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EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2021 THIRD QUARTER FINANCIAL REVIEW

THIRD QUARTER RESULTS

Fiscal Year 2021's (FY21) third quarter saw a year-over-year increase in General Funds revenues due to strong individual and corporate income tax receipts and continued growth in sales taxes. Third quarter expenditures decreased by \$258 million compared to FY20 third quarter expenditures.

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

THIRD QUARTER REPORT HIGHLIGHT: FEDERAL STIMULUS

Two major federal stimulus bills went into effect over the third quarter, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act of 2021 (ARPA). Each bill provided additional financial support to individuals and organizations. CRRSAA allocated \$900 billion to supplement prior spending bills, while ARPA provided an estimated \$1.9 trillion to speed up the recovery from the economic and public health effects of the COVID-19 pandemic. Key provisions of each Act include stimulus checks to individuals, changes to tax credits, reauthorization of unemployment benefits, PPP expansion, education funding, public health spending, housing and rental assistance, transportation funding, and changes to healthcare premiums.

ILLINOIS ECONOMIC INDICATORS

Illinois continues to recover from the economic impacts caused by the COVID-19 economic recession. The Illinois labor economy was hit hardest in April 2020, losing a total of 800,000 jobs with the majority in the leisure and hospitality sector. The state's unemployment rate reached a historical high of 17.2% in April 2020 but has since declined to 7.1% by March 2021. The state has seen a decline in new cases, allowing all regions to progress through their reopening phases. If this positive trajectory continues, the economic outlook will continue to improve.

Consumer activity has largely rebounded to pre-pandemic levels in spite of the continued public health issues. Billions in federal stimulus payments in January to March continue to bolster per capita household income. Low interest rates, moderate household savings, and increased access to vaccinations have kept consumers active and confident. Durable good consumption may begin to subside in the summer/fall months, as consumers shift back to normal service and goods consumption patterns.

The residential real estate market continues to improve as buyers move quickly to capture limited housing stock. Median housing prices continue to grow while new housing construction permits remain stagnant. Illinois CPI-U has increased substantially over the quarter mainly from increased energy prices.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW Third Quarter and Year-to-Date Review

(\$ in millions)

	Third Quarter		Year-to-date	
	FY20 Actual	FY21 Actual	FY20 Actual	FY21 Actual
Beginning Backlog at Comptroller	\$ (5,815)	\$ (4,547)	\$ (5,161)	\$ (4,856)
Beginning Cash Balance	\$ 396	\$ 722	\$ 466	\$ 531
Revenues				
Individual Income Tax	\$ 5,329	\$ 5,744	\$ 13,716	\$ 15,484
Corporate Income Tax	268	432	1,400	1,891
Sales Tax	1,979	2,139	6,487	6,746
Other Sources/Transfers In	1,180	1,323	4,417	3,551
State Source Revenues	\$ 8,756	\$ 9,639	\$ 26,020	\$ 27,672
Federal Sources	901	791	2,285	3,774
Interfund Borrowing	105	0	255	0
Short Term Borrowing	0	0	0	1,998
Investment Borrowing	0	0	400	400
Total Revenues	\$ 9,762	\$ 10,430	\$ 28,960	\$ 33,844
Expenditures				
Current Year Vouchers	\$ 9,975	\$ 9,717	\$ 27,262	\$ 29,019
Prior Year Vouchers	0	0	1,335	1,545
Subtotal, Vouchers Presented	\$ 9,975	\$ 9,717	\$ 28,597	\$ 30,564
Posted Transfers Out	144	74	453	367
Transfer to GO Bond Debt Service Fund	424	418	1,421	1,435
Transfer to Repay Interfund Borrowing	150	5	150	16
Investment Borrowing Repayments	0	0	0	402
Short Term Borrowing Repayments	0	445	0	805
Prior Year Adjustments	(10)	(20)	(16)	(36)
Total Expenditures	\$ 10,683	\$ 10,640	\$ 30,606	\$ 33,554
End of Quarter Cash Balance	\$ 594	\$ 697	\$ 594	\$ 697
End of Quarter Backlog at Comptroller	\$ (6,933)	\$ (4,731)	\$ (6,933)	\$ (4,731)

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 CASH FLOW Comparison: Projected versus Actual

(\$ in millions)

