FY 2008 REVENUE FORECAST

and

UPDATED FY 2007 REVENUE ESTIMATE

Commission on Government
Forecasting and Accountability

MARCH 2007
703 Stratton Office Building
Springfield, Illinois 62706

Commission on Government Forecasting and Accountability

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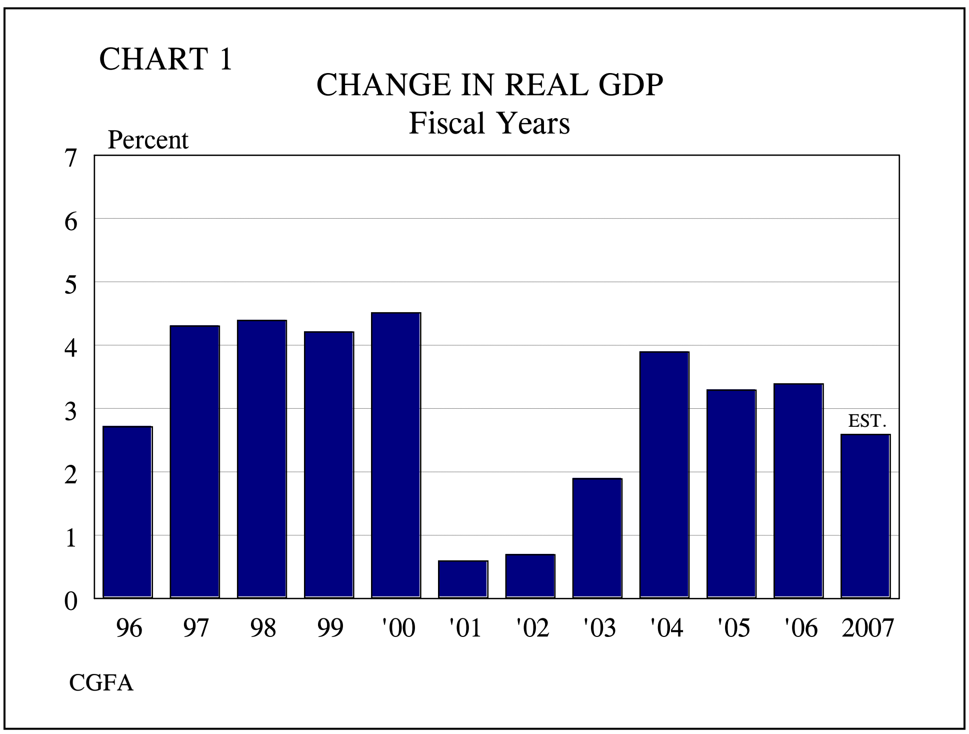
FY 2008 REVENUE FORECAST

REVIEW OF FY 2007:

Slower Gains as Housing Sinks and Business Spending Disappoints

Following two years of growth of 3.3% and 3.4%, respectively, that was somewhat above its long-term trend, the pace of economic advance in the U.S. slowed in FY 2007 (see Chart 1). The slowdown in part reflects a major correction in the housing market as well as less than expected gains in business spending despite healthy corporate profit gains and tightening capacity. Despite these disappointments, overall growth continued at an estimated rate of 2.6%, although further data and revisions are yet to be released. This was moderately below the 3.0% projected by the Commission at this time last year but the same as the 2.6% gain foreseen with its later revisions put forward last November.

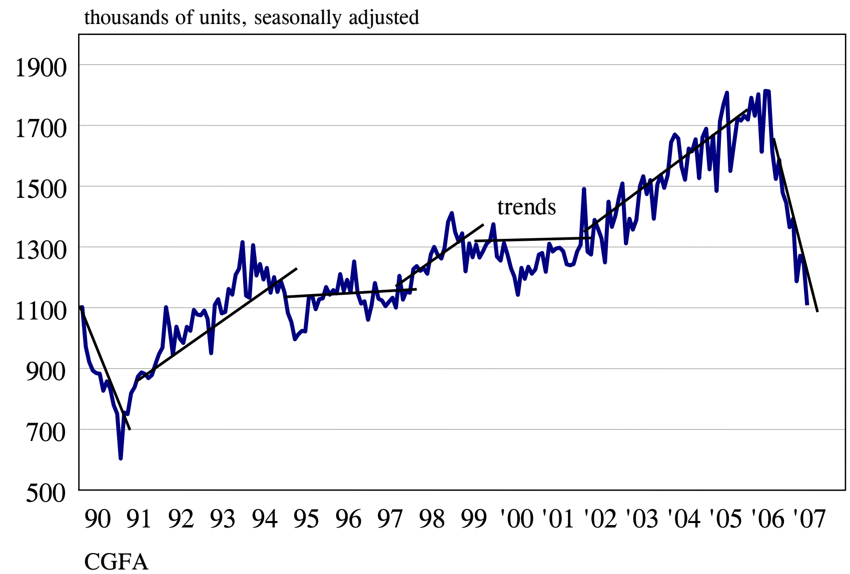
Consumer spending, which generally accounts for two-thirds of total spending, as expected, rose modestly less than the previous year's pace despite a sharp weakening in purchases of automobiles.



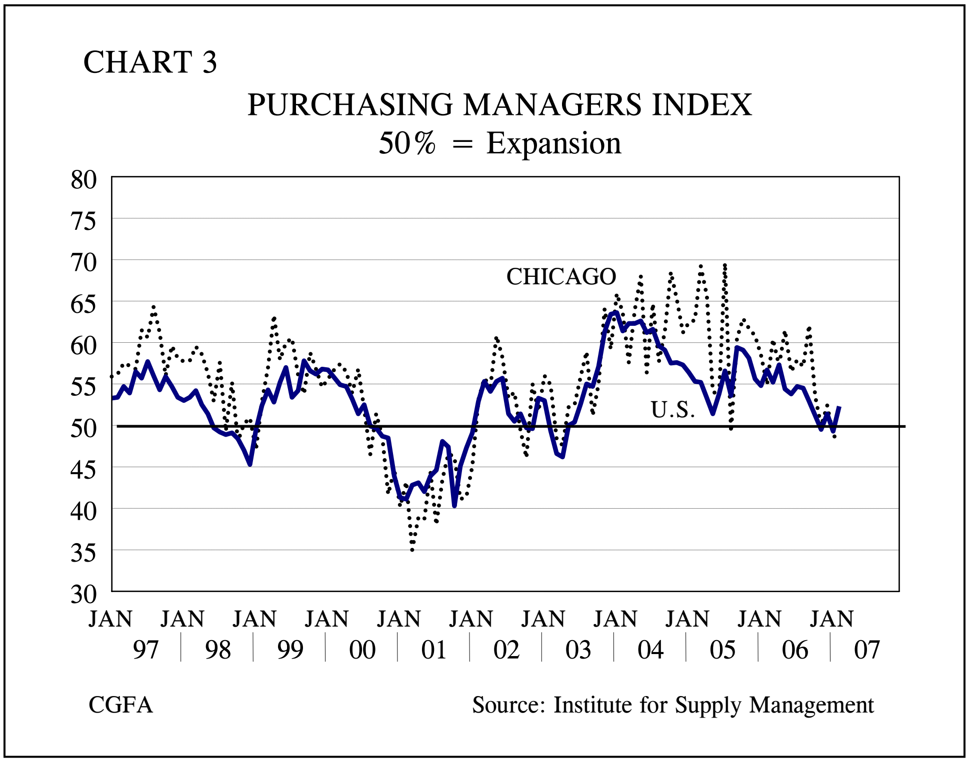
A major subtraction from growth, however, was in the area of residential construction spending. There was a particularly steep decline in new housing starts in the first half of the fiscal year, continuing the trend that began in the final quarter of FY 2006 (see Chart 2). While the bottom of the housing correction may not have yet been reached and problems with “subprime” lenders remain, reduced levels of inventories and lower home prices suggest the downward pressure on overall growth will lessen.

CHART 2

NEW PRIVATELY-OWNED HOUSING STARTS
Single-Family



Business spending (nonresidential fixed investment) also weakened despite good profit growth and tightening capacity and by the second quarter of FY 2007, actually declined. Once again, the weakest sector was manufacturing, particularly autos. Chart 3 shows the Purchasing Managers Index for both the U.S. and the Chicago area. A reading above 50% represents expansion whereas an index number less than 50% represents contraction. As illustrated in the last several months, the index has fluctuated in and out of a contraction phase. This is the first time a contraction has occurred in the U.S. index since early in 2003.



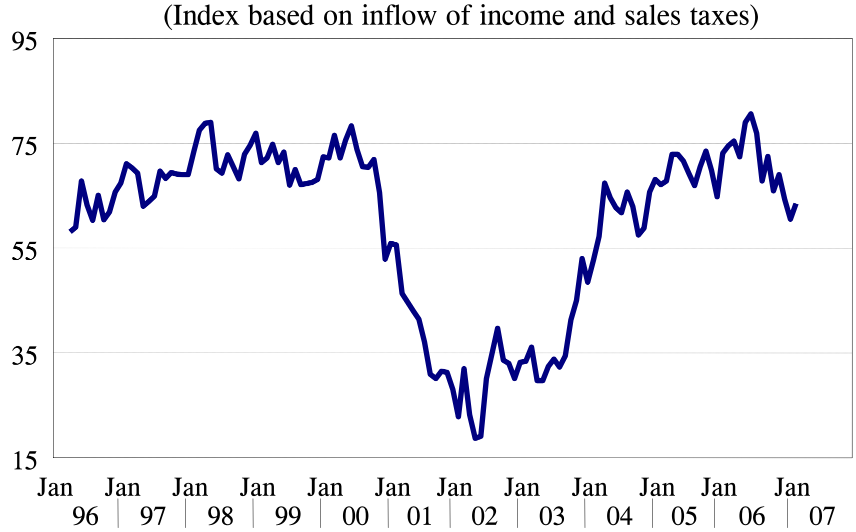
In reviewing FY 2007, the rate of economic advance edged lower from the previous two-year's pace. As a result of slower economic growth, state tax receipts, while still strong, began to come in at a lower rate. Chart 4 shows the index of 16 states, including Illinois, which is a good proxy for state revenues on a national basis.

While Illinois often lags the general trend, it mirrors the national pattern and, therefore, some moderation in revenue inflows from economic sources can be expected before the fiscal year ends.

CHART 4

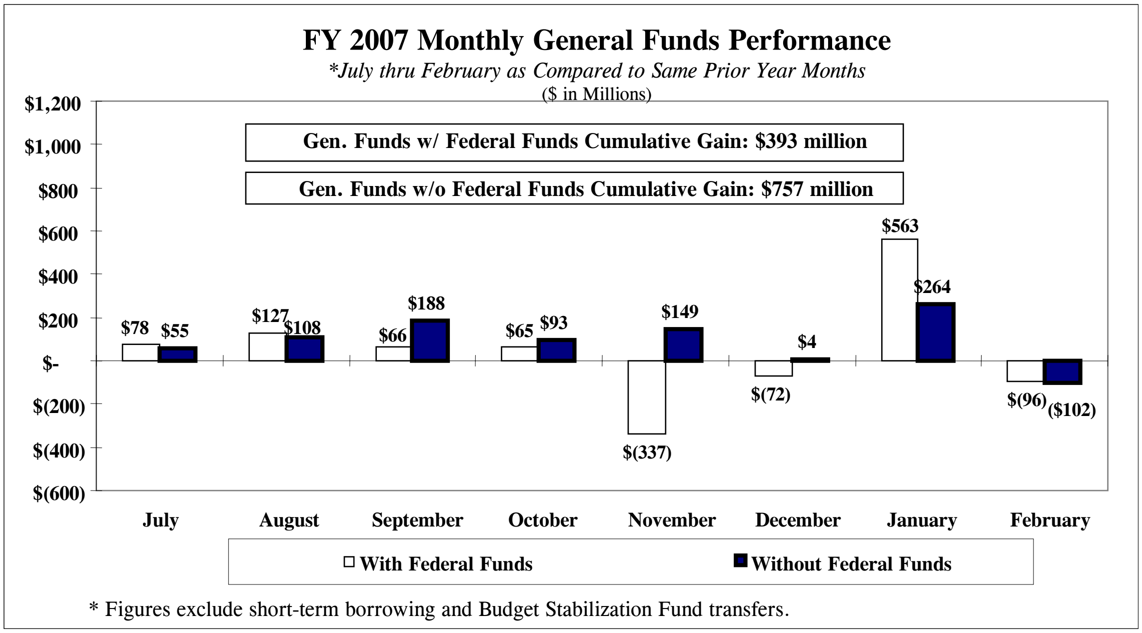
STATE TAX RECEIPTS SURVEY

(Index based on inflow of income and sales taxes)



CGFA Source: ISI (International Strategy & Investment)

FY 2007 REVENUE RECAP



First Quarter

July general revenue receipts increased $78 million to begin the fiscal year. The increase occurred despite a number of revenue sources experiencing declines. A large part of the increase was the result of a transfer from the Income Tax Refund Fund in the amount of $81 million. Absent a $23 million gain in federal sources, all other revenue sources were up a modest $55 million. In August, overall general funds revenues increased $127 million. The larger economic sources did well, while some of the other areas posted small losses. Similar to last year, $276 million from the Budget Stabilization Fund was transferred into the General Fund to assist in cash flow. Excluding $19 million in federal source gains, all other areas increased $108 million. Overall general funds revenues increased $66 million in September. While most of the economic sources posted monthly gains, particularly income taxes, those increases in large part were offset by a $122 million falloff in federal sources due to an unusually large month in federal receipts last year. Federal sources aside, other revenue sources posted an impressive $188 million monthly increase.

Through the first three months of the fiscal year, overall revenues were up $271 million. Most of the economically sensitive sources performed well, although some of the smaller sources as well as certain transfers struggled early on. A falloff in federal sources held down overall first quarter growth. In fact, excluding an $80 million decline in federal receipts, all other sources posted a gain of $351 million.

Second Quarter

Overall general funds revenues increased $65 million in October. The economic sources again fared well, although some of those gains were offset by another monthly falloff in federal sources. Excluding a $28 million decline in federal sources, other sources experienced a gain of $93 million. In November, overall receipts fell $337 million due to FY 2006's $1 billion in short-term borrowing that was used to pay overdue Medicaid bills. That borrowing resulted in a huge month for federal reimbursement. In fact, excluding the falloff of $486 million in federal sources, November receipts posted an impressive $149 million gain. The first half of the fiscal year concluded with a $72 million decline. Receipt performance was somewhat mixed, although another poor month for federal receipts, down $76 million, was the reason behind the drop. Absent that, all other sources would have managed to eke out a $4 million gain.

With the fiscal year half over, excluding short-term borrowing, overall general revenues were down $74 million. The decline was due to the large November fall-off in federal sources stemming from last year's spending on Medicaid bills. Most of the economically related sources continued to perform very well. If the decline of $670 million in federal sources was excluded, all other receipts were up a respectable $596 million through December.

Third Quarter

The third quarter began in dramatic fashion as overall receipts jumped $563 million. The large increase was mainly due to much higher federal sources, up $299 million, as the result of reimbursable Medicaid spending. Medicaid spending lagged for much of the year (in part due to last year's short-term borrowing), resulting in much lower federal reimbursements. Also contributing to the monthly increase were gains in the economically related sources such as income taxes. If the gain in federal sources was excluded, all other revenues still would have posted a $264 million increase. Excluding $900 million in short-term borrowing, February receipts fell $96 million. While personal income taxes continued to perform well, a number of other sources took a break from what has been good year to date performance. In addition, a comparatively low month for transfers contributed to the monthly decline.

Excluding short-term borrowing, with two-thirds of the fiscal year completed, overall revenues are up $393 million. A comparative decline of $364 million in federal sources has held down overall growth. In fact, excluding the falloff in federal sources, all other revenues are up a strong $757 million as most of the economically related revenue sources have performed well.

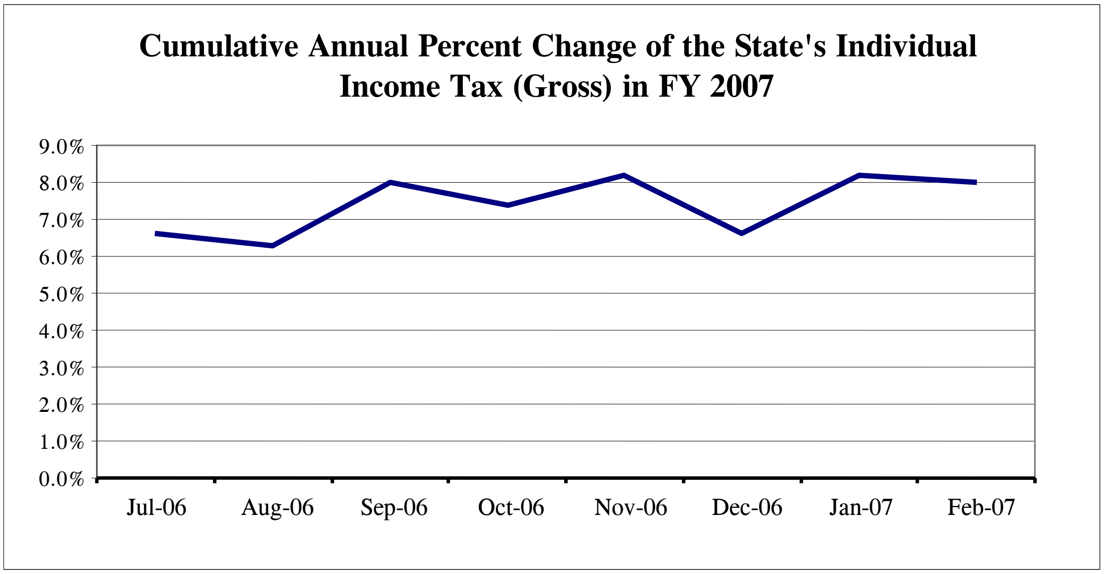
REVISED FY 2007 GENERAL REVENUE FORECAST

As shown in Table 1 on page 13, excluding short-term borrowing, general revenues through February are up $393 million, or 2.3%. A falloff of $364 million in federal sources has muted overall performance. If federal sources are excluded, other revenue performance improves to a more impressive gain of $757 million. [Weaker year to date federal sources reflect November 2005 short-term borrowing and subsequent Medicaid spending surge. While $900 million in short-term borrowing was undertaken in February 2007 and also spent on Medicaid bills, that spending and resulting reimbursement took place via the Hospital Provider Fund which is not a general fund and, therefore, not directly reflected in these figures].

In assessing revenue performance to date, it is clear that most of the economically related sources have continued to meet and in some cases exceed expectations through the first two-thirds of the fiscal year. As a result, a number of estimates need to be adjusted upward to reflect that performance. In contrast, a few sources must be adjusted down to reflect poor year to date performance and/or other reasons. Therefore, as shown in Table 2 on page 14, the Commission's overall estimate for FY 2007 has been increased $125 million, bringing the general funds base forecast up to $28.505 billion.

