



Collaborating Efforts in Revenue Forecasting

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FTA Revenue Estimating
Conference, September 19, 2006



Background

- ◆ Governor Rod Blagojevich elected in November 2002. First Democratic Governor in over 30 years.
- ◆ Early retirement option offered by Governor Ryan before leaving office. Tremendous response from state employees.
- ◆ 100 percent turnover in the Budget Office



2004 Budget

- ◆ Revenue estimates developed using primarily trend analysis



2005 Budget

- ◆ DOR's research office given responsibility for forecasting revenue in September 2003.
- ◆ Contractual relationship between Budget Office and Economy.com instituted. Contract was for provision of revenue forecasts for major revenue sources.
- ◆ Economy.com selected because economic forecast reflected internal thinking on future direction of economy.



2005 Budget Cont'd

- ◆ Revenue forecasts provided by Economy.com second week of January. Budget due mid February.
- ◆ Meeting with DOR and GOMB staff along with Governor's Council of Economic Advisors.
- ◆ Global Insight economists presented economic overview. This was followed by Economy.com economists presenting economic and revenue forecasts.



2005 Budget Cont'd

- ◆ CEA and staff asked questions, provided feedback etc
- ◆ Based on feedback, when appropriate, Economy.com refined their models
- ◆ Final product provided by the end of January contained forecasts using low, medium and high growth scenarios.



2006 Budget

- ◆ Economy.com contract transitioned during the year to DOR. This facilitated correspondence and feedback from DOR staff with Economy.com staff.
- ◆ Economy.com provided estimates in early January. Results presented to CEA in mid January.



2006 Budget Cont'd

- ◆ Weekly meetings with CEA.
- ◆ DOR provided recommendations on final estimates, based on their internal forecasts and Economy.com forecasts.
- ◆ Budget submitted mid-February.



2006 Budget Submitted Versus Budget Passed

FY 2006 Comparative Revenue Information (\$ Million)	January-05	February-05	January-06	February-06	Actual FY '06
	Economy FY '06	Budget FY06	Economy FY '06	Budget FY06	
Individual Income Taxes	9,210	8,997	9,344	9,375	9,568
General Sales Taxes	6,839	6,778	7,007	6,950	7,091
Corporate Income Taxes	1,421	1,451	1,592	1,860	1,784
Telecommunications	590	555	573	532	525
Electricity	369	360	378	380	372
Gas	193	181	176	169	155
Total	18,623	18,322	19,068	19,266	19,494



2007 Budget

- ◆ Similar process to previous years. Moody's Economy.com forecasts received in January.
- ◆ Meetings with CEA.
- ◆ DOR takes on increasing responsibility.
- ◆ Based on feedback from CEA, DOR produces estimates based on this feedback, Economy.com forecasts, and internal forecasts.
- ◆ These forecasts remain unchanged in the adopted budget.



Outlook for 2008 Budget Revenue Forecasting

- ◆ DOR has hired three economists, with plans to hire two more.
- ◆ DOR is in the process of developing internal sophisticated forecasting models for sales tax, personal income tax and corporate income tax.
- ◆ Plan is to work with Moody's Economy.com in early January to compare model results.

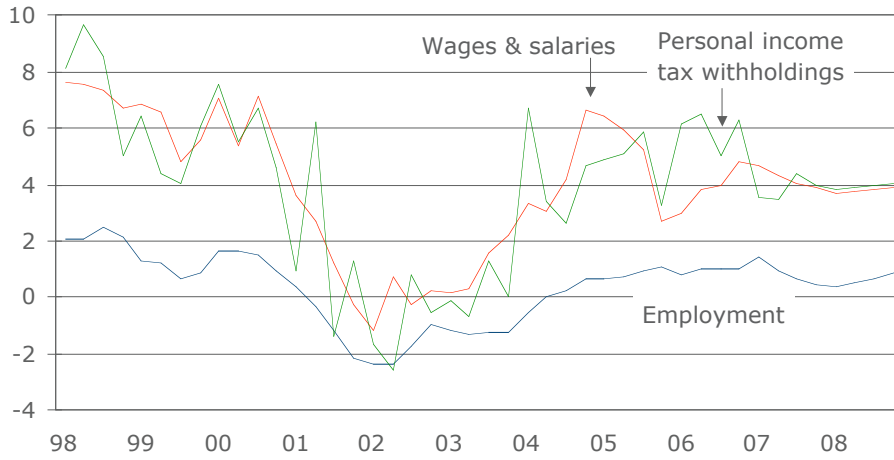


Conclusion

- ◆ Relationship started as one of complete dependence
- ◆ Evolved into more of a partnership
- ◆ Anticipate that the relationship will continue
 - ◆ Prevents us from becoming too bogged down in the details
 - ◆ Ensures that Moody's Economy.com do not forget about the details