	Third Quarter	
	Projected	Actual
Cash Balance, Beginning	\$ 400	\$ 722
Receipts*	\$ 9,474	\$ 10,430
IIT	5,171	5,744
CIT	310	432
Sales	2,073	2,139
Other Sources	928	992
Transfers In	355	331
Interfund Borrowing	-	-
Investment Borrowing	-	-
Federal Sources	637	791
Certificate Proceeds	-	-
Cash Expenditures	(9,474)	(10,010)
Short-Term Borrowing Repayment	(258)	(445)
Cash Balance, Ending	\$ 400	\$ 697

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES Third Quarter and Year-to-Date Review

(\$ in millions)

	Third Quarter		Change: FY20 Actual to FY21 Actual		Year-to-Date		Change: FY20 Actual to FY21 Actual	
	FY20 Actual	FY21 Actual	Dollar Change	Percent Change	FY20 Actual	FY21 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 6,226	\$ 6,720	\$ 494	7.9%	\$ 16,058	\$ 18,111	\$ 2,053	12.8%
Income Tax Refund Fund	(594)	(605)	(11)	1.9%	(1,527)	(1,630)	(103)	6.7%
Local Government Distributive Fund Deposit	(325)	(371)	(46)	14.0%	(837)	(998)	(161)	19.2%
Net Individual Income Tax¹	\$ 5,329	\$ 5,744	\$ 415	7.8%	\$ 13,715	\$ 15,484	\$ 1,769	12.9%
Gross Corporate Income	\$ 336	\$ 540	\$ 204	60.8%	\$ 1,747	\$ 2,361	\$ 614	35.1%
Income Tax Refund Fund	(48)	(76)	(28)	58.6%	(249)	(331)	(82)	32.9%
Local Government Distributive Fund Deposit	(19)	(32)	(13)	69.5%	(97)	(139)	(42)	43.3%
Net Corporate Income Tax²	\$ 269	\$ 432	\$ 163	60.6%	\$ 1,401	\$ 1,891	\$ 490	35.0%
Gross Sales Tax	\$ 2,133	\$ 2,289	\$ 156	7.3%	\$ 6,796	\$ 7,022	\$ 226	3.3%
Downstate Public Trans/Public Trans Deposits	(154)	(150)	4	(2.6%)	(309)	(276)	33	(10.7%)
Net Sales Tax	1,979	2,139	160	8.1%	6,487	6,746	259	4.0%
Public Utility	238	223	(15)	(6.3%)	644	576	(68)	(10.6%)
Cigarette	76	57	(19)	(25.0%)	209	207	(2)	(1.0%)
Inheritance	58	168	110	189.7%	195	379	184	94.4%
Liquor	42	42	0	0.0%	135	134	(1)	(0.7%)
Insurance	40	94	54	135.0%	224	346	122	54.5%
Corporate Franchise	57	100	43	75.4%	189	258	69	36.5%
Investment Income	29	5	(24)	(82.8%)	116	46	(70)	(60.3%)
Cook County IGT	94	244	150	159.6%	150	244	94	62.7%
Other	116	59	(57)	(49.1%)	485	181	(304)	(62.7%)
TOTAL STATE REVENUES	\$ 8,326	\$ 9,308	\$ 982	11.8%	\$ 23,950	\$ 26,492	\$ 2,542	10.6%
Federal Revenues	\$ 901	\$ 791	\$ (110)	(12.2%)	\$ 2,285	\$ 3,774	\$ 1,489	65.2%
Transfers In	\$ 534	\$ 331	\$ (203)	(38.0%)	\$ 2,325	\$ 1,180	\$ (1,145)	(49.2%)
Lottery	156	195	39	25.0%	435	556	121	27.8%
Riverboat Gaming	33	0	(33)	(100.0%)	195	0	(195)	(100.0%)
Adult-Use Cannabis	5	20	15	300.0%	5	45	40	800.0%
Interfund Borrowing	105	0	(105)	(100.0%)	255	0	(255)	(100.0%)
Other	235	116	(119)	(50.6%)	1,435	579	(856)	(59.7%)
SUBTOTAL REVENUES	\$ 9,761	\$ 10,430	\$ 669	6.9%	\$ 28,560	\$ 31,446	\$ 2,886	10.1%
Investment Borrowing	0	0	0	0.0%	400	400	0	0.0%
Short Term Borrowing	0	0	0	0.0%	0	1,998	1,998	100.0%
TOTAL REVENUES	\$ 9,762	\$ 10,430	\$ 668	6.8%	\$ 28,960	\$ 33,844	\$ 4,884	16.9%

Source: Illinois Office of the Comptroller

¹FY20 Actuals include \$22.5 million in amnesty payments deposited into the Common School Fund.

