored the strong performance shown in the previous fiscal year. The overall performance is moderately stronger than originally projected. Thus, natural revenue growth has been revised higher both due to the stronger growth as well as special factors including increased transfers-in and enhanced federal aid.***



## REVISED FY 2000 GENERAL FUNDS REVENUE ESTIMATE

**As shown in Table 1 on page 5, the FY 2000 estimate of general funds revenues has been increased \$332 million to \$22,915 million.** While revenues have continued to perform well throughout the fiscal year, a large amount of the increase can be attributed to action taken by the Administration that results in a significant increase in this year's revenue. The revised estimate represents an increase of \$1,241 million or 5.7% over the prior fiscal year (see Table 2 on page 6). The Commission assumes that there will be no short-term borrowing during FY 2000.

Through the first seven months of FY 2000, general funds revenues were up \$574 million or 4.7% (see Table 3 on page 7). In order to reach the Commission's revised estimate, overall receipts must grow 7.1% over the remaining five months of the fiscal year. A description of the performance of the State's major revenue sources and the revisions made to the previous estimate are discussed below.

- Personal income tax receipts have performed slightly better than expected. Through January, receipts are up 5.4% over the same period of a year ago. As a result, the estimate has been increased \$23 million to \$8,154 million, which represents an increase of 4.8% over last year. The rate of growth is expected to slow slightly later in the fiscal year due to the second year phase-in of the doubling of the personal income tax exemption.
- Corporate income tax receipts continue to post disappointing results. Receipts through January were off by \$76 million or 12.9% as compared to

the same prior-year period. While the estimate remains \$1,288 million, the up coming months will be critical if receipts are to rebound even modestly.

- Sales tax receipts have performed, for the most part, consistently well throughout the fiscal year. Receipts were up \$234 million or 7.0% through January. As a result of the higher-than-expected growth, the estimate has been increased \$63 million to \$5,946 million. The revised estimate represents an increase of 6.0% over the prior year and assumes a modest slowdown in growth over the remainder of the fiscal year.
- Public utility tax receipts have continued to post impressive gains through the first seven months of FY 2000. As of January, receipts were up \$76 million or 13.9%. The continued strong performance has necessitated an increase in the estimate of \$32 million. The revised estimate of \$1,112 million represents a 9.1% increase over the prior year.
- Inheritance tax receipts, despite a poor showing in January relative to last year, has demonstrated higher than expected growth. Through the first seven months of FY 2000, receipts are up \$41 million or 22.7%. While the rate of growth has been cut in half over the last several months, the estimate is being increased by \$20 million to \$355 million.
- Insurance tax receipts are off \$27 million or 23.1% through January. While receipts are expected to rebound over the coming months, the

estimate has been revised down \$10 million to \$185 million.

- Corporate franchise taxes are up \$8 million or 11.9% thus far in FY 2000. As a result, the estimate has been increased \$5 million to \$125 million.
- The Cook County intergovernmental transfer has been increased \$93 million to \$245 million and reflects the agreed to transfer between Cook County hospitals and the Administration.
- The Gaming Fund transfer is up \$47 million or 29% through January. This strong performance to date, coupled with the apparent approval of the Administration to allow a larger transfer this fiscal year, has resulted in an upward revision in the estimate of \$63 million. The revised estimate is for the transfer to total \$335 million in FY 2000.
- Other transfers, fueled by a large transfer from the Income Tax Refund Fund in August, has experienced an \$84 million or 29.7% increase through January. The estimate of other transfers has been increased \$15 million to \$505 million.

- The estimate of federal sources has been increased \$30 million to \$3,890 million. To a large degree, federal sources are a result of spending on federally-reimbursable programs and related reimbursement rates. Based on the figures provided in the FY 2001 Budget Book, the Administration feels that this level of receipting will be attained.

In conclusion, while the Commission's FY 2000 general funds estimate has been increased \$332 million, \$123 million or 37% of that increase is the direct result of changes related to the IGT and federal sources. Furthermore, the \$63 million increase in the Gaming Fund transfer can in large part be attributed to the Administration's allowance of a higher transfer to occur.

**As shown in Table 4 on page 8, the Commission's revised FY 2000 general funds estimate of \$22,915 million is \$27 million below the Bureau of the Budget's February estimate of \$22,942 million.** While the overall estimate remains similar, the Commission is slightly higher in its estimates of personal income tax and some other much smaller sources. However, those items are more than offset by the Commission's lower estimates of sales tax receipts, and a number of other smaller sources.

**TABLE 1: ADJUSTMENTS TO THE  
FY 2000 GENERAL FUNDS ESTIMATE**

(\$ million)

<u>Revenue Sources</u>	<u>FEB-00 REVISED ESTIMATE FY 2000</u>	<u>NOV-99 ESTIMATE FY 2000</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
<b>State Taxes</b>				
Personal Income Tax	\$8,154	\$8,131	\$23	0.3%
Corporate Income Tax (regular)	1,288	1,288	\$0	0.0%
Sales Taxes	5,946	5,883	\$63	1.1%
Public Utility Taxes (regular)	1,112	1,080	\$32	3.0%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	117	117	\$0	0.0%
Vehicle Use Tax	39	39	\$0	0.0%
Inheritance Tax (Gross)	355	335	\$20	6.0%
Insurance Taxes and Fees	185	195	(\$10)	-5.1%
Corporate Franchise Tax & Fees	125	120	\$5	4.2%
Interest on State Funds & Investments	208	208	\$0	0.0%
Cook County Intergovernmental Transfer	245	152	\$93	61.2%
Other Sources	305	305	\$0	0.0%
<b>Subtotal</b>	<b>\$18,479</b>	<b>\$18,253</b>	<b>\$226</b>	<b>1.2%</b>
<b>Transfers</b>				
Lottery	530	530	\$0	0.0%
Gaming Fund Transfer	335	272	\$63	23.2%
Other	505	490	\$15	3.1%
<b>Total State Sources</b>	<b>\$19,849</b>	<b>\$19,545</b>	<b>\$304</b>	<b>1.6%</b>
<b>Federal Sources</b>	<b>\$3,890</b>	<b>\$3,860</b>	<b>\$30</b>	<b>0.8%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$23,739</b>	<b>\$23,405</b>	<b>\$334</b>	<b>1.4%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$579)	(\$577)	(\$2)	0.3%
Corporate Income Tax	(\$245)	(\$245)	\$0	0.0%
<b>Total General Funds</b>	<b>\$22,915</b>	<b>\$22,583</b>	<b>\$332</b>	<b>1.5%</b>
IEFC				07-Feb-00



**TABLE 2: GENERAL FUNDS RECEIPTS**

**FY 2000 vs. FY 1999**

**(\$ million)**

<b>Revenue Sources</b>	<b>FEB-00 Revised Estimate FY 2000</b>	<b>Actual Receipts FY 1999</b>	<b>\$ CHANGE FY 1999-2000</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$8,154	\$7,778	\$376	4.8%
Corporate Income Tax (regular)	1,288	1,384	(\$96)	-6.9%
Sales Taxes	5,946	5,609	\$337	6.0%
Public Utility Taxes (regular)	1,112	1,019	\$93	9.1%
Cigarette Tax	400	403	(\$3)	-0.7%
Liquor Gallonage Taxes	117	57	\$60	105.3%
Vehicle Use Tax	39	38	\$1	2.6%
Inheritance Tax (Gross)	355	347	\$8	2.3%
Insurance Taxes and Fees	185	208	(\$23)	-11.1%
Corporate Franchise Tax & Fees	125	117	\$8	6.8%
Interest on State Funds & Investments	208	212	(\$4)	-1.9%
Cook County Intergovernmental Transfer	245	218	\$27	12.4%
Other Sources	305	190	\$115	60.5%
<b>Subtotal</b>	<b>\$18,479</b>	<b>\$17,580</b>	<b>\$899</b>	<b>5.1%</b>
<b>Transfers</b>				
Lottery	530	540	(\$10)	-1.9%
Gaming Fund Transfer	335	240	\$95	39.6%
Other	505	411	\$94	22.9%
<b>Total State Sources</b>	<b>\$19,849</b>	<b>\$18,771</b>	<b>\$1,078</b>	<b>5.7%</b>
<b>Federal Sources</b>	<b>\$3,890</b>	<b>\$3,718</b>	<b>\$172</b>	<b>4.6%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$23,739</b>	<b>\$22,489</b>	<b>\$1,250</b>	<b>5.6%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$579)	(\$552)	(\$27)	4.9%
Corporate Income Tax	(245)	(263)	\$18	-6.8%
<b>Total General Funds</b>	<b>\$22,915</b>	<b>\$21,674</b>	<b>\$1,241</b>	<b>5.7%</b>
IEFC				
07-Feb-00				

