

Presented to:

# **SENATE REVENUE COMMITTEE**

## **FY 2016 Economic Forecast and Revenue Estimate and FY 2015 Revenue Update**



Presented by:

**Dan R. Long, Executive Director – Jim Muschinske, Revenue Manager**  
**Commission on Government Forecasting and Accountability**  
**703 Stratton Office Building; Springfield, Illinois 62706**

April 29, 2015

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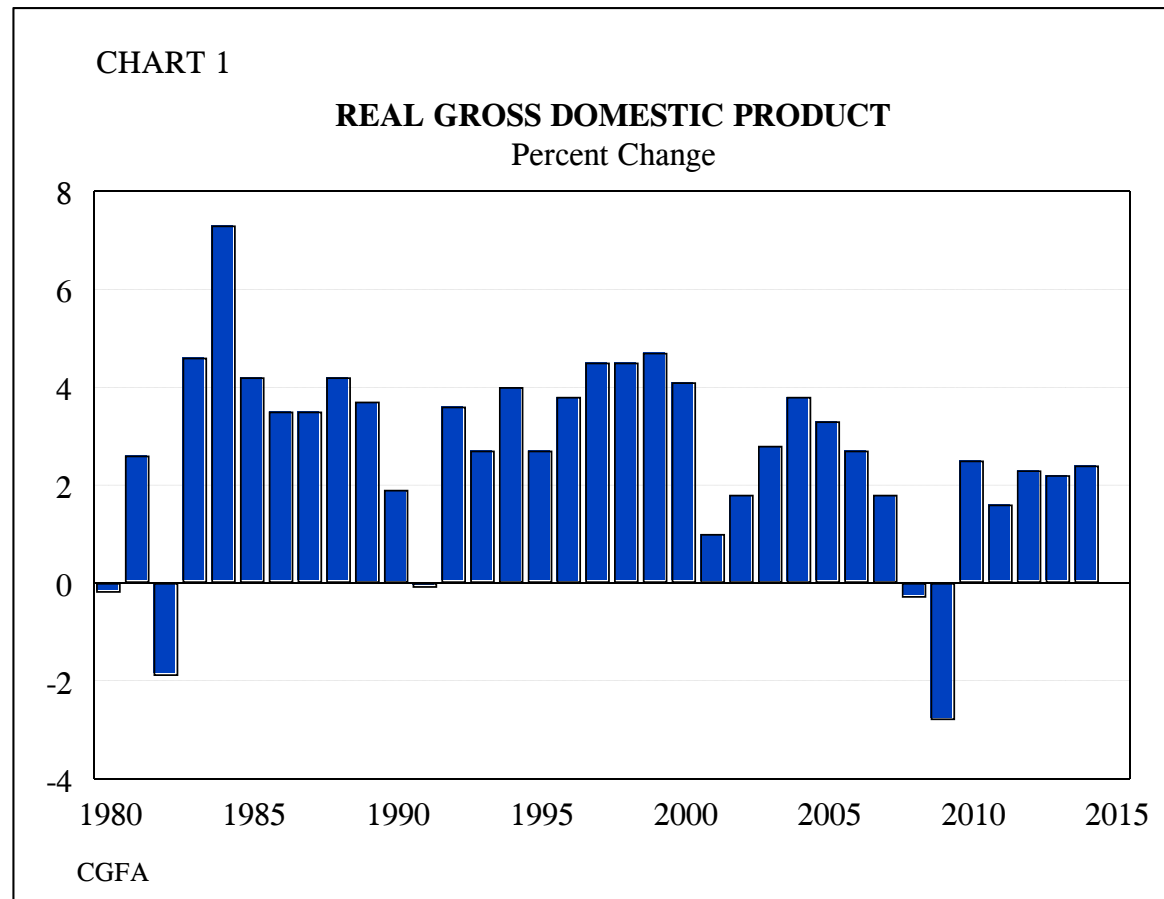
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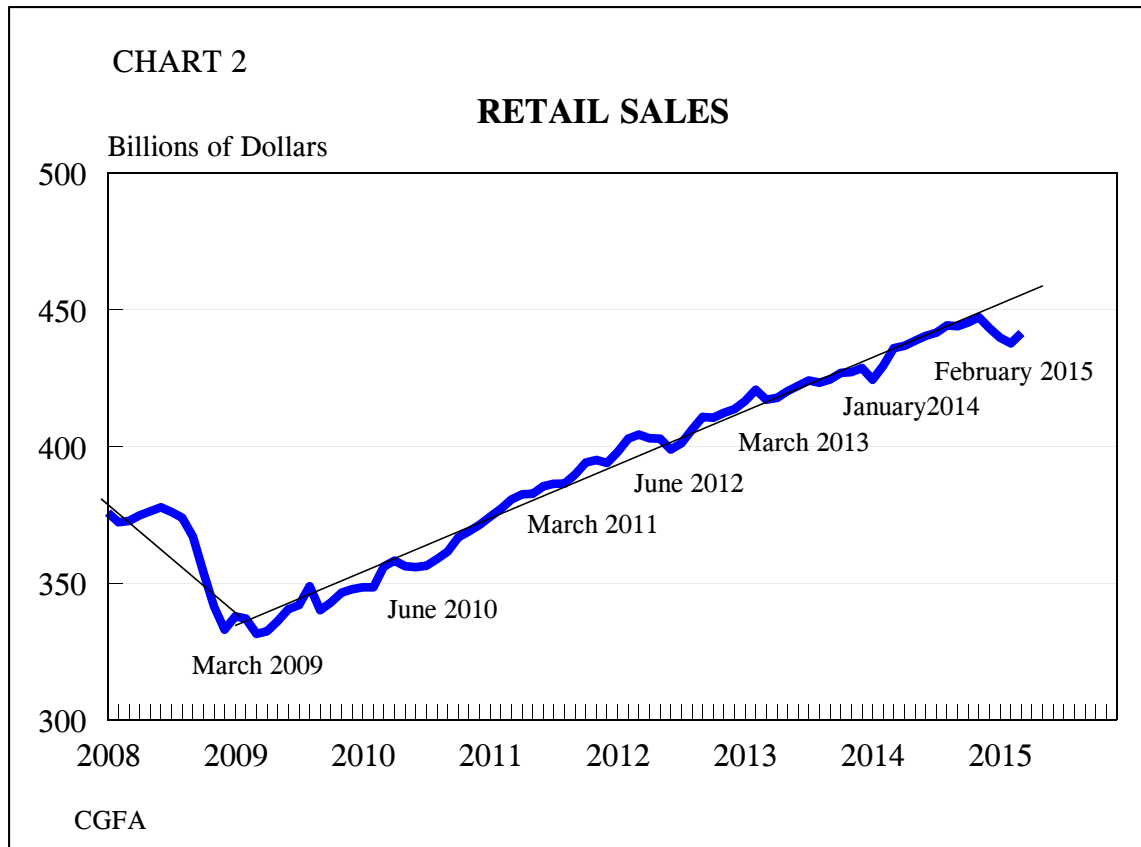
## CHANGE IN REAL GDP

- Chart 1 shows GDP growth for the years 1980 through 2014, encompassing 5 recessions followed by recoveries and expansions.
- The chart shows actual contraction in growth for the years incorporating the twin recessions of the 1980s, the 1990-91 recession; the brief 2001 recession and the “great recession” that began at the end of 2007 and continued until June 2009.
- As can be seen, not only was the decline in growth the steepest during the last recession but the ensuing recovery and expansion was the slowest, indeed the weakest in the post WWII period. The growth that followed the last recession was in the 2% area, about half the rate in the 1980s and 1990s, and slower than the expansion in the first half of the 2000s.



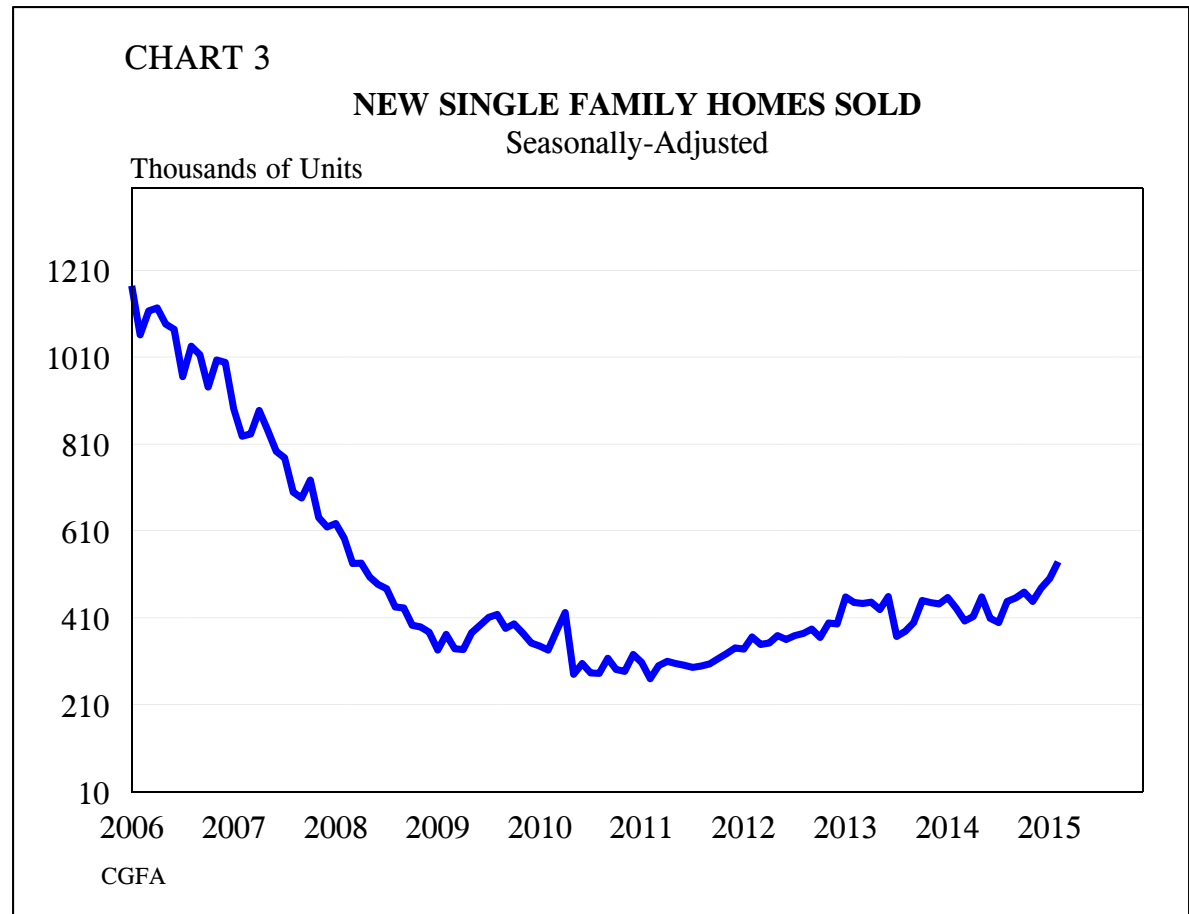
## RETAIL SALES

- To explain the slower recovery it is important to look at the major sectors that make up GDP.
- The consumer accounts for about 70% of GDP spending and, therefore, is critical to growth. The less-than-stellar performance during this recovery helps to explain the slow growth path of the overall economy.
- Retail sales continued to rise but, as shown in Chart 2, for most of the recovery have been less than robust. Moreover, sales fell for three consecutive months before edging up in March. Sales not adjusted for inflation were up a modest 2.1% in the first three months of this year compared with last.
- Further improvement in the labor markets, particularly incomes, will be required for further improvement.



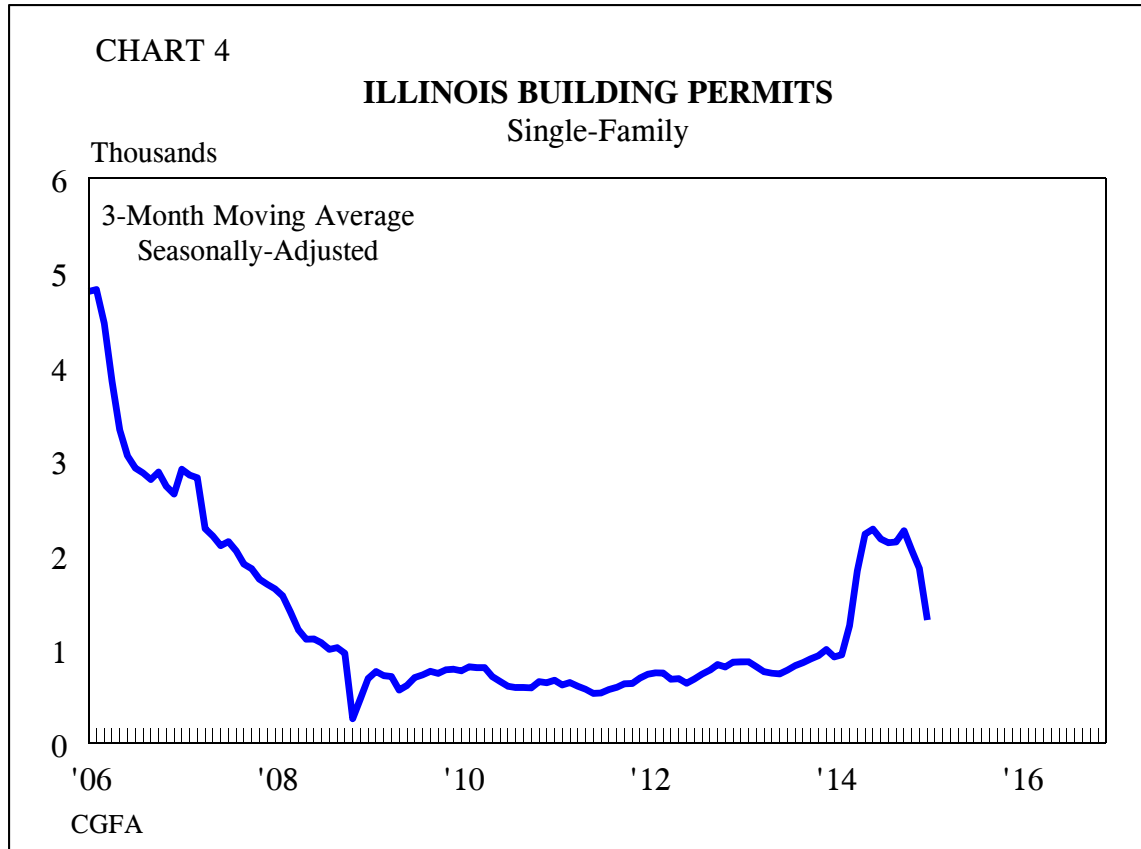
## SINGLE FAMILY HOME SALES

- Another consumer-related expenditure is the housing sector. Housing prices have recovered not only erasing previous declines but reaching new highs.
- Even so, with home prices rising, earnings stagnant, and some uptick in mortgage rates, there has been erosion in housing affordability.
- Thus, much of the improvement has come in the form of multi-unit housing and from investors with easy access to credit.
- Indeed, existing homes account for almost 90% of current sales.
- As shown in Chart 3, newly built single-family homes have shown only modest gains and its only new construction, particularly for single-family homes, that account for economic growth.