²FY20 Actuals include \$25 million in amnesty payments deposited into the Common School Fund.

Income Taxes: FY21 year-to-date (YTD) Individual Income Tax net receipts increased by \$1,769 million, or 12.9% from the FY20 YTD level due to stronger withholding and estimated payments. FY21 YTD Corporate Income Tax (CIT) net receipts increased by \$490 million, or 35.0%, from the FY20 level due in large part to high corporate income. \$1,137 million of income taxes were directly deposited into the Local Government Distributive Fund through the third quarter of FY21.

Sales Taxes: FY21 YTD Sales Tax net receipts increased by \$259 million, or 4.0%, from the FY20 YTD level.

Public Utilities: FY21 YTD Public Utility receipts decreased by \$68 million, or 10.6%, from the FY20 YTD level.

Cigarette: FY21 YTD Cigarette receipts decreased by \$2 million, or 1.0% to the FY20 YTD level.

Federal Revenues: FY21 YTD Federal Revenues increased by \$1,489 million, or 65.2%, compared to the FY20 YTD level due to federal matches on reimbursable spending.

Transfers In: FY21 YTD Transfers In decreased by \$1,145 million, or 49.2%, compared to the FY20 YTD level. This decrease is primarily attributable to a \$616 million deposit from the Income Tax Refund Fund in FY20, that fell to \$281 million in FY21. The Income Tax Refund Fund receives a percentage of individual and corporate income tax collections and puts them aside for refunds. Excess balances are transferred into the General Revenue Fund several months after the tax filing deadline has passed.

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 FY21. Total State Revenues (not including Transfers In) were \$835 million, or 3.3%, above the revised February 2021 budgeted level. Federal revenues were \$154 million, or 4.3%, above the February 2021 budgeted level, but largely reflect a timing shift of revenues forward as the MLF borrowing was directed to Medicaid bills.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
(\$ in millions)				
	FY21 YTD Budgeted*	FY21 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 17,443	\$ 18,111	\$ 668	3.8%
Income Tax Refund Fund	(1,570)	(1,630)	(60)	3.8%
Local Government Distributive Fund Deposit	(962)	(998)	(36)	3.7%
Net Individual Income Tax	\$ 14,911	\$ 15,484	\$ 573	3.8%
Gross Corporate Income	\$ 2,208	\$ 2,361	\$ 153	6.9%
Income Tax Refund Fund	(310)	(331)	(21)	6.8%
Local Government Distributive Fund Deposit	(130)	(139)	(9)	6.9%
Net Corporate Income Tax	\$ 1,768	\$ 1,891	\$ 123	7.0%
Gross Sales Tax	\$ 6,943	\$ 7,022	\$ 79	1.1%
Downstate Public Trans/Public Trans Deposits	(270)	(276)	(6)	2.2%
Net Sales Tax	\$ 6,673	\$ 6,746	\$ 73	1.1%
Public Utility	576	576	0	0.0%
Cigarette	212	207	(5)	(2.4%)
Inheritance	305	379	74	24.3%
Liquor	137	134	(3)	(2.2%)
Insurance	365	346	(19)	(5.2%)
Corporate Franchise	229	258	29	12.7%
Investment Income	65	46	(19)	(29.2%)
Cook County IGT	244	244	0	0.0%
Other	172	181	9	5.2%
TOTAL STATE REVENUES	\$ 25,657	\$ 26,492	\$ 835	3.3%
Federal Revenues	\$ 3,620	\$ 3,774	\$ 154	4.3%
Transfers In	\$ 1,204	\$ 1,180	\$ (24)	(2.0%)
Lottery	524	556	32	6.1%
Gaming/Gaming Taxes	0	0	0	0.0%
Adult-Use Cannabis	37	45	8	21.6%
Fund Reallocations	0	0	0	0.0%
Interfund Borrowing	0	0	0	0.0%
Other	643	579	(64)	(10.0%)
SUBTOTAL REVENUES	\$ 30,482	\$ 31,446	\$ 964	3.2%
Investment Borrowing	0	400	400	0.0%
Short Term Borrowing	1,998	1,998	0	0.0%
TOTAL REVENUES	\$ 32,480	\$ 33,844	\$ 1,364	4.2%

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 2021.

Income Taxes: Individual Income Tax net receipts through the third quarter were \$573 million, or 3.8%, higher than budgeted levels. Corporate Income Tax net receipts through the third quarter were \$123 million, or 7.0%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the third quarter were \$73 million, or 1.1%, higher than the budgeted levels.

