



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SPRINGFIELD 62706

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FISCAL YEAR 2020 THIRD QUARTER FINANCIAL REVIEW

THIRD QUARTER RESULTS

Fiscal Year 2020's third quarter continued along a modest growth path for General Funds revenue sources linked to economic activity. Both income taxes and sales tax fared reasonably well, while federal revenues, inheritance and corporate franchise taxes fell compared to FY2019 third quarter amounts. Third quarter expenditures increased by \$664 million compared to FY19 second quarter expenditures.

Detailed third quarter and year-to-date information is presented on the following pages.

ILLINOIS ECONOMIC INDICATORS

The State of Illinois continued to see stability in its major economic indicators during the first two months of the quarter, but the COVID-19 pandemic has thrown the state's economy into turmoil. Starting March 20th, Governor Pritzker ordered the closure of non-essential businesses aimed at reducing rates of infection. Prior to closure, the state had seen steady increases to its major economic indicators. Illinois wage growth had begun to outpace the national average stemming from a strong labor market that had been adding jobs and preserving a historically low rate of unemployment. The Illinois housing market had begun to heat up, as years' worth of economic stability and growth had given consumers the peace of mind needed to take on long-term debt.

The long-term economic impact of the stay-at-home order is still unclear, but reduced revenues are expected through the end of the fiscal year and further into fiscal year 2021. As of March 21st, first time unemployment insurance claims increased to 114,663, with the week ending March 28th adding an additional 178,133 new UI claimants.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW				
Third Quarter and Year-to-Date Review				
(\$ in millions)				
	Third Quarter		Year-to-date	
	FY19 Actual	FY20 Actual	FY19 Actual	FY20 Actual
Beginning Backlog at Comptroller	\$ (6,084)	\$ (5,815)	\$ (4,180)	\$ (5,161)
Beginning Cash Balance	\$ 190	\$ 396	\$ 125	\$ 466
Revenues				
Individual Income Tax	\$ 5,051	\$ 5,329	\$ 12,950	\$ 13,714
Corporate Income Tax	310	269	1,297	1,402
Sales Tax	1,891	1,979	6,238	6,487
Other Sources/Transfers In	1,293	1,179	4,090	4,415
State Source Revenues	\$ 8,545	\$ 8,756	\$ 24,575	\$ 26,018
Federal Sources	738	901	1,991	2,285
Interfund Borrowing	0	105	250	255
Investment Borrowing	50	0	750	400
Total Revenues	\$ 9,334	\$ 9,760	\$ 27,566	\$ 28,960
Expenditures				
Current Year Vouchers	\$ 9,092	\$ 9,975	\$ 25,415	\$ 27,262
Prior Year Vouchers	0	0	1,903	1,335
Subtotal, Vouchers Presented	\$ 9,092	\$ 9,975	\$ 27,319	\$ 28,597
Posted Transfers Out	59	137	379	446
Transfer to GO Bond Debt Service Fund	603	424	2,122	1,421
Transfer to Repay Interfund Borrowing	0	150	0	150
Investment Borrowing Repayments	250	3	265	3
Prior Year Adjustments	(15)	(7)	(26)	(13)
Total Expenditures	\$ 9,988	\$ 10,682	\$ 30,058	\$ 30,604
End of Quarter Cash Balance	\$ 308	\$ 594	\$ 308	\$ 594
End of Quarter Backlog at Comptroller	\$ (6,855)	\$ (6,933)	\$ (6,855)	\$ (6,933)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov or the Office of the Comptroller's Debt Transparency Report.

General Funds' third quarter revenues totaled \$9,760 million, an increase of \$426 million, or 4.6% above the FY19 second quarter level. The primary driver for this change were increases in individual income and sales tax, along with stronger federal sources and \$105 million in interfund borrowing.

FY20 third quarter General Funds' expenditures from current year appropriations totaled \$9,975 million, an increase of \$883 million, or 9.7%, above the FY19 third quarter level.

GENERAL FUNDS REVENUES SUMMARY

Income Taxes: FY20 year-to-date (YTD) Individual Income Tax net receipts increased by \$765 million, or 5.9% from the FY19 YTD level due in part to rising personal incomes.

FY20 YTD Corporate Income Tax (CIT) net receipts increased by \$104 million, or 8.0%, from the FY19 YTD level.

Sales Taxes: FY20 YTD Sales Tax net receipts increased by \$249 million, or 4.0%, from the FY19 YTD level. This increase is attributable to increased personal consumption and real wage growth, and growth in online sales tax collections. A portion of the year-over-year growth may also have been driven by receipts related to the Wayfair decision, as the collection of those receipts began in October of 2018.

Public Utilities: FY20 YTD Public Utility receipts decreased by \$20 million, or 3.0%, from the FY19 YTD level.

