

Illinois Economic and Fiscal Commission

**FY 2004
Economic and Revenue Estimate**



September 2003
703 Stratton Building
Springfield, IL 62706

Illinois Economic and Fiscal Commission

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CHART 2: Unemployment Rates

- The sluggishness of the economic recovery has failed yet to improve conditions in the labor markets. Indeed, some analysts have begun to label the current period as the “job loss” recovery rather than the jobless recovery.
- In July, the national unemployment rate was 6.2%, down from 6.4% in June, but up from the 5.8% rate a year earlier. Illinois’ unemployment rate rose to 6.5% in July after being at the same level as the national rate in June, continuing the above- national rate pattern seen in Illinois since late 1999.
- There are some signs that at least modest improvement may lay ahead. Illinois’ payroll employment was down 0.8% in July from a year earlier, but the household survey, which often leads the payroll data, was up 1.2% from a year ago.
- The rise in the Illinois unemployment rate in July was due to a faster rise in the labor market than in new jobs. Indeed, the labor force in Illinois was up 1% from a year earlier, suggesting that more people are entering the labor market feeling that chances of finding employment have improved.



CHART 3: Consumer Price Index

- In addition to concerns over the lack of jobs, a new worry, “**deflation**”, has crept up in recent months, even coming into policy discussions at the Federal Reserve. Deflation is generally defined as a prolonged period of declining prices. Japan has been experiencing such deflationary forces in recent years, which has crippled a nation, which once was looked upon as the epitome of a well-run economy and emerging economic power. This is somewhat true in China today, and there is some concern it could spread here.
- While deflation is rare and has not been experienced in the U.S. since the late 1920s and 1930s, that was a period of declining economic activity as the failure to generate profits caused firms to lay off employees, which in turn caused a reduction in consumer spending, which then led to further cuts in prices, and a general spiral downward. It wasn't until the buildup and finally entrance into World War II that the deflationary period came to an end.
- As shown in the chart, prices have been under downward pressure despite the economic recovery that has been underway, particularly the core rate of inflation, which takes out the volatile food and energy sectors. Overall consumer prices have been rising at around a 2% annual rate in recent months while the core rate has fallen to 1.5%. Studies in recent years have indicated that this measure of prices probably overstates actual inflation by 1% or more, thus indicating virtual no inflation recently.

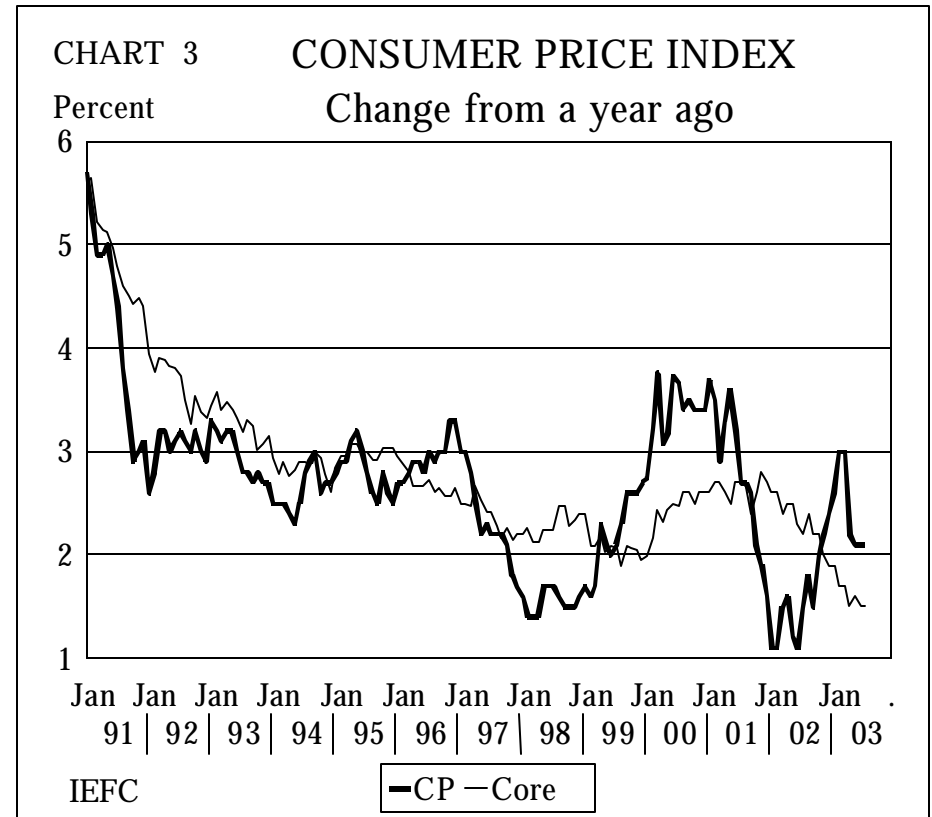


CHART 4: Interest Rates

- In an attempt to stimulate a struggling jobless economy and avoid deflation, the government has been on an aggressive path to speed up economic activity. The federal government turned to further sizeable tax cuts and increased defense spending. To speed up their effect, income tax withholding tables were reduced in July and checks were quickly sent to millions of families with children. It was hoped such increased income would be translated into increased demand for goods and services.
- The monetary authorities in late June reduced interest rates for the thirteenth time in two and a half years. This brought interest rates over which the Federal Reserve has influence down to the lowest level in 45 years. At its meeting in mid-August the Federal Reserve not only held rates at these low levels, but strongly implied that these levels would be maintained well into the future, apparently even should the economy show signs of faster growth.
- While short-term rates have remained relatively stable at these low levels, there has been somewhat of a back up in longer-term rates, as represented in Chart 4 by the 30-year mortgage rate. Whether this up tick in long-term rates is merely a blip or the beginning of a trend has raised some concerns that housing activity, which has been one of the strongest sectors of the economy, could be damped.
- It is difficult, at least at this time, to expect any further sharp increase in long-term rates as long as there are no signs of inflation. Indeed, a hiccup in long-term rates has occurred before in economic recoveries but not sustained without some upward pressure on prices. Even so, it is also probably true that the markets have seen the low in mortgage interest rates for some time to come.

