

**ILLINOIS ECONOMIC
and
FISCAL COMMISSION**

**PRELIMINARY
FY 2003 REVENUE ESTIMATE**

and

UPDATED FY 2002 REVENUE OUTLOOK



**FEBRUARY 2002
703 STRATTON BUILDING
SPRINGFIELD, ILLINOIS 62706**

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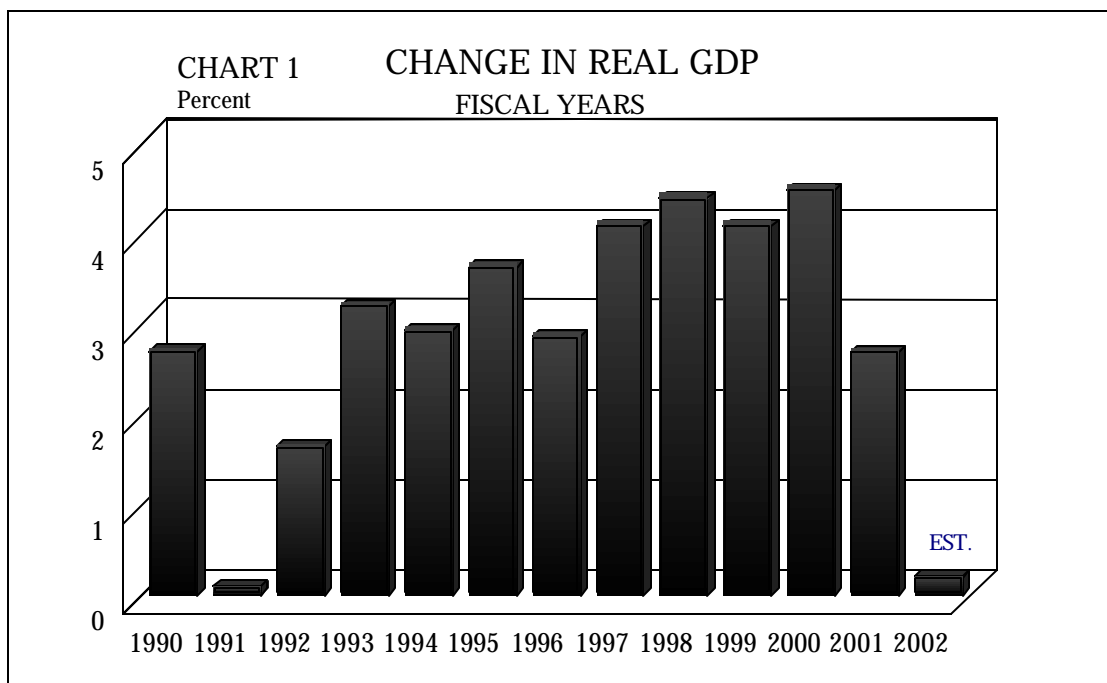
REVIEW OF FY 2002: Economy in Recession

The U.S. economy was officially designated as in recession last November, with the starting point of the decline set in March. More than likely it was the tragic events of September 11th that pushed a slowing economy into a full-fledged recession. The economy, as measured by real gross domestic product (GDP), declined during the first three months of the fiscal year at 1.3% annual rate and showed virtually no growth in the second three-month period. The depressed state of economic activity during the first half of the fiscal year was met with only modest improvement forecast by DRI/WEFA in the second half of the year. As a result, as shown in Chart 1, FY 2002 will turn out to be the weakest performance in economic growth since FY 1991.

The recession which hit the economy was predominately centered in the business sector with inflation-adjusted spending

dropping by an estimated 5.5%, after recording almost a 4% gain in FY '01, 8% in FY '00, and 10% in each of the prior two fiscal years. The trade sector also weakened substantially as the recession in the U.S. spread to most countries overseas. Exports were partially weak due to both a softening in economic activity abroad and a high international value of the dollar, which kept U.S. goods' prices higher.

Consumer spending, which makes up about two-thirds of total spending, slowed but durable goods spending held up rather well as zero percent financing incentives spurred auto sales and a continued strong housing market held up household goods sales. Government spending at the federal level accelerated as the recession kicked in increased spending on social programs. At the same time the war in Afghanistan and homeland security needs boosted defense outlays.

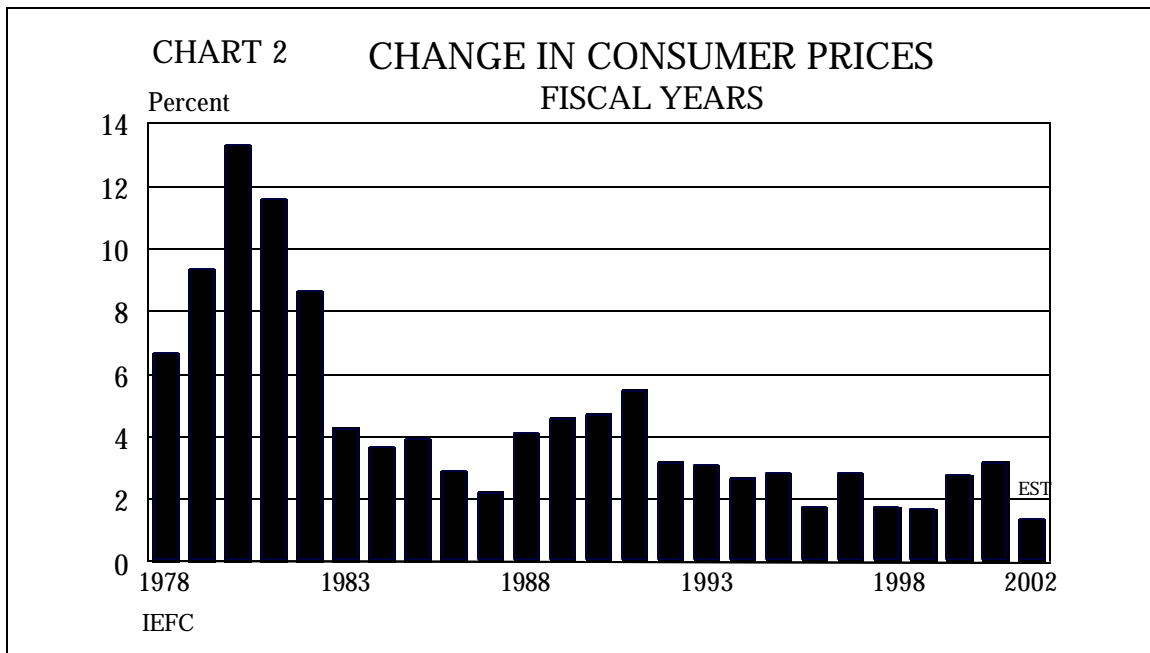


Not only did fiscal policy become more stimulative, but monetary policy continued its aggressive stance begun in January 2001, by lowering key interest rates 11 times over the next year. Both policies, however, are likely to keep this recession limited in scope.

The reduction in interest rates was accompanied by a reduction in consumer prices which occurred during the year. A large part of the price softening occurred in the energy sector where prices plummeted due to weakening demand from reduced air travel following September 11th, weakening consumer demand due to the recession, and ample supplies, which OPEC had difficulty in reducing. Chart 2 shows a continuation of modest inflationary pressure which has generally been maintained throughout the past record-long business expansion with a further moderation since the recession began.

While prices moderated, the labor market weakened appreciably. The unemployment rate, which had reached a 30-year low in 2000 averaged 4.2% in FY '01 and 5.6% in FY '02, at times nearing 6%. While this is not an extraordinarily high rate historically, the rapidity of the change occurred with record layoffs and hit hard certain sectors of the economy, particularly manufacturing.

In reviewing FY 2002, the overall economy and relative position of the State suffered the first period of recession in a decade. The overall performance was substantially weaker than originally projected in part due to the added effects of the September 11th attacks and reaction to them. Thus, revenue growth fell substantially below earlier projections.



REVISED FY 2002: GENERAL FUNDS REVENUE ESTIMATE

After a very disappointing first quarter, during which revenues fell \$296 million, receipts performed somewhat better rising \$211 million during the second quarter. While still down \$85 million through the first half of the fiscal year, there were some indications that the worst was over and the economy was stabilizing. Unfortunately, revenues were dealt a significant blow when the new year began on a down note with January revenues off by \$90 million.

As shown on Table 1 on page 6, through the first seven months of FY 2002, general funds revenues were down \$175 million or 1.3% (excluding \$226 million in Budget Stabilization Fund transfers). With less than five months remaining in the fiscal year, it is unlikely that revenue growth would accelerate enough in time to reach the Commission's October 2001 estimate.

