

FY 2019 Economic Forecast and Revenue Estimate and FY 2018 Revenue Update



Presented by:

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Commission on Government Forecasting and Accountability
703 Stratton Office Building; Springfield, Illinois 62706

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<http://cgfa.ilga.gov>

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CGFA Background & Responsibilities

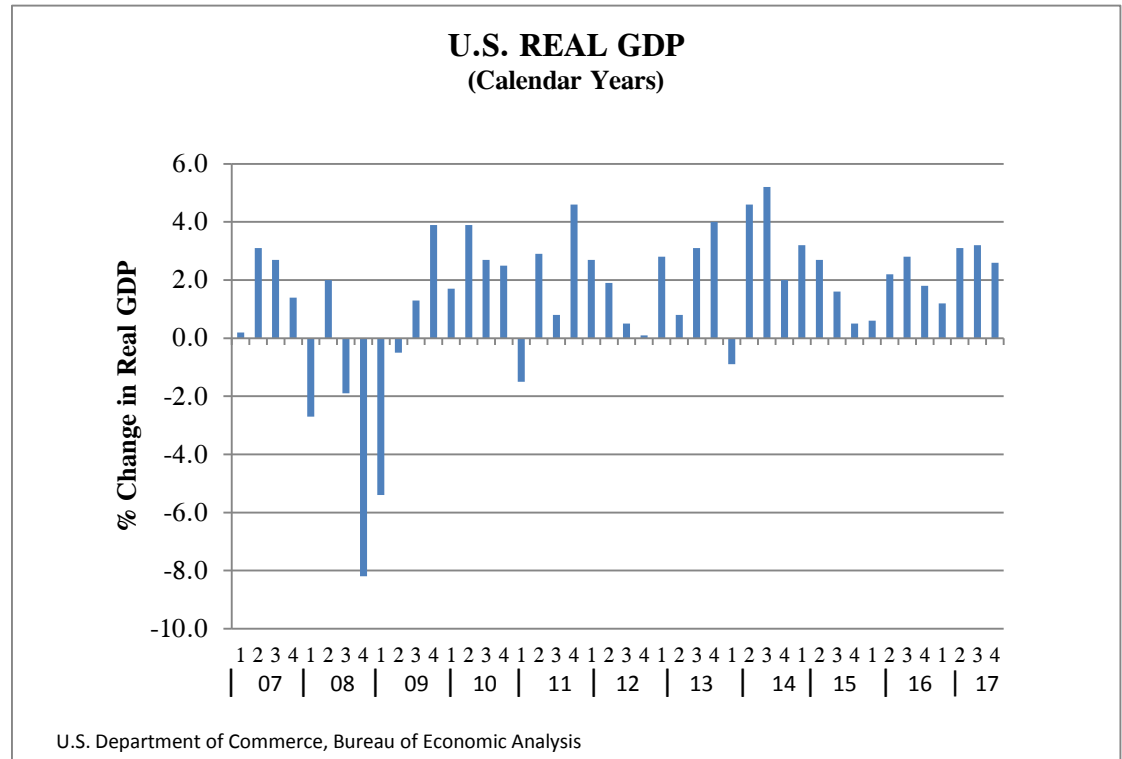
- Bi-Partisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State.
- Preparation of annual revenue estimates with periodic updates;
- Analysis of the fiscal impact of revenue 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.

THE ECONOMY



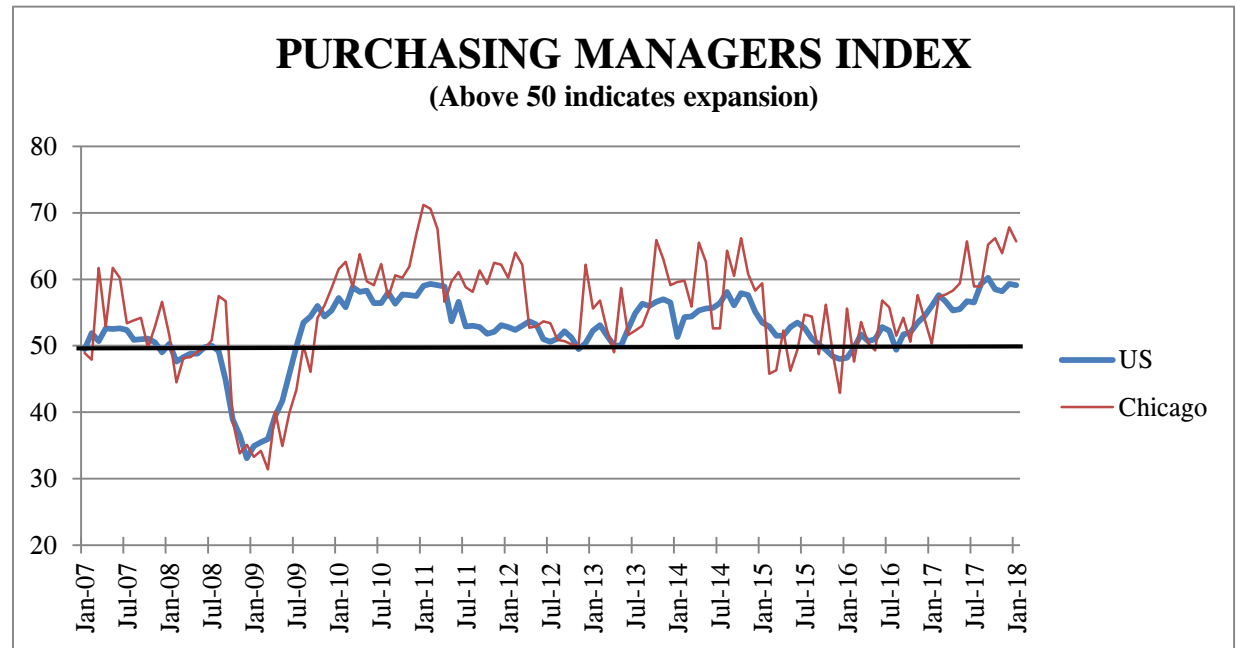
CHANGE IN REAL GDP

- The chart shows quarterly GDP growth for the years 2007 through the fourth quarter of 2017.
- As can be seen, after the severe recession, the recovery that began in June 2009 has been steady but erratic on a quarterly basis.
- Preliminary numbers from 2017 indicate that the U.S. economy grew at 2.3% which is an improvement from the 1.5% in 2016, but a slowdown from the levels seen in 2015 (2.9%) and 2014 (2.6%).
- An aggregate of economic forecasts has a mean estimate for real GDP growth of 2.9% in 2018 and 2.4% in 2019.



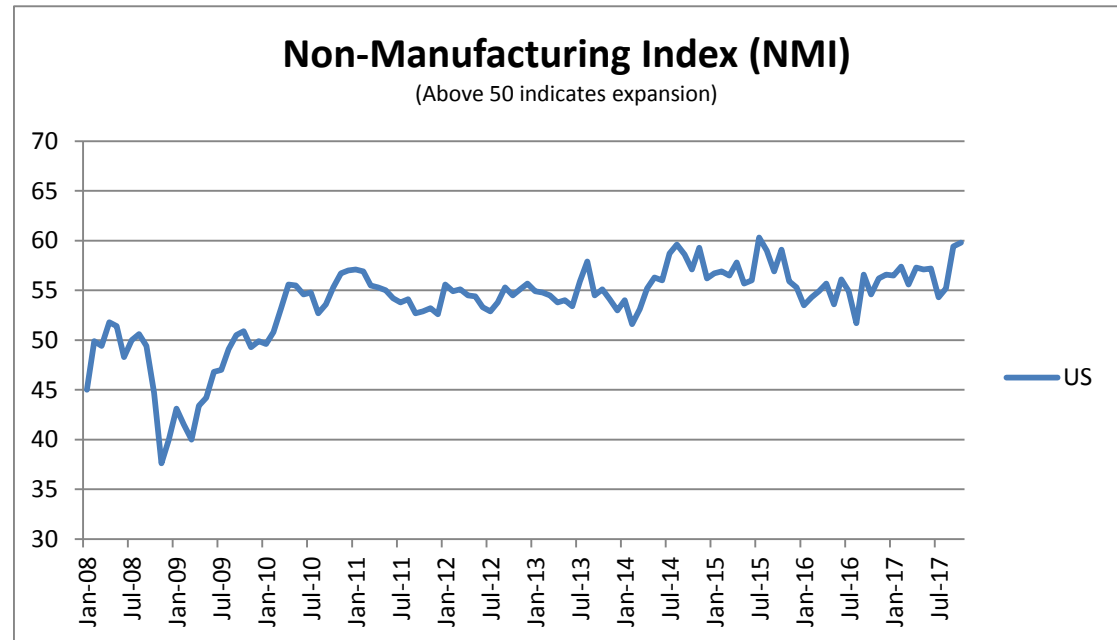
PURCHASING MANAGERS INDEX

- The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.
- This chart shows the Purchasing Managers Index (PMI) for the manufacturing sector. A number of 50 or more meaning expansion and below 50 a contraction.
- The chart shows the large decline associated with the Great Recession, followed by two cycles of increases to around 60 and decreases back to around 50.
- August of 2016 was the last time the PMI was below 50.
- September 2017 was the highest level (60.2) for the U.S. since June of 2004.
- The PMI for the Chicago area has followed a similar pattern to the U.S. with even higher levels of growth in recent months.



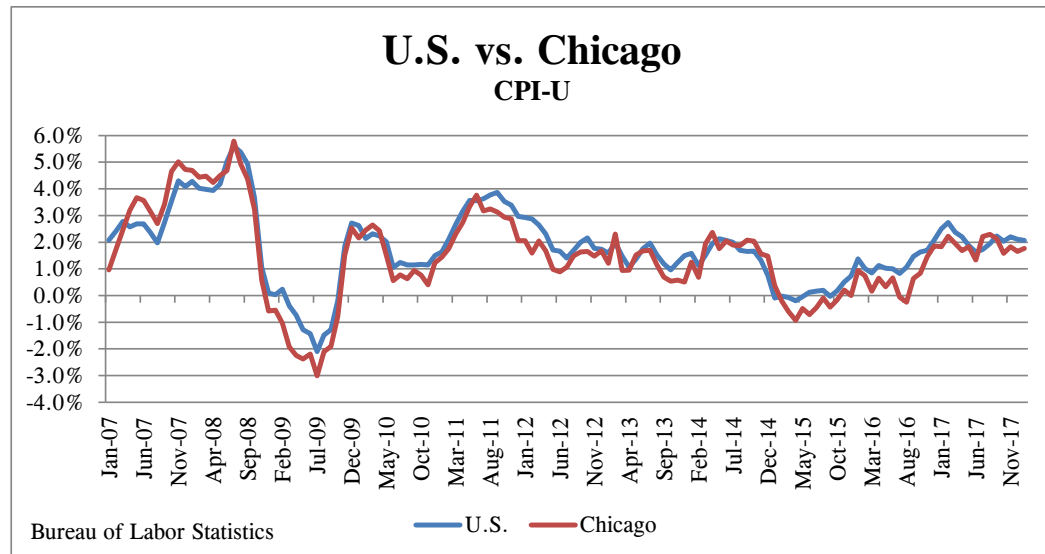
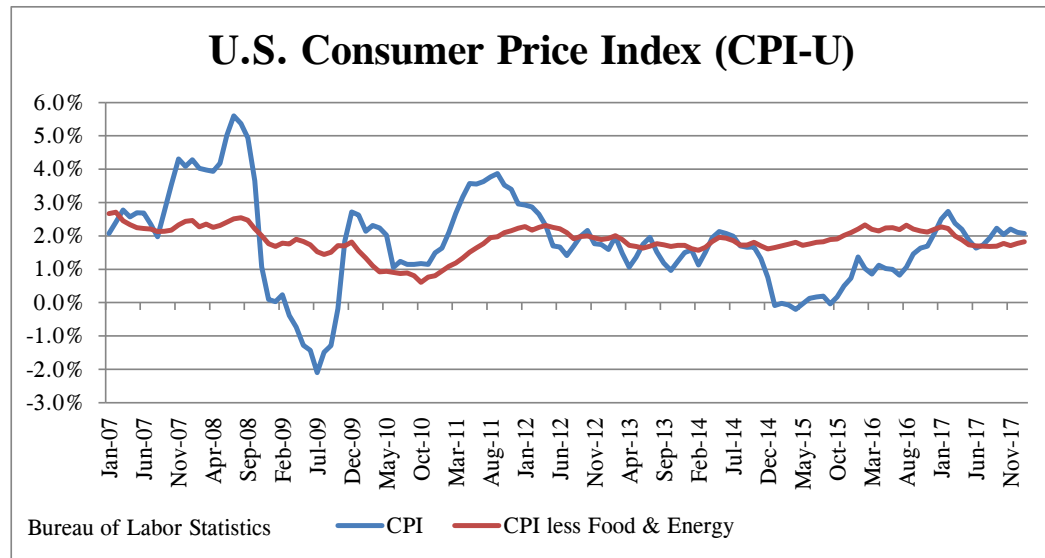
NON-MANUFACTURING INDEX (NMI)

- The NMI is a composite index based on the diffusion indexes for four of the indicators with equal weights: business activity, new orders, and employment – all of which are seasonally adjusted – and supplier deliveries.
- The Non-Manufacturing Index (NMI) is a composite index that is calculated as an indicator of the overall economic condition for the non-manufacturing sector, which is far larger than the manufacturing sector.
- The chart shows the large decline associated with the Great Recession, followed by steady expansion.
- Based on the NMI, the non-manufacturing sector doesn't show the same ups and downs seen in the manufacturing sector as illustrated in the previous slide by the PMI.