Cigarette: FY20 YTD Cigarette receipts decreased by \$58 million, or 21.7%, below the FY19 YTD level based on the enactment of Tobacco 21 and the impact of the \$1 per pack tax increase that is deposited into the Capital Projects Fund.

Federal Revenues: FY20 YTD Federal Revenues increased by \$294 million, or 14.8%, compared to the FY19 YTD level.

Transfers In: FY20 YTD Transfers In increased by \$444 million, or 23.6%, compared to the FY19 YTD level. This increase is primarily attributable to a \$616 million deposit from the Income Tax Refund Fund. The Income Tax Refund Fund receives a percentage of individual and corporate income tax collections for use in paying refunds. The balance remaining at the end of the fiscal year is transferred into the General Revenue Fund during the following fiscal year.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY20. Total State Revenues (not including Transfers In) were \$206 million, or 0.9%, above the revised February 2020 budgeted level. Federal revenues were \$50 million, or 2.2%, above the budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY20 YTD Budgeted*	FY20 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 15,540	\$ 16,081	\$ 541	3.5%
Income Tax Refund Fund	(1,475)	(1,527)	(52)	3.5%
Local Government Distributive Fund Deposit	(809)	(838)	(29)	3.6%
Net Individual Income Tax	\$ 13,256	\$ 13,715	\$ 459	3.5%
Gross Corporate Income	\$ 1,727	\$ 1,748	\$ 21	1.2%
Income Tax Refund Fund	(246)	(250)	(4)	1.6%
Local Government Distributive Fund Deposit	(96)	(98)	(2)	0.0%
Net Corporate Income Tax	\$ 1,385	\$ 1,401	\$ 16	1.2%
Gross Sales Tax	\$ 6,887	\$ 6,795	\$ (92)	(1.3%)
Downstate Public Trans/Public Trans Deposits	(342)	(309)	33	(9.6%)
Net Sales Tax	\$ 6,545	\$ 6,487	\$ (58)	(0.9%)
Public Utility	644	644	0	0.0%
Cigarette	195	209	14	7.2%
Inheritance	228	195	(33)	(14.5%)
Liquor	131	135	4	3.1%
Insurance	254	224	(30)	(11.8%)
Corporate Franchise	183	189	6	3.3%
Investment Income	130	116	(14)	(10.8%)
Cook County IGT	150	150	0	0.0%
Other	644	485	(159)	(24.7%)
TOTAL STATE REVENUES	\$ 23,744	\$ 23,950	\$ 206	0.9%
Federal Revenues	\$ 2,235	\$ 2,285	\$ 50	2.2%
Transfers In	\$ 2,116	\$ 2,325	\$ 209	9.9%
Lottery	492	435	(57)	(11.6%)
Gaming/Gaming Taxes	212	195	(17)	(8.0%)
Adult-Use Cannabis	6	5	(1)	(16.7%)
Fund Reallocations	0	0	0	0.0%
Interfund Borrowing	150	255	105	0.0%
Other	1,256	1,435	179	14.3%
SUBTOTAL REVENUES	\$ 28,095	\$ 28,560	\$ 465	1.7%
Investment Borrowing	400	400	0	0.0%
TOTAL REVENUES	\$ 28,495	\$ 28,960	465	1.6%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits. Estimates were compiled in February 2020.

Income Taxes: Individual Income Tax net receipts through the third quarter were \$459 million, or 3.5%, higher than budgeted levels. Corporate Income Tax net receipts through the third quarter were \$16 million, or 1.2%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the third quarter were \$58 million, or 0.9%, lower than the budgeted levels.

Public Utilities: Public Utility receipts through the third quarter were at the budgeted levels.

Transfers In: Transfers In through the third quarter were \$209 million, or 9.9%, higher than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY19 and FY20 third quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the third quarter of FY20 totaled \$9,975 million, an increase of \$883 million, or 9.7%, from the FY19 level.

GENERAL FUNDS EXPENDITURES				
Third Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Third Quarter		Year-to-Date	
	FY19 Actual Spending	FY20 Actual Spending	FY19 Actual Spending	FY20 Actual Spending
Constitutional Officers ¹	\$ 76	\$ 80	\$ 227	\$ 244
DHFS	1,817	2,189	4,720	4,740
ISBE	2,297	2,602	6,037	6,352
DHS	909	1,018	2,457	2,632
Higher Education	457	405	1,600	1,762
SERS	352	521	1,056	1,266
TRS	1,204	1,277	3,443	3,709
SURS	360	465	1,140	1,254
Corrections	333	354	923	1,007
CMS	513	357	1,537	1,813
DCFS	172	251	503	655
Aging	256	272	599	627
ISP	57	72	173	188
Revenue	11	11	36	30
DPH	23	18	62	89
DNR	8	10	24	29
IDOT	0	0	0	0
DCEO	4	3	9	8
All Others	243	71	869	855
Agency Totals	\$ 9,092	\$ 9,975	\$ 25,415	\$ 27,261