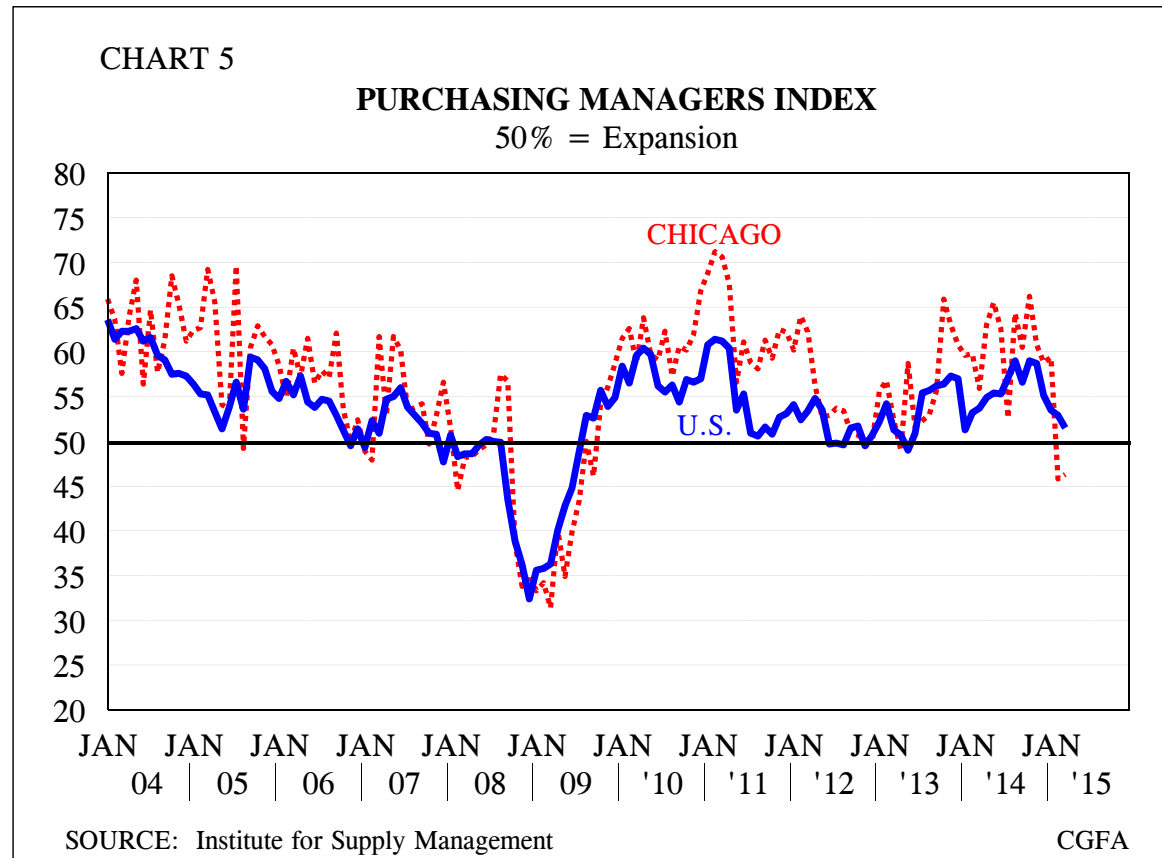
## ILLINOIS BUILDING PERMITS – SINGLE FAMILY

- The sluggish performance of single-family new housing starts has been even more pronounced than the regional and national figures and as pointed out by Moody’s Analytics in their State of Illinois Forecast Report done for the Commission earlier this year.
- As noted in the report, the state has underperformed the region and nation and “the weakness can be traced to failed fiscal policy, a slow housing upturn, and stalled manufacturing industry downstate.”
- The slow housing upturn in Illinois is illustrated in Chart 4 that shows new building permits, a precursor to single-family housing starts, in the state.
- And, while there has been some recent improvement, the levels of permits remain at extremely low levels from earlier years.



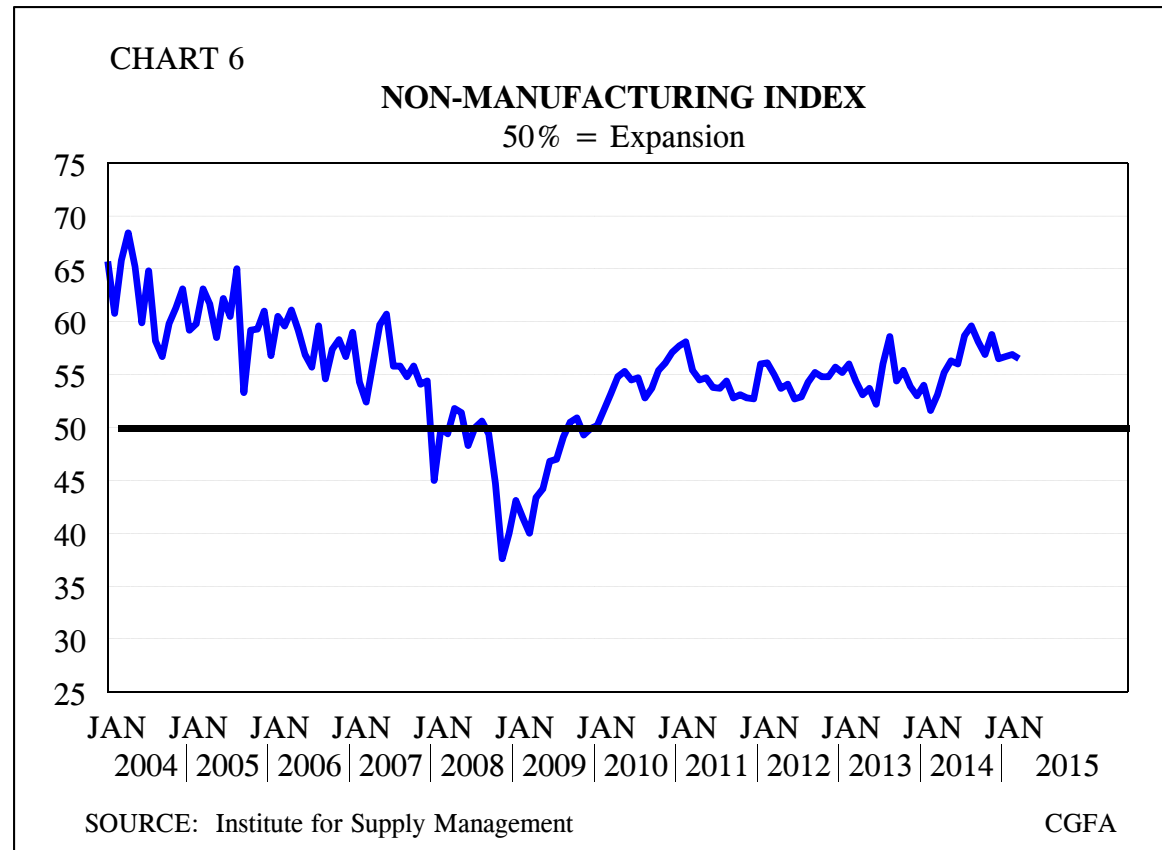
## PURCHASING MANAGERS INDEX

- While the consumer accounts for the majority of spending in the economy and has been lethargic, business spending had been expanding.
- As Chart 5 shows, the index of manufacturing expanded (with more than 50% reporting that) for 34 consecutive months from August 2009, slightly after the recovery got underway, to May 2012.
- However, the indices weakened, fluctuating around 50, not rising again on a sustained basis until a year later in June 2013. Manufacturing turned positive for 20 consecutive months, before weakening in the past 5 months. In March the U.S. rate fell to the lowest level since January 2014, barely expanding, while the Chicago rate at 46.3 actually shows a contraction in manufacturing for the second consecutive month.



## NON-MANUFACTURING INDEX

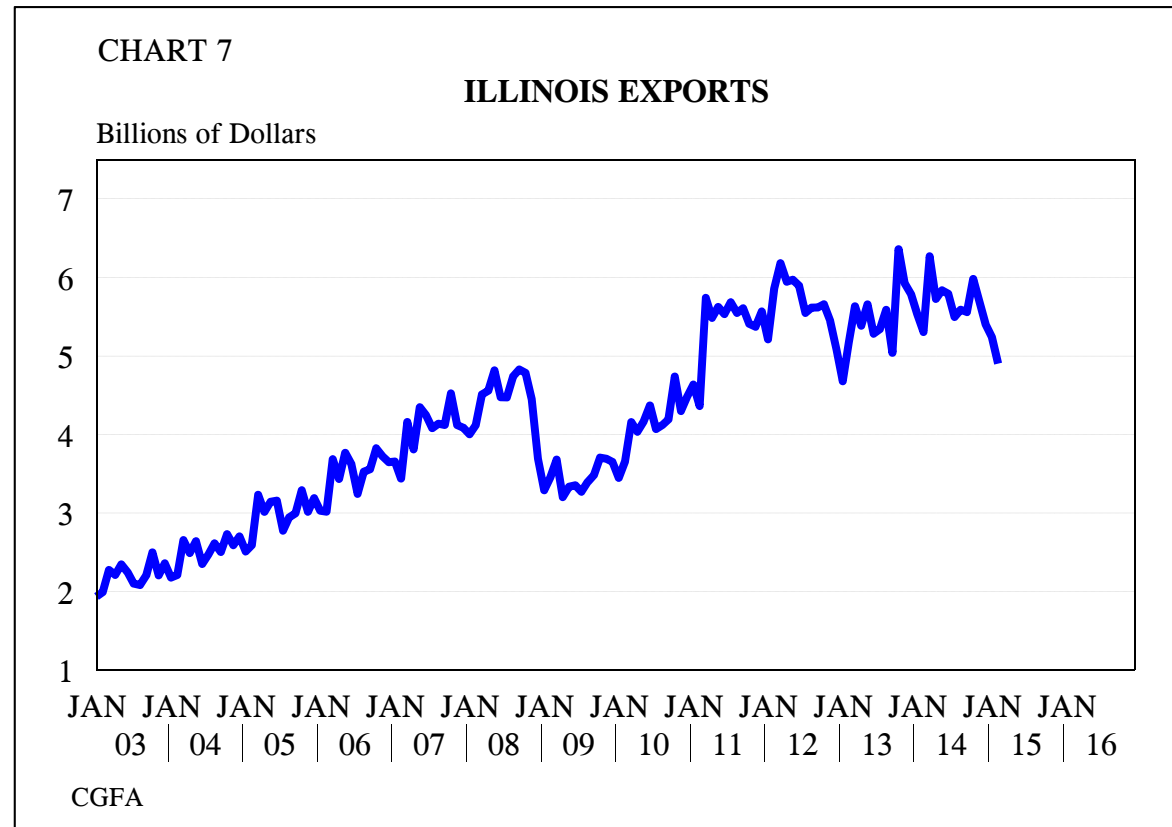
- A growing share of business has been in the non-manufacturing, or service sector. Chart 6 takes a look at this sector of the economy.
- Economic activity in the non-manufacturing sector, which had contracted for 12 straight months through August 2009, worked its way back to neutral by January 2010 before rising again.
- By March 2015, the index had expanded for 62 consecutive months. It had plunged to 51.6 last February to reach its lowest level since January 2010, but that was blamed mainly on weather. It rose to 59.3 in October 2014, among the highest since mid-2007, but leveled out, ranging in the 56.5 to 56.9 in the past four months.





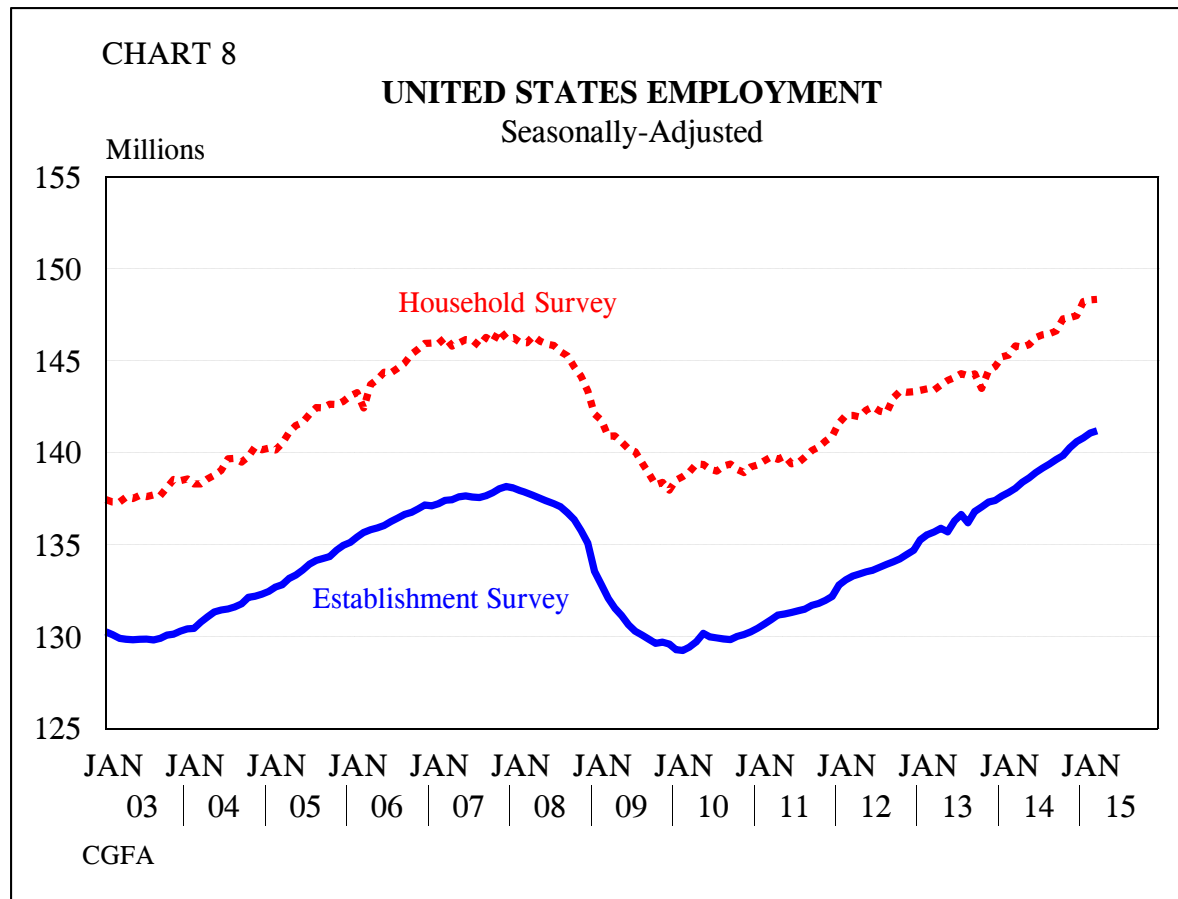
## ILLINOIS EXPORTS

- As shown in Chart 7, Illinois export growth slowed into this year, reflecting recessions in much of Europe, which account for about 20% of U.S. exports, and reduced growth in some of the more important emerging countries. This affects the State as we have been the fifth largest U.S. exporter.
- Even so, the path has been choppy. In the last few months increased uncertainties overseas and a prolonged dock strike have caused imports to slow even as the U.S. continues to expand.
- A favorable factor to our trade deficit, however, has been our reduced level of imports due to a lessening dependence on imported oil as new methods of extraction, mainly on private lands, have increased U.S. oil and gas production.



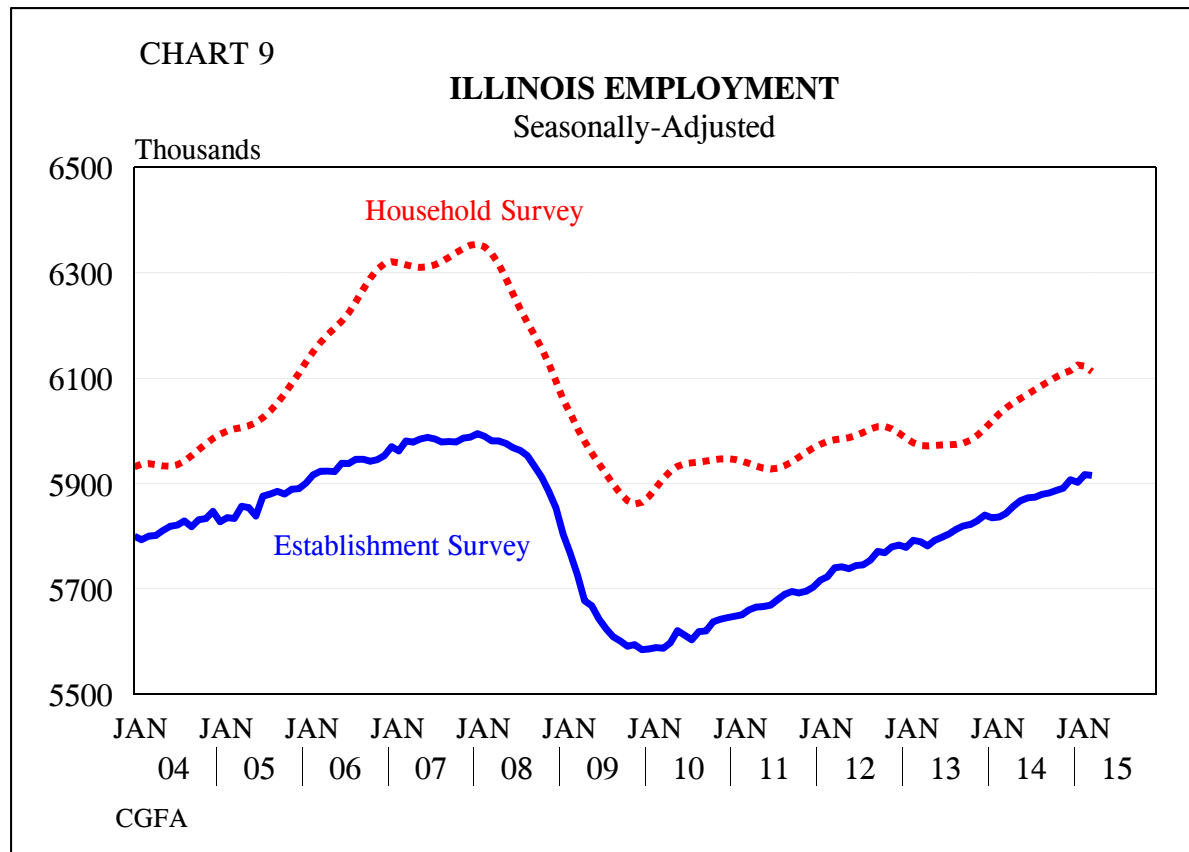
## UNITED STATES EMPLOYMENT

- Perhaps the largest deterrent to more rapid growth has been the slow progress on the job front.
- As shown in Chart 8, United States employment has been rising since its low at the end of 2009. Finally, after five years, all the jobs lost during the last recession had been recovered and began to be added to. As this occurred, the business cycle ended its recovery phase and finally began its expansion phase.
- Even while employment growth had been strengthening, March data and downward revisions for the prior two months showed some softening. Whether this is a new trend or weather-related has yet to be determined.
- At the same time, the labor participation rate remains near its lowest level since 1978.