Withholdings and Underlying Labor Income

% change year ago

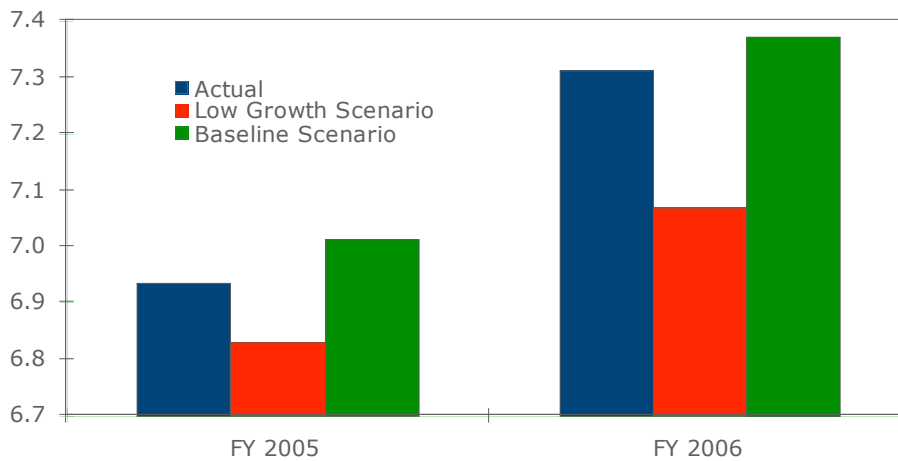


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Personal Income Tax Withholdings

\$ bil, January 2004 Forecast

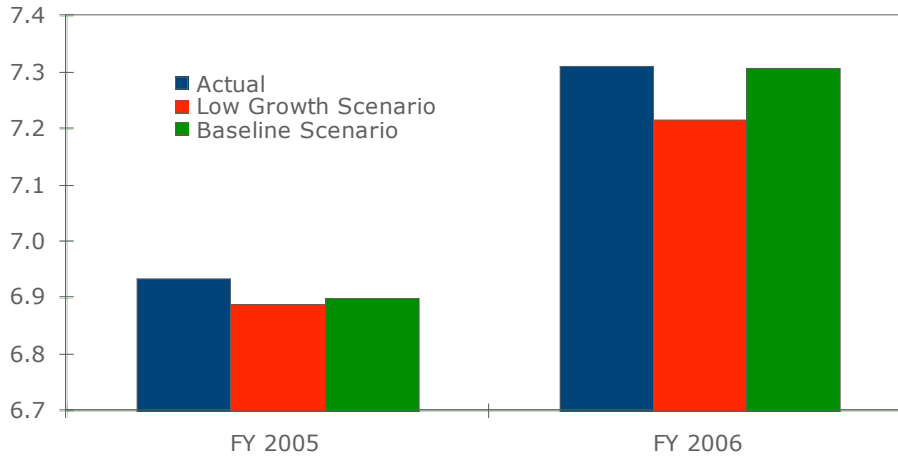


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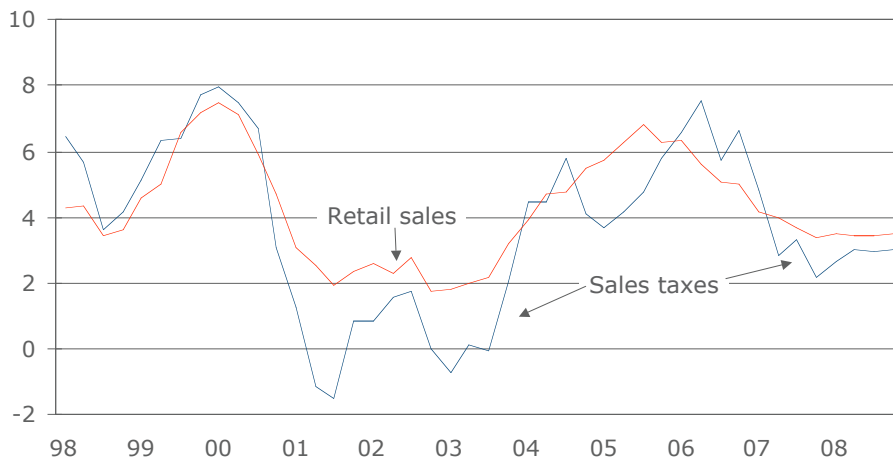
Personal Income Tax Withholdings