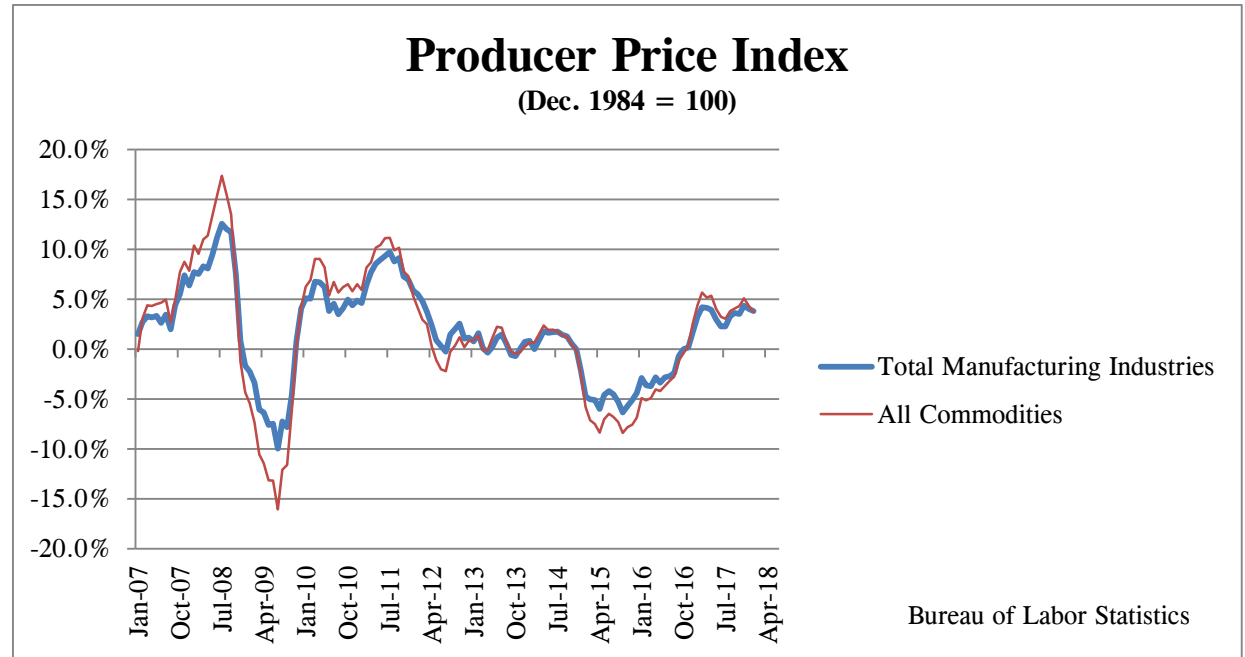
CONSUMER PRICE INDEX (CPI)

- The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.
- The first chart shows the CPI for the U.S. and the CPI without food and energy included; these are two of the more volatile components of the index.
- While there was some price volatility around the time of the Great Recession, it has been mostly steady between 1.5% to 2.0% since 2011, especially when food and energy are removed.
- The federal reserve raised interest rates three times in 2017 but it does not yet appear to have affected CPI in a significant way.
- Consumer prices for Chicago have basically tracked with the nation as a whole, though Chicago's price growth has been consistently a little lower since February of 2015.



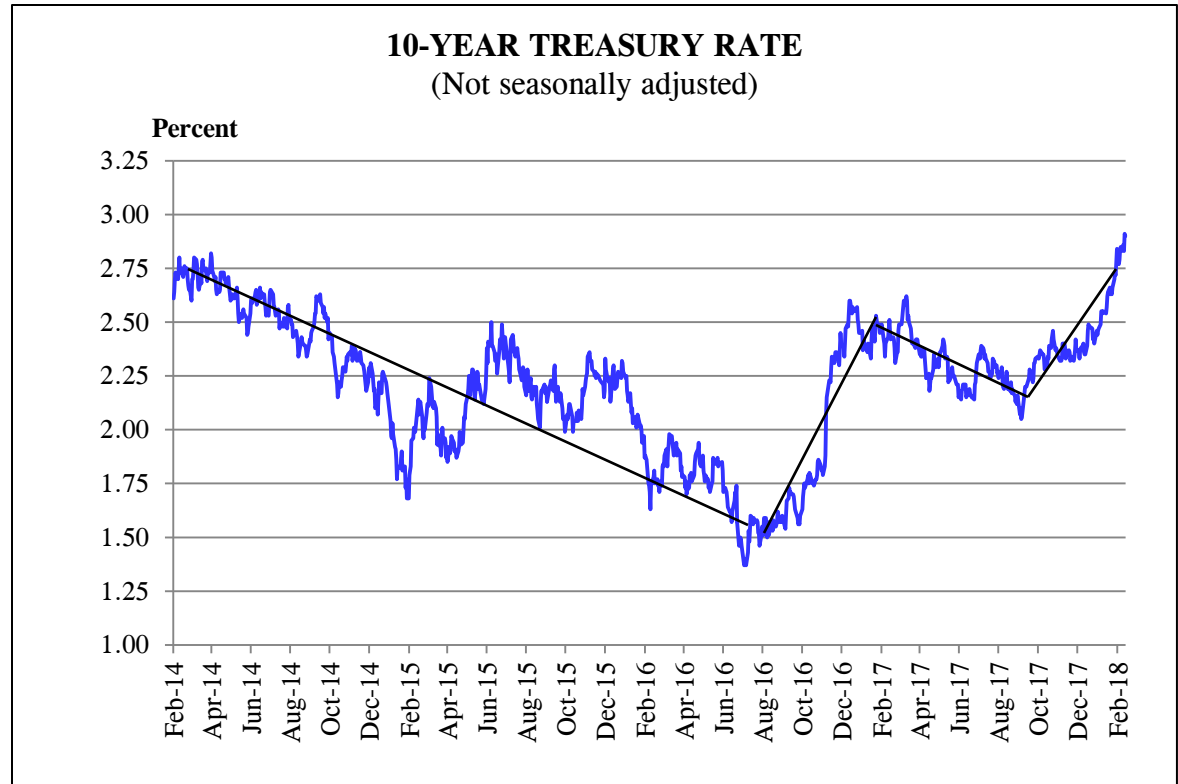
PRODUCER PRICE INDEX (PPI)

- While price pressures have not yet been felt at the consumer level, the current PPI shows that there has been an increase in the prices seen at the wholesale level over the last year.
- The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.
- Similar to other economic variables, the PPI for the U.S. rose dramatically prior to the Great Recession and then fell precipitously.
- Since January of 2017, the PPI has averaged 3.5% per month which is the highest levels since early 2012.
- Price increases at the wholesale level could indicate higher prices at the consumer level in the future.



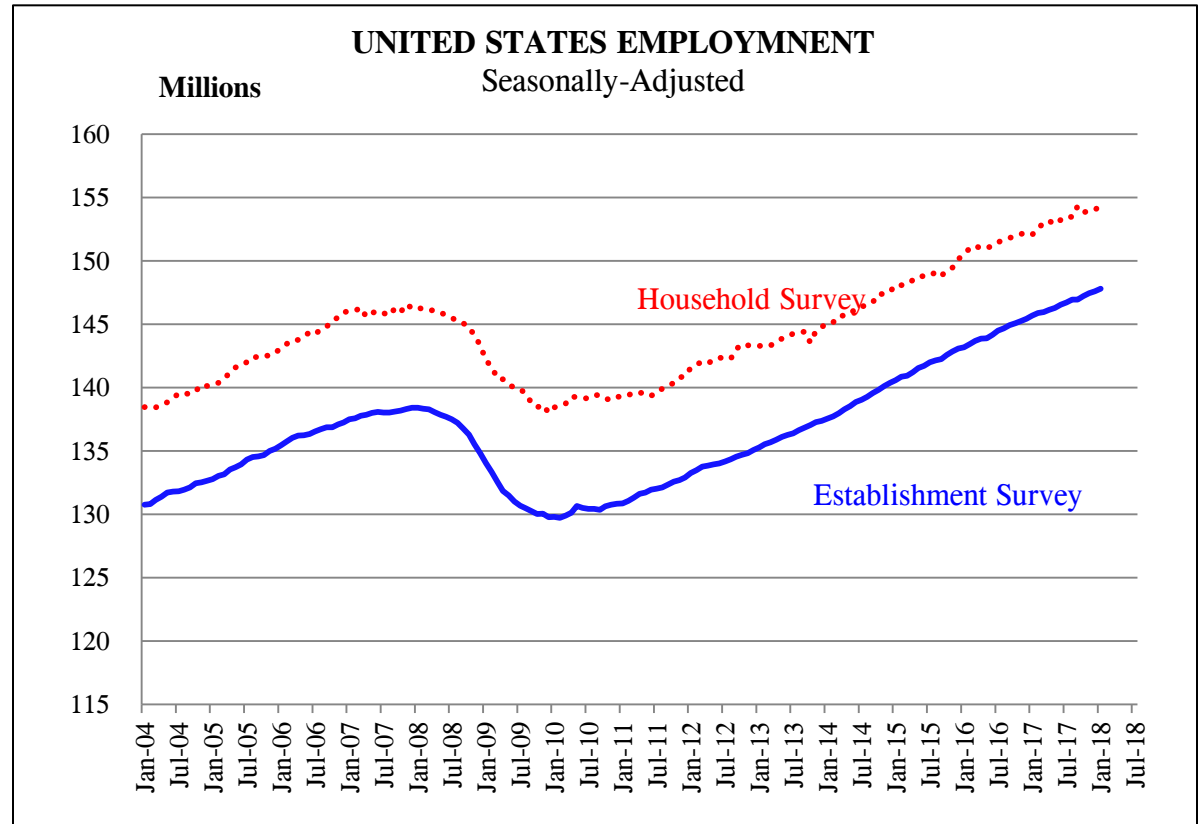
10-YEAR TREASURY RATE

- In addition to the increase of the PPI, the potential for increased inflation can also be seen in the recent increase in the 10-year treasury rate which is a key rate tied to many transactions, particularly home mortgages.
- The 10-year treasury rate, while erratic, had been on a downward trend since early 2014.
- After hitting the lowest level in history during the 3rd quarter of 2016, it started to recover.
- However, the upward trend appeared to be reversed again beginning March of 2017.
- In early September of 2017, it fell to 2.07%, but began to gradually climb. Currently, the rate is around 2.9%.



