



Agenda Cover Memorandum

Meeting Date: February 5, 2013 Budget Workshop

Item Title: FY14 Revenue Updates

Action Requested:

- Approval
- For discussion
- Feedback requested
- For your information

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Background:

In the January 29, 2013 Budget Workshop projected revenues were presented. In that meeting I mentioned that the Illinois Municipal League (IML) usually provides guidance later in the spring for the state shared revenues, specifically the income tax (LGDF), the use tax, the motor fuel tax (MFT), and the corporate personal property replacement tax (CPPRT). Note that first three are per capita models, which is why the IML does projections for municipalities. I stated that when the IML provides guidance on these shared revenues, that these projected revenues would be updated.

On January 31, 2013, the Illinois Municipal Leagues' February 2013 Illinois Municipal Review Magazine arrived at the City. The attached article (minus the tables which were available on the IML web site) appeared on page 2 of that issue. We have subsequently updated the FY14 state shared revenues on the FY14 Budget Impact on Fund Balance (i.e. the "budget scorecard") to reflect these figures. We will do so again when the IML gives an updated forecast.

The following changes were made for FY14:

- a. Income Tax (General Fund): Increase by \$250,277 to \$3,575,592.
- b. Use Tax (General Fund): Increase the sales tax number, which contains the use tax, the regular sales tax, and the home rule sale tax, by \$30,000 to \$5,740,412.
- c. Motor Fuel Tax (MFT Fund): Decrease by \$22,488 to \$880,780.
- d. Corporate Personal Property Replacement Tax: Remain unchanged at \$250,000.

Recommendation:

None.

Budget Implications:

Does Action Require an Expenditure of Funds: Yes No

If Yes, Total Cost:

If Yes, is this a Budgeted Item:

Yes No Requires Budget Transfer

If Budgeted, Budget Code (Fund, Dept, Object)

Attachments:

- IML Revised State Shared Municipal Revenue Estimates Article
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January 2013 Revised State Shared Municipal Revenue Estimates

By Larry Frang, Executive Director, IML

Published on Friday January 04, 2013

TAX	MFY 2011 Actual	MFY 2012 Actual	MFY 2013 01/13 Estimate	MFY 2014 01/13 Estimate
Income Tax (LGDF)	\$77.90	\$81.44	\$90.00	\$95.40
State Use Tax	\$13.73	\$14.71	\$15.50	\$16.20
Motor Fuel Tax	\$25.40	\$24.80	\$24.10	\$23.50
Total Per Capita	\$117.03	\$120.95	\$129.60	\$135.10

INCOME TAX (LGDF) ESTIMATE

LGDF is distributed to municipalities and counties on a per person basis with the county share based on the number of persons living in the county's unincorporated area. In Fiscal Year 2012 (May 1, 2011 to April 30, 2012) the per capita distribution was \$81.44. That was \$3.54 or 4.5% higher than the prior year's \$77.90 per person distribution. That 4.5% growth represents the first increase in four years. The highest distribution was in Fiscal Year 2008 when municipalities received \$92.02 per person.

In the first eight months of the May 1 – April 30 year receipts are 12.4% higher than in May through December of last year. My September 2012 Fiscal Year 2013 LGDF distribution estimate was \$88.00 per person. That estimate was based upon an 8.1% increase over last year. Given the 12.4% increase during the first eight months, I have raised the estimate to \$90.00 per person – a 10.5% increase over last year. Our preliminary Fiscal Year 2014 LGDF distribution estimate is \$95.40 per person. That estimate presumes 6.0% growth over Fiscal Year 2013.

LOCAL SHARE OF STATE INCOME TAX

(in dollars per capita)