\$ bil, January 2005 Forecast



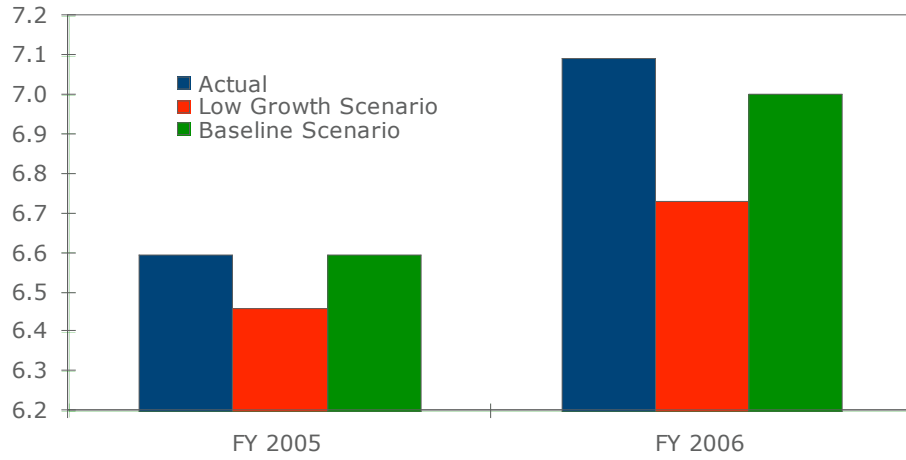
Retail Sales and Tax Revenue

% change year ago, 4 qtr MA



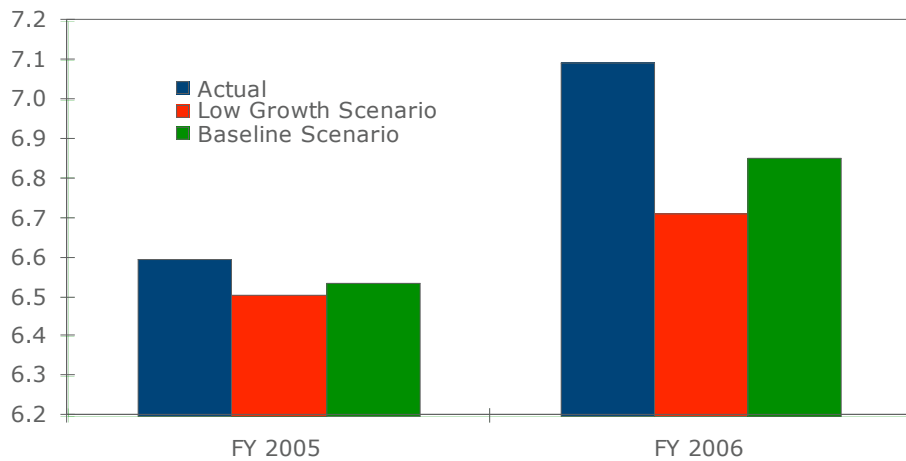
General Sales Taxes

\$ bil, January 2004 Forecast



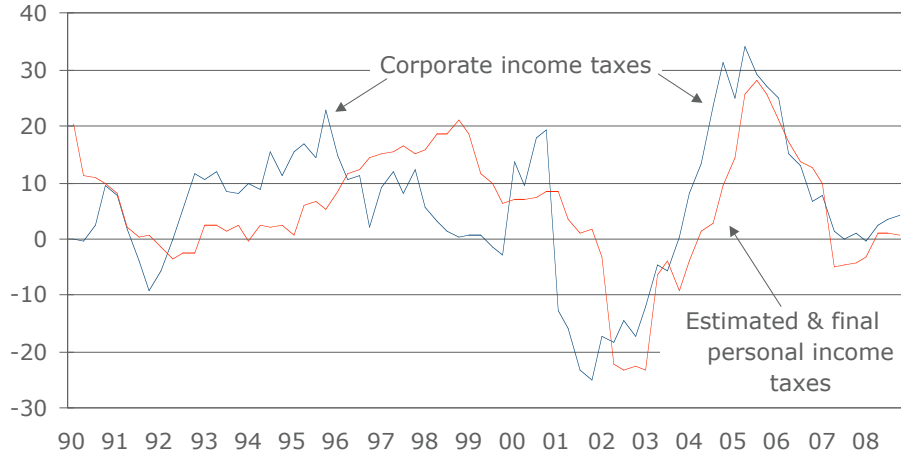
General Sales Taxes

\$ bil, January 2005 Forecast



Corporate and Nonwithheld Income Taxes

% change year ago, 4 qtr sum

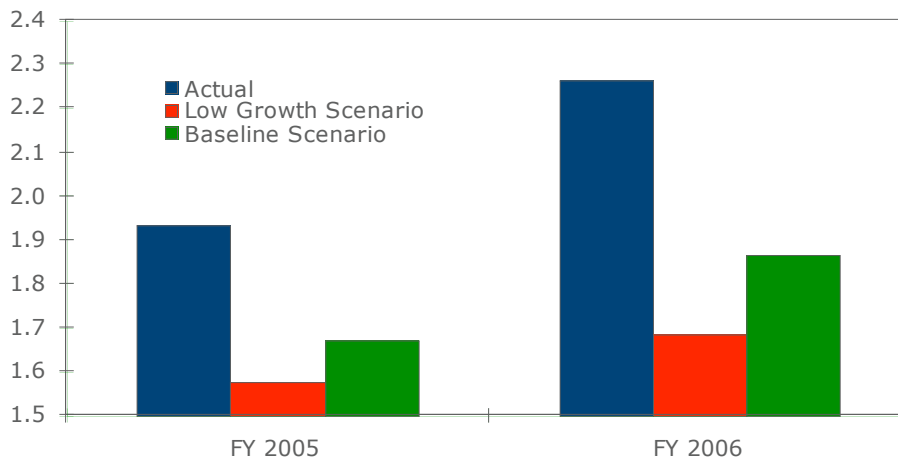