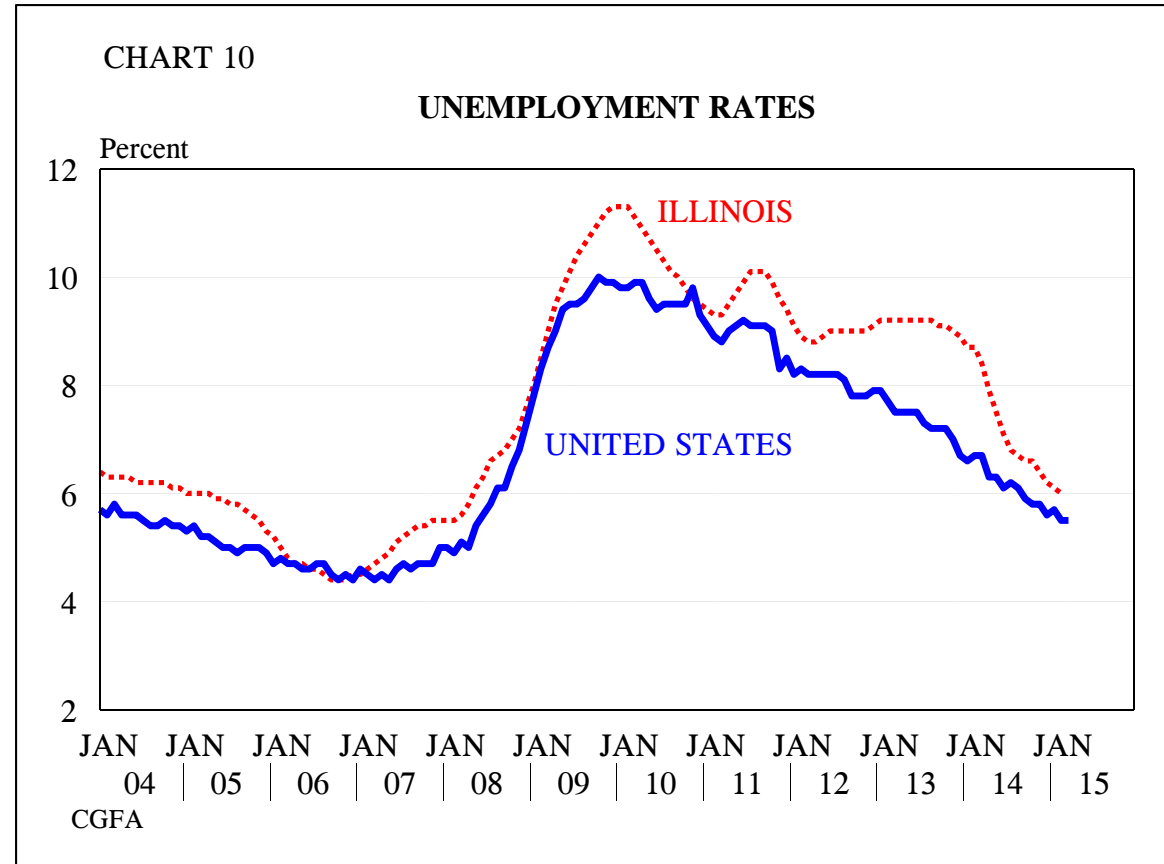
## ILLINOIS EMPLOYMENT

- Illinois employment, like the U.S., also has shown gains but remains at extremely low levels as illustrated in Chart 9.
- As mentioned, it took 5-years for U.S. employment to finally recoup all the jobs lost during the 2007 recession.
- In contrast, Illinois never did recoup the job loss during the previous recession before the last recession set in at the end of 2007. As a result Illinois is still in a recovery rather than expansion phase of a business cycle.
- Thus, the gap to reach a new high in employment in the current recovery will be even more difficult to reach for Illinois.



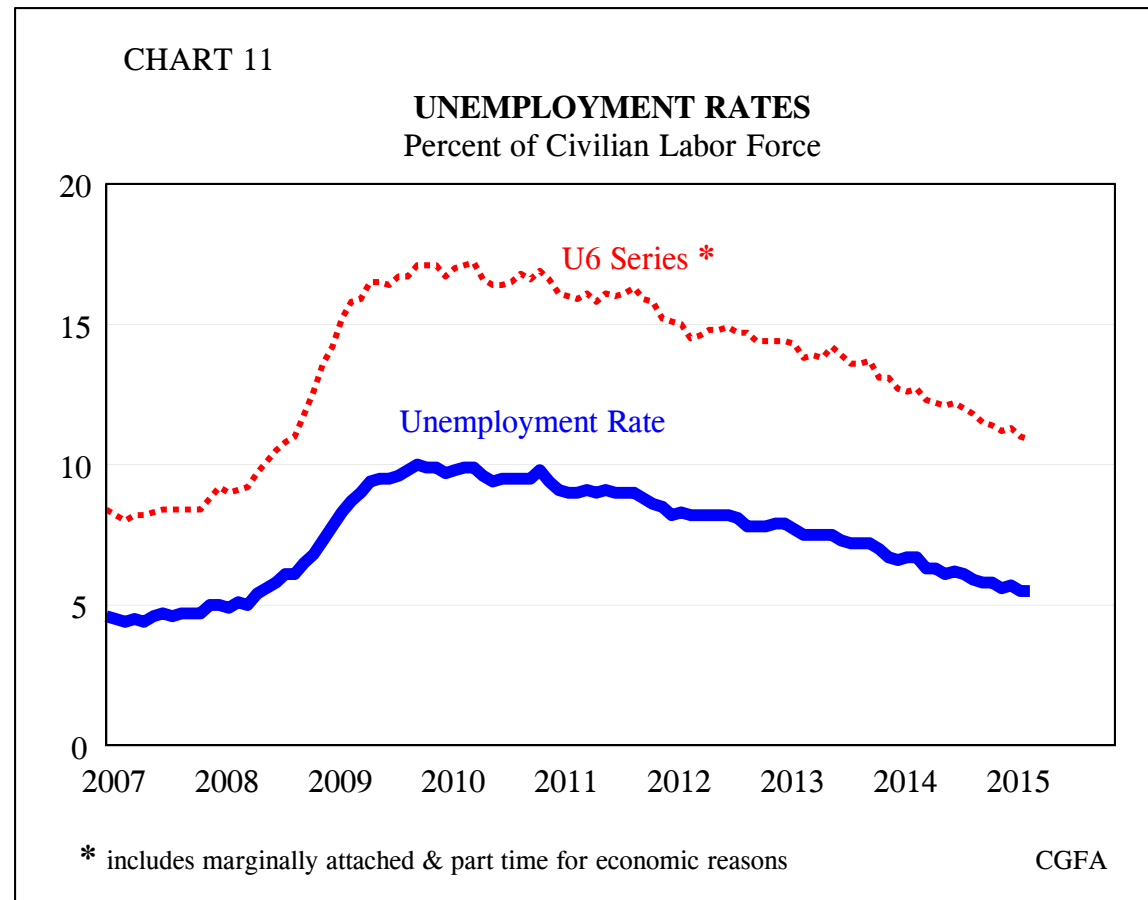
## UNEMPLOYMENT RATES

- As shown in Chart 10, as a result of job losses during the recession, the national unemployment rate rose from a low of 4.4% in late 2006 and early 2007 to a high of 10.0% by October 2009.
- In the recovery that began in mid 2009, however, the unemployment rate showed only moderate improvement. By January 2012, the unemployment rate had edged down to 8.2%. However, in ensuing months the rate fell sharply and by March of this year was at 5.5%.
- Much of the decline, however, came from people dropping out of the labor force.
- As shown, the unemployment rate in Illinois continues to trail the U.S. Even so, Illinois' rate hit 6.0% in February, its lowest rate since early in 2008.



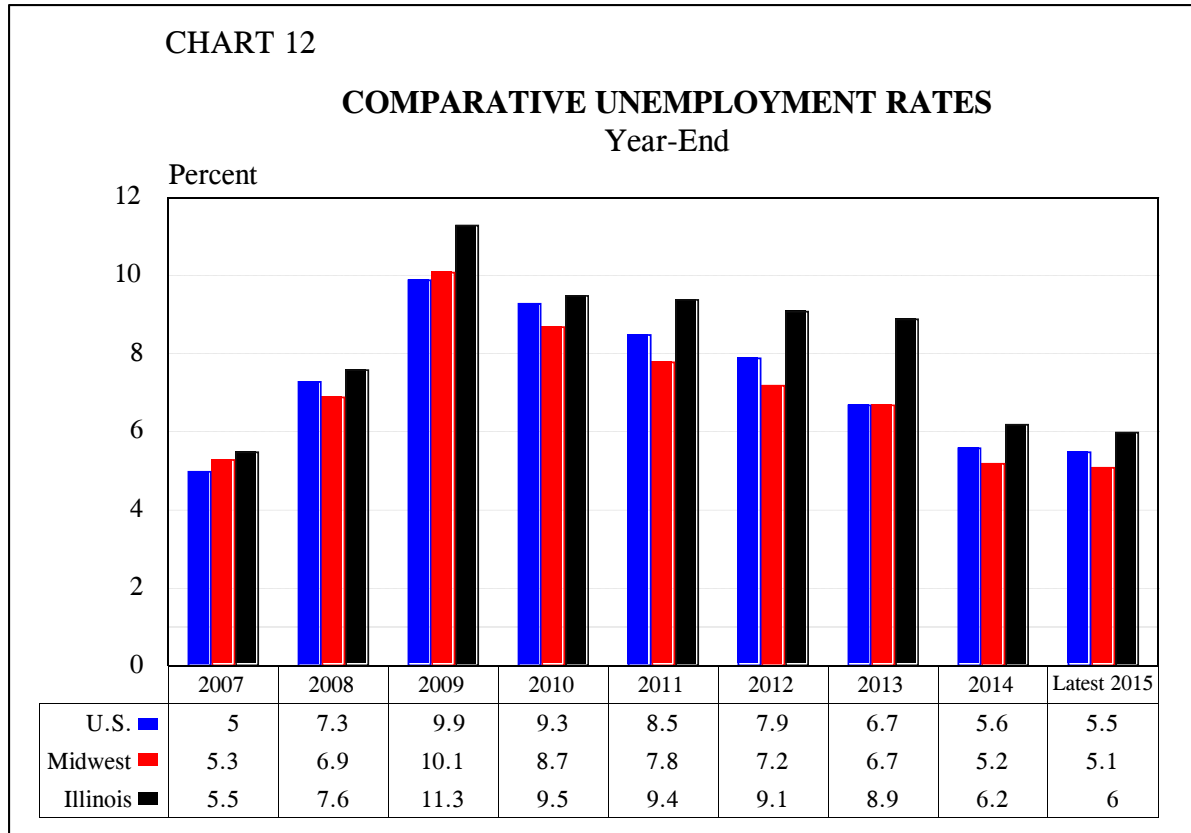
## UNEMPLOYMENT RATES

- Chart 11 shows two measures of unemployment issued by the Department of Labor. The lower line is the rate of those unemployed as a percent of the civilian labor force.
- The upper line shows total unemployed, plus those marginally attached workers plus total employed part time for economic reasons, as a percent of all.
- As shown, the gap between the two widened sharply following the recession that got underway at the end of 2007 and has narrowed only slightly during the current recovery that began at mid 2009.
- In March the unemployment rate was 5.5% whereas the alternative measure was almost double at 10.9%.



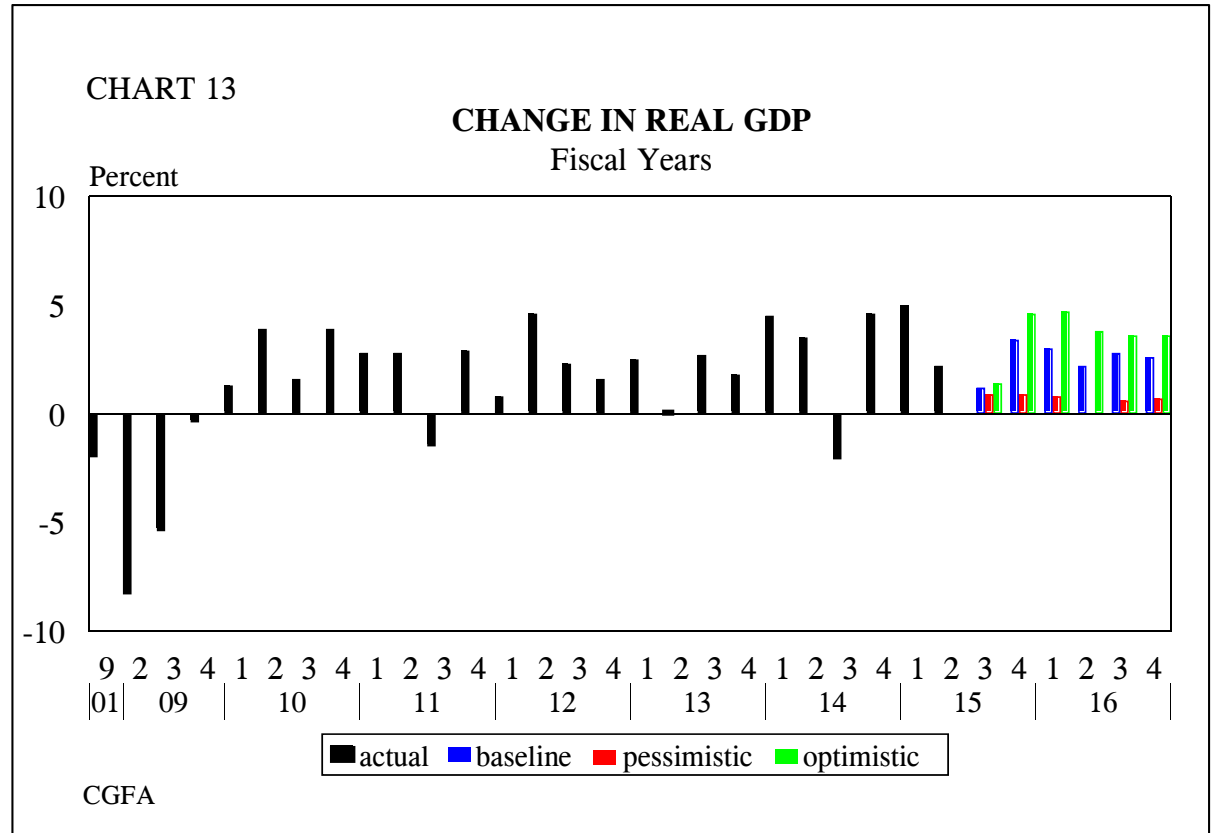
## COMPARATIVE UNEMPLOYMENT RATES

- Unemployment rates have not moved in sync in recent years. Chart 12 shows comparative unemployment rates for the nation, Midwest, and Illinois.
- Starting in 2007, prior to the recession at year-end, Midwest and Illinois rates were similar and only slightly higher than the nation.
- Since 2010, unemployment in the Midwest fell below the national rate and this continued through 2012 because manufacturing in the "rust belt" showed resurgence.
- Unemployment in Illinois, however, began to exceed the national and Midwest rates and that gap increased further through last year, although narrowing recently.



