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EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2020 FIRST QUARTER FINANCIAL REVIEW

FIRST QUARTER RESULTS

Fiscal Year 2020's first quarter saw modest performance for General Funds revenue sources linked to economic activity. Individual income and corporate income taxes grew at a reasonable pace. Sales tax receipts, along with modest gains in investment income and federal revenues ending the quarter on a positive note. First quarter expenditures increased by \$664 million compared to FY19 first quarter expenditures.

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

ILLINOIS ECONOMIC INDICATORS

The State of Illinois is expected to see moderate economic growth in the upcoming fiscal year, particularly in personal income and employment even though the state has lagged behind the nation in a number of key categories. The largest economy in the Midwestern region, the State should see growth in the largest sources of revenue – individual and corporate income taxes, and sales taxes. Individual income taxes are rising on the back of strong wage and salary growth, which is being driven by a relatively low unemployment rate and a wide scope of available jobs in the state. This salary growth has allowed personal expenditures to also increase, pushing up strong sales tax receipts and personal investment. As recession fears continue to mount, all signs in the national and global economy remain stable for the time. The long-term effects of the trade war with China and instability in the Middle East are yet unknown but the short-term positive signs continue on for the state.

FIRST QUARTER REPORT HIGHLIGHT: CIGARETTE AND TOBACCO SALES AND TAX CHANGES

Several changes to cigarette and tobacco sales and taxes will have an impact on receipts into the General Funds in Fiscal Year 2020. Public Act 101-31, enacted on June 28th, 2019, increased the Illinois per-pack cigarette tax by \$1 per pack (from \$1.98 to \$2.98) effective July 1st, 2019. The portion of tax receipts from the \$1 increase will be deposited into the Capital Projects Fund. This increase in taxes was preceded by Public Act 101-2, known as "Tobacco 21" legislation, which made it illegal for individuals under the age of 21-years-old to buy tobacco products, electronic cigarettes, and alternative nicotine products. Illinois becomes the 7th state in the U.S. and first in the Midwest to raise the age from 18 to 21 as a means of reducing medical costs and improving Illinois' health. Together, these two measures are expected to cause a decline in total consumption but, due to the tax increase, a net increase in total receipts across all state funds. This report reflects General Funds receipts, which will show a marginal decline from the decrease in consumption.

In addition to the changes described above, Illinois has also moved to tax electronic cigarette and vape products like all other tobacco products in an effort to bring all the products along in a similar regulatory and taxation structure. The revenues from this tax will be deposited into the Healthcare Provider Relief Fund.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW				
First Quarter and Year-to-Date Review				
(\$ in millions)				
	First Quarter		Year-to-date	
	FY19 Actual	FY20 Actual	FY19 Actual	FY20 Actual
Beginning Backlog at Comptroller	\$ (4,180)	\$ (5,161)	\$ (4,180)	\$ (5,161)
Beginning Cash Balance	\$ 125	\$ 466	\$ 125	\$ 466
Revenues				
Individual Income Tax	\$ 4,023	\$ 4,261	\$ 4,023	\$ 4,261
Corporate Income Tax	531	568	531	568
Sales Tax	2,157	2,236	2,157	2,236
Other Sources/Transfers In	1,343	1,954	1,343	1,954
State Source Revenues	\$ 8,053	\$ 9,019	\$ 8,053	\$ 9,019
Federal Sources	618	863	618	863
Interfund Borrowing	0	0	0	0
Investment Borrowing	200	400	200	400
Total Revenues	\$ 8,871	\$ 10,282	\$ 8,871	\$ 10,282
Expenditures				
Current Year Vouchers	\$ 7,072	\$ 7,736	\$ 7,072	\$ 7,736
Prior Year Vouchers	1,745	1,224	1,745	1,224
Subtotal, Vouchers Presented	\$ 8,816	\$ 8,960	\$ 8,816	\$ 8,960
Posted Transfers Out	261	222	261	222
Transfer to GO Bond Debt Service Fund	863	624	863	624
Transfer to Repay Interfund Borrowing	0	0	0	0
Investment Borrowing Repayments	0	0	0	0
Prior Year Adjustments	(3)	(2)	(3)	(2)
Total Expenditures	\$ 9,937	\$ 9,804	\$ 9,937	\$ 9,804
End of Quarter Cash Balance	\$ 502	\$ 847	\$ 502	\$ 847
End of Quarter Backlog at Comptroller	\$ (5,623)	\$ (5,064)	\$ (5,623)	\$ (5,064)

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' first quarter revenues totaled \$10,282 million, an increase of \$1,411 million, or 15.9%, from the FY19 first quarter level. The primary driver for this change was a 6.0% increase in income tax collections, along with a 39.6% increase in federal matching revenues.