**Table 3: GENERAL FUNDS RECEIPTS: YEAR TO DATE**  
**Through January**  
(\$ million)

<b>Revenue Sources</b>	<b>FY 2000</b>	<b>FY 1999</b>	<b>CHANGE FROM FY 1999</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$4,401	\$4,176	\$225	5.4%
Corporate Income Tax (regular)	513	589	(\$76)	-12.9%
Sales Taxes	3,567	3,333	\$234	7.0%
Public Utility Taxes (regular)	623	547	\$76	13.9%
Cigarette Tax	233	236	(\$3)	-1.3%
Liquor Gallonage Taxes	74	36	\$38	105.6%
Vehicle Use Tax	23	22	\$1	4.5%
Inheritance Tax (Gross)	222	181	\$41	22.7%
Insurance Taxes and Fees	90	117	(\$27)	-23.1%
Corporate Franchise Tax & Fees	75	67	\$8	11.9%
Interest on State Funds & Investments	132	137	(\$5)	-3.6%
Cook County IGT	138	147	(\$9)	-6.1%
Other Sources	119	118	\$1	0.8%
<b>Subtotal</b>	<b>\$10,210</b>	<b>\$9,706</b>	<b>\$504</b>	<b>5.2%</b>
<b>Transfers</b>				
Lottery	254	254	\$0	0.0%
Gaming Fund Transfer	206	159	\$47	29.6%
Other	367	283	\$84	29.7%
<b>Total State Sources</b>	<b>\$11,037</b>	<b>\$10,402</b>	<b>\$635</b>	<b>6.1%</b>
<b>Federal Sources</b>	<b>\$2,187</b>	<b>\$2,248</b>	<b>(\$61)</b>	<b>-2.7%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$13,224</b>	<b>\$12,650</b>	<b>\$574</b>	<b>4.5%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$312)	(\$297)	(\$15)	5.1%
Corporate Income Tax	(97)	(112)	\$15	-13.4%
<b>Total General Funds</b>	<b>\$12,815</b>	<b>\$12,241</b>	<b>\$574</b>	<b>4.7%</b>
SOURCE Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.				
IEFC-				
09-Feb-00				

**TABLE 4: IEFB-BoB COMPARISON-FY 2000**

(\$ millions)

<b>Revenue Sources</b>	<b>ACTUAL FY 1999</b>	<b>BoB Feb-00 Budget Book FY 2000</b>	<b>Revised IEFC Feb-00 FY 2000</b>	<b>Difference</b>
<b>State Taxes</b>				
Personal Income Tax	\$7,778	\$8,127	\$8,154	\$27
Corporate Income Tax	\$1,384	\$1,296	\$1,288	(\$8)
Sales Taxes	\$5,609	\$5,975	\$5,946	(\$29)
Public Utility (regular)	\$1,019	\$1,115	\$1,112	(\$3)
Cigarette Tax	\$403	\$400	\$400	\$0
Liquor Gallonage Taxes	\$57	\$115	\$117	\$2
Vehicle Use Tax	\$38	\$38	\$39	\$1
Inheritance Tax (gross)	\$347	\$360	\$355	(\$5)
Insurance Taxes & Fees	\$208	\$190	\$185	(\$5)
Corporate Franchise Tax & Fees	\$117	\$120	\$125	\$5
Interest on State Funds & Investments	\$212	\$210	\$208	(\$2)
Cook County Intergovernmental Transfer	\$218	\$245	\$245	\$0
Other Sources	\$190	\$299	\$305	\$6
<b>Subtotal</b>	<b>\$17,580</b>	<b>\$18,490</b>	<b>\$18,479</b>	<b>(\$11)</b>
<b>Transfers</b>				
Lottery	\$540	\$540	\$530	(\$10)
Gaming Fund Transfer	\$240	\$330	\$335	\$5
Other	\$411	\$515	\$505	(\$10)
<b>Total State Sources</b>	<b>\$18,771</b>	<b>\$19,875</b>	<b>\$19,849</b>	<b>(\$26)</b>
<b>Federal Sources</b>	<b>\$3,718</b>	<b>\$3,890</b>	<b>\$3,890</b>	<b>\$0</b>
<b>Total Federal &amp; State Sources</b>	<b>\$22,489</b>	<b>\$23,765</b>	<b>\$23,739</b>	<b>(\$26)</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$552)	(\$577)	(\$579)	(\$2)
Corporate Income Tax	(\$263)	(\$246)	(\$245)	\$1
<b>Total General Funds</b>	<b>\$21,674</b>	<b>\$22,942</b>	<b>\$22,915</b>	<b>(\$27)</b>
<b>Change from Prior Year</b>		<b>\$1,268</b>	<b>\$1,241</b>	
<b>Percent Change</b>		<b>5.9%</b>	<b>5.7%</b>	
IEFC Estimate is Unofficial until approved by Commission				02/09/00

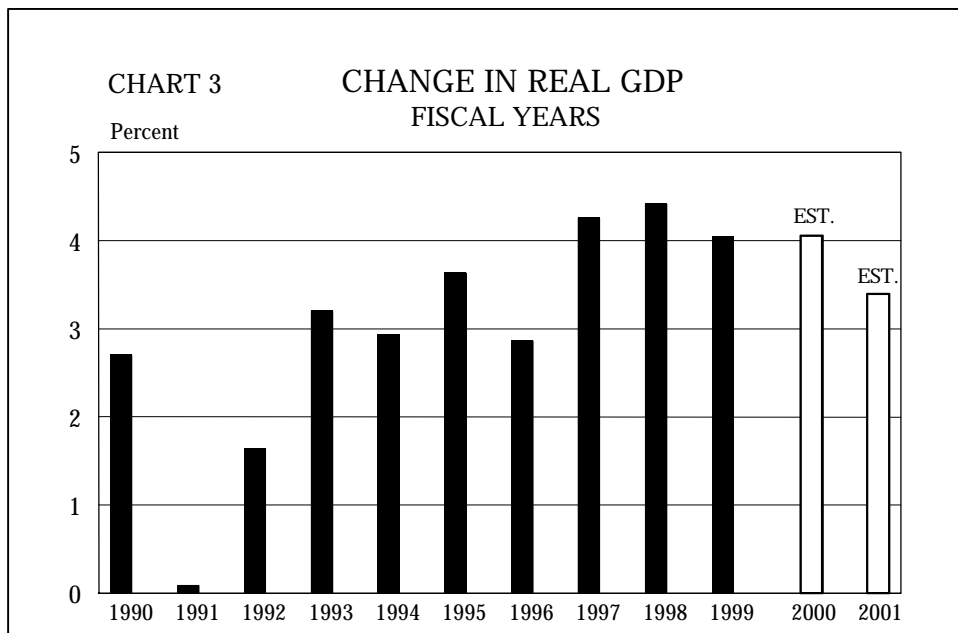
## U.S. ECONOMIC OUTLOOK FY 2001: Applying the Credit Brakes

The U.S. is experiencing its longest period of economic expansion in recorded history. Moreover, instead of moderating after such a prolonged period of advance, the pace of the economy appears to be accelerating early this year. While such acceleration is welcomed in the early stages of an economic recovery when resources are abundant, policy-makers become concerned about possible inflationary pressures developing as demand strengthens while available resources diminish.

The Federal Reserve already has begun to respond to heated economic conditions by raising interest rates over which it has control three times late last year and again in early February 2000. These credit-restraining moves have been described as "preemptive" and designed to dampen the pace of economic activity and, thus, ease any inflationary pressures that may be building.

The rise in these Federal Reserve control rates quickly spread to market interest rates leading commercial banks to raise their lending rates. The resulting rise in mortgage interest rates, personal loan, and auto financing rates is designed to slow these interest-rate sensitive sectors of the economy. Should recent credit actions not reduce demand sufficiently, further credit restraining moves are almost certain to follow. The major risk to the economy is that the Federal Reserve will go too far in applying the credit brakes and precipitate a recession.

