

SUMMARY

FY 2009 ECONOMIC and REVENUE FORECAST

UPDATED FY 2008 REVENUE ESTIMATE



Commission on Government Forecasting and Accountability

703 Stratton Office Building

Springfield, Illinois 62706

March 5, 2008

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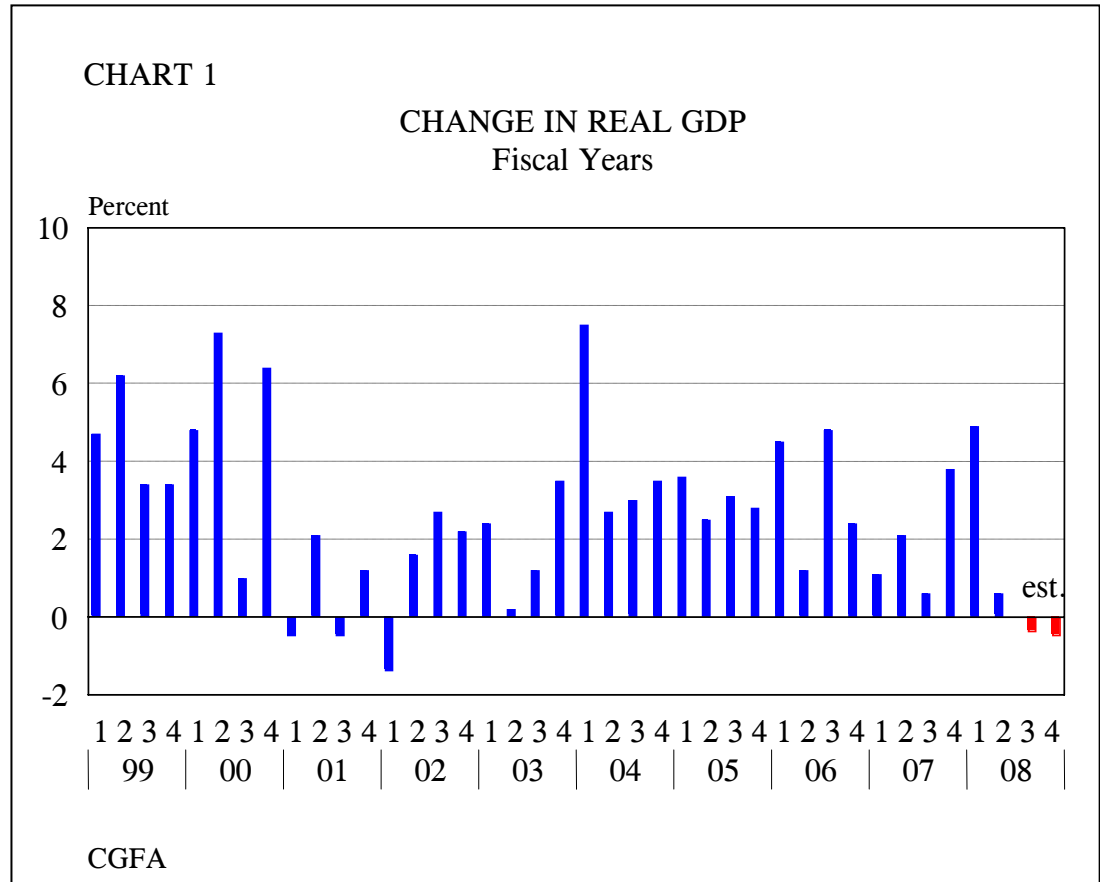
Edward H. Boss, Jr.
Chief Economist

CGFA Background & Responsibilities

- Bi-Partisan, 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.
- Preparation of annual revenue estimates with periodic updates;
- Analysis of the fiscal impact of revenue bills;
- Preparation of State Debt Impact Notes;
- Periodic assessment of capital facility plans;
- 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;
- Implement the provisions of the State Facility Closure Act;
- Annual estimates of public pension funding requirements and preparation of pension impact notes.

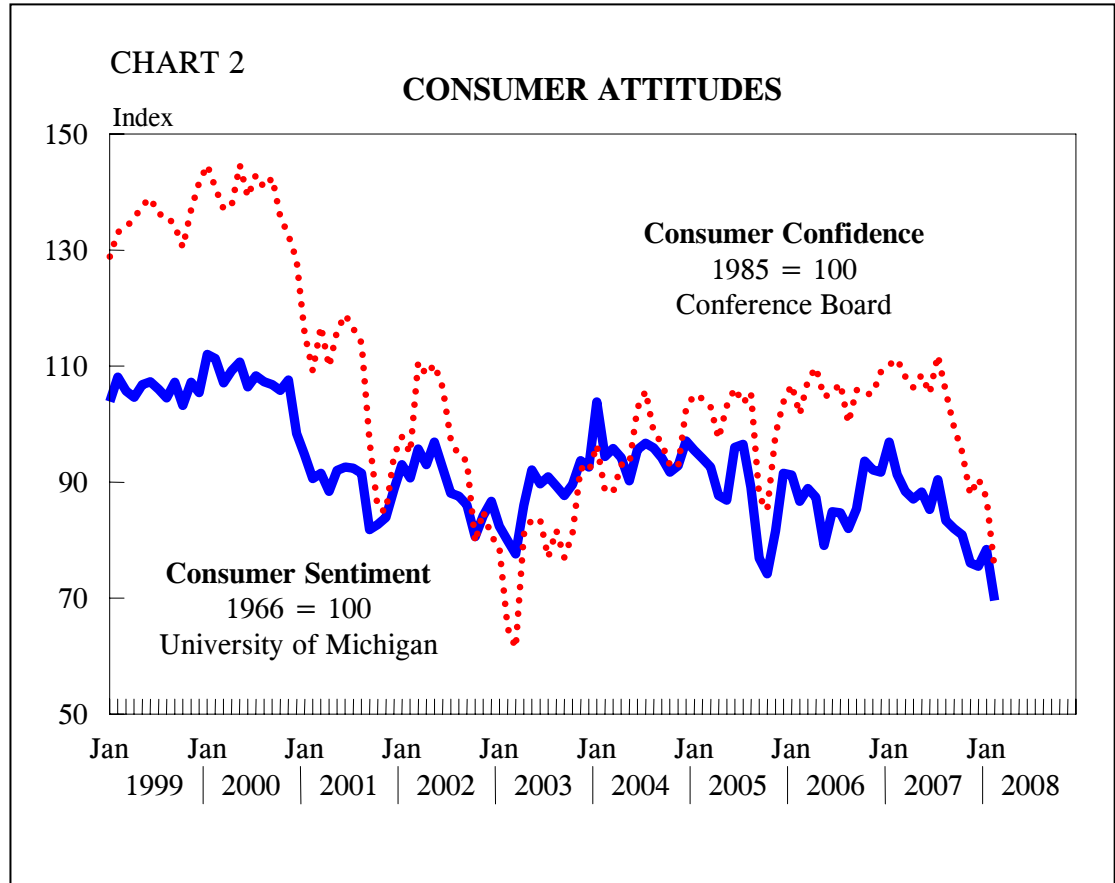
CHANGE IN REAL GDP: FY 2008

- After a strong start to the fiscal year in the first quarter, economic growth slowed in the second quarter and is estimated actually to have declined slightly in the second half of the year. (See Chart 1) The estimated two quarters of decline in the second half of the fiscal year comes close to what may later be determined as a recession, which would be the first officially declared since 2001.
- The economic deterioration reflects an accelerated correction in the housing market as well as less-than-expected gains in business spending, slowing corporate profits, and weakening consumer spending.
- Overall growth in FY 2008 was at an estimated rate of 2.2%, although further data and revisions are yet to be released. This was below the 2.7% projected by the Commission at this time last year, in large part due to the greater than anticipated fall off from the sub prime market.



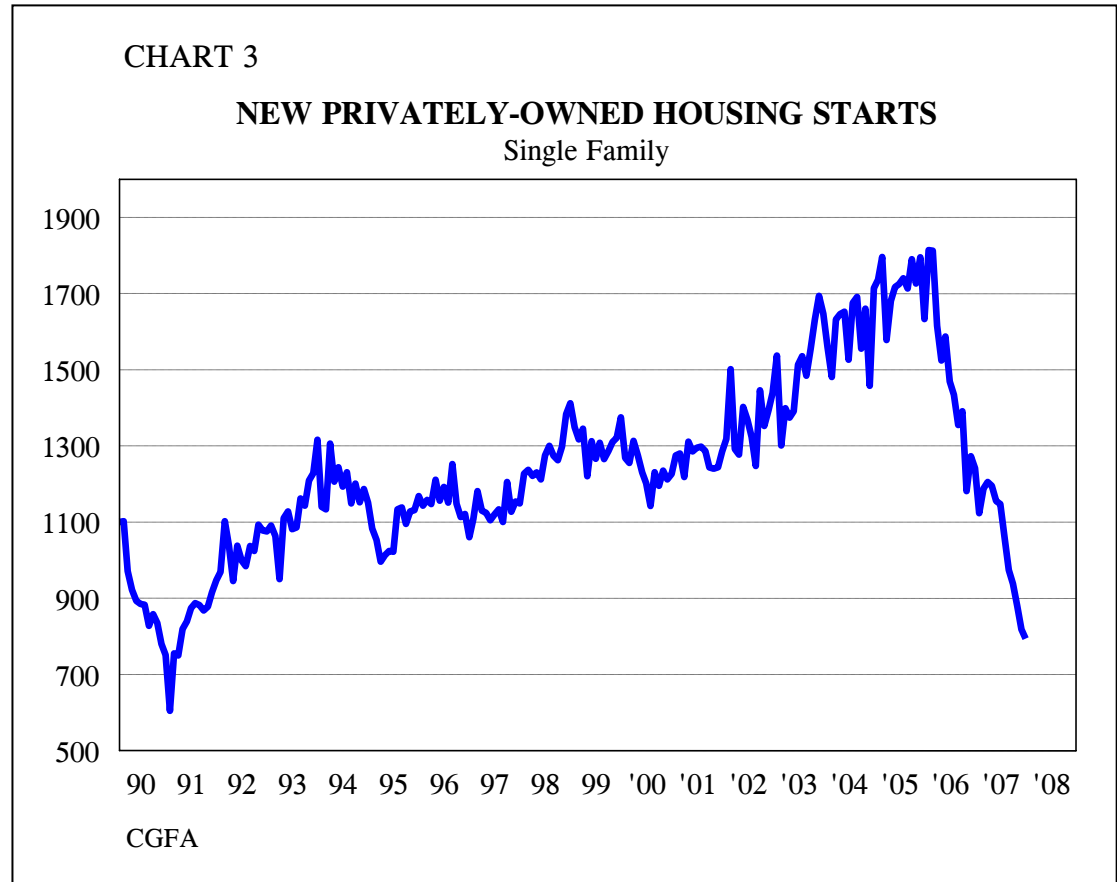
CONSUMER ATTITUDES

- The consumer, which generally accounts for two-thirds of total spending, rose modestly less than last year's pace, which in turn was well below that recorded in each of the previous three years.
- Continuing declines in consumer confidence, that by most measures reached two-year lows, followed disappointing holiday sales. Indeed, the advance report for February just released by the University of Michigan shows consumer attitudes were at their lowest level since February 1992, while the Conference Board reading dropped to the lowest level since 2003 (See Chart 2).
- The declining confidence measures reflect depreciating home and stock prices in an environment of record high-energy prices, all in the context of an emerging recession. With the job outlook expected to weaken, there is little on the horizon to suggest any near-term change in this weakening pattern.