As a result, the FY 2002 estimate of general funds revenues has been decreased \$330 million to \$24.196 billion. The revised estimate represents an increase of \$90 million or 0.4% over the prior fiscal year (see Table 2 on page 7).

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 been weak for virtually all of the fiscal year. Gross receipts through January were down \$85 million or 1.8%. Despite early signs that the economy is stabilizing and the rate of job loss is slowing, the lagging effects

of earlier work force reductions will continue for some time as employers wait to be certain that business conditions have improved before they engage in meaningful hirings. Consequently, an abrupt turn around in personal income tax receipts is unlikely in the near term. As a result, the estimate has been reduced by \$125 million to \$8.655 billion.

- Corporate income tax receipts also have performed very poorly thus far in FY 2002. Through January, gross receipts are down \$98 million or 17.1%, as dismal corporate profits have manifested themselves in the poor performance to date. It is doubtful that final payments due later this spring will reverse that trend. Therefore, the estimate has been reduced by \$100 million to \$1.152 billion.
- Sales tax revenue, while up \$126 million or 3.5% through January due to the return of the sales tax on motor fuel, is essentially flat once that factor is removed. Despite improved consumer confidence, the estimate has been revised downward \$30 million, to \$6.190 billion.
- Public utility tax receipts also are under performing thus far in FY 2002. Through January, total receipts are down \$6 million or 0.9%. A warmer-than-usual winter has had some effect, but also contributing is the poor performance of the messages portion of the tax, down 1.8% through the first seven months of the fiscal year. As a result of the poor performance to date, the

estimate has been lowered by \$20 million, to \$1.160 billion.

- Through January, liquor tax receipts are down \$2 million or 2.6%. Despite some modest improvement in cumulative receipts in recent months, the estimate has been revised down \$10 million, to \$125 million.
- Inheritance tax receipts are down from last year, off \$23 million or 10.1%. While this source is difficult to forecast given its high rate of variability, based on this poor receipting, the estimate has been revised down \$15 million to \$361 million. [Due to changes in federal law, inheritance tax receipts will be negatively impacted in future fiscal years, beginning in FY 2003. For more detail on the impact of those changes, please see page 8].
- Insurance taxes and fees are one of the few revenue sources that have performed better than expected thus far in FY 2002. Through January, receipts are up \$14 million or 13.9%. The stronger than anticipated performance results in an upward revision of \$10 million to a revised forecast of \$270 million.
- Corporate franchise taxes and fees also have done better than expected, rising \$16 million or 19.3% through the first seven months of the fiscal year. Consequently, the estimate has been increased \$15 million, to \$166 million.
- Revenues from interest income have been in a free fall for most of the fiscal year. Numerous interest rate reductions coupled with lower

investable balances have resulted in receipts being \$74 million or 44% lower than last fiscal year. It is not likely that either rates or balances will improve substantially before the end of the year. Therefore, the forecast has been reduced by \$55 million, to \$180 million.

- Lottery transfers to the Common School Fund have done better than expected and are up \$18 million or 6.7% through January. As a result, the estimate of transfers has been revised up by \$25 million, to \$530 million.
- Other transfers have not performed well thus far in FY 2002, although timing likely has been a factor. However, with transfers down \$88 million through January, it is not felt that all of that can be made up before the end of the fiscal year. As a result, the estimate has been lowered by \$10 million, to \$455 million.
- Revenues from federal sources, while up \$41 million or 1.8% through January, are expected to decline over the coming months. Revenues from federal sources are comprised mostly of reimbursements from spending on programs such as Medicaid. The recent cuts in that program will result in lower spending and subsequent lower reimbursements. The Administration estimates that the cuts will result in a reduction of \$50 million in federal source receipts. Therefore, the revised estimate is \$4.230 billion.

In conclusion, while some smaller revenue sources have done better than anticipated thus far in FY 2002, the vast

majority of the larger revenue sources continue to struggle. However, despite an estimated drop in revenues of \$330 million, it should be noted that the Commission's revised forecast should not be considered as the worst-case scenario. Indeed, even to reach this revised estimate, a modest rate of growth of 2.4% is required over the remainder of the fiscal year.

As shown in Table 4 on page 9, the Commission's revised FY 2002 general funds estimate of \$24.196 billion is \$154 million below the Bureau of the

Budget's February estimate of \$24.350 billion.

The most notable differences are in the estimates of income taxes as the Commission is \$111 lower in its estimate of gross personal income tax and \$17 million lower in its forecast of gross corporate income taxes. The differences represent a more conservative outlook for the remainder of the fiscal year. In addition, the Commission is \$20 million lower in the estimate of revenues from interest earnings. All other differences essentially balance out each other.

STATES FISCAL OUTLOOK: NCSL

Illinois is not alone in facing mounting budgetary pressure. A report released earlier in the month by the National Conference of State Legislators indicates that over the last several months, the number of states reporting revenue

problems and cost overruns have increased. In addition, budget cuts and use of their fiscal reserves have grown significantly. This information, compiled from periodic surveys, indicates that virtually all states are going through various stages of budget problems.

KEY FISCAL DEVELOPMENTS IN FY 2002			
January Update			
Key Fiscal Developments	October 2002 (# of States)	November 2001 (# of States)	January 2002 (# of States)
Revenues below projections	44	44	46
Expenditures over budget	17	22	30
Budget cuts or holdbacks	28	36	39
Use of reserves	20	24	26
Other measures to balance the budget	14	22	30

SOURCE: National Conference of State Legislatures, October 2001; Updated November 2001 and January 2002

As shown, nearly all of the states are experiencing lower than projected revenues, and an increasing number are experiencing increased spending pressures. Thirty-nine states have already implemented budget cuts or

holdbacks to address fiscal problems in FY 2002 or are considering cuts before the end of the fiscal year.

It's reported that 26 states have tapped into their reserve funds to balance their

FY 2002 budgets or are considering those measures including tapping tobacco settlement funds. Thirty states have taken various belt-tightening measures such as hiring freezes, delaying tax cuts, or redirecting special fund revenues

to general funds. Other measures include delaying or canceling capital projects and refinancing outstanding debt.

The report also indicates that 37 states already are reporting budget gaps in next year's budget.

TABLE 1: GENERAL FUNDS RECEIPTS
Through January
FY 2002 vs. FY 2001
(\$ million)

Revenue Sources	FY 2002	FY 2001	CHANGE FROM FY 2001	% CHANGE
State Taxes				
Personal Income Tax	\$4,524	\$4,609	(\$85)	-1.8%
Corporate Income Tax (regular)	474	572	(\$98)	-17.1%
Sales Taxes	3,677	3,551	\$126	3.5%
Public Utility Taxes (regular)	628	634	(\$6)	-0.9%
Cigarette Tax	233	233	\$0	0.0%
Liquor Gallonage Taxes	76	78	(\$2)	-2.6%
Vehicle Use Tax	23	21	\$2	9.5%
Inheritance Tax (Gross)	205	228	(\$23)	-10.1%
Insurance Taxes and Fees	115	101	\$14	13.9%
Corporate Franchise Tax & Fees	99	83	\$16	19.3%
Interest on State Funds & Investments	94	168	(\$74)	-44.0%
Cook County IGT	154	154	\$0	0.0%
Other Sources	118	122	(\$4)	-3.3%
Subtotal	\$10,420	\$10,554	(\$134)	-1.3%
Transfers				
Lottery	288	270	\$18	6.7%
Gaming Fund Transfer	290	285	\$5	1.8%
Other	180	268	(\$88)	-32.8%
Total State Sources	\$11,178	\$11,377	(\$199)	-1.7%
Federal Sources	\$2,311	\$2,270	\$41	1.8%
Total Federal & State Sources	\$13,489	\$13,647	(\$158)	-1.2%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$344)	(\$328)	(\$16)	4.9%
Corporate Income Tax	(110)	(109)	(\$1)	0.9%
Subtotal General Funds	\$13,035	\$13,210	(\$175)	-1.3%
Budget Stabilization Fund Transfer	\$226	\$0	\$226	N/A
Total General Funds	\$13,261	\$13,210	\$51	0.4%
SOURCE Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.				
IEFC 20-Feb-02				

**TABLE 2: ADJUSTMENTS TO THE IEFC
FY 2002 GENERAL FUNDS ESTIMATE**

(millions)

