

April 5, 2000

MEMORANDUM

TO: IEFC Commission Members
and Interested Parties

FROM: Dan R. Long, Executive Director
Jim Muschinske, Unit Chief

RE: Revised FY 2000 and FY 2001 General Revenue Estimates

Please see attached tables that illustrate revised general revenue estimates for FY 2000 and FY 2001.

FY 2000

As shown in Table 1, the Commission's revised estimate for FY 2000 general revenue is \$23.062 billion. The revised estimate represents an increase of \$147 million from the previous estimate presented in February. Major changes to the estimate include the following:

- The estimate for gross corporate income tax has been increased \$151 million as the result of ComEd's recent sale of six coal-fired power plants. Once the Refund Fund distribution of 19% is excluded, the net impact is approximately \$123 million.
- The estimate for sales tax receipts has been raised \$44 million. The increase results from the continued strong sales tax receipts experienced throughout most of the fiscal year.
- Receipts from inheritance tax, after experiencing significant gains in the first half of the fiscal year, have stumbled as of late. As a result, the estimate has been reduced by \$10 million.
- Insurance taxes continue to perform poorly in FY 2000. The estimate has been lowered by \$15 million.

- Other changes include a \$5 million increase for estimates of both liquor tax and interest on State investments. The forecast of Lottery transfers has been reduced by \$5 million.

As shown in Table 2, the revised estimate represents an increase of \$1.388 billion or 6.4% over the previous fiscal year. That rate of growth is very similar to year-to-date receipting through March as receipts are up 6.2% (See Table 3).

Table 4 compares the FY 2000 estimates of the Commission and the BoB. As shown, the Commission's revised estimate is \$120 million higher than the Bureau. However, the Bureau's figures are from their February Quarterly Financial Report and as a result do not include the ComEd windfall.

FY 2001

Table 5 reflects the Commission's revised FY 2001 estimate. The revised estimate is \$40 million higher than the preliminary estimate provided in February and merely reflects changes to the FY 2000 base. It should also be mentioned that the ComEd revenue received in FY 2000 is not incorporated into the base, as it is a one-time windfall.

As shown in Table 6, the revised FY 2001 estimate represents an increase of \$749 million or 3.2% over the revised FY 2000 forecast. There are several reasons why revenue growth is forecast to slow substantially from FY 2000.

- Base economic assumptions are slightly lower than in FY 2000.
- FY 2001 will mark the third and final year of the phase-in for doubling the personal income tax exemption, and the movement to a single-sales corporate income tax rate. In addition, FY 2001 will be the first year of the educational expense tax credit.
- Much smaller annualization gains associated with the liquor tax increase.
- Cook County IGT is forecast to be the same as FY 2000 compared with an increase in FY 2000.
- FY 2000 was the first full-year of dockside gambling. Growth factors for FY 2001 should be substantially lower.
- The estimated growth in federal source receipts is significantly lower in FY 2001 than the current fiscal year.

Table 7 compares the Commission's revised estimate and the BoB's estimate released in February. As shown, the Commission's FY 2001 estimate is \$68 million higher than the Bureau's. The Commission is higher in most of the larger state sources such as personal income tax, sales tax and public utility tax. The BoB is slightly higher in its estimate of corporate income tax, insurance tax, and lottery transfers.