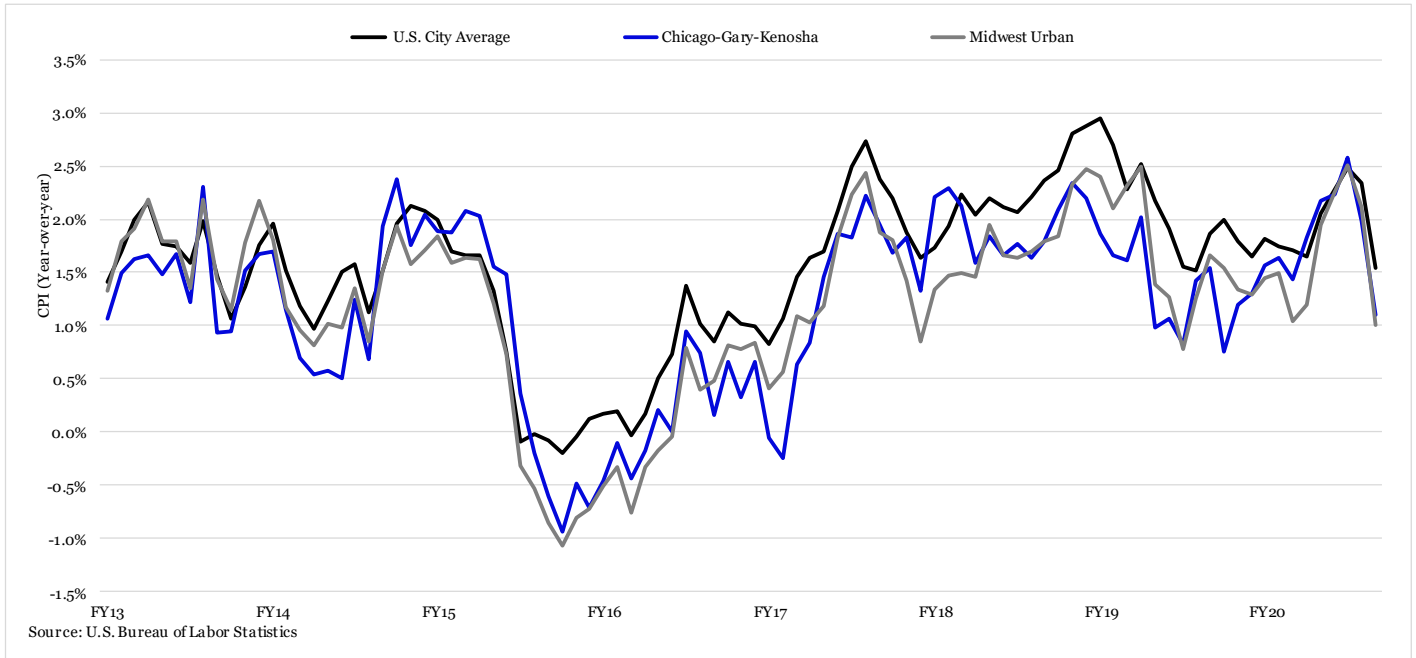
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

Note: Lapse period spending is not included in this table.