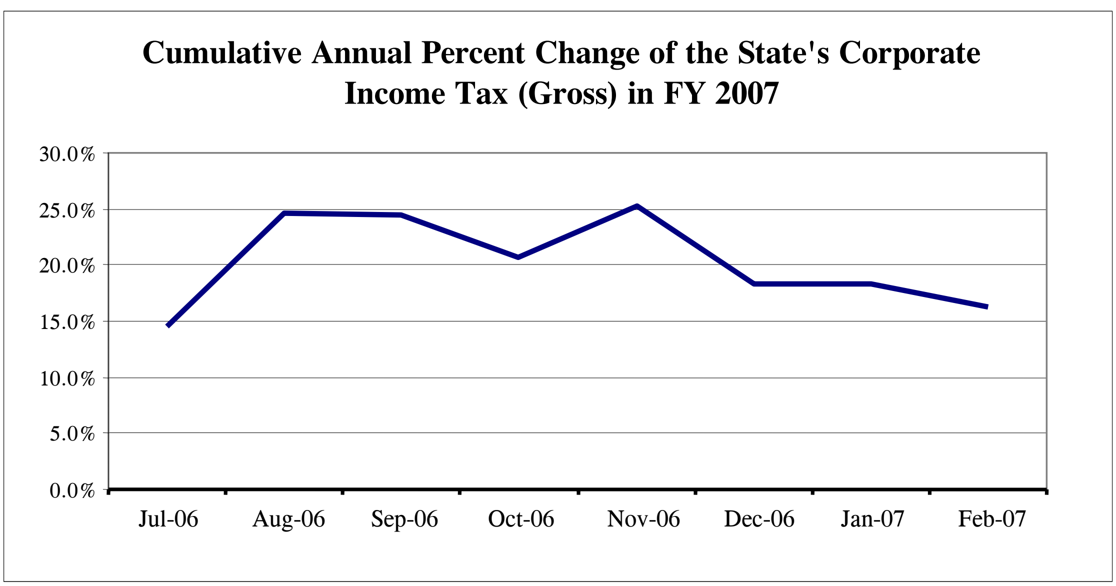
A discussion of the major sources experiencing revisions include the following:

- Gross personal income tax receipts are up $457 million or 8.0% through the first two-thirds of the year, [$413 million or 8.1% on a net of refund basis]. Personal income taxes are comprised of withholding taxes, estimated payments, and final payments. Through February, withholding payments, which are based on current wages and employment and comprise approximately 80% of total income taxes, were up 6.9%. Estimated payments, which are largely made up of non-wage income such as capital gains and other investment income and usually make up approximately 12% of total income tax receipts, are up 17.9% through February. Lastly, final payments, which comprise the remainder of income tax collections, are final settlements that are made by the taxpayer. The vast majority of final payments are not received until after the April deadline, however, final payments were up 15.4% through February.

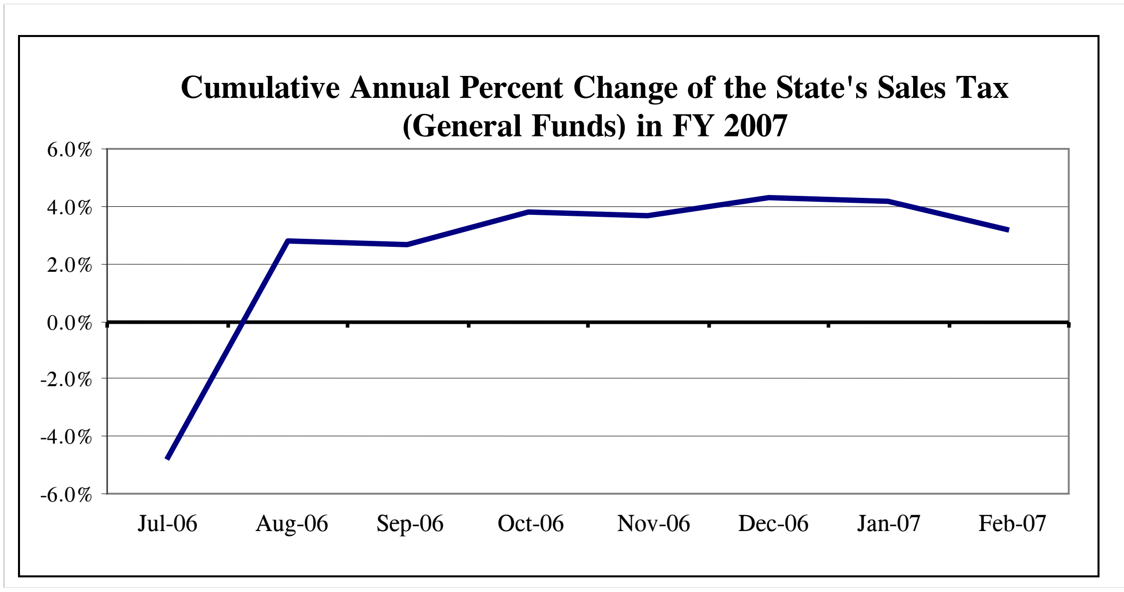


Overall, personal income taxes have performed above expectations through the first two-thirds of the fiscal year. As a result the estimate has been increased $122 million, or $110 million on a net of refund basis. In order to reach the revised estimate, gross personal income taxes are required to grow 5.5%, which reflects somewhat slower growth over the remainder of the fiscal year.

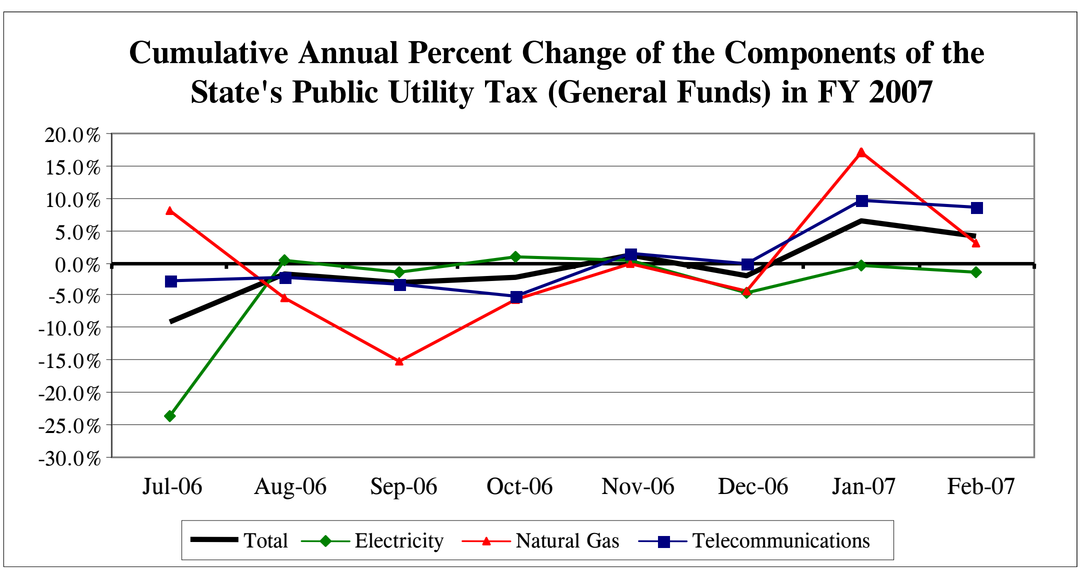
Gross corporate income tax receipts are up an impressive $125 million or 16.3%, [$123 million or 20.0% on a net of refund basis]. While the bulk of receipting has yet to occur as the highest months of receipts are still to come, the early performance of corporate income taxes has outpaced expectations. **As a result, the estimate has been increased by $49 million, or $40 million net of refunds, and reflects the expectation that gains will moderate over the remainder of the fiscal year.**



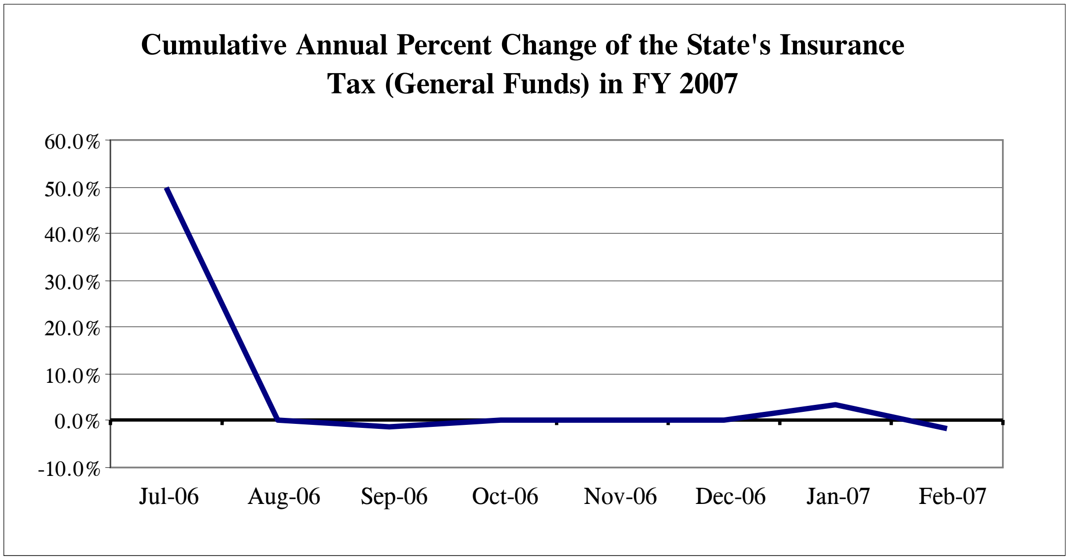
Through the first two-thirds of the fiscal year, sales tax revenues are up $149 million or 3.2%. Receipts have performed about as expected for much of the fiscal year, although the 4.4% growth rate needed over the remainder of FY 2007 to meet the initial estimate may prove difficult to reach. **As a result, the estimate has been decreased by $30 million. In order to reach the revised estimate, receipts must experience a more modest 3.1% growth rate.**



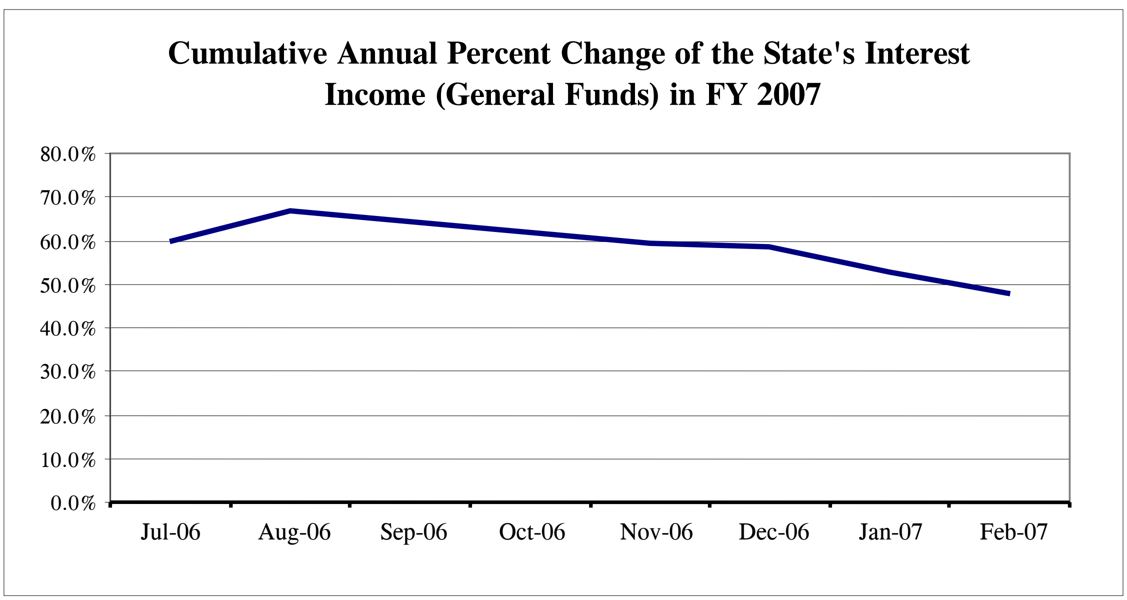
Public utility taxes are up $29 million or 4.1% through February. Through eight months, telecommunication taxes are up about 8.6%, reflecting a reported increase in cash receipts as the result of lower credit usage of a number of major taxpayers. Natural gas tax receipts are up 3.1% to date reflecting a colder winter, while electric receipts are down a modest 1.5%. **While no growth was anticipated in overall public utility taxes, the increase in telecommunication tax receipts and colder winter results in an upward revision of $40 million.**



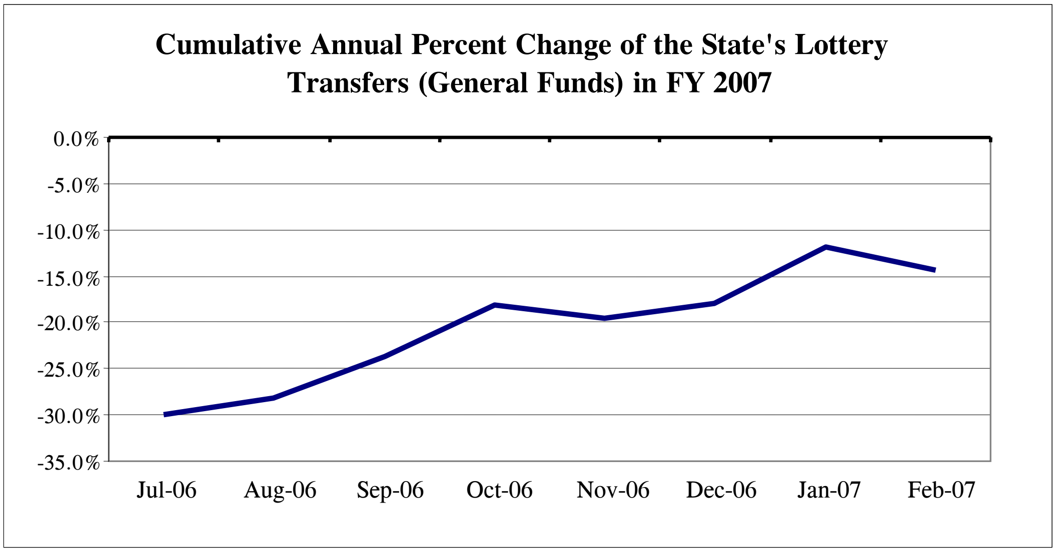
- Insurance taxes and fees continue to perform slightly lower than projected as receipts are off 1.8% through February. Insurance tax receipts are impacted by income tax performance as income tax is credited against insurance tax liability. **The estimate has been reduced by $6 million.**



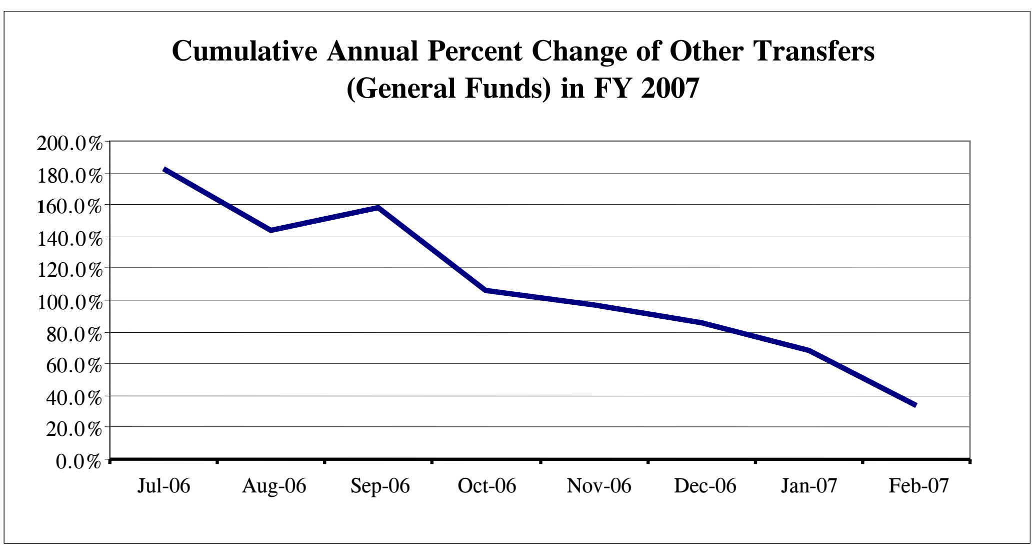
- Interest income earnings continued to do well as rates of return have consistently outpaced last year. Through February, revenues are up $44 million or 47.8%. **While the rate of growth is expected to moderate considerably over the remainder of the year, the estimate has been increased $5 million.**



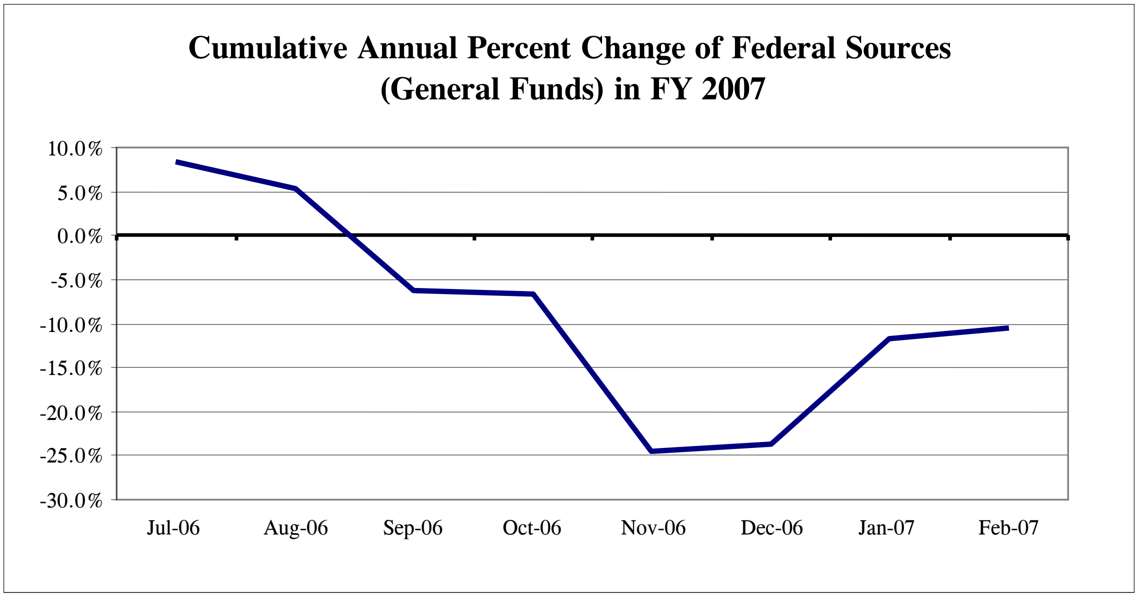
- Lottery transfers continue their disappointing performance and are down 14.4% through the first two-thirds of the fiscal year. **Even though lottery transfers can be somewhat volatile due to rollovers, that performance is below already lowered expectations and, as a result, the estimate has been decreased by $10 million.**



- Other transfers into the general funds are up $114 million or 33.3% through February. Higher fund sweeps, chargeback activity, and a large Income Tax Refund transfer account for the gain. **While the Commission is now including in its other transfer forecast $80 million from the Hospital Assessment program, lower anticipated chargebacks, fee transfers, and a number of other miscellaneous transfers serve to offset that gain. The overall estimate of other transfers remains unchanged.**



Federal related sources are down $364 million or 10.5% through the first two-thirds of the fiscal year. That decline is due primarily to the $1 billion in short-term borrowing that took place in November 2005 and was used for reimbursable Medicaid spending. The result was a spike, albeit temporary, in federal receipts. In FY 2007, while a similar $900 million in short-term borrowing used for Medicaid bills was undertaken, that spending and subsequent reimbursement took place via the Hospital Provider Fund rather than the general funds. **As a result, while year to date performance is comparatively weak, growth is expected to pick up considerably over the coming months. Subsequently, the estimate remains unchanged.**



In conclusion, the revisions to the Commission's FY 2007 estimate in large part reflect revenue performance to date. While continued modest growth is anticipated by the sources most closely tied to the economy, some downward adjustments, albeit relatively small, are required in a number of areas.