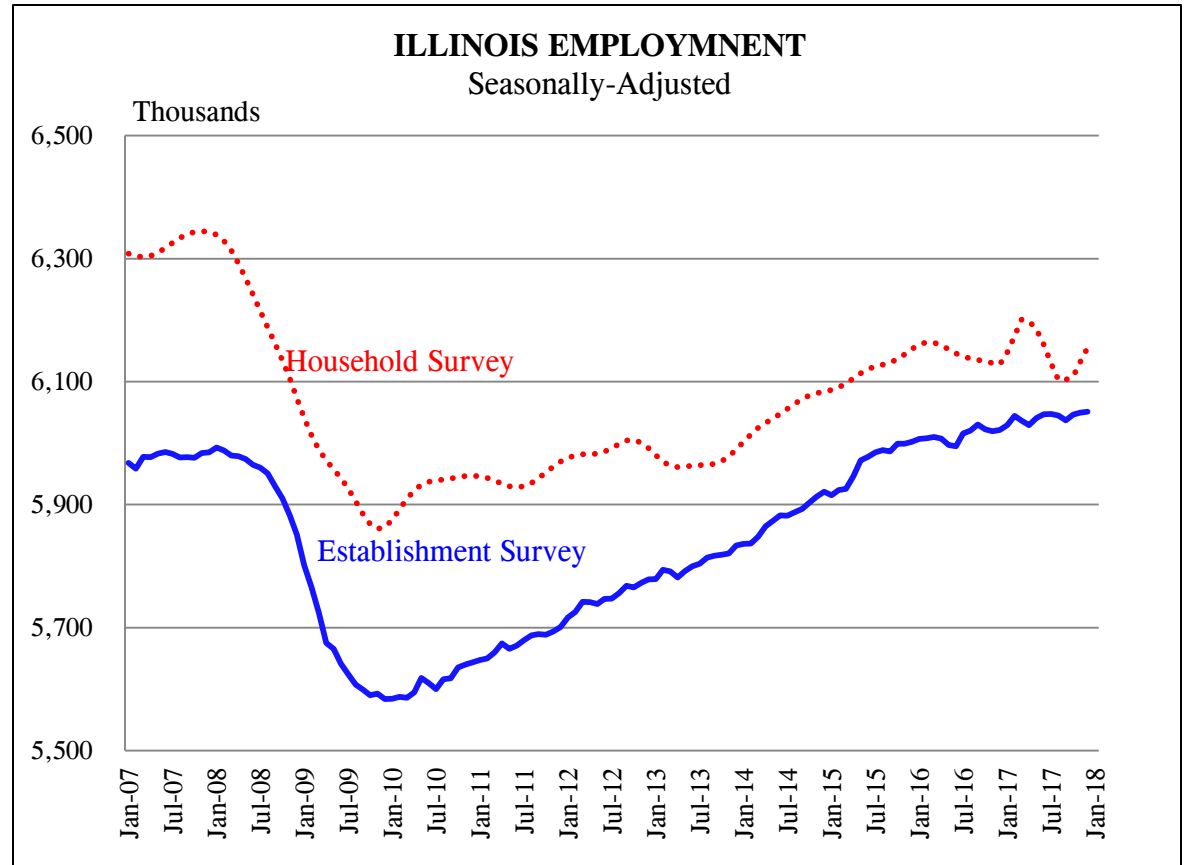
UNITED STATES EMPLOYMENT

- United States employment has been increasing since a low reached at the end of 2009.
- Nationally, all the jobs lost during the last recession were recovered after 5 years of the expansion and have been added to since.
- Most economic forecasters agree that the economy is at or closer to full employment.
- Even while employment growth has continued, the labor participation rate remains near its lowest level since the late 1970s for the past few years, even if it has shown continuous improvement as discouraged workers return to the labor market.



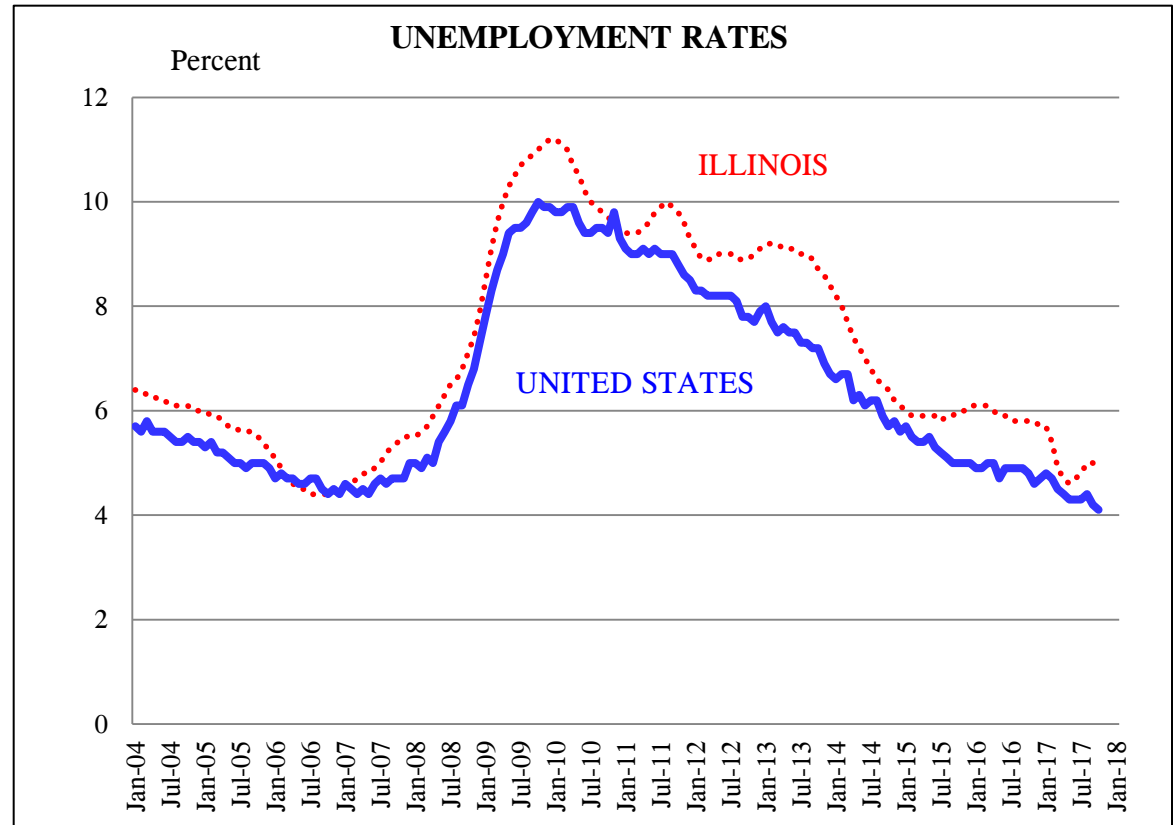
ILLINOIS EMPLOYMENT

- Like the U.S., Illinois employment also has shown gains but at a much slower pace.
- As mentioned, it took 5 years for U.S. employment to finally recoup all the jobs lost during the 2007 recession. It was not until around mid-2015, however, that the Establishment Survey showed Illinois recouped all its payroll jobs lost.
- As shown, the Household employment measure has yet to do the same.
- The Establishment Survey shows a slow upward movement in Illinois employment, and the Household Survey finally starts to show a recovery during the 4th quarter from the continued drop in the 2nd and 3rd quarters of 2017.



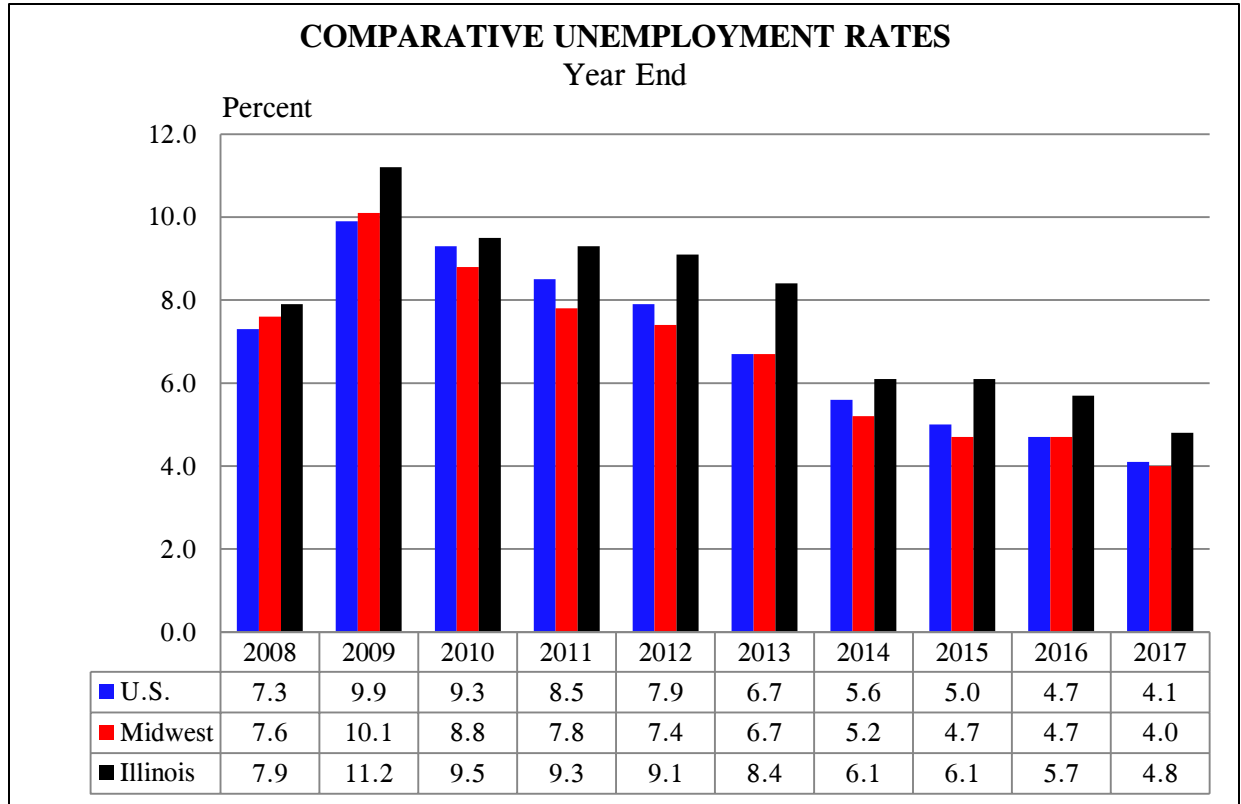
UNEMPLOYMENT RATES

- As shown in the chart, the gap between the nation's unemployment rate and that in Illinois has widened over time.
- The two rates were virtually even in 2006, and both rates rose sharply as the recession got underway at the end of 2007.
- However, as the recovery began in mid-2009, the gap widened, with Illinois' rate reaching a high in the 11% area from October 2009 through March 2010.
- While both rates then began to decline, the gap remained large before narrowing in 2014 into 2015.
- Since then, while erratic, the spread has widened again, although the gap narrowed during the 2nd quarter of 2017, before recently rising.