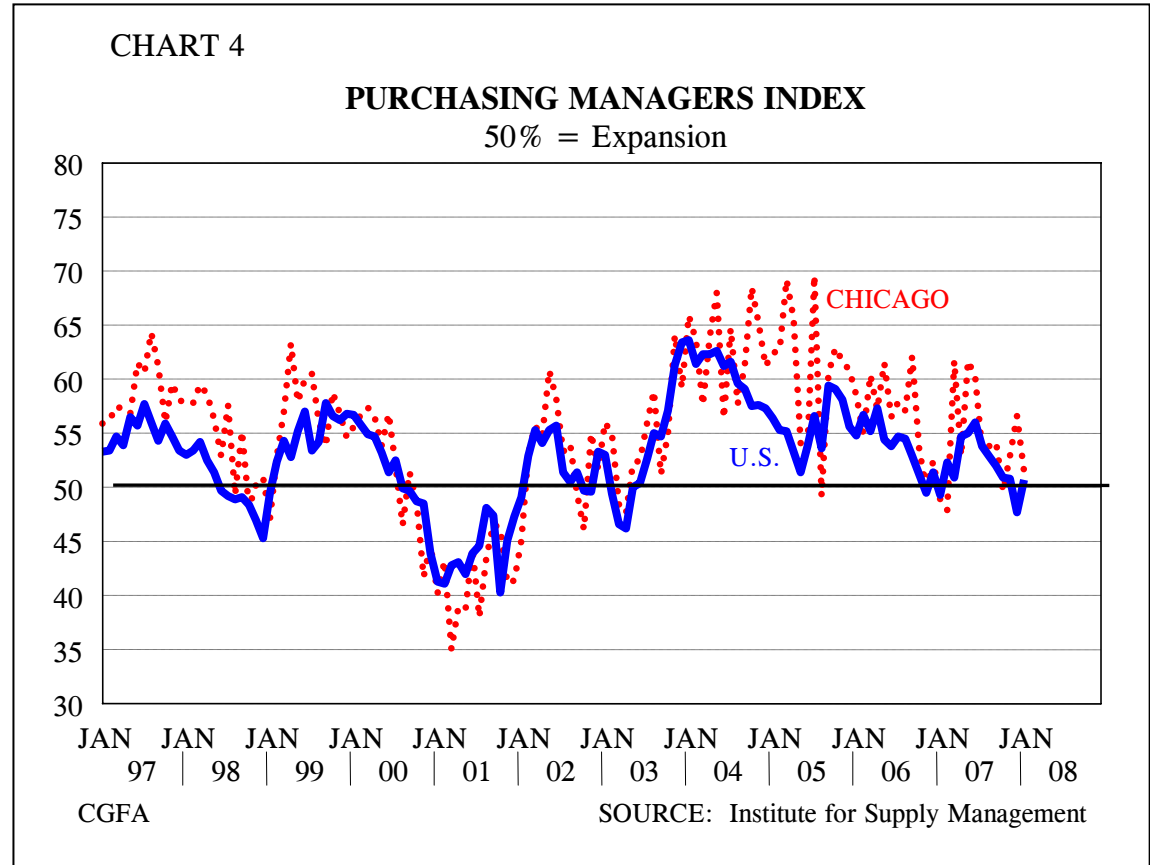
NEW PRIVATELY OWNED HOUSING STARTS

- A major subtraction from growth has been in the area of residential construction. There was a particularly steep decline in new housing starts during the fiscal year, bringing the level well below those seen during the last recession in 2001 (See Chart 3), and fast approaching the levels seen all the way back in the recession in 1990.
- Indeed, overall homebuilding resulted in a full year decline in new home construction that was the sharpest in 27 years.
- The bottom of the housing correction may not have yet been reached as problems with “sub prime” lenders have spread to other sectors of the market. Despite many proposals to ease the transition to higher interest rates as mortgages are adjusted upward as well as actions to reduce the large number of bank foreclosures, the outlook for any near term turnaround in housing appears dim.



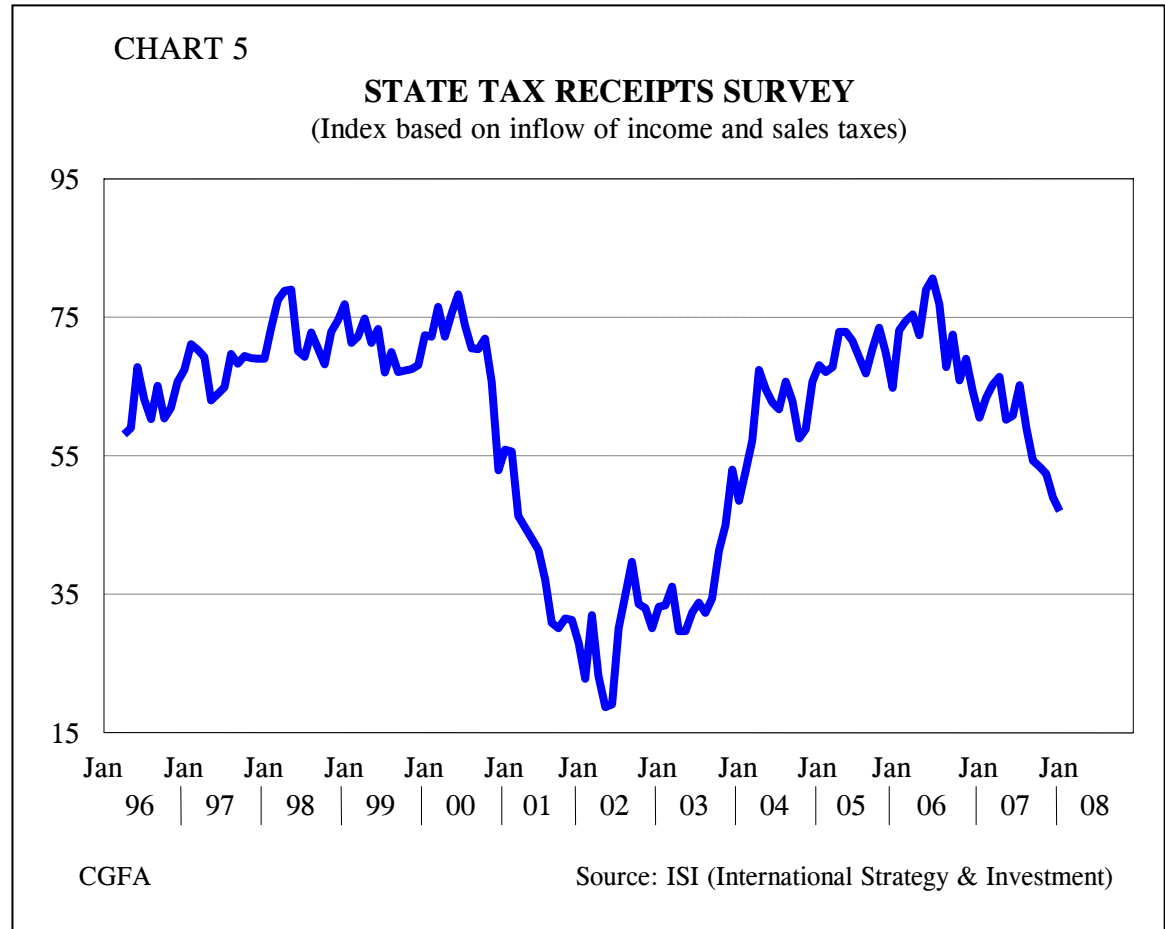
PURCHASING MANAGERS INDEX

- Business spending (nonresidential fixed investment) also weakened as profits slowed and sales slackened. Once again, the weakest sector was manufacturing, particularly autos.
- Chart 4 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 after being on a slowing trend since reaching its strongest phase in 2003.



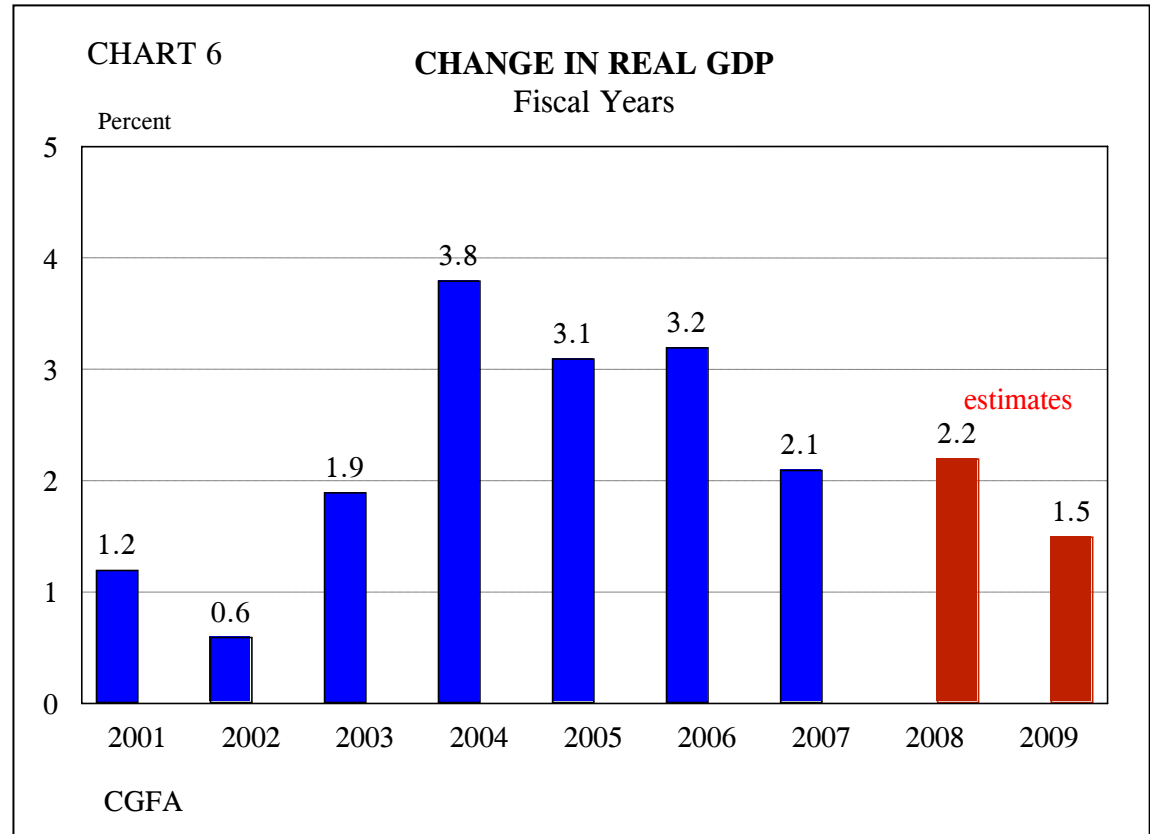
STATE TAX RECEIPTS SURVEY

- In reviewing FY 2008, the rate of economic advance plunged after a strong early performance, actually declining as the fiscal year ends.
- As a result of weakened economic growth, State tax receipts have begun to come in at a lower rate.
- Chart 5 shows the index of 16 states, including Illinois, which is a good proxy for State revenues on a national basis.
- While Illinois mirrors the national pattern, it often lags in the general trend and, therefore, further moderation in revenue inflows from economic sources can be expected to continue well into the next fiscal year.