CGFA/GOMB FY 2007 COMPARISON

As shown in Table 4 on page 16, the Commission's FY 2007 general funds estimate of $28.505 billion is $12 million above the GOMB's latest official estimate reflected in the FY 2008 Budget Book. [The GOMB's revised forecast represents an increase of $163 million over the enacted budget].

The two estimates are similar in most respects as both agencies made adjustments to many of the same lines. While the Commission is noticeably higher in its estimate of personal income tax receipts, it is somewhat lower in the forecasts for corporate income tax, sales tax, and lottery transfers.

TABLE 1: GENERAL FUNDS RECEIPTS THROUGH FEBRUARY

FY 2007 vs. FY 2006

($ million)

Revenue Sources	FY 2007	FY 2006	CHANGE FROM FY 2006	% CHANGE
State Taxes				
Personal Income Tax	$6,136	$5,679	$457	8.0%
Corporate Income Tax (regular)	894	769	$125	16.3%
Sales Taxes	4,862	4,713	$149	3.2%
Public Utility Taxes (regular)	744	715	$29	4.1%
Cigarette Tax	234	266	($32)	-12.0%
Liquor Gallonage Taxes	107	104	$3	2.9%
Vehicle Use Tax	22	22	$0	0.0%
Inheritance Tax (Gross)	182	185	($3)	-1.6%
Insurance Taxes and Fees	163	166	($3)	-1.8%
Corporate Franchise Tax & Fees	126	122	$4	3.3%
Interest on State Funds & Investments	136	92	$44	47.8%
Cook County IGT	178	216	($38)	-17.6%
Other Sources	275	273	$2	0.7%
Subtotal	$14,059	$13,322	$737	5.5%
Transfers				
Lottery	380	444	($64)	-14.4%
Riverboat transfers & receipts	420	404	$16	4.0%
Other	456	342	$114	33.3%
Total State Sources	$15,315	$14,512	$803	5.5%
Federal Sources	$3,097	$3,461	($364)	-10.5%
Total Federal & State Sources	$18,412	$17,973	$439	2.4%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($598)	($554)	($44)	7.9%
Corporate Income Tax	($156)	($154)	($2)	1.3%
Subtotal General Funds	$17,658	$17,265	$393	2.3%
Short-Term Borrowing	$900	$1,000	($100)	N/A
Budget Stabilization Fund Transfer	$276	$276	$0	N/A
Total General Funds	$18,834	$18,541	$293	1.6%

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

CGFA 20-Mar-07

TABLE 2: ADJUSTMENTS TO CGFA FY 2007 ESTIMATE

(millions)

Revenue Sources	Actual FY 2006	CGFA FY 2007 Revised Estimate March-07	CGFA Estimate Nov-06	Change From Nov-06 Est.
State Taxes				
Personal Income Tax	$9,568	$10,238	$10,116	$122
Corporate Income Tax	$1,784	$1,987	$1,938	$49
Sales Taxes	$7,092	$7,315	$7,345	($30)
Public Utility (regular)	$1,074	$1,114	$1,074	$40
Cigarette Tax	$400	$350	$350	$0
Liquor Gallonage Taxes	$152	$155	$153	$2
Vehicle Use Tax	$34	$34	$34	$0
Inheritance Tax (gross)	$272	$257	$277	($20)
Insurance Taxes & Fees	$317	$314	$320	($6)
Corporate Franchise Tax & Fees	$181	$186	$190	($4)
Interest on State Funds & Investments	$153	$190	$185	$5
Cook County Intergovernmental Transfer	$350	$307	$309	($2)
Other Sources	$441	$440	$440	$0
Subtotal	**$21,818**	**$22,887**	**$22,731**	**$156**
Transfers				
Lottery	$670	$620	$630	($10)
Riverboat Transfers & Receipts	$689	$700	$700	$0
Other	$746	$841	$841	$0
Total State Sources	**$23,923**	**$25,048**	**$24,902**	**$146**
Federal Sources	**$4,725**	**$4,803**	**$4,803**	**$0**
Total Federal & State Sources	**$28,648**	**$29,851**	**$29,705**	**$146**
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($933)	($998)	($986)	($12)
Corporate Income Tax	($356)	($348)	($339)	($9)
Subtotal General Funds	**$27,359**	**$28,505**	**$28,380**	**$125**
Change from Prior Year		**$1,146**	**$1,021**	
Percent Change		**4.2%**	**3.7%**	
Short-Term Borrowing	$1,000	$900	$900	$0
Budget Stabilization Fund Transfer	$276	$276	$276	$0
Total General Funds	**$28,635**	**$29,681**	**$29,556**	**$125**
Change from Prior Year Actual		**$1,046**	**$921**	
Percent Change		**3.7%**	**3.2%**	

CGFA

TABLE 3: FY 2007 CGFA ESTIMATE & FY 2006 ACTUALS
(millions)

Revenue Sources	CGFA FY 2007 Estimate March-07	ACTUAL FY 2006	$ Difference	% Difference
State Taxes				
Personal Income Tax	$10,238	$9,568	$670	7.0%
Corporate Income Tax	$1,987	$1,784	$203	11.4%
Sales Taxes	$7,315	$7,092	$223	3.1%
Public Utility (regular)	$1,114	$1,074	$40	3.7%
Cigarette Tax	$350	$400	($50)	-12.5%
Liquor Gallonage Taxes	$155	$152	$3	2.0%
Vehicle Use Tax	$34	$34	$0	0.0%
Inheritance Tax (gross)	$257	$272	($15)	-5.5%
Insurance Taxes & Fees	$314	$317	($3)	-0.9%
Corporate Franchise Tax & Fees	$186	$181	$5	2.8%
Interest on State Funds & Investments	$190	$153	$37	24.2%
Cook County Intergovernmental Transfer	$307	$350	($43)	-12.3%
Other Sources	$440	$441	($1)	-0.2%
Subtotal	**$22,887**	**$21,818**	**$1,069**	**4.9%**
Transfers				
Lottery	$620	$670	($50)	-7.5%
Riverboat Transfers & Receipts	$700	$689	$11	1.6%
Other	$841	$746	$95	12.7%
Total State Sources	**$25,048**	**$23,923**	**$1,125**	**4.7%**
Federal Sources	**$4,803**	**$4,725**	**$78**	**1.7%**
Total Federal & State Sources	**$29,851**	**$28,648**	**$1,203**	**4.2%**
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($998)	($933)	($65)	7.0%
Corporate Income Tax	($348)	($356)	$8	-2.2%
Subtotal General Funds	**$28,505**	**$27,359**	**$1,146**	**4.2%**
Short-Term Borrowing	$900	$1,000	($100)	-10.0%
Budget Stabilization Fund Transfer	$276	$276	$0	0.0%
Total General Funds	$29,681	$28,635	$1,046	3.7%
CGFA				

TABLE 4: FY 2007 CGFA/GOMB ESTIMATE COMPARISON

(millions)

Revenue Sources	CGFA FY 2007 Estimate March-07	GOMB FY 2007 Estimate March-07	$ Difference
State Taxes			
Personal Income Tax	$10,238	$10,117	$121
Corporate Income Tax	$1,987	$2,046	($59)
Sales Taxes	$7,315	$7,356	($41)
Public Utility (regular)	$1,114	$1,110	$4
Cigarette Tax	$350	$350	$0
Liquor Gallonage Taxes	$155	$153	$2
Vehicle Use Tax	$34	$35	($1)
Inheritance Tax (gross)	$257	$255	$2
Insurance Taxes & Fees	$314	$322	($8)
Corporate Franchise Tax & Fees	$186	$186	$0
Interest on State Funds & Investments	$190	$185	$5
Cook County Intergovernmental Transfer	$307	$307	$0
Other Sources	$440	$440	$0
Subtotal	**$22,887**	**$22,862**	**$25**
Transfers			
Lottery	$620	$631	($11)
Riverboat Transfers & Receipts	$700	$692	$8
Other	$841	$850	($9)
Total State Sources	**$25,048**	**$25,035**	**$13**
Federal Sources	**$4,803**	**$4,803**	**$0**
Total Federal & State Sources	**$29,851**	**$29,838**	**$13**
Nongeneral Funds Distribution:			
Refund Fund*			
Personal Income Tax	($998)	($987)	($11)
Corporate Income Tax	($348)	($358)	$10
Subtotal General Funds	**$28,505**	**$28,493**	**$12**
Change from Prior Year	**$1,146**	**$1,134**	**$12**
Percent Change	**4.2%**	**4.1%**	
Short-Term Borrowing	$900	$900	$0
Budget Stabilization Fund Transfer	$276	$276	$0
Total General Funds	**$29,681**	**$29,669**	**$12**
Change from Prior Year	$1,046	$1,034	
Percent Change	3.7%	3.6%	
CGFA			

U.S. ECONOMIC OUTLOOK FY 2008:
Continued Growth at a Modest Pace

The U.S. economy in FY 2008 is anticipated to continue to grow at a rate not significantly different from the prior year, although the pattern of growth is likely to show improvement as the year progresses. Even so, the economy is more fragile than in recent years, and subject to any policy mistakes and less resilient to any adverse outside events. Indeed, while the current Federal Reserve Chairman sees an end to the housing slump developing, no serious long-term deleterious effects from "subprime" lending, and continuing inflation moderation, the previous Chairman has expressed a different view. Ex-Chairman Alan Greenspan has been quoted saying that there is a one in three chance of an economic recession starting before the end of calendar 2007. This is a more negative view from that expressed by Global Insight, a service used by the Commission, which in March gave only a 20% chance that the economic recovery would experience a "hard landing", and several other analysts seeing chances of a recession at no more than one in four.

As shown in Chart 5, real or inflation-adjusted gross domestic product (GDP) is forecast at 2.7% in FY 2008, little changed from the 2.6% forecast for FY 2007, but well down from 3.4% in FY 2006, and 3.3% recorded in FY 2005. While the Commission slightly overestimated GDP growth for FY 2007 a year ago at 3.0%, once again the prospect for even somewhat slower growth than that currently forecast, while not dominant, remains a distinct possibility. Thus, caution should be taken when estimating the effects of the national economy on the State, and revenue estimates would do well to be made with a conservative bias in mind.

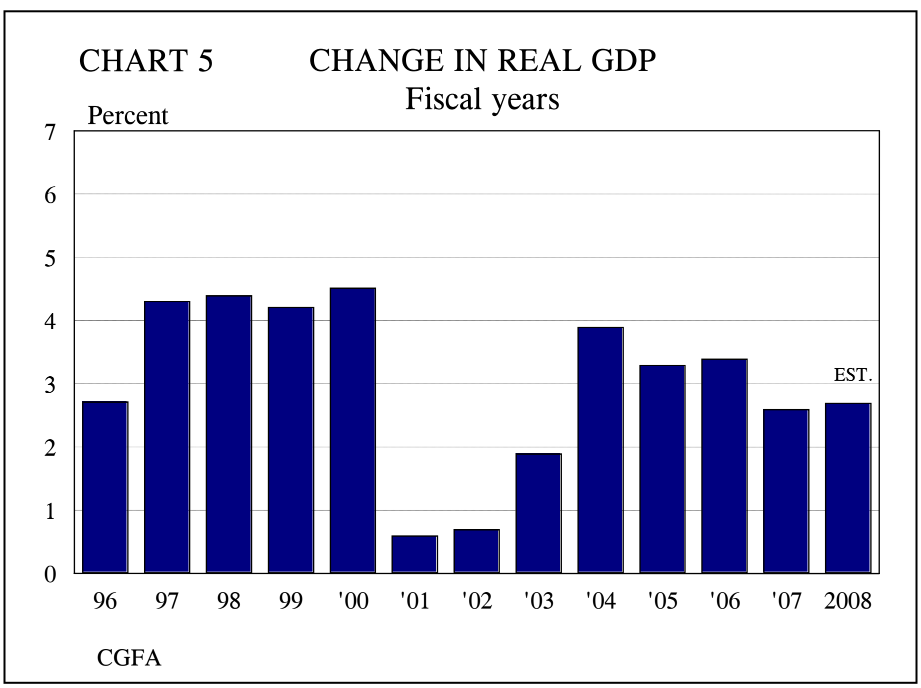


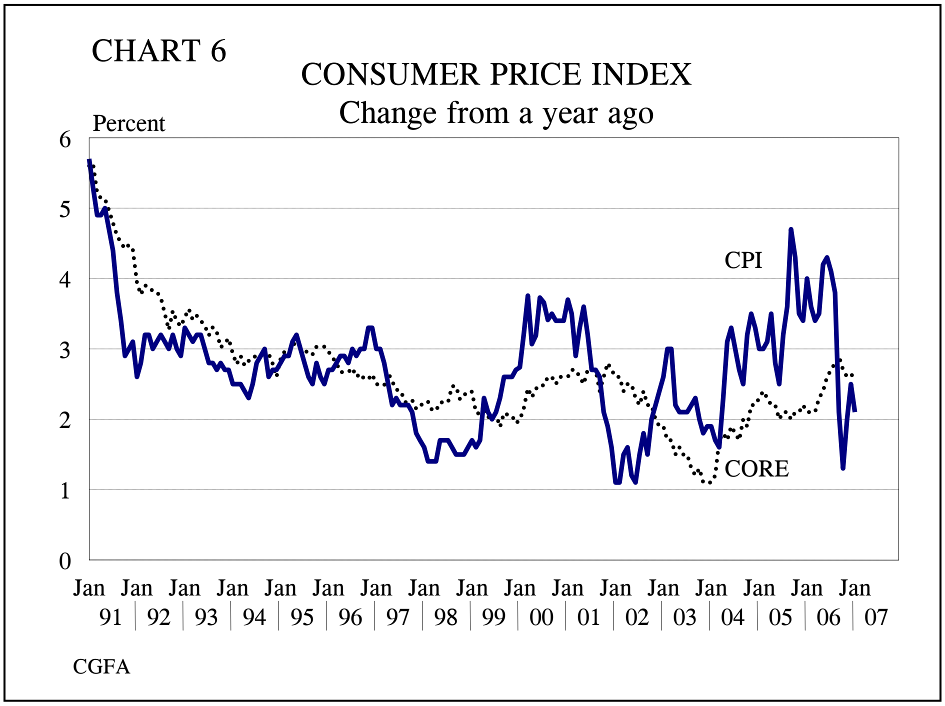
Table 5 provides a more detailed breakdown of the U.S. economic forecast for FY 2008 as projected by Global Insight. Personal consumption, the largest spending component of GDP, is expected to moderate, hampered in part by high-energy prices, lower home values, and continued weak auto and household durable goods sales. The forecast rate of gain in consumer spending in current dollars next year is anticipated to drop to 4.7% in FY 2008, from 5.3% in FY 2007, and well below the of 6% to 6 1/2% range in each of the previous three years.

TABLE 5: ECONOMIC FORECASTS –March 2007
($ Change from prior year levels)

REAL (2000 $)	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual r	FY 2007 Est.	FY 2008 Est.
Gross Domestic Product	1.9	3.9	3.3	3.4	2.6	2.7
Personal Consumption	2.4	3.7	3.7	3.3	3.2	2.9
Durable	4.9	7.7	5.5	5.0	4.7	2.7
Nondurable	2.3	4.0	3.9	4.3	3.3	3.1
Services	1.8	2.7	3.2	2.4	2.8	2.9
Fixed Investment	1.6	8.3	7.2	5.5	-1.6	0.1
Exports	0.5	3.3	8.5	7.4	8.6	9.8
Imports	6.5	9.7	7.4	6.3	2.2	4.0
Government	3.6	2.3	1.1	1.6	2.3	2.4
Federal	7.1	7.0	2.8	2.0	1.4	3.7
State & Local	1.6	0.3	0.4	1.1	2.5	2.0
OTHER MEASURES						
Personal Income (Current $)	2.1	4.9	6.2	5.6	5.7	5.5
Personal Consumption (Current $)	4.3	5.9	6.5	6.5	5.3	4.7
Before Tax Profits (Current $)	16.6	18.8	13.9	15.2	13.6	3.8
Consumer Prices	2.2	2.2	3.0	3.8	2.3	1.9
Unemployment Rate (Average)	5.9	5.8	5.3	4.8	4.7	4.9

Real fixed investment spending is expected to be essentially flat in FY 2008 following a 1.6% decline in FY 2007. The bulk of the decline has been in residential construction due to the continuing sharp falloff in the housing market. At the same time, non-residential investment, or business spending has weakened. Even as housing reaches a bottom in FY 2007, reducing its negative impact on growth, business spending is likely to weaken further as gains in corporate profits fall sharply in FY 2008.

A bright spot continues to be the trade sector. While deepening trade deficits have been a major factor in reducing the international value of the dollar, a weakening in the dollar also has improved the U.S. competitive position. U.S. exports are anticipated to expand at an inflation-adjusted 9.8% in FY 2008, up from 8.5% in FY 2007 and substantially higher than in earlier years. At the same time, imports could creep up, rising at a 4% rate from 2.2% in FY 2007, as energy prices remain high. Even so, this would be significantly below the gains recorded since the last recession.