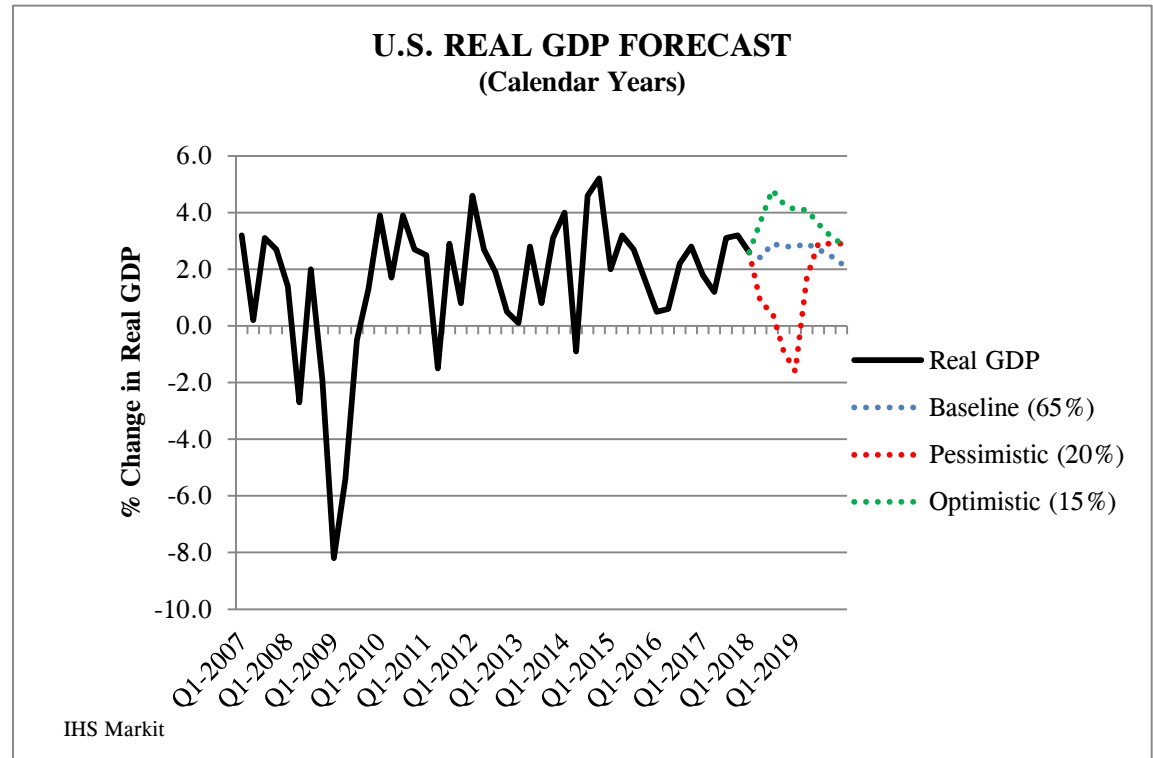
COMPARATIVE UNEMPLOYMENT RATES

- Unemployment rates have not moved in sync in recent years. The chart shows comparative unemployment rates for the nation, Midwest, and Illinois.
- In 2008, Midwest and Illinois rates were similar and only slightly higher than the nation, but a gap between Illinois' rate and national or Midwest rates started to widen in 2009.
- Since 2010, unemployment in the Midwest fell below or at the national level as resurgence in several "rust belt" states from increased energy production caused an employment spurt.
- Unemployment in Illinois, however, continued to exceed both the national and Midwest rates. Latest data as of December of 2017 have the national rate at 4.1%, the Midwest at 4.0%, and the Illinois rate at 4.8%.



U.S. REAL GDP FORECAST

- Displayed here are three alternative forecasts of the U.S. economy through 2019. The **BASELINE** shows the most likely solution with a 65% chance of occurrence and has the economy continuing to grow at approximately 2.7%.
- A more **PESSEMISTIC** scenario, with a 20% probability, shows a decline in the second half of 2018 with two consecutive quarters of contraction followed by a return to growth just over 2%.
- A final **OPTIMISTIC** scenario, with a 15% probability, envisions a surge in short term growth to over 4% in the second half of 2018 and through the first half of 2019 related to strong growth in the housing sector and improvements associated with the federal tax reform bill.



BASELINE U.S. FORECASTS -- FEBRUARY 2018

(Percent Change of Real 2009 \$ on Calendar Year Basis)

	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Actual	Est.	Est.
Gross Domestic Product	2.6%	2.9%	1.5%	2.3%	2.7%	2.7%
Personal Consumption	2.9%	3.6%	2.7%	2.7%	2.9%	2.4%
Durable	6.9%	7.7%	5.5%	6.7%	7.2%	3.3%
Nondurable	2.5%	3.1%	2.8%	2.4%	3.2%	2.1%
Services	2.4%	3.2%	2.3%	2.2%	2.1%	2.3%
Fixed Investment (Nonresidential)	6.9%	2.3%	-0.6%	4.7%	5.3%	6.4%
Exports	4.3%	0.4%	-0.3%	3.4%	5.7%	6.1%
Imports	4.5%	5.0%	1.3%	3.9%	7.3%	5.7%
Government						
Federal	-2.4%	-0.1%	0.0%	0.2%	0.2%	-0.6%
State & Local	0.5%	2.3%	1.2%	0.1%	0.9%	1.3%
OTHER MEASURES						
Personal Consumption (Current \$)	4.4%	3.9%	4.0%	4.5%	4.8%	4.2%
Before Tax Profits (Current \$)	4.3%	-4.0%	0.0%	5.3%	0.7%	3.8%
Unemployment Rate (Average)	6.2%	5.3%	4.9%	4.4%	4.0%	3.6%
IHS Markit						

ILLINOIS FORECASTS -- FEBRUARY 2018

(Calendar Years)

	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Est.	Est.	Est.
Real Gross State Product (Billions 2009\$)	681.5	689.8	696.5	703.3	716.3	730.8
% Change	1.8%	1.2%	1.0%	1.0%	1.8%	2.0%
Total Employment (1,000's)	5,878.5	5,968.5	6,012.8	6,041.9	6,093.5	6,182.5
% Change	1.3%	1.5%	0.7%	0.5%	0.9%	1.5%
Population (1,000's)	12,879.1	12,858.4	12,831.1	12,799.8	12,781.7	12,779.4
% Change	-0.1%	-0.2%	-0.2%	-0.2%	-0.1%	0.0%
Personal Income (Billions \$)	628.8	652.7	663.3	674.8	700.6	735.1
% Change	4.7%	3.8%	1.6%	1.7%	3.8%	4.9%
Private Housing Starts (1,000's)	19.2	16.4	21.4	20.7	21.8	25.2
% Change	29.4%	-14.4%	30.3%	-3.1%	5.3%	15.5%
Unemployment Rate Average %	7.0	5.9	5.9	5.0	4.8	4.4
IHS MARKIT						

Average Employment Levels by Subsector in Illinois
Non-Seasonally Adjusted Averages: 2010 to 2017 (in thousands)

	2010 Annual Average	2011 Annual Average	2012 Annual Average	2013 Annual Average	2014 Annual Average	2015 Annual Average	2016 Annual Average	2017 Annual Average (preliminary)
Mining	9.1	9.6	10.2	9.7	9.9	9.3	8.0	8.1
Construction	198.3	195.7	189.1	191.4	201.7	213.6	217.0	215.0
Manufacturing	561.0	573.9	583.0	579.2	580.1	581.3	574.1	572.6
Trade, Transportation, and Utilities	1,125.6	1,143.8	1,156.3	1,164.4	1,179.7	1,201.4	1,208.8	1,206.5
Information	101.8	100.6	100.1	99.0	99.1	101.0	98.7	99.3
Financial Activities	371.6	371.2	374.3	377.5	376.5	380.7	383.2	393.8
Professional and Business Services	793.9	823.5	856.8	883.1	909.5	923.4	934.6	946.5
Education and Health Services	830.8	847.5	862.3	874.4	885.1	899.4	914.3	925.9
Leisure and Hospitality	515.4	522.2	536.1	545.9	558.2	578.3	594.0	597.5
Other Services	249.1	249.7	249.7	249.9	252.2	252.0	250.7	250.6
Government	853.8	837.9	832.4	829.9	827.4	829.1	829.3	825.7
Annual Average Totals	5,610.4	5,675.6	5,750.3	5,804.4	5,879.4	5,969.5	6,012.7	6,041.4
Illinois' Annual % Change	-0.8%	1.2%	1.3%	0.9%	1.3%	1.5%	0.7%	0.5%

Average Weekly Earnings and Employment Change by Subsector in Illinois
Calendar Year Averages: 2010 to 2017

	2010 Annual Average	2011 Annual Average	2012 Annual Average	2013 Annual Average	2014 Annual Average	2015 Annual Average	2016 Annual Average	2017 Annual Average (preliminary)
Mining*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,236	\$1,282	\$1,291	\$1,265	\$1,302	\$1,339	\$1,336	\$1,356
Manufacturing	\$926	\$978	\$982	\$1,000	\$1,022	\$1,042	\$1,042	\$1,030
Trade, Transportation, and Utilities	\$693	\$734	\$766	\$790	\$805	\$807	\$806	\$820
Information	\$1,040	\$1,005	\$1,027	\$1,102	\$1,155	\$1,153	\$1,129	\$1,202
Financial Activities	\$1,036	\$1,054	\$1,131	\$1,116	\$1,184	\$1,244	\$1,330	\$1,395
Professional and Business Services	\$1,024	\$1,007	\$1,027	\$1,025	\$1,038	\$1,049	\$1,073	\$1,088
Education and Health Services	\$724	\$757	\$792	\$814	\$810	\$806	\$808	\$806
Leisure and Hospitality	\$319	\$322	\$337	\$323	\$340	\$365	\$377	\$392
Other Services	\$712	\$703	\$728	\$751	\$780	\$834	\$864	\$839
Government*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Illinois' Annual Average Weekly Earnings*	\$799	\$820	\$846	\$856	\$875	\$890	\$902	\$914
% Change in Avg. Weekly Earnings	0.9%	2.7%	3.2%	1.2%	2.2%	1.7%	1.3%	1.4%
Annualized Wage/Employment Comparison	0.1%	3.8%	4.6%	2.1%	3.5%	3.2%	2.0%	1.9%

* Because the Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics, "Statewide Average Weekly Earnings" is calculated by using the weekly earnings of the other nine subsectors. The statewide value was calculated by multiplying each subsector's average jobs by its average earnings and dividing the sum of these figures by the total number of jobs from these nine subsectors.

Source: www.bls.gov

GENERAL FUNDS REVENUE



FY 2018 BUDGETED REVENUE ASSUMPTIONS

As shown in the accompanying table, the FY 2018 budget was based upon assumed revenues of \$36.410 billion. The budget assumed a modified base revenue forecast of \$30.931 billion, to which was added \$5.479 billion through income tax rate increases and other tax changes per SB 9 [P.A. 100-0022]. The budget also assumed \$300 million in proceeds from the sale of the Thompson Center. [For a more detailed explanation of the revenue components used in the GA's formulation of the FY 2018 budget, please see Section 2 of the Commission's FY 2018 Budget Summary].

In addition, the FY 2018 enacted budget allowed for \$6 billion in bond sales, \$293 million in fund sweeps/reallocations, and up to \$1.2 billion of interfund borrowing. Approximately \$4.581 billion of additional resources has been, or is anticipated to become, available to the general funds as a result of these items [see following page for details].

All told, when the above \$4.581 billion in additional available resources are combined with the initial enacted revenue assumption of \$36.410, a total of \$40.991 billion in available general funds revenues results.