According to DRI/McGraw-Hill, IEF's forecasting service, the Federal Reserve will be successful in slowing economic activity and achieve a "soft landing" of the economy. As shown in Chart 3, real gross domestic product, after rising by about 4% in both FY 1999 and FY 2000, will slow to about a 3.4% rate in FY 2001.



As indicated in Table 5, high interest rates should slow consumer spending, particularly purchases of durables or long-lasting goods such as automobiles, furniture, and other high-ticket items usually financed on credit. Real personal consumption expenditures are anticipated to rise 3.8%, compared to 4.8% rate this fiscal year and 5.0% in FY 1999. Since overall consumer spending generally accounts for about two-thirds of total spending in the economy, this will be the major moderating factor.

Higher interest rates also are expected to reduce the pace of new business spending on plant and equipment. Partly offsetting these slower sectors of growth is an expected rebound in U.S. exports as economies overseas continue to improve. Indeed, real exports, which rose a modest

1% in FY 1999, are anticipated to be rising at a 7.5% rate in FY 2001. At the same time, more moderate growth in the U.S. should slow the rate of growth in our imports. The result should be some improvement in the U.S. trade deficit which has deteriorated sharply in recent years. The other major spending sector, government spending, is likely to show little gain in inflation-adjusted terms.

***IEFC's forecast for FY 2001 is for continued economic growth but at a slightly less vigorous rate than in the past four years. IEFC essentially agrees with DRI/McGraw Hill and is looking for real growth to moderate to a 3.4% rate, somewhat below the 4% rates over the prior two fiscal years, but still healthy and in line with rates of growth seen earlier in the expansion.***

<b>TABLE 5: CONTROL and IEFC FORECASTS - JANUARY 2000</b>				
<b>(% Change from Prior Year Levels)</b>				
	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
	<b>Actual</b>	<b>Actual</b>	<b>Control</b>	<b>Control/IEFC</b>
<b><i>REAL (1996 \$)</i></b>				
Gross Domestic Product	4.4	4.0	4.0	<b>3.4</b>
Personal Consumption	4.5	5.0	4.8	<b>3.8</b>
Durable	9.9	11.4	8.6	<b>5.3</b>
Nondurable	3.3	4.8	4.1	<b>3.1</b>
Services	4.1	3.9	4.3	<b>3.9</b>
Fixed Investment	10.4	9.9	7.8	<b>4.2</b>
Exports	8.3	1.1	5.8	<b>7.5</b>
Imports	13.8	10.3	12.0	<b>7.4</b>
Government	2.1	2.5	3.1	<b>1.5</b>
Federal	-0.4	0.7	2.0	<b>-0.2</b>
State & Local	3.5	3.5	3.6	<b>2.4</b>
<b><i>OTHER MEASURES</i></b>				
Personal Income	4.7	4.8	4.0	<b>3.5</b>
Disposable Income	3.9	4.2	3.9	<b>3.7</b>
Industrial Production	5.8	3.2	3.7	<b>3.3</b>
Consumer Prices	1.8	1.7	2.5	<b>2.0</b>
Unemployment Rate (Avg.)	4.7	4.4	4.1	<b>4.0</b>

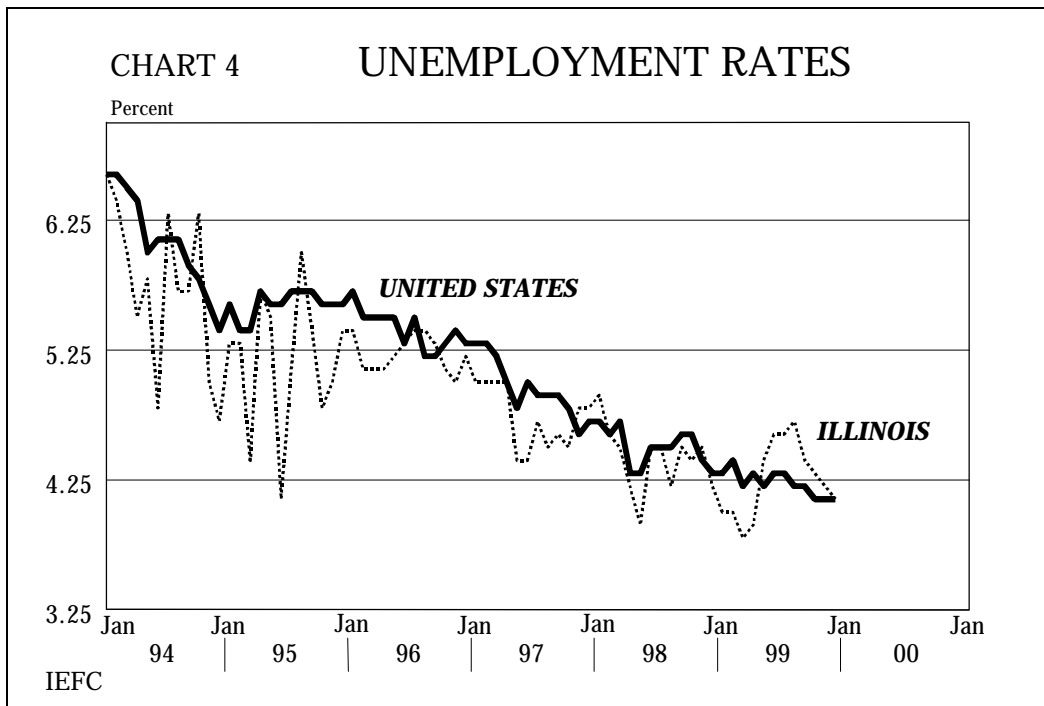
## THE OUTLOOK FOR ILLINOIS

Because it has all the aspects of America's diversity -- large urban areas, suburban sprawl, farmland, and coal fields -- Illinois is a microcosm of the national economy; that is to say, national trends are felt at the State level as well. The business cycle, thus, has a direct impact on the availability of resources the State has to cover the cost of government and services it can provide. This is especially true since, unlike the federal government, the State cannot incur a budget deficit.

Following the national trend, one of the strongest sectors in the State has been the employment sector. Illinois civilian employment rose to an all-time high of 6,115,000 at year end and the unemployment rate fell to 4.1%, a 25-year low, matching the national performance. (See Chart 4). Moreover,

the strength in the job picture is indicated by a further fall in initial claims for jobless benefits which dropped 6% from a year earlier in December and has been holding at the lowest level in decades. (See Chart 5 on the following page).

Somewhat slower growth in Illinois employment is expected in the year ahead. The Illinois Department of Employment Security, IDES, is projecting only moderate job growth in calendar year 2000, forecasting an increase of 65,000 to 70,000, compared to an actual gain of 120,000 newly employed in 1999. In part this lesser gain in new jobs reflects the tightness in the labor market and expected slow growth in the size of the labor force, but also may indicate somewhat slower gains in the demand for labor as the pace of the economy is anticipated to slow.



Some moderation in employment gains will be translated in smaller increases in personal income and wage and salary disbursements. This, in turn, will dampen consumer spending gains which account for the major share of total spending in the State. For example, Illinois' wages and salaries including the effect of inflation rose 6.9% in FY 1999, held up at a 6.1% rate in FY 2000, but is anticipated to slow to about 5.6% in the upcoming fiscal year.

Another potential economic slowing factor results from rising market interest rates as the Federal Reserve continues to

tighten credit conditions. The impact of higher interest rates should be felt in particular in housing, auto, and other high-ticket credit-financed purchases. Chart 6, on the next page, shows Illinois single-family building permits, a precursor to new construction. While permits have leveled out, they have yet to show the effects of higher mortgage interest rates. Chart 7, on page 13, shows new car and truck registrations in Illinois, indicative of new sales. While highly volatile, the last few months have shown some dramatic weakening in these numbers, although it will take more data to confirm that a new lower trend is being established.

