

***ILLINOIS ECONOMIC
and
FISCAL COMMISSION***

***PRELIMINARY
FY 2002 REVENUE ESTIMATE***

and

UPDATED FY 2001 REVENUE OUTLOOK



***FEBRUARY 2001
703 STRATTON BUILDING
SPRINGFIELD, ILLINOIS 62706***

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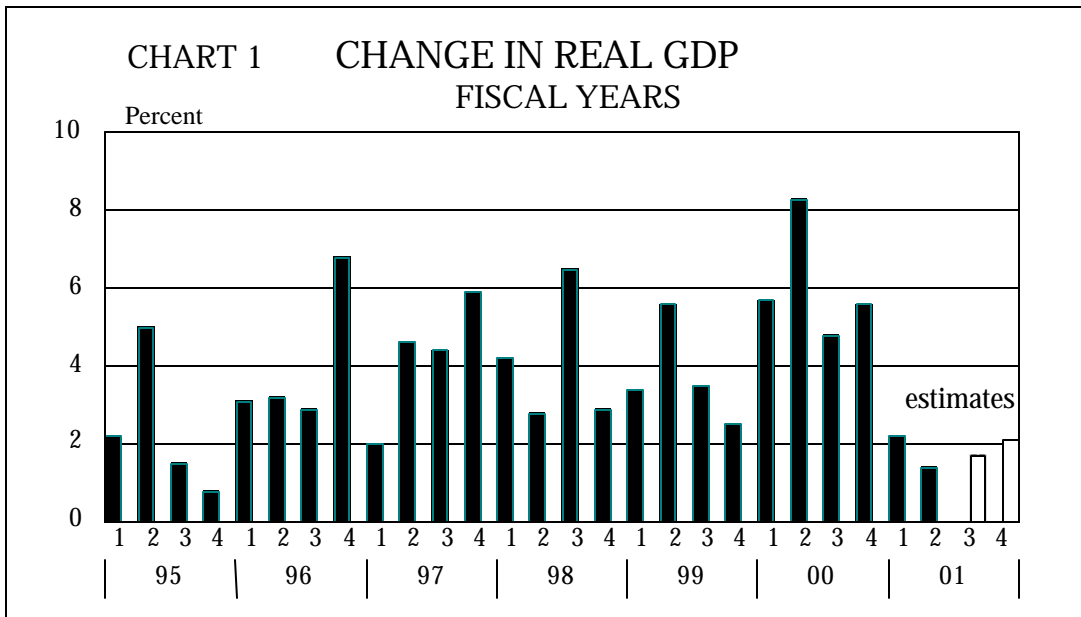
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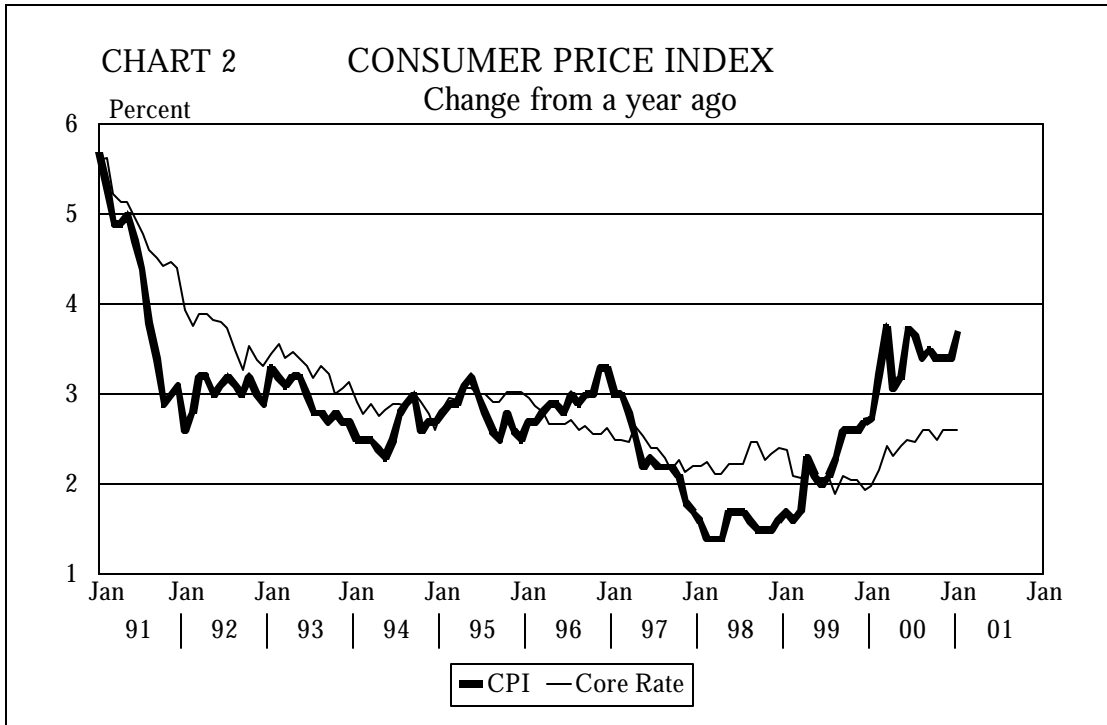
**REVIEW OF FY 2001:
Economy in Transition**

The pace of economic activity slowed dramatically during the fiscal year, raising concerns that the record-long economic expansion began in 1991 finally may have come to an end. As shown in Chart 1, real economic growth, as measured by inflation-adjusted gross domestic product, dropped from a gain of 5.2% for all of FY 2000, to a 2.2% annual rate in the first quarter of FY 2001 and 1.4% in the second.

While IEFC's forecasting service, Standard and Poor's DRI, forecasts slow growth of 2% or less for the remainder of the fiscal year, the probability of this outcome is now put at only 50%. A near-term recession starting this fiscal year is given a 40% probability, while an optional solution is shown to have only a 10% chance of occurrence.

In large part, the moderation in the pace of economic activity was planned, given the unsustainably rapid rate of growth in FY 2000 and evidence that the long downward trend in consumer prices had come to an end. As Chart 2 illustrates, overall consumer prices, as measured by the Consumer Price Index (CPI), bottomed out in late 1998 and early 1999. A turnaround in energy prices in 1999 and 2000 was a major factor behind the upward shift in prices. Even so, excluding the volatile food and energy sector, the core rate of inflation began to creep up on a rather consistent basis last year and was perhaps more troubling to the Federal Reserve. Thus, beginning in the fall of 1999 and continuing through mid-2000, the Fed raised interest rates six times to preempt inflationary forces in the rapidly expanding U.S. economy.





While it has taken the better part of a year, the impact of these credit tightenings on the economy is now clearly evident. Nowhere is the weakness more evident than in the manufacturing sector. Industrial production in the U.S., after slowing in the third quarter of calendar 2000, contracted in the final quarter, the first negative quarter since the recession in 1991 almost a decade earlier. Moreover, had it not been for colder-than-normal weather and a boost in utilities output, the production decline would have been steeper. As a result, capacity utilization rates in manufacturing dropped to 78.9% by January 2001, down from 81.2% a year earlier.

Manufacturing at year end accounted for 13.8% of total nonfarm jobs in the country, but 15.6% of Illinois' nonfarm payroll jobs. As the nation gained 1.9

million jobs last year, it lost 178,000 manufacturing jobs. In Illinois, total nonfarm jobs rose 29,700 even while manufacturing dropped 10,700. The weakness in manufacturing in Illinois in part may explain the recent divergence in the State's unemployment rate compared to that for the nation. As shown in Chart 3 on the following page, Illinois' unemployment rate has jumped significantly above the national rate and has remained there for well over a year. This is in sharp contrast to the period from 1994 through early 1999 when the State unemployment rate held below the national rate on a rather consistent basis.

The largest unemployment rate increases in Illinois last year were recorded in the Decatur metro area, largely the result of the fallout from the Bridgestone/Firestone debacle, followed by the Illinois section of the St. Louis metro area, the Peoria-Pekin, and

Rockford metro area. The increase in jobless rate in these areas was attributed largely to temporary layoffs in manufacturing.

The unemployment rate in Chicago was a full percentage point lower than downstate. The lowest jobless rates were found in Bloomington and Champaign-Urbana, which are less dependent on manufacturing, and in Springfield.

The weakening in activity has eased what had been severely tight conditions in the labor markets, both nationally and at the State level. This, in turn, should ease concerns over the sharp increases that occurred last year in total compensation costs, as measured by the

Employment Cost Index (see Chart 4 on next page). While wages showed some gains, accelerating benefit costs, largely health related, was the major factor behind the rise in labor costs.

In reviewing FY 2001, it is clear the U.S. economy was in transition from a period of rapid growth to one of severe slowing. The performance of the State's economy has been similarly affected. Whether or not the economy falls into recession before the end of the fiscal year will not be known until after the fact. The dramatic slowdown in growth, however, has curtailed natural revenue growth. Even so, much of this was anticipated and, while revisions among the revenue sources have been made, absent federal sources, overall revenue growth has not been substantially changed from that projected earlier by the IEFC.