CHANGE IN REAL GDP

- Unlike FY 2008 that started out strong only to plunge in the second half of the year, FY 2009 is anticipated to start off virtually flat and improve only slowly as the year unfolds.
- For the year as a whole, the U.S. economy in FY 2009 is forecast to grow by 1.5%, below the slightly 2% rate of the previous two years and less than half that of each of the two years before that (See Chart 6).
- Whether or not a recession occurs will depend upon the economic response from the actions already taken: those instituted by the Federal Reserve Board; the stimulus package recently signed by the President; and several actions taken to soften the deleterious effects, including the high level of home foreclosures, from “sub prime” lending.



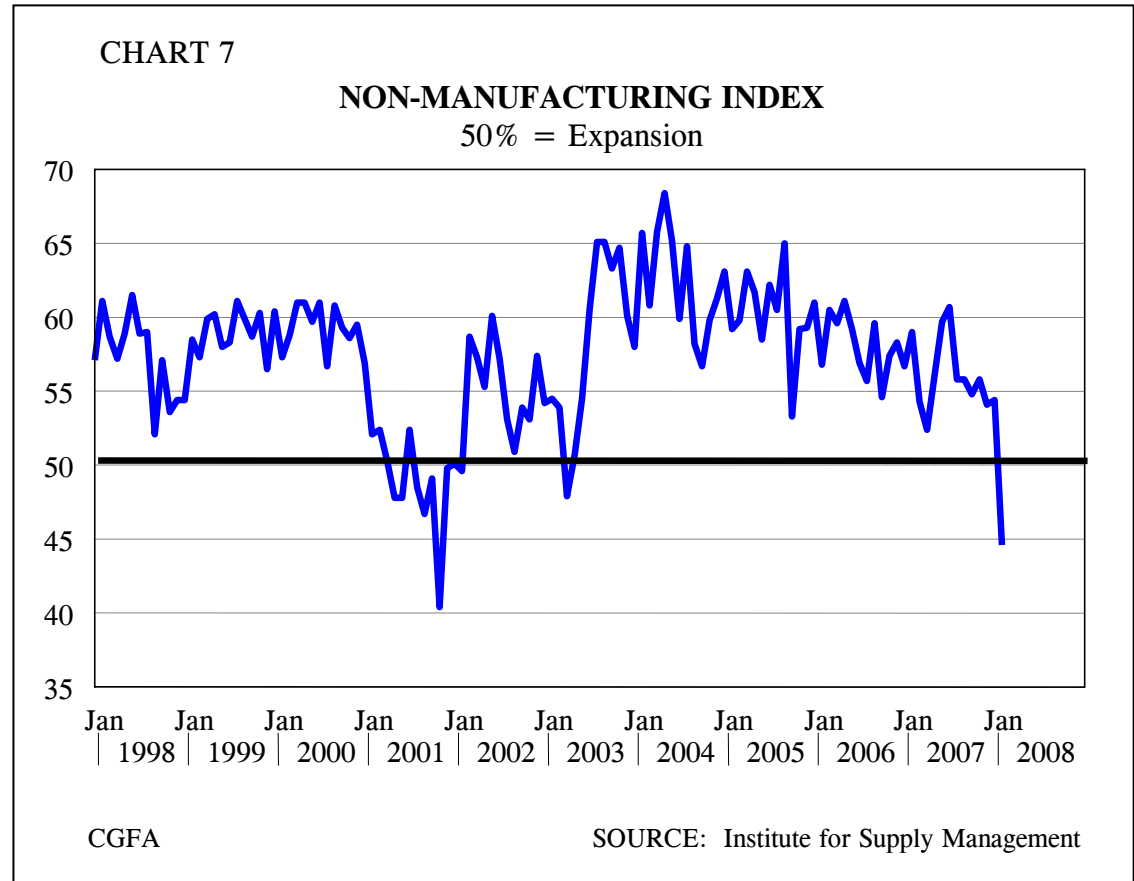
ECONOMIC FORECASTS

- The table below provides a more detailed breakdown of the U.S. economic forecast for FY 2009 as projected by Global Insight, a service utilized by the Commission.
- Personal consumption, the largest spending component of GDP, is expected to moderate, hampered in part by high energy prices, declining home values, and continued weak auto and household durable goods sales. The forecast rate of gain in consumer spending in current dollars is anticipated to drop to 4.0% in FY 2009 from 5.3% in FY 2008, and well below the 6% to 6 1/2% range in each of the previous three years.
- Real fixed investment including, both business spending and residential housing, once again is expected to decline for the third consecutive year while the positive impact from U.S. exports will soften as economies abroad slow. Finally, the unemployment rate is anticipated to rise further.

ECONOMIC FORECASTS - FEBRUARY 2008						
(\$ Change from prior year levels)						
REAL (2000\$)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
	Actual	Actual	Actual	Actual	Estimated	Estimated
Gross Domestic Product	3.8	3.1	3.2	2.1	2.2	1.5
Personal Consumption	3.6	3.3	3.1	3.0	2.1	2.0
Durable	7.7	5.3	3.6	4.5	2.3	1.0
Nondurable	4.0	3.3	3.6	3.2	1.4	2.0
Services	2.6	3.0	2.8	2.6	2.4	2.1
Fixed Investment	7.9	8.1	5.0	-3.2	-4.2	-4.3
Exports	3.4	8.9	7.4	7.9	10.8	7.3
Imports	10.1	7.5	6.3	2.4	0.9	2.1
Government	2.0	0.8	1.4	1.7	2.7	1.0
Federal	7.0	2.9	1.8	1.5	4.0	2.9
State & Local	0.0	-0.2	1.0	1.8	2.3	-0.1
OTHER MEASURES						
Personal Income (Current \$)	4.8	6.5	6.2	6.3	5.3	4.0
Personal Consumption (Current \$)	5.9	6.2	6.4	5.5	4.9	3.8
Before Tax Profits (Current \$)	20.7	17.5	9.6	8.8	0.6	3.4
Consumer Prices	2.2	3.0	3.8	2.6	3.1	1.7
Unemployment Rate (Average)	5.8	5.3	4.8	4.6	5.0	5.6

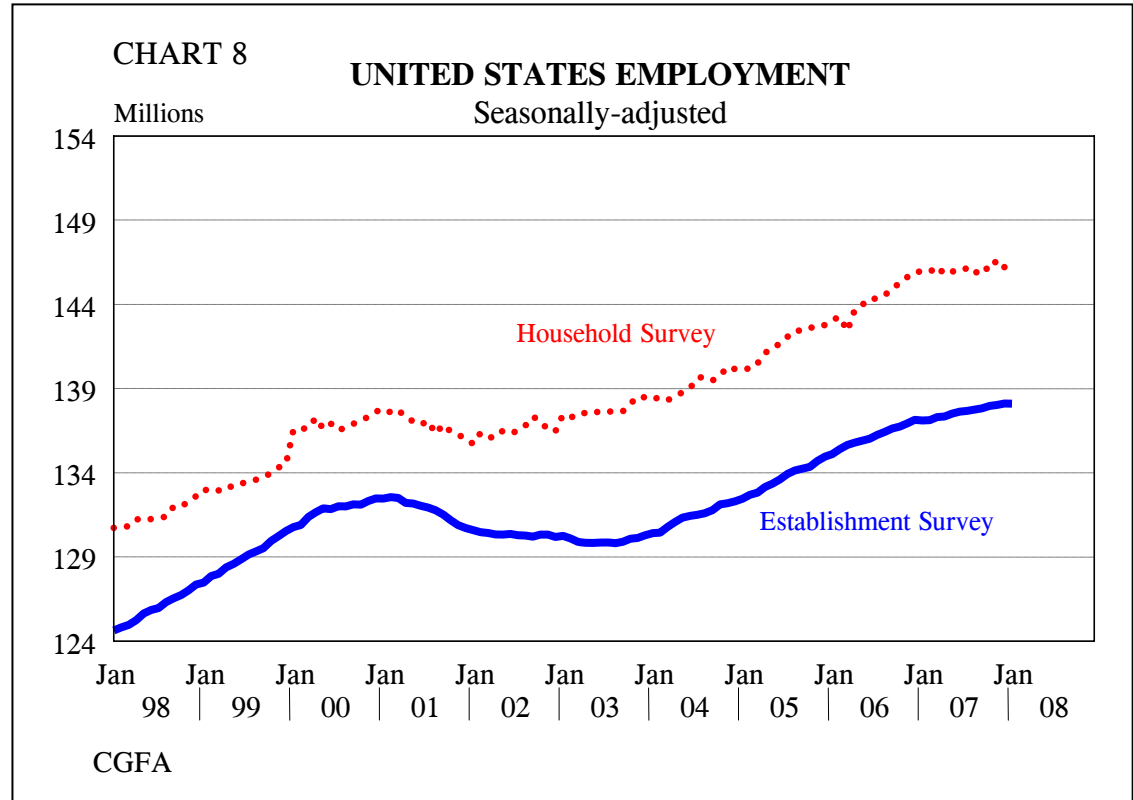
NON-MANUFACTURING INDEX

- The forecast is premised on the assumption that actions taken by the federal government and the monetary authorities prevent a more serious downturn from developing.
- As mentioned, manufacturing activity has already been fluctuating in and out of a contraction phase. More recently, however, the larger sector of the U.S. economy, the service or non-manufacturing sector, also has weakened sharply in response to weak consumer spending.
- As shown in Chart 7, the non-manufacturing sector, as measured by the Institute of Supply Management, contracted for the first time since January 2002 and reached the lowest since early 2001 when the economy was in recession. Although one month's data should not be indicative of the level of contraction, the weakening trend has been underway for several months.