FY20 first quarter General Funds' expenditures from current year appropriations totaled \$7,736 million, an increase of \$664 million, or 9.4%, above the FY19 first quarter level.

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES								
First Quarter and Year-to-Date Review								
(\$ in millions)								
	First Quarter		Change: FY19 Actual to FY20 Actual		Year-to-Date		Change: FY19 Actual to FY20 Actual	
	FY19 Actual	FY20 Actual	Dollar Change	Percent Change	FY19 Actual	FY20 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 4,728	\$ 4,996	\$ 268	5.7%	\$ 4,728	\$ 4,996	\$ 268	5.7%
Income Tax Refund Fund	(459)	(475)	(16)	3.4%	(459)	(475)	(16)	3.4%
Local Government Distributive Fund Deposit	(246)	(260)	(14)	5.8%	(246)	(260)	(14)	5.8%
Net Individual Income Tax	\$ 4,023	\$ 4,261	\$ 238	5.9%	\$ 4,023	\$ 4,261	\$ 238	5.9%
Gross Corporate Income	\$ 672	\$ 708	\$ 36	5.4%	\$ 672	\$ 708	\$ 36	5.4%
Income Tax Refund Fund	(104)	(101)	3	(2.9%)	(104)	(101)	3	(2.9%)
Local Government Distributive Fund Deposit	(37)	(40)	(3)	6.9%	(37)	(40)	(3)	6.9%
Net Corporate Income Tax	\$ 531	\$ 568	\$ 37	6.9%	\$ 531	\$ 568	\$ 37	6.9%
Gross Sales Tax	\$ 2,212	\$ 2,291	\$ 79	3.6%	\$ 2,212	\$ 2,291	\$ 79	3.6%
Downstate Public Trans/Public Trans Deposits	(55)	(55)	0	(0.2%)	(55)	(55)	0	(0.2%)
Net Sales Tax	2,157	2,236	79	3.7%	2,157	2,236	79	3.7%
Public Utility	187	188	1	0.6%	187	188	1	0.6%
Cigarette	93	62	(31)	(32.9%)	93	62	(31)	(32.9%)
Inheritance	89	64	(25)	(28.6%)	89	64	(25)	(28.6%)
Liquor	46	48	2	4.6%	46	48	2	4.6%
Insurance	107	100	(7)	(6.3%)	107	100	(7)	(6.3%)
Corporate Franchise	58	62	4	7.0%	58	62	4	7.0%
Investment Income	26	49	23	87.6%	26	49	23	87.6%
Cook County IGT	0	0	0	0.0%	0	0	0	0.0%
Other	138	93	(45)	(32.6%)	138	93	(45)	(32.6%)
TOTAL STATE REVENUES	\$ 7,455	\$ 7,731	\$ 276	3.7%	\$ 7,455	\$ 7,731	\$ 276	3.7%
Federal Revenues	\$ 618	\$ 863	\$ 245	39.6%	\$ 618	\$ 863	\$ 245	39.6%
Transfers In	\$ 598	\$ 1,288	\$ 690	115.4%	\$ 598	\$ 1,288	\$ 690	115.4%
Lottery	156	128	(28)	(17.8%)	156	128	(28)	(17.8%)
Riverboat Gaming	74	75	1	1.4%	74	75	1	1.4%
Fund Reallocations	0	0	0	0.0%	0	0	0	0.0%
Special Bond Proceeds	0	0	0	0.0%	0	0	0	0.0%
Interfund Borrowing	0	0	0	0.0%	0	0	0	0.0%
Other	368	1,085	717	194.8%	368	1,085	717	194.8%
SUBTOTAL REVENUES	\$ 8,671	\$ 9,882	\$ 1,211	14.0%	\$ 8,671	\$ 9,882	\$ 1,211	14.0%
Investment Borrowing	200	400	200	100.0%	200	400	200	100.0%
TOTAL REVENUES	\$ 8,871	\$ 10,282	\$ 1,411	15.9%	\$ 8,871	\$ 10,282	\$ 1,411	15.9%

Source: Illinois Office of the Comptroller

Income Taxes: FY20 year-to-date (YTD) Individual Income Tax net receipts increased by \$238 million, or 5.9% from the FY19 YTD level due in part to rising personal incomes. \$260 million of individual income taxes were directly deposited into the Local Government Distributive Fund in the first quarter of FY20.