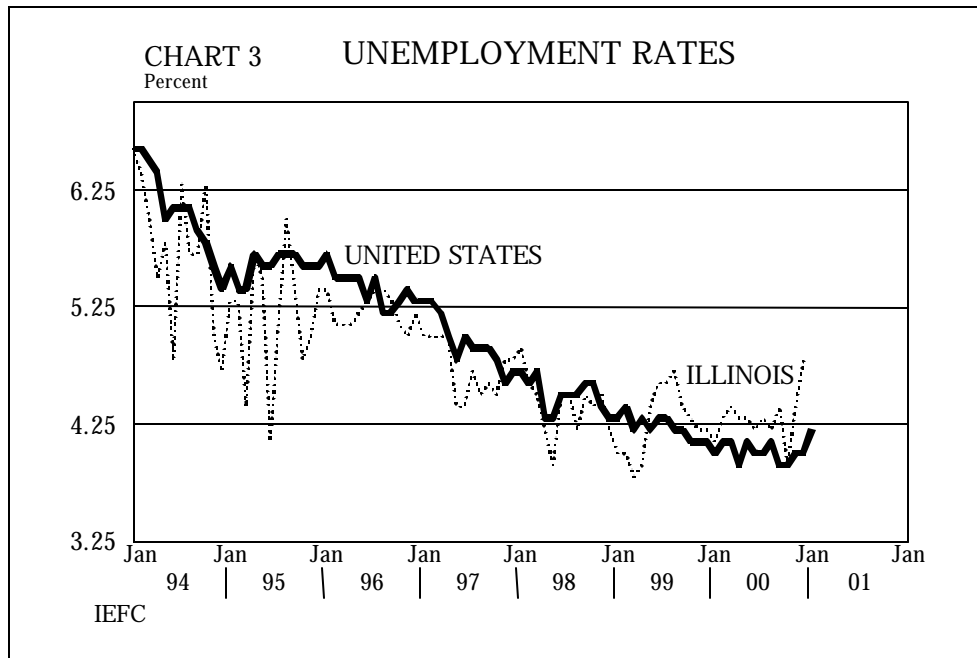
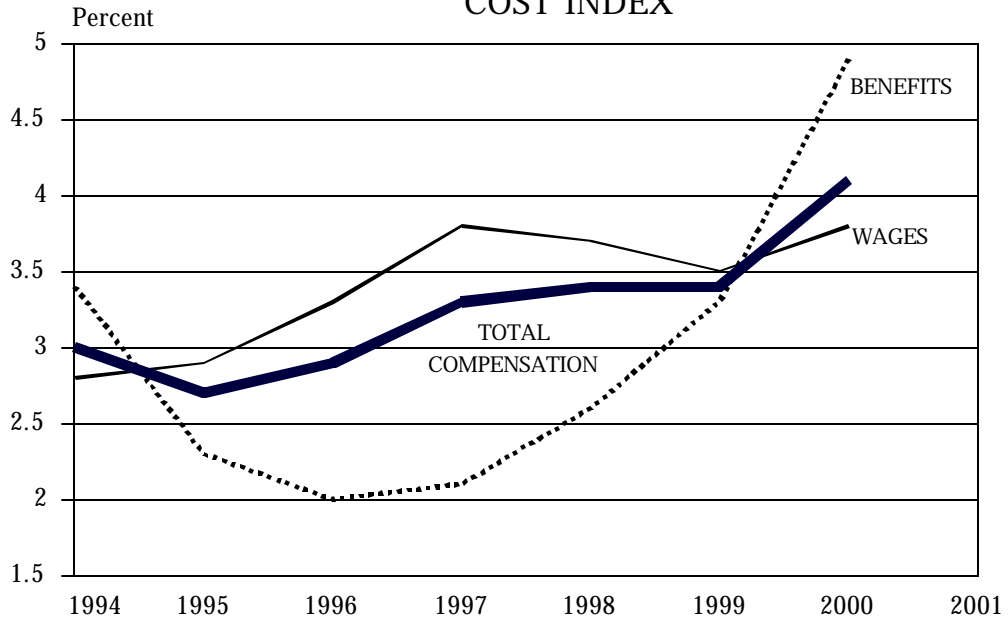


CHART 4 YEARLY CHANGE IN EMPLOYMENT COST INDEX



REVISED FY 2001: GENERAL FUNDS REVENUE ESTIMATE

As shown in Table 1 on page 8, the FY 2001 estimate of general funds revenues has been increased \$125 million to \$24.195 billion. The revised estimate represents an increase of \$945 million or 4.1% over the prior fiscal year (see Table 2 on page 9). While an upward revision is being made at this time, it should be noted that the increase is attributed to a corresponding change in receipts from federal reimbursements stemming from increased spending. While adjustments have been made to the estimate, the revisions essentially cancel each other out. Therefore, absent the increase in federal sources, the base estimate remains largely unchanged from previous forecasts.

Through the first seven months of FY 2001, general funds revenues were up \$396 million or 3.1% (see Table 3 on page 10). In order to reach the Commission's revised estimate, overall receipts must grow 5.3% over the remaining five months of the fiscal year. A large component of that expected increase in the growth rate stems from anticipated increases in reimbursable spending. State source revenue needs only to increase approximately 3% to reach the revised estimate. 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 close to expectations thus

far in FY 2001. Receipts through January were up \$208 million or 4.7%. The estimate remains \$8.6 billion, a 4.0% increase over the previous year. The rate of growth is expected to slow due to several factors: the third year phase-in of the doubling of the personal income tax exemption; the first year of the educational expense credit; and, the first year of the recently-passed earned income tax credit.

- Corporate income tax receipts also have performed about as expected thus far in FY 2001. Through January, receipts are up \$59 million or 11.5%. Comparative growth is anticipated to fall dramatically in the coming months due to a large one-time deposit experienced last year. As a result, the estimate remains \$1.377 billion or 9.8% lower than that of the previous year.
- Sales tax receipts through the first one-third of the fiscal year performed about as anticipated. However, in recent months sales tax receipts have under performed expectations. Through January, receipts are down \$16 million or 0.4%. The negative growth rate is largely the result of the six-month sales tax suspension on motor fuel, estimated to have cost approximately \$175 million. However, even after adjusting for that factor, sales tax receipts still have under performed. Reduced consumer confidence coupled with a

disappointing holiday sales season has forced a downward revision of \$75 million. The revised estimate is \$6.125 billion, which represents an increase of \$98 million or 1.6% over the previous year.

- Public utility receipts are up \$11 million or 1.8% through January. Receipts are expected to improve somewhat over the coming months and reach the forecast of \$1.15 billion, an increase of 3.0% over the prior fiscal year.
- Insurance tax receipts continue to perform well in FY 2001. Through the first seven months of the fiscal year revenues are up \$11 million or 12.2%. As a result of this strong performance to date, in addition to input from the Department of Insurance, the estimate has been increased \$30 million to \$235 million.
- Receipts from interest income continue to perform better than forecast. Interest income was up \$36 million or 27.3% through January. While that rate of growth is expected to slow, the estimate has been raised \$20 million to \$270 million.
- Liquor tax receipts are up \$4 million or 5.4% through January. The rate of growth, while positive, is somewhat below expectations and is due to a portion of the taxes being deposited into the Protest Fund because of a challenge to the legality of the new tax rates. As a result, the estimate has been reduced by \$15 million to \$130 million.
- The estimate of Lottery transfers to the Common School Fund has been revised slightly. The new estimate is \$505 million, a \$10 million reduction from the earlier forecast.
- The Gaming Fund transfer is up \$79 million or 38.3% thus far in FY 2001. 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 of \$40 million in the estimate.
- As mentioned earlier, a significant revision in the estimate of federal sources is being made at this time. The estimate is being increased by \$130 million to \$4.19 billion and reflects growth in reimbursements from an anticipated increase in Medicaid spending resulting from an appropriation increase. Obviously, if the current requested supplemental of \$200 million is reduced or eliminated, the estimate would need to be adjusted accordingly.

In conclusion, while the Commission's FY 2001 general funds estimate has been increased \$125 million, the upward revision is due to an increase in reimbursable spending rather than an increase in tax revenues. In fact, adjusting for the increase in federal sources, the base estimate is virtually unchanged as various source adjustments offset each other.

As shown in Table 4 on page 11, the Commission's revised FY 2001 general funds estimate of \$24.195 billion is \$35 million below the Bureau of the Budget's February estimate of \$24.230 billion. While the overall estimate remains quite similar, there are some differences that should be noted.

- The Commission continues to be slightly lower in its estimates of income taxes, both personal and corporate. Interestingly, neither the BoB nor the Commission changed its estimates of income tax receipts during the fiscal year.

- The Commission is lower in its estimate for sales tax receipts. While we both made downward adjustments to the sales tax estimate, the Commission is now \$25 million lower than the BoB.
- The BoB is obviously more optimistic in its estimate of inheritance tax receipts as reflected in the \$28 million difference.
- The Commission is slightly more optimistic in estimating Lottery transfers. While both agencies reduced their estimates, the Commission made a smaller adjustment at this time.