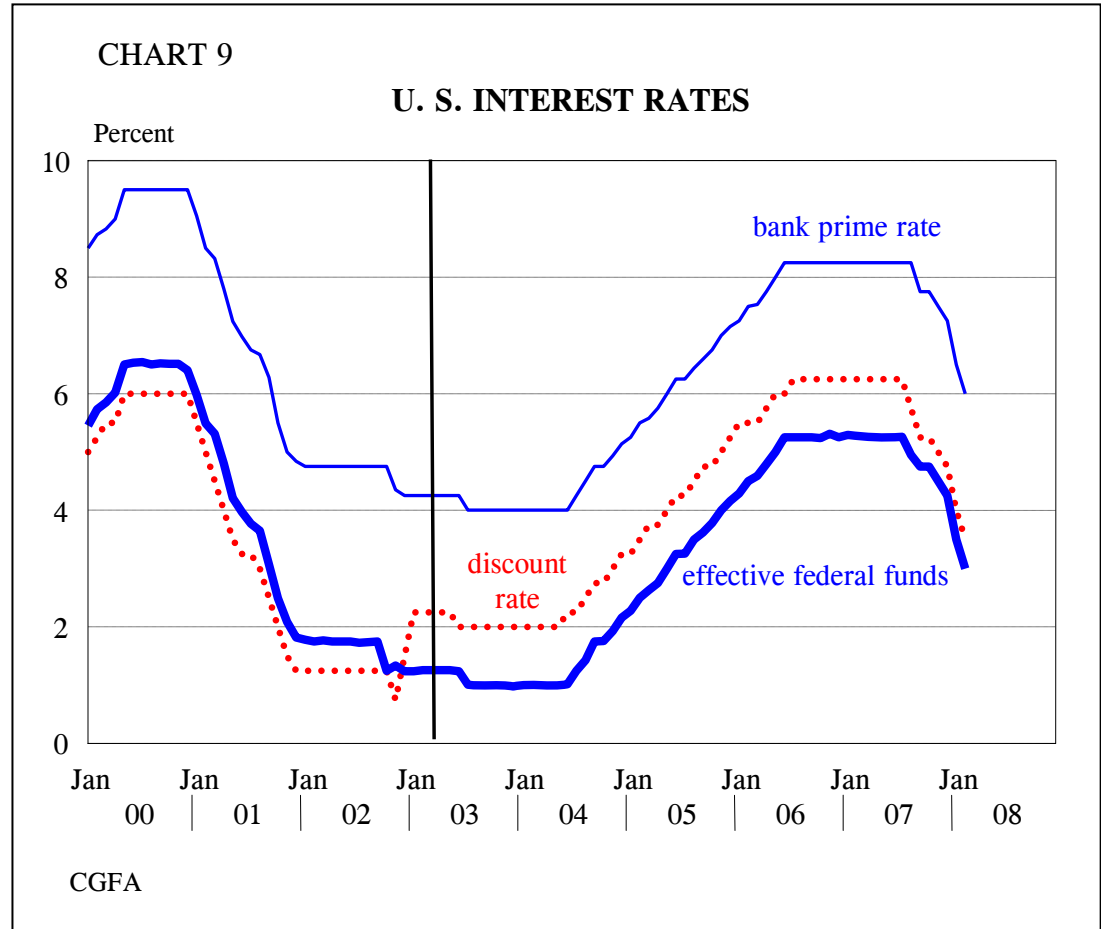
UNITED STATES EMPLOYMENT

- The weakening in consumer spending, and both the manufacturing and non-manufacturing sectors reflect a softening in the labor markets.
- While the unemployment rate remains relatively low by historical standards, Chart 8 shows that gains in employment by both the *Household Survey*, used to calculate the unemployment rate, and the more comprehensive *Establishment Survey* have flattened out in recent months. Indeed, payroll employment, as measured by the *Establishment Survey*, actually fell slightly in January.
- The employment situation is particularly important for the upcoming fiscal year, as employers usually are slow to let employees go, whom they have spent time and money to train. Thus, even when business conditions improve, business will be slow in rehiring permanent workers.



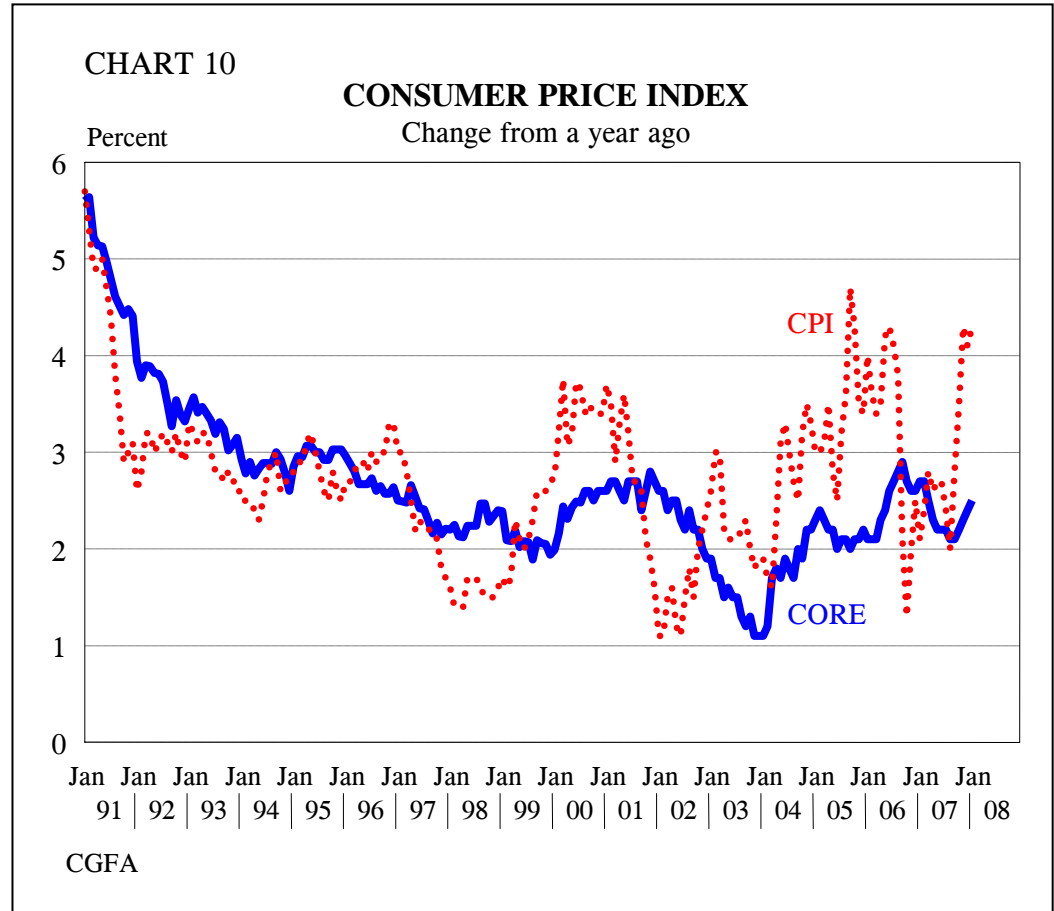
U.S. INTEREST RATES

- In the midst of the global credit crisis in January, the Federal Reserve in an emergency meeting lowered its target rate on federal funds, or the rate banks pay to borrow the excess reserves of other banks by $\frac{3}{4}$ %, from $4\frac{1}{4}$ % to $3\frac{1}{2}$ % and lowered the discount rate by a like amount to the 4 % level.
- The Fed cited the “*weakening of the economic outlook and the increasing downside risk to growth.*” Moreover they met again at month’s end and cut rates further by $\frac{1}{2}$ %, bringing the federal funds rate down to 3% and the discount rate to $3\frac{1}{2}$ % (See Chart 9).
- Despite these rapid major cuts in key monetary policy rates, the unexpected falloff in payroll employment in February raises the prospect that the Federal Reserve may not be finished in lowering interest rates.