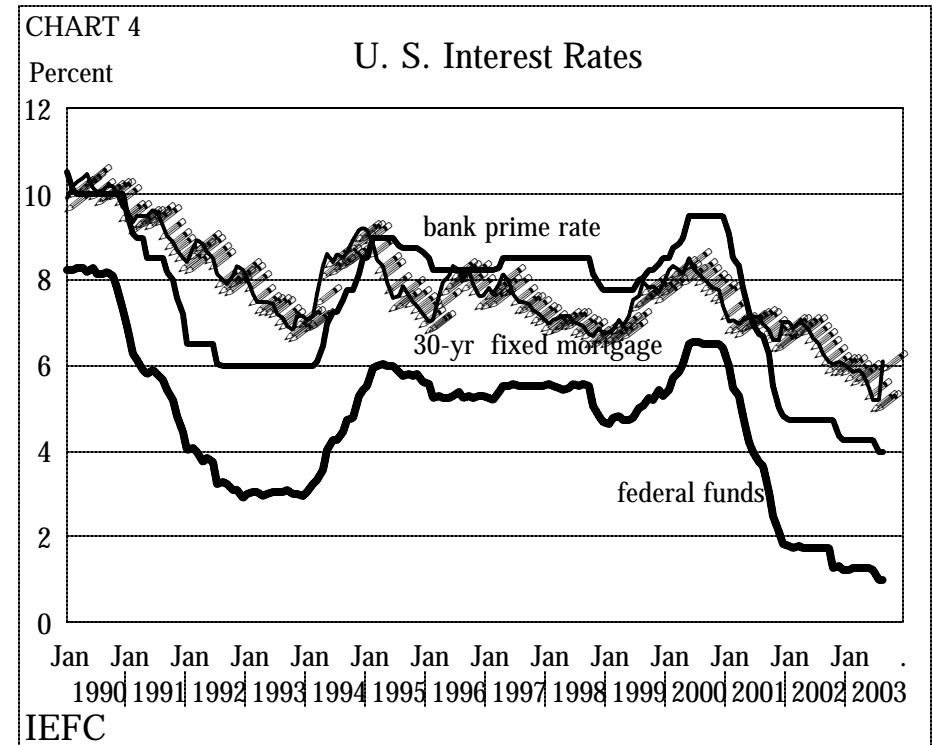


CHART 5: Illinois Building Permits

- Housing activity has been a major contributor to the economy, sparked by historically low mortgage interest rates and seen as a good investment alternative to depressed equity and bond prices.
- A precursor to future housing activity is data on building permits, as a permit must be issued before construction can begin. As shown in Chart 5, single-family building permits in Illinois have continued on an upward trend. Even so, questions are arising whether or not this strong trend can continue.
- Mortgage interest rates have come off their lows, the stock market has improved, and there are concerns housing prices are moving into bubble territory. Home prices in July rose 4.7% and for the year were up 12%, the biggest increase in 23 years.
- To date there have been few signs that higher mortgage interest rates and prices have substantially hurt housing yet. Existing home sales reached a new high in July. Although new home sales edged lower, they were still at a high level. It may be that there is some rush to enter the market before rates and prices rise still further.
- Still, housing activity is unlikely to be as strong a contributor to the economy in the months ahead as it has over the past few years.

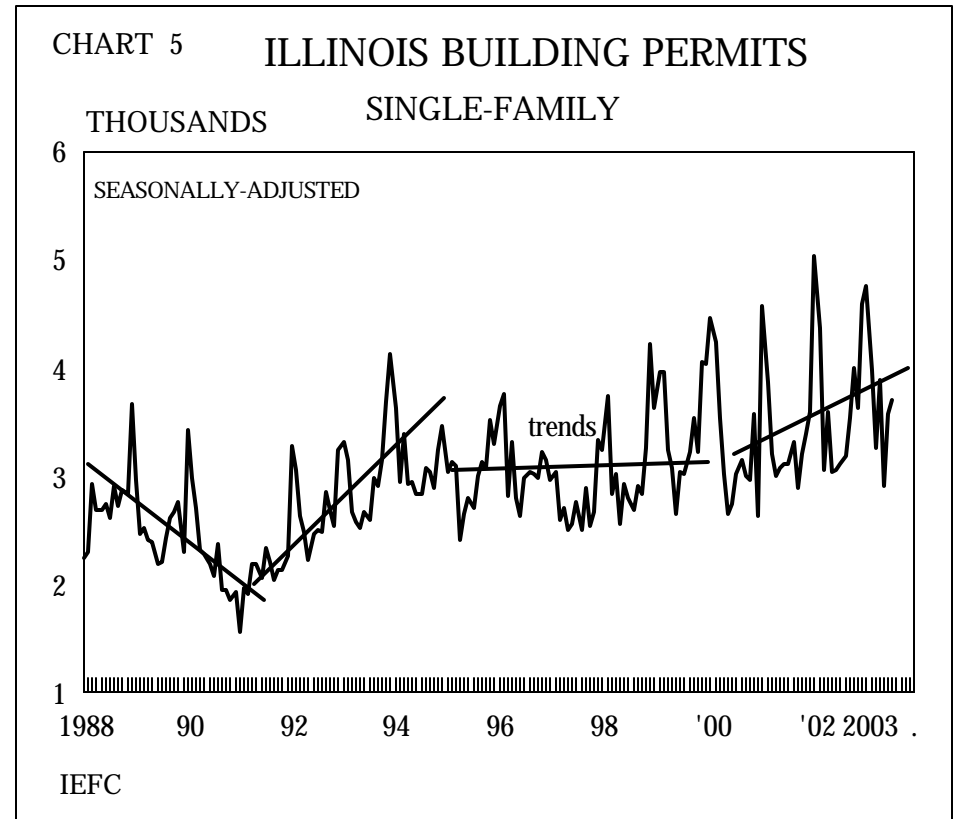


CHART 6: Non-Manufacturing Index

- While most analysts' attention centers on the manufacturing sector, which is the most cyclical, the U.S. service sector accounts for the bulk of the overall economy.
- Chart 6 shows the service, or non-manufacturing sector, had been expanding since 9-11 except for a brief dip below 50% earlier this year, in large part due to uncertainties concerning the Iraq War at the time.
- With the speedy conclusion of major combat activities, despite disturbing continuing outbursts of sabotage and resistance, this sector has rebounded nicely. In July the index rose to 65%, the highest level in recent years.
- The IEFEC forecast based upon the August forecast made by Global Insight has real, or inflation-adjusted, service spending rising by 2.7% in FY2004, up from 2.2% in FY2003, and a meager 1.7% in FY2002. Given the huge size of this sector, accounting for about 40% of total GDP, it will be an important contributor to growth next year.
- Even so, the 2.7% gain is still only moderate, and below the 3.1% gain actually recorded for FY2001.

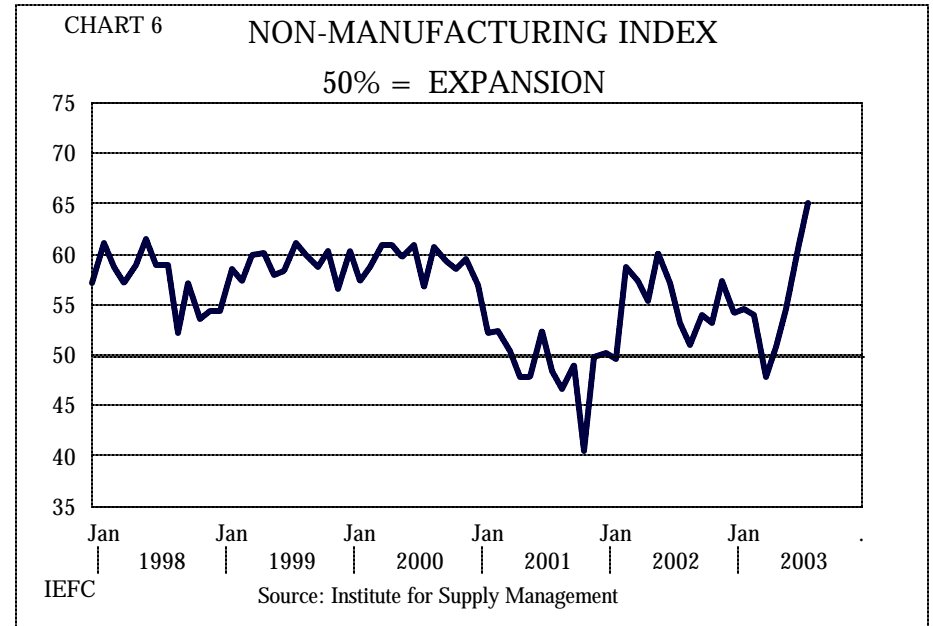


CHART 7: Consumer Attitudes

- Consumer confidence has improved from earlier this year, supporting continued gains in consumer spending. Recent gains, however, have been restrained.
- The bulk of the gain in attitudes has centered in consumer expectations for the future. Still weak, and actually down slightly in August, are consumer assessments of the present situation.
- This divergent trend undoubtedly reflects the continued weak job market. Still, consumers remain optimistic about the future and any strengthening in the employment situation is likely to cause these measures to rise.