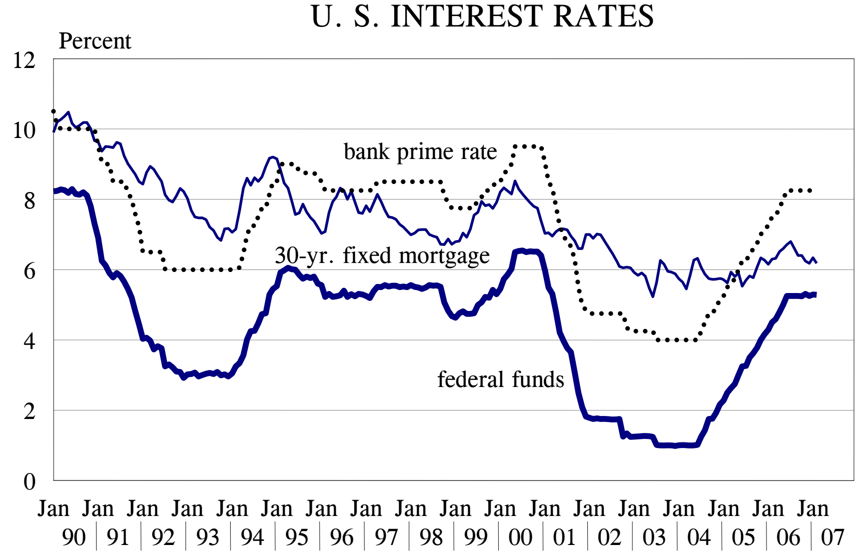


As shown in Chart 6, consumer price increases have come down substantially in recent months. In January 2007, overall consumer prices were 2.1% higher, reflecting substantial improvement from a year earlier. The sharp drop in the rate of price increases was largely due to declining energy prices early in the year. In contrast, the core rate, excluding the volatile food and energy sectors, was up 2.7% over a year earlier, well above the Federal Reserve's desired rate of no more than 2%. Moreover, there has been recent renewed upward pressure on energy prices, with oil again over $60 a barrel.

In response to continued economic growth and as a preemptive inflation measure, the Federal Reserve progressively removed the monetary stimulus it had been providing. As illustrated in Chart 7, on the following page, key monetary policy rates were increased seventeen times from the summer of 2004 until August of 2006, with the key overnight federal funds rate rising to 5 1/4% from a low of 1%. In response, the bank prime lending rate, or best rate to business, increased from 4% to 8 1/2%. The rise in interest rates dampened demand, leading to a prolonged period of slowing growth and resulting in expectations for inflation to moderate further in the months ahead. Should this occur, the Federal Reserve is likely to reverse course and modestly lower key interest rates to stimulate demand.

CHART 7

U. S. INTEREST RATES



CGFA

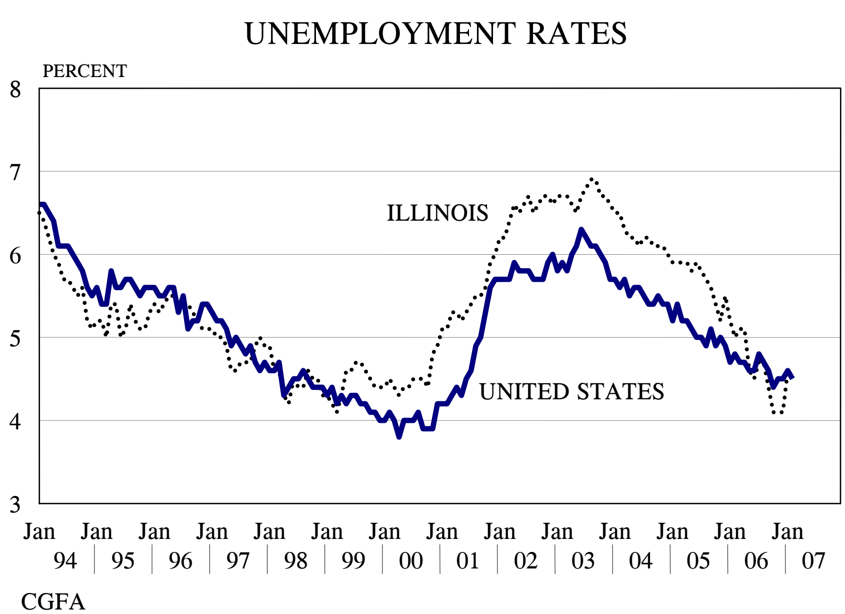
CGFA's forecast for FY 2008 is for continued economic growth, at a modest 2.7% pace, about the same as the 2.6% estimated for FY 2007 but down sharply from 3.4% in FY 2006 and 3.3% in 2005. A maturing economic expansion, only a modest improvement in housing following a long period of hemorrhaging housing activity and softening values, and weakening business spending will all be factors depressing faster growth. Even so, improvement should occur as the year progresses and such a mid-course correction could set the stage for continued economic expansion.

ILLINOIS ECONOMIC OUTLOOK FY 2008

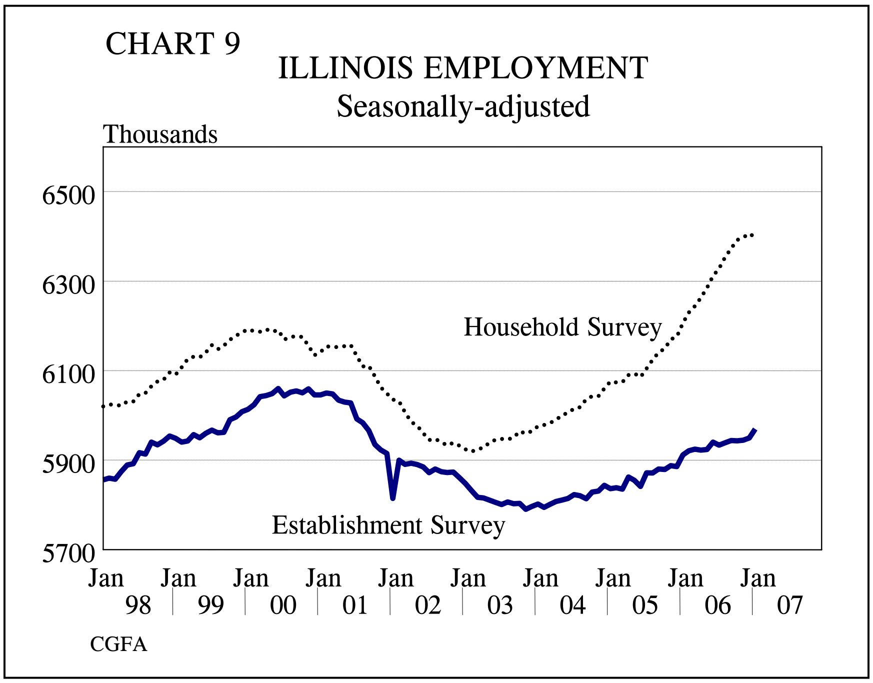
The Illinois economy, like the nation, is anticipated to stay on track in FY 2008 despite the recent lull in activity. The economic outlook for Illinois, while closely tied to that of the nation as a whole, is expected to improve further but, according to a study prepared specifically for the Commission by Moody's/Economy.com, "is not expected to rebound as strongly as the U.S. economy due primarily to its industrial composition." There has been a tendency for economic performance in the State to lag the national trend. Thus, even as the national economy slowed in the first half of FY 2007, Illinois revenues from economically sensitive sources outpaced expectations. This lagging phenomenon perhaps can be illustrated by the recent performance of unemployment rates.

As shown in Chart 8, even as declines in the national unemployment rate ceased and leveled out in 2006, Illinois' rate continued to decline, falling a full percent from 5.1% in March and April 2006 to 4.1% in October through year-end 2006. Illinois' unemployment rate was lower than that of the nation, which was in sharp contrast to the years 1999 through 2005 when the State unemployment rate consistently held above the national rate. (The more recent experience, however, was not without precedent as Illinois had maintained a lower-than-national rate in the mid to late 1990s.) In January 2007, the Illinois unemployment rate finally moved up, jumping to 4.6%, matching the national rate that month. In February 2007, the national unemployment rate edged down to 4.5%.

CHART 8

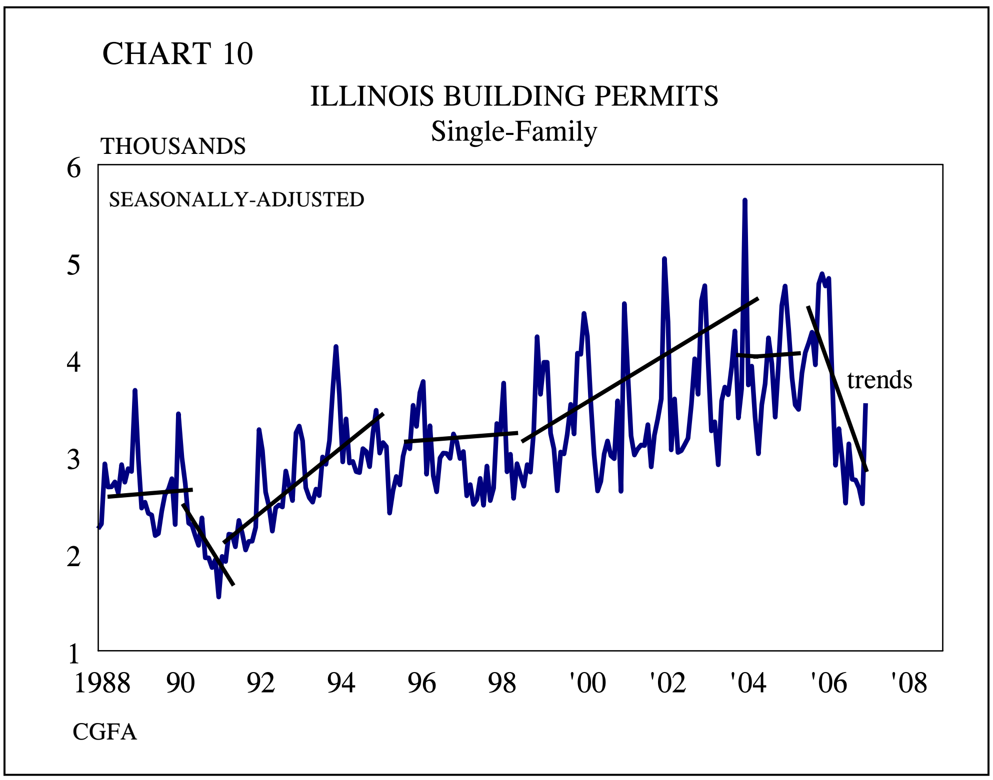


In early March 2007, new benchmark data on State labor force, employment, and unemployment for the years 2000-2006 were released by the Illinois Department of Employment Security. As shown in Chart 9, data now show that the State has made substantial gains in new jobs as measured by the household survey and is well above its pre-recession peak of employment. (It should be pointed out, however, that the nation as measured by this series surpassed its pre-recession peak in 2004). When measured by the more comprehensive nonfarm payroll series, however, it shows the State has a long way to go before it regains the jobs lost during the past recession. (The national data show the U.S. reached its pre-recession peak of employment by the payroll series in early 2005.) According to the Moody's report prepared for the Commission, "*Employment (in Illinois) will not return to its pre-recession peak until late 2008.*"



The slower pace of employment gains in conjunction with a slowing in the pace of economic advance will moderate gains in consumer spending, which generally account for about two-thirds of total spending. Citing the February 2007 Global Insight update on Illinois' economy, Illinois wage and salary gains are expected to moderate from a gain of 5.3% in FY 2007 to 4.8% in FY 2008. Slower income gains will be translated into more moderate increases in State retail sales.

Consumer spending had been held up in part due to consumers using part of their appreciation in home equity values. This perceived wealth factor has been greatly diminished. While Illinois had not seen the huge increases in home prices some parts of the country have seen, gains still had been sizeable. However, home sales have been declining and the median home price in the State in January 2007 was unchanged from a year ago at $200,000. Moreover, as shown in Chart 10, building permits, a precursor to new housing starts, is currently still in a steep downward trend suggesting a bottom has yet to be reached. (The latest month plotted was January 2007 and undoubtedly reflected the unseasonably warm weather and is likely to fall sharply again when February data are released.) While housing activity is likely to bottom out sometime during FY 2008, the recovery in activity is likely to be restrained.

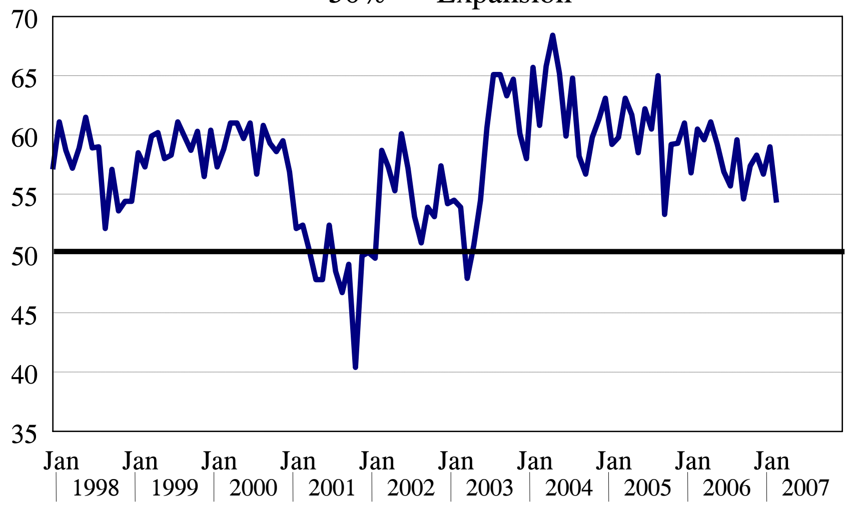


With housing contracting and consumer spending less stimulative, attention turned to business spending. Despite soaring corporate profits, record stock prices and tightening capacity, gains in business spending have been disappointing. The manufacturing sector, as already mentioned, has been hardest hit with both the national and Chicago area fluctuating in and out of a contraction phase. A larger and growing portion of the economy, however, is composed of the service sector. Chart 11 depicts a similar index for the non-manufacturing sector of the economy. This shows continued expansion (above 50% of the companies) since early 2003. Even so, the index number recently has weakened. Thus, with the expected pace of economic activity below trend and corporate profits gains slashed in FY 2008, business spending is unlikely to contribute much to overall spending gains.

CHART 11

NON-MANUFACTURING INDEX

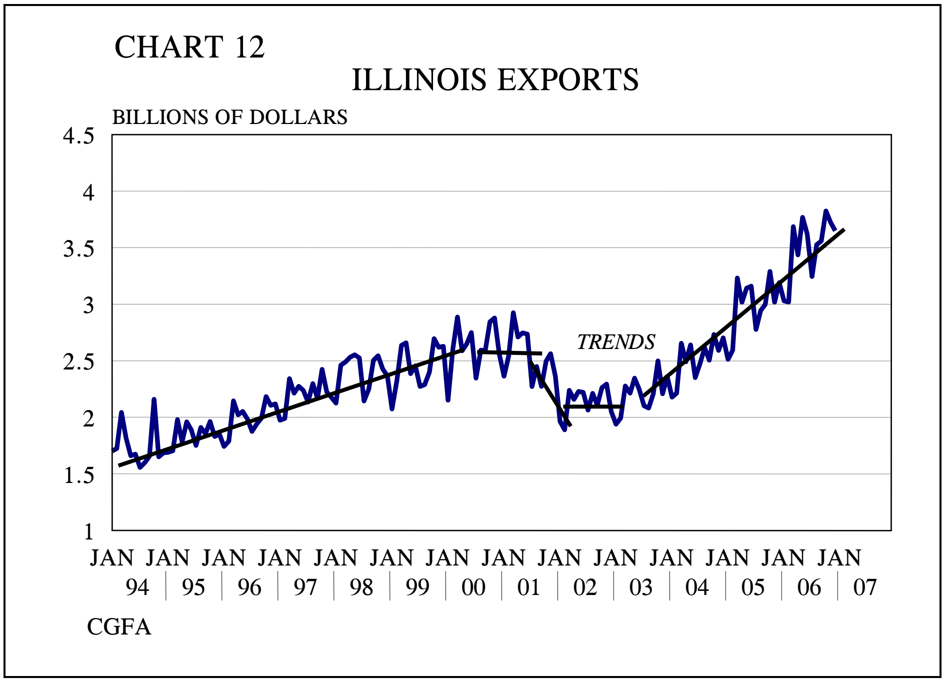
50% = Expansion



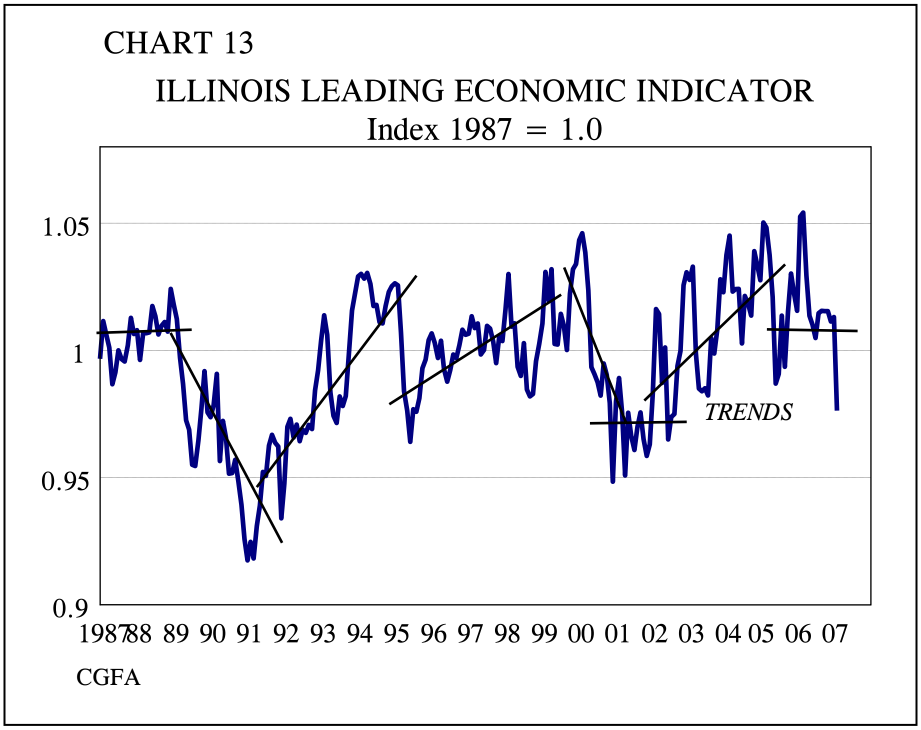
CGFA

Source: Institute for Supply Management

In contrast to housing and business spending, Illinois exports have been on a sharp rising trend since 2003 as shown in Chart 12. Indeed, as pointed out in a recent study done for the Commission, Illinois ranks fifth in overall exports. Exports account for a growing share of gross output and nearly one-half of its manufacturing output.



Finally, as shown in Chart 13, the Illinois Leading Economic Indicator, which is based upon measures of employment such as hours worked in manufacturing, new single-family building permits, and surveys of manufactures' expectations, have leveled off in recent months after having been on an upward course for over three years. The last month showed a sharp drop and future moves should be watched to see if this is an outlier or an early signal of something more ominous. For now, the current leveling in the indicator should not be seen as an indication of an impending downturn as of yet. Instead, the recent experience is reminiscent of the latter half of the 1990s, when the economy continued to expand for a number of years, and not the sharp downturns in the indicator that occurred prior to the last two recessions in 1990-1991 and 2000-2001.