## CHANGE IN REAL GDP

- Chart 13 shows three alternative forecasts of the U.S. economy through FY 2016. The **BASELINE** shows the most likely solution with a 70% chance of occurrence and has the economy continuing to rising moderately through FY 2016.
- A more **OPTIMISTIC** scenario, with a 15% chance of happening, however, shows stronger economic gains continuing through FY 2016, more in line with earlier periods following a recession.
- Finally, a **PESSIMISTIC** scenario, also with only a 15% chance of occurrence, is shown where the economy stalls and remains stagnant for several quarters with growth remaining below 1% through FY 2016, well below that depicted by the base line solution



## CHART 14: BASELINE FORECASTS -- MARCH 2015

(\$ Change from prior year levels)

REAL (2009 \$)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Actual	Actual	Actual	Actual	Estimated	Estimated
Gross Domestic Product	2.0	2.0	1.8	3.7	2.6	2.9
Personal Consumption	1.8	2.1	2.4	4.5	3.6	3.0
Durable	5.9	7.5	6.0	8.1	6.9	6.3
Nondurable	0.7	1.3	1.9	2.6	3.6	2.9
Services	1.5	1.5	2.0	2.5	3.0	2.5
Fixed Investment	8.8	4.4	6.8	6.6	4.5	6.7
Exports	4.5	2.4	3.7	3.5	2.7	4.1
Imports	3.3	0.9	2.6	5.1	6.9	5.5
Government	-2.6	-1.0	-1.8	0.7	0.7	0.3
Federal	-3.2	-2.9	-5.1	0.2	-0.3	-0.7
State & Local	-2.2	-0.5	0.9	1.3	1.4	0.9
<b>OTHER MEASURES</b>						
Personal Income (Current \$)	5.3	4.0	2.6	3.0	5.4	5.4
Personal Consumption (Current \$)	4.2	3.5	3.7	3.7	4.4	5.1
Before Tax Profits (Current \$)	9.5	5.5	1.2	5.6	6.2	0.0
Consumer Prices	2.3	2.3	2.4	2.4	2.4	2.4
Unemployment Rate (Average)	8.6	7.7	6.8	5.7	5.4	5.2



## CHART 15: ILLINOIS FORECASTS

Calendar Years	2012 Actual	2013 Actual	2014 Actual	2015 EST.	2016 EST.	2017 EST.
Real Gross State Product (Mil. 2005 \$)	665.613	671.407	682.132	697.154	712.891	728.291
% Change	1.4	0.9	1.6	2.2	2.2	2.2
Total Employment (Ths)	5,749.9	5,796.9	5,833.2	5,926.9	6,019.9	6,078.3
% Change	1.3	0.8	0.6	1.6	1.6	1.0
Population (Ths)	12,876.0	12,887.6	12,880.8	12,889.4	12,916.7	12,953.0
% Change	0.1	0.1	-0.1	0.1	0.2	0.3
Personal Income (Bil \$)	592.0	605.2	621.4	639.9	666.7	698.4
% Change	4.3	2.2	2.7	3.0	4.2	4.8
<b>OTHER MEASURES</b>						
Private Housing Starts (Ths)	13.5	14.9	19.0	17.2	22.1	29.2
Unemployment Rate Avg. %	9.0	9.1	7.3	6.3	6.5	6.5

**SOURCE: Global Insight March 2015**

## REVISED FY 2015 ESTIMATE

The table presents an updated outlook for FY 2015 revenue. As shown, the updated forecast of \$34.099 billion represents a drop of \$1.253 billion from HJR 100.

-The estimate of gross personal income taxes is revised up \$50 million, (but -\$5 million net of refunds and fund distributions).

-Gross corporate income taxes have been disappointing during the first two-thirds of the fiscal year. Given current year to date performance, a meaningful downward adjustment of \$247 million gross, or \$213 net of refunds, is justified.

-Sales tax receipts have continued to impress, and have been able to demonstrate consistent growth over the fiscal year. While current growth rates are unlikely to continue indefinitely, year to date performance has done well enough to force an increase of \$168 million to the estimate.

-Inheritance tax receipts have done well thus far, likely due to the “wealth” effect caused by record high market conditions and asset performance. Performance through the first two thirds of the fiscal year equates to an upward revision of \$95 million.

-Other sources to the general funds are comprised of hundreds of miscellaneous sources. In July, approximately \$118 million in unexpected one-time court settlement proceeds were deposited into the general funds related to pharmaceutical companies. As a result, they need to be factored into the revised estimate. On a net basis the estimate of other sources to the general funds is being raised \$106 million.

-When HJR 100 passed, the assumption was that \$100 million would be transferred from the Income Tax Refund Fund [under current statute, end of year balances are moved back to the GRF]. However, at the end of the fiscal year, only \$63 million was available for that transfer, hence the downward adjustment of \$37 million. In addition, other miscellaneous transfers into the GRF are routinely done per statute. Overall expectations of those transfers have been tempered, resulting in a net downward adjustment of \$112 million.

-As mentioned earlier, HJR 100 allowed the Governor to utilize up to \$650 million in interfund borrowing [to be repaid within 18 months]. At this time, since the initiating agency [GOMB] is not calling for its execution, it is being removed from the forecast.

-Readers of the Commission’s monthly revenue briefing have been continually reminded of the underperformance of federal sources in FY 2015. While a focus on non-general funds reimbursable has played a key role, the Administration indicated that Medicaid liability improvement may also be playing a part. Regardless, disappointing federal source performance to date, along with subdued expectations, has resulted in a significant downward revision of \$597 million.

<b>FY 2015 GENERAL FUNDS REVENUE</b>			
<b>HJR 100 vs. CGFA REVISED MARCH 2015</b>			
(millions)			
	FY 2015 HJR 100	FY 2015 CGFA	\$
<u>Revenue Sources</u>	<u>May-14</u>	<u>Mar-2015</u>	<u>Difference</u>
<b>State Taxes</b>			
Personal Income Tax	\$16,942	\$16,992	\$50
Corporate Income Tax (regular)	\$3,267	\$3,020	(\$247)
Sales Taxes	\$7,842	\$8,010	\$168
Public Utility (regular)	\$1,005	\$1,005	\$0
Cigarette Tax	\$355	\$355	\$0
Liquor Gallonage Taxes	\$165	\$165	\$0
Vehicle Use Tax	\$29	\$31	\$2
Inheritance Tax	\$205	\$300	\$95
Insurance Taxes & Fees	\$330	\$330	\$0
Corporate Franchise Tax & Fees	\$205	\$205	\$0
Interest on State Funds & Investments	\$25	\$25	\$0
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$486</u>	<u>\$592</u>	<u>\$106</u>
<b>Subtotal</b>	<b>\$31,100</b>	<b>\$31,274</b>	<b>\$174</b>
<b>Transfers</b>			
Lottery	\$682	\$682	\$0
Riverboat transfers and receipts	\$300	\$290	(\$10)
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund transfer	\$100	\$63	(\$37)
Interfund Borrowing	\$650	\$0	(\$650)
<u>Other</u>	<u>\$790</u>	<u>\$678</u>	<u>(\$112)</u>
<b>Total State Sources</b>	<b>\$33,632</b>	<b>\$32,997</b>	<b>(\$635)</b>
<b>Federal Sources</b>	<b>\$4,273</b>	<b>\$3,676</b>	<b>(\$597)</b>
<b>Total Federal &amp; State Sources</b>	<b>\$37,905</b>	<b>\$36,673</b>	<b>(\$1,232)</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund</b>			
Personal Income Tax [9.5% '14; 10% '15]	(\$1,694)	(\$1,699)	(\$5)
Corporate Income Tax [13.4% '14; 14% '15]	(\$457)	(\$423)	\$34
<b>Fund for Advancement of Education</b>	(\$201)	(\$226)	(\$25)
<b>Commitment to Human Services Fund</b>	(\$201)	(\$226)	(\$25)
<b>Subtotal General Funds</b>	<b>\$35,352</b>	<b>\$34,099</b>	<b>(\$1,253)</b>

NOTE: Totals exclude Budget Stabilization transfers, and other cash flow transfers.

## CORRECTIVE FY 2015 BUDGETARY ACTION

On March 26<sup>th</sup> the General Assembly passed HB 317 and HB 318. The Governor signed the bills into law the very next day. The bills served to help close the gap that had developed in the FY 2015 budget via appropriation cuts to most agencies as well as authorizing \$1.318 billion in fund sweeps. As shown below, when the swept funds are added to CGFA's base estimate, total general funds anticipated for FY 2015 totals \$35.417 billion.

CGFA Estimated base FY 2015 general revenues	\$34.099 billion
Approved Fund Sweeps [P.A. 99-0002]	<u>\$ 1.318 billion</u>
<b>TOTAL</b>	<b>\$35.417 billion</b>

\* An additional \$26 million in fund sweeps have passed the Senate and pending the House (SB 274)

(Table below lists the Top 50 out of 106 Fund Sweeps by Largest to Smallest Amount)

Fund	Amount	Fund	Amount	Fund	Amount
Road Fund	\$250,000,000	Solid Waste Management Fund	\$15,000,000	State Police Services Fund	\$6,000,000
Local Government Tax Fund	\$200,000,000	Park and Conservation Fund	\$15,000,000	Teacher Certificate Fee Revolving Fund	\$5,000,000
IL Power Agcy Renewable Energy Resources Fd	\$98,000,000	Grade Crossing Protection Fund	\$10,000,000	Agricultural Premium Fund	\$5,000,000
Insurance Producer Administration Fund	\$70,313,800	IL State Medical Disciplinary Fund	\$10,000,000	Nursing Dedicated & Professional Fund	\$5,000,000
Downstate Transit Improvement Fund	\$70,000,000	State Rail Freight Loan Repayment Fund	\$10,000,000	Securities Investors Education Fund	\$5,000,000
Motor Fuel Tax Fund	\$50,000,000	IL Workers' Comp Commission Operations Fd	\$10,000,000	Public Health Special State Projects Fund	\$5,000,000
State Construction Account Fund	\$50,000,000	Public Infrastructure Construction Loan Revolving Fund	\$9,000,000	Metabolic Screening & Treatment Fund	\$5,000,000
State and Local Sales Tax Reform Fund	\$40,000,000	Vehicle Inspection Fund	\$8,000,000	Build IL Capital Revolving Loan Fund	\$5,000,000
County and Mass Transit District Fund	\$40,000,000	Wireless Service Emergency Fund	\$7,500,000	State Police Vehicle Fund	\$4,000,000
Real Estate License Admin Fund	\$30,000,000	Trauma Center Fund	\$7,000,000	Securities Audit and Enforcement Fund	\$4,000,000
Fund for the Advancement of Education	\$25,000,000	Registered CPAs' Admin & Disciplinary Fund	\$6,100,000	Tobacco Settlement Recovery Fund	\$4,000,000
Commitment to Human Services Fund	\$25,000,000	Motor Vehicle Theft Prevention Trust Fund	\$6,000,000	IL Health Facilities Planning Fund	\$3,746,000
Bank and Trust Company Fund	\$25,000,000	IL Affordable Housing Trust Fund	\$6,000,000	Mental Health Fund	\$3,000,000
Insurance Financial Regulation Fund	\$23,598,000	Natural Areas Acquisition Fund	\$6,000,000	ICJIA Violence Prevention Special Projects Fund	\$3,000,000
Fire Prevention Fund	\$23,000,000	Energy Efficiency Trust Fund	\$6,000,000	Renewable Energy Resources Trust Fund	\$3,000,000
Underground Storage Tank Fund	\$20,000,000	Partners for Conservation Fund	\$6,000,000	Pesticide Control Fund	\$3,000,000
Used Tire Management Fund	\$20,000,000			Coal Technology Development Assistance Fund	\$3,000,000

## FY 2015 ESTIMATE COMPARISON – CGFA & GOMB

FY 2015 ESTIMATE COMPARISONS -- CGFA, and GOMB			
(\$ millions)	CGFA	GOMB	CGFA vs GOMB
Revenue Source	Mar-15	Feb-15	15-Mar
"Big Three"--Personal, Corporate, and Sales Taxes	\$25,448	\$25,459	(\$11)
All Other State Sources	\$3,252	\$3,188	\$64
Transfers In	\$1,723	\$1,746	(\$23)
Federal Sources	\$3,676	\$3,676	\$0
Interfund Borrowing	\$0	\$0	\$0
<b>Total</b>	<b>\$34,099</b>	<b>\$34,069</b>	<b>\$30</b>
<b>Including FY'15 Fund Sweep of \$1.318b</b>	<b>\$35,417</b>	<b>\$35,387</b>	<b>\$30</b>

- The accompanying tables compare the revised FY 2015 Commission estimate to that of the forecast recently provided in the Governor's proposed budget. As shown, in total the outlooks are quite similar, although the Commission's estimate is slightly higher by \$30 million. Both estimates are presented under current law i.e. continuation of lower income tax rates as of January 1, 2015.
- The estimates of the "big three" are very similar, especially given the size of those combined sources. While the estimates of personal income taxes are nearly identical in FY 2015, the Commission is somewhat more conservative in its view of corporate income taxes given the weakness displayed year to date. Conversely, the Commission is somewhat higher in the outlook for sales taxes as receipts have consistently outperformed earlier expectations.
- All other tax source estimates are also very similar with only two sources demonstrating much difference as the CGFA estimates of inheritance tax and other source receipts being slightly higher than the GOMB estimate.
- Similarly, the estimates of transfers are quite close, with CGFA being above the GOMB in the outlook on riverboat transfers and other sources.
- The Commission has indicated repeatedly in its monthly briefings that federal sources were falling well short of budgeted expectations. Both revised estimates reflects year to date performance as well as future expectations given continued budgetary difficulties.
- While any difference could be viewed as significant given the State's precarious financial situation, when viewed in the context of a \$34 billion plus estimate, the slight difference between the forecasts is statistically negligible as very little separates the two views.

FY 2015 GENERAL FUNDS REVENUE CGFA REVISED vs. GOMB BUDGET BOOK			
(millions)			
Revenue Sources	FY 2015 CGFA Mar-2015	FY 2015 GOMB Feb-2015	\$ Difference
<b>State Taxes</b>			
Personal Income Tax	\$16,992	\$16,993	(\$1)
Corporate Income Tax (regular)	\$3,020	\$3,100	(\$80)
Sales Taxes	\$8,010	\$7,950	\$60
Public Utility (regular)	\$1,005	\$1,015	(\$10)
Cigarette Tax	\$355	\$355	\$0
Liquor Gallonage Taxes	\$165	\$167	(\$2)
Vehicle Use Tax	\$31	\$29	\$2
Inheritance Tax	\$300	\$275	\$25
Insurance Taxes & Fees	\$330	\$325	\$5
Corporate Franchise Tax & Fees	\$205	\$201	\$4
Interest on State Funds & Investments	\$25	\$17	\$8
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$592</u>	<u>\$560</u>	<u>\$32</u>
<b>Subtotal</b>	<b>\$31,274</b>	<b>\$31,231</b>	<b>\$43</b>
<b>Transfers</b>			
Lottery	\$682	\$682	\$0
Riverboat transfers and receipts	\$290	\$268	\$22
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund transfer	\$63	\$63	\$0
Interfund Borrowing	\$0	\$0	\$0
<u>Other</u>	<u>\$678</u>	<u>\$723</u>	<u>(\$45)</u>
<b>Total State Sources</b>	<b>\$32,997</b>	<b>\$32,977</b>	<b>\$20</b>
<b>Federal Sources</b>	<b>\$3,676</b>	<b>\$3,676</b>	<b>\$0</b>
<b>Total Federal &amp; State Sources</b>	<b>\$36,673</b>	<b>\$36,653</b>	<b>\$20</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund</b>			
Personal Income Tax [9.5% '14; 10% '15]	(\$1,699)	(\$1,698)	(\$1)
Corporate Income Tax [13.4% '14; 14% '15]	(\$423)	(\$434)	\$11
<b>Fund for Advancement of Education</b>	(\$226)	(\$226)	\$0
<b>Commitment to Human Services Fund</b>	(\$226)	(\$226)	\$0
<b>Subtotal General Funds</b>	<b>\$34,099</b>	<b>\$34,069</b>	<b>\$30</b>
<b>Including FY'15 Fund Sweep of \$1.318b</b>	<b>\$35,417</b>	<b>\$35,387</b>	<b>\$30</b>
NOTE: Totals exclude Budget Stabilization transfers, and other cash flow transfers.			