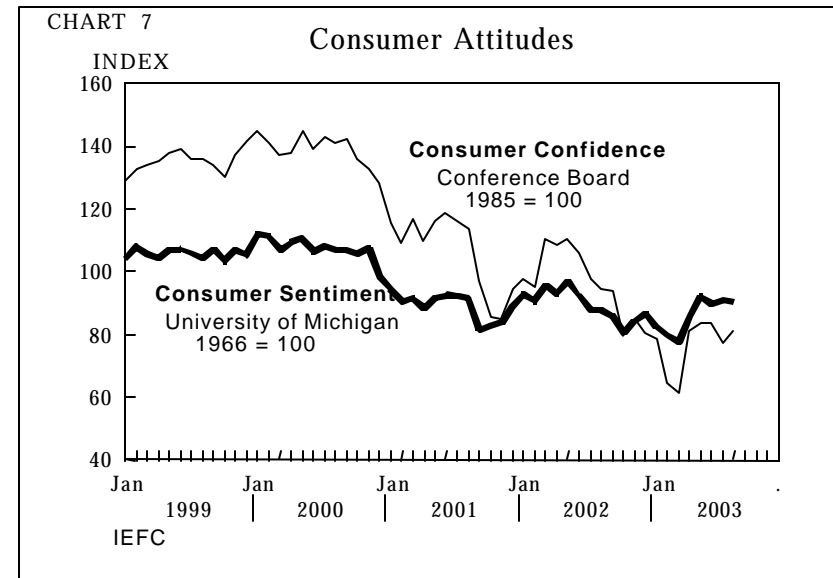


Chart 8: Purchasing Manager's Index

- By far the weakest sector in the economy has been manufacturing. After contracting from late 2000 until early 2002, the sector began to expand again until late in the year and since then has been fluctuating between expansion and contraction.
- Because manufacturing is a larger component of the Illinois economy than nationally, the movement of the Chicago Purchasing Manager's Index is particularly noteworthy. Here there are some positive signs.
- After contracting in March and April, the Chicago Index has expanded at a faster rate in each succeeding month through August. At 58.9, the August reading was the highest since May of 2002. More importantly, the employment reading expanded (above 50%) for the first time since March 2000.

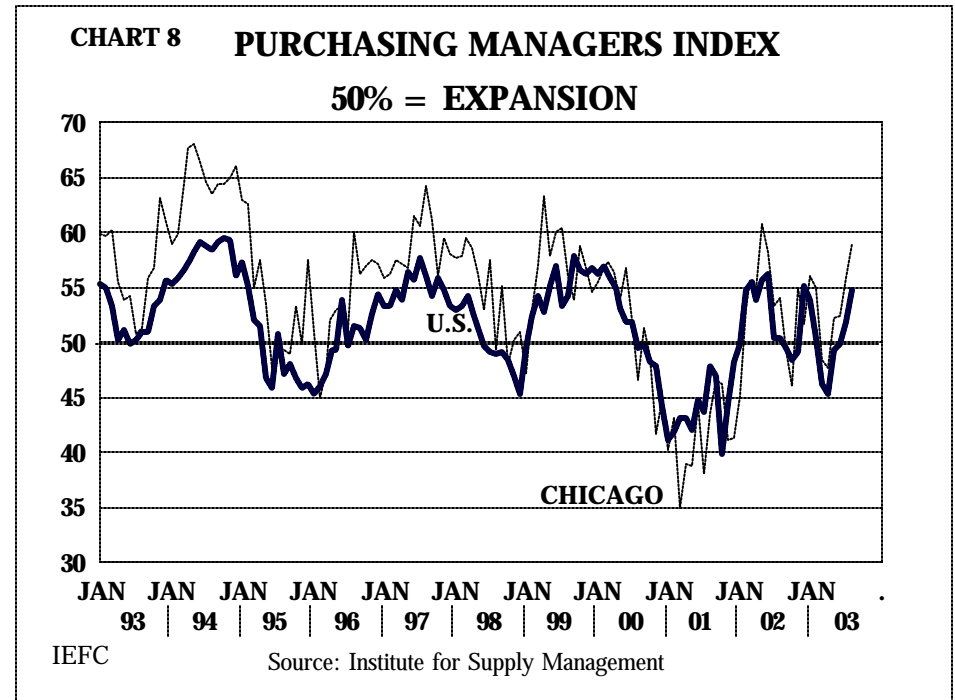


CHART 9: Illinois Exports

- After declining in 2001 through early 2002, Illinois exports are showing signs of gradual improvement.
- The slight rise in Illinois exports reflects modest improvement in conditions within the economies of our trading partners as well as a gain the value of their currencies relative to the U.S. dollar.
- After declining 8.5% in FY 2002, U.S. exports in inflation-adjusted terms rose 2.0% in FY 2003 and are expected to approach a 3% gain in FY 2004. This will be a positive force for Illinois as the State ranks fifth in the nation in total exports.

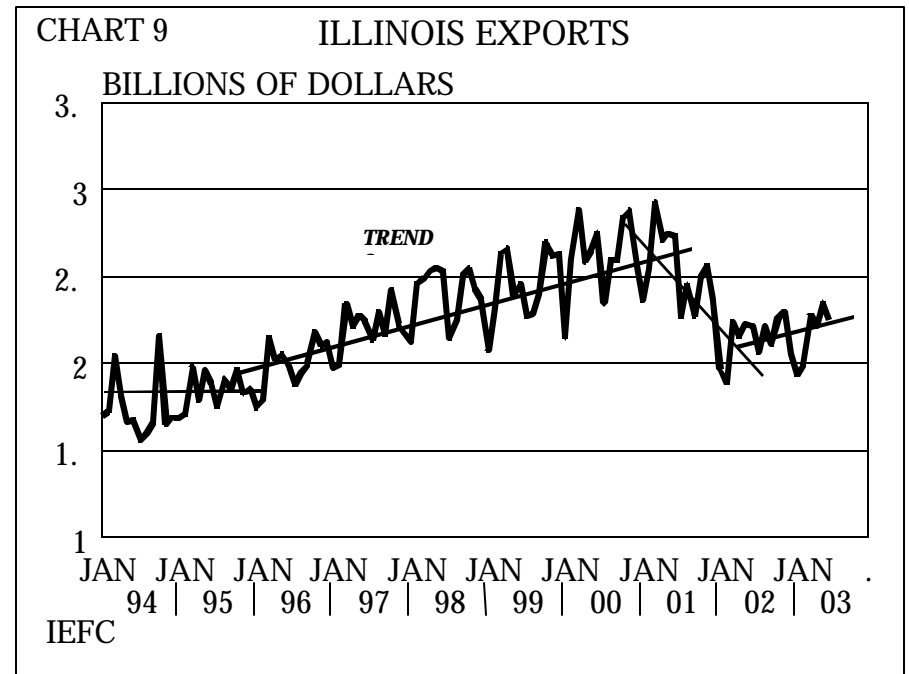


CHART 10: Illinois Leading Economic Indicator

- The IEFC leading economic indicator has fluctuated sharply but overall has improved from the levels of the previous two years.
- The indicator, which is based on measures of employment, hours worked, new building permits, and manufacturing components has been a good predictor of the future direction of the economy. The recent softness has been once again in the employment components.
- The indicator suggests continue growth, but no rapid acceleration on a sustained basis anytime soon.