**TABLE 1: ADJUSTMENTS TO THE
FY 2001 GENERAL FUNDS ESTIMATE**

(\$ million)

Revenue Sources	FEB-01 REVISED ESTIMATE FY 2001	NOV-00 ESTIMATE FY 2001	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$8,600	\$8,600	\$0	0.0%
Corporate Income Tax (regular)	1,377	1,377	\$0	0.0%
Sales Taxes	6,125	6,200	(\$75)	-1.2%
Public Utility Taxes (regular)	1,150	1,150	\$0	0.0%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	130	145	(\$15)	-10.3%
Vehicle Use Tax	39	39	\$0	0.0%
Inheritance Tax (Gross)	372	372	\$0	0.0%
Insurance Taxes and Fees	235	205	\$30	14.6%
Corporate Franchise Tax & Fees	140	135	\$5	3.7%
Interest on State Funds & Investments	270	250	\$20	8.0%
Cook County Intergovernmental Transfer	245	245	\$0	0.0%
Other Sources	400	400	\$0	0.0%
Subtotal	\$19,483	\$19,518	(\$35)	-0.2%
Transfers				
Lottery	505	515	(\$10)	-1.9%
Gaming Fund Transfer	440	400	\$40	10.0%
Other	450	450	\$0	0.0%
Total State Sources	\$20,878	\$20,883	(\$5)	0.0%
Federal Sources	\$4,190	\$4,060	\$130	3.2%
Total Federal & State Sources	\$25,068	\$24,943	\$125	0.5%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$611)	(\$611)	\$0	0.0%
Corporate Income Tax	(\$262)	(\$262)	\$0	0.0%
Total General Funds	\$24,195	\$24,070	\$125	0.5%
IEFC				21-Feb-01

TABLE 2: GENERAL FUNDS RECEIPTS

FY 2001 vs. FY 2000

(\$ million)

Revenue Sources	FEB-01 Revised Estimate FY 2001	Actual Receipts FY 2000	\$ CHANGE FY 2000-2001	% CHANGE
State Taxes				
Personal Income Tax	\$8,600	\$8,273	\$327	4.0%
Corporate Income Tax (regular)	1,377	1,527	(\$150)	-9.8%
Sales Taxes	6,125	6,027	\$98	1.6%
Public Utility Taxes (regular)	1,150	1,116	\$34	3.0%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	130	128	\$2	1.6%
Vehicle Use Tax	39	38	\$1	2.6%
Inheritance Tax (Gross)	372	348	\$24	6.9%
Insurance Taxes and Fees	235	209	\$26	12.4%
Corporate Franchise Tax & Fees	140	139	\$1	0.7%
Interest on State Funds & Investments	270	233	\$37	15.9%
Cook County Intergovernmental Transfer	245	245	\$0	0.0%
Other Sources	400	194	\$206	106.2%
Subtotal	\$19,483	\$18,877	\$606	3.2%
Transfers				
Lottery	505	515	(\$10)	-1.9%
Gaming Fund Transfer	440	330	\$110	33.3%
Other	450	514	(\$64)	-12.5%
Total State Sources	\$20,878	\$20,236	\$642	3.2%
Federal Sources	\$4,190	\$3,891	\$299	7.7%
Total Federal & State Sources	\$25,068	\$24,127	\$941	3.9%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$611)	(\$587)	(\$24)	4.1%
Corporate Income Tax	(262)	(290)	\$28	-9.7%
Total General Funds	\$24,195	\$23,250	\$945	4.1%
IEFC				
21-Feb-01				

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

Revenue Sources	FY 2001	FY 2000	CHANGE FROM FY 2000	% CHANGE
State Taxes				
Personal Income Tax	\$4,609	\$4,401	\$208	4.7%
Corporate Income Tax (regular)	572	513	\$59	11.5%
Sales Taxes	3,551	3,567	(\$16)	-0.4%
Public Utility Taxes (regular)	634	623	\$11	1.8%
Cigarette Tax	233	233	\$0	0.0%
Liquor Gallonage Taxes	78	74	\$4	5.4%
Vehicle Use Tax	21	23	(\$2)	-8.7%
Inheritance Tax (Gross)	228	222	\$6	2.7%
Insurance Taxes and Fees	101	90	\$11	12.2%
Corporate Franchise Tax & Fees	83	75	\$8	10.7%
Interest on State Funds & Investments	168	132	\$36	27.3%
Cook County IGT	154	138	\$16	11.6%
Other Sources	123	119	\$4	3.4%
Subtotal	\$10,555	\$10,210	\$345	3.4%
Transfers				
Lottery	270	254	\$16	6.3%
Gaming Fund Transfer	285	206	\$79	38.3%
Other	268	367	(\$99)	-27.0%
Total State Sources	\$11,378	\$11,037	\$341	3.1%
Federal Sources	\$2,270	\$2,187	\$83	3.8%
Total Federal & State Sources	\$13,648	\$13,224	\$424	3.2%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$328)	(\$312)	(\$16)	5.1%
Corporate Income Tax	(109)	(97)	(\$12)	12.4%
Total General Funds	\$13,211	\$12,815	\$396	3.1%
SOURCE Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.				
IEFC-				
21-Feb-01				

TABLE 4: IEFC-BoB COMPARISON-FY 2001

(\$ millions)

Revenue Sources	ACTUAL	BoB Feb-01	Revised	Difference
	FY 2000	Budget Book FY 2001	IEFC Feb-01 FY 2001	
State Taxes				
Personal Income Tax	\$8,273	\$8,611	\$8,600	(\$11)
Corporate Income Tax	\$1,527	\$1,383	\$1,377	(\$6)
Sales Taxes	\$6,027	\$6,150	\$6,125	(\$25)
Public Utility (regular)	\$1,116	\$1,160	\$1,150	(\$10)
Cigarette Tax	\$400	\$400	\$400	\$0
Liquor Gallonage Taxes	\$128	\$125	\$130	\$5
Vehicle Use Tax	\$38	\$38	\$39	\$1
Inheritance Tax (gross)	\$348	\$400	\$372	(\$28)
Insurance Taxes & Fees	\$209	\$220	\$235	\$15
Corporate Franchise Tax & Fees	\$139	\$135	\$140	\$5
Interest on State Funds & Investments	\$233	\$275	\$270	(\$5)
Cook County Intergovernmental Transfer	\$245	\$245	\$245	\$0
<u>Other Sources</u>	<u>\$194</u>	<u>\$392</u>	<u>\$400</u>	<u>\$8</u>
Subtotal	\$18,877	\$19,534	\$19,483	(\$51)
Transfers				
Lottery	\$515	\$490	\$505	\$15
Gaming Fund Transfer	\$330	\$440	\$440	\$0
<u>Other</u>	<u>\$514</u>	<u>\$450</u>	<u>\$450</u>	<u>\$0</u>
Total State Sources	\$20,236	\$20,914	\$20,878	(\$36)
Federal Sources	\$3,891	\$4,190	\$4,190	\$0
Total Federal & State Sources	\$24,127	\$25,104	\$25,068	(\$36)
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$587)	(\$611)	(\$611)	\$0
Corporate Income Tax	(\$290)	(\$263)	(\$262)	\$1
Total General Funds	\$23,250	\$24,230	\$24,195	(\$35)
Change from Prior Year		\$980	\$945	
Percent Change		4.2%	4.1%	
IEFC Estimate is Unofficial until approved by Commission				02/22/01

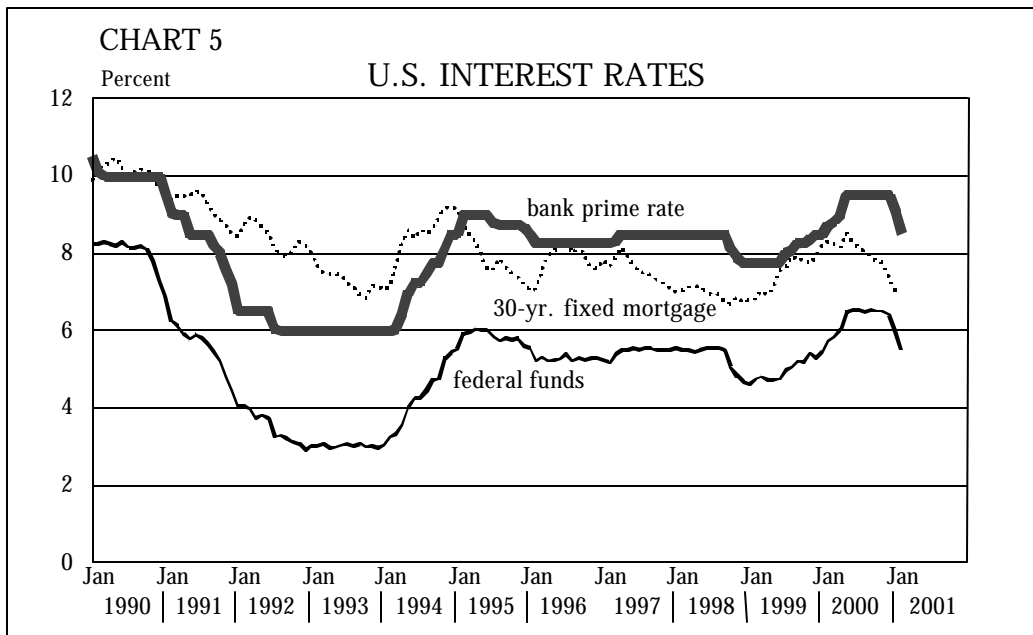
U.S. ECONOMIC OUTLOOK FY 2002: Restimulating the Economy

After coming to a near virtual halt toward the end of FY 2001, policymakers strove to restimulate the U.S. economy. In a dramatic reversal of policy, the Federal Reserve Board lowered its target rate on federal funds and the discount rate twice during January 2001, both by an unprecedented 100 basis points from 6.5% and 6% to 5.5% and 5%, respectively. The rate declines quickly spread to other key interest rates as shown in Chart 5.

The major question is whether or not these recent actions will be sufficient to restimulate the very economic activity it tried so hard to slow the year before. History indicates that monetary policy operates with a significant lag and suggests the full effect from the six interest rate increases between June

1999 and May 2000 may yet to be felt. Moreover, it is generally acknowledged that monetary policy is much more effective at reducing the pace of economic activity than it is stimulating it. Indeed, the later process is often compared to “pushing on a string”. Nevertheless, lower interest rates will help reduce business expenses at a time when carrying costs of excessive inventory levels from lack-luster sales are rising.

In addition to monetary policy, the President’s push for a substantial tax cut could be beneficial as a fiscal stimulus aid. While it is true that such legislation will take time to pass, unlike the recent quick reaction from the Federal Reserve, its impact on a struggling economy could prove effective more quickly.