## CGFA 2016 GENERAL FUNDS FORECAST

<b>CGFA FY 2016 General Funds Forecast</b>			
<b>Based on Current Law</b>			
(\$ millions)	FY 2016	FY 2015	\$
Revenue Source	Mar-15	Mar-15	Change
"Big Three"--Personal, Corporate, and Sales Taxes	\$22,937	\$25,448	(\$2,511)
All Other State Sources	\$3,164	\$3,252	(\$88)
Transfers In	\$1,630	\$1,723	(\$93)
Federal Sources	\$4,408	\$3,676	\$732
Interfund Borrowing	\$0	\$0	\$0
<b>Total</b>	<b>\$32,139</b>	<b>\$34,099</b>	<b>(\$1,960)</b>
<b>Including FY'15 Fund Sweep of \$1.318b</b>	<b>\$32,139</b>	<b>\$35,417</b>	<b>(\$3,278)</b>

As shown, the Commission's FY 2016 estimate of general funds revenue based on current law is \$32.139 billion. The forecast represents a decline of \$1.960 billion from the revised FY 2015 base estimate and reflects the annualized impact of the lower income tax rates per statute along with continued diversion of income tax receipts to the Fund for Advancement of Education and the Commitment to Human Services Fund. Other points of note related to the forecast include:

- "Big Three" – As shown, combined receipts from personal income tax, corporate income tax and sales tax are expected to total \$22.937 billion in FY 2016. The estimate represents a drop of \$2.511 billion from these large economically related revenue sources that makes up approximately 72% of the total general funds estimate. Despite expected continued good performance from sales tax receipts, the annualized effects of the lower income tax rates and accompanying effects of diversions of the aforementioned funds will equate into a significant drop in revenues from these major revenue contributors. (A more detailed discussion can be found on the following page).

- A drop off of \$88 million is anticipated from all other state source revenues. In large part the decline is due to the one-time nature of court settlement proceeds received in FY 2015 but not expected to repeat next year. For the most part, the smaller miscellaneous general revenue lines are relatively flat and offer little in the way of growth.
- Overall transfers are expected to decline \$93 million. While lottery transfers should produce minor gains, riverboat gaming will continue to flag, and one time Refund Fund transfers will probably not recur, nor other miscellaneous transfers be able to generate any growth.
- Federal sources for FY 2016 are extremely difficult to predict, particularly given the Governor's announced spending plan. For now, the Commission will display a figure of \$4.408 billion for FY 2016 which is the same as that being carried by the GOMB under their "Maintenance/Autopilot" budget scenario. Federal sources are governed by appropriation levels, available cash for spending, and what bills are paid by the Comptroller. Add to those considerable variables the additional ambiguity created by the significant programmatic Medicaid changes called for by the Governor, and it brews up a near impossible task of forecasting federal sources.

## ADDITIONAL DISCUSSION OF FY 2016 SOURCE ESTIMATES

- Gross personal income tax receipts are expected to continue to decline as a full year of lower tax rates are experienced. Underlying that falloff, however, is a continued modest growth rate consistent with projected job and wage trends. In addition to the annualizing effects of the lower tax rate, FY 2016 will also result in a full year of diversions into the aforementioned new funds. [That is in comparison to just 5 months of impact in FY 2015 as current law begins the distribution change February 2015]. So, in total, net personal income tax receipts are expected to decline from \$14.841 billion in FY 2015 to \$12.403 billion, a falloff of \$2.438 billion.
- In similar fashion, corporate income taxes will also experience a full year's effect of lower tax rates. As a result, despite the expectation that underlying growth rates will regain some traction after what appears to be a disappointing FY 2015, on a net basis, corporate income tax receipts are expected to fall from \$2.597 billion in FY 2015 to \$2.254 billion in FY 2016.
- Sales tax receipts are expected to moderate from the strong growth being enjoyed in FY 2015, yielding an estimate of \$8.280 billion in FY 2016.
- A drop off of \$81 million is anticipated from the other source category due to the one-time nature of court settlement proceeds received in FY 2015.
- Overall transfers are expected to decline \$93 million. While lottery transfers should gain \$11 million, that modest uptick will be erased by a decline of \$10 million from riverboat gaming, a \$63 million decline due to no planned Refund Fund transfer, and an expected modest decline in all other miscellaneous transfers into the general funds.
- As mentioned earlier, Federal sources for FY 2016 are extremely difficult to predict. For now, the Commission will adopt a similar outlook as displayed by the GOMB under their "Maintenance/Autopilot" budget. While it may prove too aggressive given the revenue constraints that the State would likely find itself under given current law, the uncertainty at this time to accurately project appropriations, available cash, and actual reimbursable spending, makes any other alternative forecasts equally as unsure.

<b>CGFA FY 2016 &amp; REVISED FY 2015 ESTIMATE</b>			
<b>Based on Current Law</b>			
(millions)			
<b>Revenue Sources</b>	<b>FY 2016 Mar-2015</b>	<b>FY 2015 Mar-2015</b>	<b>\$ Difference</b>
<b>State Taxes</b>			
Personal Income Tax	\$14,766	\$16,992	(\$2,226)
Corporate Income Tax (regular)	\$2,700	\$3,020	(\$320)
Sales Taxes	\$8,280	\$8,010	\$270
Public Utility (regular)	\$990	\$1,005	(\$15)
Cigarette Tax	\$355	\$355	\$0
Liquor Gallonage Taxes	\$166	\$165	\$1
Vehicle Use Tax	\$32	\$31	\$1
Inheritance Tax	\$300	\$300	\$0
Insurance Taxes & Fees	\$335	\$330	\$5
Corporate Franchise Tax & Fees	\$206	\$205	\$1
Interest on State Funds & Investments	\$25	\$25	\$0
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<b>Other Sources</b>	<b>\$511</b>	<b>\$592</b>	<b>(\$81)</b>
<b>Subtotal</b>	<b>\$28,910</b>	<b>\$31,274</b>	<b>(\$2,364)</b>
<b>Transfers</b>			
Lottery	\$693	\$682	\$11
Riverboat transfers and receipts	\$280	\$290	(\$10)
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund transfer	\$0	\$63	(\$63)
Interfund Borrowing	\$0	\$0	\$0
<b>Other</b>	<b>\$647</b>	<b>\$678</b>	<b>(\$31)</b>
<b>Total State Sources</b>	<b>\$30,540</b>	<b>\$32,997</b>	<b>(\$2,457)</b>
<b>Federal Sources</b>	<b>\$4,408</b>	<b>\$3,676</b>	<b>\$732</b>
<b>Total Federal &amp; State Sources</b>	<b>\$34,948</b>	<b>\$36,673</b>	<b>(\$1,725)</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund</b>			
Personal Income Tax [ 10% '15 & '16]	(\$1,477)	(\$1,699)	\$222
Corporate Income Tax [14% '15 & 16.5% '16]	(\$446)	(\$423)	(\$23)
<b>Fund for Advancement of Education</b>	(\$443)	(\$226)	(\$217)
<b>Commitment to Human Services Fund</b>	(\$443)	(\$226)	(\$217)
<b>Subtotal General Funds</b>	<b>\$32,139</b>	<b>\$34,099</b>	<b>(\$1,960)</b>
<b>Including FY'15 Fund Sweeps of \$1.318b</b>	<b>\$32,139</b>	<b>\$35,417</b>	<b>(\$3,278)</b>

NOTE: Totals exclude Budget Stabilization transfers, and other cash flow transfers.



## COMPARISON OF FY 2016 REVENUE ESTIMATE - CGFA & GOMB

<b>FY 2016 General Funds Forecast</b>			
<b>CGFA vs. GOMB [Current Law/Maintenance/Autopilot]</b>			
(\$ millions)	FY 2016	GOMB	CGFA vs
Revenue Source	Mar-15	Feb-15	GOMB Feb-15
"Big Three"--Personal, Corporate, and Sales Taxes	\$22,937	\$22,839	\$98
All Other State Sources	\$3,164	\$3,131	\$33
Transfers In	\$1,630	\$1,671	(\$41)
Federal Sources	\$4,408	\$4,408	\$0
Interfund Borrowing	\$0	\$0	\$0
<b>Total</b>	<b>\$32,139</b>	<b>\$32,049</b>	<b>\$90</b>

<b>With Governor's Proposed Changes to FY 2016 Revenues</b>			
Distribution Change of Public Utility Tax	\$175	\$175	\$0
Impact on Federal Sources [reduced spending]	(\$1,107)	(\$1,107)	\$0
Fund for Advancement of Education	\$443	\$442	\$1
Commitment to Human Services Fund	\$443	\$442	\$1
<b>Total Adjustments</b>	<b>(\$46)</b>	<b>(\$49)</b>	<b>\$3</b>
<b>Subtotal General Funds w/adjustments</b>	<b>\$32,093</b>	<b>\$32,000</b>	<b>\$93</b>

The accompanying tables compare the FY 2016 revenue outlooks between the Commission and the GOMB. As shown, the overall differences are quite minimal, only accounting for a difference of \$90 million based on "current law/maintenance/autopilot" assumptions.

Overall, the Commission is just slightly higher in the estimates of the "Big Three" due to slightly higher estimates of personal income and sales taxes that offset a more conservative view of next fiscal year's corporate income tax receipts.

All other State sources, as well as transfers in, show very minor differences. The estimates of federal sources reflect the GOMB view of federal sources based on the current Medicaid program and its liability demands. Obviously, appropriations levels, available cash, and bill payment priorities would ultimately dictate the federal source figure.

Also included in the tables are scenarios that include revenue changes proposed in the Governor's FY 2016 budget. Namely, a change in the distribution of public utility taxes valued at \$175 million, the inclusion of the income tax revenue being diverted under current law to the Fund for Advancement of Education and the Commitment to Human Services Fund—valued at approximately \$885 million.

Finally, the Governor's proposed budget assumed significant changes to the Medicaid program that would have the effect of reducing reimbursable spending and subsequently federal source receipts. While the value is shown as a difference of \$1.107 billion from the "maintenance/autopilot" version, as previously discussed, federal sources are dependent on appropriation levels, available cash, and bill payment priorities.

<b>FY 2016 GENERAL FUNDS REVENUE</b>			
<b>CGFA vs. GOMB BUDGET BOOK</b>			
<b>"Maintenance Based"</b>			
	(millions)		
	FY 2016	FY 2016	
Revenue Sources	CGFA	GOMB	\$
	Feb-2015	Feb-2015	Difference
<b>State Taxes</b>			
Personal Income Tax	\$14,766	\$14,644	\$122
Corporate Income Tax (regular)	\$2,700	\$2,800	(\$100)
Sales Taxes	\$8,280	\$8,204	\$76
Public Utility (regular)	\$990	\$1,008	(\$18)
Cigarette Tax	\$355	\$355	\$0
Liquor Gallonage Taxes	\$166	\$168	(\$2)
Vehicle Use Tax	\$32	\$29	\$3
Inheritance Tax	\$300	\$275	\$25
Insurance Taxes & Fees	\$335	\$340	(\$5)
Corporate Franchise Tax & Fees	\$206	\$201	\$5
Interest on State Funds & Investments	\$25	\$17	\$8
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$511	\$494	\$17
<b>Subtotal</b>	<b>\$28,910</b>	<b>\$28,779</b>	<b>\$131</b>
<b>Transfers</b>			
Lottery	\$693	\$696	(\$3)
Riverboat transfers and receipts	\$280	\$273	\$7
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund transfer	\$0	\$0	\$0
Interfund Borrowing	\$0	\$0	\$0
Other	\$647	\$692	(\$45)
<b>Total State Sources</b>	<b>\$30,540</b>	<b>\$30,450</b>	<b>\$90</b>
<b>Federal Sources</b>	<b>\$4,408</b>	<b>\$4,408</b>	<b>\$0</b>
<b>Total Federal &amp; State Sources</b>	<b>\$34,948</b>	<b>\$34,858</b>	<b>\$90</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund</b>			
Personal Income Tax [ 10% '15 & '16]	(\$1,477)	(\$1,464)	(\$13)
Corporate Income Tax [14% '15 & 16.5% '16]	(\$446)	(\$462)	\$16
Fund for Advancement of Education	(\$443)	(\$442)	(\$1)
Commitment to Human Services Fund	(\$443)	(\$442)	(\$1)
<b>Subtotal General Funds</b>	<b>\$32,139</b>	<b>\$32,049</b>	<b>\$90</b>

NOTE: Totals exclude Budget Stabilization transfers, and other cash flow transfers.

<b>Value of Including Governor's Proposed Changes to FY 2016 General Revenues</b>			
Distribution Change of Public Utility Tax	\$175	\$175	\$0
Impact on Federal Sources [reduced spending]	(\$1,107)	(\$1,107)	\$0
Fund for Advancement of Education	\$443	\$442	\$1
Commitment to Human Services Fund	\$443	\$442	\$1
<b>Total Adjustments</b>	<b>(\$46)</b>	<b>(\$49)</b>	<b>\$3</b>
<b>Subtotal General Funds w/adjustments</b>	<b>\$32,093</b>	<b>\$32,000</b>	<b>\$93</b>

**GENERAL FUNDS BUDGET PLAN -- FY 2010 to FY 2016**

**GOMB**

(\$ Millions)

	Actuals June-10 FY 2010	Actuals June-11 FY 2011	Actuals June-12 FY 2012	Actuals June-13 FY 2013	Actuals Feb-15 FY 2014	Enacted July-14 FY 2015	"Auto Pilot" Feb-15 FY 2015	Revised Feb-15 FY 2015	"Auto Pilot" Feb-15 FY 2016	Governor's Introduced Feb-15 FY 2016
Revenues [GOMB]	\$27,366 GOMB	\$30,163 GOMB	\$33,620 GOMB	\$36,363 GOMB	\$36,758 GOMB	\$35,763 GOMB	\$34,069 GOMB	\$34,069 GOMB	\$32,049 GOMB	\$32,000 GOMB
Appropriations*	\$26,354	\$25,845	\$25,447	\$25,741	\$26,158	\$25,446	\$25,446	\$25,446	\$27,028	\$23,970
Supplemental							\$556	\$556	\$0	\$0
less unspent approp	(\$896)	(\$350)	(\$374)	(\$556)	(\$667)	(\$334)	(\$950)	(\$950)	(\$251)	(\$653)
Net Approp Spending	\$25,458	\$25,495	\$25,073	\$25,185	\$25,491	\$25,112	\$25,052	\$25,052	\$26,777	\$23,317
Pension Contributions	\$3,466	\$3,680	\$4,135	\$5,107	\$5,989	\$6,046	\$6,059	\$6,059	\$6,822	\$4,472
Savings from Pension Stabilization		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Statutory Transfers Out										
approx. Legislatively Required Transfers	\$1,067	\$2,399	\$2,473	\$2,840	\$2,963	\$2,377	\$2,385	\$2,385	\$2,482	\$1,569
Pension Obligation Bond Debt Service	\$564	\$1,667	\$1,607	\$1,552	\$1,655	\$1,503	\$1,502	\$1,502	\$1,419	\$1,419
Debt Service transfer for Capital Projects	\$670	\$540	\$453	\$551	\$603	\$717	\$689	\$689	\$710	\$718
Debt Service on FY10 Medicaid Borrowing	\$63	\$189	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Taxpayers Relief Fund		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interfund Borrowing Repayments/BSF	\$0	\$0	\$356	\$132	\$0	\$0	\$0	\$0	\$0	\$0
Total Transfers Out	\$3,304	\$4,795	\$4,889	\$5,075	\$5,221	\$4,597	\$4,576	\$4,576	\$4,611	\$3,706
Total Operating Spending and Transfers Out	\$32,228	\$33,970	\$34,097	\$35,367	\$36,701	\$35,755	\$35,687	\$35,687	\$38,210	\$31,495
<b>Operating Deficit (Surplus)</b>	<b>(\$4,862)</b>	<b>(\$3,807)</b>	<b>(\$477)</b>	<b>\$996</b>	<b>\$57</b>	<b>\$8</b>	<b>(\$1,618)</b>	<b>(\$1,618)</b>	<b>(\$6,161)</b>	<b>\$505</b>
Short-term Borrowing	\$1,250	\$1,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Repay of Short-term Borrowing [w/ interest]	(\$2,276)	(\$1,322)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pension Obligation Bonds	\$3,466	\$3,680	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tobacco Liquidation \$1.2b/Interfund borrow \$1.0b	\$0	\$1,250	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interfund Borrowing (per Emergency Budget Act)		\$496	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Repayment Inter-fund borrowing		(\$10)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Budget Stabilization Fund Repayment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Voucher Payment Notes		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proposed FY'11 GO Restructuring Bond		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal Emergency Budget Actions		\$0	\$0	\$0	\$0	\$0	\$0	\$1,618		
<b>Budget Deficit (Surplus)</b>	<b>(\$2,422)</b>	<b>\$1,587</b>	<b>(\$477)</b>	<b>\$996</b>	<b>\$57</b>	<b>\$8</b>	<b>(\$1,618)</b>	<b>\$0</b>	<b>(\$6,161)</b>	<b>\$505</b>
Budgetary Basis to Begin Year	(\$3,673)	(\$6,095)	(\$4,508)	(\$5,023)	(\$3,989)	(\$4,049)	(\$3,932)	(\$3,932)	(\$5,550)	(\$3,932)
Budget Deficit at End of Year	(\$6,095)	(\$4,508)	(\$4,985)	(\$3,989)	(\$3,932)	(\$4,041)	(\$5,550)	(\$3,932)	(\$11,711)	(\$3,427)

\* Source: GOMB-- FY 2016 Budget Book, Official Statements, and provided information.