	MFY 2008 Actual	MFY 2009 Actual	MFY 2010 Actual	MFY 2011 Actual	MFY 2012 Actual	MFY 2013 01/13 Estimate	MFY 2014 01/13 Estimate
May	\$13.08	\$15.22	\$12.17	\$9.88	\$9.30	\$12.57	
June	8.34	8.14	6.50	5.26	5.96	6.61	
July	8.26	9.01	7.08	7.40	7.73	8.48	
August	4.96	5.25	4.81	4.85	5.32	5.32	
September	5.08	5.05	4.60	4.97	5.12	5.28	
October	8.66	8.98	7.09	7.23	8.13	8.31	
November	5.57	5.61	5.34	5.44	5.18	6.28	
December	5.07	4.37	4.20	6.02	4.88	5.18	
January	7.49	7.38	7.38	6.86	7.25		
February	11.07	9.28	7.82	8.48	8.35		
March	5.91	5.03	4.84	4.23	5.57		
April	8.53	7.76	7.55	7.28	8.65		
MFY TOTAL	\$92.02	\$91.08	\$79.38	\$77.90	\$81.44	\$90.00	\$95.40
MFY % CHG	9.3%	-1.0%	-12.8%	-1.9%	4.5%	10.5%	6.0%

Source for Actual Receipts: Illinois Department of Revenue

LOCAL SHARE OF STATE USE TAX ESTIMATE

When the Illinois Use Tax on out-of-state purchases was raised from 5% to 6.25% in 1990, 16% of the 6.25% rate was allocated for local government. The state has distributed the proceeds of that local share of state use tax on a per person basis with the county share based on the number of persons living in the county's unincorporated area.

In Fiscal Year 2012 (May 1, 2011 to April 30, 2012) the per capita distribution was \$14.71. That was \$0.98 or 7.1% higher than the prior year's \$13.73 per person distribution. That 7.1% growth reflects a pattern of improved collection of the tax by the Illinois Department of Revenue. The result of improved collection is that the receipts from this tax have grown at a faster rate than the average increase in state sales taxes.

In the first eight months of the May 1 – April 30 year receipts are 6.6% higher than in May through December of the prior year. I have raised my Fiscal Year 2013 Use Tax distribution estimate from \$15.20 to \$15.50 per person, a 5.4% increase over the prior year.

Our preliminary Fiscal Year 2014 Local Use Tax distribution estimate is \$16.20 per person. That estimate presumes 4.5% growth over Fiscal Year 2013.

LOCAL SHARE OF THE STATE USE TAX

(in dollars per capita)

	MFY 2008 Actual	MFY 2009 Actual	MFY 2010 Actual	MFY 2011 Actual	MFY 2012 Actual	MFY 2013 01/13 Estimate	MFY 2014 01/13 Estimate
May	\$0.84	\$0.99	\$0.89	\$0.66	\$1.16	\$1.05	
June	1.03	1.27	1.06	1.32	1.29	1.30	
July	1.05	1.17	1.09	1.00	1.21	1.20	
August	1.14	1.08	0.92	0.95	1.18	1.25	
September	1.34	1.32	1.22	1.23	1.30	1.40	
October	0.98	1.11	0.97	1.02	1.04	1.16	
November	1.03	1.39	0.87	0.99	1.24	1.29	
December	1.12	1.27	0.94	1.15	0.94	1.33	
January	1.15	1.21	0.91	1.44	1.18		
February	1.16	1.08	0.81	1.12	1.19		
March	1.65	1.56	1.40	1.77	1.82		
April	1.08	0.99	0.83	1.08	1.16		
MFY TOTAL	\$13.57	\$14.44	\$11.91	\$13.73	\$14.71	\$15.50	\$16.20
MFY % CHG	5.1%	6.4%	-17.5%	15.3%	7.1%	5.4%	4.5%

Source for Actual Receipts: Illinois Department of Revenue

LOCAL SHARE OF STATE MOTOR FUEL TAX (MFT) ESTIMATE

For decades, the state has distributed about half of the state's 19 cents per gallon tax on motor fuel to all municipalities and counties plus many townships. About half of the local governments' half is sent to municipalities on a per person basis.

In Fiscal Year 2012 (May 1, 2011 to April 30, 2012) the per capita distribution was \$24.80. That was \$0.60 or 2.4% lower than the prior year's \$25.40 per person distribution. The total miles driven and the average fuel economy of vehicles are the principal "drivers" of MFT receipts. Each year there are growing costs taken "off the top" for administration and the state's cost of vehicle emission testing in the Chicago and Metro East metropolitan areas.

In the first eight months of the May 1 – April 30 year receipts are 2.4% lower than in May through December of last year. I have not changed my Fiscal Year 2013 Municipal MFT distribution estimate of \$24.10 per person. This estimate is based upon a 2.8% decrease from the prior year.