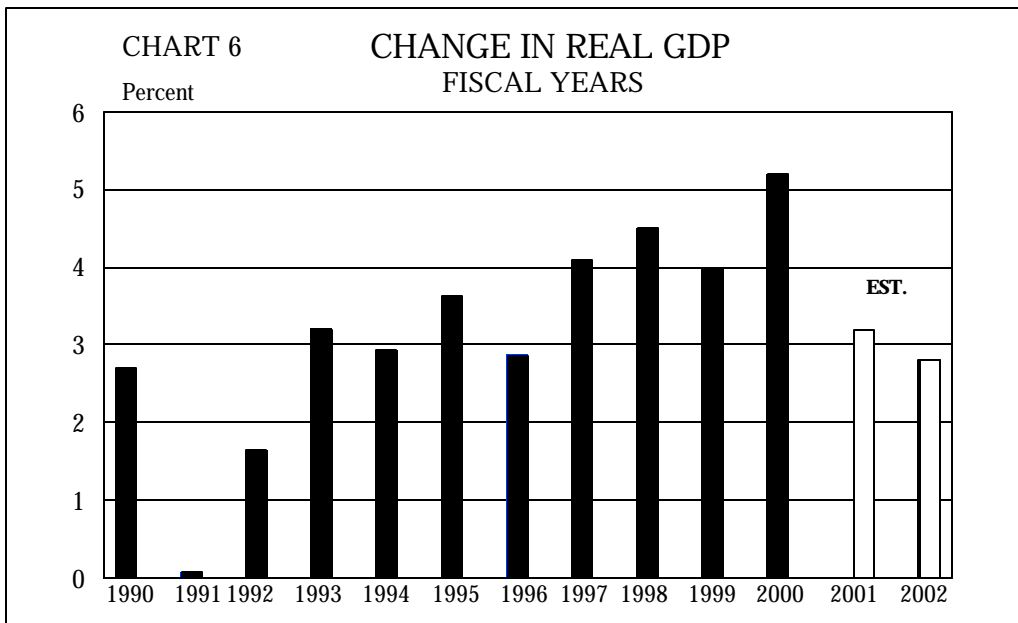


Instead of a six-month to one-year lag effect on the economy from monetary policy, announcement of the tax reduction that would be retroactive to the first of the year could boost both confidence and, in anticipation, spending more quickly. In addition, while Federal Reserve policy is more effective on slowing economic activity than stimulating it, fiscal policy can be more effective on stimulating spending.

As shown in Chart 6 and depicted in Table 5, a preliminary forecast of FY 2002 suggests still further diminution in economic growth next year following this year's sharp moderation. Real growth is anticipated to average 2.8% in FY 2002 following 3.2% in FY 2001, 5.2% in FY 2000, and 4% to 4.5% growth in each year from FY 1997 through FY 1999.

As also indicated in Table 5, on the following page, consumer spending, which generally accounts for two-thirds of total gross domestic product (GDP), is expected to slow further to a real rate of 3.2%, down from 4.1% this fiscal year and a recent high of 5.5% in FY 2000.

In terms of the largest percentage turnaround, business fixed investment is likely to be hardest hit. Business investment which was cut in half in FY 2001 is expected to be halved again in FY 2002. The dramatic slowing in business has reduced capacity usage sharply, lessening the need to expand new investment in plant and equipment. At the same time, banks have tightened credit lending conditions and interest rates remain high. The need to work off excessive inventory levels will reduce capacity usage further and, thus, retard new business spending.



The weakening in economic activity is not confined to the United States. Asia, particularly Japan, may well be in recession already while European economies are slowing. As a result, U.S. exports are likely to fall off which will dampen demand at the same time that domestic demand remains soft. Somewhat offsetting these dampening factors will be a moderate rise in government spending.

IEFC's forecast for FY 2002 is for continued moderation in economic growth but narrowly avoiding a full-fledged recession. IEFC essentially agrees with Standard and Poor's DRI that real growth will average a modest 2.8% in FY 2002, below the 3.2% rate for FY 2001 and well below that of most recent years.

TABLE 5. CONTROL and IEFC FORECASTS – February 2001
(% Change from Prior Year Levels)

	FY'97	FY'98	FY'99	FY'00	Est.	Est.
<u>REAL</u> (1996 \$)	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>FY'01</u>	<u>FY'02</u>
Gross Domestic Product	4.1%	4.5%	4.0%	5.2%	3.2%	2.8%
Personal Consumption	3.1%	4.3%	4.9%	5.5%	4.1%	3.2%
Durable	4.7%	9.7%	11.5%	12.2%	3.4%	4.1%
Nondurable	3.0%	3.3%	5.0%	5.6%	3.7%	3.2%
Services	3.0%	3.7%	3.7%	4.2%	4.7%	3.1%
Fixed Investment	9.7%	10.3%	10.3%	10.6%	5.1%	2.6%
Exports	10.2%	8.0%	0.7%	7.0%	7.2%	4.5%
Imports	11.9%	13.8%	9.8%	13.2%	10.0%	5.2%
Government	1.9%	2.3%	2.6%	3.7%	1.8%	2.5%
Federal	-0.6%	-0.2%	0.6%	3.5%	0.0%	2.4%
State & Local	3.4%	3.8%	3.7%	3.5%	2.3%	2.6%
<u>OTHER MEASURES</u>						
Personal Income	3.6%	4.8%	4.5%	3.6%	3.5%	2.8%
Disposable Income	2.8%	4.1%	4.0%	3.0%	2.7%	3.7%
Consumer Prices	2.8%	1.8%	1.7%	2.9%	3.0%	2.0%
Unemployment Rate (Avg.)	5.2%	4.6%	4.3%	4.1%	4.3%	5.3%

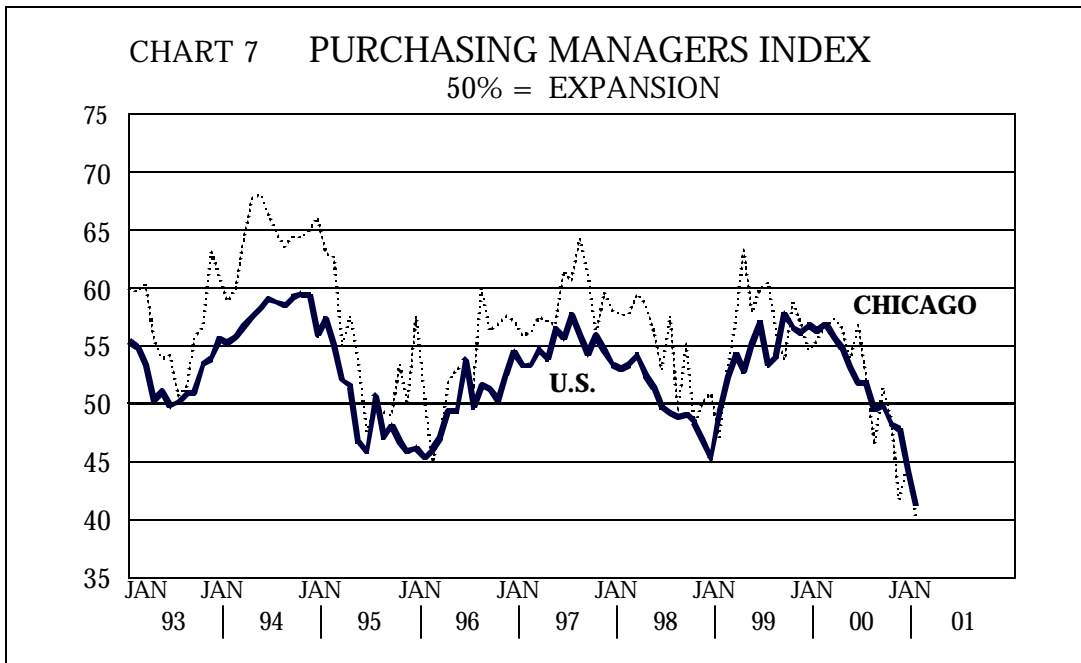
THE OUTLOOK FOR ILLINOIS

The sharp slowdown in national economic conditions has been felt pretty much proportionately at the State level. Although Illinois is the most diverse of the Great Lake States, its manufacturing component is still somewhat larger than that of the nation as a whole. And, there is no doubt that this sector of the economy is in recession.

As shown in Chart 7, the Purchasing Manager's Index which is an important indicator of manufacturing activity, has continued to decline and has now been below the 50% level for six months. This weakness nationally has been mirrored locally as depicted by the Chicago Purchasing Manager's Index, which is now at its lowest level since

year-end 1990. The Index is made up of eight key variables in manufacturing – new orders, production, employment, supplier deliveries, inventories, prices, export orders and imports. When 50% or more of those reporting indicate increases in activity, the sector is considered to be expanding while when less than 50% report gains, manufacturing is contracting. In January 2001, only 40% of those reports were increasing while 60% were in decline.