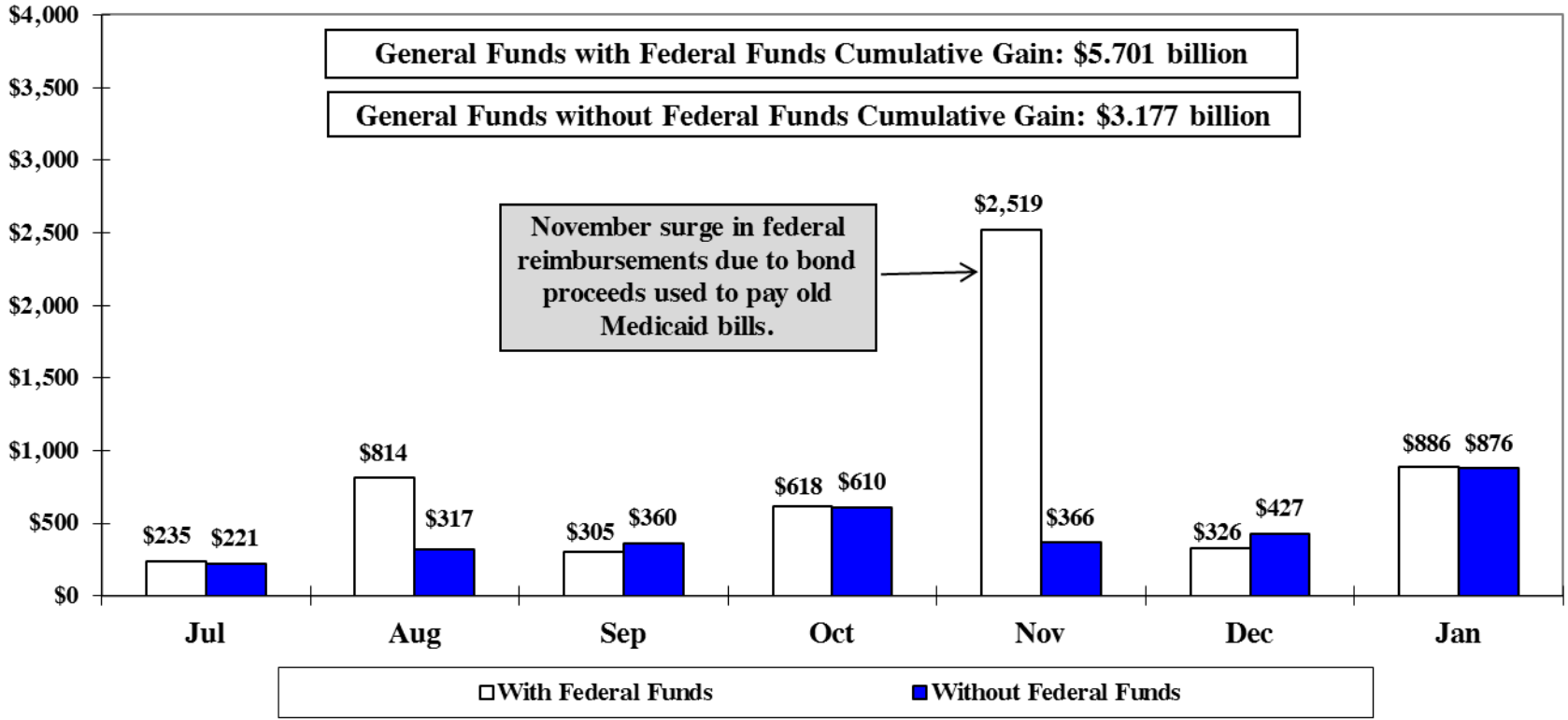
FY 2018 GENERAL FUNDS BUDGET PLAN--July 2017			
Revenue Assumptions			
(\$ millions)	Base	Changes	Enacted
Income Taxes [Net]	\$14,541	\$4,989	\$19,530
Sales Tax [Net]	\$7,931	\$90	\$8,021
All Other State Sources	\$3,180	\$400	\$3,580
Transfers In	\$1,723	\$0	\$1,723
Federal Sources	\$3,556	\$0	\$3,556
Total	\$30,931	\$5,479	\$36,410
Additional Resources to General Funds Since Enactment			
Fund Sweeps/Reallocations			\$275
Interfund Borrowing			\$600
Federal Sources Due to Medicaid Backlog Payments			\$1,206
Bond Fund Transfer Proceeds			\$2,500
Total Additional Resources to General Funds			\$4,581
Total General Funds with Additional Resources Since Enactment			\$40,991

FY 2018 BUDGETED REVENUE ASSUMPTIONS

(continued)

- P.A. 100-0023 allows for fund sweeps/fund reallocations totaling \$293 million into the GRF, Budget Stabilization, Healthcare Provider Relief Fund, or the Health Insurance Reserve Fund. Through late February, approximately \$251 million in fund sweeps/reallocations have been made into the GRF. It is anticipated that for the fiscal year, \$275 million will be made available to the general funds.
- P.A. 100-0023 also allowed for up to \$1.2 billion in Interfund Borrowing from unspecified special state funds to the general funds and/or the Health Insurance Reserve Fund [repayment is to occur within 24 months of date borrowed]. Through late February, of the allowed amount, \$510 million has been borrowed and deposited into the GRF. It is anticipated that for the fiscal year, \$600 million will be transferred into the general funds.
- Pursuant to authorization granted by the General Assembly under P. A. 100-0023, the State of Illinois issued \$6 billion in General Obligation bonds in the fall of 2017. The stated purpose of the bond proceeds was to pay vouchers incurred by the State prior to July 1, 2017. The law created the Income Tax Bond Fund, in which bond proceeds were deposited prior to disbursement. In November 2017, \$2.5 billion was transferred from the Income Tax Bond Fund to the GRF for the purpose of paying old Medicaid bills. The action of making those reimbursable expenditures resulted in \$1.206 billion in federal sources being receipted into the GRF. All told, therefore, the action of the bond sale proceeds and subsequent federal spending reimbursement amounted to \$3.706 billion in additional resources made available to the GRF in FY 2018.

FY 2018 Monthly General Funds Performance
**July thru January as Compared to Same Prior Year Months*
 (\$ in millions)



* Figures exclude short-term borrowing and Budget Stabilization Fund transfers.

YEAR-TO-DATE FY 2018 GENERAL FUNDS (JULY-JANUARY)

Excluding November's \$2.5 billion bond sale transfer proceeds, as well as \$354 million from interfund borrowing, base general funds grew \$5.701 billion during the first seven months of the fiscal year. Increased income tax receipts [stemming from the recently enacted higher tax rates and timing elements presumably related to estimated payment abnormalities], as well as fund sweeps, and an increase in federal sources resulted in the significant gain.

Through January, gross personal income taxes are up \$2.752 billion, or \$2.536 billion net of refunds and other changes. Gross corporate income taxes are ahead of last year by \$569 million, or \$408 million net. Overall sales taxes are up only \$36 million, although once direct sales tax receipts diverted to the transportation funds are included, net receipts are actually down \$184 million. Smaller revenue sources posted a combined gain of \$85 million.

Overall transfers, boosted by \$207 million in fund sweeps, are up by \$332 million. Federal sources, reflecting significantly higher reimbursable spending made possible by the November bond sale, generated \$2.524 billion in growth.

GENERAL FUNDS RECEIPTS: YEAR TO DATE				
<i>FY 2018 vs. FY 2017</i>				
<i>(\$ million)</i>				
Revenue Sources	FY 2018	FY 2017	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$11,107	\$8,355	\$2,752	32.9%
Corporate Income Tax (regular)	1,180	611	\$569	93.1%
Sales Taxes	4,944	4,908	\$36	0.7%
Public Utility Taxes (regular)	505	485	\$20	4.1%
Cigarette Tax	205	198	\$7	3.5%
Liquor Gallonage Taxes	108	109	(\$1)	-0.9%
Vehicle Use Tax	16	17	(\$1)	-5.9%
Inheritance Tax	195	165	\$30	18.2%
Insurance Taxes and Fees	206	199	\$7	3.5%
Corporate Franchise Tax & Fees	128	151	(\$23)	-15.2%
Interest on State Funds & Investments	37	16	\$21	131.3%
Cook County IGT	56	56	\$0	0.0%
Other Sources	353	328	\$25	7.6%
Subtotal	\$19,040	\$15,598	\$3,442	22.1%
Transfers				
Lottery	380	398	(\$18)	-4.5%
Riverboat transfers & receipts	201	199	\$2	1.0%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Fund sweeps	207	0	\$207	N/A
Other	474	333	\$141	42.3%
Total State Sources	\$20,302	\$16,528	\$3,774	22.8%
Federal Sources				
Total Federal & State Sources	\$3,846	\$1,322	\$2,524	190.9%
Total Federal & State Sources	\$24,148	\$17,850	\$6,298	35.3%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$1,089)	(\$937)	(\$152)	16.2%
Corporate Income Tax	(\$207)	(106)	(\$101)	95.3%
Fund for Advancement of Education	\$0	(241)	\$241	-100.0%
Commitment to Human Services Fund	\$0	(241)	\$241	-100.0%
LGDF--Direct from PIT	(\$546)	0	(\$546)	N/A
LGDF--Direct from CIT	(\$60)	0	(\$60)	N/A
Downstate Pub/Trans--Direct from Sales	(\$220)	0	(\$220)	N/A
Subtotal General Funds	\$22,026	\$16,325	\$5,701	34.9%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$354	\$0	\$354	N/A
Income Tax Bond Fund Transfer	\$2,500	\$0	\$2,500	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$24,880	\$16,325	\$8,555	52.4%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

2-Feb-18

FY 2018 CGFA UPDATE

FY 2018 GENERAL FUNDS REVENUE UPDATE				
CGFA ESTIMATE vs. Modified Enacted Budget Plan				
(\$ millions)	CGFA	Modified Enacted	Difference	
Income Taxes [Net]	\$19,519	\$19,530	(\$11)	
Sales Tax [Net]	\$7,855	\$8,021	(\$166)	
All Other State Sources	\$3,376	\$3,580	(\$204)	
Transfers In	\$1,992	\$1,998	(\$6)	
Federal Sources	\$4,762	\$4,762	\$0	
Total	\$37,504	\$37,891	(\$387)	
Interfund Borrowing	\$600	\$600	\$0	
Bond Fund Transfer Proceeds [Backlog]	\$2,500	\$2,500	\$0	
Total General Funds	\$40,604	\$40,991	(\$387)	

As shown in the table, the Commission's updated FY 2018 general funds estimate is \$40.604 billion. The outlook reflects revenue performance through January and incorporates updated expectations over the remainder of the fiscal year. The forecast represents an outlook that is \$387 million less than the modified enacted budget plan of \$40.991 billion. Highlights of the forecast include:

- The \$19.519 billion in net income taxes includes updated timing elements related to the recent increase in income tax rates, accounts for the accelerated estimated payment experienced over the past couple of months and the probable impact of those and other elements on final payments. Overall, the update only differs \$11 million from the expectations utilized to craft the FY 2018 budget plan.
- Sales tax receipts are forecast to improve very modestly over the remainder of the fiscal year. Growth will be assisted by approximately \$160 million due to timing associated with an interruption in the usual distribution of sales tax that took place last spring, per IDoR. However, despite those expected growth producing elements, sales tax performance has to be considered disappointing, as it has been over the last couple of fiscal years, due largely to lack of meaningful inflationary growth. While improvement is more likely next fiscal year given economic and inflation outlooks, we are too far into FY 2018 to expect an abrupt turn around. Consequently, sales tax is anticipated to be \$166 less than previously expected when compared to the enacted budget.

FY 2018 CGFA UPDATE

(continued)

- All other state sources for the most part have performed and are expected to continue to perform as previously thought. However, with only four months left in the fiscal year, clearly the hoped for sale of the Thompson Center, and its assumed \$300 million sale proceeds, will not materialize before year end. Partially offsetting that disappointment is a \$103 million overpayment deposit from SERS, which was not expected in the initial outlook. Primarily due to these two items, the updated forecast of all other state sources falls \$204 million below enacted budgeted assumptions.
- Transfers into the general funds are expected to total \$1.992 billion. The estimate now includes an anticipated \$275 million in fund sweeps. Since that same value is included in the modified enacted budget total, the differential between the forecast periods differ by only \$6 million.
- Federal sources are anticipated to total \$4.762 billion in FY 2018. The total includes the initial base forecast of \$3.556 billion as well as the \$1.206 billion related to reimbursements stemming from the \$2.5 billion bill backlog payment. The estimate reflects no difference from the modified enacted budget and is based on performance to date coupled with a very conservative outlook over the remainder of the year. In fact, it would not be surprising to see federal sources exceed expectations by several hundred million, but uncertainty over reimbursable spending prevents that revision at this time.
- It is assumed that interfund borrowing will reach \$600 million by fiscal year's end, while the \$2.5 billion in bond proceeds directed towards the repayment of Medicaid bills already has occurred. These same amounts are incorporated into the modified enacted budget plan.