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Nonwithheld Personal Income Taxes

\$ bil, January 2004 Forecast

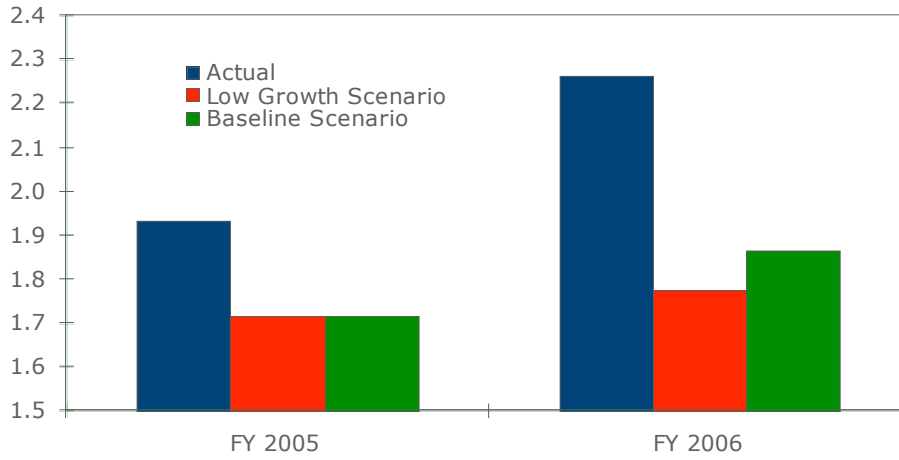


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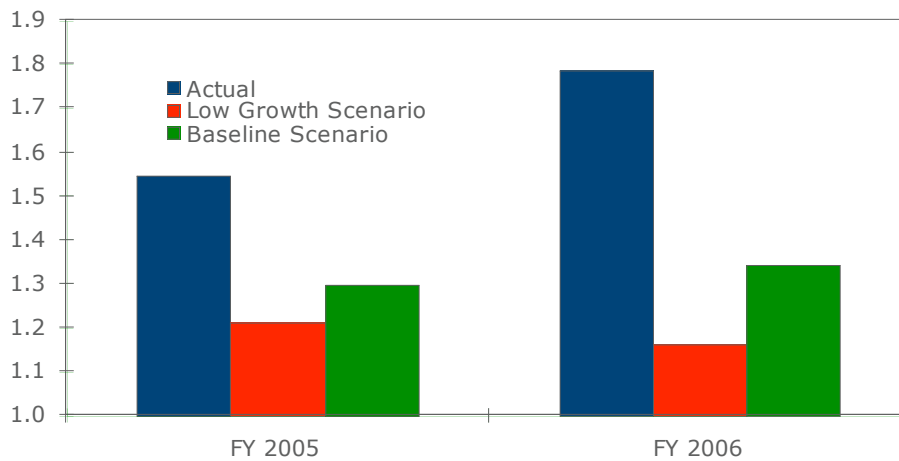
Nonwithheld Personal Income Taxes

\$ bil, January 2005 Forecast



Corporate Income Taxes

\$ bil, January 2004 Forecast



Corporate Income Taxes

\$ bil, January 2005 Forecast