In conclusion, the U.S. economy is expected to rise by 2.7% in real terms in FY 2008, about unchanged from the 2.6% rate in FY 2007 but well below rates of 3.3% and 3.4% in FY 2005 and FY 2006, respectively. While the growth rates this year and next are similar, the pattern is likely to be reversed, this time gaining momentum as next year progresses. Similarly, Illinois' economy is anticipated to continue to mirror the national economy. According to the latest Global Insight State Forecast, real Gross State Product for Illinois is anticipated to rise by 2.8% in FY 2008. (Even so, like the national numbers, which were based on more complete data and later lowered, the same could hold true for the Illinois forecast.)

FY 2008 GENERAL FUNDS ESTIMATE

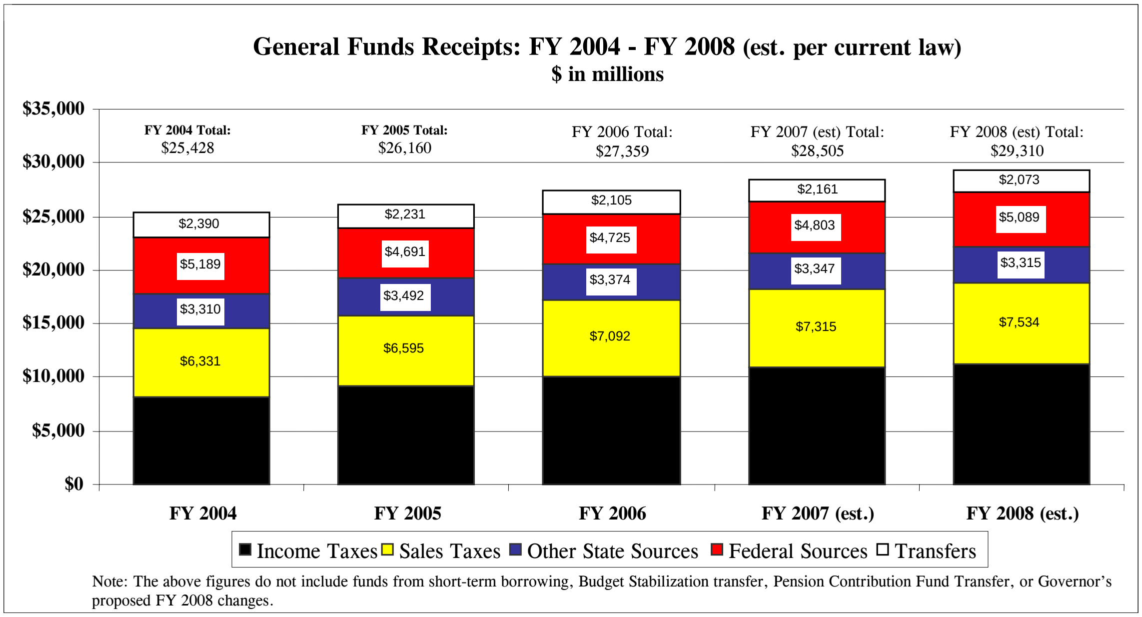


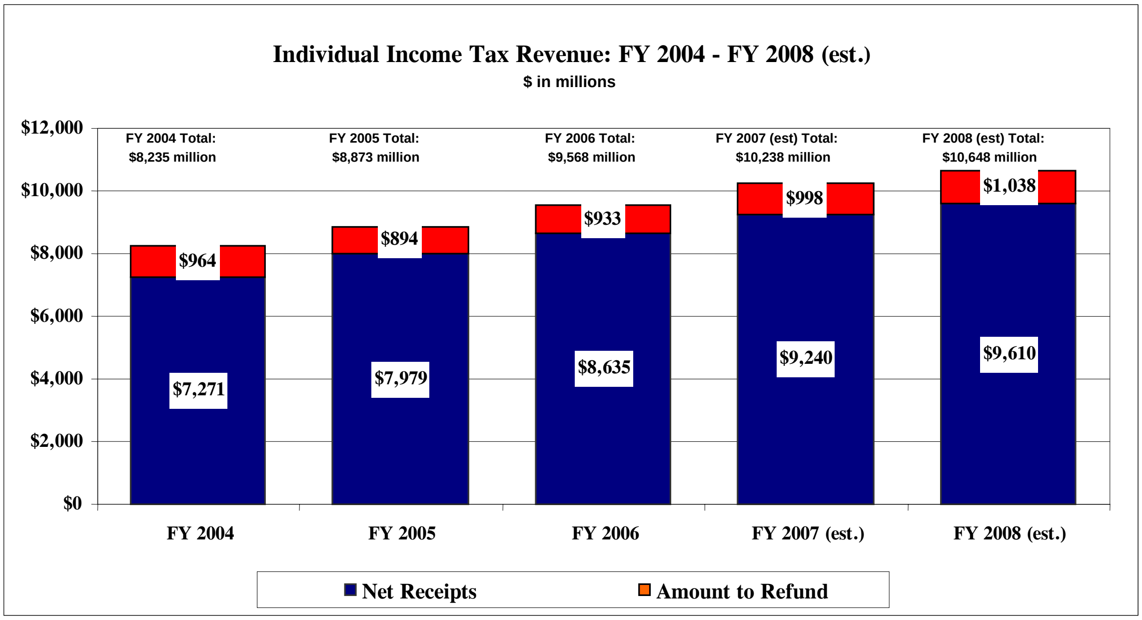
Table 6 on page 43, details the Commission's revenue estimate of the upcoming fiscal year. As shown, general funds are estimated to be $29.310 billion, or $805 million more than FY 2007. While the economy is expected to slow somewhat, the economic related sources are still expected to contribute modest rates of growth in FY 2008, a few areas are expected to subtract from those gains. For example:

- The continued reduction in IGT revenue reduces receipts by $20 million.
- Other transfers are expected to fall $78 million, primarily due to approximately $110 million less in transfers from chargebacks and funds sweeps (per GOMB).
- The hold harmless provision of the riverboat gaming tax expires and as a result, year over year growth is expected to fall $30 million.

While the Governor has proposed changes that would equate into an additional $2.186 billion in revenues over current law, those specific items are not included in the CGFA forecast. A summary of revenue related budget highlights can be found on page 44.

The following provides background information on each major source and the FY 2008 forecast.

PERSONAL INCOME TAX



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.

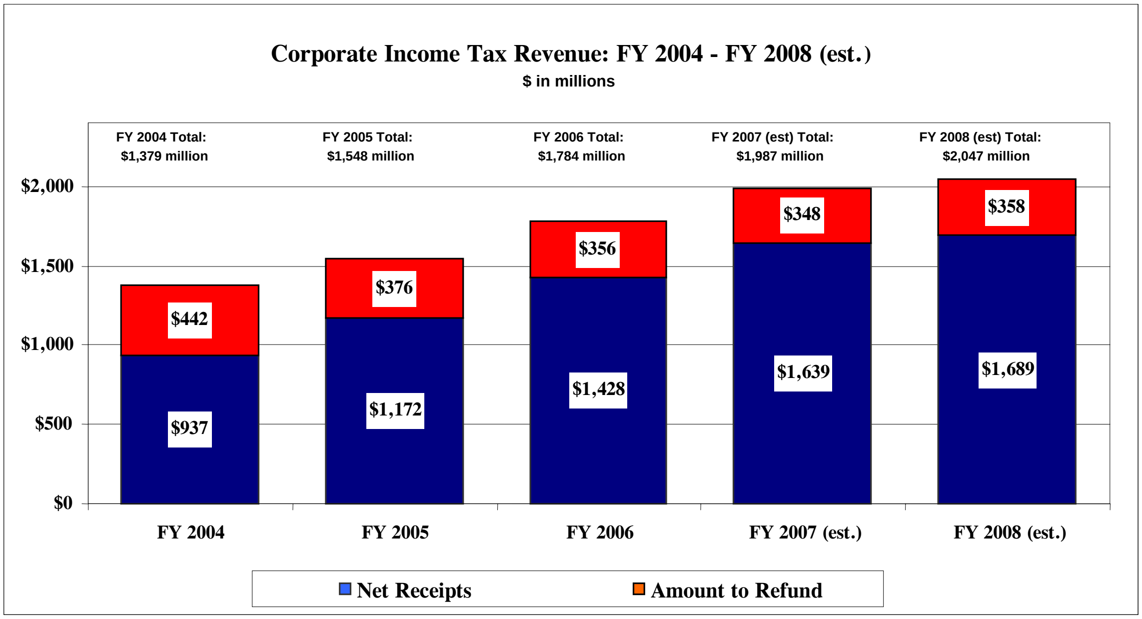
Since tax year 2000, each taxpayer is permitted a $2,000 standard exemption plus an additional $2,000 for a spouse and each dependent. An additional exemption of $1,000 is available to taxpayers and their spouses who are blind or 65 years of age or older. In addition to the personal exemptions, there 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.

A percentage (9.75% in FY 2007) of gross personal income tax receipts are deposited into the Income Tax Refund Fund, with 7.3% of that net amount going to the Education Assistance Fund (EAF). The remainder goes to the General Revenue Fund. The EAF is considered to be part of general funds and, accordingly, receipts going to the EAF are shown as general funds receipts.

According to statute, at the beginning of each fiscal year the Department of Revenue should determine the refund percentage for the new fiscal year based on actual refund activity and unpaid refund backlog. However, in most recent years, that refund percentage has been set in the budget implementation language. In FY 2008, the estimate is based on the current refund percentage of 9.75% [the Budget Book also assumed the same percentage]. Any change in that percentage also will affect net personal income tax receipts.

The FY 2008 estimate of gross personal income tax receipts is $10.648 billion, an increase of $410 million or 4.0% over projected FY 2007 receipts. On a net of refund basis, receipts are estimated to increase by $370 million or 4.0%.

CORPORATE INCOME TAX



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.

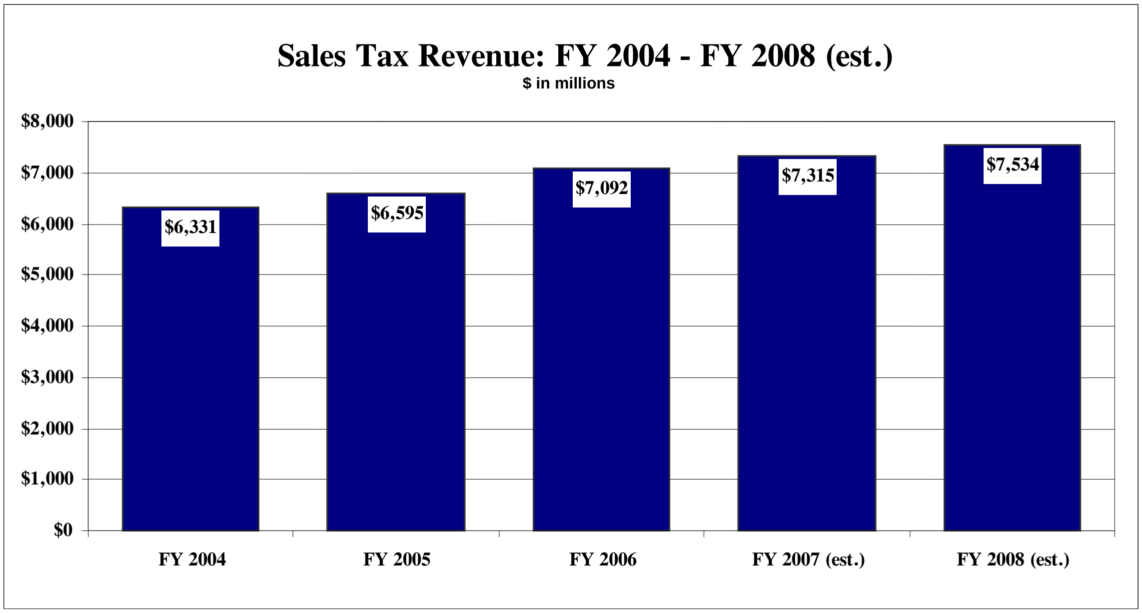
After a phased-in transition to a single-factor sales formula apportionment of business income, sales in Illinois are the only determinant of how much of a multistate firm's income is taxed.

Historically, corporate income tax has proven much more volatile than personal income tax revenue. Carry forward (and until recently carry backward) provisions as well as other recent tax changes contribute to that volatility.

Like the personal income tax, corporate income tax receipts are deposited into the Income Tax Refund Fund and the Education Assistance Fund (7.3% net of refunds), with the remainder going to the General Revenue Fund. According to the FY 2008 Budget Book, that percentage is proposed to again be 17.5%. Any change in that percentage will also affect net corporate income tax receipts.

The FY 2008 estimate of gross corporate income tax revenue is $2.047 billion. This represents a $60 million or 3.0% increase over the FY 2007. Based on the current refund percentage of 17.5%, on a net of refund basis, receipts are estimated to increase by $50 million or 3.1%.

SALES TAX



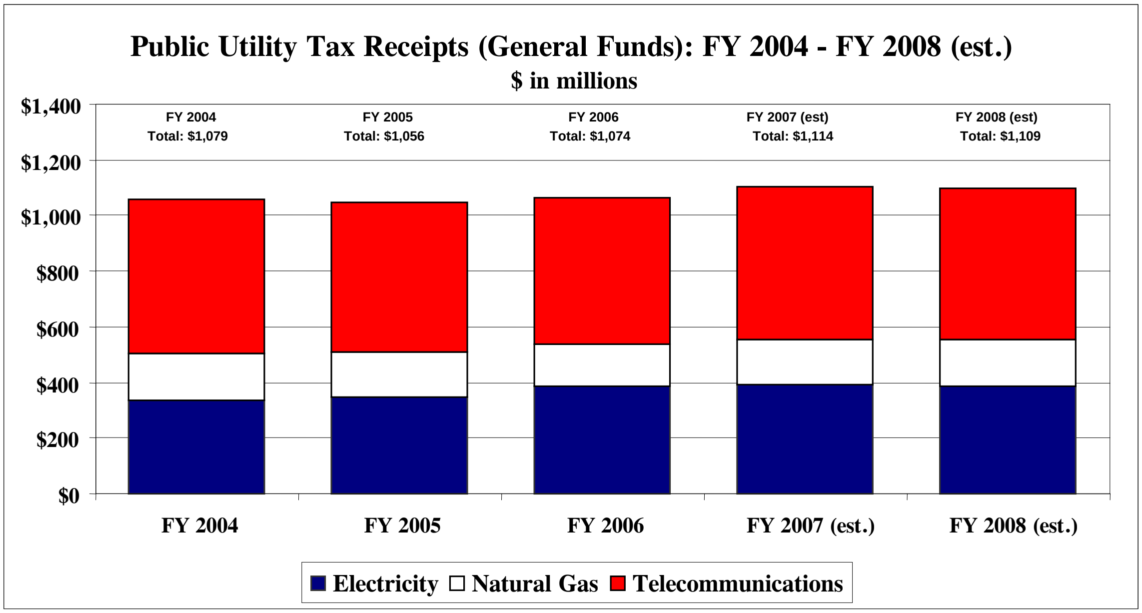
The sales tax rivals the personal income tax as one of the largest general funds sources, generating approximately 25% of total general funds revenue. The sales tax is composed of four individual taxes including the retailers' occupation tax, the use tax, the service occupation tax, and the service use 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 $7.534 billion in FY 2008. This represents overall growth of $219 million or 3.0%.

PUBLIC UTILITY TAXES



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. Public utilities are the fourth largest general funds revenue source, generating approximately 4.0% of all general funds revenue.

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.

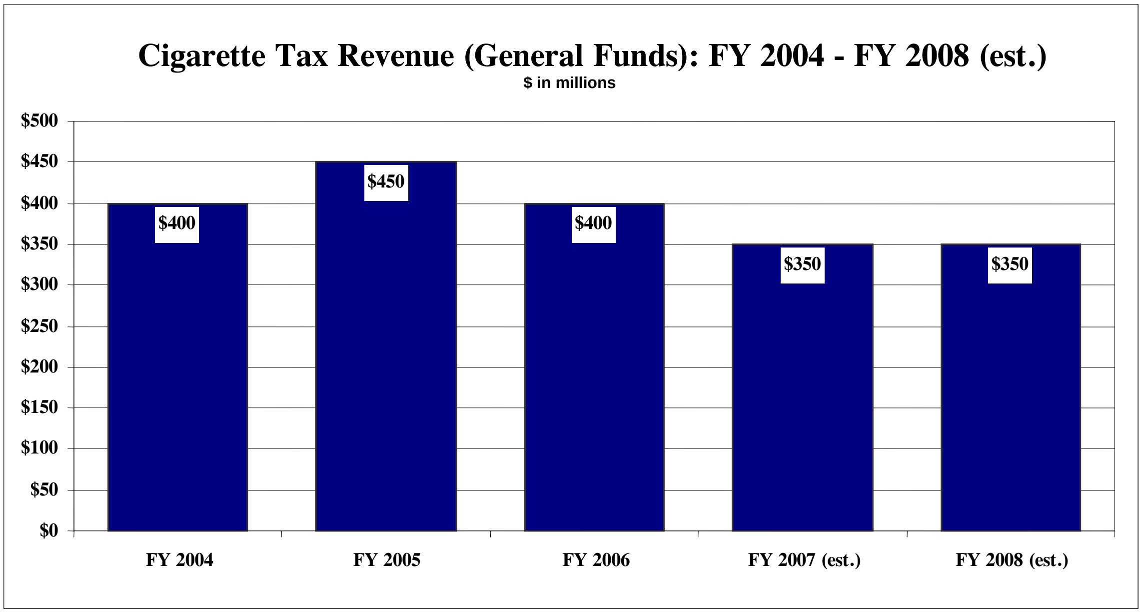
The natural gas revenue tax is imposed on utilities distributing natural gas in Illinois. The rate and base of the natural gas revenue tax is the lesser of 2.4 cents per therm of all gas sold to each customer or 5.0% of the gross receipts received from each customer. A new tax on purchases of out-of–state natural gas was enacted in FY 2004.

Since August 1, 1998, the rate and base of the public utility 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.

The FY 2008 estimate of public utility tax receipts is $1.109 billion, which represents a $5 million or 0.4% decline from the previous year and reflects modest declines in telecommunications and electricity taxes.