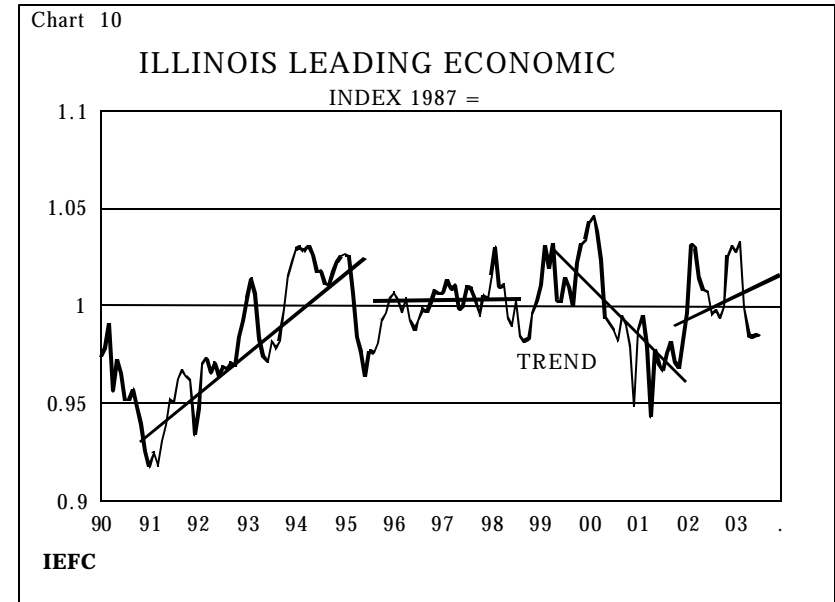
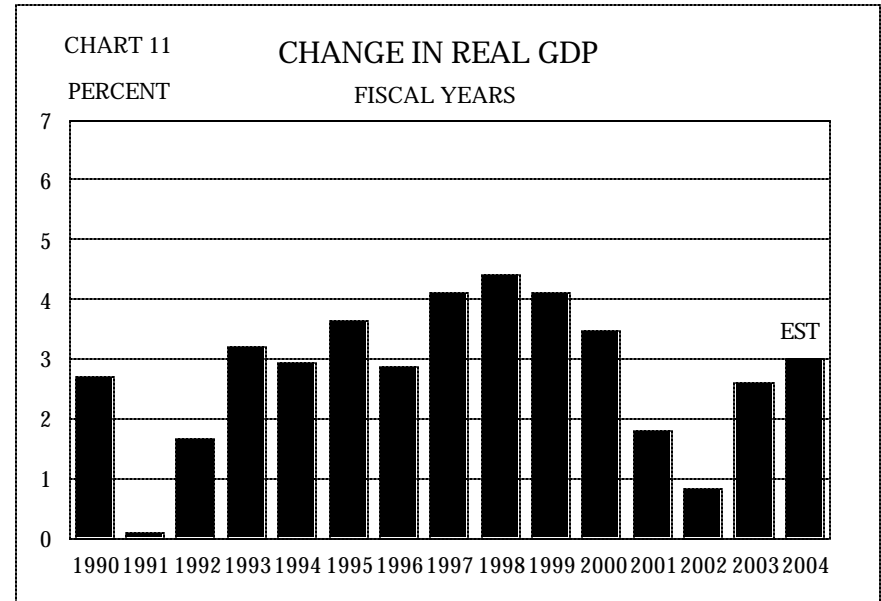


CHART 11: Change in Real GDP

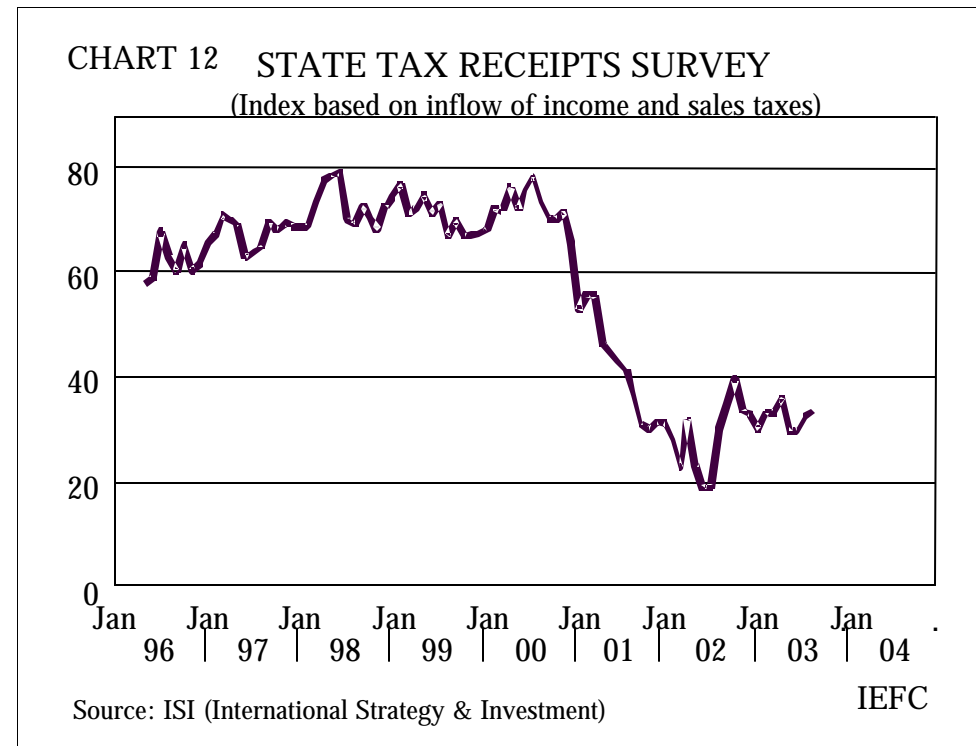
- The forecast for FY2004 is for some increase in the pace of economic activity, with real growth of slightly more than 3%.
- As business spending recovers, Illinois is likely to mirror the national trend, rather than lagging behind as has been the case.
- While growth will be improved, it will be somewhat less than in the mid-1990s and serious financial problems will continue to be faced by most state governments.