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

Transfers In: Transfers In through the third quarter were \$24 million, or 2.0%, lower than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY20 and FY21 third quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the third quarter of FY21 totaled \$9,717 million, a decrease of \$258 million, or 2.6%, from the FY20 level.

GENERAL FUNDS EXPENDITURES				
Third Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Third Quarter		Year-to-Date	
	FY20 Actual Spending	FY21 Actual Spending	FY20 Actual Spending	FY21 Actual Spending
Constitutional Officers ¹	\$ 80	\$ 81	\$ 244	\$ 245
DHFS	2,189	1,970	4,740	5,499
ISBE	2,602	2,394	6,352	6,386
DHS	1,018	1,007	2,632	2,941
Higher Education	405	409	1,762	1,715
SERS	521	382	1,266	1,224
TRS	1,277	1,383	3,709	3,958
SURS	465	667	1,254	1,549
Corrections	354	381	1,007	1,034
CMS	357	159	1,813	1,766
DCFS	251	251	655	731
Aging	272	252	627	665
ISP	72	64	188	194
Revenue	11	12	30	33
DPH	18	29	89	79
DNR	10	9	29	30
DCEO	3	5	8	10
All Others	71	261	856	961
Agency Totals	\$ 9,975	\$ 9,717	\$ 27,262	\$ 29,019

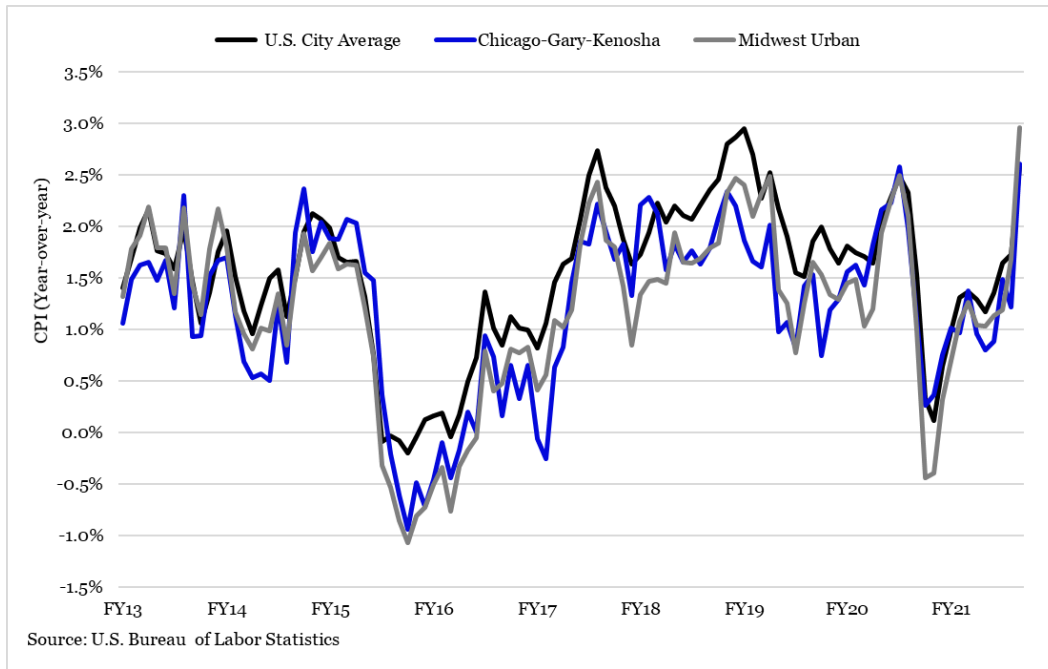
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