**TABLE 1: ADJUSTMENTS TO THE
FY 2000 GENERAL FUNDS ESTIMATE**
(\$ million)

Revenue Sources	APRIL-00 REVISED ESTIMATE FY 2000	FEB-00 ESTIMATE FY 2000	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$8,154	\$8,154	\$0	0.0%
Corporate Income Tax (regular)	1,439	1,288	\$151	11.7%
Sales Taxes	5,990	5,946	\$44	0.7%
Public Utility Taxes (regular)	1,112	1,112	\$0	0.0%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	122	117	\$5	4.3%
Vehicle Use Tax	39	39	\$0	0.0%
Inheritance Tax (Gross)	345	355	(\$10)	-2.8%
Insurance Taxes and Fees	170	185	(\$15)	-8.1%
Corporate Franchise Tax & Fees	125	125	\$0	0.0%
Interest on State Funds & Investments	213	208	\$5	2.4%
Cook County Intergovernmental Transfer	245	245	\$0	0.0%
Other Sources	305	305	\$0	0.0%
Subtotal	\$18,659	\$18,479	\$180	1.0%
Transfers				
Lottery	525	530	(\$5)	-0.9%
Gaming Fund Transfer	335	335	\$0	0.0%
Other	505	505	\$0	0.0%
Total State Sources	\$20,024	\$19,849	\$175	0.9%
Federal Sources	\$3,890	\$3,890	\$0	0.0%
Total Federal & State Sources	\$23,914	\$23,739	\$175	0.7%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$579)	(\$579)	\$0	0.0%
Corporate Income Tax	(\$273)	(\$245)	(\$28)	11.4%
Total General Funds	\$23,062	\$22,915	\$147	0.6%
IEFC				04-Apr-00

TABLE 2: GENERAL FUNDS RECEIPTS

FY 2000 vs. FY 1999

(\$ million)

Revenue Sources	APRIL-00 Revised Estimate FY 2000	Actual Receipts FY 1999	\$ CHANGE FY 1999-2000	% CHANGE
State Taxes				
Personal Income Tax	\$8,154	\$7,778	\$376	4.8%
Corporate Income Tax (regular)	1,439	1,384	\$55	4.0%
Sales Taxes	5,990	5,609	\$381	6.8%
Public Utility Taxes (regular)	1,112	1,019	\$93	9.1%
Cigarette Tax	400	403	(\$3)	-0.7%
Liquor Gallonage Taxes	122	57	\$65	114.0%
Vehicle Use Tax	39	38	\$1	2.6%
Inheritance Tax (Gross)	345	347	(\$2)	-0.6%
Insurance Taxes and Fees	170	208	(\$38)	-18.3%
Corporate Franchise Tax & Fees	125	117	\$8	6.8%
Interest on State Funds & Investments	213	212	\$1	0.5%
Cook County Intergovernmental Transfer	245	218	\$27	12.4%
Other Sources	305	190	\$115	60.5%
Subtotal	\$18,659	\$17,580	\$1,079	6.1%
Transfers				
Lottery	525	540	(\$15)	-2.8%
Gaming Fund Transfer	335	240	\$95	39.6%
Other	505	411	\$94	22.9%
Total State Sources	\$20,024	\$18,771	\$1,253	6.7%
Federal Sources	\$3,890	\$3,718	\$172	4.6%
Total Federal & State Sources	\$23,914	\$22,489	\$1,425	6.3%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$579)	(\$552)	(\$27)	4.9%
Corporate Income Tax	(273)	(263)	(\$10)	3.8%
Total General Funds	\$23,062	\$21,674	\$1,388	6.4%
IEFC				
04-Apr-00				

Table 3: GENERAL FUNDS RECEIPTS: YEAR TO DATE				
Through March				
(\$ million)				
Revenue Sources	FY 2000	FY 1999	CHANGE FROM FY 1999	% CHANGE
State Taxes				
Personal Income Tax	\$5,570	\$5,284	\$286	5.4%
Corporate Income Tax (regular)	1,014	857	\$157	18.3%
Sales Taxes	4,482	4,160	\$322	7.7%
Public Utility Taxes (regular)	845	758	\$87	11.5%
Cigarette Tax	300	303	(\$3)	-1.0%
Liquor Gallonage Taxes	93	43	\$50	116.3%
Vehicle Use Tax	28	28	\$0	0.0%
Inheritance Tax (Gross)	256	293	(\$37)	-12.6%
Insurance Taxes and Fees	110	155	(\$45)	-29.0%
Corporate Franchise Tax & Fees	97	88	\$9	10.2%
Interest on State Funds & Investments	176	167	\$9	5.4%
Cook County IGT	169	147	\$22	15.0%
Other Sources	147	144	\$3	2.1%
Subtotal	\$13,287	\$12,427	\$860	6.9%
Transfers				
Lottery	336	343	(\$7)	-2.0%
Gaming Fund Transfer	246	189	\$57	30.2%
Other	401	323	\$78	24.1%
Total State Sources	\$14,270	\$13,282	\$988	7.4%
Federal Sources	\$2,937	\$2,897	\$40	1.4%
Total Federal & State Sources	\$17,207	\$16,179	\$1,028	6.4%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$396)	(\$375)	(\$21)	5.6%
Corporate Income Tax	(193)	(163)	(\$30)	18.4%
Total General Funds	\$16,618	\$15,641	\$977	6.2%