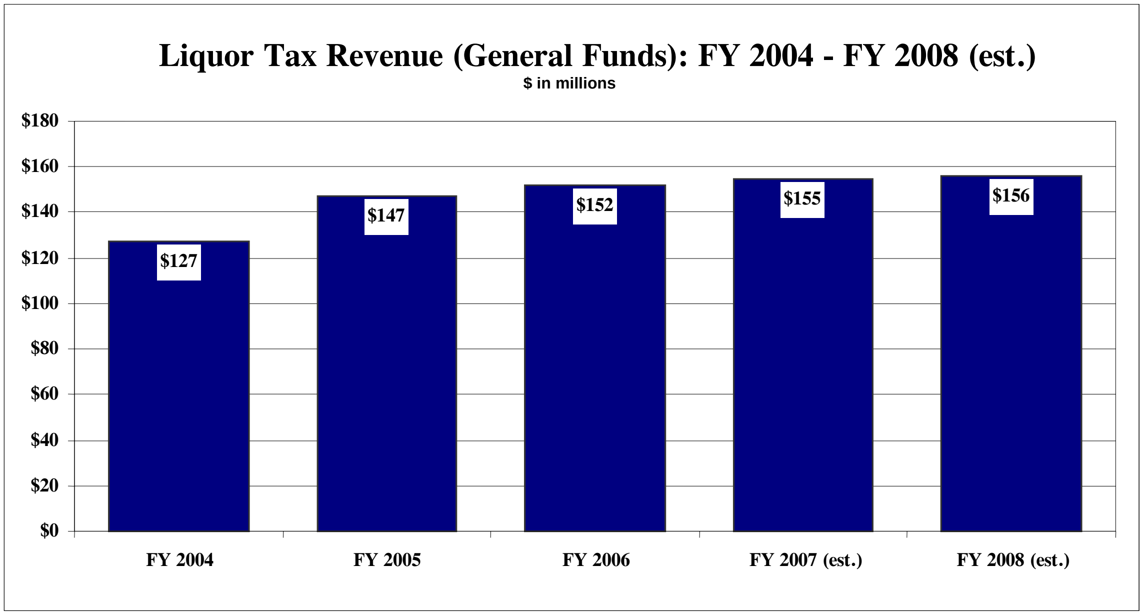
CIGARETTE TAXES



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 98 cents per pack of 20 cigarettes.

The FY 2008 estimate of general funds cigarette tax receipts again assumes $350 million.

LIQUOR GALLONAGE TAXES

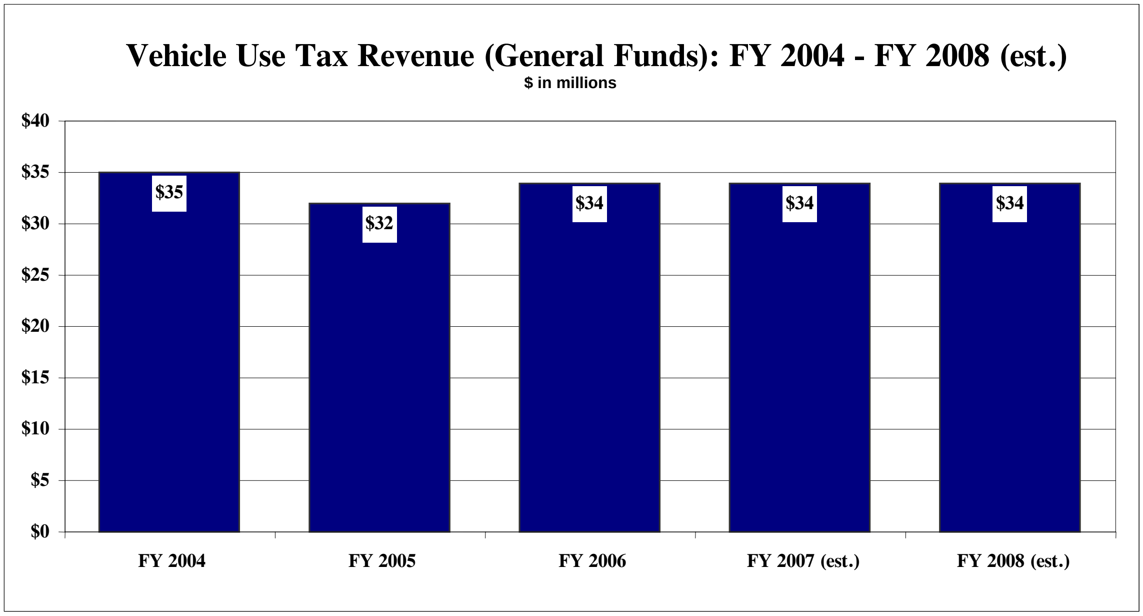


Illinois imposes a tax on the privilege of manufacturing or distributing alcoholic beverages in the State, measured by the number of gallons produced or distributed. The rates vary based on the type of alcohol. The tax per gallon of beer is 18.5 cents, wine and other fortified beverages with less than 20% alcohol is 73 cents, and on distilled liquor $4.50.

The significant increase in FY 2005 stems from a court case that resulted in some of the liquor tax no longer being protested.

The FY 2008 estimate of liquor gallonage taxes is $156 million, reflecting a $1 million increase from the prior fiscal year.

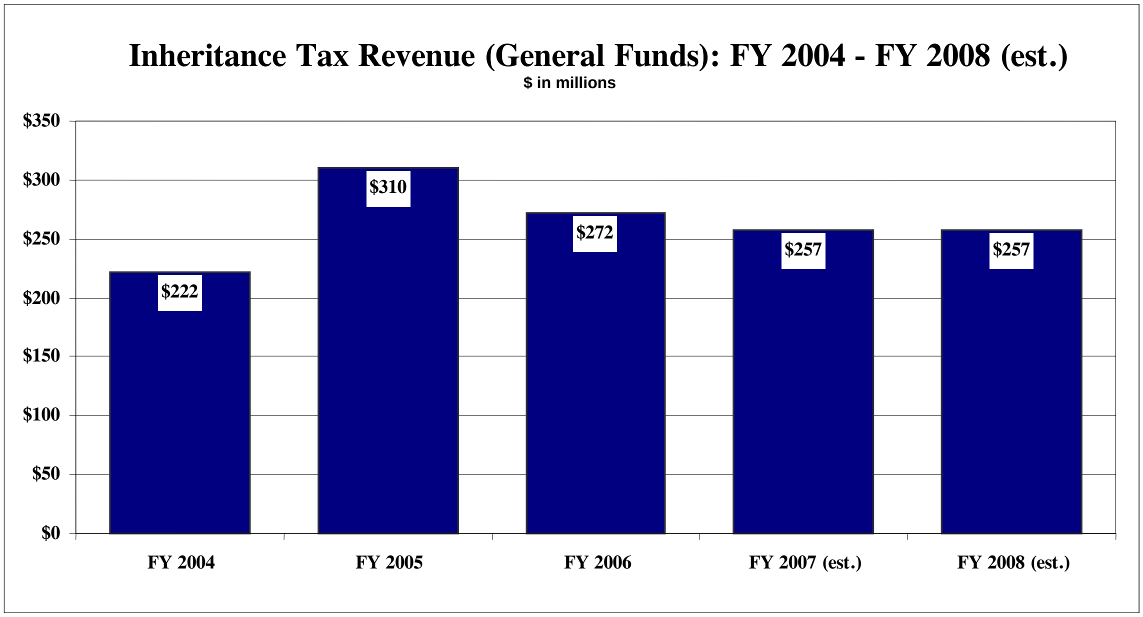
VEHICLE USE TAX



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 2008 general funds estimate for vehicle use tax is $34 million. Receipts from this source tend to have little fluctuation.

INHERITANCE TAX

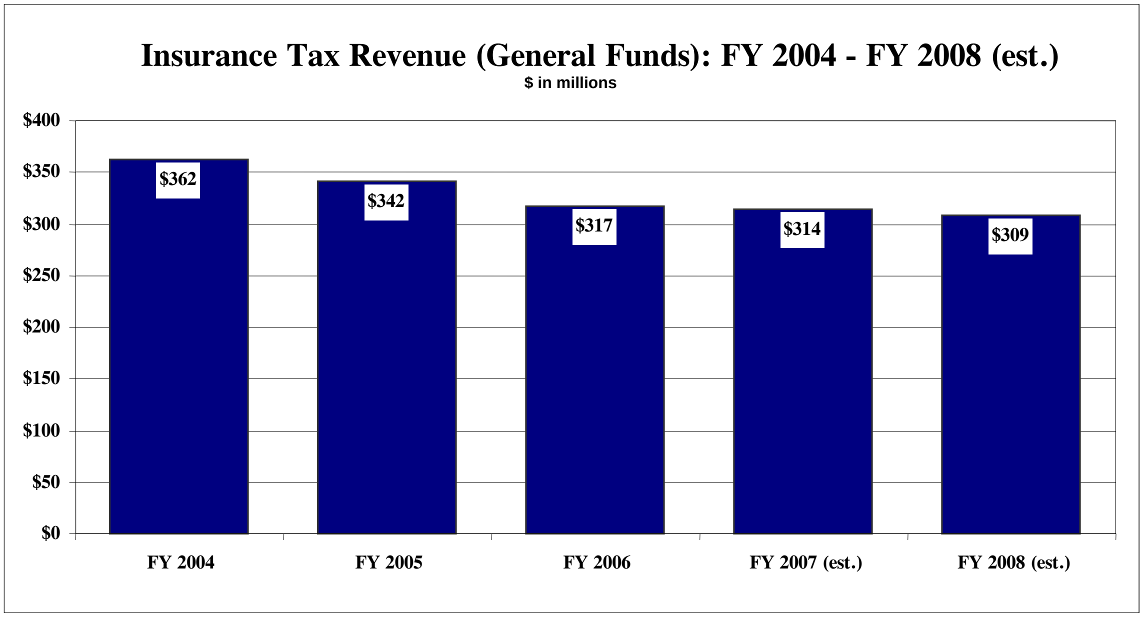


The State of Illinois currently administers an estate tax and a generation-skipping transfer tax. The Illinois estate tax is imposed on a decedent's estate prior to its distribution. The State generation-skipping transfer tax is imposed on bequests in which the transferor is two or more generations removed 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 repealed federal estate and gift taxes over a ten-year period, and increased the unified credit associated with a decedent's estate, and it reduced the state death credit by 25% per calendar year until completely eliminated in 2005. The federal estate tax repeal ultimately would have eliminated Illinois' estate tax revenue due to the nature of the pick-up taxes. However, P.A. 93-0030 effectively decoupled the State from most of those federal provisions, thus allowing the State to retain its share of revenues.

The FY 2008 estimate of inheritance tax is $257 million, reflecting no change from the prior fiscal year.

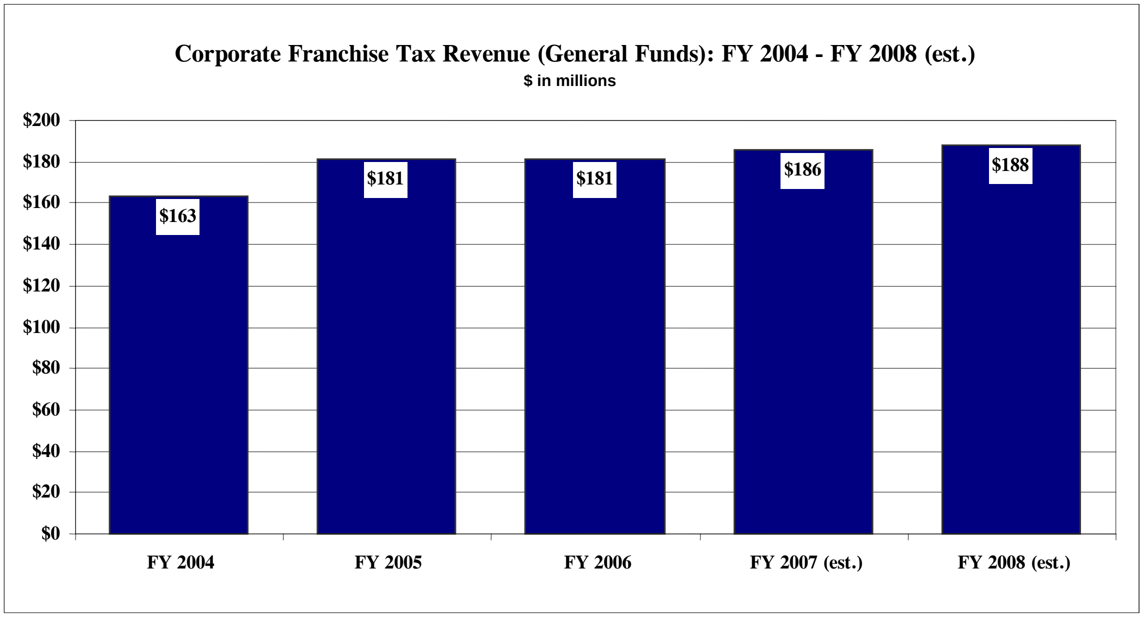
INSURANCE TAXES AND FEES



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 2008 general funds estimate of insurance taxes and fees is $309 million and reflects a modest $5 million decline from the prior year.

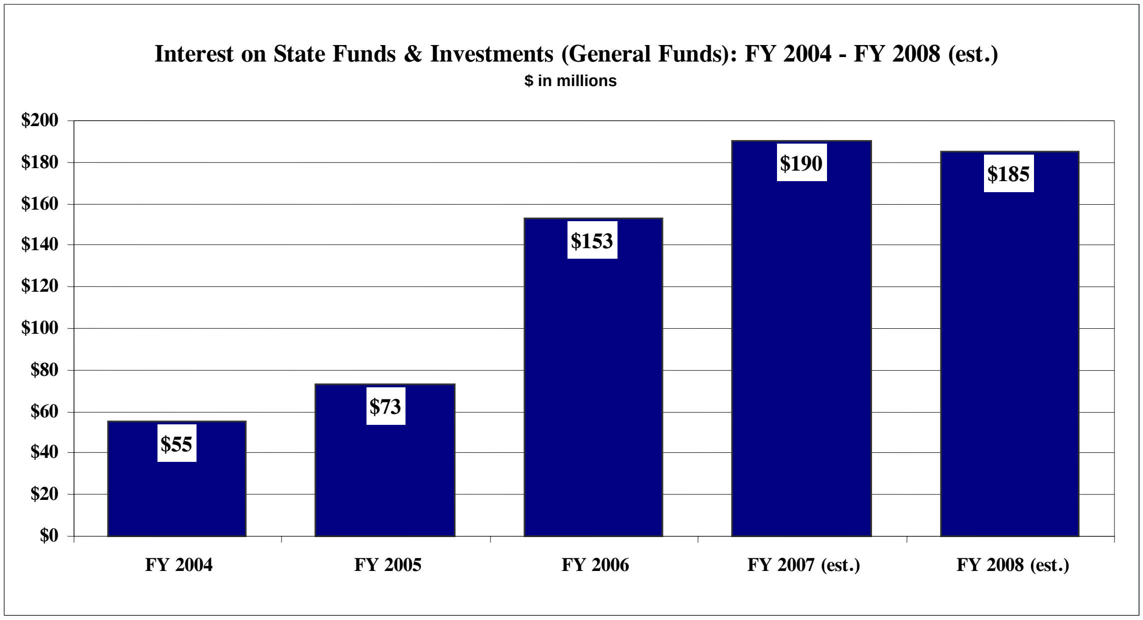
CORPORATE FRANCHISE TAXES AND FEES



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 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 2008 estimate of corporate franchise taxes is $188 million, a $2 million or 1.1% increase over the forecast in FY 2007.

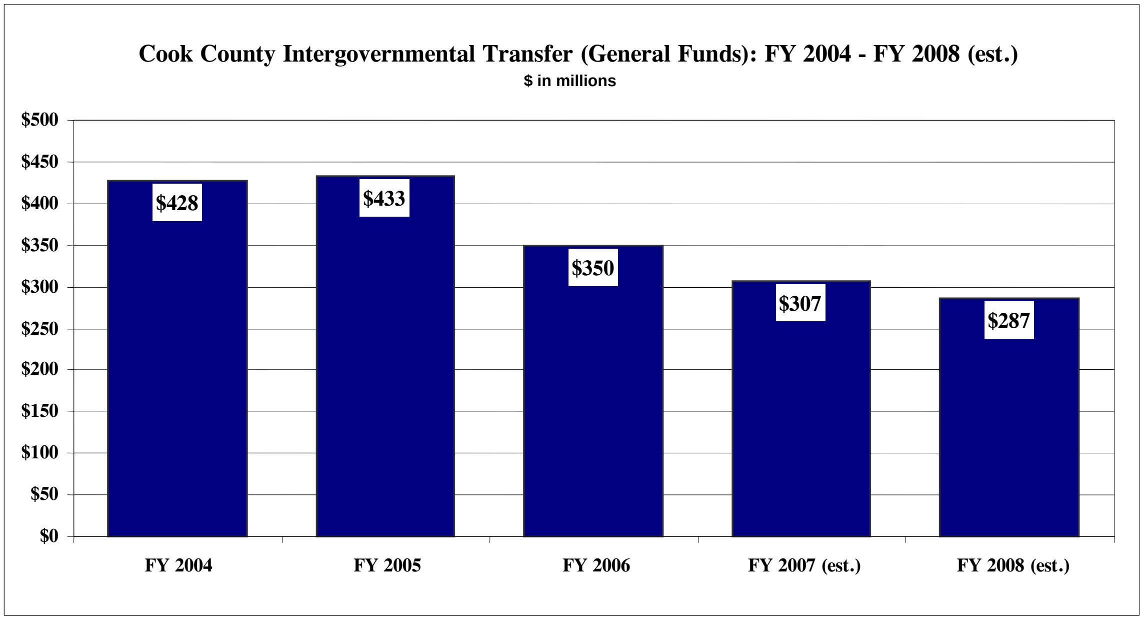
INTEREST



Interest income is earned on the investable balances of various state funds. Interest income is apportioned between the funds based upon each fund's pro ration of the total balance of all invested funds, or by specific statutory direction. The general funds receive the largest share of investment income.

Rates have likely peaked and possibly could decline sometime later in FY 2008. As a result, a decline of $5 million is anticipated for FY 2008.

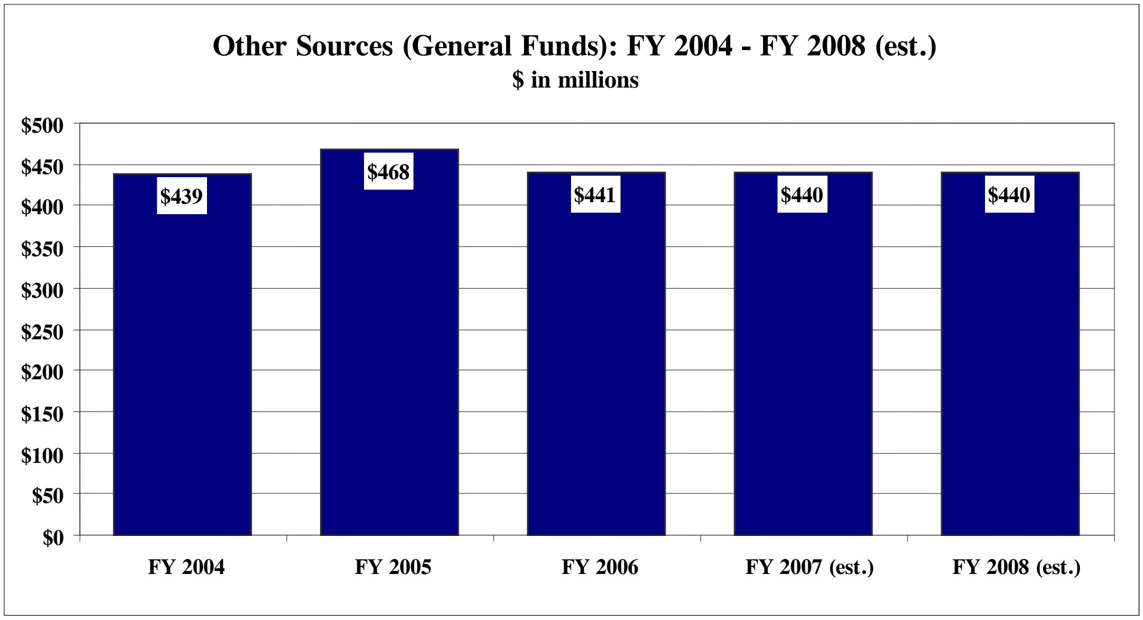
COOK COUNTY INTERGOVERNMENTAL TRANSFER (IGT)



The Cook County Intergovernmental transfer (IGT) has allowed the State to capture additional federal monies via a hyper-payment mechanism that basically allowed higher than cost payments to government hospitals, and culminated in a secondary transfer back to the State's general fund. However, the federal government is phasing out the practice of allowing these hyper-payments. As a result, the transfer that the State can expect to receive from the IGT has been eroding since FY 2006.