<u>Revenue Sources</u>	FEB-02 REVISED ESTIMATE FY 2002	OCT-01 ESTIMATE FY 2002	Difference
State Taxes			
Personal Income Tax	\$8,655	\$8,780	(\$125)
Corporate Income Tax	\$1,152	\$1,252	(\$100)
Sales Taxes	\$6,190	\$6,220	(\$30)
Public Utility (regular)	\$1,160	\$1,180	(\$20)
Cigarette Tax	\$400	\$400	\$0
Liquor Gallonage Taxes	\$125	\$135	(\$10)
Vehicle Use Tax	\$35	\$35	\$0
Inheritance Tax (gross)	\$361	\$376	(\$15)
Insurance Taxes & Fees	\$270	\$260	\$10
Corporate Franchise Tax & Fees	\$166	\$151	\$15
Interest on State Funds & Investments	\$180	\$235	(\$55)
Cook County Intergovernmental Transfer	\$245	\$245	\$0
<u>Other Sources</u>	<u>\$490</u>	<u>\$497</u>	<u>(\$7)</u>
Subtotal	\$19,429	\$19,766	(\$337)
Transfers			
Lottery	\$530	\$505	\$25
Gaming Fund Transfer	\$475	\$465	\$10
Other	\$455	\$465	(\$10)
Total State Sources	\$20,889	\$21,201	(\$312)
Federal Sources	\$4,230	\$4,280	(\$50)
Total Federal & State Sources	\$25,119	\$25,481	(\$362)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$658)	(\$667)	\$9
Corporate Income Tax	(\$265)	(\$288)	\$23
Subtotal General Funds	\$24,196	\$24,526	(\$330)
Change from Prior Year	\$90	\$420	
Percent Change	0.4%	1.7%	
Budget Stabilization Fund	\$226	\$226	\$0
Total General Funds	\$24,422	\$24,752	(\$330)
Note: The \$226 million in Budget Stabilization Fund transfers occurred in November. While the Commission's October estimate did not include the transfer, it is now included to reflect its occurrence.			
20-Feb-02			

TABLE 3: GENERAL FUNDS RECEIPTS

FY 2002 vs. FY 2001

(\$ million)

Revenue Sources	FEB-02 REVISED ESTIMATE FY 2002	ACTUAL RECEIPTS FY 2001	\$ CHANGE FY 2002-2001	% CHANGE
State Taxes				
Personal Income Tax	\$8,655	\$8,607	\$48	0.6%
Corporate Income Tax (regular)	1,152	1,279	(\$127)	-9.9%
Sales Taxes	6,190	5,958	\$232	3.9%
Public Utility Taxes (regular)	1,160	1,146	\$14	1.2%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	125	124	\$1	0.8%
Vehicle Use Tax	35	34	\$1	2.9%
Inheritance Tax (Gross)	361	361	\$0	0.0%
Insurance Taxes and Fees	270	246	\$24	9.8%
Corporate Franchise Tax & Fees	166	146	\$20	13.7%
Interest on State Funds & Investments	180	274	(\$94)	-34.3%
Cook County Intergovernmental Transfer	245	245	\$0	0.0%
Other Sources	490	407	\$83	20.4%
Subtotal	\$19,429	\$19,227	\$202	1.1%
Transfers				
Lottery	530	501	\$29	5.8%
Gaming Fund Transfer	475	460	\$15	3.3%
Other	455	452	\$3	0.7%
Total State Sources	\$20,889	\$20,640	\$249	1.2%
Federal Sources	\$4,230	\$4,320	(\$90)	-2.1%
Total Federal & State Sources	\$25,119	\$24,960	\$159	0.6%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$658)	(\$611)	(\$47)	7.7%
Corporate Income Tax	(265)	(243)	(\$22)	9.1%
Subtotal General Funds	\$24,196	\$24,106	\$90	0.4%
Budget Stabilization Fund	\$226	\$0	\$226	N/A
Total General Funds	\$24,422	\$24,106	\$316	1.3%
IEFC				20-Feb-02

TABLE 4: IEFC-BoB COMPARISON-FY 2002

(millions)

<u>Revenue Sources</u>	BoB FEB-02 BUDGET BOOK FY 2002	REVISED IEFC FEB-02 FY 2002	<u>Difference</u>
<i>State Taxes</i>			
Personal Income Tax	\$8,766	\$8,655	(\$111)
Corporate Income Tax	\$1,169	\$1,152	(\$17)
Sales Taxes	\$6,200	\$6,190	(\$10)
Public Utility (regular)	\$1,160	\$1,160	\$0
Cigarette Tax	\$400	\$400	\$0
Liquor Gallonage Taxes	\$130	\$125	(\$5)
Vehicle Use Tax	\$35	\$35	\$0
Inheritance Tax (gross)	\$370	\$361	(\$9)
Insurance Taxes & Fees	\$265	\$270	\$5
Corporate Franchise Tax & Fees	\$165	\$166	\$1
Interest on State Funds & Investments	\$200	\$180	(\$20)
Cook County Intergovernmental Transfer	\$245	\$245	\$0
Other Sources	\$500	\$490	(\$10)
<i>Subtotal</i>	\$19,605	\$19,429	(\$176)
<i>Transfers</i>			
Lottery	\$525	\$530	\$5
Gaming Fund Transfer	\$465	\$475	\$10
<u>Other</u>	<u>\$460</u>	<u>\$455</u>	<u>(\$5)</u>
<i>Total State Sources</i>	\$21,055	\$20,889	(\$166)
<i>Federal Sources</i>	\$4,230	\$4,230	\$0
<i>Total Federal & State Sources</i>	\$25,285	\$25,119	(\$166)
<i>Nongeneral Funds Distribution:</i>			
<i>Refund Fund</i>			
Personal Income Tax	(\$666)	(\$658)	\$8
Corporate Income Tax	(\$269)	(\$265)	\$4
<i>Subtotal General Funds</i>	\$24,350	\$24,196	(\$154)
Change from Prior Year	\$244	\$90	
Percent Change	1.0%	0.4%	
<i>Budget Stabilization Fund</i>	\$226	\$226	\$0
<i>Total General Funds</i>	\$24,576	\$24,422	(\$154)
IEFC			20-Feb-02

U.S. ECONOMIC OUTLOOK FY 2003: Recovery Takes Hold

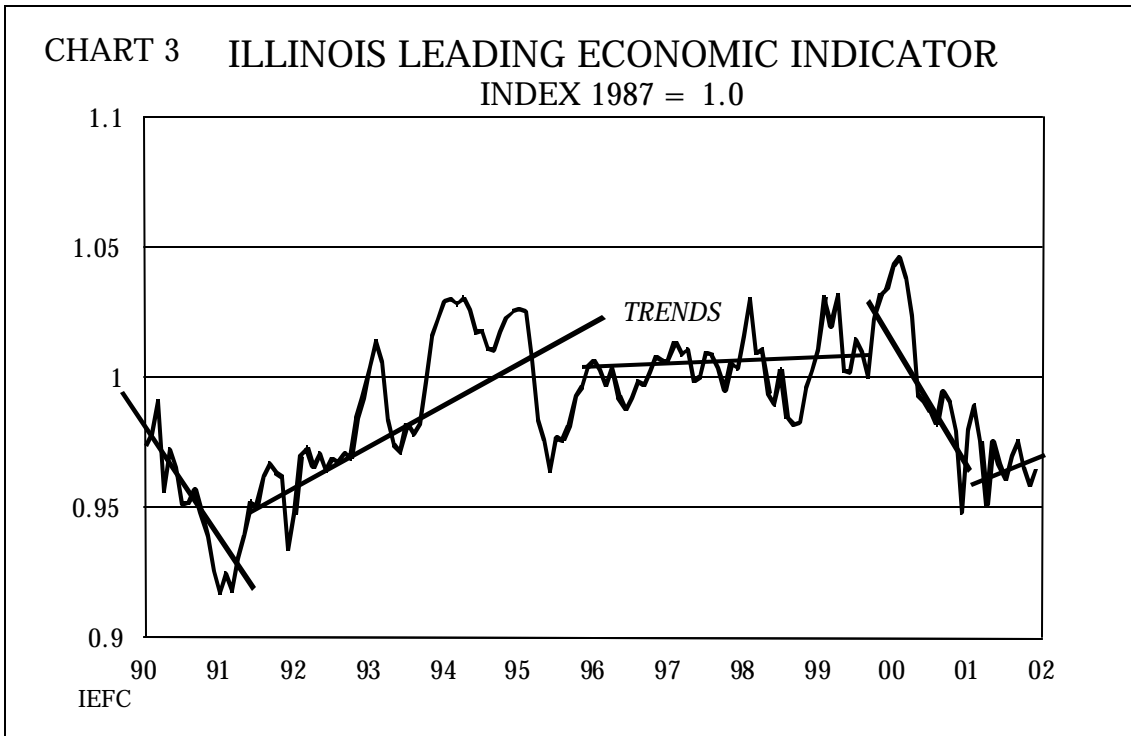
There is increasing evidence that the recession which occurred during FY '02 is coming to an end. This is not unusual, however, as the average recession in the post World War II era has lasted 11 months. Since the recession began last March, this would seem to fit the pattern. Moreover, as mentioned, both monetary and fiscal policies have turned stimulative for some time and appear to be having an uplifting effect.

