

IML Memo: Preliminary MFY 2021 Revenue Forecasts

DATE: May 4, 2020

**TO: Mayors/Village Presidents/Town Presidents
Managers/Administrators
Treasurers/Finance Officers/Comptrollers**

CC: IML Board of Directors

**FROM: Brad Cole, Executive Director
Illinois Municipal League**

RE: Preliminary Revenue Forecasts

COVID-19 has obviously upset the Illinois economy to such an extent that will have long-lasting negative consequences on state and local revenues. This, we know. What we don't fully know, at this time, is how negative those consequences will be.

Illinois Municipal League (IML) economists have been reviewing and analyzing available data, so we may provide you with initial information on how to think about managing your Municipal Fiscal Year (MFY) 2021 budget. While we are working on formal revisions to MFY 2021 forecasts that we plan to present next month, we are sharing this preliminary information with local officials as most start their new fiscal year. **The following represents preliminary, initial estimated guidance on how to adjust projected MFY 2021 budget revenues (based on a May 1 – April 30 municipal fiscal year).**

Based on a recent survey of multiple states, overall reductions to pre-COVID-19 revenue estimates range from 9% to 17% projected for State Fiscal Year (SFY) 2021 (based on a July 1 – June 30 state fiscal year). Using this along with Illinois-specific data, such as the Governor's April 2020 Revenue Forecast Revision and information from the Illinois Department of Revenue (IDOR), to estimate the impact of COVID-19 on MFY 2021 revenues, we suggest the following preliminary forecasts:

Personal Property Replacement Tax (PPRT) may experience a decrease of 30% from actual MFY 2020 amounts.

There were significant one-time revenues in MFY 2020 that will not recur in MFY 2021. This forecast of a 30% reduction results from the confluence of one-time revenues and declining corporate income taxes.

Local Government Distributive Fund (LGDF) may experience a decrease of 15% from actual MFY 2020 amounts.

Based on the Governor's Office of Management and Budget (GOMB) forecasts, which comport with those of other states, LGDF may decrease by at least this much.

Motor Fuel Tax (MFT) may experience a decrease of 15% from actual MFY 2020 amounts.

Because of reduced road traffic and associated gas consumption.

Transportation Renewal Fund (TRF) is estimated at \$14.50 per capita for MFY

2021.

TRF revenue for MFY 2021 assumes that IDOR will write and see passage of legislation to amend the current MFT law to properly expense International Fuel Tax Agreement (IFTA) payments and refund payments from TRF, effective July 1, 2020. Because TRF has been in place for less than one year, and we anticipate legislative action that will allow expenditures against TRF, we provide an estimated dollar amount rather than a percent change.

Use Tax is estimated to remain flat at actual MFY 2020 amounts.

While we know Use Tax from consumers is up, we also believe that the Use Tax paid by businesses will drop. At this time, we do not recommend budgeting Use Tax above MFY 2020 levels.

Thank you for your efforts during this time and while we work through developing economic forecasting models. As we know more, we will share more. Our goal is to have the most accurate estimates and forecasts available as soon as possible. Sources for various data are listed at the bottom of this message, for your additional information.

Please feel welcome to contact us if you have any comments or questions. Thanks.

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Sources:

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