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

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04-Apr-00

TABLE 4: IEFC-BoB COMPARISON-FY 2000				
(\$ millions)				
Revenue Sources	ACTUAL FY 1999	BoB Feb-00 Budget Book FY 2000	Revised IEFC Apr-00 FY 2000	Difference
State Taxes				
Personal Income Tax	\$7,778	\$8,127	\$8,154	\$27
Corporate Income Tax	\$1,384	\$1,296	\$1,439	\$143
Sales Taxes	\$5,609	\$5,975	\$5,990	\$15
Public Utility (regular)	\$1,019	\$1,115	\$1,112	(\$3)
Cigarette Tax	\$403	\$400	\$400	\$0
Liquor Gallonage Taxes	\$57	\$115	\$122	\$7
Vehicle Use Tax	\$38	\$38	\$39	\$1
Inheritance Tax (gross)	\$347	\$360	\$345	(\$15)
Insurance Taxes & Fees	\$208	\$190	\$170	(\$20)
Corporate Franchise Tax & Fees	\$117	\$120	\$125	\$5
Interest on State Funds & Investments	\$212	\$210	\$213	\$3
Cook County Intergovernmental Transfer	\$218	\$245	\$245	\$0
Other Sources	\$190	\$299	\$305	\$6
Subtotal	\$17,580	\$18,490	\$18,659	\$169
Transfers				
Lottery	\$540	\$540	\$525	(\$15)
Gaming Fund Transfer	\$240	\$330	\$335	\$5
Other	\$411	\$515	\$505	(\$10)
Total State Sources	\$18,771	\$19,875	\$20,024	\$149
Federal Sources	\$3,718	\$3,890	\$3,890	\$0
Total Federal & State Sources	\$22,489	\$23,765	\$23,914	\$149
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$552)	(\$577)	(\$579)	(\$2)
Corporate Income Tax	(\$263)	(\$246)	(\$273)	(\$27)
Total General Funds	\$21,674	\$22,942	\$23,062	\$120
Change from Prior Year		\$1,268	\$1,388	
Percent Change		5.9%	6.4%	
IEFC Estimate is Unofficial until approved by Commission				04/04/00

**TABLE 5: ADJUSTMENTS TO THE
FY 2001 GENERAL FUNDS ESTIMATE**

(\$ million)

Revenue Sources	APRIL-00 REVISED ESTIMATE FY 2001	FEB-00 ESTIMATE FY 2001	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$8,460	\$8,460	\$0	0.0%
Corporate Income Tax (regular)	1,288	1,288	\$0	0.0%
Sales Taxes	6,295	6,250	\$45	0.7%
Public Utility Taxes (regular)	1,170	1,160	\$10	0.9%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	142	137	\$5	3.6%
Vehicle Use Tax	39	39	\$0	0.0%
Inheritance Tax (Gross)	360	370	(\$10)	-2.7%
Insurance Taxes and Fees	170	185	(\$15)	-8.1%
Corporate Franchise Tax & Fees	130	125	\$5	4.0%
Interest on State Funds & Investments	213	208	\$5	2.4%
Cook County Intergovernmental Transfer	245	245	\$0	0.0%
Other Sources	410	410	\$0	0.0%
Subtotal	\$19,322	\$19,277	\$45	0.2%
Transfers				
Lottery	525	530	(\$5)	-0.9%
Gaming Fund Transfer	375	375	\$0	0.0%
Other	495	495	\$0	0.0%
Total State Sources	\$20,717	\$20,677	\$40	0.2%
Federal Sources	\$3,940	\$3,940	\$0	0.0%
Total Federal & State Sources	\$24,657	\$24,617	\$40	0.2%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$601)	(\$601)	\$0	0.0%
Corporate Income Tax	(\$245)	(\$245)	\$0	0.0%
Total General Funds	\$23,811	\$23,771	\$40	0.2%
IEFC				
04-Apr-00				