FY 2018 GENERAL FUNDS BUDGET PLAN--July 2017

Revenue Assumptions

(millions)

	FY 2018 Modified Base July-17	New Revenue per Legislative Changes	FY 2018 Enacted With Changes
Revenue Sources			
State Taxes			
Personal Income Tax	\$15,688	\$4,915	\$20,603
Corporate Income Tax (regular)	\$1,900	\$678	\$2,578
Sales Taxes	\$8,380	\$90	\$8,470
Public Utility (regular)	\$917	\$0	\$917
Cigarette Tax	\$353	\$0	\$353
Liquor Gallonage Taxes	\$172	\$0	\$172
Vehicle Use Tax	\$29	\$0	\$29
Inheritance Tax	\$275	\$0	\$275
Insurance Taxes & Fees	\$395	\$0	\$395
Corporate Franchise Tax & Fees	\$203	\$0	\$203
Interest on State Funds & Investments	\$24	\$0	\$24
Cook County Intergovernmental Transfer	\$244	\$0	\$244
<u>Other Sources</u>	<u>\$568</u>	<u>\$400</u>	<u>\$968</u>
Subtotal	\$29,148	\$6,083	\$35,231
Transfers			
Lottery	\$719	\$0	\$719
Riverboat transfers and receipts	\$274	\$0	\$274
Proceeds from sale of 10th license	\$10	\$0	\$10
<u>Other</u>	<u>\$720</u>	<u>\$0</u>	<u>\$720</u>
Total State Sources	\$30,871	\$6,083	\$36,954
Federal Sources [Base]	\$3,556	\$0	\$3,556
Subtotal Federal & State Sources	\$34,427	\$6,083	\$40,510
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$1,569)	(\$495)	(\$2,064)
Corporate Income Tax	(\$333)	(\$109)	(\$442)
Local Government Distributive Fund			
Personal Income Tax	(\$1,017)	\$0	(\$1,017)
Corporate Income Tax	(\$129)	\$0	(\$129)
Sales Tax Distribution to the PTF and DPTF	(\$449)	\$0	(\$449)
Subtotal General Funds	\$30,931	\$5,479	\$36,410
Additional Resources to General Funds Since Enactment			
Fund Sweeps/Reallocations			\$275
Interfund Borrowing			\$600
Federal Sources Due to Medicaid Backlog Payments			\$1,206
Income Tax Bond Fund Transfer [Backlog]			\$2,500
Total Revenues General Funds			\$40,991

FY 2018 GENERAL FUNDS REVENUE UPDATE

CGFA ESTIMATE vs. Modified Enacted Budget Plan

(millions)

	FY 2018 CGFA Feb-18	Modified Enacted Budget Plan	\$ Difference
Revenue Sources			
State Taxes			
Personal Income Tax	\$20,566	\$20,603	(\$37)
Corporate Income Tax (regular)	\$2,558	\$2,578	(\$20)
Sales Taxes	\$8,304	\$8,470	(\$166)
Public Utility (regular)	\$903	\$917	(\$14)
Cigarette Tax	\$353	\$353	\$0
Liquor Gallonage Taxes	\$172	\$172	\$0
Vehicle Use Tax	\$28	\$29	(\$1)
Inheritance Tax	\$295	\$275	\$20
Insurance Taxes & Fees	\$400	\$395	\$5
Corporate Franchise Tax & Fees	\$203	\$203	\$0
Interest on State Funds & Investments	\$70	\$24	\$46
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$708</u>	<u>\$968</u>	<u>(\$260)</u>
Subtotal	\$34,804	\$35,231	(\$427)
Transfers			
Lottery	\$719	\$719	\$0
Riverboat transfers and receipts	\$268	\$274	(\$6)
Proceeds from sale of 10th license	\$10	\$10	\$0
Fund Sweeps/Reallocations	\$275	\$275	\$0
<u>Other</u>	<u>\$720</u>	<u>\$720</u>	<u>\$0</u>
Total State Sources	\$36,796	\$37,229	(\$433)
Federal Sources	\$4,762	\$4,762	\$0
Subtotal Federal & State Sources	\$41,558	\$41,991	(\$433)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.8%]	(\$2,015)	(\$2,064)	\$49
Corporate Income Tax [17.5%]	(\$448)	(\$442)	(\$6)
Local Government Distributive Fund			
Personal Income Tax	(\$1,012)	(\$1,017)	\$5
Corporate Income Tax	(\$130)	(\$129)	(\$1)
Sales Tax Distribution to the PTF and DPTF	(\$449)	(\$449)	\$0
Subtotal General Funds	\$37,504	\$37,891	(\$387)
Interfund Borrowing	\$600	\$600	\$0
Income Tax Bond Fund Transfer [Backlog]	\$2,500	\$2,500	\$0
Total Revenues General Funds	\$40,604	\$40,991	(\$387)

FY 2018 COMPARISON – CGFA and GOMB

The accompanying table below compares the updated FY 2018 Commission’s estimate to the GOMB’s updated outlook presented in the FY 2019 Budget Book. As shown, the Commission’s overall estimate is \$115 million higher than the GOMB forecast. While there are modest variances between several revenue sources, the differential is almost entirely due to higher federal source expectations over the remainder of the fiscal year. A more detailed comparison and brief discussion of the differences follows on the next page.

FY 2018 GENERAL FUNDS REVENUE COMPARISON			
CGFA vs. GOMB Feb-2018			
(\$ millions)	CGFA	GOMB	Difference
Income Taxes [Net]	\$19,519	\$19,493	\$26
Sales Tax [Net]	\$7,855	\$7,951	(\$96)
All Other State Sources	\$3,376	\$3,318	\$58
Transfers In	\$1,992	\$2,003	(\$11)
Federal Sources	\$4,762	\$4,624	\$138
Total	\$37,504	\$37,389	\$115
Interfund Borrowing	\$600	\$600	\$0
Bond Fund Transfer Proceeds [Backlog]	\$2,500	\$2,500	\$0
Total General Funds	\$40,604	\$40,489	\$115

FY 2018 COMPARISON – CGFA and GOMB

(continued)

• Overall net income taxes differ by only \$26 million, with the Commission’s projection just slightly higher than GOMB. While CGFA’s forecast of personal income tax is somewhat less than GOMB [\$70 million net], year to date performance and a moderately better outlook for corporate income taxes [\$96 million], comprise the differential.

• The GOMB assumes a significant near term turnaround in sales tax performance. While the Commission also anticipates improvement, the outlook is more conservative given year to date performance and a view that underlying receipt growth will be less abrupt. As a result, the Commission’s estimate of sales tax is \$95 million less than the GOMB.

• The estimates of all other state sources differ by \$58 million, with the Commission’s outlook being the higher of the two estimates. Most of the miscellaneous revenue lines are quite similar, with the exceptions being inheritance tax receipts as well as interest income. While very volatile, CGFA’s outlook for inheritance taxes takes into account the stellar performance thru January, as well as preliminary February results which indicate growth. In terms of anticipated interest earnings, due to advancing rates of returns over what can be described as historically low interest rates, it’s not surprising to see considerably better performance. The Commission’s estimates takes that into account, while the GOMB forecast seems unusually low given positive returns year to date.

• The Commission estimate of federal sources is \$138 million higher than the GOMB’s outlook. Federal source receipts reflect reimbursable spending and as explained earlier, \$2.5 billion in bond proceeds were utilized to pay down the accumulated backlog of Medicaid bills. In doing so, utilizing the initial reimbursement of that bill pay down to leverage even more spending and reimbursement, has resulted in federal source growth of over \$2.5 billion thru January. Even assuming very conservative performance on par with recent February-June periods, the Commission’s outlook will be reached, and likely exceeded.

FY 2018 GENERAL FUNDS REVENUE COMPARISON			
CGFA vs. GOMB			
(millions)			
	FY 2018 CGFA	FY 2018 GOMB	\$
<u>Revenue Sources</u>	<u>Feb-18</u>	<u>Budget Book</u>	<u>Difference</u>
State Taxes			
Personal Income Tax	\$20,566	\$20,649	(\$83)
Corporate Income Tax (regular)	\$2,558	\$2,434	\$124
Sales Taxes	\$8,304	\$8,399	(\$95)
Public Utility (regular)	\$903	\$890	\$13
Cigarette Tax	\$353	\$351	\$2
Liquor Gallonage Taxes	\$172	\$172	\$0
Vehicle Use Tax	\$28	\$30	(\$2)
Inheritance Tax	\$295	\$275	\$20
Insurance Taxes & Fees	\$400	\$395	\$5
Corporate Franchise Tax & Fees	\$203	\$205	(\$2)
Interest on State Funds & Investments	\$70	\$46	\$24
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$708</u>	<u>\$710</u>	<u>(\$2)</u>
Subtotal	\$34,804	\$34,800	\$4
Transfers			
Lottery	\$719	\$719	\$0
Riverboat transfers and receipts	\$268	\$270	(\$2)
Proceeds from sale of 10th license	\$10	\$10	\$0
Fund Sweeps/Reallocations	\$275	\$275	\$0
<u>Other</u>	<u>\$720</u>	<u>\$729</u>	<u>(\$9)</u>
Total State Sources	\$36,796	\$36,803	(\$7)
Federal Sources [Base]	\$4,762	\$4,624	\$138
Subtotal Federal & State Sources	\$41,558	\$41,427	\$131
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.8% '18; 9.7% '19]	(\$2,015)	(\$2,024)	\$9
Corporate Income Tax [17.5% '18; 15.5% '19]	(\$448)	(\$426)	(\$22)
Local Government Distributive Fund			
Personal Income Tax	(\$1,012)	(\$1,016)	\$4
Corporate Income Tax	(\$130)	(\$124)	(\$6)
Sales Tax Distribution to the PTF and DPTF	(\$449)	(\$448)	(\$1)
Subtotal General Funds	\$37,504	\$37,389	\$115
Interfund Borrowing	\$600	\$600	\$0
Income Tax Bond Fund Transfer [Backlog]	\$2,500	\$2,500	\$0
Total Revenues General Funds	\$40,604	\$40,489	\$115

CGFA FY 2019 GENERAL FUNDS FORECAST

As shown below, the Commission's FY 2019 general funds estimate is \$37.865 billion. That forecast represents a base decline of \$239 million and an overall decline of \$2.739 billion. These reductions are due entirely to the year over year impact the FY 2018's bill back log pay down had on federal sources, as well as the FY 2018 fund sweep/reallocation of \$275 million that is not expected to be repeated at this time. As a result, those items serve to overshadow anticipated improvement in the larger economically related sources such as income and sales taxes.

FY 2019 and Updates FY 2018 Estimates			
CGFA [Feb-18]			
(\$ millions)	FY 2019	FY 2018	Difference
Income Taxes [Net]	\$20,064	\$19,519	\$545
Sales Tax [Net]	\$8,034	\$7,855	\$179
All Other State Sources	\$3,653	\$3,376	\$277
Transfers In	\$1,760	\$1,992	(\$232)
Federal Sources	\$3,754	\$4,762	(\$1,008)
Total	\$37,265	\$37,504	(\$239)
Interfund Borrowing	\$600	\$600	\$0
Bond Fund Transfer Proceeds [Backlog]	\$0	\$2,500	\$2,500
Total General Funds	\$37,865	\$40,604	(\$2,739)

- Net income taxes are expected to be \$20.064 billion, which represents a gain of \$545 million over the FY 2018 estimate. The estimate represents modest improvement in base growth reflective of upward wage pressures and takes into account various timing elements related to tax changes that will be in effect for the entire fiscal year.
- Sales tax receipts are anticipated to begin to return modest growth, indicative of modest inflationary pressure which has been lacking in recent years. The forecast of \$8.034 billion represents underlying growth of approximately 2.25 percent, an improvement over recent performance, but slightly less than historical long term trends.