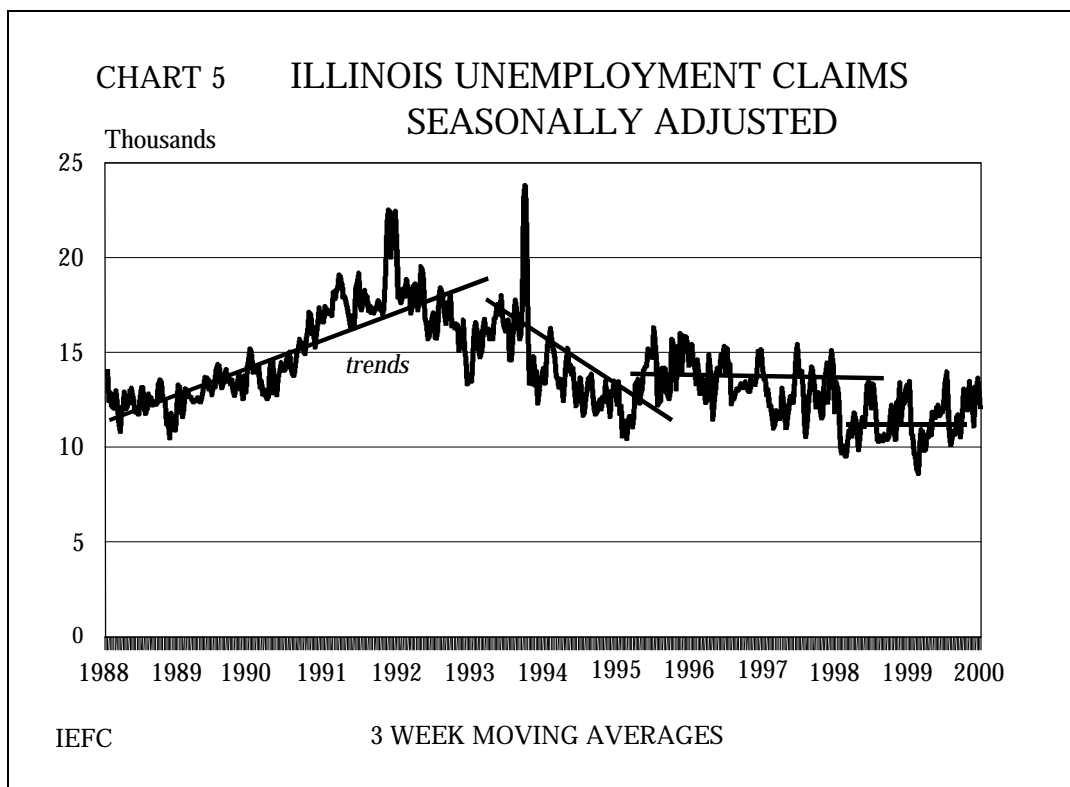
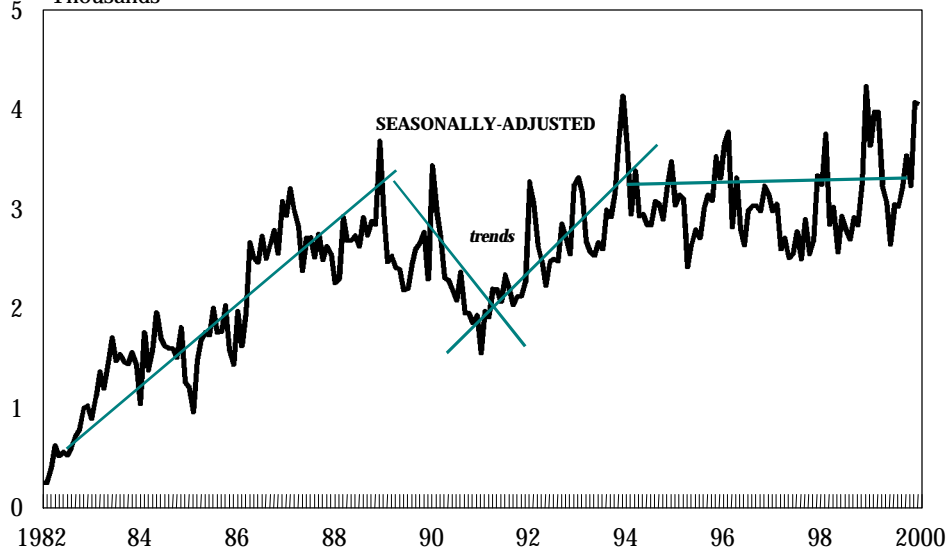


CHART 6

ILLINOIS BUILDING PERMITS - SINGLE-FAMILY

Thousands

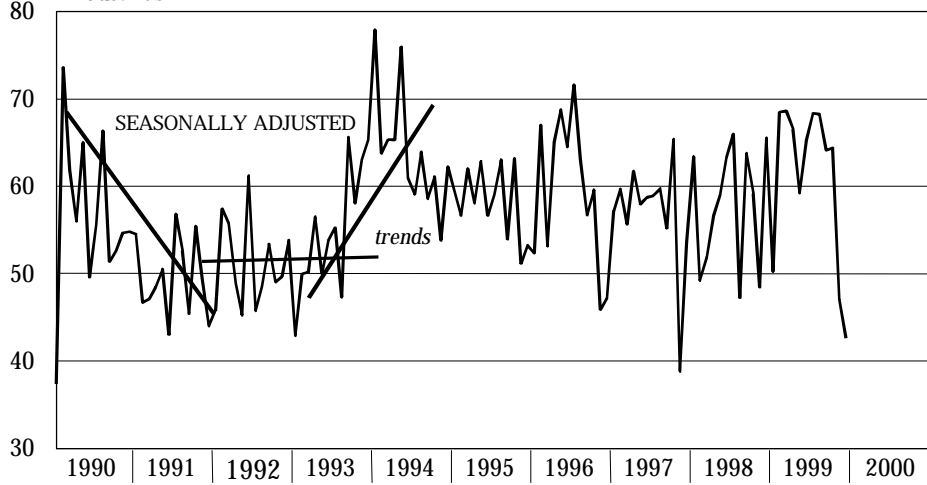


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CHART 7

ILLINOIS NEW CAR & TRUCK REGISTRATIONS

Thousands

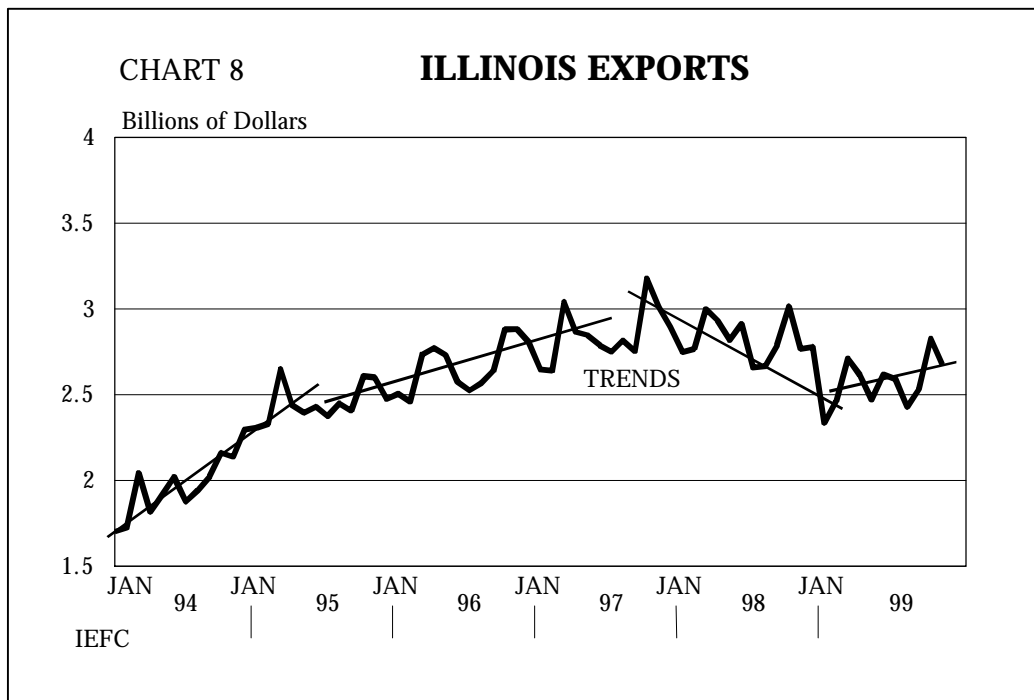


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While consumer and business spending in the State is expected to moderate from the current rapid pace, one sector that should strengthen is Illinois exports. As shown in Chart 8, the sharp deterioration in Illinois exports, which occurred in 1998 and into 1999, has begun to level out and improve in recent months, although levels are still below those of a year earlier. Improving economic conditions in Europe and Asia should further stimulate the demand for Illinois exports as well as hopefully aid Illinois farmers. Thus, a major negative to Illinois' growth is likely to be removed in the year ahead and instead add strength.