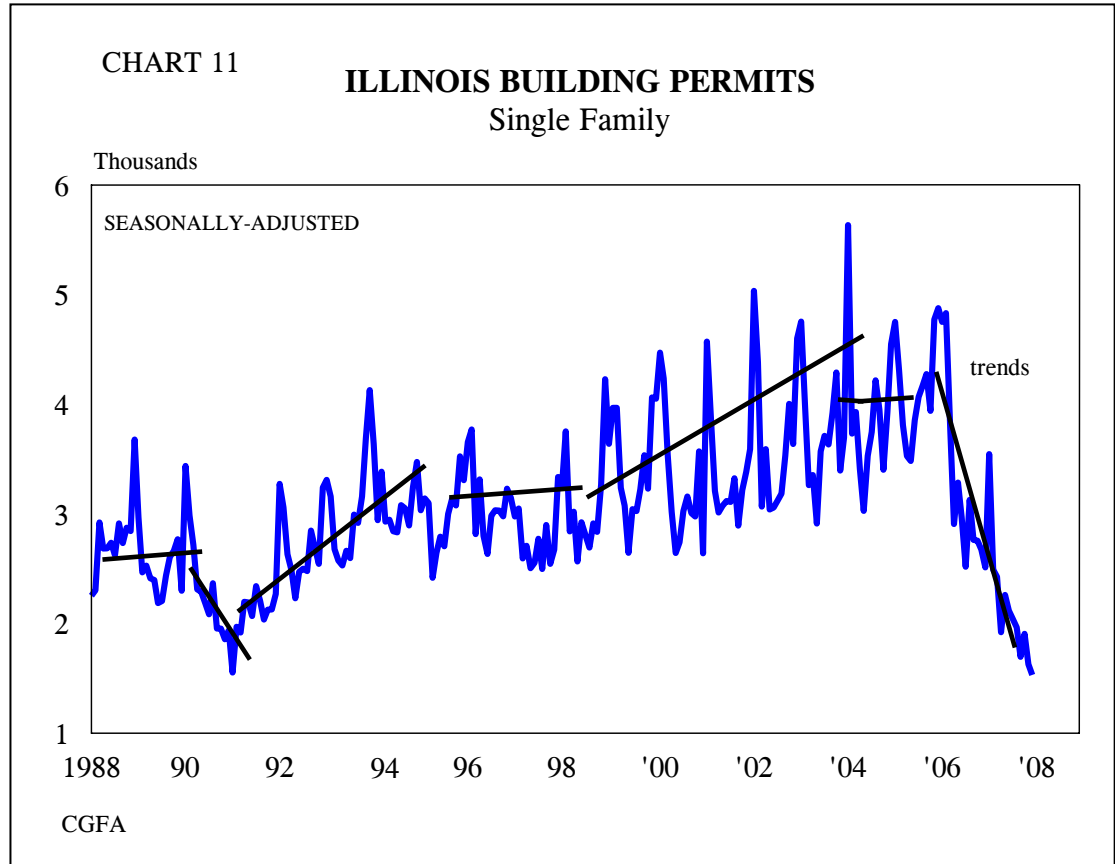
CONSUMER PRICE INDEX

- One possible impediment to continuing to lower interest rates is the outlook for inflation. As shown in Chart 10, inflation has been rising since a low was reached a few years ago. In January, the overall CPI rose 4.3% from a year earlier. Even excluding the volatile food and energy sectors, the rise in core prices was 2.5%, above the Federal Reserve's comfort zone.
- Thus, while currently the deteriorating economy is forefront in policy decisions, as the economic outlook brightens, attention will turn again to the longer-term inflation outlook.
- *CGFA's forecast for FY 2009 is for weak economic growth, mostly in the second half of the year, at a modest 1.5% pace. Growth would be below that of only slightly over 2% in each of the previous two fiscal years and half the growth rates of the two years before that. Moreover a recession cannot be ruled out. The stimulative policies of the monetary authorities coupled with the recently passed fiscal stimulative measures, however, should help to soften the impact of any downturn should one develop.*



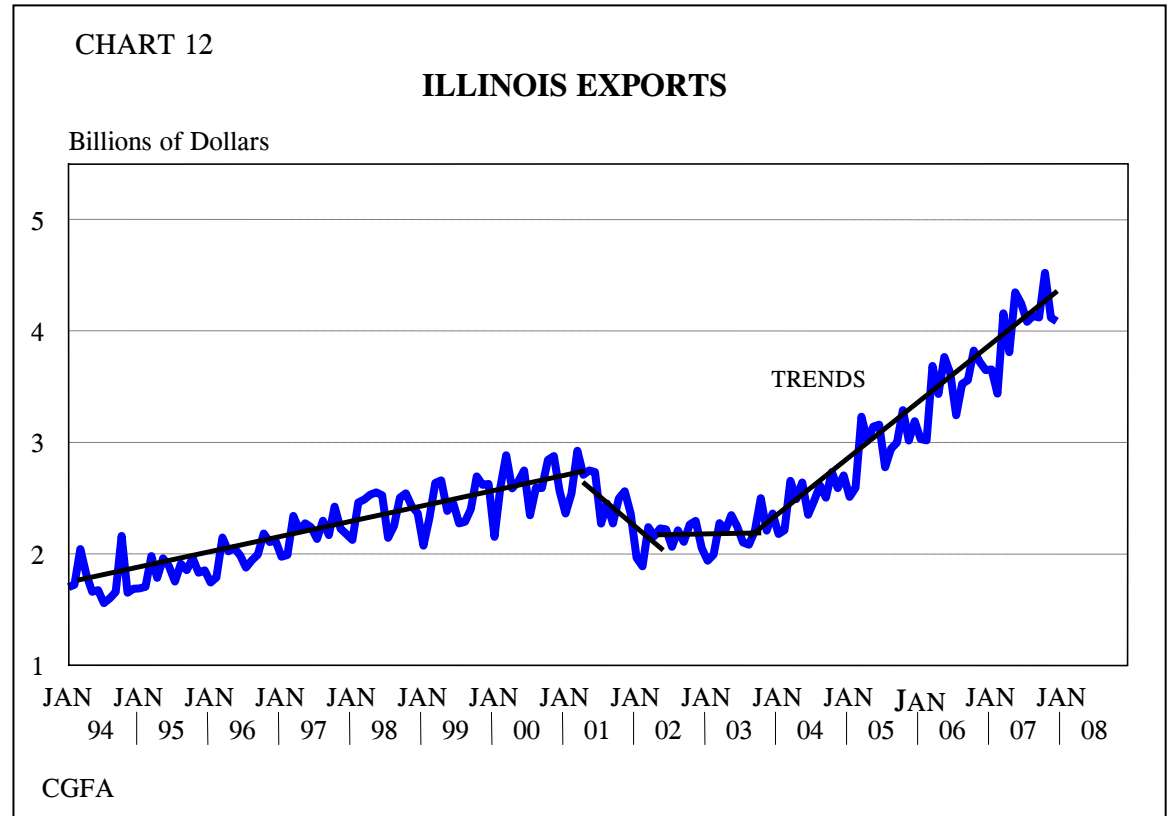
ILLINOIS BUILDING PERMITS

- The Illinois economy, like the nation, is anticipated to weaken substantially in FY 2009. According to Moody's/Economy.com, its cyclical swings have been of greater amplitude in downswings. This suggests that Illinois will fare worse than the nation as the economy weakens.
- Like the nation, a key weakness in the State has been residential housing, and while price depreciation may not have been as sharp as in some parts of the country, it clearly has not been immune.
- As Chart 11 shows, single-family building permits in Illinois have plunged and are even below levels not seen since the early 1990s. Moreover, building permits are a precursor to actual starts and thus will be under further downward pressure in the period ahead.



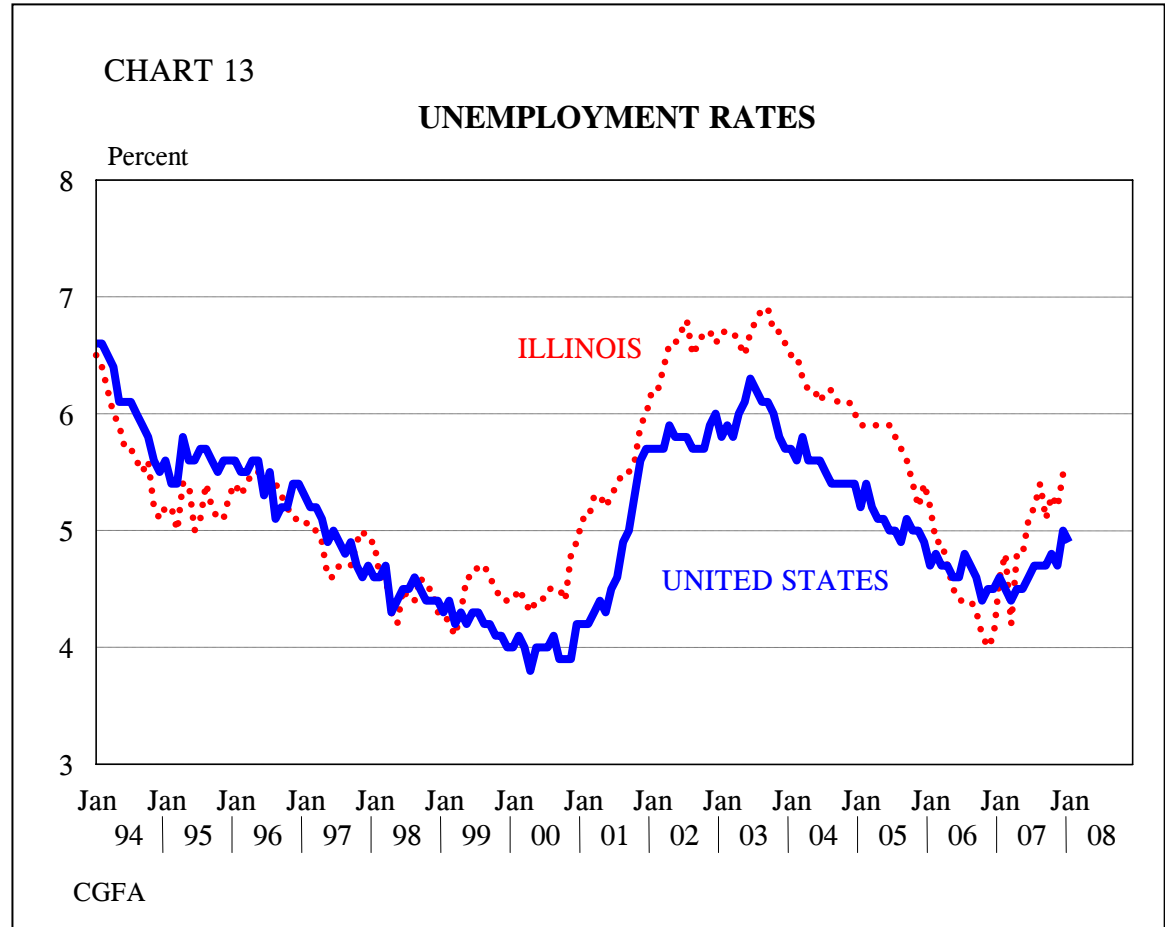
ILLINOIS EXPORTS

- In contrast to housing, a slowing consumer, and a weakening in Chicago area manufacturing, Illinois exports have been on a strong upward trend (see Chart 12).
- A weak exchange value of the U.S. dollar coupled with continued strong growth abroad has been the major factors behind the continued export expansion.
- The sector is important to Illinois as it ranks fifth in overall exports. However, as weakness in the U.S. economy spreads abroad, the importance in Illinois' export growth is expected to diminish.