\*\* Sum totals may not add due to rounding

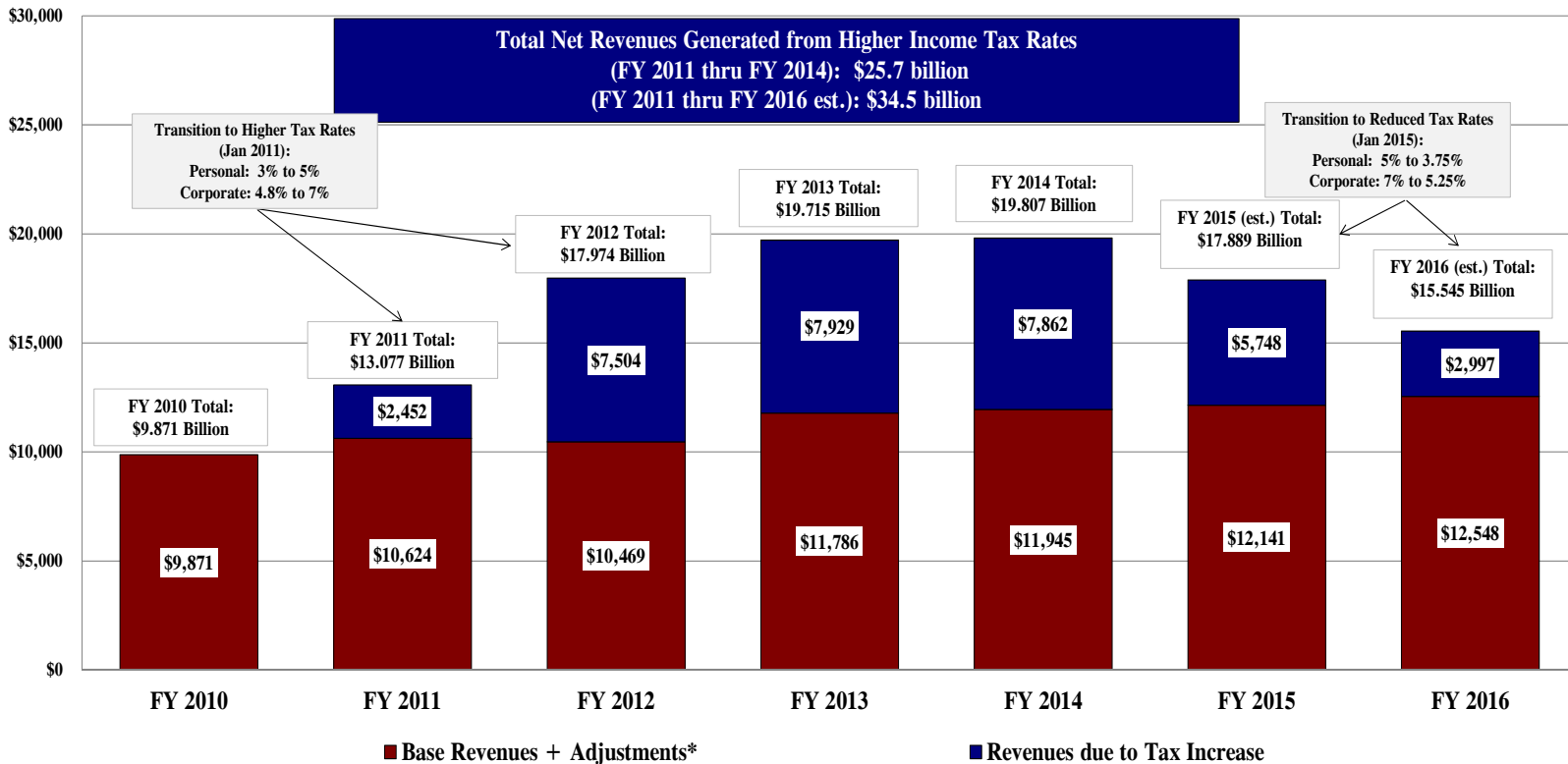


## HIGHLIGHTS OF 96-1496 (INCOME TAX INCREASE)

- Increase Individual Income Tax Rate.** Increases the personal income tax rate from 3% to 5% in tax year 2011; to 3.75% in tax year 2015; and, to 3.25% in tax year 2025.
- Increase Corporate Income Tax Rate.** Increases the corporate income tax rate from 4.8% to 7% in tax year 2011; to 5.25% in tax year 2015; and, to 4.8% in tax year 2025.

**Composition of Income Tax Net Revenues between FY 2010 and FY 2016 (est.)**

\$ in millions

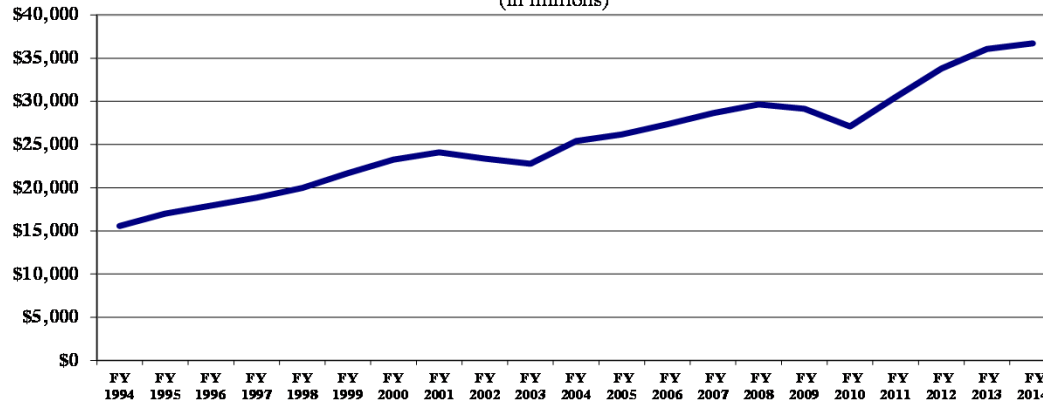


\* The adjustments added/subtracted to the base revenues of include the impacts from bonus depreciation, tax amnesty, refund percentage changes, and the costs of the new tax expenditures implemented by P.A. 97-0636 and P.A. 97-0652.

## GENERAL FUNDS BALANCE INFORMATION

### GENERAL FUNDS REVENUE HISTORY: FY 1994 - FY 2014

Excludes Budget Stabilization and Pension Contribution Fund Transfers, Short-Term Borrowing, and Related Transfers  
(in millions)

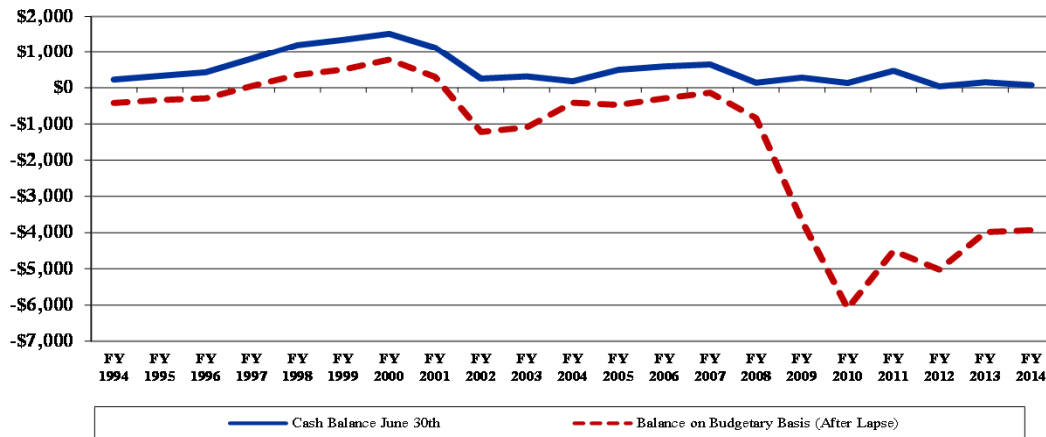


General Funds	Annual \$ Change (in millions)	% Change
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FY 1994	\$15,586	\$836	5.7%
FY 1995	\$17,002	\$1,416	9.1%
FY 1996	\$17,936	\$934	5.5%
FY 1997	\$18,854	\$918	5.1%
FY 1998	\$19,984	\$1,130	6.0%
FY 1999	\$21,674	\$1,690	8.5%
FY 2000	\$23,250	\$1,576	7.3%
FY 2001	\$24,106	\$856	3.7%
FY 2002	\$23,379	-\$727	-3.0%
FY 2003	\$22,786	-\$593	-2.5%
FY 2004	\$25,428	\$2,642	11.6%
FY 2005	\$26,160	\$732	2.9%
FY 2006	\$27,359	\$1,199	4.6%
FY 2007	\$28,640	\$1,281	4.7%
FY 2008	\$29,659	\$1,019	3.6%
FY 2009	\$29,144	-\$515	-1.7%
FY 2010	\$27,090	-\$2,054	-7.0%
FY 2011	\$30,488	\$3,398	12.5%
FY 2012	\$33,797	\$3,309	10.9%
FY 2013	\$36,064	\$5,576	6.7%
FY 2014	\$36,718	\$2,921	1.8%

### GENERAL FUNDS BALANCES - CASH BASIS

FY 1994 - FY 2014  
(in millions)



Cash Balance June 30th	Lapse Spending	Balance on Budgetary Basis (After Lapse)
---------------------------	----------------	--

FY 1994	\$230	\$652	(\$422)
FY 1995	\$331	\$672	(\$341)
FY 1996	\$426	\$718	(\$292)
FY 1997	\$806	\$761	\$45
FY 1998	\$1,202	\$846	\$356
FY 1999	\$1,351	\$848	\$503
FY 2000	\$1,517	\$740	\$777
FY 2001	\$1,126	\$826	\$300
FY 2002	\$256	\$1,476	(\$1,220)
FY 2003	\$317	\$1,411	(\$1,094)
FY 2004	\$182	\$592	(\$410)
FY 2005	\$497	\$971	(\$474)
FY 2006	\$590	\$881	(\$291)
FY 2007	\$642	\$777	(\$135)
FY 2008	\$141	\$975	(\$834)
FY 2009	\$280	\$3,953	(\$3,673)
FY 2010	\$130	\$6,224	(\$6,094)
FY 2011	\$469	\$4,976	(\$4,507)
FY 2012	\$40	\$5,064	(\$5,024)
FY 2013	\$154	\$4,142	(\$3,988)
FY 2014	\$74	\$4,005	(\$3,931)

**DETAILED GENERAL FUNDS REVENUE HISTORY FY 2006 - FY 2014 & FY 2015 - FY 2016 [Estimated]**

(\$ Million)

Revenue Sources	Actual Receipts FY 2006	Actual Receipts FY 2007	Actual Receipts FY 2008	Actual Receipts FY 2009	Actual Receipts FY 2010	Actual Receipts FY 2011	Actual Receipts FY 2012	Actual Receipts FY 2013	Actual Receipts FY 2014	Estimated Mar-15 FY 2015	Estimated Mar-15 FY 2016
<b>State Taxes</b>											
Personal Income Tax	\$9,568	\$10,424	\$11,187	\$10,219	\$9,430	\$12,301	\$17,000	\$18,323	\$18,388	\$16,992	\$14,766
Corporate Income Tax (regular)	1,784	2,121	2,201	2,073	1,649	2,277	2,983	3,679	3,640	3,020	2,700
Sales Taxes	7,092	7,136	7,215	6,773	6,308	6,833	7,226	7,355	7,676	8,010	8,280
Public Utility Taxes (regular)	1,074	1,131	1,157	1,168	1,089	1,147	995	1,033	1,013	1,005	990
Cigarette Tax	400	350	350	350	355	355	354	353	353	355	355
Liquor Gallonage Taxes	152	156	158	158	159	157	164	165	165	165	166
Vehicle Use Tax	34	33	32	27	30	30	29	27	29	31	32
Inheritance Tax	272	264	373	288	243	122	235	293	276	300	300
Insurance Taxes and Fees	317	310	298	334	322	317	345	334	333	330	335
Corporate Franchise Tax & Fees	181	193	225	201	208	207	192	205	203	205	206
Interest on State Funds & Investments	153	204	212	81	26	28	21	20	20	25	25
Cook County Intergovernmental Transfer	350	307	302	253	244	244	244	244	244	244	244
Other Sources	441	449	442	418	431	404	399	462	585	592	511
<b>Subtotal</b>	<b>\$21,818</b>	<b>\$23,078</b>	<b>\$24,152</b>	<b>\$22,343</b>	<b>\$20,494</b>	<b>\$24,422</b>	<b>\$30,187</b>	<b>\$32,493</b>	<b>\$32,925</b>	<b>\$31,274</b>	<b>\$28,910</b>
<b>Transfers</b>											
Lottery	670	622	657	625	625	632	640	656	668	682	693
Gaming Fund Transfer [and related]	689	685	564	430	431	324	413	360	331	300	290
Other [Incl. \$1.318b FY'15 Fund Sweep]	746	939	679	538	828	1,226	885	688	1,113	2,059	647
<b>Total State Sources</b>	<b>\$23,923</b>	<b>\$25,324</b>	<b>\$26,052</b>	<b>\$23,936</b>	<b>\$22,378</b>	<b>\$26,604</b>	<b>\$32,125</b>	<b>\$34,197</b>	<b>\$35,037</b>	<b>\$34,315</b>	<b>\$30,540</b>
<b>Federal Sources</b>	<b>\$4,725</b>	<b>\$4,703</b>	<b>\$4,815</b>	<b>\$6,567</b>	<b>\$5,920</b>	<b>\$5,386</b>	<b>\$3,682</b>	<b>\$4,154</b>	<b>\$3,903</b>	<b>\$3,676</b>	<b>\$4,408</b>
<b>Total Federal &amp; State Sources</b>	<b>\$28,648</b>	<b>\$30,027</b>	<b>\$30,867</b>	<b>\$30,503</b>	<b>\$28,298</b>	<b>\$31,990</b>	<b>\$35,807</b>	<b>\$38,351</b>	<b>\$38,940</b>	<b>\$37,991</b>	<b>\$34,948</b>
<b>Nongeneral Funds Distribution:</b>											
<b>Refund Fund</b>											
Personal Income Tax	(\$933)	(\$1,016)	(\$867)	(\$996)	(\$919)	(\$1,076)	(\$1,488)	(\$1,785)	(\$1,746)	(\$1,699)	(\$1,477)
Corporate Income Tax	(356)	(371)	(341)	(363)	(289)	(426)	(522)	(502)	(476)	(423)	(446)
Fund for Advancement of Education	0	0	0	0	0	0	0	0	0	(226)	(443)
Commitment to Human Services Fund	0	0	0	0	0	0	0	0	0	(226)	(443)
<b>Subtotal General Funds</b>	<b>\$27,359</b>	<b>\$28,640</b>	<b>\$29,659</b>	<b>\$29,144</b>	<b>\$27,090</b>	<b>\$30,488</b>	<b>\$33,797</b>	<b>\$36,064</b>	<b>\$36,718</b>	<b>\$35,417</b>	<b>\$32,139</b>
Change from Prior Year	\$1,199	\$1,281	\$1,019	(\$515)	(\$2,054)	\$1,344	\$3,309	\$2,267	\$654	(\$1,301)	(\$3,278)
Percent Change	4.6%	4.7%	3.6%	-1.7%	-7.0%	4.6%	10.9%	6.7%	1.8%	-3.5%	-9.3%
<b>Short-Term Borrowing</b>	<b>\$1,000</b>	<b>\$900</b>	<b>\$2,400</b>	<b>\$2,400</b>	<b>\$1,250</b>	<b>\$1,300</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
FY'13/14 Backlog Payment Fund Transfer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$264	\$50	\$0	\$0
Tobacco Liquidation Proceeds	\$0	\$0	\$0	\$0	\$0	\$1,250	\$0	\$0	\$0	\$0	\$0
HPF and HHSMTF Transfers	\$0	\$456	\$1,503	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Budget Stabilization Fund Transfer	\$276	\$276	\$276	\$576	\$1,146	\$535	\$275	\$275	\$275	\$275	\$275
Pension Contribution Fund Transfer	\$0	\$0	\$0	\$0	\$843	\$224	\$0	\$0	\$0	\$0	\$0
<b>Total General Funds</b>	<b>\$28,635</b>	<b>\$30,272</b>	<b>\$33,838</b>	<b>\$32,120</b>	<b>\$30,329</b>	<b>\$33,797</b>	<b>\$34,072</b>	<b>\$36,603</b>	<b>\$37,043</b>	<b>\$35,692</b>	<b>\$32,414</b>
Change from Prior Year	\$452	\$1,637	\$3,566	(\$1,718)	(\$1,791)	\$1,677	\$275	\$2,531	\$440	(\$1,351)	(\$3,278)
Percent Change	1.6%	5.7%	11.8%	-5.1%	-5.6%	5.2%	0.8%	7.4%	1.2%	-3.6%	-9.2%