Our preliminary Fiscal Year 2014 MFT distribution estimate is \$23.50 per person. That estimate presumes a 2.5% decrease from Fiscal Year 2013.

MUNICIPAL SHARE OF STATE MOTOR FUEL TAX

(in dollars per capita)

	MFY 2008 Actual	MFY 2009 Actual	MFY 2010 Actual	MFY 2011 Actual	MFY 2012 Actual	MFY 2013 01/13 Estimate	MFY 2014 01/13 Estimate
May	\$2.38	\$2.24	\$2.00	\$2.17	\$2.06	\$1.94	
June	2.61	2.61	2.73	2.10	2.02	2.16	
July	2.12	1.98	1.45	1.98	1.88	1.82	
August	2.51	2.19	2.41	2.15	2.19	2.13	
September	2.50	2.00	2.02	2.09	2.15	2.13	
October	2.17	1.83	1.66	2.41	1.92	1.85	
November	2.47	2.49	1.68	1.76	2.14	2.03	
December	2.18	1.70	2.73	2.25	2.26	2.16	
January	2.33	2.43	2.06	2.15	2.10		
February	2.49	2.39	2.39	2.33	2.02		
March	2.15	2.33	1.88	1.88	2.06		
April	2.16	2.14	2.05	2.13	2.00		
MFY TOTAL	\$28.07	\$26.33	\$25.06	\$25.40	\$24.80	\$24.10	\$23.50
MFY % CHG	-3.0%	-6.2%	-4.8%	1.4%	-2.4%	-2.8%	-2.5%

Source for Actual Receipts: Illinois Department of Transportation

CORPORATE PERSONAL PROPERTY REPLACEMENT TAX (CPPRT) ESTIMATE

Our May 2012 estimate for Fiscal Year 2013 CPPRT revenue was an increase of 2.9%. On September 1, 2012, we reduced that estimate from \$1.265 billion to \$1.08 billion for the following reasons.

The mechanics of payment of refunds accounted for the drop in estimated revenue. A large portion of receipts from corporate income taxes is placed in a refund fund at the time they are paid by corporations. State statutes require that the full balance in the refund fund be added back to the CPPRT fund prior to the end of each state fiscal year (June 30). For that reason, a \$91 million balance was transferred from the refund fund to the CPPRT fund even though that \$91 million was still owed to corporations as unpaid refunds. \$32 million of that \$91 million was paid in October 2012 leaving \$59 million to be paid in the last four months of the current fiscal year. In addition, of course, the normal current year refunds are also being paid.

Fortunately, CPPRT receipts in the current year are higher than expected. As a result, we have raised our FY 2013 CPPRT estimate from \$1.08 billion to \$1.13 billion, a decline of only 8.9% rather than the previous estimated decline of 12.9%.

Our preliminary Fiscal Year 2014 CPPRT estimate is that revenue will be flat in 2014. In other words, the expected 2014 revenue of \$1.13 billion is identical to the current FY 2013 estimate of \$1.13 billion.

CORPORATE PERSONAL PROPERTY REPLACEMENT TAX REVENUE

(in thousands of dollars)

	MFY 2008 Actual	MFY 2009 Actual	MFY 2010 Actual	MFY 2011 Actual	MFY 2012 Actual	MFY 2013 01/13 Estimate	MFY 2014 01/13 Estimate
May	\$255,076	\$289,961	\$261,078	\$160,495	\$187,346	\$183,351	
July	254,041	232,152	210,065	163,017	173,818	236,948	
August	112,051	126,895	21,577	21,404	43,506	28,629	
October	232,818	207,224	239,883	314,063	290,293	180,321	
December	98,990	66,922	55,544	253,335	41,933	68,990	
January	206,358	150,639	157,835	129,826	178,699		
March	95,484	55,536	61,551	71,818	49,951		
April	270,951	267,707	229,054	260,567	274,425		
MFY TOTAL	\$1,525,769	\$1,397,036	\$1,236,587	\$1,374,525	\$1,239,971	\$1,130,000	\$1,130,000
MFY % CHG	14.1%	-8.4%	-11.5%	11.2%	-9.8%	-8.9%	0%

Source for Actual Receipts: Illinois Department of Revenue