As shown in Chart 3, the Illinois Leading Economic Indicator, prepared by the Commission, appears to be on a moderate uptrend after hitting bottom early last year. Moreover, the level of the indicator this time remains well above that of the previous recession. Thus,

barring any renewed attacks or spreading disruptions from Enron concerns, the economy appears poised for recovery.

Chart 4 and Table 5, on pages 11 and 12, shows DRI/WEFA's latest forecast of U.S. economic conditions done in February. Overall growth in FY '03 is anticipated to approach 3% following virtually no growth in FY '02. This would place it on a par with FY '01 but keep it well below the growth rates experienced in the prior three fiscal years.

Consumer spending is likely to increase modestly. A pickup in sales of nondurable goods and services will be partially softened by a reduced rate of gain in durable goods sales as record auto sales last year fall off somewhat this year.



The big turnaround is likely to come in business spending as growth resumes following a sharp decline last year. The foreign trade picture also should strengthen with improved sales of exports offset somewhat by greater imports as the U.S. economy strengthens.

Finally, federal government spending will rise even more so than last year, reversing a trend over several years with little or no growth. Tight budgets, however, will limit the increase in state and local government spending in '03 as balance budget requirements restrain

spending. While the unemployment rate will edge down late in the fiscal year, it will lag the economy and actually average higher for the year as a whole.

IEFC's forecast for FY 2003 is for economic recovery with real growth approaching 3%. While this is substantially better than FY '02, it is similar to that recorded in FY '01, although well below that in each of the previous three fiscal years. This moderate recovery, while encouraging, will keep revenues restrained with much of the expected gain offset by previous budget decisions.

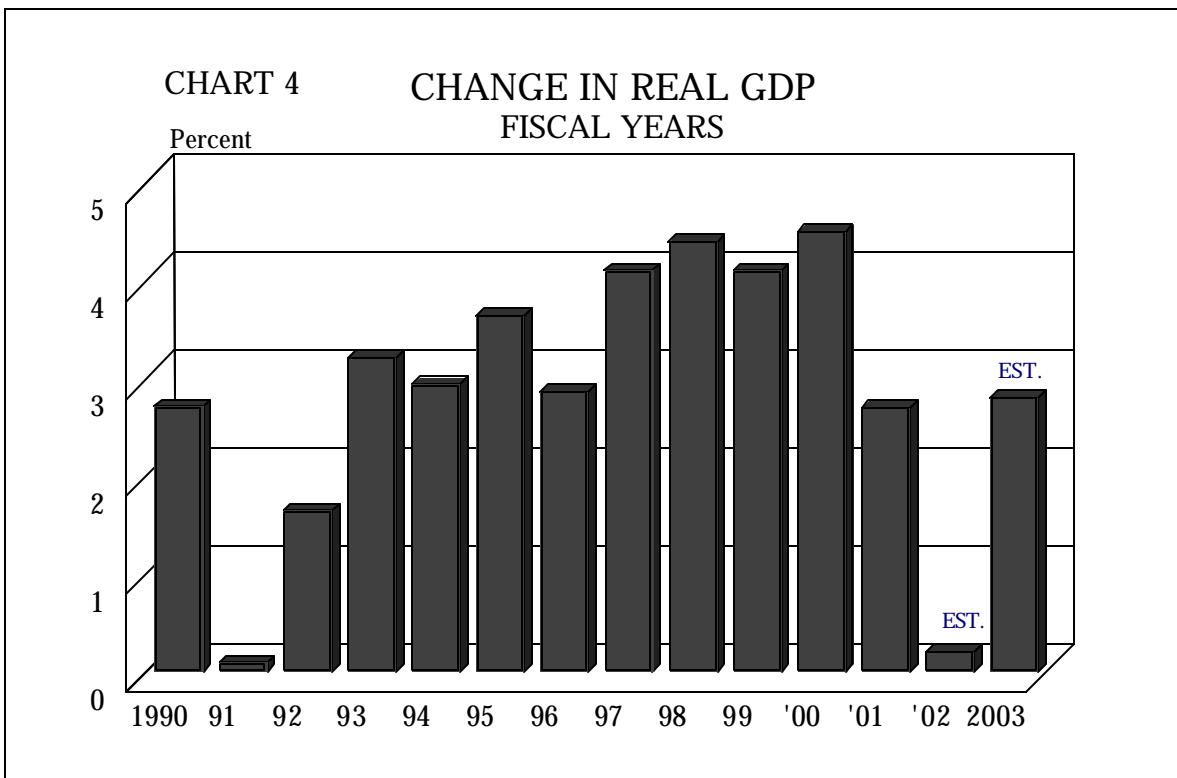


TABLE 5. CONTROL and IIEFC FORECASTS – February 2002
 (% Change from Prior Year Levels)

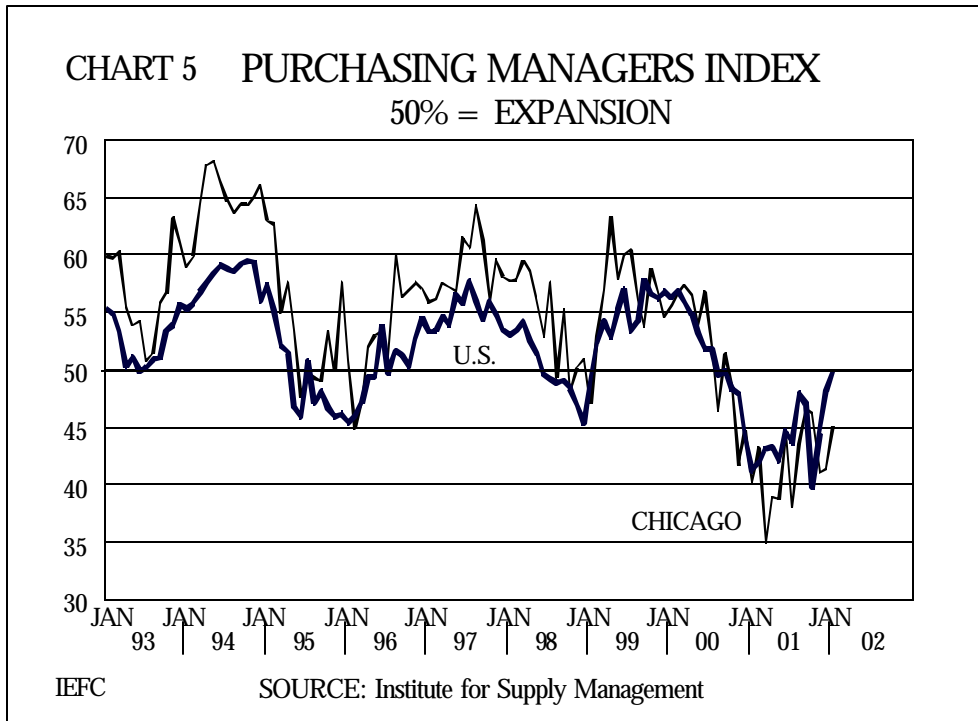
REAL (1996 \$)	FY'98 <u>Actual</u>	FY'99 <u>Actual</u>	FY'00 <u>Actual</u>	FY'01 <u>Actual</u>	Est. FY'02	Est. FY'03
Gross Domestic Product	4.4%	4.1%	4.5%	2.7%	0.2%	2.8%
Personal Consumption	4.3%	4.8%	5.1%	4.0%	2.3%	2.8%
Durable	9.7%	11.4%	12.2%	5.9%	4.8%	2.1%
Nondurable	3.3%	4.7%	4.8%	3.4%	1.2%	2.9%
Services	3.7%	3.7%	3.9%	3.8%	2.2%	2.9%
Fixed Investment	10.3%	10.0%	8.2%	3.8%	-5.5%	1.7%
Exports	8.0%	0.7%	7.5%	5.1%	-11.3%	0.0%
Imports	13.8%	9.9%	12.7%	7.4%	-5.3%	5.7%
Government	2.3%	2.5%	3.5%	2.3%	3.5%	2.9%
Federal	-0.2%	0.2%	3.4%	0.5%	4.1%	4.9%
State & Local	3.8%	3.7%	3.2%	3.2%	3.2%	1.9%
OTHER MEASURES						
Personal Income	3.2%	4.6%	3.5%	4.0%	1.9%	2.3%
Disposable Income	4.1%	4.1%	2.9%	3.6%	3.1%	2.6%
Consumer Prices	1.8%	1.7%	2.8%	3.2%	1.4%	2.4%
Unemployment Rate (Avg.)	4.6%	4.4%	4.1%	4.2%	5.6%	6.1%

THE OUTLOOK FOR ILLINOIS IN FY 2003

The anticipated national economic recovery also should be felt at the State level. While the Illinois economy often mirrors that of the nation as a whole, the recession hit the State's economy somewhat more as the weakness centered in the manufacturing sector where Illinois has a slightly larger concentration. Even here, however, there has been some recent improvement.