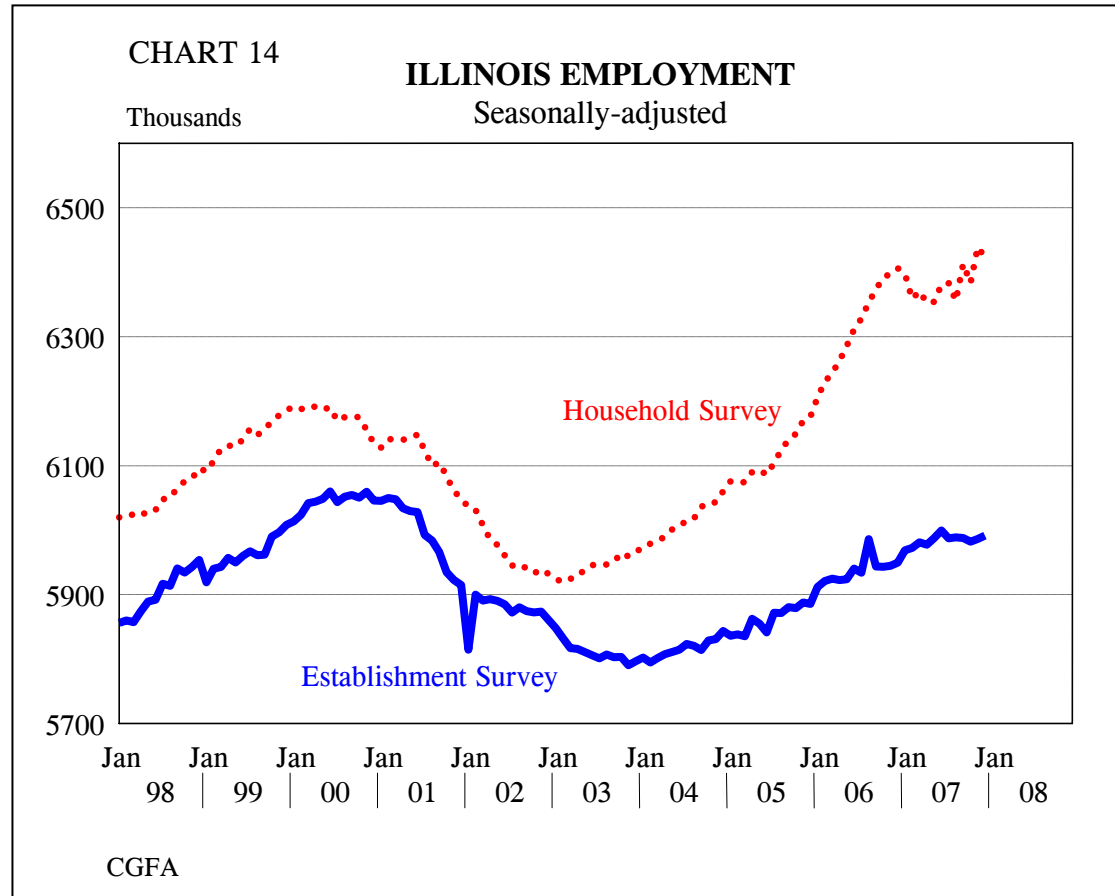
UNEMPLOYMENT RATES

- In January the nation's unemployment rate edged down to 4.9%, from 5% in December, which had been the highest rate since November 2005.
- As shown in Chart 13, however, the State unemployment rate, after remaining below the national rate late in 2006 and early 2007 has begun to exceed the national rate by a widening margin in recent months.
- It stood at 5.6% in January, exceeding the national rate by some 0.7%, which is the highest rate in Illinois since the fall of 2005.
- The lag in Illinois' employment situation is in line with the past experience and is even more evident when looking at the number of new jobs created.



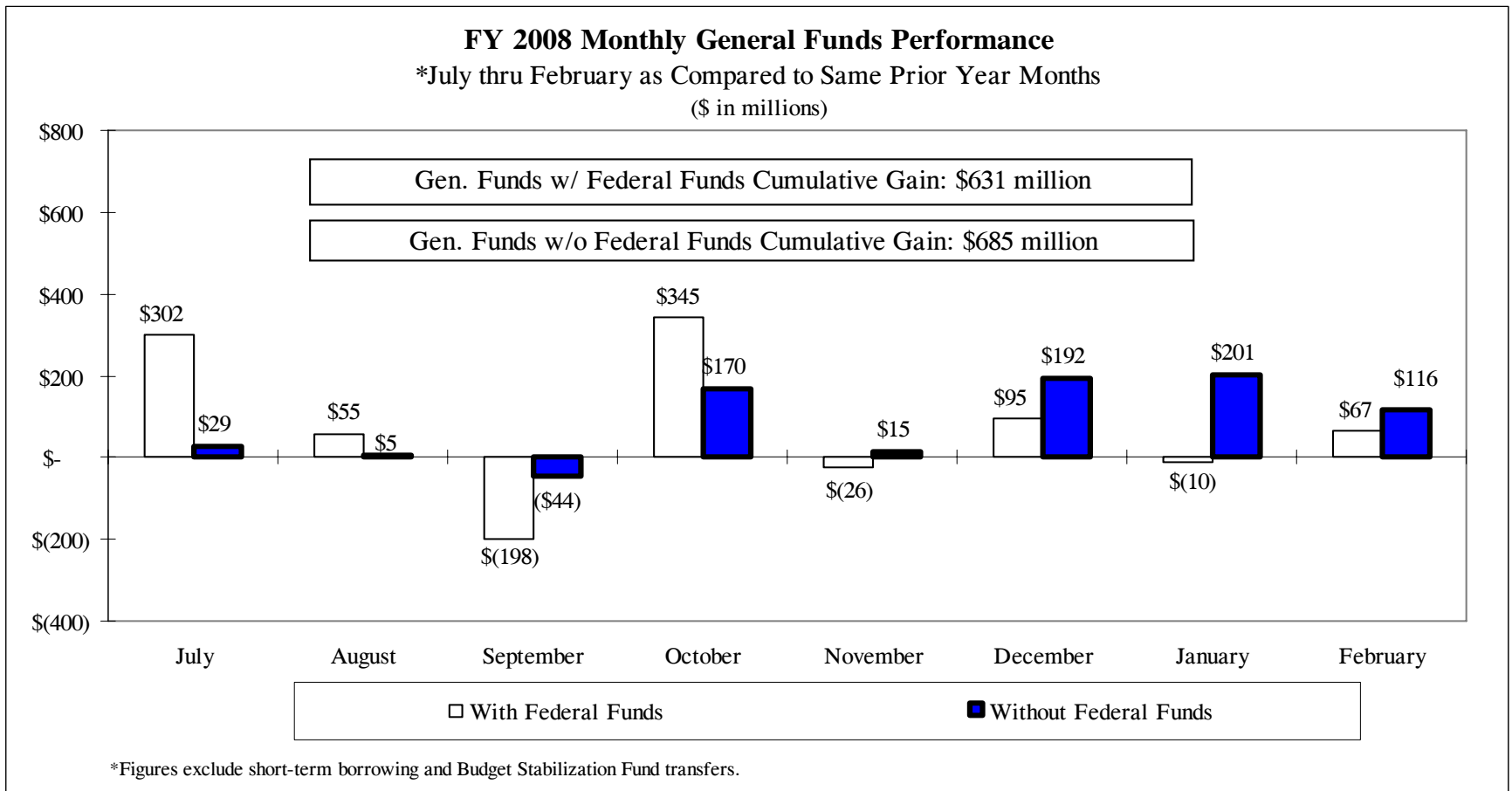
ILLINOIS EMPLOYMENT

- While the nation had recovered all the jobs lost during the last recession by early 2005, this was not the case in Illinois. As shown in Chart 14, employment in the State as measured either by the Household Survey or Establishment Survey has flattened out over the past several months.
- While Illinois' economy is anticipated to continue to mirror the national economy, given its history of displaying greater amplitude during downturns, the State is likely to continue to under perform national trends.
- *According to the latest forecast for Illinois, made in February, real Gross State Product is anticipated to rise by a lesser 1.2% in FY 2009. This lower rate of projected State economic growth also is illustrated by reduced growth in personal income, which is forecast to grow by 3.7% in FY 2009 in Illinois compared to 4.0% for the nation as a whole.*



FY 2008 REVENUE RECAP

Overall base revenues are up \$631 million through February, excluding short-term borrowing and cash flow transfers. While personal income taxes have performed well through the first two-thirds of the fiscal year, corporate income tax receipts have been disappointing, and sales tax revenues actually are running behind last year's pace. Given receipt performance to date, in conjunction with a deteriorating near term outlook, it would seem likely that overall revenues will continue to struggle over the last third of the fiscal year.



INDIVIDUAL SOURCE PERFORMANCE TO DATE

Revenues over the first two-thirds of the fiscal year have been mixed. While personal income tax has continued to buoy receipts, other economically related sources such as corporate income tax and sales tax struggled. The year thus far would have to be characterized as disappointing and it is expected that overall revenues will continue to struggle over the remainder of the year.

- While gross personal income tax continued to post above average gains, a markedly more fragile employment picture will likely begin to impact receipts heading forward.
- If sales tax receipts are unable to muster a gain of at least 1% for the year, it would mark the first time since the recession period of 1981-82 that sales tax failed to post at least a one-percent gain for two consecutive years.
- A couple of bright spots come from the smaller revenue sources of inheritance tax and corporate franchise tax. However, due to their relative size, even large percent changes do not generate major windfalls.
- After beginning the year in decent fashion, Riverboat transfers tailed off, presumably due to a number of winter storms, but also to newly imposed smoking regulations. An absence of chargebacks and fund sweeps resulted in a decline of other transfers.

GENERAL FUNDS RECEIPTS THROUGH FEBRUARY				
<i>FY 2008 vs. FY 2007</i>				
<i>(\$ million)</i>				
<u>Revenue Sources</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>CHANGE FROM FY 2007</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$6,651	\$6,136	\$515	8.4%
Corporate Income Tax (regular)	923	894	\$29	3.2%
Sales Taxes	4,850	4,862	(\$12)	-0.2%
Public Utility Taxes (regular)	750	744	\$6	0.8%
Cigarette Tax	234	234	\$0	0.0%
Liquor Gallonage Taxes	110	107	\$3	2.8%
Vehicle Use Tax	21	22	(\$1)	-4.5%
Inheritance Tax (Gross)	256	182	\$74	40.7%
Insurance Taxes and Fees	173	163	\$10	6.1%
Corporate Franchise Tax & Fees	149	126	\$23	18.3%
Interest on State Funds & Investments	145	136	\$9	6.6%
Cook County IGT	193	178	\$15	8.4%
Other Sources	277	275	\$2	0.7%
Subtotal	\$14,732	\$14,059	\$673	4.8%
Transfers				
Lottery	416	380	\$36	9.5%
Riverboat transfers & receipts	429	420	\$9	2.1%
Other	327	456	(\$129)	-28.3%
Total State Sources	\$15,904	\$15,315	\$589	3.8%
Federal Sources				
Total Federal & State Sources	\$3,043	\$3,097	(\$54)	-1.7%
Total Federal & State Sources				
Total Federal & State Sources	\$18,947	\$18,412	\$535	2.9%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$515)	(\$598)	\$83	-13.9%
Corporate Income Tax	(\$143)	(\$156)	\$13	-8.3%
Subtotal General Funds	\$18,289	\$17,658	\$631	3.6%
Short-Term Borrowing	\$1,200	\$900	\$300	33.3%
Hospital Provider Fund (cash flow transfer)	\$300	\$0	\$300	N/A
Budget Stabilization Fund Transfer	\$276	\$276	\$0	0.0%
Total General Funds	\$20,065	\$18,834	\$1,231	6.5%

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

CGFA

3-Mar-08

FY 2008 GENERAL FUNDS ESTIMATE

The accompanying table shows the Commission's forecast of FY 2008 revenues. Overall base receipts are forecast to be \$29.445 billion, an increase of \$805 million over the previous year.