The weakness in manufacturing noted in the earlier section on FY 2001, cost 10,700 jobs in Illinois last year even while total jobs gained rose about 3 times as much, or 29,700. Even so,

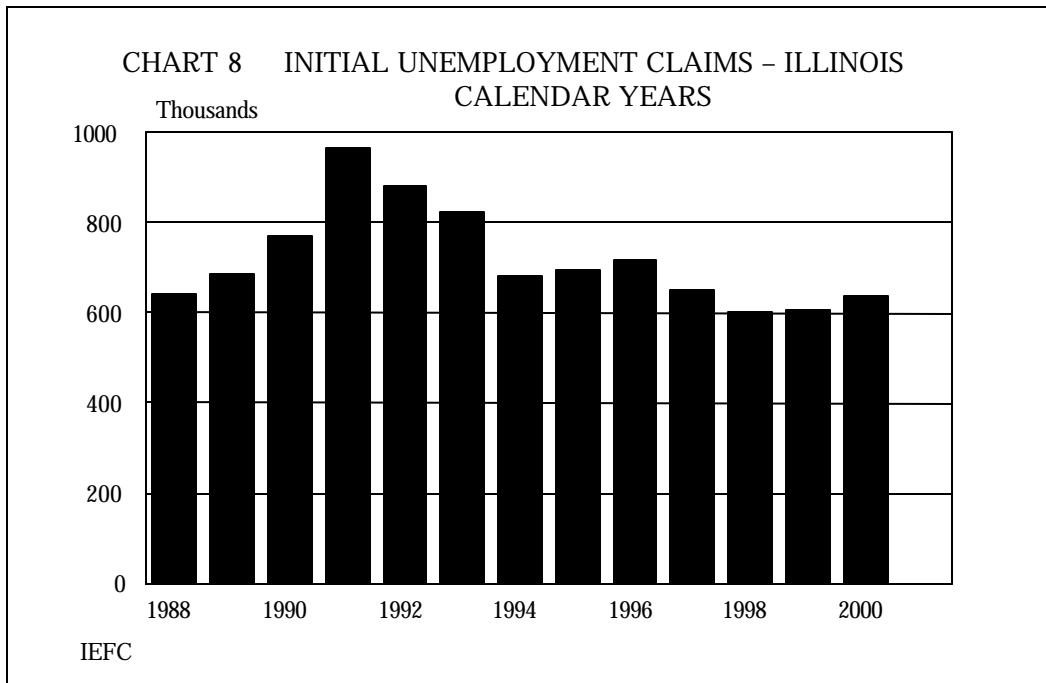


there are signs that the overall job market has begun to soften. As Chart 8 illustrates, initial unemployment claims in Illinois rose in calendar 2000 after reaching a low in 1998. The last time such an increase occurred was in 1996 when the pace of economic activity slowed sharply. Before then, it was in 1990 and 1991 when the economy was in recession. The increase in unemployment claims has continued in 2001 with actual claims totaling 85,089 in January, up from 72,098 in the same month a year earlier and the highest January since 1996.

A further rise in claims is expected as reported layoffs in the U.S. topped 140,000 in January, the second record month in a row. Illinois has had more than its fair share of announced layoffs including: 1,000 at the Daimler Chrysler plant in Belvidere; 1,000 at

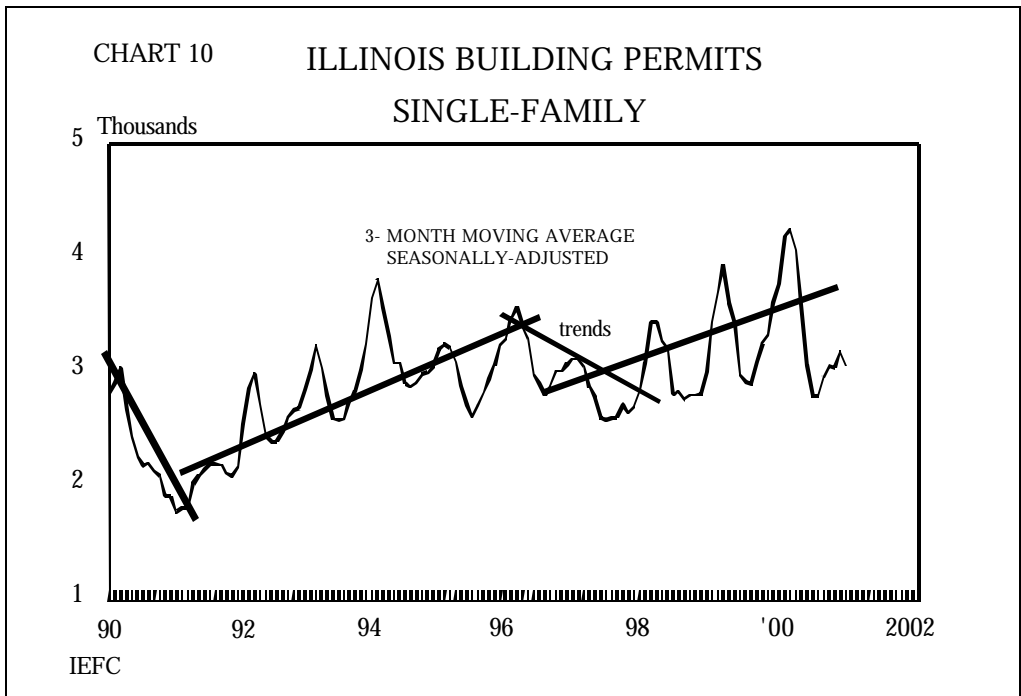
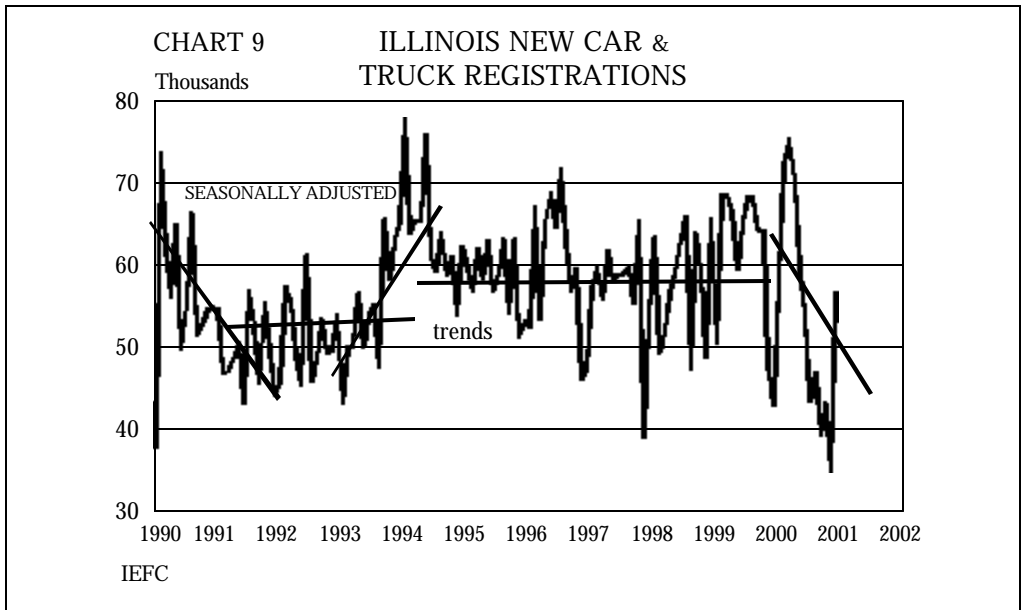
Lucent Technologies in Lisle and Naperville; 2,500 seasonal jobs at Caterpillar in Peoria; 2,500 at Motorola's Harvard Illinois facility; 1,190 employees at Outboard Marine in Waukegan; 160 at Brach's Confections in Chicago, and unknown thousands from Sears store closings and the permanent shutting of Montgomery Wards, and the list goes on.

The sharp worsening in the labor market is a major factor behind the worsening in consumer confidence. Concern over job security in turn is affecting consumer spending, particularly on large-ticket items. Car sales have softened both nationally and in Illinois. Chart 9, on the following page, shows the number of new car and truck registrations in the State. While volatile, the recent trend has been sharply downward for the first time since the 1990-91 recession.



The spreading caution of consumers also appears recently to have affected new home building. A precursor of new housing construction is single-family building permits. As shown in Chart 10, a new single-family building permits in Illinois have fallen below

trend in recent months. Indeed, in December, the latest data available, these permits were 35% below a year earlier. Moreover, this softening has occurred during a period when mortgage interest rates have been on the decline.

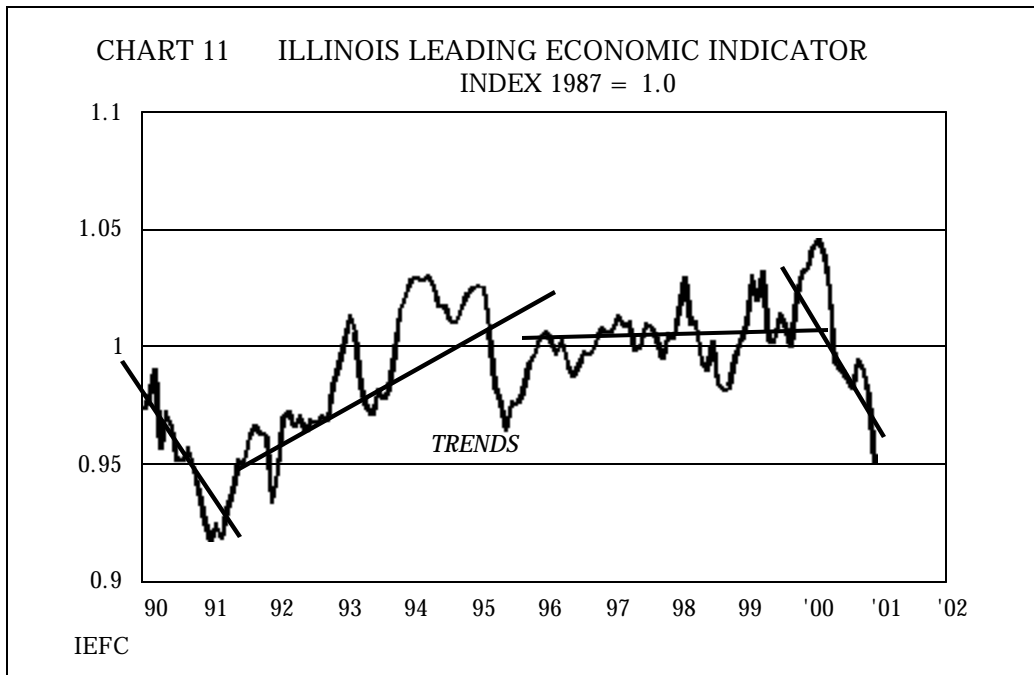


Other sectors of the State's economy also appear poised for a less-than-vigorous outlook. Export growth should moderate as economies abroad slow, although this may be softened somewhat with increasing goods shipped to Mexico. At the same time, farm income in Illinois, the second-biggest corn and soybean growing state, has been halved since 1997 when crop prices began to fall. Even so, in 1999 farmers made an average \$25,000, with one-half coming from federal farm aid. Estimated government aid to all farmers was 13% higher in 2000. Overall conditions are not expected to improve appreciably this year.