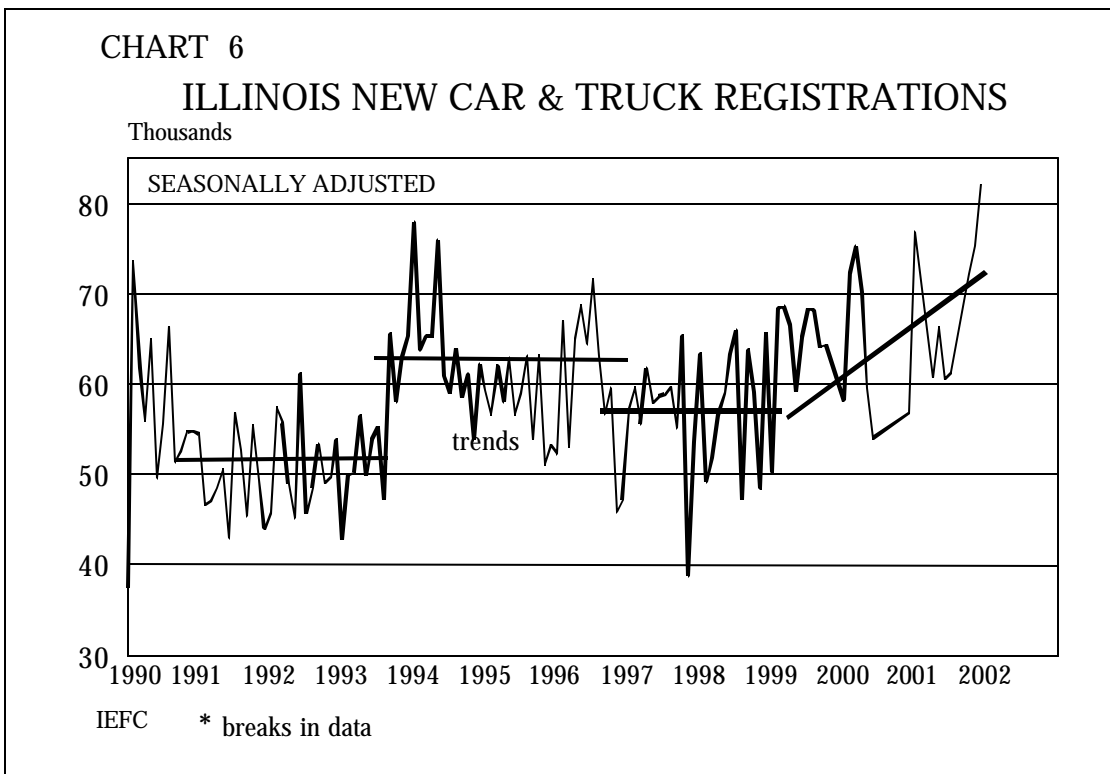
Chart 5, shows the performance of the Purchasing Manager's Index issued by the Institute of Supply Management.

Formerly known as the National Association of Purchasing Management, the published index is an important indicator of manufacturing activity. 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 expanding, while when less than 50% report gains, manufacturing is contracting. As shown, the manufacturing sector nationwide has been declining since July 2000.



Recently, there has been an upward movement in this index, with particular strength shown in new orders which serve as a precursor to strength in production. A similar pattern has been shown by the Chicago area measure, although it generally has remained weaker than the national measure. Even so, an improving trend should continue as the year progresses. This will add strength to the consumer sector, which has held up well throughout the recession.

Chart 6 shows new car and truck registrations in Illinois, which set a record last year. Certainly zero percent financing was a factor and sales could slow early this year as some sales may have been advanced into last year to take advantage of the incentives. Even so, it is interesting to contrast recent sales of these durables with the level during the last recession in 1990-1991.



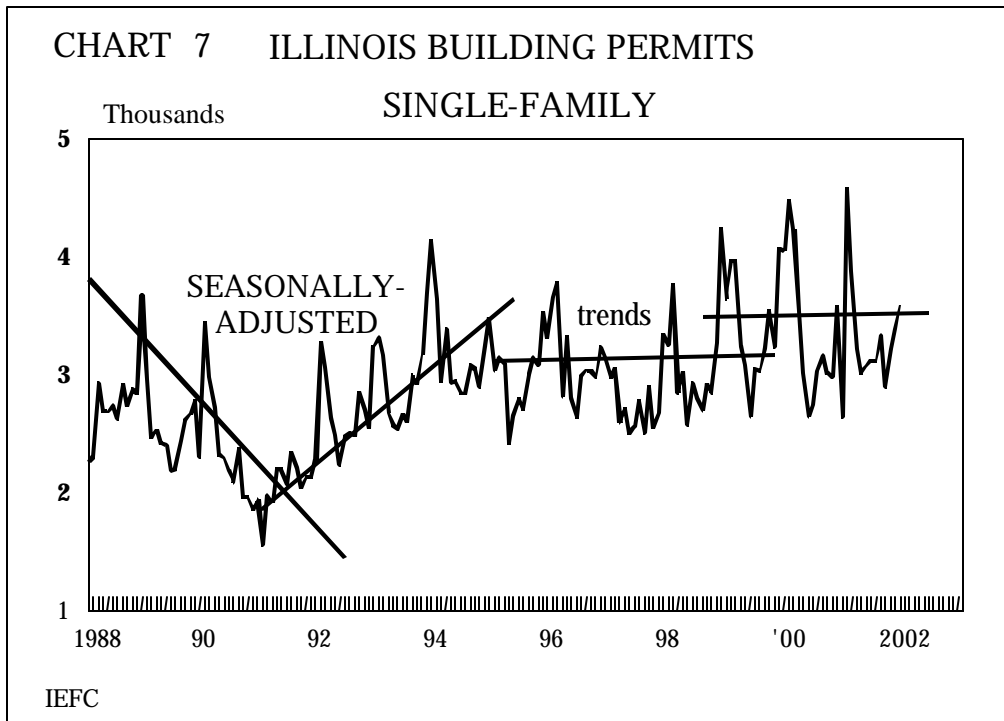
Similarly, Chart 7 shows the continued strength in Illinois housing activity, spurred by low mortgage rates, but also confidence in the economy. Again, the sector has done exceptionally well in contrast to that experienced during the last recession some ten years earlier.