SOURCE: CGFA

**ALL APPROPRIATED FUNDS REVENUE FY 2006 to FY 2016**

(\$ millions)

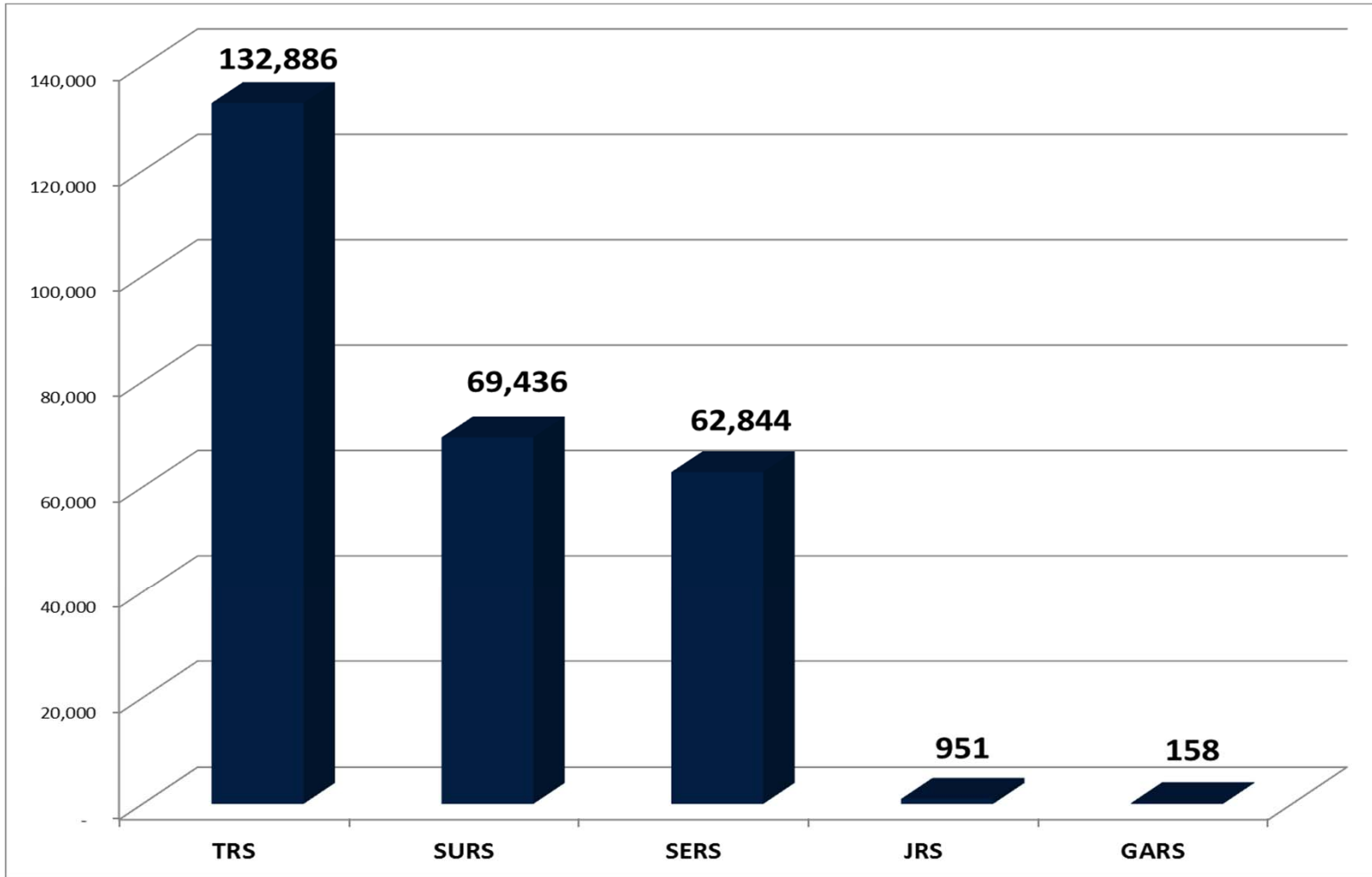
<u>REVENUE SOURCES</u>	ACTUAL RECEIPTS FY 2006	ACTUAL RECEIPTS FY 2007	ACTUAL RECEIPTS FY 2008	ACTUAL RECEIPTS FY 2009	ACTUAL RECEIPTS FY 2010	ACTUAL RECEIPTS FY 2011	ACTUAL RECEIPTS FY 2012	ACTUAL RECEIPTS FY 2013	ACTUAL RECEIPTS FY 2014	Mar-15 Estimate FY 2015	Mar-15 Estimate FY 2016
<b>State Sources</b>											
CASH RECEIPTS:											
Personal Income Tax (gross)	\$9,568	\$10,425	\$11,187	\$10,219	\$9,430	\$12,302	\$17,000	\$18,324	\$18,388	\$16,992	\$14,766
Corporate Income Tax (gross)	\$1,784	\$2,120	\$2,201	\$2,073	\$1,649	\$2,285	\$2,983	\$3,679	\$3,640	\$3,020	\$2,700
Sales Taxes	\$8,425	\$8,603	\$8,733	\$8,216	\$7,752	\$8,400	\$8,851	\$9,054	\$9,451	\$9,863	\$10,195
Short-Term Borrowing	\$1,000	\$900	\$2,400	\$2,400	\$1,500	\$1,300	\$0	\$0	\$0	\$0	\$0
Fund Transfers	\$1,590	\$1,649	\$1,619	\$1,725	\$1,576	\$1,396	\$2,366	\$2,689	\$2,322	\$2,589	\$2,051
State Employees Retirement System	n/a	\$1,262	\$1,358	\$1,316	\$1,258	\$1,566	\$1,764	\$1,875	\$2,136	\$2,070	\$2,111
Corporate Personal Property Replacement Taxes	\$1,442	\$1,651	\$1,693	\$1,487	\$1,192	\$1,537	\$1,460	\$1,690	\$1,657	\$1,585	\$1,622
Health Care Provider Assessment Fees & Taxes	\$890	\$1,529	\$2,189	\$1,724	\$1,575	\$1,635	\$1,677	\$1,656	\$2,413	\$1,942	\$1,955
Public Utility Taxes	\$1,595	\$1,666	\$1,713	\$1,741	\$1,666	\$1,691	\$1,584	\$1,564	\$1,498	\$1,471	\$1,456
Motor Vehicle & Operators Licenses	\$1,296	\$1,288	\$1,302	\$1,302	\$1,370	\$1,494	\$1,498	\$1,462	\$1,511	\$1,555	\$1,585
Lottery Tickets & Licenses	\$984	\$960	\$997	\$991	\$1,074	\$1,104	\$1,502	\$1,388	\$1,341	\$1,400	\$1,193
Motor Fuel Tax (gross)	\$1,477	\$1,484	\$1,369	\$1,499	\$1,371	\$1,347	\$1,324	\$1,292	\$1,326	\$1,326	\$1,319
Cigarette Taxes	\$640	\$639	\$614	\$582	\$582	\$588	\$606	\$856	\$860	\$843	\$822
Riverboat Gambling Taxes & Fees	\$817	\$813	\$688	\$553	\$532	\$458	\$611	\$579	\$533	\$515	\$507
Revolving Funds	\$495	\$515	\$563	\$505	\$526	\$565	\$617	\$544	\$595	\$540	\$547
Insurance Tax & Fees	\$393	\$393	\$384	\$422	\$411	\$414	\$447	\$442	\$443	\$442	\$449
Inheritance Tax (gross)	\$272	\$264	\$373	\$288	\$243	\$122	\$235	\$309	\$294	\$318	\$318
Liquor Gallonage Taxes	\$152	\$162	\$164	\$164	\$188	\$182	\$279	\$280	\$280	\$281	\$282
Optional Health Insurance Deductions	\$196	\$212	\$224	\$229	\$263	\$268	\$266	\$269	\$404	\$395	\$400
County Intergovernmental Transfers	\$421	\$383	\$345	\$305	\$261	\$244	\$244	\$244	\$244	\$244	\$244
Hotel Tax	\$181	\$199	\$219	\$203	\$173	\$192	\$208	\$221	\$227	\$241	\$250
Corporate Franchise Tax & Fees	\$189	\$201	\$234	\$210	\$216	\$215	\$200	\$213	\$211	\$209	\$208
Tobacco Settlement	\$273	\$285	\$310	\$340	\$284	\$290	\$133	\$133	\$163	\$120	\$117
Investment Income	\$261	\$358	\$357	\$156	\$46	\$49	\$43	\$37	\$52	\$56	\$60
Other Taxes, Licenses, Fees & Earnings	\$4,601	\$2,968	\$3,197	\$2,855	\$3,207	\$3,545	\$3,586	\$4,182	\$4,132	\$4,514	\$4,679
<b>Total, State Source Cash Receipts</b>	<b>\$38,942</b>	<b>\$40,929</b>	<b>\$44,433</b>	<b>\$41,505</b>	<b>\$38,345</b>	<b>\$43,189</b>	<b>\$49,484</b>	<b>\$52,982</b>	<b>\$54,121</b>	<b>\$52,531</b>	<b>\$49,836</b>
Transfers in from Other State Funds:	\$250	\$442	\$329	\$314	\$223	\$454	\$361	\$316	\$315	\$315	\$315
<b>TOTAL, STATE SOURCES</b>	<b>\$39,192</b>	<b>\$41,371</b>	<b>\$44,762</b>	<b>\$41,819</b>	<b>\$38,568</b>	<b>\$43,643</b>	<b>\$49,845</b>	<b>\$53,298</b>	<b>\$54,436</b>	<b>\$52,846</b>	<b>\$50,151</b>
Federal Sources	\$12,366	\$13,112	\$13,702	\$16,383	\$18,284	\$18,149	\$14,669	\$16,252	\$17,095	\$18,487	\$18,134
Sale of Bonds	\$1,484	\$611	\$181	\$151	\$8,551	\$6,125	\$4,099	\$1,872	\$4,244	\$250	\$1,250
<b>TOTAL, REVENUES - APPROPRIATED FUNDS</b>	<b>\$53,042</b>	<b>\$55,094</b>	<b>\$58,645</b>	<b>\$58,353</b>	<b>\$65,403</b>	<b>\$67,917</b>	<b>\$68,613</b>	<b>\$71,422</b>	<b>\$75,775</b>	<b>\$71,583</b>	<b>\$69,535</b>
Short Term Borrowing	\$1,000	\$900	\$2,400	\$2,400	\$1,500	\$1,300	\$0	\$0	\$0	\$0	\$0
<b>TOTAL BASE REVENUE - ALL APPROPRIATED</b>	<b>\$52,042</b>	<b>\$54,194</b>	<b>\$56,245</b>	<b>\$55,953</b>	<b>\$63,903</b>	<b>\$66,617</b>	<b>\$68,613</b>	<b>\$71,422</b>	<b>\$75,775</b>	<b>\$71,583</b>	<b>\$69,535</b>

## FIVE STATE RETIREMENT SYSTEMS

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- Teachers Retirement System (TRS)
- State Employees Retirement System (SERS)
- State Universities Retirement System (SURS)
- Judges Retirement System (JRS)
- General Assembly Retirement System (GARS)

## ACTIVE MEMBER HEADCOUNT BY SYSTEM



## FINANCIAL CONDITION OF THE STATE RETIREMENT SYSTEMS

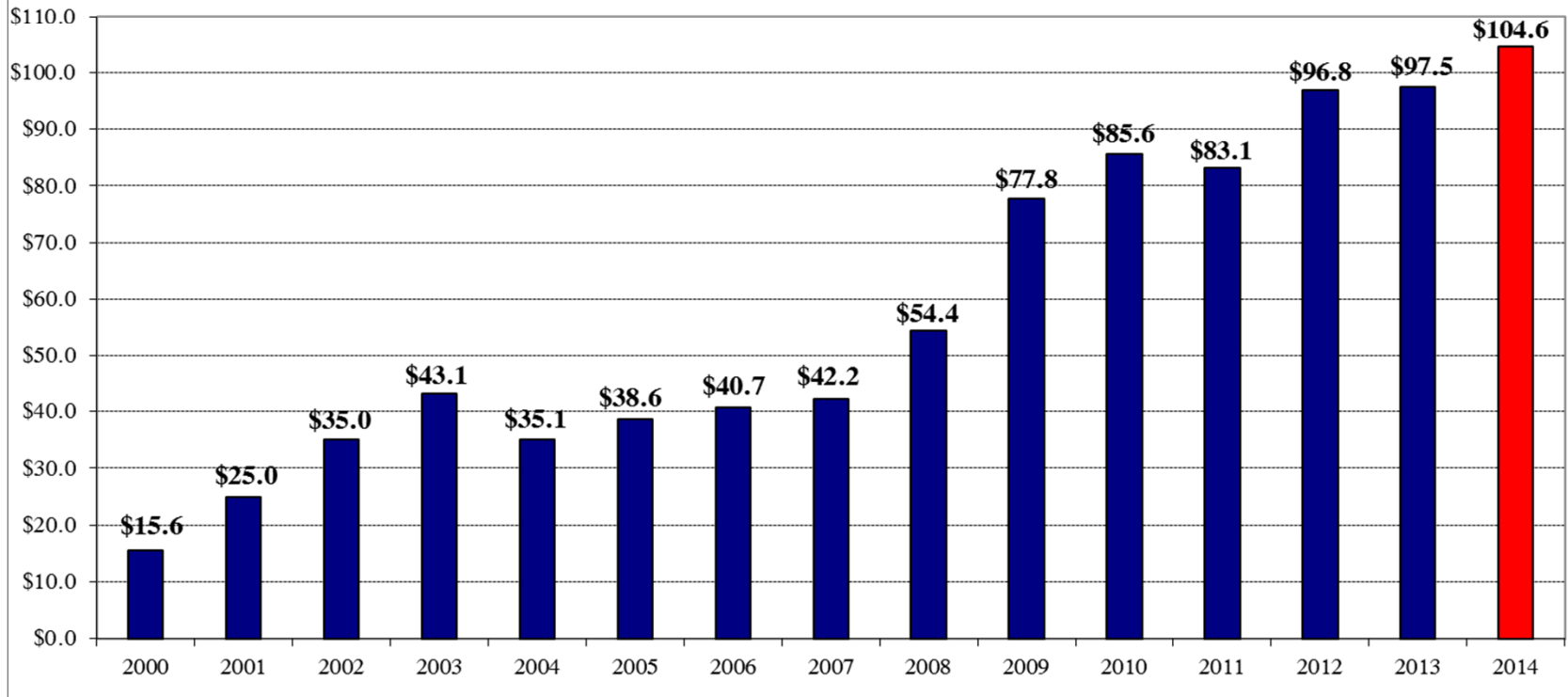
June 30, 2014

<b>Summary of Financial Condition FY 2014</b>				
<b>State Retirement Systems Combined</b>				
<b>Assets at Market Value / Without Asset Smoothing</b>				
<b>(\$ in Millions)</b>				
System	<u>Accrued Liability</u>	<u>Net Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>
TRS	\$103,740.4	\$45,824.4	\$57,916.0	44.2%
SERS	\$39,526.8	\$14,581.6	\$24,945.3	36.9%
SURS	\$37,429.5	\$17,391.3	\$20,038.2	46.5%
JRS	\$2,229.3	\$776.0	\$1,453.3	34.8%
GARS	\$323.4	\$56.8	\$266.6	17.6%
<b>TOTAL</b>	<b>\$183,249.4</b>	<b>\$78,630.1</b>	<b>\$104,619.3</b>	<b>42.9%</b>

## STATE RETIREMENT SYSTEMS UNFUNDED LIABILITY HISTORY

### STATE RETIREMENT SYSTEMS COMBINED UNFUNDED LIABILITY HISTORY FY 2000 - FY 2014 (\$ in Billions)

All figures based upon asset market values.