Chart 11, depicts movement in the IEFEC Illinois Leading Economic Indicator. The indicator has now slipped below that which occurred in 1995, prior to the 1996 economic slow-

down, and is approaching that which preceded the last recession. The outlook for the Illinois economy is closely tied to the outlook for the nation. Even so, although movement in the Illinois economy tracks the nation, the State has not benefited from upturns as much as the nation as a whole. Thus, even if the pace of economic activity bottoms out early in FY 2002 and begins to pick up, the State's performance may well lag.

Revenue gains in FY 2002 should reflect these trends toward slower economic growth followed by a modest increase. Although a full-fledged recession is not forecast, it cannot be totally ruled out. Much will depend on policy decisions made in the months ahead. Given this caveat, a preliminary look at the IEFEC general funds revenue estimate for FY 2002 follows starting on page 19.



PRELIMINARY FY 2002 GENERAL FUNDS ESTIMATE

The FY 2002 estimate of general funds revenue is \$25.015 billion. The estimate represents a \$820 million or 3.4% increase over the revised FY 2001 estimate of \$24.195 billion. See Table 6 on page 21.

As mentioned in an earlier section, the revenue forecast is predicated on continued slowing of economic growth through the first part of the up coming fiscal year followed by a modest increase. As a result, growth factors assumed for some of the larger tax sources are lower than that which has been experienced in recent years.

Fortunately, while growth is expected to moderate, several earlier tax changes now will be fully incorporated into the base and no longer incrementally depressing revenues. In fact, in the case of sales taxes on an incremental basis, growth rates will actually be significantly raised. For example:

- In FY 2001, the State's 5% portion of sales tax was suspended for six months (P.A. 91-872). Returning to a full year of taxing motor fuel will result in additional revenues of approximately \$175 million as compared to the prior year.
- FY 2002 will mark the first fiscal year after the doubling of the personal income tax exemption is completed. P. A. 60-916 doubled the standard exemption from \$1,000 to \$2,000. The change was phased in over a three-year period. As a

result, on an incremental basis, personal income tax receipts were reduced each of the last three fiscal years at the cost of over \$100 million each fiscal year. There will not be an additional incremental impact on FY 2002 tax receipts.

- Some new income tax credits that took effect in 2000 will decrease receipts for FY 2001. Specifically, P. A. 91-9 established a qualified educational expense credit that is forecast to reduce FY 2001 revenues by approximately \$80 million. Also, P. A. 91-700 established an earned income tax credit that is estimated to reduce FY 2001 revenues by \$45 million. Taken together, these new credits will serve to reduce FY 2001 income tax revenue by approximately \$125 million. Even though the credits will continue in subsequent years, the impact will be incorporated into the base. As a result, there will not be an additional incremental impact on FY 2002 income tax receipts.
- In addition to increasing the personal income exemption, P.A. 90-613 also provided for a transition to apportionment of business income using a single-factor sales formula through an even, three-year phase-in. On an incremental basis, corporate income tax receipts were reduced each of the last three fiscal years at the cost of approximately \$20 million each fiscal year. Again, since the phase-in will be completed

and incorporated into the base for FY 2002, receipt growth will not be incrementally affected.

The following section provides background information on each major source as well as an explanation of the FY 2002 estimate.

PERSONAL INCOME TAX

FY 2001 Estimate	\$8,600 M
FY 2002 Estimate	\$8,935 M
Change	\$335 M

The individual income tax is the largest revenue source, generating approximately one-third of all general funds revenue. Enacted in 1969 at the rate of 2.5%, the current individual income tax is imposed at a rate of 3.0% on the federal-adjusted gross income (AGI) for individuals with some adjustments.

As mentioned earlier, P.A. 90-613 began a three-year phase-in that doubled the standard exemption, from \$1,000 to \$2,000. In tax year 2000, the final year of the phase-in, each taxpayer was permitted a \$2,000 standard exemption plus an additional \$2,000 for a spouse and each dependent. 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.

In addition to the personal exemptions, there are several tax credits available to assist individuals in reducing the amount of tax due. The most significant credit is based on 5% of property taxes paid on the taxpayer's

principal residence. New credits that took effect in tax year 2000 include a qualified educational expense credit as well as an earned income tax credit.

Personal income tax receipts are deposited into the Income Tax Refund Fund and the Education Assistance Fund (EAF), with the remainder going to the General Revenue Fund. The EAF is considered general funds and, accordingly, receipts going to the EAF are shown as general funds receipts. The EAF receives 7.3% of receipts net of the Refund Fund deposits.

Historically, the percentage of receipts deposited to the Refund Fund was determined and certified by the Department of Revenue at the beginning of each fiscal year. However, P.A. 90-613 statutorily set the percentage at 7.1% throughout FY 2001. While the FY 2002 estimate is based on that same percentage, any change in that percentage also will affect net personal income tax receipts.

The FY 2002 estimate of gross personal income tax receipts is \$8.935 billion, an increase of \$335 million or 3.9% over projected FY 2001 receipts. Due to the previously-discussed completed phase-in of the

TABLE 6: ESTIMATED GENERAL FUNDS RECEIPTS

FY 2002 vs. FY 2001

(\$ million)

Revenue Sources	FEB-01 Preliminary Receipts FY 2002	FEB-01 Revised Receipts FY 2001	\$ CHANGE FY 2001 - 00	% CHANGE
State Taxes				
Personal Income Tax	\$8,935	\$8,600	\$335	3.9%
Corporate Income Tax (regular)	1,420	1,377	\$43	3.1%
Sales Taxes	6,545	6,125	\$420	6.9%
Public Utility Taxes (regular)	1,196	1,150	\$46	4.0%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	140	130	\$10	7.7%
Vehicle Use Tax	39	39	\$0	0.0%
Inheritance Tax (Gross)	390	372	\$18	4.8%
Insurance Taxes and Fees	250	235	\$15	6.4%
Corporate Franchise Tax & Fees	145	140	\$5	3.6%
Interest on State Funds & Investments	270	270	\$0	0.0%
Cook County Intergovernmental Transfer	245	245	\$0	0.0%
Other Sources	410	400	\$10	2.5%
Subtotal	\$20,385	\$19,483	\$902	4.6%
Transfers				
Lottery	505	505	\$0	0.0%
Gaming Fund Transfer	440	440	\$0	0.0%
Other	460	450	\$10	2.2%
Total State Sources	\$21,790	\$20,878	\$912	4.4%
Federal Sources	\$4,130	\$4,190	(\$60)	-1.4%
Total Federal & State Sources	\$25,920	\$25,068	\$852	3.4%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$635)	(\$611)	(\$24)	3.9%
Corporate Income Tax	(270)	(262)	(\$8)	3.1%
Total General Funds	\$25,015	\$24,195	\$820	3.4%
IEFC				21-Feb-01

exemption increase, actual base growth of 3.9% reflects a definite slowing from

base growth experienced in recent years.

CORPORATE INCOME TAX

FY 2001 Estimate	\$1,377 M
FY 2002 Estimate	\$1,420 M
Change	\$43 M

The corporate income tax is the third largest general funds revenue source, generating approximately 5% of all general funds revenue. Enacted in 1969 at a rate of 4%, the current rate is 4.8% and is applied to a corporation's federal taxable income with several adjustments.

In addition to increasing the personal income exemption, P.A. 90-613 also provided for a transition to apportionment of business income using a single-factor sales formula through an even, three-year phase-in. Tax year 2000 was the final year of the phase-in.

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 forward against future liabilities or

carried backward to obtain refunds against prior years' taxes. These items, in conjunction with fluctuation in the business climate and economic conditions, combine to make corporate income tax receipts potentially much more volatile than personal income tax revenue.

Like the personal income tax, corporate income tax receipts are deposited into the Income Tax Refund Fund and the Education Assistance Fund, with the remainder going to the General Revenue Fund. P.A. 90-613 statutorily set the refund percentage at 19.0% through FY 2001. While the FY 2002 estimate is based on that same percentage, any change in that percentage also will affect net corporate income tax receipts.

The FY 2002 estimate of gross corporate income tax revenue is \$1.420 billion. This represents 3.1% growth over FY 2001.