FY20 YTD Corporate Income Tax (CIT) net receipts increased by \$37 million, or 6.9%, from the FY19 YTD level.

Sales Taxes: FY20 YTD Sales Tax net receipts increased by \$79 million, or 3.7%, from the FY19 YTD level. This increase is attributable to increased personal consumption and real wage growth. 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 increased by \$1 million, or 0.6%, from the FY19 YTD level.

Cigarette: FY20 YTD Cigarette receipts decreased by \$31 million, or 32.9%, below the FY19 YTD level based on the enactment of Tobacco 21 and the \$1 per pack tax increase.

Federal Revenues: FY20 YTD Federal Revenues increased by \$245 million, or 39.6%, compared to the FY19 YTD level.

Transfers In: FY20 YTD Transfers In increased by \$690 million, or 115.4%, 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 and puts them aside for refunds. Excess balances are 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 \$339 million, or 4.6%, above the revised May 2019 budgeted level. Federal revenues were \$78 million, or 9.9%, above the May 2019 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	\$ 4,589	\$ 4,996	\$ 407	8.9%
Income Tax Refund Fund	(436)	(475)	(39)	8.9%
Local Government Distributive Fund Deposit	(239)	(260)	(21)	8.9%
Net Individual Income Tax	\$ 3,914	\$ 4,261	\$ 347	8.9%
Gross Corporate Income	\$ 610	\$ 708	\$ 98	16.1%
Income Tax Refund Fund	(87)	(101)	(14)	16.1%
Local Government Distributive Fund Deposit	(34)	(40)	(6)	0.0%
Net Corporate Income Tax	\$ 489	\$ 568	\$ 79	16.1%
Gross Sales Tax	\$ 2,251	\$ 2,291	\$ 40	1.8%
Downstate Public Trans/Public Trans Deposits	(54)	(55)	(1)	1.6%
Net Sales Tax	\$ 2,197	\$ 2,236	\$ 39	1.8%
Public Utility	201	188	(13)	(6.4%)
Cigarette	77	62	(15)	(18.9%)
Inheritance	76	64	(12)	(16.4%)
Liquor	48	48	0	0.3%
Insurance	103	100	(3)	(2.7%)
Corporate Franchise	53	62	9	17.1%
Investment Income	28	49	21	74.2%
Cook County IGT	0	0	0	0.0%
Other	207	93	(114)	(55.1%)
TOTAL STATE REVENUES	\$ 7,392	\$ 7,731	\$ 339	4.6%
Federal Revenues	\$ 785	\$ 863	\$ 78	9.9%
Transfers In	\$ 539	\$ 1,288	\$ 749	138.9%
Lottery	156	128	(28)	(17.8%)
Gaming/Gaming Taxes	75	75	(0)	(0.3%)
Fund Reallocations	0	0	0	0.0%
Interfund Borrowing	0	0	0	0.0%
Other	308	1,085	777	252.3%
SUBTOTAL REVENUES	\$ 8,717	\$ 9,882	\$ 1,165	13.4%
Investment Borrowing	400	400	0	0.0%
TOTAL REVENUES	\$ 9,117	\$ 10,282	1,165	12.8%

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 May 2019.

Income Taxes: Individual Income Tax net receipts through the first quarter were \$347 million, or 8.9%, higher than budgeted levels. Corporate Income Tax net receipts through the first quarter were \$79 million, or 16.1%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the first quarter were \$39 million, or 1.8%, higher than the budgeted levels.

Public Utilities: Public Utility receipts through the first quarter were \$13 million, or 6.4%, lower than budgeted levels.

Transfers In: Transfers In through the first quarter were \$749 million, or 138.9%, higher than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY19 and FY20 first quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the first quarter of FY20 totaled \$7,736 million, an increase of \$664 million, or 9.4%, from the FY19 level.