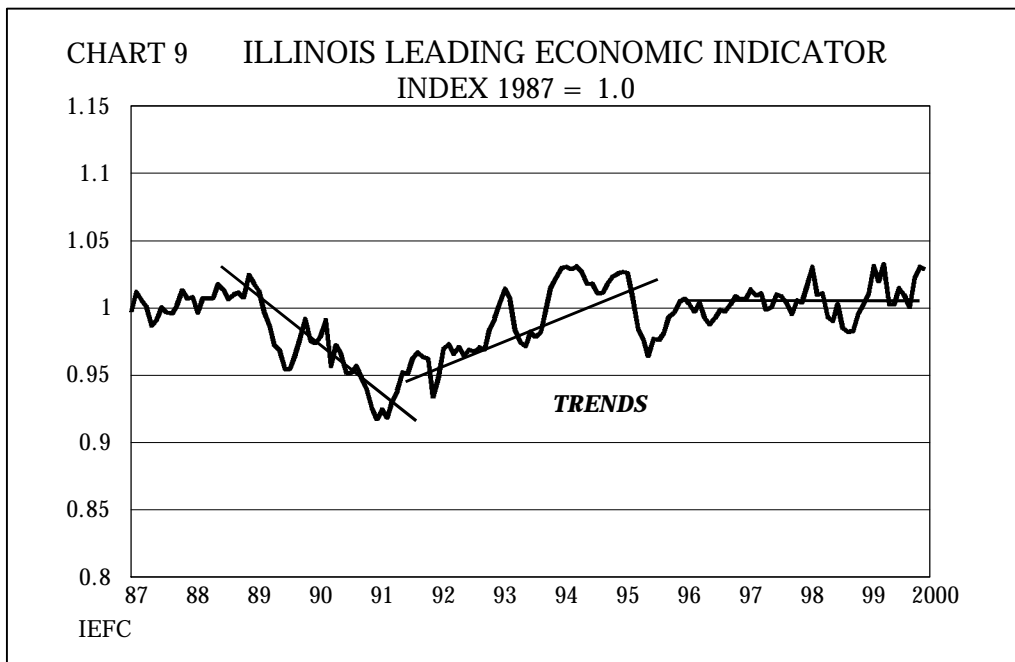
Another likely sector of continuing strength in the State is the large and growing high-technology sector. According to RFA, Regional Financial Associates Inc., the number of technology companies in Illinois has grown by 66% since 1990 to over 13,250, representing 15% of the State's gross domestic product. While Chicago dominates in high-tech, a significant number of companies are located downstate, including nearly one-third of the software, electronics and telecommunication companies according to the study.



Illinois is likely to mirror the national economy and, due to already strained resources, may even grow slightly slower. The major risk is that, in attempting to reduce the economy's growth rate, the Federal Reserve overdoes restraint and a recession ensues. At the current time this risk appears low. As shown in Chart 9, Illinois' leading economic indicator, while leveling out, suggests continued growth in contrast to

the downward trend which preceded the last recession in late 1990 to early 1991.

***Revenue gains in FY 2001 should reflect the national economic trends toward more moderate growth so that new revenues are likely to be less than that in the current fiscal year. A preliminary look at the IEFEC general funds revenue estimate for FY 2001 follows starting on page 16.***



## PRELIMINARY FY 2001 GENERAL FUNDS ESTIMATE

**The FY 2001 estimate of general funds revenue is \$23,771 million. The estimate represents a \$856 million or 3.7% increase over the revised FY 2000 estimate of \$22,915 million. See Table 6 on page 17.**

As alluded to earlier in the economic section, revenues are expected to perform relatively strong again in FY 2001. However, overall growth in general funds revenue is forecast to slow from the \$1,241 million in FY 2000. In addition to an estimated moderation in some base economic assumptions, several non-economic factors will contribute to the slowdown in growth.

- FY 2001 will mark the third and final year of the phase-in of the doubling of the personal income tax exemption, along with the transition to a single sales corporate income tax (P.A. 90-613).

- FY 2001 will mark the first year of an educational expense tax credit whose impact is forecast to be approximately \$80 million (P.A. 91-009).
- Only a partial impact will be felt in FY 2001 as a result of annualizing the increase in liquor taxes.
- While FY 2000 will see a boost in IGT receipts, growth is absent in that line for FY 2001.
- The overall rate of growth will be impacted by a relatively low growth rate estimated for federal sources, only 1.3% next fiscal year.

The following section provides background information on each major source as well as an explanation of the FY 2001 estimate.

---

### PERSONAL INCOME TAX

FY 2000 Estimate	\$8,154 M
FY 2001 Estimate	\$8,460 M
Change	\$306 M

The individual income tax is the largest General Funds source, generating approximately 33.3% of net General Fund revenue in FY 1999.

The tax is imposed at a rate of 3.0% on the federal-adjusted gross income for individuals with some adjustments. P.A. 90-613 began a three year phase-in which will double the standard exemption, from \$1,000 to \$2,000. In 2001, the final year

of the phase-in, each taxpayer will be permitted a \$2,000 standard exemption plus an additional \$2,000 for a spouse and each dependent child. An additional exemption of \$1,000 continues to be available to taxpayers and their spouses who are blind or 65 years of age or older. Taxpayers are also allowed a credit against liability equal to 5% of property taxes paid on their principal resident.

As mentioned earlier, FY 2001 will mark the first year of an educational expense tax credit, estimated to be approximately \$80 million (P.A. 91-009).

**TABLE 6: ESTIMATED GENERAL FUNDS RECEIPTS**

FY 2001 vs. FY 2000

(\$ million)

<b>Revenue Sources</b>	<b>FEB-00 Preliminary Receipts FY 2001</b>	<b>FEB-00 Revised Receipts FY 2000</b>	<b>\$ CHANGE FY 2001 - 00</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$8,460	\$8,154	\$306	3.8%
Corporate Income Tax (regular)	1,288	1,288	\$0	0.0%
Sales Taxes	6,250	5,946	\$304	5.1%
Public Utility Taxes (regular)	1,160	1,112	\$48	4.3%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	137	117	\$20	17.1%
Vehicle Use Tax	39	39	\$0	0.0%
Inheritance Tax (Gross)	370	355	\$15	4.2%
Insurance Taxes and Fees	185	185	\$0	0.0%
Corporate Franchise Tax & Fees	125	125	\$0	0.0%
Interest on State Funds & Investments	208	208	\$0	0.0%
Cook County Intergovernmental Transfer	245	245	\$0	0.0%
Other Sources	410	305	\$105	34.4%
<b>Subtotal</b>	<b>\$19,277</b>	<b>\$18,479</b>	<b>\$798</b>	<b>4.3%</b>
<b>Transfers</b>				
Lottery	530	530	\$0	0.0%
Gaming Fund Transfer	375	335	\$40	11.9%
Other	495	505	(\$10)	-2.0%
<b>Total State Sources</b>	<b>\$20,677</b>	<b>\$19,849</b>	<b>\$828</b>	<b>4.2%</b>
<b>Federal Sources</b>	<b>\$3,940</b>	<b>\$3,890</b>	<b>\$50</b>	<b>1.3%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$24,617</b>	<b>\$23,739</b>	<b>\$878</b>	<b>3.7%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$601)	(\$579)	(\$22)	3.8%
Corporate Income Tax	(245)	(245)	\$0	0.0%
<b>Total General Funds</b>	<b>\$23,771</b>	<b>\$22,915</b>	<b>\$856</b>	<b>3.7%</b>
<b>IEFC</b>				<b>7-Feb-00</b>

In FY 2001, personal income tax receipts will continue to be deposited into the Refund Fund and the Education Assistance Fund, with the remainder going to the General Revenue Fund. EAF is considered general funds; receipts going into the EAF are shown as General Funds receipts.

Historically, the percentage of receipts deposited into the Refund Fund was determined and certified by the Department of Revenue at the beginning of each year. However, P.A. 90-613 statutorily set the percentage at 7.1% through FY 2001. The EAF receives 7.3% of receipts net of Refund Fund deposits.

**The FY 2001 estimate of gross personal income tax receipts is \$8,460 million, an increase of \$306 million, or 3.8%, over projected FY 2000 receipts.** This rate of growth is net of the impact resulting from the final year phase-in of the increased personal income tax exemption. The actual base growth rate reflects the belief that State employment simply will not grow as rapidly. As a result, income growth is expected to slow to more modest levels.