The IGT is expected to fall $20 million to $287 million in FY 2008.

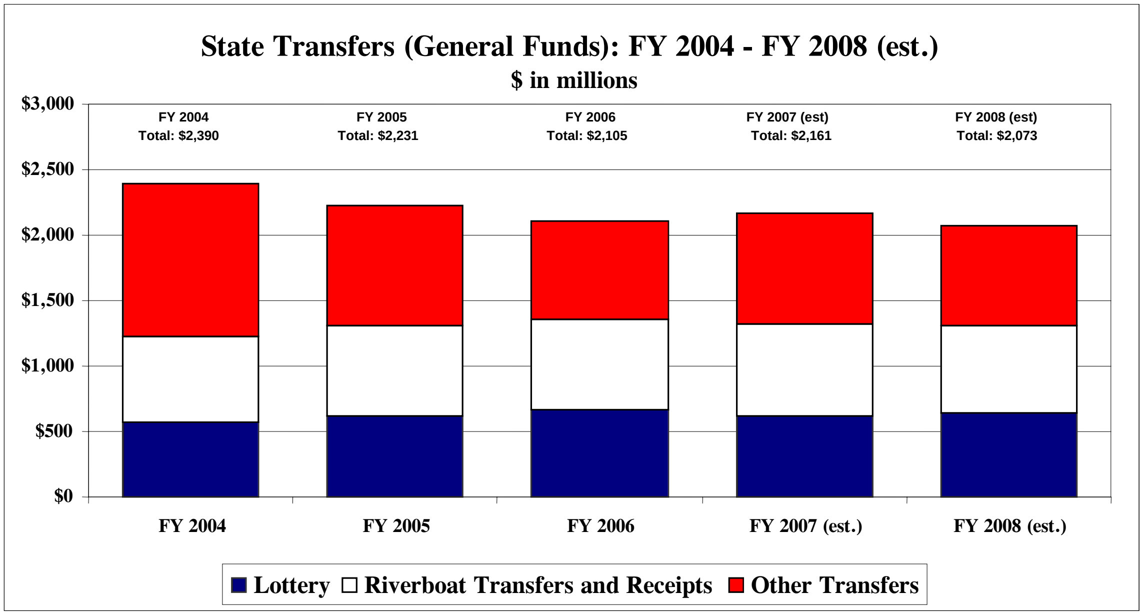
OTHER SOURCES



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. A number of the new and/or increased fees imposed in recent years are directly receipted in this source i.e. commercial distribution fee ("trucker fee"). In addition, in some years other sources also receive monies in the form of a transfer from the Build Illinois general reserve account. This transfer takes place at the discretion of the Governor between June 15th – 30th of any fiscal year.

The FY 2008 estimate of other sources to the general funds is $440 million and reflects no change from the previous fiscal year.

TRANSFERS TO THE GENERAL FUNDS



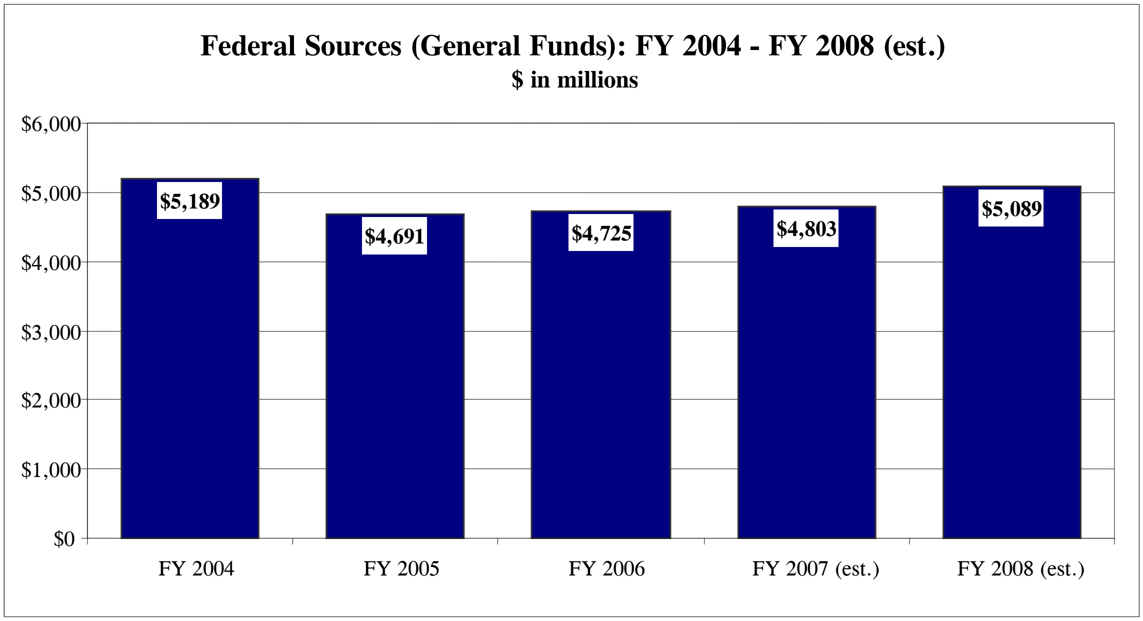
Transfers to the general funds are monies that are deposited in other State funds that are subsequently transferred into one of the four general funds. Included are transfers from the Lottery Fund to the Common School Fund as well as transfers from the State Gaming Fund to the Education Assistance Fund. [For ease of presentation, direct receipts to the general funds related to riverboat gaming are included under this source.] Due to the size of those transfers, they are itemized separately.

<u>Lottery</u>. ***The estimate of Lottery transfers for FY 2008 is $640 million and reflects $20 million in growth from the prior fiscal year. The lack of rollovers has hindered this year's performance. It is anticipated that next year will produce more rollovers.***

<u>Riverboat Transfers & Receipts</u>. 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 2008 estimate of gaming transfers is $670 million, which represents a decline of $30 million from FY 2007. Under P.A. 94-0673, a "hold harmless" provision was enacted at the same time lower graduated tax rates were instituted. That "hold harmless" provision expires at the end of FY 2007. As a result, absent a considerable increase in performance, it is expected that riverboat transfers will decline next year.***

<u>Other transfers</u>. ***In FY 2008, transfers to the general funds from sources other than the Lottery and the Gaming Fund are expected to be $763 million, a $78 million drop from the prior fiscal year, reflecting lower anticipated regular fund sweeps, chargebacks, and other miscellaneous transfers.***

FEDERAL SOURCES



Federal source receipts to the general funds primarily consist of Medicaid reimbursements, the Social Services Block Grant, TANF monies, Child Care Block Grant, and other miscellaneous items.

Per the Governor's proposed budget request, the FY 2008 estimate of total federal source receipts to the general funds is $5.089 billion, which is $286 million more than the FY 2007 forecast. Federal source receipts are largely based on appropriation levels and subsequent spending activity. As a result, the estimate could change once appropriation levels have been established.

In conclusion, the base growth projections for most of the major tax sources are anticipated to post ordinary gains. Even those modest gains will be somewhat offset by losses in other areas such as IGT, riverboat transfers, and other transfers. At this time, it's unclear what, if any, of the Governor's proposed $2.186 billion in revenue changes will eventually be implemented for the FY 2008 budget (see following section).

TABLE 6: CGFA ESTIMATE FY 2008 vs. FY 2007 (Base Revenues)*

(millions)

Revenue Sources	CGFA FY 2008 Estimate March-07	CGFA FY 2007 Estimate March-07	$ Difference	% Difference
State Taxes				
Personal Income Tax	$10,648	$10,238	$410	4.0%
Corporate Income Tax	$2,047	$1,987	$60	3.0%
Sales Taxes	$7,534	$7,315	$219	3.0%
Public Utility (regular)	$1,109	$1,114	($5)	-0.4%
Cigarette Tax	$350	$350	$0	0.0%
Liquor Gallonage Taxes	$156	$155	$1	0.6%
Vehicle Use Tax	$34	$34	$0	0.0%
Inheritance Tax (gross)	$257	$257	$0	0.0%
Insurance Taxes & Fees	$309	$314	($5)	-1.6%
Corporate Franchise Tax & Fees	$188	$186	$2	1.1%
Interest on State Funds & Investments	$185	$190	($5)	-2.6%
Cook County Intergovernmental Transfer	$287	$307	($20)	-6.5%
Other Sources	$440	$440	$0	0.0%
Subtotal	**$23,544**	**$22,887**	**$657**	**2.9%**
Transfers				
Lottery	$640	$620	$20	3.2%
Riverboat Transfers & Receipts	$670	$700	($30)	-4.3%
Other	$763	$841	($78)	-9.3%
Total State Sources	**$25,617**	**$25,048**	**$569**	**2.3%**
Federal Sources	**$5,089**	**$4,803**	**$286**	**6.0%**
Total Federal & State Sources	**$30,706**	**$29,851**	**$855**	**2.9%**
Nongeneral Funds Distribution:				
Refund Fund*				
Personal Income Tax	($1,038)	($998)	($40)	4.0%
Corporate Income Tax	($358)	($348)	($10)	2.9%
Subtotal General Funds	**$29,310**	**$28,505**	**$805**	**2.8%**
Short-Term Borrowing	$0	$900	($900)	N/A
Budget Stabilization Fund Transfer	$276	$276	$0	0.0%
Total General Funds	$29,586	$29,681	($95)	-0.3%

*The FY 2008 estimate includes current refund percentages at 9.75% for PIT and 17.5% for CIT.
CGFA

SUMMARY OF REVENUE RELATED BUDGET HIGHLIGHTS

On March 7th, 2007 Governor Blagojevich presented his proposed budget for FY 2008. The Governor's proposed FY 2008 budget contains some sweeping reforms that the GOMB projects will contribute to overall revenue growth of $3.085 billion. As shown in the table below, the increase is comprised of $899 million in base revenue growth, as well as a net $2.186 billion in growth from proposed revenue changes that likely will require legislative approval. The largest initiatives include the implementation of a gross receipts tax to eventually replace the current corporate income tax, increasing riverboat taxes and fees, and leasing the Illinois Lottery. [The Appendix on page 49 provides a briefing on gross receipts tax].

GOMB FY 2008 General Revenue Growth Assumptions ($ millions)	
	GOMB March-07
FY 2007 Estimate ($millions) excl. short-term borrowing	**$28,493**
Net change in income taxes (current refund %)	$434
Sales tax	$221
Misc. other sources (net)	($24)
Transfers (lottery, riverboat, other)	($18)
Federal source revenue	$286
FY 2007 Base Growth	**$899**
Proposed Revenue Changes per Budget Book	
Gross Receipts Tax (FY 2008 net portion only)	$2,626
Enhanced Federal Revenue ($45M per rate increase& $18M per Family Care Expansion)	$63
ITP	$32
Riverboat tax and fee changes ($55M higher rates & $60M franchise fees)	$115
Proposed Increases to Base Revenues	**$2,836**
Offset of Lottery Revenue per proposed lease agreement	($650)
Proposed Decreases to Base Revenues	**($650)**
Total Growth from Proposed Changes	**$2,186**
Total Growth Assumptions	**$3,085**
FY 2008 General Revenue Estimate	**$31,578**
*Does not include $500 million in proposed Budget Stabilization Fund consolidation	

WALK-UP OF FY 2008 GROWTH ASSUMPTIONS

For comparison purposes, Table 7 displays growth projections for both the CGFA and the GOMB and walks up from the respective FY 2007 estimates. As shown, from a base growth standpoint, the Commission's revised FY 2008 base growth is $805 million, or $94 million less than the base growth of $899 million assumed by the GOMB.

If all of the Governor's proposed revenue changes were made, the Commission's forecasted total growth would then climb to $2.969 billion, which is $116 million lower than the GOMB's estimated growth of $3.085 billion. Because the Commission's FY 2007 estimate is $12 million higher than the GOMB, the FY 2008 estimate of total revenue then becomes $104 million less than the GOMB.

TABLE 7: CGFA/GOMB FY 2008 General Revenue Growth Assumptions ($ millions)
Walk-Up of CGFA and GOMB Estimates

	CGFA MARCH-07	GOMB MAR-06	Difference
FY 2007 Estimate ($millions)	**$28,505**	**$28,493**	**$12**
Net change in income taxes (current refund %)	$420	$434	($14)
Sales tax	$219	$221	($2)
Misc. other sources (net)	($32)	($24)	($8)
Transfers (lottery, riverboat, other)	($88)	($18)	($70)
Federal source revenue	$286	$286	$0
FY 2008 Base Growth	**$805**	**$899**	**($94)**
Proposed Revenue Changes per Budget Book			
Gross Receipts Tax (FY 2008 net portion only)	$2,626	$2,626	$0
Enhanced Federal Revenue ($45M rate incr/$18M Family Care	$63	$63	$0
ITP	$32	$32	$0
Riverboat tax & fee changes ($23 to $55 higher rates/$60M fees)	$83	$115	($32)
Proposed Increases to Base Revenues	**$2,804**	**$2,836**	**($32)**
Offset of Lottery Revenue per proposed lease agreement	($640)	($650)	$10
Proposed Decreases to Base Revenues	**($640)**	**($650)**	**$10**
Total Growth from Proposed Changes	**$2,164**	**$2,186**	**($22)**
Total Growth Assumptions	**$2,969**	**$3,085**	**($116)**
FY 2008 General Revenue Estimate With Proposed BB Changes	**$31,474**	**$31,578**	**($104)**

*Does not include $500 million in proposed Budget Stabilization Fund consolidation

DETAILED CGFA/GOMB FY 2008 COMPARISON

As shown in Table 8 on page 47, excluding the Governor's proposed $2.186 billion in proposed revenue changes, the Commission's FY 2008 base general funds estimate of $29.310 billion is $82 million below the GOMB's estimate of $29.392 billion. If the Governor's proposed revenue changes are included in the estimates, the difference grows to $104 million. The $22 million difference is due to the Commission's somewhat lower expectations of what the impact would be of raising the tax rates on riverboats.

It should be noted that at this time the Commission is utilizing the GOMB's forecasted impact of the proposed gross receipts tax. Based upon an initial review, the Commission feels that the GOMB's estimate of the gross receipts tax falls within a plausible range. If after review the Commission determines a different value should be assigned, a future adjustment will be made.

TABLE 8: FY 2008 CGFA/GOMB COMPARISON ***"Base" and "With Proposed Revenue Changes"*** (millions)			
Revenue Sources	**CGFA FY 2008 Estimate Mar-07**	**GOMB FY 2008 Estimate Mar-07**	**$ Difference**
State Taxes			
Personal Income Tax	$10,648	$10,547	$101
Corporate Income Tax	$2,047	$2,100	($53)
Sales Taxes	$7,534	$7,577	($43)
Public Utility (regular)	$1,109	$1,105	$4
Cigarette Tax	$350	$350	$0
Liquor Gallonage Taxes	$156	$154	$2
Vehicle Use Tax	$34	$34	$0
Inheritance Tax (gross)	$257	$255	$2
Insurance Taxes & Fees	$309	$317	($8)
Corporate Franchise Tax & Fees	$188	$187	$1
Interest on State Funds & Investments	$185	$185	$0
Cook County Intergovernmental Transfer	$287	$287	$0
Other Sources	$440	$446	($6)
Subtotal	**$23,544**	**$23,544**	**$0**
Transfers			
Lottery	$640	$650	($10)
Riverboat Transfers & Receipts	$670	$692	($22)
Other	$763	$813	($50)
Total State Sources	**$25,617**	**$25,699**	**($82)**
Federal Sources	**$5,089**	**$5,089**	**$0**
Total Federal & State Sources	**$30,706**	**$30,788**	**($82)**
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	($1,038)	($1,028)	($10)
Corporate Income Tax	($358)	($368)	$10
Subtotal General Funds "Base"	**$29,310**	**$29,392**	**($82)**
Change from Prior Year Estimate	**$805**	**$899**	**($94)**
Percent Change	**2.8%**	**3.2%**	
Est. Value of Proposed Revenue Changes	**$2,164**	**$2,186**	**($22)**
Subtotal With Proposed Changes	**$31,474**	**$31,578**	**($104)**
Change from Prior Year Estimate	**$2,969**	**$3,085**	**($116)**
Percent Change	**10.4%**	**10.8%**	

* Does not include $500 million in proposed Budget Stabilization Fund consolidation.
CGFA

TABLE 9: DETAILED GENERAL FUNDS REVENUE HISTORY FY 1999 - FY 2008 ESTIMATE

($ million)