GENERAL FUNDS EXPENDITURES				
First Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	First Quarter		Year-to-Date	
	FY19 Actual Spending	FY20 Actual Spending	FY19 Actual Spending	FY20 Actual Spending
Constitutional Officers ¹	\$ 72	\$ 75	\$ 72	\$ 75
DHFS	1,042	984	1,042	984
ISBE	1,467	1,436	1,467	1,436
DHS	681	586	681	586
Higher Education	565	579	565	579
SERS	352	372	352	372
TRS	1,167	1,236	1,167	1,236
SURS	405	456	405	456
Corrections	198	277	198	277
CMS	511	1,012	511	1,012
DCFS	156	199	156	199
Aging	127	141	127	141
ISP	47	47	47	47
Revenue	13	9	13	9
DPH	9	41	9	41
DNR	8	8	8	8
DCEO	2	1	2	1
All Others	249	275	249	275
Agency Totals	\$ 7,072	\$ 7,736	\$ 7,072	\$ 7,736

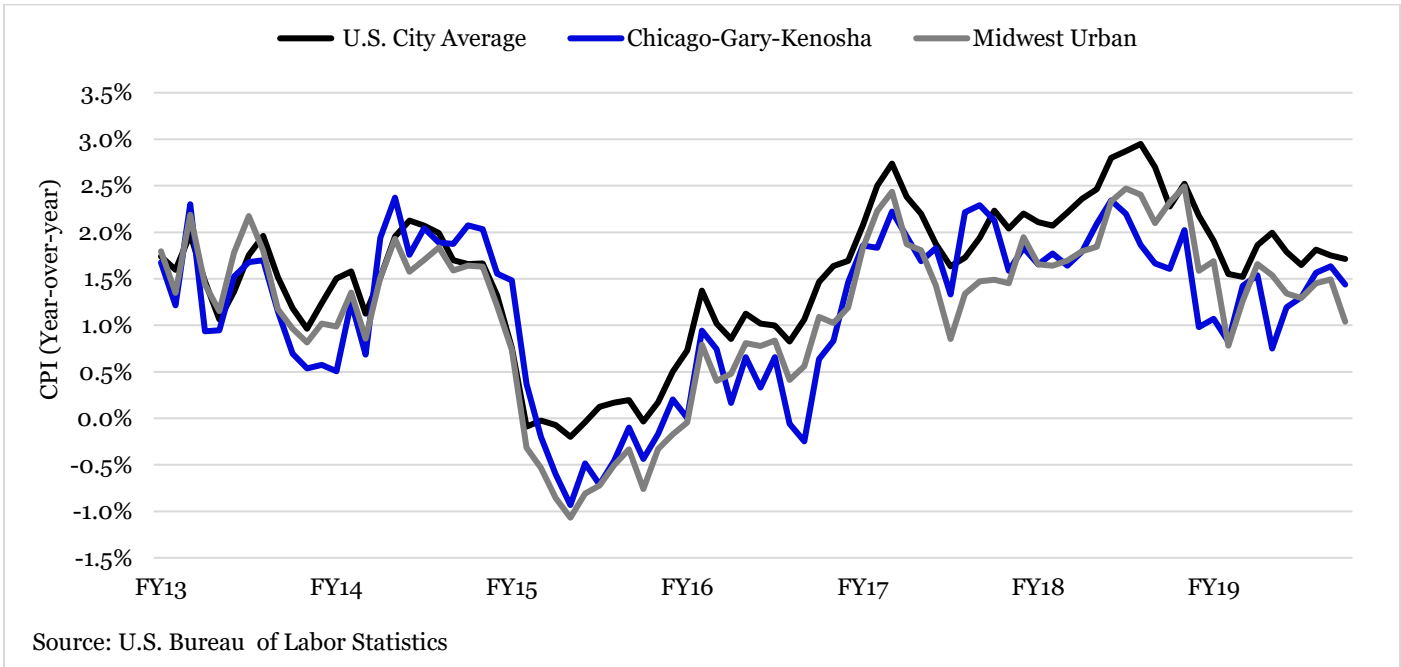
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