The projected Refund deposit is \$601 million. The deposit into EAF is estimated to be \$574 million.

### **CORPORATE INCOME TAX**

FY 2000 Estimate	\$ 1,288 M
FY 2001 Estimate	\$1,288 M
Change	\$0 M

forward against future tax liabilities or carried backward to obtain refunds against prior years' taxes.

Approximately 5.2% of net General Funds receipts in FY 1999 were generated by the corporate income tax. The tax is imposed on the federal taxable income of corporations, associations, joint stock companies, and cooperatives.

Like the personal income tax, corporate income tax receipts are deposited into the Refund Fund and the Education Assistance Fund, with the remainder going to GRF. Through FY 2001, the refund percentage has been statutorily set at 19.0%. The EAF receives 7.3% of receipts net of Refund Fund deposits.

In addition to increasing the personal income exemption, P.A. 90-613 also provides for a transition to apportionment of business income using a single factor sales formula through an even, three-year phase-in. The single factor sales formula will be fully phased in for tax year 2001.

**The FY 2001 estimate of gross corporate income tax revenue is \$1,288 million. This represents no growth over FY 2000.** While the estimate assumes virtually no growth in corporate profits, the growth rate reflects the impact of the final year phase-in of single sales formula.

Each business is entitled to a \$1,000 standard exemption as well as various credits and deductions. Some of the deductions and credits may be carried

The estimate for Refund Fund deposits in FY 2001 is \$245 million. The EAF deposit is estimated to be \$76 million.

## **SALES TAX**

FY 2000 Estimate	\$ 5,946 M
FY 2001 Estimate	\$6,250 M
Change	\$304 M

The sales tax rivals the personal income tax as one of the largest General Funds sources, generating approximately 25.9% of total revenue in FY 1999. The sales tax is composed of four individual taxes including the retailers' occupation tax, the use tax, the service occupation tax, and the service use tax. These taxes are designed to capture most transactions involving tangible goods. The retailers' occupation tax is imposed on those persons engaged in the business of selling tangible personal property. The service occupation tax combined with the service use tax captures property acquired in connection with the performance of a

service. Out-of-state sellers doing business in Illinois are liable for the use and occupation taxes.

Presently, the rate for all four sales taxes is 6.25% of either the purchase price or the fair market value. Rates may vary around the State depending on locally-imposed sales taxes. Of the 6.25% rate, 5.0% is collected for the State and 1.25% goes to local governments. The estimate of General Funds sales tax receipts is based on a 5.0% rate.

***Sales tax receipts are estimated to be \$6,250 million in FY 2001. This represents growth of \$304 million, or 5.1%.*** The growth rate is expected to slow somewhat, but continue to perform relatively well.

## **PUBLIC UTILITY TAXES**

FY 2000 Estimate	\$1,112 M
FY 2001 Estimate	\$1,160 M
Change	\$48 M

Public utility taxes deposited in the General Fund consist of three separate taxes that are imposed on utilities providing electric, natural gas, and telecommunications service in Illinois. A telecommunications (messages) excise tax is imposed on businesses sending or receiving interstate and intrastate telecommunications. The natural gas revenue tax is imposed on utilities distributing natural gas in Illinois. In FY 1999, public utility tax receipts accounted for approximately 4.7% of total general funds receipts.

Since August 1, 1998, the rate and base of the public utilities (electricity) tax is based upon the amount of kilowatt hours used in a month by a residential customer. The rate begins at 0.33¢ per kilowatt-hour and decreases as the amount of usage increases.

The tax on self-assessing (non-residential) customers equal 5.1% of their purchase price. Customers of municipal systems or rural electrical cooperatives pay the lesser of 0.32¢ per kilowatt-hour or 5% of their purchase price.

The rate and base of the telecommunications excise tax is 7.0% of the gross charges of businesses trans-

mitting interstate or intrastate messages. The rate and base of the natural gas revenue tax is the lesser of 2.4¢ per therm of all gas sold to each customer or 5.0% of the gross receipts received from each customer.

**The FY 2001 estimate of public utility tax receipts is \$1,160 million.** The message component of the tax is really the only portion that has consistently demonstrated annual growth.

**CIGARETTE TAXES**

FY 2000 Estimate	\$400 M
FY 2001 Estimate	\$400 M
Change	\$0 M

taxes is 58¢ per pack of 20 cigarettes, or 2.9¢ per cigarette. In FY 1999, cigarette tax receipts were 1.9% of total General Funds receipts.

There are two taxes on cigarettes: the cigarette tax and the cigarette use tax. Wholesales distributors collect the taxes from retailers and are ultimately responsible for sending collections to the State. The taxes are mutually exclusive in that they are not levied on the same transaction, thereby avoiding double taxation. The current tax rate for both

**The FY 2001 estimate of General Funds cigarette tax receipts is \$400 million.** This revenue source, absent legislative change, should result in an annual amount of \$400 million as statutorily \$33.3 million in cigarette tax is deposited each month into the general funds, with any excess being directed to other funds.

**LIQUOR GALLONAGE TAXES**

FY 2000 Estimate	\$117 M
FY 2001 Estimate	\$137 M
Change	\$20 M

First. The tax per gallon of beer is now 18.5¢, wine and other fortified beverages with less than 20% alcohol is 73¢, and on distilled liquor, \$4.50. In FY 1999 liquor gallonage tax receipts accounted for 0.3% of total General Funds receipts.

Illinois imposes a tax on the privilege of manufacturing or distributing alcoholic beverages in the State, measured by the number of gallons produced or distributed. The rates vary based on the type of alcohol and were recently increased under P.A. 91-38 which was part of the funding package for Illinois

**The FY 2001 estimate of liquor gallonage taxes is \$137 million.** The increase of \$20 million is the resulting annualization of the tax increase discussed above.

## VEHICLE USE TAX

FY 2000 Estimate	\$39 M
FY 2001 Estimate	\$39 M
Change	\$0 M

The vehicle use tax is collected on the transfer of ownership of motorized vehicles between private parties. The current rate is based on a statutory schedule that is determined by the age of the vehicle and the purchase price.

In FY 1999, the vehicle use tax accounted for 0.2% of general funds revenue.

**The FY 2001 general funds estimate for vehicle use tax is \$39 million.** This reflects continued stagnation in this source that has shown little growth during the past several years.

## INHERITANCE TAX

FY 2000 Estimate	\$355 M
FY 2001 Estimate	\$370 M
Change	\$15 M

The inheritance tax consists of an estate tax and a generation-skipping transfer tax.

The Illinois estate tax is imposed on the decedent's estate before distribution to the heirs. It is referred to as a "pick-up" tax, intended only to take advantage of the State tax credit allowed against federal estate tax liability.

The Illinois generation-skipping transfer tax is imposed on bequests in which the transferor is two or more generations removed from the transferee. This is also a pick-up tax, intended only to take advantage of the State credit allowed

against federal generation-skipping tax liability. The generation-skipping transfer tax is not frequently levied since the first \$1 million transferred is exempt from federal and State taxation.

The maximum federal credit and, therefore, the Illinois tax rate, is dependent on the amount of the estate.

In FY 1999, inheritance tax receipts accounted for approximately 1.6% of total general funds receipts.

**The IEFC's FY 2001 inheritance tax estimate is \$370 million.** Growth in the inheritance tax is dependent upon the number of estates subject to the tax and the value of these estates. As a result, receipts can fluctuate considerably from month to month and year to year.

## INSURANCE TAXES AND FEES

FY 2000 Estimate	\$185 M
FY 2001 Estimate	\$185 M
Change	\$0 M

The State had imposed several taxes and fees on insurance companies. However,

the Illinois Supreme Court recently declared one of those taxes a privilege tax imposed on foreign companies (those headquartered outside Illinois) unconstitutional. As a result, insurance taxes were restructured in 1998 (P.A. 90-583)



to be more of a broad-based tax. The tax is based on the net taxable premiums written and is applied at the rate of either 0.4% for accident/health and health

maintenance organizations, or at 0.5% for other insurance policies.