ECONOMIC FORECASTS - August 2003				
(% Change From Prior Year Levels)				
REAL (1996 \$)	<u>FY 2001 Actual</u>	<u>FY 2002 Actual</u>	<u>FY 2003</u>	<u>FY 2004 Estimated</u>
Gross Domestic Product	1.8	0.8	2.6	3.0
Personal Consumption	3.3	2.7	2.9	3.3
Durable	4.7	8.2	6.1	6.4
Nondurable	2.9	2.4	3.1	3.4
Services	3.1	1.7	2.2	2.7
Fixed Investment (Business Spending)	-2.0	-8.6	3.8	5.7
Exports	4.7	-8.5	2.0	2.8
Imports	7.1	-4.2	7.0	6.6
Government	2.5	4.3	3.7	1.4
Federal	1.6	6.6	7.8	4.6
State & Local	2.9	3.2	1.4	0.7
OTHER MEASURES				
Personal Income (Current \$)	6.4	2.1	2.7	4.9
Personal Consumption (Current \$)	5.8	4.0	4.8	4.8
Before Tax Profits (Current \$)	-6.0	-13.8	8.9	5.5
Consumer Prices	3.4	1.8	2.2	2.2
Unemployment Rate (Average)	4.2	5.5	6.0	6.2

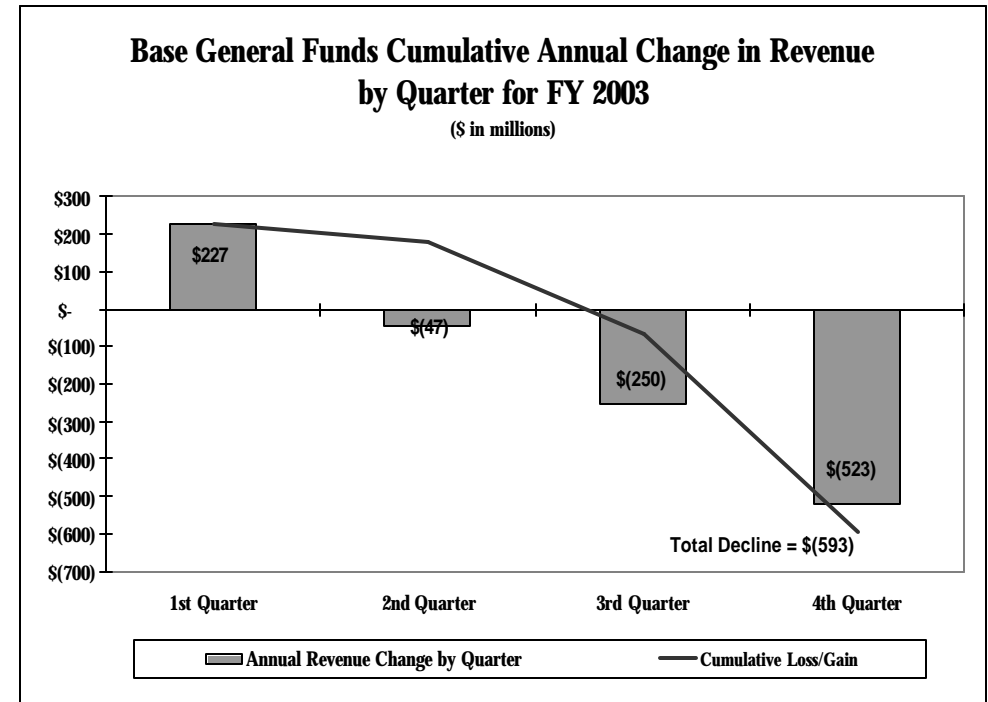
CHART 12: State Tax Receipts Survey

- Chart 12 indicates that State tax receipts, while up from the lows seen last year, have stabilized at a depressed level. This survey is based upon data from 16 states --including Illinois -- that have diverse geographic and population characteristics.
- Sales tax receipts may be helped in the near term by lower withholding and from the checks sent to millions of families with children in July, although early indications are that a good deal of these funds were used to pay down debt or was saved.
- It will take sustained improvement in employment to substantially increase income tax revenues and give consumers confidence to feel secure enough to increase spending and take on additional debt.
- Even as State tax receipts improve, however, States will have to begin to close the huge budget gaps that developed over recent years as their first priority.