SALES TAX

FY 2001 Estimate	\$6,125 M
FY 2002 Estimate	\$6,545 M
Change	\$420 M

The sales tax rivals the personal income tax as one of the largest general funds sources, generating approximately 26%

of total general funds revenue. 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 \$6.545 billion in FY 2002. This represents growth of \$420 million or 6.9% and reflects a full twelve months of taxing motor fuel sales. As mentioned earlier, for the first six months of FY 2001 the sales tax was suspended on motor fuel purchases. The impact of that suspension is forecast to be approximately \$175 million. Consequently, even though base sales activity is forecast to be only 3.9% in FY 2002, having a full year of motor fuel sales tax versus only six months considerably increases the yearly rate of growth.

PUBLIC UTILITY TAXES

FY 2001 Estimate	\$1,150 M
FY 2002 Estimate	\$1,196 M
Change	\$46 M

Public utility taxes deposited in the general funds 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 rate and base of the telecommunications excise tax is 7.0% of the gross charges of businesses

transmitting interstate or intrastate messages.

The natural gas revenue tax is imposed on utilities distributing natural gas in Illinois. The rate and base of the natural gas revenue tax is the lesser of 2.4 cents per therm of all gas sold to each customer or 5.0% of the gross receipts received from each customer.

Since August 1, 1998, the rate and base of the public utilities electricity tax is calculated on the amount of kilowatt hours used in a month by a residential customer. The rate begins at 0.33 cents

per kilowatt-hour and decreases as the amount of usage increases.

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

In FY 2000, public utility tax receipts accounted for approximately 4.8% of total general funds receipts.

The FY 2002 estimate of public utility tax receipts is \$1.196 billion. Fluctuations in electric and gas tax receipts can occur based primarily on consumption. In recent fiscal years, the telecommunications tax is the only one demonstrating consistent yearly growth.

CIGARETTE TAXES

FY 2001 Estimate	\$400 M
FY 2002 Estimate	\$400 M
Change	\$0 M

There are two taxes on cigarettes: the cigarette tax and the cigarette use tax. Wholesale 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 taxes is 58 cents per pack of 20 cigarettes, or 2.9 cents per cigarette. In FY 2000, cigarette tax receipts were 1.7% of total general funds receipts.

The FY 2002 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 \$33.3 million in cigarette tax is deposited each month by statute into the general funds.

LIQUOR GALLONAGE TAXES

FY 2001 Estimate	\$130 M
FY 2002 Estimate	\$140 M
Change	\$10 M

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. The tax per gallon of beer is 18.5 cents, wine and other fortified beverages with less than 20%

alcohol is 73 cents, and on distilled liquor \$4.50. In FY 2000, liquor gallonage tax receipts accounted for 0.6% of total general funds receipts.

The FY 2002 estimate of liquor gallonage taxes is \$140 million. The liquor taxes were increased at the beginning of FY 2000 as part of the funding package for Illinois First. As a result, liquor tax receipts increased

considerably from \$57 million in the late 1990s. Receipts are expected to grow \$10 million next year in

anticipation of resolution of a tax protest which has lowered FY 2001 receipts.

VEHICLE USE TAX

FY 2001 Estimate	\$39 M
FY 2002 Estimate	\$39 M
Change	\$0 M

schedule that is determined by the age of the vehicle or the purchase price. In FY 2002, the vehicle use tax accounted for 0.2% of general funds revenue.

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

The FY 2002 general funds estimate for vehicle use tax is \$39 million. Receipts from this source have been virtually unchanged for several years.

INHERITANCE TAX

FY 2001 Estimate	\$372 M
FY 2002 Estimate	\$390 M
Change	\$18 M

contain provisions that exclude certain property from taxation. The federal estate tax exempts property passed to the decedent's spouse and is only applied if the gross estate exceeds \$675,000 for persons dying in 2001 and generally increases to \$1 million in 2006 and beyond. The federal generation-skipping transfer tax is rarely levied because it exempts the first \$1 million of such transfers.

The State of Illinois currently administers an estate tax and a generation-skipping transfer tax. The Illinois estate tax is imposed on a decedent's estate prior to its distribution. The State generation-skipping transfer tax is imposed on bequests in which the transferor is two or more generations removed from the transferee. These taxes are commonly referred to as "pick-up" taxes, because the State taxes equal the maximum state credit permitted against deferral estate and generation-skipping tax liability. This type of tax provides revenue to the State without increasing the estate's total tax burden.

In the summer of 2000, the U.S. Congress passed legislation aimed at repealing the federal estate, gift, and generation-skipping transfer tax by 2010. However, President Clinton subsequently vetoed the legislation. Given the new Bush administration, it is

Both the federal estate tax and the federal generation-skipping transfer tax

important to examine the impact that a federal repeal or reduction of these taxes would have on Illinois revenues.

A repeal of the federal estate, gift, and generation-skipping transfer tax would automatically eliminate the Illinois transfer taxes. This is due to the fact that Illinois does not administer an independent inheritance or estate tax. Instead, the State relies on the “pick-up” tax in which Illinois residents receive a credit against their federal estate tax liability for state tax payment up to a specified amount. Therefore, a repeal of the federal tax, whether immediate or gradual, would

simultaneously eliminate the state tax credit.

Under the current Bush plan, the Federal tax rate would be reduced by 5% in FY 2002; 10% in 2004; 15% in 2005; 20% in 2006; 30% in 2007 and 40% in 2008. The tax would be completely eliminated in 2009.

The FY 2002 estimate of inheritance tax is \$390 million. Change in the inheritance tax is dependent upon the number of estates subject to the tax and the value of those estates. As a result, receipts can fluctuate considerably from year to year.

INSURANCE TAXES AND FEES

FY 2001 Estimate	\$235 M
FY 2002 Estimate	\$250 M
Change	\$15 M

The State imposes a number of taxes and fees on insurance companies. The tax is based on the net taxable premiums written and is applied at the rate of either 0.4% for accident or

health insurance, or, 0.5% for other insurance policies. There are numerous other fees levied on particular types of insurance activities.

The FY 2002 general funds estimate of insurance taxes and fees is \$250 million. The estimate represents a 6.4% increase over FY 2001 projections.

CORPORATE FRANCHISE TAXES AND FEES

FY 2001 Estimate	\$140 M
FY 2002 Estimate	\$145 M
Change	\$5 M

All domestic corporations (headquartered in Illinois) and foreign corporations (headquartered in another state or foreign county) are required to pay an annual franchise tax at the rate of 0.1% of paid-in in capital. Also, an

initial franchise tax based on 0.15% of paid-in capital is levied when a corporation begins to conduct business in Illinois. An additional franchise tax of 0.15% is imposed on any increases in paid-in capital during the year (such as occurs in a capital restructuring, merger, or consolidation).

The FY 2002 estimate of corporate franchise taxes is \$145 million.

OTHER SOURCES

FY 2001 Estimate	\$400 M
FY 2002 Estimate	\$410 M
Change	\$10 M

Governor between June 15th -30th of any fiscal year.

Other sources to the general funds include various taxes and fees such as the hotel operator's occupation tax and other license and registration fees. In addition, in some years other sources also receive monies in the form of a transfer from the Build Illinois General Reserve Bond Account. This transfer takes place at the discretion of the

While such transfers have not taken place for several years, the Governor's Bureau of the Budget is currently planning that \$200 million will be transferred in both FY 2001 and FY 2002.

The FY 2002 estimate of other sources to the general funds is \$410 million.

TRANSFERS TO THE GENERAL FUNDS

	FY01	FY02	
	<u>Est.</u>	<u>Est.</u>	<u>Chg.</u>
Lottery	\$505 M	\$505 M	\$ 0 M
Gaming Fund	440 M	440 M	0 M
Other	450 M	460 M	10 M

Lottery. **The estimate of Lottery transfers for FY 2002 is \$505 million.**

Transfers to the general funds are monies that are deposited in other State funds that are subsequently transferred into one the four general funds. Included are transfers from the Lottery Fund to the Common School Fund as well as transfers from the State Gaming Fund to the Education Assistance Fund. Due to the size of those transfers, they are itemized separately.

Gaming Fund. Receipts from riverboat license fees and taxes are deposited into the State Gaming Fund. From the State Gaming Fund, transfers are made to the Education Assistance Fund. **The FY 2002 estimate of gaming transfers is \$440 million.**

Other transfers. **In FY 2002, transfers to the general funds from sources other than the Lottery and the Gaming Fund are expected to be \$460 million.**

FEDERAL SOURCES

FY 2001 Estimate	\$4,190 M
FY 2002 Estimate	\$4,130 M
Change	\$(60) M

Federal source receipts to the general funds primarily consist of Medicaid reimbursements, the Social Services Block Grant, transitional assistance (formerly AFDC) block grant, food stamp administrative cost reimbursements and direct receipts, and transfers from the Children's Services Fund. Approximately 16.7% of the State's general funds receipts came in the form of federal reimbursements and grants during FY 2000.

The FY 2002 estimate of total federal source receipts to the general funds is \$4.130 billion. Federal source receipts are largely based on appropriation levels and subsequent spending activity. The estimate will likely change once appropriation levels have been established. The negative growth anticipated for FY 2002 is in part due to an anticipated supplemental of \$200 million occurring in FY 2001.

FY 2002 GENERAL FUNDS REVENUE: IEFB/BoB COMPARISON

As shown in Table 7 on page 30, the Commission’s FY 2002 estimate is \$115 million lower than the BoB’s estimate released in February. The Commission’s estimate represents an \$820 million increase over the previous year’s estimate, as compared to a \$900 million increase forecast by the BoB. A couple of comments are worth noting.

- Essentially, the Commission is slightly more conservative in its forecast of future economic activity. In particular, the Commission is somewhat lower in its expectations for personal income tax and sales tax receipts.