**The FY 2001 estimate of insurance taxes and fees is \$185 million.**

**CORPORATE FRANCHISE TAXES AND FEES**

FY 2000 Estimate	\$125 M
FY 2001 Estimate	\$125 M
Change	\$0 M

All foreign corporations (headquartered in another state or foreign country) and domestic corporations (headquartered in Illinois) licensed to conduct business in Illinois are required to pay an annual franchise tax. Also, a tax must be paid when the corporation begins to conduct business in Illinois. An additional franchise tax is imposed when the corporation changes its capital structure or engages in other merger or consolidation-

tion activities. In FY 1999, corporate franchise taxes and fees accounted for approximately 0.5% of total general funds receipts.

Franchise taxes are based on a corporation's paid-in capital (total amount paid to the corporation by initial purchasers of shares). The annual franchise tax rate is 0.1% of paid-in capital increases generated during the year.

**The FY 2001 estimate of corporate franchise taxes is \$125 million.**

**OTHER SOURCES**

FY 2000 Estimate	\$305 M
FY 2001 Estimate	\$410 M
Change	\$105 M

Other sources to the general funds include: the hotel operator's occupation tax, license and registration fees, and other fees and charges such as those collected by the Secretary of State's Securities Division. In addition, in some years, other sources also receive monies

from the Build Illinois bond account. In FY 1999, other sources to the general funds accounted for 0.9% of total general fund receipts.

**The FY 2001 estimate of other sources to the general funds is \$410 million.** Other Sources are expected to increase significantly as a result of Build Illinois General Reserve Fund transfers that are expected to increase from \$110 million in FY 2000 to \$220 million in FY 2001.

**TRANSFERS TO THE GENERAL FUNDS**

	FY00	FY01	
	<u>Est.</u>	<u>Est.</u>	<u>Chg.</u>
Lottery	\$530 M	\$530 M	\$ 0 M
Gaming Fund	335 M	375 M	40 M
Other	505 M	495 M	-10 M

Transfers to the general funds are monies that are deposited in other State funds that are subsequently transferred into one of the four general funds. Included are transfers from the Lottery Fund to the Common School Fund. Due to the size of the Lottery transfer, it is itemized separately. In FY 1999, Lottery transfers accounted for 2.5% of general funds receipts, transfers from the Gaming Fund represented 1.1%, and other transfers were approximately 1.9% of general funds revenue.

LOTTERY. **The estimate of Lottery transfers for FY 2001 is \$530 million.** It is estimated that in FY 2001 Lottery transfers will be flat.

GAMING FUND. Receipts from riverboat license fees and taxes are

deposited into the State Gaming Fund. From the State Gaming Fund, transfers are made into the Education Assistance Fund. P.A. 90-548 restructured the riverboat gambling tax by creating a graduated tax based on AGR. The new graduated tax schedule will vary from 15% to 35% of AGR. In addition, P.A. 91-040 resulted in riverboats being permitted to remain docked.

**The FY 2001 estimate of Gaming Fund transfers is \$375 million.** The large increase over the previous year is due not only to dockside gaming but also to the expected increase in transfers and resulting decrease in the balance of the State Gaming Fund.

OTHER TRANSFERS. **In FY 2001, Transfers to the General Funds from sources other than the Lottery and the Gaming Fund are expected to be \$505 million, a decrease of \$10 million.** Major transfers to the General Funds are from the Build Illinois Fund, the Protest Fund, the Warrant Escheat Fund, and the U of I Service Fund.

**FEDERAL SOURCES**

FY 2000 Estimate	\$3,890 M
FY 2001 Estimate	\$3,940 M
Change	\$50 M

Federal source receipts to the general funds primarily consist of Medicaid reimbursements, the Social Services Block Grant, TANF (formerly AFDC) block grant, food stamp administrative cost reimbursements and direct receipts, and transfers from the Children's Services Fund.

Approximately 17.2% of the State's General Funds receipts came in the form of federal reimbursements and grants during FY 1999.

**The FY 2001 estimate of total Federal Source receipts to the General Funds is \$3,940 million.** Federal source receipts are largely based on appropriation levels. The estimate will likely change once appropriation levels have been established.

**FY 2001 GENERAL FUNDS REVENUE: IEFC/BoB COMPARISON**

As shown in Table 7, on page 25, the Commission's FY 2001 estimate is \$28 million higher than the BoB's FY 2001 estimate released in February. While the

estimates are very similar overall, the IEFC is slightly more optimistic on its estimate of personal income taxes and a bit lower in its estimate of sales tax.

**FY 2001 ALL APPROPRIATED FUNDS REVENUE**

FY 2000 Estimate	\$38,571
FY 2001 Estimate	\$40,388
Change	\$1,817

Essentially, there are two types of funds for accounting purposes for the State of Illinois: dedicated funds and general funds. Revenue received in the dedicated funds is earmarked for a particular activity. For example, revenue deposited into the Road Fund is used for highway maintenance, construction, and other transportation-related spending. Dedicated funds support activities ranging from highway construction to higher education to wildlife conservation. Approximately three-fourths of all dedicated funds are classified as appropriated, meaning that approval must be secured from the legislature and the Governor in the form of an appropriation bill before an expenditure can be made. The remaining dedicated funds are classified as nonappropriated; prior approval is not required for an expenditure.

The Commission includes all the sources identified by the Comptroller as appropriated funds sources in the all appropriated funds estimate. The major revenue sources for appropriated funds, including General Funds, are: personal income taxes, corporate income taxes, sales taxes, and public utility taxes. The major non-general funds revenue sources are: the personal property tax replacement taxes, motor fuel taxes, provider assessment fees, motor vehicle and operators' license fees, income from sale of bonds, riverboats gambling taxes and fees, and all other nonfederal receipts.

**The FY 2001 estimate for all appropriated funds revenue is \$40,388 million.** This represents an increase of \$1,717 million or 4.4% from the prior year. (See Table 9 on page 27). This revision assumes no short-term borrowing in FY 2000 and FY 2001.

**TABLE 7: IEFC-BoB COMPARISON-FY 2001**

(millions)

<u>Revenue Sources</u>	<b>BUDGET BOOK</b>		<u>Difference</u>
	<b>BoB Feb-00</b> <u>FY 2001</u>	<b>IEFC Feb-00</b> <u>FY 2001</u>	
<b>State Taxes</b>			
Personal Income Tax	\$8,423	\$8,460	\$37
Corporate Income Tax	\$1,296	\$1,288	(\$8)
Sales Taxes	\$6,275	\$6,250	(\$25)
Public Utility (regular)	\$1,140	\$1,160	\$20
Cigarette Tax	\$400	\$400	\$0
Liquor Gallonage Taxes	\$135	\$137	\$2
Vehicle Use Tax	\$38	\$39	\$1
Inheritance Tax (gross)	\$360	\$370	\$10
Insurance Taxes & Fees	\$195	\$185	(\$10)
Corporate Franchise Tax & Fees	\$120	\$125	\$5
Interest on State Funds & Investments	\$210	\$208	(\$2)
Cook County Intergovernmental Transfer	\$245	\$245	\$0
<u>Other Sources</u>	<u>\$400</u>	<u>\$410</u>	<u>\$10</u>
<b>Subtotal</b>	<b>\$19,237</b>	<b>\$19,277</b>	<b>\$40</b>
<b>Transfers</b>			
Lottery	\$540	\$530	(\$10)
Gaming Fund Transfer	\$370	\$375	\$5
<u>Other</u>	<u>\$500</u>	<u>\$495</u>	<u>(\$5)</u>
<b>Total State Sources</b>	<b>\$20,647</b>	<b>\$20,677</b>	<b>\$30</b>
<b>Federal Sources</b>	<b>\$3,940</b>	<b>\$3,940</b>	<b>\$0</b>
<b>Total Federal &amp; State Sources</b>	<b>\$24,587</b>	<b>\$24,617</b>	<b>\$30</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund</b>			
Personal Income Tax	(\$598)	(\$601)	(\$3)
Corporate Income Tax	(\$246)	(\$245)	\$1
<b>Total General Funds</b>	<b>\$23,743</b>	<b>\$23,771</b>	<b>\$28</b>
<b>Change from Prior Year Estimate</b>	<b>\$801</b>	<b>\$856</b>	
<b>Percent Change</b>	<b>3.5%</b>	<b>3.7%</b>	
			<b>02/09/00</b>

**TABLE 8: GENERAL FUNDS REVENUE FY 1997 - FY 2001**

(\$ million)