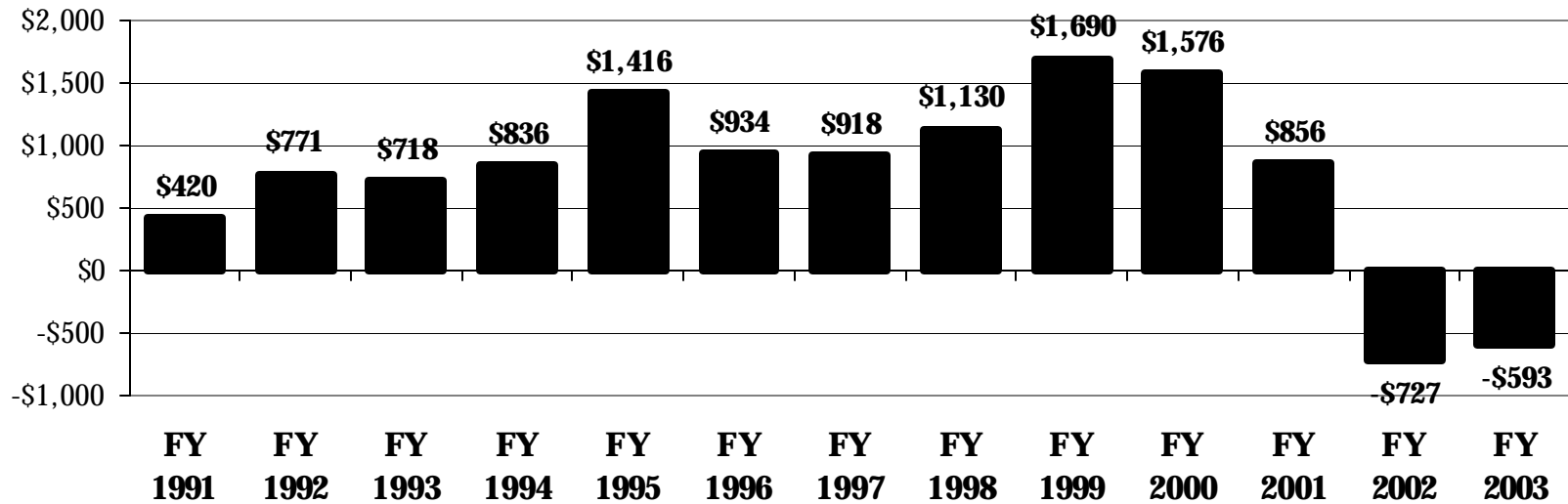
FY 2003 Revenue Recap

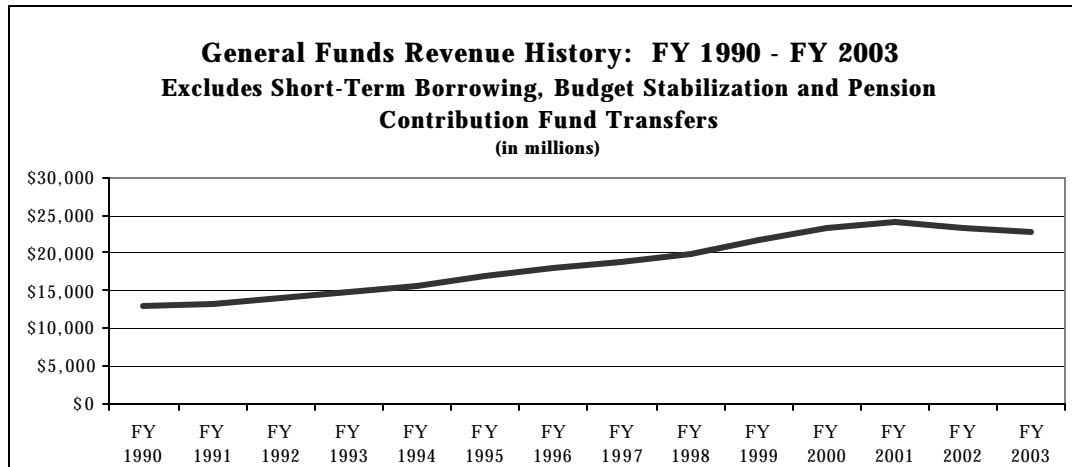
- FY 2003 started out strong, due in large part to increased federal sources as well as one-time transfers. While overall revenues, excluding short-term borrowing, were up \$227 million, on an adjusted basis, receipts were essentially flat as the larger revenue sources continued to falter.
- Despite an up tick in December, the second quarter dipped by approximately \$47 million, resulting in first half receipts being up \$180 million. However, on an adjusted basis, which takes into account one-time transfers and the surprise receipt of \$88 million in tobacco settlement monies, receipts were actually down \$65 million.
- The fall off in revenues picked up steam in the third quarter as revenues fell by \$250 million. By the time March ended, receipts were down about \$70 million overall. While the recovery phase was suppose to be in process, it clearly had not manifested in receipts.
- The fourth quarter capped the dismal fiscal year as receipts fell \$523 million over that three-month period due to large fall-offs in federal sources and Build Illinois general reserve account transfers. At the conclusion of FY 2003, base revenues had fallen \$593 million from the prior year (excluding short-term borrowing, Budget Stabilization Fund and Pension Contribution Fund transfers).
- This decline occurred on the heels of an even more disastrous FY 2002, when base revenues dropped a whopping \$727 million. Over the last two years, revenues have fallen over \$1.3 billion since FY 2001.



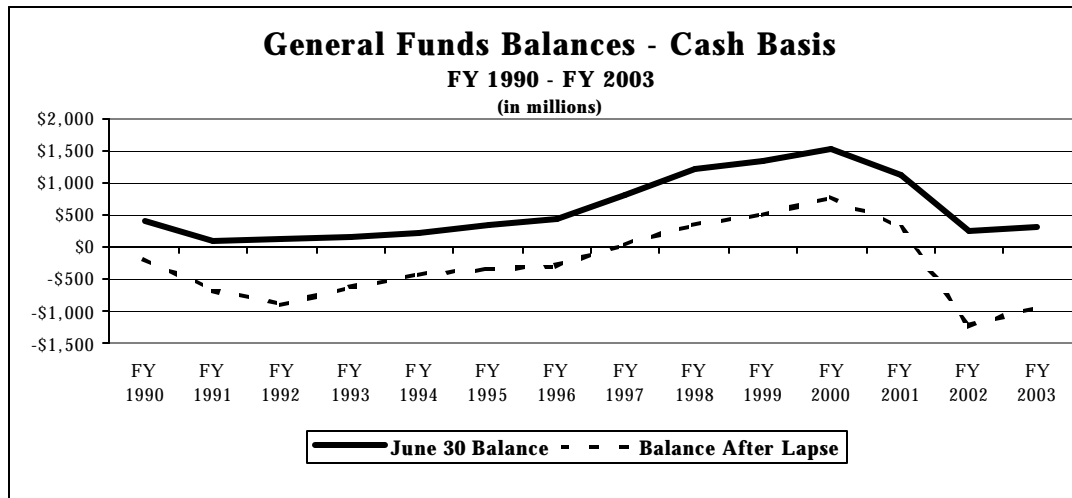
General Funds Revenue History: Annual \$ Change
FY 1991 - FY 2003
(in millions)

Excludes Short-Term Borrowing, Budget Stabilization Fund, and Pension Contribution Fund Transfer





	General Funds (in millions)	Annual \$ Change
FY 1990	\$12,841	-
FY 1991	\$13,261	\$420
FY 1992	\$14,032	\$771
FY 1993	\$14,750	\$718
FY 1994	\$15,586	\$836
FY 1995	\$17,002	\$1,416
FY 1996	\$17,936	\$934
FY 1997	\$18,854	\$918
FY 1998	\$19,984	\$1,130
FY 1999	\$21,674	\$1,690
FY 2000	\$23,250	\$1,576
FY 2001	\$24,106	\$856
FY 2002	\$23,379	-\$727
FY 2003	\$22,786	-\$593



	June 30 Balance (in millions)	Balance After Lapse
FY 1990	\$395	-\$191
FY 1991	\$100	-\$666
FY 1992	\$131	-\$887
FY 1993	\$172	-\$630
FY 1994	\$230	-\$422
FY 1995	\$331	-\$341
FY 1996	\$426	-\$292
FY 1997	\$806	\$45
FY 1998	\$1,202	\$356
FY 1999	\$1,351	\$503
FY 2000	\$1,517	\$777
FY 2001	\$1,126	\$300
FY 2002	\$256	-\$1,220
*FY 2003	\$317	-\$915

* Balance after lapse based on preliminary lapse spending figure of \$1.232 billion.

State Budget & Tax Actions NCSL

- For nearly every state, FY 2003 was the second consecutive year of severe budgetary problems. At some point during the fiscal year, 39 states faced a budget shortfall. Eleven states reported that FY 2003 revenues were below FY 2002 levels, that coming on the heels of FY 2002 when 40 states reported revenue collections being lower than the previous year.
- State budget officials were not looking forward to their FY 2004 negotiations, as a round of big budget gaps would have to be dealt with. Since FY 2001, it is reported that states have had to close a cumulative budget gap approaching \$200 billion.
- In order to address continued budget problems, the 43 states reporting anticipated taking the following measures for FY 2004:
 - Cutting spending (31 states)
 - Tapping a variety of state funds (29 states)
 - Reducing the workforce or other actions affecting state employees (23 states)
 - Tapping rainy day funds (13 states)
 - Using tobacco settlement funds (8 states)
 - Delaying Capital projects (7 states)
 - Shifting pay-as-you-go capital projects to debt (4 states)
 - Freezing purchases (3 states)
- In addition to the above items, a number of states were forced to deal with the continued deterioration in fiscal conditions by raising taxes and fees. Of the reporting states, 17 raised taxes by more than 1 percent.
- NCSL reports that states placed special emphasis on fees in 2003, with 30 reporting increases totaling \$2.6 billion. In addition a number of them also accelerated tax collection schedules, enacted tax amnesty programs and stricter tax enforcement. Also, several states took action to conform to or decouple from recent federal tax legislation.