While the FY 2008 budget was implemented with the hopes of recording nearly \$1.6 billion in growth--actual performance through February, coupled with a slowing economy, point to revenues falling well short of those expectations. Noteworthy items include:

- The impressive year to date growth in personal income tax is expected to slow over the remainder of the year, although still finish with a gain of 6.5%.
- Both corporate income tax and sales tax are expected to continue to under perform for the rest of this year and into next.
- Inheritance tax and corporate franchise taxes both benefited from one-time receipt boosts that are not expected to repeat next year.
- Other transfers dropped due to lack of fund sweeps and chargebacks.

FY 2008 CGFA ESTIMATE & FY 2007 ACTUALS (millions)				
Revenue Sources	CGFA FY 2008 Estimate March-08	ACTUAL FY 2007	\$ Difference	% Difference
State Taxes				
Personal Income Tax	\$11,100	\$10,424	\$676	6.5%
Corporate Income Tax	\$2,153	\$2,121	\$32	1.5%
Sales Taxes	\$7,156	\$7,136	\$20	0.3%
Public Utility (regular)	\$1,140	\$1,131	\$9	0.8%
Cigarette Tax	\$350	\$350	\$0	0.0%
Liquor Gallonage Taxes	\$160	\$156	\$4	2.6%
Vehicle Use Tax	\$33	\$33	\$0	0.0%
Inheritance Tax (gross)	\$360	\$264	\$96	36.4%
Insurance Taxes & Fees	\$325	\$310	\$15	4.8%
Corporate Franchise Tax & Fees	\$220	\$193	\$27	14.0%
Interest on State Funds & Investments	\$185	\$204	(\$19)	-9.3%
Cook County Intergovernmental Transfer	\$302	\$307	(\$5)	-1.6%
<u>Other Sources</u>	<u>\$453</u>	<u>\$449</u>	<u>\$4</u>	<u>0.9%</u>
Subtotal	\$23,937	\$23,078	\$859	3.7%
Transfers				
Lottery	\$675	\$622	\$53	8.5%
Riverboat Transfers & Receipts	\$625	\$685	(\$60)	-8.8%
<u>Other</u>	<u>\$598</u>	<u>\$939</u>	<u>(\$341)</u>	<u>-36.3%</u>
Total State Sources	\$25,835	\$25,324	\$511	2.0%
Federal Sources	\$4,804	\$4,703	\$101	2.1%
Total Federal & State Sources	\$30,639	\$30,027	\$612	2.0%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$860)	(\$1,016)	\$156	-15.4%
Corporate Income Tax	(\$334)	(\$371)	\$37	-10.0%
Subtotal General Funds	\$29,445	\$28,640	\$805	2.8%
Short-Term Borrowing	\$1,200	\$900	\$300	33.3%
Hospital Provider Fund (cash flow transfer)	\$300	\$456	(\$156)	-34.2%
Budget Stabilization Fund Transfer	\$276	\$276	\$0	0.0%
Total General Funds	\$31,221	\$30,272	\$949	3.1%
CGFA				

CGFA vs. GOMB FY 2008 COMPARISON

As shown, the Commission's FY 2008 general funds estimate of \$29.445 billion is \$75 million below the GOMB's latest official estimate reflected in the FY 2009 Budget Book. The estimates are presented as base revenues, although the Governor has proposed generating an additional \$750 million in FY 2008 via "fund sweeps" and corporate tax changes. Since those items would require legislative action, they are not included in the base estimates.

- The Commission projects a slightly more pronounced slowing in personal income tax receipts over the last third of the year. In addition, the Commission is more conservative in the estimates of other sources, interest earnings, and riverboat transfers. While the estimate of other transfers is considerably lower than the GOMB, it is because their estimate includes an additional \$80 million transfer related to the Hospital Assessment Program. In order to capture that amount, a supplemental appropriation and likely additional short-term borrowing would be required.
- Despite being lower overall, the Commission projects somewhat higher revenues in a number of areas. The estimates of inheritance tax, corporate income tax, and public utility taxes serve as the largest examples.

FY 2008 CGFA/GOMB ESTIMATE COMPARISON			
<i>Excludes \$750 million in Governor Proposed Revenue Enhancements</i>			
(millions)			
<u>Revenue Sources</u>	CGFA FY 2008 Estimate March-08	GOMB FY 2008 Estimate Feb-08	\$ Difference
State Taxes			
Personal Income Tax	\$11,100	\$11,136	(\$36)
Corporate Income Tax	\$2,153	\$2,121	\$32
Sales Taxes	\$7,156	\$7,172	(\$16)
Public Utility (regular)	\$1,140	\$1,111	\$29
Cigarette Tax	\$350	\$350	\$0
Liquor Gallonage Taxes	\$160	\$159	\$1
Vehicle Use Tax	\$33	\$30	\$3
Inheritance Tax (gross)	\$360	\$315	\$45
Insurance Taxes & Fees	\$325	\$320	\$5
Corporate Franchise Tax & Fees	\$220	\$215	\$5
Interest on State Funds & Investments	\$185	\$204	(\$19)
Cook County Intergovernmental Transfer	\$302	\$302	\$0
<u>Other Sources</u>	<u>\$453</u>	<u>\$502</u>	<u>(\$49)</u>
Subtotal	\$23,937	\$23,937	\$0
Transfers			
Lottery	\$675	\$657	\$18
Riverboat Transfers & Receipts	\$625	\$636	(\$11)
<u>Other</u>	<u>\$598</u>	<u>\$678</u>	<u>(\$80)</u>
Total State Sources	\$25,835	\$25,908	(\$73)
Federal Sources	\$4,804	\$4,804	\$0
Total Federal & State Sources	\$30,639	\$30,712	(\$73)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$860)	(\$863)	\$3
Corporate Income Tax	(\$334)	(\$329)	(\$5)
Subtotal General Funds	\$29,445	\$29,520	(\$75)
Change from Prior Year	\$805	\$880	(\$75)
Percent Change	2.8%	3.1%	
Short-Term Borrowing	\$1,200	\$1,200	\$0
Hospital Provider Fund (cash flow transfer)	\$300	\$300	\$0
Budget Stabilization Fund Transfer	\$276	\$276	\$0
Total General Funds	\$31,221	\$31,296	(\$75)
Change from Prior Year	\$949	\$1,024	
Percent Change	3.1%	3.4%	
CGFA			

CGFA's FY 2009 ESTIMATE

Base revenues are forecast at \$30.075 billion in FY 2009, reflecting a modest \$630 million or 2.1% growth over the previous year. Unfortunately, current economic uncertainty serves to temper growth expectations for FY 2009. The latest economic forecasts indicate real personal income as well as personal consumption are forecast to slow somewhat in the upcoming fiscal year, while before tax profits are expected to struggle again. Furthermore, the unemployment rate, which has moved higher in recent months, is anticipated to continue to climb.

- Personal income taxes, while holding up quite well over the first part of the current fiscal year is expected to slow, continue below trend into FY 2009, and forecast to grow approximately 3.2%.
- Despite some corporate tax changes enacted last year, no growth is expected in gross corporate income tax receipts.
- While sales taxes are expected to improve somewhat next year, the estimate of 2.2% growth reflects continued consumer weakness.
- A few revenue areas that are enjoying a good FY 2008 may very well return losses next year. For example, inheritance tax, interest earnings, and the Cook County Intergovernmental transfer are all expected to decline. And finally, absent Legislative action, certain fund transfers are not scheduled to be repeated in the future, i.e. hospital assessment program transfers.

Given the current uncertain status of the economy, the revenue picture for FY 2009 is far from clear. However, it would appear that limited base growth is the best that can be hoped for.

CGFA ESTIMATE FY 2009 vs. FY 2008 (Base Revenues)				
(millions)				
Revenue Sources	CGFA FY 2009 Estimate March-08	CGFA FY 2008 Estimate March-08	\$ Difference	% Difference
State Taxes				
Personal Income Tax	\$11,460	\$11,100	\$360	3.2%
Corporate Income Tax	\$2,153	\$2,153	\$0	0.0%
Sales Taxes	\$7,314	\$7,156	\$158	2.2%
Public Utility (regular)	\$1,150	\$1,140	\$10	0.9%
Cigarette Tax	\$350	\$350	\$0	0.0%
Liquor Gallonage Taxes	\$162	\$160	\$2	1.3%
Vehicle Use Tax	\$33	\$33	\$0	0.0%
Inheritance Tax (gross)	\$330	\$360	(\$30)	-8.3%
Insurance Taxes & Fees	\$335	\$325	\$10	3.1%
Corporate Franchise Tax & Fees	\$210	\$220	(\$10)	-4.5%
Interest on State Funds & Investments	\$155	\$185	(\$30)	-16.2%
Cook County Intergovernmental Transfer	\$256	\$302	(\$46)	-15.2%
Other Sources	\$463	\$453	\$10	2.2%
Subtotal	\$24,371	\$23,937	\$434	1.8%
Transfers				
Lottery	\$685	\$675	\$10	1.5%
Riverboat Transfers & Receipts	\$615	\$625	(\$10)	-1.6%
Other	\$518	\$598	(\$80)	-13.4%
Total State Sources	\$26,189	\$25,835	\$354	1.4%
Federal Sources	\$5,108	\$4,804	\$304	6.3%
Total Federal & State Sources	\$31,297	\$30,639	\$658	2.1%
Nongeneral Funds Distribution:				
Refund Fund*				
Personal Income Tax	(\$888)	(\$860)	(\$28)	3.3%
Corporate Income Tax	(\$334)	(\$334)	\$0	0.0%
Subtotal General Funds	\$30,075	\$29,445	\$630	2.1%
Short-Term Borrowing	\$0	\$1,200	(\$1,200)	N/A
Hospital Provider Fund (cash flow transfer)	\$0	\$300	(\$300)	N/A
Budget Stabilization Fund Transfer	\$276	\$276	\$0	0.0%
Total General Funds	\$30,351	\$31,221	(\$870)	-2.8%

*The FY 2009 estimate based on current refund percentages at 7.75% for PIT and 15.5% for CIT.
CGFA

SUMMARY OF REVENUE RELATED BUDGET HIGHLIGHTS

On February 20th, 2008, Governor Blagojevich presented his proposed budget for FY 2009. The Governor's budget contains some revenue changes that the GOMB projects will contribute to overall general revenue growth of \$1.399 billion. The increase is comprised of \$721 million in base revenue growth, as well as a net \$678 million in growth from proposed revenue changes that likely will require legislative approval.