Revenue Sources	Actual Receipts FY 1999	Actual Receipts FY 2000	Actual Receipts FY 2001	Actual Receipts FY 2002	Actual Receipts FY 2003	Actual Receipts FY 2004	Actual Receipts FY 2005	Actual Receipts FY 2006	CGFA Mar-07 Est. FY 2007	CGFA Mar-07 Est. FY 2008
State Taxes										
Personal Income Tax	$7,778	$8,273	$8,607	$8,086	$7,979	$8,235	$8,873	$9,568	$10,238	$10,648
Corporate Income Tax (regular)	1,384	1,527	1,279	1,043	1,011	1,379	1,548	1,784	1,987	2,047
Sales Taxes	5,609	6,027	5,958	6,051	6,059	6,331	6,595	7,092	7,315	7,534
Public Utility Taxes (regular)	1,019	1,116	1,146	1,104	1,006	1,079	1,056	1,074	1,114	1,109
Cigarette Tax	403	400	400	400	400	400	450	400	350	350
Liquor Gallonage Taxes	57	128	124	123	123	127	147	152	155	156
Vehicle Use Tax	38	38	34	38	34	35	32	34	34	34
Inheritance Tax (Gross)	347	348	361	329	237	222	310	272	257	257
Insurance Taxes and Fees	208	209	246	272	313	362	342	317	314	309
Corporate Franchise Tax & Fees	117	139	146	159	142	163	181	181	186	188
Interest on State Funds & Investments	212	233	274	135	66	55	73	153	190	185
Cook County Intergovernmental Transfer	218	245	245	245	355	428	433	350	307	287
Other Sources	190	194	407	512	349	439	468	441	440	440
Subtotal	**$17,580**	**$18,877**	**$19,227**	**$18,497**	**$18,074**	**$19,255**	**$20,508**	**$21,818**	**$22,887**	**$23,544**
Transfers										
Lottery	540	515	501	555	540	570	614	670	620	640
Gaming Fund Transfer	240	330	460	470	554	661	699	689	700	670
Other	411	514	452	454	589	1,159	918	746	841	763
Total State Sources	**$18,771**	**$20,236**	**$20,640**	**$19,976**	**$19,757**	**$21,645**	**$22,739**	**$23,923**	**$25,048**	**$25,617**
Federal Sources	**$3,718**	**$3,891**	**$4,320**	**$4,258**	**$3,940**	**$5,189**	**$4,691**	**$4,725**	**$4,803**	**$5,089**
Total Federal & State Sources	**$22,489**	**$24,127**	**$24,960**	**$24,234**	**$23,697**	**$26,834**	**$27,430**	**$28,648**	**$29,851**	**$30,706**
Nongeneral Funds Distribution:										
Refund Fund										
Personal Income Tax	($552)	($587)	($611)	($615)	($638)	($964)	($894)	($933)	($998)	($1,038)
Corporate Income Tax	(263)	(290)	(243)	(240)	(273)	(442)	(376)	(356)	(348)	(358)
Subtotal General Funds	**$21,674**	**$23,250**	**$24,106**	**$23,379**	**$22,786**	**$25,428**	**$26,160**	**$27,359**	**$28,505**	**$29,310**
Change from Prior Year	$1,690	$1,576	$856	($727)	($593)	$2,642	$732	$1,199	$1,146	$805
Percent Change	8.5%	7.3%	3.7%	-3.0%	-2.5%	11.6%	2.9%	4.6%	4.2%	2.8%
Short-Term Borrowing	**$0**	**$0**	**$0**	**$0**	**$1,675**	**$0**	**$765**	**$1,000**	**$900**	**$0**
HPF and HHSMTF Transfers	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$982**	**$0**	**$0**	**$0**
Budget Stabilization Fund Transfer	**$0**	**$0**	**$0**	**$226**	**$226**	**$226**	**$276**	**$276**	**$276**	**$276**
Pension Contribution Fund Transfer	**$0**	**$0**	**$0**	**$0**	**$300**	**$1,395**	**$0**	**$0**	**$0**	**$0**
Total General Funds	**$21,674**	**$23,250**	**$24,106**	**$23,605**	**$24,987**	**$27,049**	**$28,183**	**$28,635**	**$29,681**	**$29,586**
Change from Prior Year	$1,690	$1,576	$856	($501)	$1,382	$2,062	$1,134	$452	$1,046	($95)
Percent Change	8.5%	7.3%	3.7%	-2.1%	5.9%	8.3%	4.2%	1.6%	3.7%	-0.3%

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TABLE 10: ALL APPROPRIATED FUNDS REVENUE FY 2006 to FY 2008
($ millions)

REVENUE SOURCES	ACTUAL RECEIPTS FY 2006	Mar-07 Estimate FY 2007	Mar-07 Estimate FY 2008	$ CHG. FROM FY 2007	% CHG. FROM FY 2007
State Taxes					
Personal Income Tax	$9,568	$10,238	$10,648	$410	4.0%
Corporate Income Tax					
Regular	$1,784	$1,987	$2,047	$60	3.0%
Replacement	$1,216	$1,336	$1,376	$40	3.0%
Sales	$8,425	$8,700	$8,961	$261	3.0%
Public Utility					
Regular	$1,595	$1,660	$1,645	($15)	-0.9%
Replacement	$226	$215	$212	($3)	-1.4%
Motor Fuel (gross)	$1,477	$1,500	$1,510	$10	0.7%
Cigarette	$640	$635	$616	($19)	-3.0%
Liquor Taxes	$163	$166	$166	$0	0.0%
Vehicle Use Tax	$39	$39	$39	$0	0.0%
Inheritance Tax	$272	$257	$257	$0	0.0%
Insurance Taxes and Fees	$393	$400	$400	$0	0.0%
Horse Racing Taxes & Fees	$11	$10	$10	$0	0.0%
Corporate Franchise Taxes	$189	$196	$198	$2	1.0%
Other Privilege Taxes	$310	$330	$340	$10	3.0%
Riverboat Gambling Taxes & Fees	$817	$814	$789	($25)	-3.1%
SUBTOTAL	$27,125	$28,483	$29,214	$731	2.6%
State Nontax Sources					
Motor Vehicle & License Fees	$1,296	$1,294	$1,294	$0	0.0%
Cigarette Settlement Distributions	$273	$271	$274	$3	1.1%
Other Fees	$492	$468	$468	$0	0.0%
Provider Assessment Fees	$890	$1,459	$1,459	$0	0.0%
Receipts From State Hospital Patients	$26	$26	$26	$0	0.0%
Interest on State Funds & Investments	$261	$320	$312	($8)	-2.5%
Reimbursements & Repayments	$154	$165	$170	$5	3.0%
Revolving Fund Receipts	$495	$460	$460	$0	0.0%
Lottery (net gross)	$984	$945	$980	$35	3.7%
All Other Nonfederal Receipts	$5,887	$5,850	$5,850	$0	0.0%
Income from Sale of Bonds	$1,484	$610	$1,012	$402	65.9%
Local Government Health Plan	$59	$62	$62	$0	0.0%
SUBTOTAL	**$39,426**	**$40,413**	**$41,581**	**$1,168**	**2.9%**
State Transfers In	$250	$250	$250	$0	0.0%
TOTAL STATE SOURCES	**$39,676**	**$40,663**	**$41,831**	**$1,168**	**2.9%**
Federal Sources	$12,366	$12,756	$13,019	**$263**	**2.1%**
SUBTOTAL ALL APPROPRIATED	**$52,042**	**$53,419**	**$54,850**	**$1,431**	**2.7%**
Short Term Borrowing	**$1,000**	**$900**	**$0**	**($900)**	**n/a**
TOTAL ALL APPROPRIATED	**$53,042**	**$54,319**	**$54,850**	**$531**	**1.0%**

CGFA 15-Mar-07

APPENDIX I
Gross Receipts Briefing

Gross Receipts Tax (GRT)

A gross receipts tax, sometimes referred to as a gross excise tax, is a tax on the total gross revenues of a company, regardless of their source. It is similar to a sales tax, but it is levied on the seller of goods or services rather than the consumer. Unless the statute authorizing the GRT specifies otherwise, there are no deductions for the cost of goods or property sold, labor costs, interest expense, discounts, delivery costs, taxes, or other expenses. General GRTs apply to all business transactions including manufacturers, wholesalers, retailers, and all service providers[1,2].

GRTs are somewhat like Value Added Taxes (VAT) in that tax is applied at each step of the manufacturing or assembly process. Major differences exist between the taxes such as how much of the value is taxed at each step and who pays the tax. A GRT taxes the whole value of a product at each step of the manufacturing or assembly process, while VAT's tax just the value added at each step. GRTs are paid by the seller, while VATs are paid by the buyer.

Illinois' Proposed Gross Receipts Tax

In the FY 2008 Operating Budget, the Governor has proposed the implementation of a general gross receipts tax on almost all of Illinois' economy. Beginning on January 1, 2008, a gross receipts tax will be imposed on all businesses in Illinois with annual gross receipts of more than $1 million. This tax will be imposed at two rates:

1) A 0.5 percent rate for all agriculture, mining, manufacturing, construction, wholesale, and retail activities; and
2) A 1.8 percent rate for all service activities[3].

The GRT will phase out the State's corporate income tax; in the interim, corporations subject to the corporate income tax will be credited against the gross receipts tax for any corporate income tax paid. The GRT is expected to raise $2.6 billion in FY 2008. The GRT will generate an estimated $6 billion per year when fully implemented. All companies with receipts over $1 million will pay tax at a set rate based on their receipts in Illinois with no deductions or tax credits, other than credits for corporate income taxes paid so that no company has to pay more than one time.

Some sectors of the economy would be exempt from the tax:

1) **Small businesses** – Companies that gross less than $1 million would be exempt. Seventy-five percent of Illinois companies would fall into this category.
2) **Essential products and services** – The retail sale of food and pharmaceuticals to Illinois residents will not be subject to the tax. Medicaid payments to practitioners would also be exempt.

[1] Wikipedia
[2] "The Gross Receipts Tax, Analysis of Economic Effects and Incidence" Program Analysis Inc. Feb. 2006.
[3] "Illinois State Budget." Governor Rod R. Blagojevich, March 2007. Fiscal Year 2008, July 1, 2007 – June 30, 2008.

3) **Exports** – By exempting exports, Illinois companies will be more competitive. An estimated 50 percent of Illinois manufacturing is produced for export.
4) **Gaming and Insurance** – These industries are subject to alternate taxing systems.
5) **Combined entities/non-profit organizations** – Transactions between parent companies and subsidiaries will be exempt, along with non-profit organizations.
6) **Sale of Securities and Traded Commodities** – Only the spread between purchase and sale price on trades of securities, as well as any commissions or fees charged will be taxed under the gross receipts tax[4].

Sources and Uses for FY 2008[5]

Fiscal Year 2008 Sources and Uses ($ in millions)		
		FY 2008
Sources		
	Gross Receipts Tax	$ 2,626
	IL Covered Employer Assessment	$ -
	Enhanced Federal Revenue	$ 63
	Total Sources	$ 2,689
Uses		
	Increase P-12 Education Funding	$ 1,500
	Illinois Covered - Health Insurance	$ 374
	Increased Medical Provider Rates	$ 90
	Offset to Lottery Revenues	$ 650
	Capital Program	$ 12
	Healthcare System Improvement	$ 16
	Total Uses	$ 2,642
	Net Surplus (Deficit)	$ 47

Pros and Cons of Gross Receipts Taxes

Proponents of GRTs believe that they are good tax policy because they:

1) have a very broad base - all business transactions are taxed with few exemptions,
2) generate a lot of revenue at a low rate of taxation - it has been estimated that a 1% GRT could generate an additional $9 billion a year in tax revenue,
3) are simple to administer and comply with - a flat rate is applied to each transaction,
4) grow with the economy,
5) adjust automatically to changes in the economy,
6) and are neutral and efficient - proponents believe that GRTs do not push economic activity into any sector or away from any location[6].

[4] "Illinois State Budget." Governor Rod R. Blagojevich, March 2007. Fiscal Year 2008, July 1, 2007 – June 30, 2008.
[5] "Illinois State Budget." Governor Rod R. Blagojevich, March 2007. Fiscal Year 2008, July 1, 2007 – June 30, 2008.
[6] "The Gross Receipts Tax, Analysis of Economic Effects and Incidence" Program Analysis Inc. Feb. 2006.

Opponents of GRTs believe that they are not good tax policy because they:

1) lead to tax pyramiding - value created in early stages of production are taxed repeatedly in subsequent stages,
2) are NOT neutral - opponents believe that GRTs encourage vertical integration at the expense of efficiency and the acquiring of new suppliers outside of the taxing district to avoid the tax,
3) don't remain simple once enacted – GRTs often are enacted as flat rates but are later adjusted for different business sectors and exemptions are developed,
4) tax multiple stage industries more than other industries – industries with longer supply chains are taxed more often than shorter industries, service providers tend to be taxed the least,
5) get passed onto end consumers (higher prices), laborers (less wages), and business owners (less profits) – GRTs are meant to be business taxes but in the end, the taxes are paid by people in one form or the other,
6) and punish companies with low profit margins – because GRTs are based on sales instead of profits, companies with a high volume of sales tend to pay a larger portion of taxes than companies with low volume and high margins[7].

Example of How a Gross Receipt Tax Works

Below is an example of a gross receipt tax applied to a dairy supply chain that was constructed by the Taxpayer's Foundation of Illinois. With each transaction, the seller is taxed a 1.0% gross receipts tax. In this example, the product is taxed each step in the supply chain. This example is simplified and does not include transportation services or other transactions that support the supply chain that would also be subject to the gross receipts tax.

1% Gross Receipts Tax Example (Cheese Supply Chain)		
Business	**Selling Price**	**1% GRT Tax**
Farmer	$1.00	$0.0100
Dairy	$1.25	$0.0125
Cheese Processor	$1.50	$0.0150
Wholesaler	$1.75	$0.0175
Retailer	$2.00	$0.0200
Consumer	$2.50	$0.0250
	Total	$0.1000

[7] "Tax Pyramiding: The Economic Consequences of Gross Receipts Taxes" by Andrew Chamberlain and Patrick Fleenor. Tax Foundation, December 2006. No. 147.

States with Gross Receipts Taxes

GRTs were first seen in Europe as far back as the 14th century. The first GRT in the United States was a "business and occupations privilege" tax on gross business sales in 1921 in West Virginia. The Great Depression led to the passage of numerous GRTs. In 1933, Washington enacted the nations second GRT which was revamped into the current Business and Occupation tax (B&O tax) in 1935. Other states and local government entities passed GRT taxes though these were usually on specific industries and not broad based. During the 1950s many of these laws were repealed or deemed unconstitutional. Another wave of repeals occurred in the late 1970s through the early 2000's (New Jersey 1977, Alaska 1979, West Virginia 1987, and Indiana 2002).

With the downturn in tax revenues at the state level in the early 2000s, state governments again began looking at GRTs as a way to raise tax revenue. In 2002, New Jersey passed the first statewide gross receipts tax in decades though this tax was short-lived as it expired in July of 2006. In January of 2005, Kentucky enacted an "alternative minimum assessment" gross receipts tax. Ohio followed in July of 2005 with the Commercial Activity Tax. In 2006, Texas passed a "margin tax" based on gross tax receipts.

Some states have enacted hybrid GRTs. Delaware, New Mexico, and Hawaii levy taxes referred to as "gross receipts taxes" but have elements of both gross receipts taxes and sales taxes. Michigan's "Single Business Tax" has features of a gross receipts tax and a value-added tax. A total of at least 30 states and the District of Columbia levy some form of broad-based or industry specific GRT.

The Table on the following pages highlights GRTs in several states[8].

[8] "Tax Pyramiding: The Economic Consequences of Gross Receipts Taxes" by Andrew Chamberlain and Patrick Fleenor. Tax Foundation, December 2006. No. 147.

Overview of States with Significant Receipts-Type Taxes

State	Items Taxed	Deductions and Exemption
Delaware	Gross receipts tax on all non-exempt goods or services rendered. Rates range from 0.096 percent to 1.92 percent depending on business activity, in addition to place-of-business fees ranging from $25 to $75 per location: • Manufacturers: 0.180 percent • Wholesalers: 0.307 percent • Retailers: 0.576 percent • Restaurants: 0.499 percent • Food Processors: 0.154 percent • Petroleum Products Wholesalers: 0.384 percent, plus a hazardous substances tax of 0.9 percent, plus a surtax of 0.192 percent • Occupational/Professional/General Services: 0.384 percent • Steam, Gas, Electric Utilities: 0.1 percent • Additional rates for more specific industries	Exemptions include tobacco, fuel taxes, and transactions between entities owned by the same 5 or fewer individuals or one family
Kentucky	Alternative minimum calculation for business taxes of 0.095 percent gross receipts or 0.750 percent of gross profits. Kentucky school districts may levy a 3 percent gross receipts tax on utilities.	Exemptions include dividend income, 50 percent of income from coal disposal, and income from safe harbor leases. Investment companies are exempt from the alternative minimum calculation, as are sole proprietorships, partnerships, and some LLCs.
Michigan	Schedules to expire December 31, 2007: Single Business Tax (SBT), which incorporates features of gross receipts taxes and value-added taxes. Imposed on most business entities, with gross receipts used in calculating the tax base. Current rate is 1.9 percent.	Exemptions include the first $45,000 of tax base, up to $48,000 for partnerships and small corporations, with reductions as income rises. Governmental agencies, non-profits, agricultural producers and others are exempt.
New Jersey	Expired in July 2006: Alternative minimum assessment for business taxes. Levied on companies with over $2 million in gross receipts. Rates range from 0.125 percent to 0.4 percent based on receipts.	Exemptions include corporations with less than $2 million in receipts; S corporations; investment companies; professional organizations; cooperatives.
SOURCE: CCH, Inc., Tax Foundation. Table reproduced from "Tax Pyramiding: The Economic Consequences Of Gross Receipts Taxes" by Andrew Chamberlain and Patrick Fleenor. Tax Foundation, December 2006. No. 147.		

Overview of States with Significant Receipts-Type Taxes (continued)		
New Mexico	General gross receipts tax. Widely considered to resemble a retail sales tax. Rate is 5 percent. Counties may add an additional 2.1875 percent. Railroad car companies are taxed at 1.5 percent.	Exemptions include prescription drugs, certain food and medical expenses, interest and dividends, salaries, wages, commissions, homeowner dues, and earnings from farms and internet businesses.
Ohio	Commercial Activities Tax (CAT) enacted in 2005, to be phased-in over a five-year period. When fully phased-in, rate is 0.260 percent of gross receipts. Imposed on all activity, legal or illegal, this is conducted for or results in gain, profit, or income. Utilities are taxed separately at 4.75 percent, except oil pipelines, which are taxed at 6.75 percent.	Exemptions include nonprofit organizations, entities with less than $150,000 in receipts, and utilities paying utility taxes. Allows deductibility of either compensation or cost of goods sold.
Texas	Effective January 1, 2007: General gross receipts tax. Rate is 1 percent, calculated on the minimum of either **a)** total revenue minus total cost of goods, or **b)** total revenue minus total compensation and benefits. Wholesalers and retailers are taxed at 0.5 percent.	Exemptions include sole proprietors and general partnerships and businesses with less than $300,000 in gross receipts.
Washington	Business & Occupation (B&O) tax, the nation's oldest general gross receipts tax. Rates vary widely based on industry: • Manufacturing Dairy Products: 0.138 percent • Travel Agent Commissions: 0.275 percent • Retailing: 0.471 percent • Wholesaling: 0.484 percent • Manufacturing: 0.484 percent • Gambling Contests of Change: 1.5 percent • Additional rates for more specific industries	Exemptions include entities with gross income less than $28,000. Features dozens of specific deductions and exemptions, including investments, interest on agricultural loans, health care providers, beef processing, research and development, insurance premiums, real estate sales, nonprofit organizations, janitorial services, and fruit and vegetable processing.
SOURCE: CCH, Inc., Tax Foundation. Table reproduced from "Tax Pyramiding: The Economic Consequences Of Gross Receipts Taxes" by Andrew Chamberlain and Patrick Fleenor. Tax Foundation, December 2006. No. 147.		

BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

1) Preparation of annual revenue estimates with periodic updates;
2) Analysis of the fiscal impact of revenue bills;
3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
4) Periodic assessment of capital facility plans;
5) Annual estimates of public pension funding requirements and preparation of pension impact notes;
6) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;
7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a Monthly Briefing, the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Bonded Indebtedness Report" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The "Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year Budget Summary; Report on the Liabilities of the State Employees' Group Insurance Program; and Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program. The Commission also publishes each year special topic reports that have or could have an impact on the economic well being of Illinois. All reports are available on the Commission's website.

These reports are available from:

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

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