## FY 2015 – FY 2016 PENSION PAYMENT INCREASE

### FY 2016 Estimated Pension Appropriation by Fund

(\$ in Millions)

<u>System</u>	<u>GRF</u>	<u>Other State Funds</u>	<u>Total*</u>
TRS	3,742.7	\$0.0	\$3,742.7
SURS	1,404.5	\$197.0	\$1,601.5
SERS	1,329.2	\$795.7	\$2,124.9
GARS	16.1	\$0.0	\$16.1
JRS	132.1	\$0.0	\$132.1
<b>Total</b>	<b>\$6,624.6</b>	<b>\$992.7</b>	<b>\$7,617.3</b>

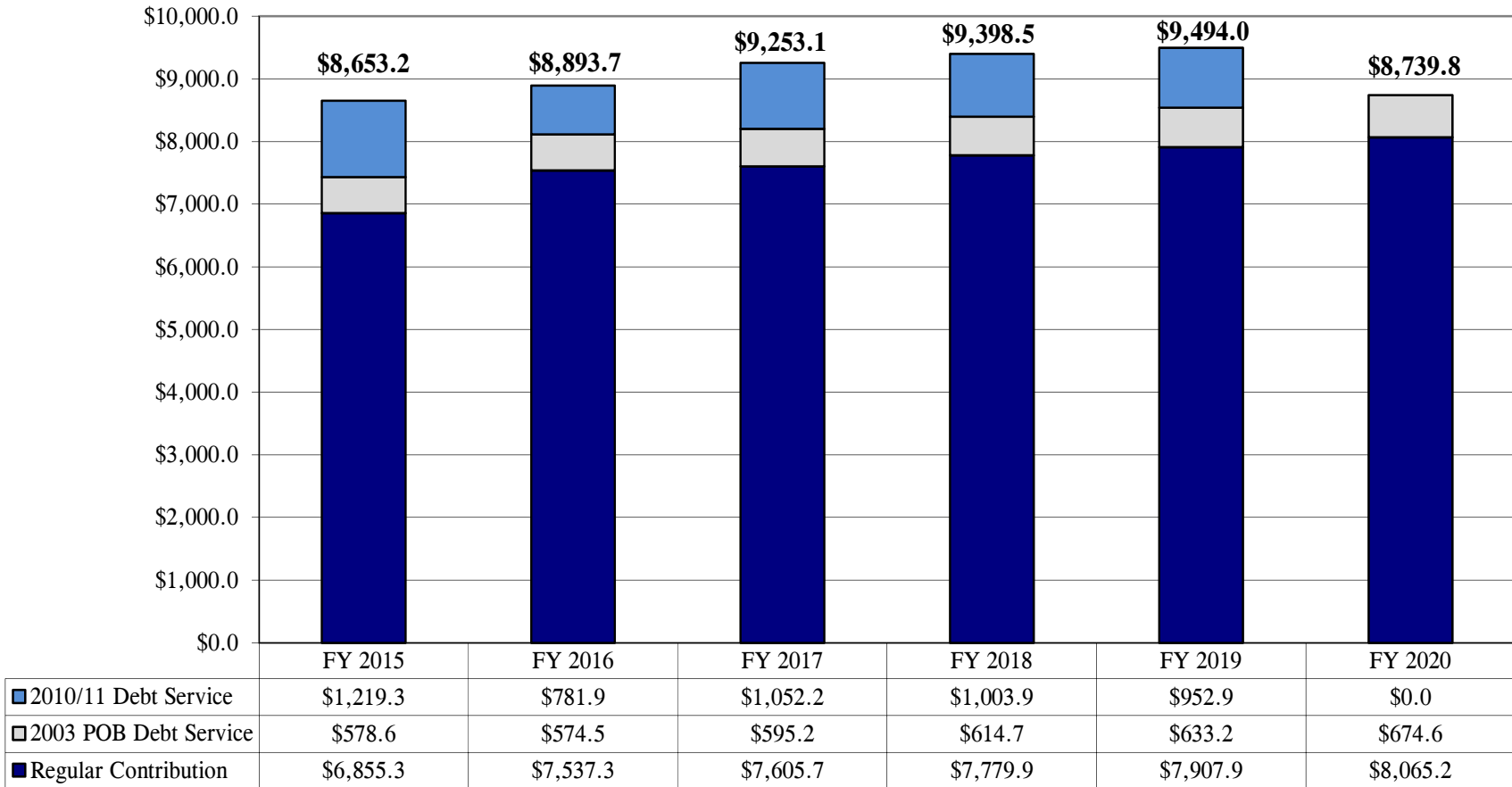
\* The amounts shown above in the "Total" column reflect the State systems' final FY 2016 certification pursuant to P.A. 97-0694, the State Actuary Law. This chart is meant to be an estimate only insofar as the FY 2016 appropriation by fund is concerned. The SERS "Other State Funds" amount is based upon an assumption that 65% of SERS' FY 2016 appropriation will come from GRF, while 35% will come from Other State Funds. The SURS "Other State Funds" amount assumes that SURS will receive an FY 2016 appropriation from the State Pension Fund in the same amount that was appropriated in FY 2015 pursuant to P.A. 98-0680, the FY 2015 State Pension Appropriation Act. SURS' historical appropriation from the State Pension Fund varies from year to year.

**Total Increase, FY 16 over FY 15: \$681.3 Million**

**(Total GRF Increase, FY 16 over FY 15: \$578.2 Million)**

**STATE RETIREMENT SYSTEMS  
 Projected Total State Pension Cost  
 Based on Public Act 88-0593  
 FY 2015 - FY 2020**

(\$ in Millions)



**FY 2016**

**Liabilities of the State**  
**Employees' Group Health**  
**Insurance Program**

## GRF APPROPRIATION/REVENUE AND LIABILITY HISTORY

FY 2011-2016  
(\$ in Millions)

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Revenues</u>	<u>CMS Liability</u>	<u>CGFA Liability</u>
FY 2011	\$1,204.8	\$2,013.2	\$2,343.8	
FY 2012	\$1,619.8	\$2,567.8	\$2,434.1	
FY 2013	\$1,103.0	\$2,088.5	\$2,620.6	
FY 2014	\$1,697.0	\$2,791.3	\$2,624.3	
FY 2015	\$1,665.4	\$2,637.2	\$2,648.7	
FY 2016	\$1,195.5	\$2,035.6	\$2,777.5	\$2,803.4

\*Estimated for FY 2016

## GROUP INSURANCE FUNDING SOURCES

FY 2015 - FY 2016

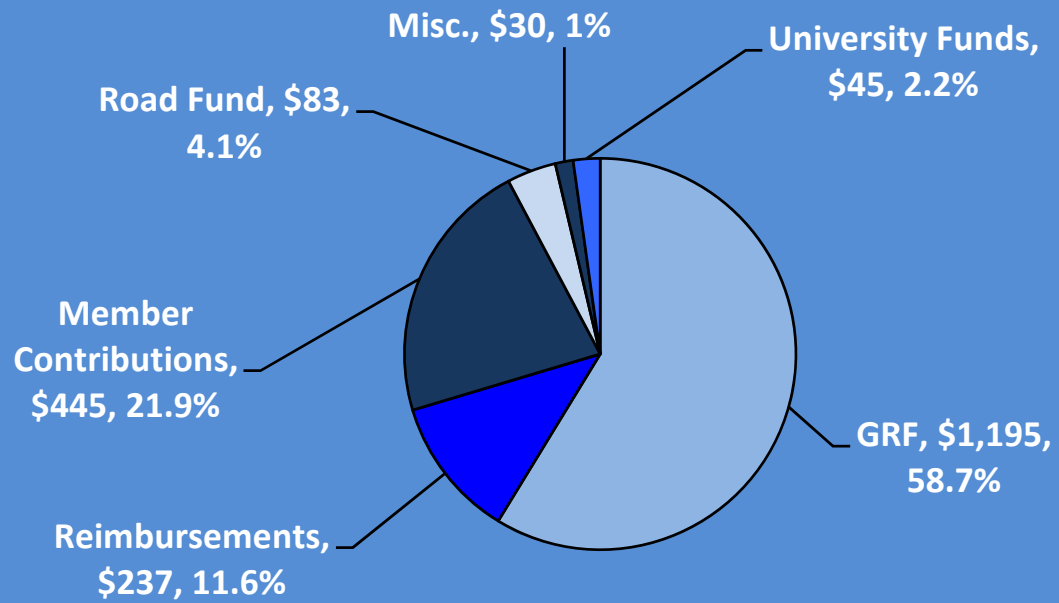
(\$ in Millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
GRF Appropriation	\$1,665.4	\$1,195.5	(\$469.9)	-28.2%
Road Fund	\$123.4	\$83.3	(\$40.1)	-32.5%
University Cont.	\$45.0	\$45.0	\$0.0	0.0%
Member Cont.	\$447.0	\$444.5	(\$2.5)	-0.6%
Other Funds	\$326.4	\$237.3	(\$89.1)	-27.3%
Medicare Part D rebate	\$5.0	\$5.0	\$0.0	0.0%
Rebates/Interest/Other.	\$25.1	\$25.1	\$0.0	0.0%
<b>TOTAL Appropriations</b>	<b>\$2,637.3</b>	<b>\$2,035.7</b>	<b>-\$601.6</b>	<b>-22.8%</b>

**SOURCE: CMS. The FY 2015 GRF figure includes \$100 million received in the lapse period.**

## FY 2016 SEGIP Funding Sources

Total: \$2.0 billion



## STATE EMPLOYEES' GROUP HEALTH INSURANCE LIABILITY (FY 2007-FY 2016)

\$ in (millions)

Liability Component	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
QCHP Medical/Rx	\$695	\$689	\$726	\$731	\$730	\$748	\$722	\$623	\$499	\$527
HMO Medical	\$711	\$781	\$844	\$911	\$1,007	\$853	\$894	\$971	\$1,074	\$1,151
Dental	\$96	\$102	\$110	\$115	\$129	\$133	\$118	\$119	\$123	\$128
Open Access Plan	\$154	\$178	\$213	\$252	\$286	\$528	\$582	\$615	\$662	\$724
QC Mental Health	\$9	\$9	\$8	\$11	\$8	\$8	\$8	\$7	\$6	\$7
Vision	\$8	\$8	\$8	\$8	\$10	\$11	\$12	\$11	\$11	\$8
Life Insurance	\$76	\$78	\$81	\$84	\$82	\$81	\$81	\$85	\$87	\$89
QC ASC	\$28	\$30	\$31	\$32	\$32	\$32	\$31	\$25	\$18	\$18
Admin/Int/Other	\$13	\$17	\$18	\$45	\$62	\$63	\$105	\$174	\$120	\$125
<b>Total</b>	<b>\$1,790</b>	<b>\$1,892</b>	<b>\$2,039</b>	<b>\$2,189</b>	<b>\$2,345</b>	<b>\$2,457</b>	<b>\$2,552</b>	<b>\$2,630</b>	<b>\$2,600</b>	<b>\$2,777</b>
% change over py	5.2%	5.7%	7.8%	7.3%	7.1%	4.8%	3.9%	3.0%	-1.1%	6.8%
Rounding causes slight differences in totals.										

## A PRIMER ON INTEREST PAID BY THE STATE OF ILLINOIS TO

### GROUP INSURANCE PROGRAM VENDORS

Two types of Interest Payments are utilized by the State of Illinois in the Group Insurance Program for the payment of vendors. They are listed below.

1. Timely Pay Interest is provided for in the Insurance Code, 215 ILCS 5/368 a. For Group Insurance purposes, timely pay interest is applicable to self- insurance claims (Cigna, OAP' and Medco). Interest accrues at 9% after 30 days.
  
2. Prompt Pay Interest is provided for in the State Prompt Payment Act 30 ILCS 540/.01. The Act provides that 12% interest will accrue after 90 days for invoices that have not been paid from appropriated funds. For Group Insurance purposes, the Act applies to invoices for State plan (or HIRF 907 fund). Invoices include: fully insured claim costs (HMO's), ASC fees and all other applicable invoices.

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Est.
Timely Pay Interest	\$20.50	\$32.90	\$31.20	\$56.50	\$101.90	\$54.50	\$57.70
Prompt Pay Interest	\$12.40	\$16.00	\$18.70	\$35.50	\$58.90	\$42.40	\$45.80
<b>TOTAL</b>	<b>\$32.90</b>	<b>\$48.90</b>	<b>\$49.90</b>	<b>\$92.00</b>	<b>\$160.80</b>	<b>\$96.90</b>	<b>\$103.50</b>

\* All numbers in Millions



## ILLINOIS TAX EXPENDITURES REPORT

The Illinois' Comptroller's Office annually produces an Illinois Tax Expenditure Report. A tax expenditure is defined in the report to be "any exemption, exclusion, deduction, allowance, credit, preferential tax rate, abatement, or other device that reduces the amount of tax revenues that would otherwise accrue to the State". Below is a list of the ten largest tax expenditures impacting General Funds in FY 2013, as reported by the Tax Expenditure Report.

<b>The Ten Largest Tax Expenditures Impacting General Funds in FY 2013</b> (as reported by the Comptroller's Tax Expenditure Report) \$ in millions		
Tax Expenditure	Amount	Applied Against
Retirement and Social Security Deductions *	\$1,962.7	Individual Income Tax
Food, Drugs, and Medical Appliances Rate Reduction	\$1,644.0	Sales Tax
Standard Deduction*	\$1,109.5	Individual Income Tax
Property Tax Credit	\$547.8	Individual Income Tax
Foreign Dividend Subtraction*	\$360.3	Corporate Income Tax
Sales to Exempt Organizations	\$333.0	Sales Tax
Traded-In Property Exemption	\$282.0	Sales Tax
Farm Chemical Exemption	\$267.0	Sales Tax
Manufacturing Machinery Exemption	\$204.0	Sales Tax
Earned Income Tax Credit	\$162.2	Individual Income Tax
<b>Total Impact of Ten Largest Tax Expenditures</b>	<b>\$6,872.5</b>	
* <i>The amounts of these tax expenditures will be shown to be proportionately less in future years under reduced tax rates.</i>		

## CGFA Background & Responsibilities

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- 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.