BASE FY 2004 GENERAL FUNDS ESTIMATE				
FY 2004 vs. FY 2003 (\$ million)				
Revenue Sources	Base Sept-03 Estimate FY 2004	Actuals FY 2003	\$ CHANGE FY 2003-2004	% CHANGE
State Taxes				
Personal Income Tax	\$8,220	\$7,979	\$241	3.0%
Corporate Income Tax (regular)	1,062	1,011	\$51	5.0%
Sales Taxes	6,200	6,059	\$141	2.3%
Public Utility Taxes (regular)	962	1,006	(\$44)	-4.4%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	125	123	\$2	1.6%
Vehicle Use Tax	35	34	\$1	2.9%
Inheritance Tax (Gross)	150	237	(\$87)	-36.7%
Insurance Taxes and Fees	313	313	\$0	0.0%
Corporate Franchise Tax & Fees	146	142	\$4	2.8%
Interest on State Funds & Investments	75	66	\$9	13.6%
Cook County Intergovernmental Transfer	400	355	\$45	12.7%
Other Sources	265	349	(\$84)	-24.1%
Subtotal	\$18,353	\$18,074	\$279	1.5%
Transfers				
Lottery	540	540	\$0	0.0%
Riverboat Transfers & Receipts	544	554	(\$10)	-1.8%
Other	410	589	(\$179)	-30.4%
Total State Sources	\$19,847	\$19,757	\$90	0.5%
Federal Sources	\$4,275	\$3,940	\$335	8.5%
Total Federal & State Sources	\$24,122	\$23,697	\$425	1.8%
Nongeneral Funds Distribution				
Refund Fund				
Personal Income Tax (11.7% in FY '04)	(\$965)	(\$638)	(\$327)	51.3%
Corporate Income Tax (32% in FY '04)	(345)	(273)	(\$72)	26.4%
Subtotal General Funds	\$22,812	\$22,786	\$26	0.1%
Short-Term Borrowing	\$0	\$1,675	(\$1,675)	N/A
Budget Stabilization Fund Transfer	\$226	\$226	\$0	0.0%
Adjustments (Deficit reduction & federal)	\$4,314	\$300	\$4,014	1338.1%
Total General Funds	\$27,352	\$24,987	\$2,365	9.5%

Base General Funds Revenue
(Excludes short-term borrowing, Budget Stabilization Fund & Pension Contribution Fund transfers- \$ in millions)

Base FY 2003 Actuals	\$22,786
IEFC Base FY 2004 Estimate	\$22,812
Base Growth FY'04	\$26

Base Revenue Assumptions for FY'04

- Business investment finally engages the recovery as corporations slowly start contributing to the recovery effort
- The job picture stabilizes as firms start to gradually re-hire
- Economic recovery continues to strengthen, albeit at a mild pace, but eventually manifests itself in a sustained improvement in tax receipts
- Federal sources improve by \$335 million due to increased reimbursable spending as well as recoupment of some federal monies that were attributed to FY'03
- Gross State and Federal Sources manage to gain \$425 million
- Despite improvement, net income taxes fall \$399 million due to higher refund percentages.

**General Revenue Adjustments for FY 2004 (millions)
Based on Legislative Changes and Federal JGTRRA of 2003**

<u>Adjusted Revenue Source</u>	<u>Brief Description</u>	<u>Estimated Revenue</u>
Sales tax	Closing of numerous loopholes and taxing private aircraft sales	\$65
Corporate income tax	Closing of corporate loopholes (net)	\$22
Public Utility tax	Taxing out-of-state purchases of natural gas	\$38
Inheritance tax	Decoupling from federal provisions	\$75
Insurance tax	Increased fees	\$19
Corporate franchise tax	Raises cap on annual report franchise tax	\$4
Other sources	Sale of 10th riverboat license	\$350
	Fee increases	\$279
	Sale/leaseback of State property	\$233
	Environmental Trust Fund	\$125
	Commercial distribution fee	\$102
	Tax amnesty	\$40
	Liquor license fee & other misc.	\$9
	Subtotal	\$1,138
Riverboat gaming tax	Increase of graduated tax and admissions tax	\$173
Other transfers	Fund sweeps \$158 million and Fund Chargebacks \$347 million	\$505
Pension Contribution Fund		<u>\$1,600</u>
	Total	\$3,639
	Plus	
Federal Sources	Jobs & Growth Tax Relief Reconciliation Act of 2003: Includes \$422 million in flexible grants and an estimated \$253 million in increased Medicaid match	Total \$675

Grand Total	\$4,314
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IEFC FY 2004 Estimate: Base and Adjusted Estimate (millions)			
	IEFC BASE FY 2004	Adjustments	IEFC Sept-03 Adjusted Estimate
Revenue Sources			
State Taxes			
Personal Income Tax	\$8,220	\$0	\$8,220
Corporate Income Tax	\$1,062	\$33	\$1,095
Sales Taxes	\$6,200	\$65	\$6,265
Public Utility (regular)	\$962	\$38	\$1,000
Cigarette Tax	\$400	\$0	\$400
Liquor Gallonage Taxes	\$125	\$0	\$125
Vehicle Use Tax	\$35	\$0	\$35
Inheritance Tax (gross)	\$150	\$75	\$225
Insurance Taxes & Fees	\$313	\$19	\$332
Corporate Franchise Tax & Fees	\$146	\$4	\$150
Interest on State Funds & Investments	\$75	\$0	\$75
Cook County Intergovernmental Transfer	\$400	\$0	\$400
Other Sources	\$265	\$1,138	\$1,403
Subtotal	\$18,353	\$1,372	\$19,725
Transfers			
Lottery	\$540	\$0	\$540
Riverboat Transfers & Receipts	\$544	\$173	\$717
Other	\$410	\$505	\$915
Total State Sources	\$19,847	\$2,050	\$21,897
Federal Sources	\$4,275	\$675	\$4,950
Total Federal & State Sources	\$24,122	\$2,725	\$26,847
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$965)	\$0	(\$965)
Corporate Income Tax	(\$345)	(\$11)	(\$356)
Subtotal General Funds	\$22,812	\$2,714	\$25,526
Change from Prior Year Actual	\$26	N/A	\$2,740
Percent Change	0.1%	N/A	12.0%
Short-Term Borrowing	\$0	\$0	\$0
Budget Stabilization Fund Transfer	\$226	\$0	\$226
Pension Contribution Fund Transfer	\$0	\$1,600	\$1,600
Total General Funds	\$23,038	\$4,314	\$27,352
IEFC			

ADJUSTED FY 2004 GENERAL FUNDS ESTIMATE FY 2004 vs. FY 2003 (\$ million)				
	Adjusted Sept-03 Estimate FY 2004	Actuals FY 2003	\$ CHANGE FY 2003-2004	% CHANGE
Revenue Sources				
State Taxes				
Personal Income Tax	\$8,220	\$7,979	\$241	3.0%
Corporate Income Tax (regular)	\$1,095	1,011	\$84	8.3%
Sales Taxes	\$6,265	6,059	\$206	3.4%
Public Utility Taxes (regular)	\$1,000	1,006	(\$6)	-0.6%
Cigarette Tax	\$400	400	\$0	0.0%
Liquor Gallonage Taxes	\$125	123	\$2	1.6%
Vehicle Use Tax	\$35	34	\$1	2.9%
Inheritance Tax (Gross)	\$225	237	(\$12)	-5.1%
Insurance Taxes and Fees	\$332	313	\$19	6.1%
Corporate Franchise Tax & Fees	\$150	142	\$8	5.6%
Interest on State Funds & Investments	\$75	66	\$9	13.6%
Cook County Intergovernmental Transfer	\$400	355	\$45	12.7%
Other Sources	\$1,403	349	\$1,054	302.0%
Subtotal	\$19,725	\$18,074	\$1,651	9.1%
Transfers				
Lottery	\$540	540	\$0	0.0%
Riverboat Transfers & Receipts	\$717	554	\$163	29.4%
Other	\$915	589	\$326	55.3%
Total State Sources	\$21,897	\$19,757	\$2,140	10.8%
Federal Sources	\$4,950	\$3,940	\$1,010	25.6%
Total Federal & State Sources	\$26,847	\$23,697	\$3,150	13.3%
Nongeneral Funds Distribution				
Refund Fund				
Personal Income Tax (11.7% in FY '04)	(\$965)	(\$638)	(\$327)	51.3%
Corporate Income Tax (32% in FY'04)	(\$356)	(273)	(\$83)	30.2%
Subtotal General Funds	\$25,526	\$22,786	\$2,740	12.0%
Short-Term Borrowing	\$0	\$1,675	(\$1,675)	N/A
Budget Stabilization Fund Transfer	\$226	\$226	\$0	0.0%
Pension Contribution Fund Transfer	\$1,600	\$300	\$1,300	433.3%
Total General Funds	\$27,352	\$24,987	\$2,365	9.5%