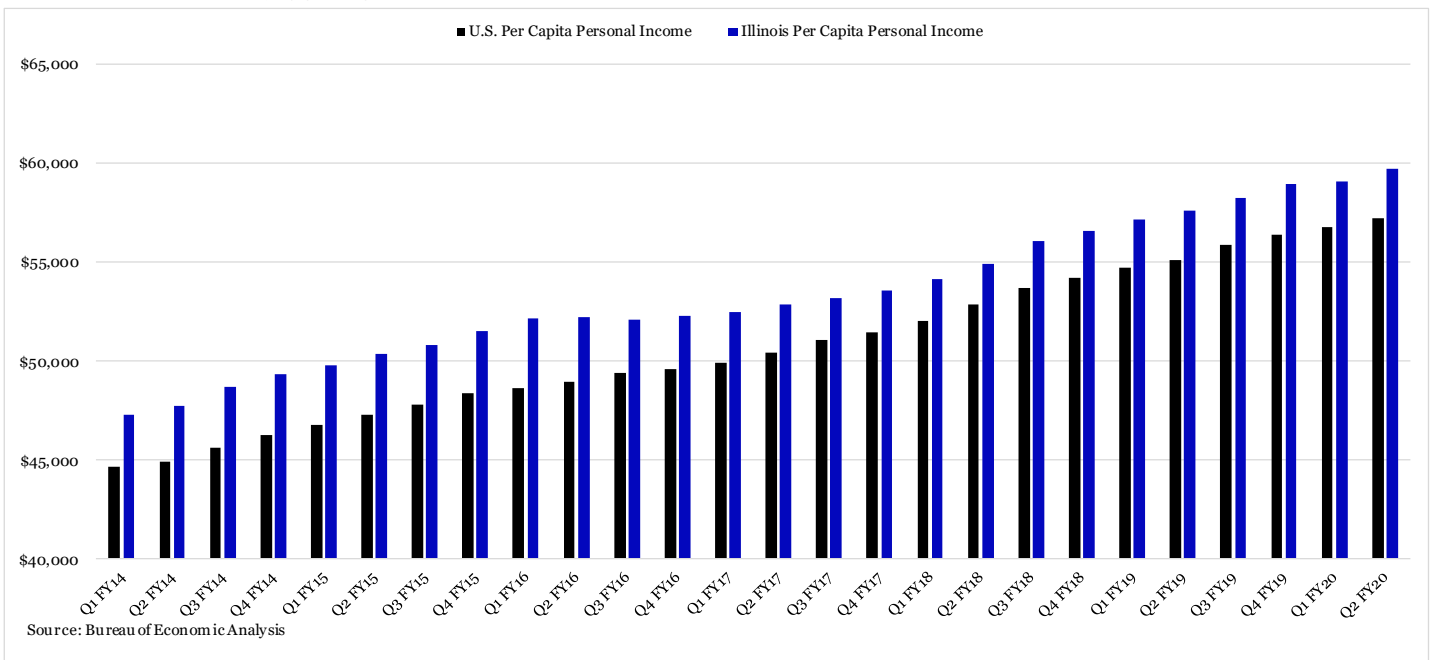
¹ Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area and Midwest from July FY13 to March FY20. In March FY20, the U.S. City Average CPI increased 1.5% year-over-year. The CPI for the Chicago metropolitan area increased 1.1% and the CPI for the Midwest region increased 1.0%.



The graph below compares the per capita personal income between the U.S. and Illinois from the third quarter of FY14 to the second quarter of FY20. The U.S. per capita personal income increased \$398 or 0.7% from \$56,776 in the first quarter of FY20 to \$57,174 in the second quarter of FY20. Year-over-year, U.S. per capita personal income increased \$2,084 or 3.8%. In Illinois, per capita personal income increased \$665 or 1.2% from \$59,060 in the first quarter of FY20 to \$59,725 in the second quarter of FY20. Year-over-year, Illinois per capita personal income increased \$2,153 or 3.8%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in February of FY20 was 3.5%, down from 0.3% during the same period last fiscal year. Illinois' unemployment rate of 3.4% in February of FY20 reflected a decrease of 0.9% from the state's unemployment rate of 3.9% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois decreased 29,400 year-over-year in February, led by decreases in Manufacturing and Retail.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>December FY19</u>	<u>December FY20</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,152,200	6,193,300	41,100
Unemployment Rate, Illinois	4.3%	3.7%	(0.6)
Unemployment Rate, United States	3.9%	3.5%	(0.4)
Labor Force Participation Rate, Illinois	64.7%	63.8%	(0.9)
Labor Force Participation Rate, United States	63.1%	63.2%	0.1
EMPLOYMENT STATISTICS	<u>January FY19</u>	<u>January FY20</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,172,700	6,133,200	(39,500)
Unemployment Rate, Illinois	4.3%	3.5%	(0.8)
Unemployment Rate, United States	4.0%	3.6%	(0.4)
Labor Force Participation Rate, Illinois	64.6%	64.0%	(0.6)
Labor Force Participation Rate, United States	63.2%	63.4%	0.2
EMPLOYMENT STATISTICS	<u>February FY19</u>	<u>February FY20</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,162,400	6,133,000	(29,400)
Unemployment Rate, Illinois	4.3%	3.4%	(0.9)
Unemployment Rate, United States	3.8%	3.5%	(0.3)
Labor Force Participation Rate, Illinois	64.6%	63.9%	(0.7)
Labor Force Participation Rate, United States	63.2%	63.4%	0.2

Source: Illinois Department of Employment Security and United States Department of Labor.

ILLINOIS REAL ESTATE

The Illinois housing market ended March with gains in sales and prices. Median prices posted strong gains, up 8.5 percent from last year, while home sales grew 4.7 percent over the same time period. The time it took to sell a home in December averaged 63 days unchanged from a year ago. Available inventory totaled 46,852 homes for sale, a 10.6 percent decline from 52,404 homes in March 2019.