- In addition, the BoB appears to be significantly higher in the estimates for corporate income tax and inheritance tax receipts. Traditionally, these taxes are two of the most difficult revenue sources to forecast. Significant swings in growth rates can occur, sometimes in directions contrary to other sources.
- Both the Commission and the BoB federal source estimate assume the passage of a \$200 million supplemental appropriation for the Medicaid program. Obviously, if that does not occur, the estimates would need to be adjusted accordingly.

FY 2002 ALL APPROPRIATED FUNDS REVENUE

FY 2001 Estimate	\$41,536 M
FY 2002 Estimate	\$43,255 M
Change	\$1,719 M

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. 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 expenditure can be made. 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, sales taxes, and public utility taxes. The major non-general funds revenue sources are: the personal property tax replacement taxes, motor fuel taxes, motor vehicle and operators’ license fees, income from sale of bonds, riverboat gambling taxes, and all other nonfederal receipts.

The FY 2002 estimate for all appropriated funds revenue is \$43.255 billion. This represents an increase of \$1.716 billion or 4.1% from the prior year. (See Table 9 on page 32).

TABLE 7: IEFB-BoB COMPARISON-FY 2002

(millions)

BUDGET BOOK			
Revenue Sources	BoB Feb-01 FY 2002	IEFC Feb-01 FY 2002	Difference
State Taxes			
Personal Income Tax	\$8,988	\$8,935	(\$53)
Corporate Income Tax	\$1,481	\$1,420	(\$61)
Sales Taxes	\$6,575	\$6,545	(\$30)
Public Utility (regular)	\$1,200	\$1,196	(\$4)
Cigarette Tax	\$400	\$400	\$0
Liquor Gallonage Taxes	\$135	\$140	\$5
Vehicle Use Tax	\$38	\$39	\$1
Inheritance Tax (gross)	\$435	\$390	(\$45)
Insurance Taxes & Fees	\$225	\$250	\$25
Corporate Franchise Tax & Fees	\$140	\$145	\$5
Interest on State Funds & Investments	\$275	\$270	(\$5)
Cook County Intergovernmental Transfer	\$245	\$245	\$0
<u>Other Sources</u>	<u>\$402</u>	<u>\$410</u>	<u>\$8</u>
Subtotal	\$20,539	\$20,385	(\$154)
Transfers			
Lottery	\$490	\$505	\$15
Gaming Fund Transfer	\$440	\$440	\$0
<u>Other</u>	<u>\$450</u>	<u>\$460</u>	<u>\$10</u>
Total State Sources	\$21,919	\$21,790	(\$129)
Federal Sources	\$4,130	\$4,130	\$0
Total Federal & State Sources	\$26,049	\$25,920	(\$129)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$638)	(\$635)	\$3
Corporate Income Tax	(\$281)	(\$270)	\$11
Total General Funds	\$25,130	\$25,015	(\$115)
Change from Prior Year Estimate	\$900	\$820	
Percent Change	3.7%	3.4%	
			02/21/01

TABLE 8: GENERAL FUNDS REVENUE FY 1998 - FY 2002

(\$ million)

<u>Revenue Sources</u>	<u>Actual Receipts FY 1998</u>	<u>Actual Receipts FY 1999</u>	<u>Actual Receipts FY 2000</u>	<u>Feb-01 Estimated Receipts FY 2001</u>	<u>Feb-01 Estimated Receipts FY 2002</u>
State Taxes					
Personal Income Tax	\$7,269	\$7,778	\$8,273	\$8,600	\$8,935
Corporate Income Tax (regular)	1,402	1,384	1,527	1,377	1,420
Sales Taxes	5,274	5,609	6,027	6,125	6,545
Public Utility Taxes (regular)	912	1,019	1,116	1,150	1,196
Cigarette Tax	346	403	400	400	400
Liquor Gallonage Taxes	57	57	128	130	140
Vehicle Use Tax	37	38	38	39	39
Inheritance Tax (Gross)	250	347	348	372	390
Insurance Taxes and Fees	91	208	209	235	250
Corporate Franchise Tax & Fees	118	117	139	140	145
Interest on State Funds & Investments	182	212	233	270	270
Cook County Intergovernmental Transfer	152	218	245	245	245
Other Sources	181	190	194	400	410
Subtotal	\$16,271	\$17,580	\$18,877	\$19,483	\$20,385
Transfers					
Lottery	560	540	515	505	505
Gaming Fund Transfer	170	240	330	440	440
Other	346	411	514	450	460
Total State Sources	\$17,347	\$18,771	\$20,236	\$20,878	\$21,790
Federal Sources	\$3,323	\$3,718	\$3,891	\$4,190	\$4,130
Total Federal & State Sources	\$20,670	\$22,489	\$24,127	\$25,068	\$25,920
Nongeneral Funds Distribution:					
Refund Fund					
Personal Income Tax	(\$421)	(\$552)	(\$587)	(\$611)	(\$635)
Corporate Income Tax	(265)	(263)	(290)	(262)	(270)
Total General Funds	\$19,984	\$21,674	\$23,250	\$24,195	\$25,015
Change from Prior Year	\$1,130	\$1,690	\$1,576	\$945	\$820
Percent Change	6.0%	8.5%	7.3%	4.1%	3.4%
IEFC				02/21/01	

TABLE 9: ALL APPROPRIATED FUNDS REVENUE FY2000 to FY 2002

(millions)

REVENUE SOURCES	ACTUAL RECEIPTS FY 2000	Feb-01 Estimate FY 2001	\$ CHG. FROM FY 2000	% CHG. FROM FY 2000	Feb-01 Estimate FY 2002	\$ CHG. FROM FY 2001	% CHG. FROM FY 2001
State Taxes							
Personal Income Tax	\$8,273	\$8,600	\$327	4.0%	\$8,935	\$335	3.9%
Corporate Income Tax							
Regular	\$1,527	\$1,377	(\$150)	-9.8%	\$1,420	\$43	3.1%
Replacement	\$1,026	\$939	(\$87)	-8.5%	\$965	\$26	2.8%
Sales	\$7,022	\$7,163	\$141	2.0%	\$7,624	\$461	6.4%
Public Utility							
Regular	\$1,316	\$1,350	\$34	2.6%	\$1,404	\$54	4.0%
Replacement	\$208	\$221	\$13	6.3%	\$221	\$0	0.0%
Motor Fuel (gross)	\$1,384	\$1,418	\$34	2.5%	\$1,446	\$28	2.0%
Cigarette	\$467	\$472	\$5	1.1%	\$472	\$0	0.0%
Liquor Gallonage Taxes	\$133	\$135	\$2	1.5%	\$145	\$10	7.4%
Vehicle Use Tax	\$43	\$44	\$1	2.3%	\$44	\$0	0.0%
Inheritance Tax	\$348	\$372	\$24	6.9%	\$390	\$18	4.8%
Insurance Taxes and Fees	\$260	\$275	\$15	5.8%	\$290	\$15	5.5%
Horse Racing Taxes & Fees	\$23	\$15	(\$8)	-34.8%	\$15	\$0	0.0%
Corporate Franchise Taxes	\$144	\$145	\$1	0.7%	\$150	\$5	3.4%
Other Privilege Taxes	\$222	\$240	\$18	8.1%	\$250	\$10	4.2%
<u>Riverboat Gambling Taxes & Fees</u>	<u>\$475</u>	<u>\$531</u>	<u>\$56</u>	<u>11.8%</u>	<u>\$547</u>	<u>\$16</u>	<u>3.0%</u>
SUBTOTAL	\$22,871	\$23,297	\$426	1.9%	\$24,318	\$1,021	4.4%
State Nontax Sources							
Motor Vehicle & License Fees	\$973	\$1,273	\$300	30.8%	\$1,273	\$0	0.0%
Cigarette Settlement Distributions	\$350	\$275	(\$75)	-21.4%	\$325	\$50	18.2%
Other Fees	\$297	\$287	(\$10)	-3.4%	\$287	\$0	0.0%
Provider assessment Fees	\$649	\$649	\$0	0.0%	\$649	\$0	0.0%
Receipts From State Hospital Patients	\$24	\$25	\$1	4.2%	\$25	\$0	0.0%
Interest on State Funds & Investments	\$332	\$385	\$53	16.0%	\$385	\$0	0.0%
Reimbursements & Repayments	\$274	\$290	\$16	5.8%	\$293	\$3	1.0%
Revolving Fund Receipts	\$284	\$295	\$11	3.9%	\$305	\$10	3.4%
Lottery (net gross)	\$815	\$805	(\$10)	-1.2%	\$805	\$0	0.0%
All Other Nonfederal Receipts	\$2,532	\$2,800	\$268	10.6%	\$3,000	\$200	7.1%
Income from Sale of Bonds	\$988	\$1,425	\$437	44.2%	\$1,700	\$275	19.3%
Local Government Health Plan	<u>\$71</u>	<u>\$85</u>	<u>\$14</u>	<u>19.7%</u>	<u>\$90</u>	<u>\$5</u>	<u>5.9%</u>
SUBTOTAL	\$30,460	\$31,891	\$1,431	4.7%	\$33,455	\$1,564	4.9%
State Transfers In	\$44	\$48	\$4	9.1%	\$50	\$2	4.2%
TOTAL STATE SOURCES	\$30,504	\$31,939	\$1,435	4.7%	\$33,505	\$1,566	4.9%
Federal Sources	\$9,025	\$9,600	\$575	6.4%	\$9,750	\$150	1.6%
TOTAL ALL APPROPRIATED	\$39,529	\$41,539	\$2,010	5.1%	\$43,255	\$1,716	4.1%
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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)

Reports can also be accessed from our Webpage:

http://www.legis.state.il.us/commission/ecfisc/ecfisc_home.html