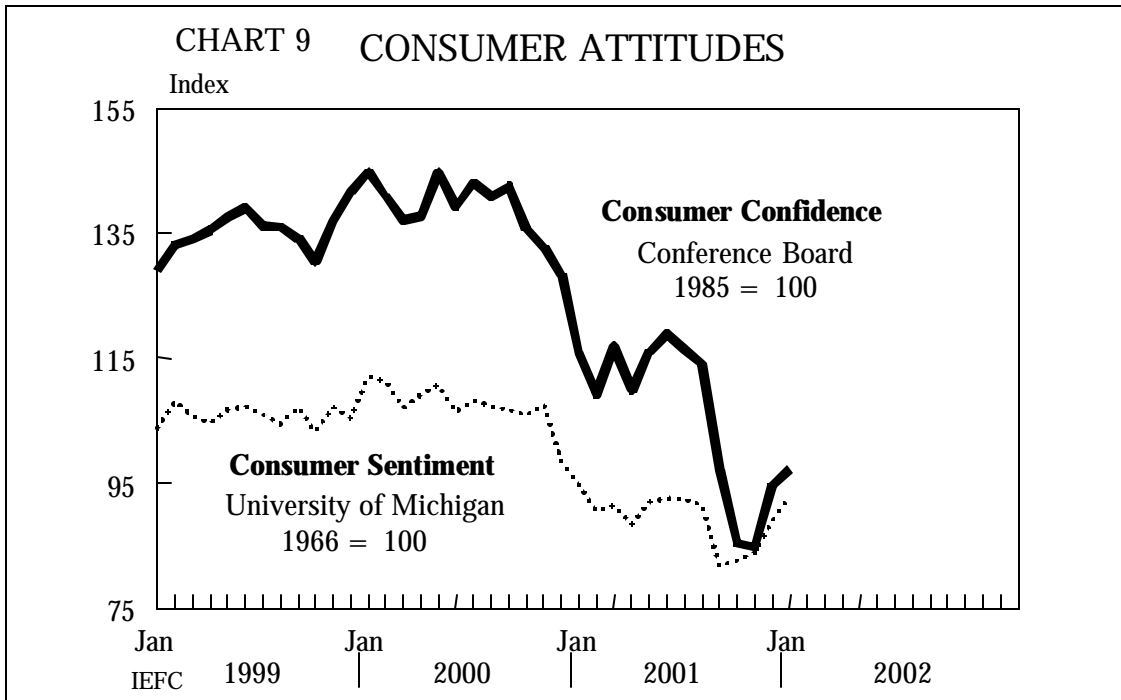
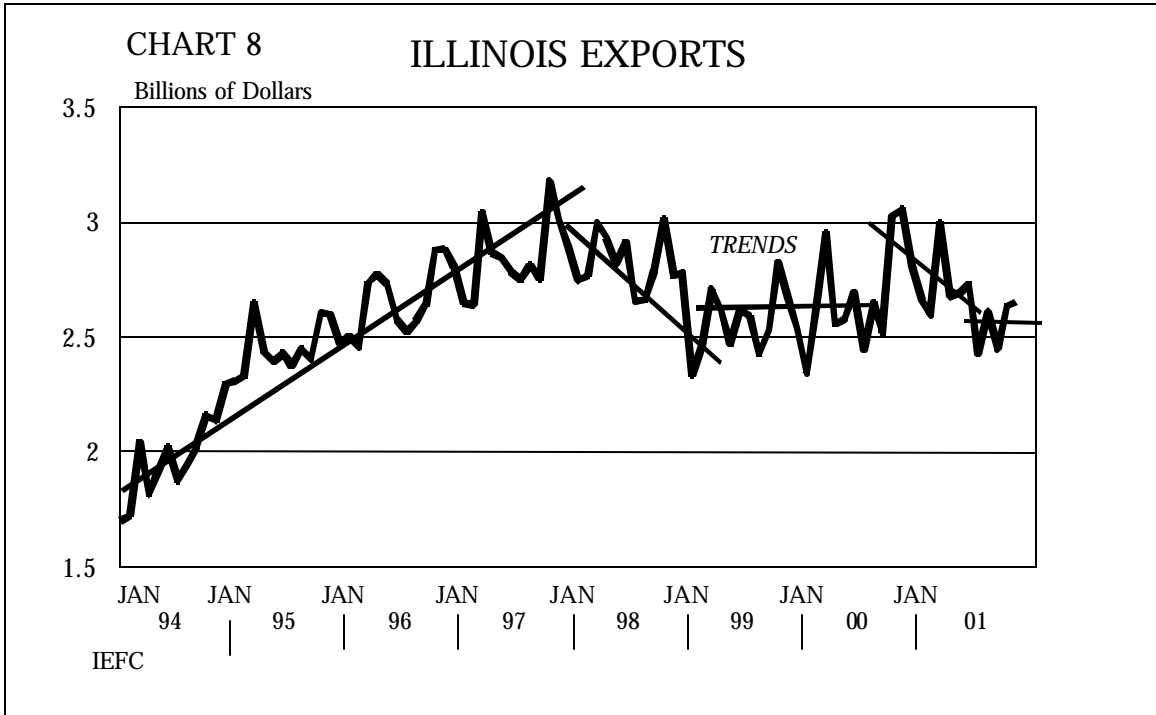
Another positive is the recent leveling out in Illinois exports after falling for more than a year, as shown in Chart 8. This may be an early indication that the expected recovery in the United States may be spreading to other nations.

The economy has held up well following the surprise September 11th attacks and consumer confidence seems to be building, as illustrated in Chart 9 on page 16. Thus, barring any renewed attacks or disruptions, the 2001-02 recession is on

track to be the mildest in the post WWII period. In turn this means that FY 2003 will be a period of economic recovery for both the nation and the State. Indeed, Illinois is expected to fare at least as well as the nation as a whole. Even so, the fact that the consumer, which makes up about two-thirds of total spending, held up well suggests there is little pent-up demand. Indeed, it is the business sector that will be counted on to spur growth and this may come about only moderately as profits improve. Thus, the recovery may be restrained in its early phase.

Revenue gains in FY 2003 should reflect improvement in both the national and State economies as they emerge from recession. Even so, the recovery is likely to be restrained.. Thus, FY 2003 should be another difficult year for State finances.





PRELIMINARY FY 2003 GENERAL FUNDS ESTIMATE

The FY 2003 estimate of general funds revenue is \$24.629 billion. The estimate represents a \$433 million or 1.8% increase over the revised FY 2002 estimate of \$24.196 billion. See Table 6 on page 27.

While base economic assumptions are forecast to be improved in FY 2003, a number of issues will serve to significantly curtail overall revenue growth. Specifically, these include:

- An estimated loss of \$75 million in inheritance tax revenue as a result of the phase-out of the federal inheritance tax.
- Also, a significant reduction in Build Illinois reserve fund transfers is anticipated in FY 2003. In FY 2002, it is estimated that the transfer will be \$275 million. In FY 2003, it is estimated that transfer will fall to \$115 million, a reduction of \$160 million. While the Administration expects to gain an additional \$100 million in Cook County intergovernmental transfers, the combined impact of

those changes still result in a loss of \$60 million.

- Based on cuts in the Medicaid program, federal reimbursements also will be significantly less than FY 2002. The Administration estimates that federal sources will fall \$220 million in FY 2003.
- Finally, the percent of gross income taxes allocated for refunds are forecast to increase in FY 2003. Assuming the anticipated rates published in the proposed budget, 8.0% (currently 7.6%) for personal and 27% (currently 23%) for corporate, the loss in net income tax receipts total \$36 million for personal income tax and \$50 million for corporate income tax.

While the growth rates for most of the economically-tied sources should be considerably higher than in FY 2002, as a result of these issues, overall growth for FY 2003 will be constrained.

The following section provides background information on each major source.

PERSONAL INCOME TAX

FY 2002 Estimate	\$8,655 M
FY 2003 Estimate	\$9,080 M
Change	\$425 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.

Since tax year 2000, each taxpayer is permitted a \$2,000 standard exemption plus an additional \$2,000 for a spouse and each dependent. An additional exemption of \$1,000 is 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. Recent 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.

The Department of Revenue at the beginning of each fiscal year determines the refund percentage, currently at 7.6%. The FY 2003 estimate is based on an increased refund percentage of 8.0%. Any change in that percentage also will affect net personal income tax receipts.

The FY 2003 estimate of gross personal income tax receipts is \$9.080 billion, an increase of \$425 million or 4.9% over projected FY 2002 receipts. The forecast represents improvement in the employment picture as economic activity gains momentum in the coming fiscal year.

CORPORATE INCOME TAX

FY 2002 Estimate	\$1,244 M
FY 2003 Estimate	\$1,152 M
Change	\$92 M

The corporate income tax is the fourth largest general funds revenue source, generating approximately 4% 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.

After a phased-in transition to a single-factor sales formula apportionment of business income, sales in Illinois are the only determinant of how much of a multistate firm's income is taxed.

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. The current refund percentage is 23% of gross receipts. In FY 2003, that percentage is forecast to increase to 27%. Any change in that percentage also will affect net corporate income tax receipts.

The FY 2003 estimate of gross corporate income tax revenue is \$1.244 billion. This represents 8.0% growth over FY 2002, and reflects significant improvement in corporate profitability.

SALES TAX

FY 2002 Estimate	\$6,190 M
FY 2003 Estimate	\$6,490 M
Change	\$300 M

The sales tax rivals the personal income tax as one of the largest general funds sources, generating approximately 25% 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 \$6.490 billion in FY 2003. This represents growth of \$300 million or 4.8%. Consumer activity should continue to improve as the economy strengthens and confidence gradually returns.

PUBLIC UTILITY TAXES

FY 2002 Estimate	\$1,160 M
FY 2003 Estimate	\$1,200 M
Change	\$40 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 2001, public utility tax receipts accounted for approximately 4.8% of total general funds receipts.

The FY 2003 estimate of public utility tax receipts is \$1.200 billion, an increase of \$40 million or 3.4% over the previous fiscal year. While unpredictable factors make forecasting difficult, modest growth is anticipated for the coming fiscal year.

CIGARETTE TAXES

FY 2002 Estimate	\$400 M
FY 2003 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 2003 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 2002 Estimate	\$125 M
FY 2003 Estimate	\$125 M
Change	\$0 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.

The FY 2003 estimate of liquor gallonage taxes is \$125 million, reflecting no growth over the prior fiscal year.

VEHICLE USE TAX

FY 2002 Estimate	\$35 M
FY 2003 Estimate	\$35 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 or the purchase price.