CGFA FY 2019 GENERAL FUNDS FORECAST

(continued)

- All other state sources are estimated to be \$3.653 billion, which reflects overall growth of \$277 million. However, all of that growth is due to the shift in timing expectations related to the sale of the Thompson Center. With the movement of \$300 million in assumed sale proceeds into FY 2019, that year over year gain serves to mitigate an otherwise modest decline in the other revenue lines.
- Overall transfers are expected to drop \$232 million as at this point no additional fund sweeps/reallocations are planned for FY 2019. In FY 2018, the outlook is for \$275 million of such activity to take place.
- Federal sources are forecast to be \$3.754 billion, which represents a falloff of \$1.008 billion. Obviously, that decline is related to FY 2018 Medicaid backlog pay down. If the \$1.206 billion in reimbursement is excluded from the FY 2018 base, the FY 2019 estimate actually would project into a year over year gain of \$198 million.
- While the FY 2019 estimate assumes a similar \$600 million in interfund borrowing as that expected in FY 2018, legislation will have to modify current statute which allowed for up to \$1.2 billion in interfund borrowing only in FY 2018. The assumption is that the \$1.2 billion will be allowed to occur over a two-year rather than one-year period.
- Finally, the primary reason the overall FY 2019 revenue estimate falls significantly from FY 2018 is the year over year impact of the \$2.5 billion bond proceeds transfer that took place in FY 2018.

CGFA FY 2019 GENERAL FUNDS FORECAST

(continued)

Other items of note include:

- Public utility taxes are expected to decline \$25 million based on anticipated normalized weather patterns, as well as the long term trend of falling telecommunications taxes.
- Interest income from investments is forecast to jump \$30 million and continue to see large growth rates as the outlook for higher rates of interest on short-term investments continue to rise on Fed actions.
- At this time, the Commission is utilizing income tax refund percentages for FY 2019 as presented in the Governor's proposed budget—personal income tax at 9.7%, and corporate income tax at 15.5%.
- The forecast also assumes that the state will continue to retain 10% of the LGDF distributive to local governments from net income taxes. The retention of these LGDF monies was put into statute for FY 2018 only. To continue this practice would require legislative action. If it is not allowed in FY 2019, the estimate of net income taxes to the general funds would have to be reduced by approximately \$130 million.
- While previously mentioned, but to reiterate, current statute allows for \$1.2 billion in interfund borrowing. Through late February, \$457 million has taken place in FY 2018 and only \$600 million is anticipated. The forecast assumes that the remaining \$600 million will be allowed to take place in FY 2019. However, legislative action would be required to extend the time period of that borrowing into next fiscal year. If not, those monies would have to be removed from the forecast.
- For now, the Commission will accept the GOMB's expected level of federal sources for FY 2019, at \$3.754 billion. Obviously, a number of items could impact that outlook i.e. appropriations levels, actual bill transmittals from DHFS, cash available for reimbursable spending, and bill payment priorities at the Comptroller's Office.

FY 2019 and UPDATED FY 2018 ESTIMATES			
CGFA			
(millions)			
	FY 2019 CGFA Feb-18	FY 2018 CGFA Feb-18	\$ Difference
Revenue Sources			
State Taxes			
Personal Income Tax	\$21,071	\$20,566	\$505
Corporate Income Tax (regular)	\$2,618	\$2,558	\$60
Sales Taxes	\$8,491	\$8,304	\$187
Public Utility (regular)	\$878	\$903	(\$25)
Cigarette Tax	\$353	\$353	\$0
Liquor Gallonage Taxes	\$174	\$172	\$2
Vehicle Use Tax	\$29	\$28	\$1
Inheritance Tax	\$290	\$295	(\$5)
Insurance Taxes & Fees	\$405	\$400	\$5
Corporate Franchise Tax & Fees	\$205	\$203	\$2
Interest on State Funds & Investments	\$100	\$70	\$30
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$975	\$708	\$267
Subtotal	\$35,833	\$34,804	\$1,029
Transfers			
Lottery	\$733	\$719	\$14
Riverboat transfers and receipts	\$266	\$268	(\$2)
Proceeds from sale of 10th license	\$10	\$10	\$0
Fund Sweeps/Reallocations	\$0	\$275	(\$275)
Other	\$751	\$720	\$31
Total State Sources	\$37,593	\$36,796	\$797
Federal Sources [Base]	\$3,754	\$4,762	(\$1,008)
Subtotal Federal & State Sources	\$41,347	\$41,558	(\$211)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.8% '18; 9.7% '19]	(\$2,044)	(\$2,015)	(\$29)
Corporate Income Tax [17.5% '18; 15.5% '19]	(\$406)	(\$448)	\$42
Local Government Distributive Fund			
Personal Income Tax	(\$1,038)	(\$1,012)	(\$26)
Corporate Income Tax	(\$137)	(\$130)	(\$7)
Sales Tax Distribution to the PTF and DPTF	(\$457)	(\$449)	(\$8)
Subtotal General Funds	\$37,265	\$37,504	(\$239)
Interfund Borrowing	\$600	\$600	\$0
Income Tax Bond Fund Transfer [Backlog]	\$0	\$2,500	(\$2,500)
Total Revenues General Funds	\$37,865	\$40,604	(\$2,739)

FY 2019 OUTLOOK COMPARISON – CGFA and GOMB

The following table compares the FY 2019 revenue outlooks of the Commission and the GOMB. As shown, the overall difference is \$99 million, with the Commission being the lower of the two forecasts. While there is some variance by revenue source [see following page for more detail], overall the estimates are very similar, only separated by approximately three-tenths of a percent.

FY 2019 General Funds Estimates			
CGFA vs. GOMB [Feb-18]			
(\$ millions)	CGFA	GOMB	Difference
Income Taxes [Net]	\$20,064	\$20,151	(\$87)
Sales Tax [Net]	\$8,034	\$8,110	(\$76)
All Other State Sources	\$3,653	\$3,577	\$76
Transfers In	\$1,760	\$1,772	(\$12)
Federal Sources	\$3,754	\$3,754	\$0
Total	\$37,265	\$37,364	(\$99)
Interfund Borrowing	\$600	\$600	\$0
Bond Fund Transfer Proceeds [Backlog]	\$0	\$0	\$0
Total General Funds	\$37,865	\$37,964	(\$99)

- The Commission’s estimate of net income taxes is \$87 million below that of the GOMB and reflects a slightly lower outlook for personal income taxes, which is partially offset by a higher estimate of corporate income taxes.
- The Commission’s forecast for sales tax receipts is \$76 million below that of the GOMB. This differential is due to the base FY 2018 forecast, as CGFA’s growth rate assumed for FY 2019 is slightly higher than the GOMB.
- The Commission’s estimate of all other state sources is higher than the GOMB by \$76 million. As shown in more detail on the following page, this net difference is attributed to somewhat higher estimates of public utility, inheritance, and interest earnings.
- Transfers into the general funds differ by only \$12 million and are very similar with no appreciable differences in the major transfer categories.
- As mentioned earlier, the Commission will utilize the same FY 2019 projection of federal sources as that of the GOMB. Final budgetary decisions could significantly alter that outlook.

FY 2019 OUTLOOK COMPARISON – CGFA and GOMB

(continued)

Other areas of difference between the forecasts worth mentioning include:

- While both agencies forecast a drop in public utility taxes in FY 2018, the Commissions' estimate is \$10 million higher than the GOMB.
- The Commission's estimate of inheritance tax receipts is \$15 million higher, despite an expected drop in FY 2019.
- Similar to FY 2018 expectations, the GOMB's outlook for interest income is markedly lower than the Commission's—\$54 million lower. The Commission's forecast assumes rates of return to grow moderately.
- Other miscellaneous sources to the general funds are very similar, but the Commission's estimate does fall \$18 million below that of the GOMB.

FY 2019 GENERAL FUNDS REVENUE			
CGFA vs. GOMB [Feb-18]			
(millions)			
	FY 2019 CGFA Feb-18	FY 2019 GOMB Feb-18	\$ Difference
Revenue Sources			
State Taxes			
Personal Income Tax	\$21,071	\$21,263	(\$192)
Corporate Income Tax (regular)	\$2,618	\$2,520	\$98
Sales Taxes	\$8,491	\$8,567	(\$76)
Public Utility (regular)	\$878	\$868	\$10
Cigarette Tax	\$353	\$348	\$5
Liquor Gallonage Taxes	\$174	\$173	\$1
Vehicle Use Tax	\$29	\$30	(\$1)
Inheritance Tax	\$290	\$275	\$15
Insurance Taxes & Fees	\$405	\$397	\$8
Corporate Franchise Tax & Fees	\$205	\$203	\$2
Interest on State Funds & Investments	\$100	\$46	\$54
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$975	\$993	(\$18)
Subtotal	\$35,833	\$35,927	(\$94)
Transfers			
Lottery	\$733	\$733	\$0
Riverboat transfers and receipts	\$266	\$263	\$3
Proceeds from sale of 10th license	\$10	\$10	\$0
Fund Sweeps/Reallocations	\$0	\$0	\$0
Other	\$751	\$766	(\$15)
Total State Sources	\$37,593	\$37,699	(\$106)
Federal Sources [Base]	\$3,754	\$3,754	\$0
Subtotal Federal & State Sources	\$41,347	\$41,453	(\$106)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.8% '18; 9.7% '19]	(\$2,044)	(\$2,063)	\$19
Corporate Income Tax [17.5% '18; 15.5% '19]	(\$406)	(\$391)	(\$15)
Local Government Distributive Fund			
Personal Income Tax	(\$1,038)	(\$1,047)	\$9
Corporate Income Tax	(\$137)	(\$131)	(\$6)
Sales Tax Distribution to the PTF and DPTF	(\$457)	(\$457)	\$0
Subtotal General Funds	\$37,265	\$37,364	(\$99)
Interfund Borrowing	\$600	\$600	\$0
Income Tax Bond Fund Transfer [Backlog]	\$0	\$0	\$0
Total Revenues General Funds	\$37,865	\$37,964	(\$99)

DETAILED GENERAL FUNDS REVENUE HISTORY FY 2009 - FY 2017 & FY 2018/19 [Estimated]

(\$ Million)