TABLE 6: ESTIMATED GENERAL FUNDS RECEIPTS

FY 2001 vs. FY 2000

(\$ million)

<u>Revenue Sources</u>	<u>APRIL-00 Revised Receipts FY 2001</u>	<u>APRIL-00 Revised Receipts FY 2000</u>	<u>\$ CHANGE FY 2001 - 00</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$8,460	\$8,154	\$306	3.8%
Corporate Income Tax (regular)	1,288	1,439	(\$151)	-10.5%
Sales Taxes	6,295	5,990	\$305	5.1%
Public Utility Taxes (regular)	1,170	1,112	\$58	5.2%
Cigarette Tax	400	400	\$0	0.0%
Liquor Gallonage Taxes	142	122	\$20	16.4%
Vehicle Use Tax	39	39	\$0	0.0%
Inheritance Tax (Gross)	360	345	\$15	4.3%
Insurance Taxes and Fees	170	170	\$0	0.0%
Corporate Franchise Tax & Fees	130	125	\$5	4.0%
Interest on State Funds & Investments	213	213	\$0	0.0%
Cook County Intergovernmental Transfer	245	245	\$0	0.0%
Other Sources	410	305	\$105	34.4%
Subtotal	\$19,322	\$18,659	\$663	3.6%
Transfers				
Lottery	525	525	\$0	0.0%
Gaming Fund Transfer	375	335	\$40	11.9%
Other	495	505	(\$10)	-2.0%
Total State Sources	\$20,717	\$20,024	\$693	3.5%
Federal Sources	\$3,940	\$3,890	\$50	1.3%
Total Federal & State Sources	\$24,657	\$23,914	\$743	3.1%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$601)	(\$579)	(\$22)	3.8%
Corporate Income Tax	(245)	(273)	\$28	-10.3%
Total General Funds	\$23,811	\$23,062	\$749	3.2%
IEFC				4-Apr-00

TABLE 7: IEFC-BoB COMPARISON-FY 2001

(millions)

<u>Revenue Sources</u>	<u>BoB FEB-00 FY 2001</u>	<u>IEFC APRIL-00 FY 2001</u>	<u>Difference</u>
State Taxes			
Personal Income Tax	\$8,423	\$8,460	\$37
Corporate Income Tax	\$1,296	\$1,288	(\$8)
Sales Taxes	\$6,275	\$6,295	\$20
Public Utility (regular)	\$1,140	\$1,170	\$30
Cigarette Tax	\$400	\$400	\$0
Liquor Gallonage Taxes	\$135	\$142	\$7
Vehicle Use Tax	\$38	\$39	\$1
Inheritance Tax (gross)	\$360	\$360	\$0
Insurance Taxes & Fees	\$195	\$170	(\$25)
Corporate Franchise Tax & Fees	\$120	\$130	\$10
Interest on State Funds & Investments	\$210	\$213	\$3
Cook County Intergovernmental Transfer	\$245	\$245	\$0
<u>Other Sources</u>	<u>\$400</u>	<u>\$410</u>	<u>\$10</u>
Subtotal	\$19,237	\$19,322	\$85
Transfers			
Lottery	\$540	\$525	(\$15)
Gaming Fund Transfer	\$370	\$375	\$5
<u>Other</u>	<u>\$500</u>	<u>\$495</u>	<u>(\$5)</u>
Total State Sources	\$20,647	\$20,717	\$70
Federal Sources	\$3,940	\$3,940	\$0
Total Federal & State Sources	\$24,587	\$24,657	\$70
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$598)	(\$601)	(\$3)
Corporate Income Tax	(\$246)	(\$245)	\$1
Total General Funds	\$23,743	\$23,811	\$68
Change from Prior Year Estimate	\$801	\$749	
Percent Change	3.5%	3.2%	
			04/04/00