The FY 2003 general funds estimate for vehicle use tax is \$35 million. Receipts from this source have been virtually unchanged for many years.

INHERITANCE TAX

FY 2002 Estimate	\$361 M
FY 2003 Estimate	\$286 M
Change	-\$75 M

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.

On June 7, 2001, Congress passed H.R. 1836 which completely overhauled the federal estate tax. It repeals federal estate and gift taxes over a ten-year period, it increases the unified credit associated with a decedent's estate, and it reduces the state death credit by 25% per calendar year until it is completely eliminated in 2005.

The federal estate tax repeal ultimately will eliminate Illinois' estate tax revenue due to the nature of the pick-up taxes. Despite an implementation date of January 2002, due to an approximate nine-month lag in estate receipting, FY 2003 will be the first fiscal year in which an impact is expected.

The FY 2003 estimate of inheritance tax is \$286 million, a reduction of \$75 million from the current fiscal year. For a more in depth analysis of the impact of H.R. 1836, please see the Commission's September 2001 publication entitled "Federal and State Estate Tax Report, Impact of Federal H.R. 1836".

INSURANCE TAXES AND FEES

FY 2002 Estimate	\$270 M
FY 2003 Estimate	\$270 M
Change	\$0 M

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 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

The FY 2003 general funds estimate of insurance taxes and fees is \$270 million, which reflects no change from the prior year.

CORPORATE FRANCHISE TAXES AND FEES

FY 2002 Estimate	\$166 M
FY 2003 Estimate	\$176 M
Change	\$10 M

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).

All domestic corporations (head-quartered 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 capital. Also, an initial franchise tax based on 0.15% of paid-in capital is

The FY 2003 estimate of corporate franchise taxes is \$176 million, \$10 million greater than in FY 2002.

OTHER SOURCES

FY 2002 Estimate	\$490 M
FY 2003 Estimate	\$330 M
Change	-\$160 M

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

The FY 2003 estimate of other sources to the general funds is \$330 million, a reduction of \$160 million from the previous fiscal year. The decrease results from a forecast reduction in Build Illinois reserve account transfers from \$275 in FY 2002, to \$115 million in FY 2003.

TRANSFERS TO THE GENERAL FUNDS

	FY'02	FY'03	
	<u>Est.</u>	<u>Est.</u>	<u>Chg.</u>
Lottery	\$530 M	\$560 M	\$ 30 M
Gaming Fund	475 M	490 M	15 M
Other	455 M	445 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 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.

The \$30 million increase is anticipated as a result of New York joining the multi-state game.

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 2003 estimate of gaming transfers is \$490 million. The increase represents modest growth of 3.2%.**

Lottery. **The estimate of Lottery transfers for FY 2003 is \$560 million.**

Other transfers. **In FY 2003, transfers to the general funds from sources other than the Lottery and the Gaming Fund are expected to be \$445 million, a slight drop from the prior fiscal year.**

FEDERAL SOURCES

FY 2002 Estimate	\$4,230 M
FY 2003 Estimate	\$4,010 M
Change	-\$220 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.

The FY 2003 estimate of total federal source receipts to the general funds is \$4.010 billion, \$220 million less than the previous year. Federal source receipts are largely based on appropriation levels and subsequent spending activity. The negative growth anticipated for FY 2003 is due to spending reductions proposed for the Medicaid program. The estimate will likely change once appropriation levels have been established.

FY 2003 GENERAL FUNDS REVENUE: IEFB/BoB COMPARISON

As shown in Table 7 on page 28, the Commission's FY 2003 estimate is \$201 million lower than the BoB and reflects growth at \$433 million versus \$480 million estimated by the BoB

It should be noted that the BoB's FY 2003 forecast assumes an additional \$35 million in revenues from a proposed tax amnesty program. Since that program would likely require legislative action, that amount is excluded from the following tables.

- The Commission's estimate assumes similar, but slightly more conservative, growth rates. Those lower growth rates coupled with a lower base in FY 2002 explain the major differences in the estimates. As a result, the Commission is lower in its expectations for personal income tax and sales tax receipts.
- In addition, the BoB is somewhat higher in the estimates for inheritance tax receipts and interest on State investments. Due to the earlier-described change in the Federal inheritance tax, the Commission is estimating a net decrease of \$75 million while the BoB is anticipating only a \$50 million impact. While rates of return on investments should increase appreciably as rates rise modestly. Since the Commission is beginning from a lower FY 2002 base, the estimates differ by \$25 million.
- The Commission is higher in a couple of areas. In particular, the Commission is forecasting slightly higher growth in public utility taxes as well as Gaming Fund transfers.

GENERAL FUNDS REVENUES AND BALANCES

General Funds Revenue & Balances- Cash Basis				
Excludes Short-Term Borrowing (\$ in millions)				
Fiscal Year	General Revenue	Jun-30 Balance	Lapse Spending	Balance After Lapse
1990	\$12,841	\$395	\$586	(\$191)
1991	\$13,261	\$100	\$766	(\$666)
1992	\$14,032	\$131	\$1,018	(\$887)
1993	\$14,750	\$172	\$802	(\$630)
1994	\$15,586	\$230	\$652	(\$422)
1995	\$17,002	\$331	\$672	(\$341)
1996	\$17,936	\$426	\$718	(\$292)
1997	\$18,854	\$806	\$761	\$45
1998	\$19,984	\$1,202	\$846	\$356
1999	\$21,674	\$1,351	\$848	\$503
2000	\$23,250	\$1,517	\$740	\$777
2001	\$24,106	\$1,126	\$826	\$300
est. 2002	\$24,196	\$496	\$850	(\$354)
est. 2003	\$24,629	\$460	\$850	(\$390)

FY 2002

As shown below, utilizing spending estimates provided in the Budget Book in conjunction with the Commission’s revised revenue forecast yields an estimated June 30th balance of \$496 million and an after lapse balance of minus \$354 million. If both general funds and the Budget Stabilization Fund balances are combined, the June 30th balance for FY 2002 would be \$722 million and an after lapse balance of minus \$128 million.

Estimated FY 2002 General Funds Budget (\$millions)	
Beginning Balance	\$1,126
Revenues (IEFC)	\$24,196
Expenditures (BoB)	\$24,826
Ending Balance (June 30)	\$496
Lapse Spending	\$850
Balance After Lapse	(\$354)
Plus Budget Stabilization Fund Balance	\$226
TOTAL	(\$128)

FY 2003

Using spending estimates provided in the Budget Book along with the Commission's revenue forecast, the FY 2003 June 30th general funds balance would be \$460 million. With lapse period spending forecast to again be \$850 million, the after lapse balance would be minus \$390 million. If both general funds and the Budget Stabilization Fund balances are combined, the June 30th balance for FY 2003 would be \$686 million and an after lapse balance of minus \$164 million.

Estimated FY 2003 General Funds Budget (\$millions)	
Beginning Balance	\$496
Revenues (IEFC)	\$24,629
Expenditures (BoB)	\$24,665
Ending Balance (June 30)	\$460
Lapse Spending	\$850
Balance After Lapse	(\$390)
Plus Budget Stabilization Fund Balance	\$226
TOTAL	(\$164)

TABLE 6: ESTIMATED GENERAL FUNDS RECEIPTS

FY 2003 vs. FY 2002 (Excludes Budget Stabilization Borrowing)

(\$ million)

<u>Revenue Sources</u>	<u>FEB-02 Preliminary Receipts FY 2003</u>	<u>FEB-02 Revised Receipts FY 2002</u>	<u>\$ CHANGE FY 2003 - 02</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$9,080	\$8,655	\$425	4.9%
Corporate Income Tax (regular)	1,244	1,152	\$92	8.0%
Sales Taxes	6,490	6,190	\$300	4.8%
Public Utility Taxes (regular)	1,200	1,160	\$40	3.4%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	125	125	\$0	0.0%
Vehicle Use Tax	35	35	\$0	0.0%
Inheritance Tax (Gross)	286	361	(\$75)	-20.8%
Insurance Taxes and Fees	270	270	\$0	0.0%
Corporate Franchise Tax & Fees	176	166	\$10	6.0%
Interest on State Funds & Investments	205	180	\$25	13.9%
Cook County Intergovernmental Transfer	345	245	\$100	40.8%
Other Sources	330	490	(\$160)	-32.7%
Subtotal	\$20,186	\$19,429	\$757	3.9%
Transfers				
Lottery	560	530	\$30	5.7%
Gaming Fund Transfer	490	475	\$15	3.2%
Other	445	455	(\$10)	-2.2%
Total State Sources	\$21,681	\$20,889	\$792	3.8%
Federal Sources	\$4,010	\$4,230	(\$220)	-5.2%
Total Federal & State Sources	\$25,691	\$25,119	\$572	2.3%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$726)	(\$658)	(\$68)	10.3%
Corporate Income Tax	(336)	(265)	(\$71)	26.8%
Total General Funds	\$24,629	\$24,196	\$433	1.8%
IEFC				20-Feb-02