	Actual Receipts FY 2009	Actual Receipts FY 2010	Actual Receipts FY 2011	Actual Receipts FY 2012	Actual Receipts FY 2013	Actual Receipts FY 2014	Actual Receipts FY 2015	Actual Receipts FY 2016	Actual Receipts FY 2017	CGFA Feb-18 FY 2018	CGFA Feb-18 FY 2019
Revenue Sources											
<i>State Taxes</i>											
Personal Income Tax	\$10,219	\$9,430	\$12,301	\$17,000	\$18,323	\$18,388	\$17,682	\$15,299	\$15,385	\$20,566	\$21,071
Corporate Income Tax (regular)	2,073	1,649	2,277	2,983	3,679	3,640	3,129	2,334	1,610	2,558	2,618
Sales Taxes	6,773	6,308	6,833	7,226	7,355	7,676	8,030	8,063	8,043	8,304	8,491
Public Utility Taxes (regular)	1,168	1,089	1,147	995	1,033	1,013	1,006	926	884	903	878
Cigarette Tax	350	355	355	354	353	353	353	353	353	353	353
Liquor Gallonage Taxes	158	159	157	164	165	165	167	170	171	172	174
Vehicle Use Tax	27	30	30	29	27	29	32	30	30	28	29
Inheritance Tax (Gross)	288	243	122	235	293	276	333	306	261	295	290
Insurance Taxes and Fees	334	322	317	345	334	333	353	398	391	400	405
Corporate Franchise Tax & Fees	201	208	207	192	205	203	211	207	207	203	205
Interest on State Funds & Investments	81	26	28	21	20	20	24	24	36	70	100
Cook County Intergovernmental Transfer	253	244	244	244	244	244	244	244	244	244	244
Other Sources	<u>418</u>	<u>431</u>	<u>404</u>	<u>399</u>	<u>462</u>	<u>585</u>	<u>693</u>	<u>534</u>	<u>685</u>	<u>708</u>	<u>975</u>
Subtotal	\$22,343	\$20,494	\$24,422	\$30,187	\$32,493	\$32,925	\$32,257	\$28,888	\$28,300	\$34,804	\$35,833
<i>Transfers</i>											
Lottery	625	625	632	640	656	668	679	677	720	719	733
Gaming Fund Transfer [and related]	430	431	324	413	360	331	302	287	280	278	276
Other	<u>538</u>	<u>828</u>	<u>1,226</u>	<u>885</u>	<u>688</u>	<u>1,113</u>	<u>2,012</u>	<u>627</u>	<u>552</u>	<u>995</u>	<u>751</u>
Total State Sources	\$23,936	\$22,378	\$26,604	\$32,125	\$34,197	\$35,037	\$35,250	\$30,479	\$29,852	\$36,796	\$37,593
<i>Federal Sources</i>	\$6,567	\$5,920	\$5,386	\$3,682	\$4,154	\$3,903	\$3,330	\$2,665	\$2,483	\$4,762	\$3,754
Total Federal & State Sources	\$30,503	\$28,298	\$31,990	\$35,807	\$38,351	\$38,940	\$38,580	\$33,144	\$32,335	\$41,558	\$41,347
<i>Nongeneral Funds Distribution:</i>											
<i>Refund Fund</i>											
Personal Income Tax	(\$996)	(\$919)	(\$1,076)	(\$1,488)	(\$1,785)	(\$1,746)	(\$1,769)	(\$1,493)	(\$1,724)	(\$2,015)	(\$2,044)
Corporate Income Tax	(363)	(289)	(426)	(522)	(502)	(476)	(439)	(362)	(278)	(448)	(406)
Fund for Advancement of Education	0	0	0	0	0	0	(242)	(458)	(464)	0	0
Commitment to Human Services Fund	0	0	0	0	0	0	(242)	(458)	(464)	0	0
LGDF--Direct from PIT	0	0	0	0	0	0	0	0	0	(1,012)	(1,038)
LGDF--Direct from CIT	0	0	0	0	0	0	0	0	0	(130)	(137)
Downstate Pub/Trans--Direct from Sales	0	0	0	0	0	0	0	0	0	(449)	(457)
Subtotal General Funds	\$29,144	\$27,090	\$30,488	\$33,797	\$36,064	\$36,718	\$35,888	\$30,373	\$29,405	\$37,504	\$37,265
Change from Prior Year	(\$515)	(\$2,054)	\$1,344	\$3,309	\$2,267	\$654	(\$830)	(\$5,515)	(\$968)	\$8,099	\$6,892
Percent Change	-1.7%	-7.0%	4.6%	10.9%	6.7%	1.8%	-2.3%	-15.4%	-3.2%	27.5%	22.7%
Short-Term Borrowing	\$2,400	\$1,250	\$1,300	\$0	\$0	\$0	\$454	\$0	\$0	\$600	\$600
Income Tax Bond Fund backlog transfer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500	\$0
FY'13/14 Backlog Payment Fund Transfer	\$0	\$0	\$0	\$0	\$264	\$50	\$0	\$0	\$0	\$0	\$0
Tobacco Liquidation Proceeds	\$0	\$0	\$1,250	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
HPF and HHSMTF Transfers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Budget Stabilization Fund Transfer	\$576	\$1,146	\$535	\$275	\$275	\$275	\$275	\$125	\$0	\$0	\$0
Pension Contribution Fund Transfer	\$0	\$843	\$224	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total General Funds	\$32,120	\$30,329	\$33,797	\$34,072	\$36,603	\$37,043	\$36,617	\$30,498	\$29,405	\$40,604	\$37,865
Change from Prior Year	(\$1,718)	(\$1,791)	\$1,677	\$275	\$2,531	\$440	(\$426)	(\$6,119)	(\$1,093)	\$11,199	(\$2,739)
Percent Change	-5.1%	-5.6%	5.2%	0.8%	7.4%	1.2%	-1.2%	-16.7%	-3.6%	38.1%	24.2%

SOURCE: CGFA

ALL APPROPRIATED FUNDS REVENUE FY 2009 to FY 2017 & ESTIMATED FY 2018-19

(\$ millions)

<u>REVENUE SOURCES</u>	ACTUAL RECEIPTS FY 2009	ACTUAL RECEIPTS FY 2010	ACTUAL RECEIPTS FY 2011	ACTUAL RECEIPTS FY 2012	ACTUAL RECEIPTS FY 2013	ACTUAL RECEIPTS FY 2014	ACTUAL RECEIPTS FY 2015	ACTUAL RECEIPTS FY 2016	ACTUAL RECEIPTS FY 2017	Feb-18 Estimate FY 2018	Feb-18 Estimate FY 2019
State Sources											
CASH RECEIPTS:											
Personal Income Tax (gross)	\$10,219	\$9,430	\$12,302	\$17,000	\$18,324	\$18,388	\$17,682	\$15,301	\$15,385	\$20,566	\$21,071
Corporate Income Tax (gross)	\$2,073	\$1,649	\$2,285	\$2,983	\$3,679	\$3,640	\$3,132	\$2,339	\$1,614	\$2,558	\$2,618
Sales Taxes	\$8,216	\$7,752	\$8,400	\$8,851	\$9,054	\$9,451	\$9,908	\$9,073	\$9,053	\$9,145	\$9,351
Short-Term Borrowing	\$2,400	\$1,500	\$1,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fund Transfers	\$1,725	\$1,576	\$1,396	\$2,366	\$2,689	\$2,322	\$2,882	\$460	\$849	\$3,307	\$2,204
State Employees Retirement System	\$1,316	\$1,258	\$1,566	\$1,764	\$1,875	\$2,136	n/a	n/a	n/a	n/a	n/a
Corporate Personal Property Replacement Taxes	\$1,487	\$1,192	\$1,537	\$1,460	\$1,690	\$1,657	\$1,786	\$1,628	\$1,922	\$1,846	\$1,871
Health Care Provider Assessment Fees & Taxes	\$1,724	\$1,575	\$1,635	\$1,677	\$1,656	\$2,413	\$1,961	\$1,952	\$2,138	\$2,247	\$2,226
Public Utility Taxes	\$1,741	\$1,666	\$1,691	\$1,584	\$1,564	\$1,498	\$1,510	\$1,417	\$1,423	\$1,440	\$1,410
Motor Vehicle & Operators Licenses	\$1,302	\$1,370	\$1,494	\$1,498	\$1,462	\$1,511	\$1,539	\$1,552	\$1,585	\$1,555	\$1,555
Lottery Tickets & Licenses	\$991	\$1,074	\$1,104	\$1,502	\$1,388	\$1,341	\$1,589	\$1,308	\$1,341	\$1,444	\$1,472
Motor Fuel Tax (gross)	\$1,499	\$1,371	\$1,347	\$1,324	\$1,292	\$1,326	\$1,326	\$1,354	\$1,348	\$1,358	\$1,358
Cigarette Taxes	\$582	\$582	\$588	\$606	\$856	\$860	\$862	\$845	\$782	\$780	\$770
Riverboat Gambling Taxes & Fees	\$553	\$532	\$458	\$611	\$579	\$533	\$520	\$494	\$489	\$488	\$486
Revolving Funds	\$505	\$526	\$565	\$617	\$544	\$595	\$606	\$242	\$678	\$545	\$881
Insurance Tax & Fees	\$422	\$411	\$414	\$447	\$442	\$443	\$466	\$515	\$519	\$528	\$533
Inheritance Tax (gross)	\$288	\$243	\$122	\$235	\$309	\$294	\$355	\$325	\$278	\$314	\$309
Liquor Gallonage Taxes	\$164	\$188	\$182	\$279	\$280	\$280	\$283	\$288	\$294	\$295	\$297
Optional Health Insurance Deductions	\$229	\$263	\$268	\$266	\$269	\$404	\$376	\$352	\$340	\$337	\$334
County Intergovernmental Transfers	\$305	\$261	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244
Hotel Tax	\$203	\$173	\$192	\$208	\$221	\$227	\$257	\$264	\$227	\$278	\$283
Corporate Franchise Tax & Fees	\$210	\$216	\$215	\$200	\$213	\$211	\$219	\$216	\$215	\$214	\$216
Tobacco Settlement	\$340	\$284	\$290	\$133	\$133	\$163	\$120	\$84	\$105	\$110	\$108
Investment Income	\$156	\$46	\$49	\$43	\$37	\$52	\$52	\$52	\$83	\$160	\$228
Video Gaming Tax	\$0	\$0	\$0	\$0	\$29	\$137	\$235	\$302	\$356	\$406	\$441
Other Taxes, Licenses, Fees & Earnings	\$2,855	\$3,207	\$3,545	\$3,586	\$4,153	\$3,995	\$4,186	\$4,403	\$4,729	\$4,672	\$4,800
Total, State Source Cash Receipts	\$41,505	\$38,345	\$43,189	\$49,484	\$52,982	\$54,121	\$52,096	\$45,010	\$45,997	\$54,837	\$55,066
Transfers in from Other State Funds:	\$314	\$223	\$454	\$361	\$316	\$315	\$493	\$249	\$219	\$247	\$247
TOTAL, STATE SOURCES	\$41,819	\$38,568	\$43,643	\$49,845	\$53,298	\$54,436	\$52,589	\$45,259	\$46,216	\$55,084	\$55,313
Federal Sources	\$16,383	\$18,284	\$18,149	\$14,669	\$16,252	\$17,095	\$18,722	\$19,033	\$18,523	\$20,958	\$19,783
Sale of Bonds	\$151	\$8,551	\$6,125	\$4,099	\$1,872	\$4,244	\$42	\$1,084	\$2,977	\$7,500	\$1,250
TOTAL, REVENUES - APPROPRIATED FUNDS	\$58,353	\$65,403	\$67,917	\$68,613	\$71,422	\$75,775	\$71,353	\$65,376	\$67,716	\$83,542	\$76,346
Short Term Borrowing	\$2,400	\$1,500	\$1,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL BASE REVENUE - ALL APPROPRIATED	\$55,953	\$63,903	\$66,617	\$68,613	\$71,422	\$75,775	\$71,353	\$65,376	\$67,716	\$83,542	\$76,346

DEVELOPMENT OF CGFA ESTIMATES

Econometric Firms—The Commission utilizes the services of IHS Markit, Moody’s Analytics, and Consensus Economics Inc. They provide a wealth of economic measures and forecasts, both on a national and state specific basis, which are utilized to varying degrees during the estimating process.

Data Sources—The Commission utilizes actual receipt data via the Comptroller’s warehouse. Additional tax collection data reports prepared by the DoR, as well as employment and earning reports produced by the Bureau of Labor Statistics and IDES are also utilized, as are other pertinent data that may be necessary and available.

Forecasting models—Depending on the revenue source being forecasted, model complexity can range from the very simple to fairly complex. Several smaller sources with relatively low volatility need nothing more than simple trend analysis to produce accurate forecasts, while the estimates of the larger more economically driven revenue sources such as income and sales benefit from more sophisticated econometric models which utilize regressions and various time series techniques.

Application of Adjustments—Often times a base forecast must be adjusted by factors such as tax changes made at either the federal or state level that will disrupt historical receipt patterns, either by acceleration or delay. As has been the case in recent years, impacts related to IDOR accounting procedures must also be included. These are usually one-time phenomena, but must be accounted for by adjusting the estimate. Examples include tax rates, credits, deductions, exemptions, amnesty, etc.

Review Process and Tests of Reasonableness— Before a forecast is presented, it must pass internal review. In other words, the forecast must make sense. Any questionable forecast is reexamined for error. Accuracy of the estimates is reviewed during each forecasting period and, if necessary, appropriate revisions to the models are made in an effort to improve accuracy.