<b>Revenue Sources</b>	<b>Actual Receipts FY 1997</b>	<b>Actual Receipts FY 1998</b>	<b>Actual Receipts FY 1999</b>	<b>Feb-00 Estimated Receipts FY 2000</b>	<b>Feb-00 Estimated Receipts FY 2001</b>
<b>State Taxes</b>					
Personal Income Tax	\$6,552	\$7,269	\$7,778	\$8,154	\$8,460
Corporate Income Tax (regular)	1,361	1,402	1,384	1,288	1,288
Sales Taxes	4,992	5,274	5,609	5,946	6,250
Public Utility Taxes (regular)	873	912	1,019	1,112	1,160
Cigarette Tax	300	346	403	400	400
Liquor Gallonage Taxes	57	57	57	117	137
Vehicle Use Tax	37	37	38	39	39
Inheritance Tax (Gross)	199	250	347	355	370
Insurance Taxes and Fees	146	91	208	185	185
Corporate Franchise Tax & Fees	121	118	117	125	125
Interest on State Funds & Investments	144	182	212	208	208
Cook County Intergovernmental Transfer	251	152	218	245	245
Other Sources	<u>157</u>	<u>181</u>	<u>190</u>	<u>305</u>	<u>410</u>
<b>Subtotal</b>	<b>\$15,190</b>	<b>\$16,271</b>	<b>\$17,580</b>	<b>\$18,479</b>	<b>\$19,277</b>
<b>Transfers</b>					
Lottery	590	560	540	530	530
Gaming Fund Transfer	185	170	240	335	375
Other	<u>309</u>	<u>346</u>	<u>411</u>	<u>505</u>	<u>495</u>
<b>Total State Sources</b>	<b>\$16,274</b>	<b>\$17,347</b>	<b>\$18,771</b>	<b>\$19,849</b>	<b>\$20,677</b>
<b>Federal Sources</b>	<b>\$3,269</b>	<b>\$3,323</b>	<b>\$3,718</b>	<b>\$3,890</b>	<b>\$3,940</b>
<b>Total Federal &amp; State Sources</b>	<b>\$19,543</b>	<b>\$20,670</b>	<b>\$22,489</b>	<b>\$23,739</b>	<b>\$24,617</b>
<b>Nongeneral Funds Distribution:</b>					
<b>Refund Fund</b>					
Personal Income Tax	(\$413)	(\$421)	(\$552)	(\$579)	(\$601)
Corporate Income Tax	(276)	(265)	(263)	(245)	(245)
<b>Total General Funds</b>	<b>\$18,854</b>	<b>\$19,984</b>	<b>\$21,674</b>	<b>\$22,915</b>	<b>\$23,771</b>
Change from Prior Year	\$918	\$1,130	\$1,690	\$1,241	\$856
Percent Change	5.1%	6.0%	8.5%	5.7%	3.7%
IEFC				02/09/00	

**TABLE 9: ALL APPROPRIATED FUNDS REVENUE FY1999 to FY 2001**

(millions)

<b>REVENUE SOURCES</b>	<b>ACTUAL RECEIPTS FY 1999</b>	<b>Feb-00 Estimate FY 2000</b>	<b>\$ CHG. FROM FY 1999</b>	<b>% CHG. FROM FY 1999</b>	<b>Feb-00 Estimate FY 2001</b>	<b>\$ CHG. FROM FY 2000</b>	<b>% CHG. FROM FY 2000</b>
<b>State Taxes</b>							
Personal Income Tax	\$7,778	\$8,154	\$376	4.8%	\$8,460	\$306	3.8%
Corporate Income Tax							
Regular	\$1,385	\$1,288	(\$97)	-7.0%	\$1,288	\$0	0.0%
Replacement	\$906	\$870	(\$36)	-4.0%	\$870	\$0	0.0%
Sales	\$6,523	\$6,914	\$391	6.0%	\$7,270	\$356	5.1%
Public Utility							
Regular	\$1,213	\$1,332	\$119	9.8%	\$1,380	\$48	3.6%
Replacement	\$210	\$217	\$7	3.3%	\$221	\$4	1.8%
Motor Fuel (gross)	\$1,355	\$1,395	\$40	3.0%	\$1,437	\$42	3.0%
Cigarette	\$499	\$475	(\$24)	-4.8%	\$475	\$0	0.0%
Liquor Gallonage Taxes	\$62	\$122	\$60	96.8%	\$142	\$20	16.4%
Vehicle Use Tax	\$43	\$44	\$1	2.3%	\$44	\$0	0.0%
Inheritance Tax	\$347	\$355	\$8	2.3%	\$370	\$15	4.2%
Insurance Taxes and Fees	\$241	\$215	(\$26)	-10.8%	\$215	\$0	0.0%
Horse Racing Taxes & Fees	\$42	\$24	(\$18)	-42.9%	\$15	(\$9)	-37.5%
Corporate Franchise Taxes	\$121	\$131	\$10	8.3%	\$131	\$0	0.0%
Other Privilege Taxes	\$224	\$228	\$4	1.8%	\$228	\$0	0.0%
Riverboat Gambling Taxes & Fees	\$362	\$425	\$63	17.4%	\$470	\$45	10.6%
<b>SUBTOTAL</b>	<b>\$21,311</b>	<b>\$22,189</b>	<b>\$878</b>	<b>4.1%</b>	<b>\$23,016</b>	<b>\$827</b>	<b>3.7%</b>
<b>State Nontax Sources</b>							
Motor Vehicle & License Fees	\$773	\$1,025	\$252	32.6%	\$1,332	\$307	30.0%
Cigarette Settlement Distributions	N/A	\$375	\$375	N/A	\$322	(\$53)	-14.1%
Other Fees	\$266	\$293	\$27	10.2%	\$310	\$17	5.8%
Provider assessment Fees	\$549	\$470	(\$79)	-14.4%	\$470	\$0	0.0%
Receipts From State Hospital Patients	\$23	\$25	\$2	8.7%	\$26	\$1	4.0%
Interest on State Funds & Investments	\$292	\$287	(\$5)	-1.7%	\$287	\$0	0.0%
Reimbursements & Repayments	\$273	\$265	(\$8)	-2.9%	\$265	\$0	0.0%
Revolving Fund Receipts	\$267	\$275	\$8	3.0%	\$285	\$10	3.6%
Lottery (net gross)	\$847	\$808	(\$39)	-4.6%	\$808	\$0	0.0%
All Other Nonfederal Receipts	\$2,234	\$2,385	\$151	6.8%	\$2,500	\$115	4.8%
Income from Sale of Bonds	\$835	\$1,093	\$258	30.9%	\$1,300	\$207	18.9%
Local Government Health Plan	\$57	\$63	\$6	10.5%	\$67	\$4	6.3%
<b>SUBTOTAL</b>	<b>\$27,727</b>	<b>\$29,553</b>	<b>\$1,826</b>	<b>6.6%</b>	<b>\$30,988</b>	<b>\$1,435</b>	<b>4.9%</b>
State Transfers In	\$37	\$38	\$1	2.7%	\$40	\$2	5.3%
<b>TOTAL STATE SOURCES</b>	<b>\$27,764</b>	<b>\$29,591</b>	<b>\$1,827</b>	<b>6.6%</b>	<b>\$31,028</b>	<b>\$1,437</b>	<b>4.9%</b>
Federal Sources	\$8,286	\$9,080	\$794	9.6%	\$9,360	\$280	3.1%
<b>SUBTOTAL ALL APPROPRIATED</b>	<b>\$36,050</b>	<b>\$38,671</b>	<b>\$2,621</b>	<b>7.3%</b>	<b>\$40,388</b>	<b>\$1,717</b>	<b>4.4%</b>
<b>Short Term Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>TOTAL ALL APPROPRIATED</b>	<b>\$36,050</b>	<b>\$38,671</b>	<b>\$2,621</b>	<b>7.3%</b>	<b>\$40,388</b>	<b>\$1,717</b>	<b>4.4%</b>

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## **BACKGROUND**

The Illinois Economic and Fiscal Commission, 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; and
- 5) 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.

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 two primary reports. The "Revenue Estimate and Economic Outlook" describes and projects economic conditions and their impact on State revenues. "The Illinois Bond Watcher" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The Commission also periodically publishes special topic reports that have or could have an impact on the economic well being of Illinois.

These reports are available from:

Illinois Economic and Fiscal Commission  
703 Stratton Office Building  
Springfield, Illinois 62706  
(217) 782-5320  
(217) 782-3513 (FAX)