Total General Revenue		
Base FY 2003 Actuals	\$22,786	
Short-term borrowing	\$1,675	
Budget Stabilization transfer	\$226	
Pension Contribution Fund transfer	\$300	
Total FY'03	\$24,987	
		Change
IEFC Base FY 2004 Estimate	\$22,812	\$26
Short-term borrowing	\$0	-\$1,675
Budget Stabilization transfer	\$226	\$0
Adjustments (State & Federal)	\$4,314	\$4,014
Total FY'04	\$27,352	\$2,365

Risks to the Forecast

- The recovery takes significant pause, similar to what occurred during last fiscal year. This delay then stymies business investment and thwarts meaningful job creation.
- Without an improvement in the job market, the consumer takes pause, and the one strength in the slow moving recovery takes a breather.
- The amount of revenue expected to be generated by some of the FY'04 enhancements fails to meet estimates. At this point of the fiscal year, the most at risk components would appear to be the sale of the 10th riverboat license and the sale/leaseback of State property. Also a possible concern are fund chargebacks and a potential shortfall in fee increases.

One Bright Spot

- The \$675 million in federal monies resulting from the flexible grants and increased Medicaid match rate were not part of the enacted FY'04 budget. As a result, those monies provide a degree of cushion should some of the other more at risk revenue sources fail to meet expectations. Of course, if those monies end up being utilized in FY'04, they would not be available in FY'05.

Budget Difficulties Will Continue into FY 2005

- While some of the FY'04 adjustments will produce recurring revenue in future fiscal years i.e. loophole closures and fee increases, many of them should be viewed as one-time windfalls i.e. sale of 10th riverboat license, sale/leaseback of State property, and Pension Contribution Fund transfers. Since those revenues will only be available once while most liabilities are on going, FY'05 will again prove to be a very difficult budget year for Illinois.

GENERAL FUNDS RECEIPTS: THROUGH AUGUST

FY 2004 vs. FY 2003
(\$ million)

Revenue Sources	FY 2004	FY 2003	CHANGE FROM FY 2003	% CHANGE
State Taxes				
Personal Income Tax	\$1,123	\$1,095	\$28	2.6%
Corporate Income Tax (regular)	50	49	\$1	2.0%
Sales Taxes	1,049	1,054	(\$5)	-0.5%
Public Utility Taxes (regular)	150	160	(\$10)	-6.3%
Cigarette Tax	67	67	\$0	0.0%
Liquor Gallonage Taxes	23	22	\$1	4.5%
Vehicle Use Tax	7	6	\$1	16.7%
Inheritance Tax (Gross)	30	55	(\$25)	-45.5%
Insurance Taxes and Fees	15	9	\$6	66.7%
Corporate Franchise Tax & Fees	21	21	\$0	0.0%
Interest on State Funds & Investments	15	14	\$1	7.1%
Cook County IGT	54	54	\$0	0.0%
Other Sources	30	33	(\$3)	-9.1%
Subtotal	\$2,634	\$2,639	(\$5)	-0.2%
Transfers				
Lottery	70	79	(\$9)	-11.4%
Riverboat transfers & receipts	122	100	\$22	22.0%
Other	266	195	\$71	36.4%
Total State Sources	\$3,092	\$3,013	\$79	2.6%
Federal Sources	\$1,256	\$731	\$525	71.8%
Total Federal & State Sources	\$4,348	\$3,744	\$604	16.1%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$131)	(\$87)	(\$44)	50.6%
Corporate Income Tax	(\$16)	(\$13)	(\$3)	23.1%
Subtotal General Funds	\$4,201	\$3,644	\$557	15.3%
Short-Term Borrowing	\$0	\$700	(\$700)	N/A
Budget Stabilization Fund Transfer	\$226	\$226	\$0	0.0%
Pension Contribution Fund Transfer	\$368	\$0	\$368	N/A
Total General Funds	\$4,795	\$4,570	\$225	4.9%

SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.
EFC

4-Sep-03

GENERAL FUNDS GROWTH NEEDED TO MEET ESTIMATE

FY 2004 ESTIMATE vs. FY 2003 ACTUAL
(\$ million)

Revenue Sources	Sept-03 ESTIMATE FY 2004	FYTD 2004	AMOUNT NEEDED FY 2004 EST.	FYTD 2003	GROWTH NEEDED	% CHANGE
State Taxes						
Personal Income Tax	\$8,220	\$1,123	\$7,097	\$1,095	\$213	3.1%
Corporate Income Tax (regular)	1,095	50	\$1,045	49	\$83	8.6%
Sales Taxes	6,265	1,049	\$5,216	1,054	\$211	4.2%
Public Utility Taxes (regular)	1,000	150	\$850	160	\$4	0.5%
Cigarette Tax	400	67	\$333	67	\$0	0.0%
Liquor Gallonage Taxes	125	23	\$102	22	\$1	1.0%
Vehicle Use Tax	35	7	\$28	6	\$0	0.0%
Inheritance Tax (Gross)	225	30	\$195	55	\$13	7.1%
Insurance Taxes and Fees	332	15	\$317	9	\$13	4.3%
Corporate Franchise Tax & Fees	150	21	\$129	21	\$8	6.6%
Interest on State Funds & Investments	75	15	\$60	14	\$8	15.4%
Cook County IGT	400	54	\$346	54	\$45	15.0%
Other Sources	1,403	30	\$1,373	33	\$1,057	334.5%
Subtotal	\$19,725	\$2,634	\$17,091	\$2,639	\$1,656	10.7%
Transfers						
Lottery	540	70	\$470	79	\$9	2.0%
Gaming Fund Transfer	717	122	\$595	100	\$141	31.1%
Other	915	266	\$649	195	\$255	64.7%
Total State Sources	\$21,897	\$3,092	\$18,805	\$3,013	\$2,061	12.3%
Federal Sources	\$4,950	\$1,256	\$3,694	\$731	\$485	15.1%
Total Federal & State Sources	\$26,847	\$4,348	\$22,499	\$3,744	\$2,546	12.8%
Nongeneral Funds Distribution:						
Refund Fund						
Personal Income Tax	(\$965)	(\$131)	(\$834)	(\$87)	(\$283)	51.4%
Corporate Income Tax	(356)	(16)	(\$340)	(13)	(\$80)	30.8%
Subtotal General Funds	\$25,526	\$4,201	\$21,325	\$3,644	\$2,183	11.4%
Short-Term Borrowing	\$0	\$0	\$0	\$700	(\$975)	N/A
Budget Stabilization Fund Transfer	\$226	\$226	\$0	\$226	\$0	N/A
Proceeds from Pension Obligation Bonds	\$1,600	\$368	\$1,232	\$0	\$932	N/A
Total General Funds	\$27,352	\$4,795	\$22,557	\$4,570	\$2,140	10.5%