The table below illustrates the GOMB's revenue growth assumptions used in the proposed FY 2009 Budget, while the table to the right details the GOMB estimates.

GOMB FY 2009 General Revenue Growth Assumptions	
(\$ in Millions)	
	GOMB Feb-08
FY 2008 Base Estimate (\$millions) excl. short-term borrowing	\$29,520
Proposed Revenue Changes [fund sweeps & "loophole" closures]	\$750
Total FY 2008	\$30,270
Net change in income taxes (current refund %)	\$390
Sales tax	\$125
Misc. other sources (net)	(\$111)
Transfers (lottery, riverboat, other)	\$13
Federal source revenue	\$304
FY 2009 Base Growth	\$721
Proposed Revenue Growth Changes per Budget Book	
Impact of using higher refund % [2% higher than in FY'08 for both PIT & CIT]	(\$273)
Proposed Increases to One-time Revenues	\$165
Proposed Increases to Recurring Revenues	\$786
Proposed Growth Changes to Base Revenues	\$678
Total Growth Assumptions	\$1,399
FY 2009 General Revenue Estimate	\$31,669

GOMB FY 2009 vs. FY 2008 ESTIMATE				
(millions)				
	GOMB FY 2009	GOMB FY 2008	\$	%
Revenue Sources	Estimate Feb-08	Estimate Feb-08	Difference	Difference
State Taxes				
Personal Income Tax	\$11,559	\$11,136	\$423	3.8%
Corporate Income Tax	\$2,121	\$2,121	\$0	0.0%
Sales Taxes	\$7,297	\$7,172	\$125	1.7%
Public Utility (regular)	\$1,110	\$1,111	(\$1)	-0.1%
Cigarette Tax	\$350	\$350	\$0	0.0%
Liquor Gallonage Taxes	\$161	\$159	\$2	1.3%
Vehicle Use Tax	\$31	\$30	\$1	3.3%
Inheritance Tax (gross)	\$275	\$315	(\$40)	-12.7%
Insurance Taxes & Fees	\$325	\$320	\$5	1.6%
Corporate Franchise Tax & Fees	\$205	\$215	(\$10)	-4.7%
Interest on State Funds & Investments	\$180	\$204	(\$24)	-11.8%
Cook County Intergovernmental Transfer	\$256	\$302	(\$46)	-15.2%
Other Sources	\$504	\$502	\$2	0.4%
Subtotal	\$24,374	\$23,937	\$437	1.8%
Transfers				
Lottery	\$664	\$657	\$7	1.1%
Riverboat Transfers & Receipts	\$642	\$636	\$6	0.9%
Other	\$678	\$678	\$0	0.0%
Total State Sources	\$26,358	\$25,908	\$450	1.7%
Federal Sources				
	\$5,108	\$4,804	\$304	6.3%
Total Federal & State Sources	\$31,466	\$30,712	\$754	2.5%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax (current 7.75%)	(\$896)	(\$863)	(\$33)	3.8%
Corporate Income Tax (current 15.5%)	(\$329)	(\$329)	\$0	0.0%
Subtotal General Funds	\$30,241	\$29,520	\$721	2.4%
Proposed Increases to Base Revenues				
Impact of using higher refund %	(\$273)	\$0	(\$273)	N/A
One-time Revenues	\$665	\$500	\$165	33.0%
Recurring Revenues	\$1,036	\$250	\$786	314.4%
Total Proposed Revenue Adjustments	\$1,428	\$750	\$678	90.4%
Total General Funds	\$31,669	\$30,270	\$1,399	4.6%
CGFA				

DETAILED CGFA/GOMB FY 2009 COMPARISON

Excluding the Governor's proposed \$1.428 billion in proposed revenue changes, the Commission's FY 2009 base general funds estimate of \$30.075 billion is \$166 million below the GOMB's base estimate of \$30.241 billion. That difference is comprised of the Commission's \$75 million lower estimate in FY 2008, coupled with its lower growth estimate in FY 2009 of \$91 million. Obviously, it is unclear what, if any, of the Governor's proposed revenue changes will be adopted.

FY 2009 CGFA/GOMB COMPARISON <i>"Base" and "With Proposed Revenue Changes"</i> (millions)			
Revenue Sources	CGFA FY 2009 Estimate Mar-08	GOMB FY 2009 Estimate Feb-08	\$ Difference
State Taxes			
Personal Income Tax	\$11,460	\$11,559	(\$99)
Corporate Income Tax	\$2,153	\$2,121	\$32
Sales Taxes	\$7,314	\$7,297	\$17
Public Utility (regular)	\$1,150	\$1,110	\$40
Cigarette Tax	\$350	\$350	\$0
Liquor Gallonage Taxes	\$162	\$161	\$1
Vehicle Use Tax	\$33	\$31	\$2
Inheritance Tax (gross)	\$330	\$275	\$55
Insurance Taxes & Fees	\$335	\$325	\$10
Corporate Franchise Tax & Fees	\$210	\$205	\$5
Interest on State Funds & Investments	\$155	\$180	(\$25)
Cook County Intergovernmental Transfer	\$256	\$256	\$0
<u>Other Sources</u>	<u>\$463</u>	<u>\$504</u>	<u>(\$41)</u>
Subtotal	\$24,371	\$24,374	(\$3)
Transfers			
Lottery	\$685	\$664	\$21
Riverboat Transfers & Receipts	\$615	\$642	(\$27)
<u>Other</u>	<u>\$518</u>	<u>\$678</u>	<u>(\$160)</u>
Total State Sources	\$26,189	\$26,358	(\$169)
Federal Sources	\$5,108	\$5,108	\$0
Total Federal & State Sources	\$31,297	\$31,466	(\$169)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$888)	(\$896)	\$8
Corporate Income Tax	(\$334)	(\$329)	(\$5)
Subtotal General Funds "Base"	\$30,075	\$30,241	(\$166)
Change from Prior Year Estimate	\$630	\$721	(\$91)
Percent Change	2.1%	2.4%	
Net Value of Proposed Revenue Changes	\$1,428	\$1,428	\$0
Subtotal With Proposed Changes	\$31,503	\$31,669	(\$166)
Change from Prior Year Estimate*	\$1,308	\$1,399	(\$91)
Percent Change	4.3%	4.6%	
*Both estimates include \$750 million in FY 2008 for proposed revenue changes			
CGFA			

DETAILED GENERAL FUNDS REVENUE HISTORY FY 1999 - FY 2009

(\$ million)

Revenue Sources	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	Actual Receipts FY 2007	CGFA Mar-08 FY 2008	CGFA Mar-08 FY 2009
State Taxes										
Personal Income Tax	\$8,273	\$8,607	\$8,086	\$7,979	\$8,235	\$8,873	\$9,568	\$10,424	\$11,100	\$11,460
Corporate Income Tax (regular)	1,527	1,279	1,043	1,011	1,379	1,548	1,784	2,121	2,153	2,153
Sales Taxes	6,027	5,958	6,051	6,059	6,331	6,595	7,092	7,136	7,156	7,314
Public Utility Taxes (regular)	1,116	1,146	1,104	1,006	1,079	1,056	1,074	1,131	1,140	1,150
Cigarette Tax	400	400	400	400	400	450	400	350	350	350
Liquor Gallonage Taxes	128	124	123	123	127	147	152	156	160	162
Vehicle Use Tax	38	34	38	34	35	32	34	33	33	33
Inheritance Tax (Gross)	348	361	329	237	222	310	272	264	360	330
Insurance Taxes and Fees	209	246	272	313	362	342	317	310	325	335
Corporate Franchise Tax & Fees	139	146	159	142	163	181	181	193	220	210
Interest on State Funds & Investments	233	274	135	66	55	73	153	204	185	155
Cook County Intergovernmental Transfer	245	245	245	355	428	433	350	307	302	256
Other Sources	194	407	512	349	439	468	441	449	453	463
Subtotal	\$18,877	\$19,227	\$18,497	\$18,074	\$19,255	\$20,508	\$21,818	\$23,078	\$23,937	\$24,371
Transfers										
Lottery	515	501	555	540	570	614	670	622	675	685
Gaming Fund Transfer	330	460	470	554	661	699	689	685	625	615
Other	514	452	454	589	1,159	918	746	939	598	518
Total State Sources	\$20,236	\$20,640	\$19,976	\$19,757	\$21,645	\$22,739	\$23,923	\$25,324	\$25,835	\$26,189
Federal Sources										
	\$3,891	\$4,320	\$4,258	\$3,940	\$5,189	\$4,691	\$4,725	\$4,703	\$4,804	\$5,108
Total Federal & State Sources	\$24,127	\$24,960	\$24,234	\$23,697	\$26,834	\$27,430	\$28,648	\$30,027	\$30,639	\$31,297
Nongeneral Funds Distribution:										
Refund Fund										
Personal Income Tax	(\$587)	(\$611)	(\$615)	(\$638)	(\$964)	(\$894)	(\$933)	(\$1,016)	(\$860)	(\$888)
Corporate Income Tax	(290)	(243)	(240)	(273)	(442)	(376)	(356)	(371)	(334)	(334)
Subtotal General Funds	\$23,250	\$24,106	\$23,379	\$22,786	\$25,428	\$26,160	\$27,359	\$28,640	\$29,445	\$30,075
Change from Prior Year	\$1,576	\$856	(\$727)	(\$593)	\$2,642	\$732	\$1,199	\$1,281	\$805	\$630
Percent Change	7.3%	3.7%	-3.0%	-2.5%	11.6%	2.9%	4.6%	4.7%	2.8%	2.1%
Short-Term Borrowing	\$0	\$0	\$0	\$1,675	\$0	\$765	\$1,000	\$900	\$1,200	\$0
HPF and HHSMTF Transfers	\$0	\$0	\$0	\$0	\$0	\$982	\$0	\$456	\$300	\$0
Budget Stabilization Fund Transfer	\$0	\$0	\$226	\$226	\$226	\$276	\$276	\$276	\$276	\$276
Pension Contribution Fund Transfer	\$0	\$0	\$0	\$300	\$1,395	\$0	\$0	\$0	\$0	\$0
Total General Funds	\$23,250	\$24,106	\$23,605	\$24,987	\$27,049	\$28,183	\$28,635	\$30,272	\$31,221	\$30,351
Change from Prior Year	\$1,576	\$856	(\$501)	\$1,382	\$2,062	\$1,134	\$452	\$1,637	\$949	(\$870)
Percent Change	7.3%	3.7%	-2.1%	5.9%	8.3%	4.2%	1.6%	5.7%	3.1%	-2.8%
CGFA										

General Funds Revenue History: Annual \$ Change

FY 1992 - FY 2009 (est)

(in millions)

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