TABLE 7: IEFC-BoB COMPARISON-FY 2003

(millions)

<u>Revenue Sources</u>	BoB FEB-02 BUDGET BOOK FY 2003	IEFC FEB-02 FY 2003	<u>Difference</u>
<i>State Taxes</i>			
Personal Income Tax	\$9,239	\$9,080	(\$159)
Corporate Income Tax	\$1,301	\$1,244	(\$57)
Sales Taxes	\$6,500	\$6,490	(\$10)
Public Utility (regular)	\$1,180	\$1,200	\$20
Cigarette Tax	\$400	\$400	\$0
Liquor Gallonage Taxes	\$130	\$125	(\$5)
Vehicle Use Tax	\$35	\$35	\$0
Inheritance Tax (gross)	\$320	\$286	(\$34)
Insurance Taxes & Fees	\$265	\$270	\$5
Corporate Franchise Tax & Fees	\$165	\$176	\$11
Interest on State Funds & Investments	\$230	\$205	(\$25)
Cook County Intergovernmental Transfer	\$345	\$345	\$0
Other Sources	\$330	\$330	\$0
Subtotal	\$20,440	\$20,186	(\$254)
<i>Transfers</i>			
Lottery	\$560	\$560	\$0
Gaming Fund Transfer	\$465	\$490	\$25
Other	\$445	\$445	\$0
Total State Sources	\$21,910	\$21,681	(\$229)
<i>Federal Sources</i>	\$4,010	\$4,010	\$0
Total Federal & State Sources	\$25,920	\$25,691	(\$229)
<i>Nongeneral Funds Distribution:</i>			
<i>Refund Fund</i>			
Personal Income Tax	(\$739)	(\$726)	\$13
Corporate Income Tax	(\$351)	(\$336)	\$15
Subtotal General Funds	\$24,830	\$24,629	(\$201)
Change from Prior Year	\$480	\$433	
Percent Change	2.0%	1.8%	
IEFC			20-Feb-02

TABLE 8: GENERAL FUNDS REVENUE FY 1999 - FY 2003
Excludes Budget Stabilization Borrowing
(\$ million)

	Actual Receipts FY 1999	Actual Receipts FY 2000	Actual Receipts FY 2001	Feb-02 Estimated Receipts FY 2002	Feb-02 Estimated Receipts FY 2003
Revenue Sources					
State Taxes					
Personal Income Tax	\$7,778	\$8,273	\$8,607	\$8,655	\$9,080
Corporate Income Tax (regular)	1,384	1,527	1,279	1,152	1,244
Sales Taxes	5,609	6,027	5,958	6,190	6,490
Public Utility Taxes (regular)	1,019	1,116	1,146	1,160	1,200
Cigarette Tax	403	400	400	400	400
Liquor Gallonage Taxes	57	128	124	125	125
Vehicle Use Tax	38	38	34	35	35
Inheritance Tax (Gross)	347	348	361	361	286
Insurance Taxes and Fees	208	209	246	270	270
Corporate Franchise Tax & Fees	117	139	146	166	176
Interest on State Funds & Investments	212	233	274	180	205
Cook County Intergovernmental Transfer	218	245	245	245	345
Other Sources	190	194	407	490	330
Subtotal	\$17,580	\$18,877	\$19,227	\$19,429	\$20,186
Transfers					
Lottery	540	515	501	530	560
Gaming Fund Transfer	240	330	460	475	490
Other	411	514	452	455	445
Total State Sources	\$18,771	\$20,236	\$20,640	\$20,889	\$21,681
Federal Sources	\$3,718	\$3,891	\$4,320	\$4,230	\$4,010
Total Federal & State Sources	\$22,489	\$24,127	\$24,960	\$25,119	\$25,691
Nongeneral Funds Distribution:					
Refund Fund					
Personal Income Tax	(\$552)	(\$587)	(\$611)	(\$658)	(\$726)
Corporate Income Tax	(263)	(290)	(243)	(265)	(336)
Total General Funds	\$21,674	\$23,250	\$24,106	\$24,196	\$24,629
Change from Prior Year	\$1,690	\$1,576	\$856	\$90	\$433
Percent Change	8.5%	7.3%	3.7%	0.4%	1.8%
IEFC					20-Feb-02

TABLE 9: ALL APPROPRIATED FUNDS REVENUE FY 2001 to FY 2003

(\$ millions)

REVENUE SOURCES	ACTUAL RECEIPTS FY 2001	Feb-02 Estimate FY 2002	\$ CHG. FROM FY 2001	% CHG. FROM FY 2001	Feb-02 Estimate FY 2003	\$ CHG. FROM FY 2002	% CHG. FROM FY 2002
State Taxes							
Personal Income Tax	\$8,607	\$8,655	\$48	0.6%	\$9,080	\$425	4.9%
Corporate Income Tax							
Regular	\$1,279	\$1,152	(\$127)	-9.9%	\$1,244	\$92	8.0%
Replacement	\$930	\$853	(\$77)	-8.3%	\$910	\$57	6.7%
Sales	\$6,963	\$7,200	\$237	3.4%	\$7,545	\$345	4.8%
Public Utility							
Regular	\$1,384	\$1,400	\$16	1.2%	\$1,450	\$50	3.6%
Replacement	\$222	\$225	\$3	1.4%	\$230	\$5	2.2%
Motor Fuel (gross)	\$1,394	\$1,400	\$6	0.4%	\$1,420	\$20	1.4%
Cigarette	\$473	\$473	\$0	0.0%	\$473	\$0	0.0%
Liquor Gallonage Taxes	\$129	\$130	\$1	0.8%	\$130	\$0	0.0%
Vehicle Use Tax	\$39	\$40	\$1	2.6%	\$40	\$0	0.0%
Inheritance Tax	\$361	\$361	\$0	0.0%	\$286	(\$75)	-20.8%
Insurance Taxes and Fees	\$290	\$315	\$25	8.6%	\$315	\$0	0.0%
Horse Racing Taxes & Fees	\$13	\$13	\$0	0.0%	\$13	\$0	0.0%
Corporate Franchise Taxes	\$151	\$171	\$20	13.2%	\$181	\$10	5.8%
Other Privilege Taxes	\$241	\$235	(\$6)	-2.5%	\$250	\$15	6.4%
Riverboat Gambling Taxes & Fees	\$529	\$572	\$43	8.1%	\$606	\$34	5.9%
SUBTOTAL	\$23,005	\$23,195	\$190	0.8%	\$24,173	\$978	4.2%
State Nontax Sources							
Motor Vehicle & License Fees	\$1,135	\$1,135	\$0	0.0%	\$1,155	\$20	1.8%
Cigarette Settlement Distributions	\$268	\$300	\$32	11.9%	\$300	\$0	0.0%
Other Fees	\$282	\$282	\$0	0.0%	\$285	\$3	1.1%
Provider Assessment Fees	\$678	\$680	\$2	0.3%	\$820	\$140	20.6%
Receipts From State Hospital Patients	\$25	\$27	\$2	8.0%	\$30	\$3	11.1%
Interest on State Funds & Investments	\$406	\$270	(\$136)	-33.5%	\$305	\$35	13.0%
Reimbursements & Repayments	\$249	\$250	\$1	0.4%	\$250	\$0	0.0%
Revolving Fund Receipts	\$290	\$295	\$5	1.7%	\$305	\$10	3.4%
Lottery (net gross)	\$765	\$805	\$40	5.2%	\$835	\$30	3.7%
All Other Nonfederal Receipts	\$3,003	\$3,120	\$117	3.9%	\$3,230	\$110	3.5%
Income from Sale of Bonds	\$1,618	\$1,687	\$69	4.3%	\$1,900	\$213	12.6%
Local Government Health Plan	\$86	\$90	\$4	4.7%	\$95	\$5	5.6%
SUBTOTAL	\$31,810	\$32,136	\$326	1.0%	\$33,683	\$1,547	4.8%
State Transfers In	\$38	\$38	\$0	0.0%	\$40	\$2	5.3%
TOTAL STATE SOURCES	\$31,848	\$32,174	\$326	1.0%	\$33,723	\$1,549	4.8%
Federal Sources	\$9,780	\$10,054	\$274	2.8%	\$10,149	\$95	0.9%
TOTAL ALL APPROPRIATED	\$41,628	\$42,228	\$600	1.4%	\$43,872	\$1,644	3.9%

IEFC

20-Feb-02

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