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

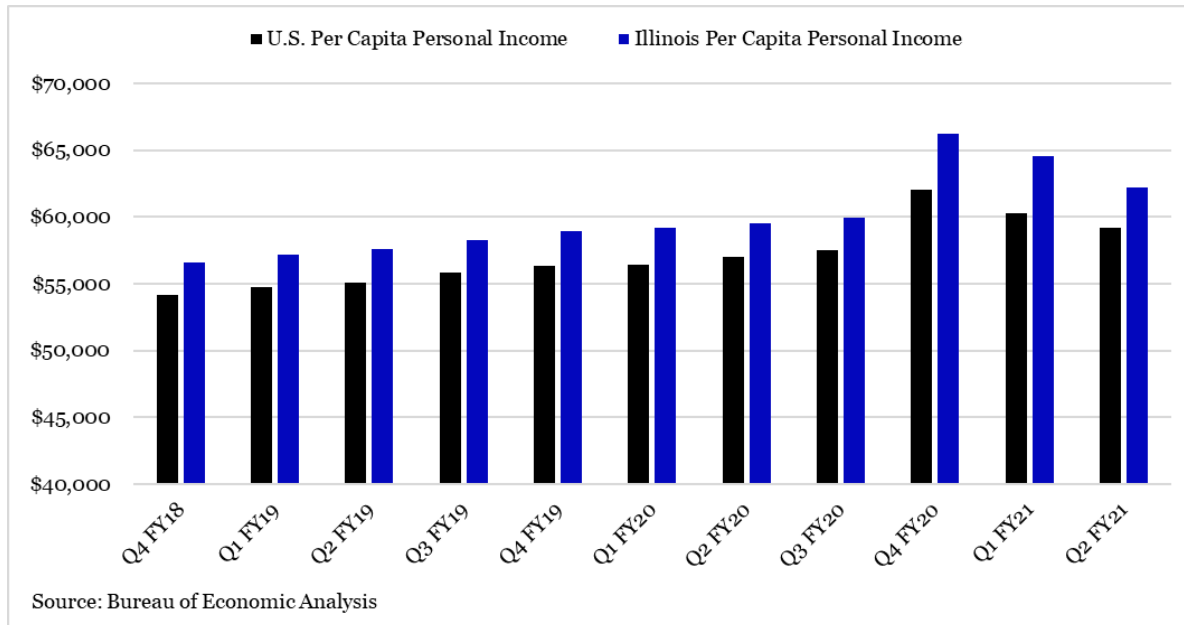
¹ Constitutional Officers exclude Auditor General.

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 FY21. In March FY21, the CPI for U.S. city average increased 2.6% year-over-year. The CPI for Chicago metropolitan area increased 2.6% and the CPI for Midwest region increased 3.0%.



The graph below compares the per capita personal income between U.S. and Illinois from the fourth quarter of FY18 to the second quarter of FY21. The U.S. per capita personal income decreased \$1,112 or 1.8% from \$60,284 in the first quarter of FY21 to \$59,172 in the second quarter of FY21. Year-over-year, U.S. per capita personal income increased \$2,180 or 3.8%. In Illinois, per capita personal income decreased by \$2,346 or 3.6% from \$64,580 in the first quarter of FY21 to \$62,234 in the second quarter of FY21. Year-over-year, Illinois per capita personal income increased \$2,744 or 4.6%. Since Q3 FY20, Federal stimulus has accounted for a majority of growth in income.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in March of FY21 was 6.0%, up from 4.4% during the same period last fiscal year. Illinois' unemployment rate of 7.1% in March of FY21 reflected an increase of 3.4% from the state's unemployment rate of 3.7% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois decreased by 359,700 year-over-year in March, led by decreases in the leisure and hospitality sector and educational and health services.

EMPLOYMENT HIGHLIGHTS State and National Review

EMPLOYMENT STATISTICS	<u>January FY20</u>	<u>January FY21</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,151,800	5,712,600	(439,200)
Unemployment Rate, Illinois	3.4%	7.7%	4.3
Unemployment Rate, United States	3.5%	6.3%	2.8
Labor Force Participation Rate, Illinois	63.4%	61.9%	(1.5)
Labor Force Participation Rate, United States	63.4%	61.4%	(2.0)
EMPLOYMENT STATISTICS	<u>February FY20</u>	<u>February FY21</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,142,800	5,696,400	(446,400)
Unemployment Rate, Illinois	3.6%	7.4%	3.8
Unemployment Rate, United States	3.5%	6.2%	2.7
Labor Force Participation Rate, Illinois	63.3%	61.8%	(1.5)
Labor Force Participation Rate, United States	63.3%	61.4%	(1.9)
EMPLOYMENT STATISTICS	<u>March FY20</u>	<u>March FY21</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,090,700	5,731,000	(359,700)
Unemployment Rate, Illinois	3.7%	7.1%	3.4
Unemployment Rate, United States	4.4%	6.0%	1.6
Labor Force Participation Rate, Illinois	63.8%	61.8%	(2.0)
Labor Force Participation Rate, United States	62.6%	61.5%	(1.1)

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

ILLINOIS REAL ESTATE

The Illinois housing market shifted higher in March December with increases in home sales and higher median prices. The time it took to sell a home in March averaged 46 days, down from 62 days last year. Available inventory totaled 23,381 homes for sale, a 53.2 percent decline from 49,946 homes in March 2020.