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

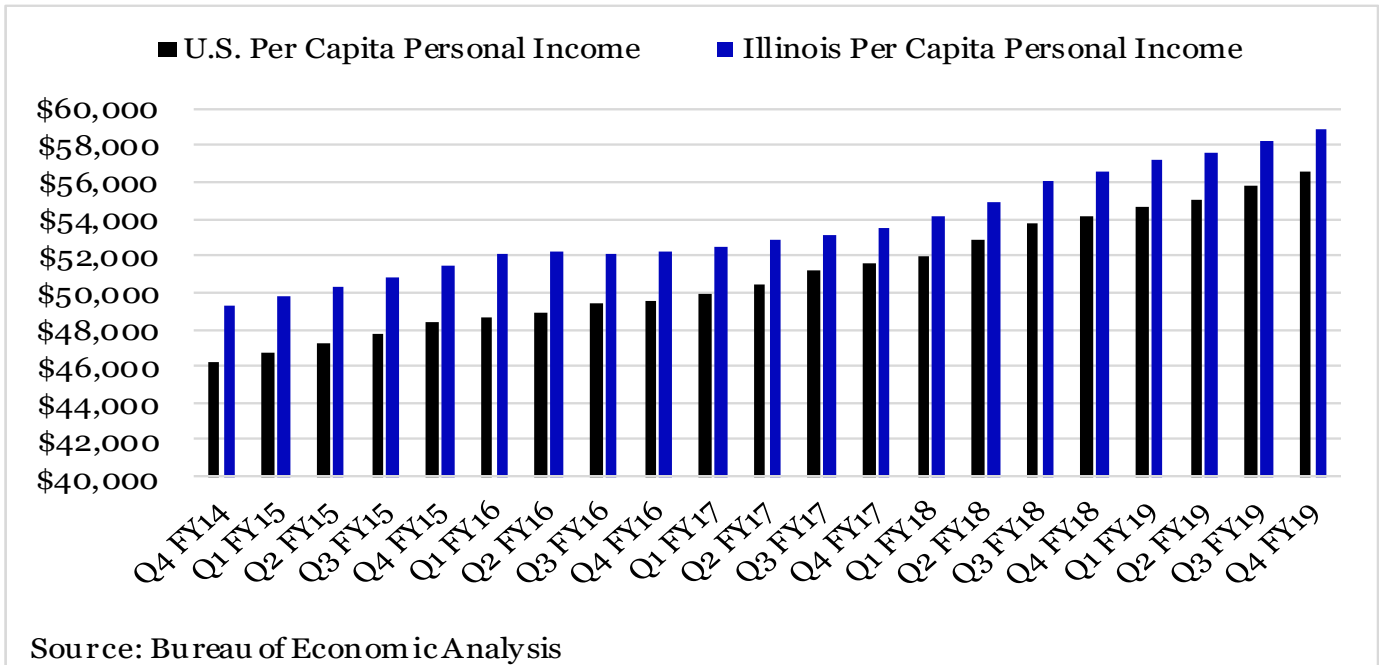
¹ Constitutional Officers exclude Auditor General.

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 September FY20. In September FY20, the CPI for U.S. city average increased 1.7% year-over-year. The CPI for Chicago metropolitan area increased 1.4% and the CPI for Midwest region increased 1.0%.



The graph below compares the per capita personal income between U.S. and Illinois from the second quarter of FY14 to the fourth quarter of FY19. The U.S. per capita personal income increased \$664 or 1.2% from \$55,846 in the third quarter of FY19 to \$56,511 in the fourth quarter of FY19. Year-over-year, U.S. per capita personal income increased \$2,329 or 4.3%. In Illinois, per capita personal income increased \$657 or 1.2% from \$58,248 in the third quarter of FY19 to \$58,905 in the fourth quarter of FY19. Year-over-year, Illinois per capita personal income increased \$2,326 or 4.1%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in August of FY20 was 3.7%, down from 3.9% during the same period last fiscal year. Illinois' unemployment rate of 4.0% in August of FY20 reflected a decrease of 0.1% from the state's unemployment rate of 4.1% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased 63,300 year-over-year in August, led by increases in Professional Services, Leisure and Hospitality and Education and Health Services.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>June FY18</u>	<u>June FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,126,100	6,213,500	87,400
Unemployment Rate, Illinois	4.3%	4.3%	0.0
Unemployment Rate, United States	4.0%	3.7%	(0.3)
Labor Force Participation Rate, Illinois	64.5%	64.7%	0.2
Labor Force Participation Rate, United States	62.9%	62.9%	0.0
EMPLOYMENT STATISTICS	<u>July FY19</u>	<u>July FY20</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,128,900	6,223,800	94,900
Unemployment Rate, Illinois	4.2%	4.2%	0.0
Unemployment Rate, United States	3.9%	3.7%	(0.2)
Labor Force Participation Rate, Illinois	64.5%	65.8%	1.3
Labor Force Participation Rate, United States	62.9%	63.0%	0.1
EMPLOYMENT STATISTICS	<u>August FY19</u>	<u>August FY20</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,120,000	6,186,300	66,300
Unemployment Rate, Illinois	4.1%	4.0%	(0.1)
Unemployment Rate, United States	3.9%	3.7%	(0.2)
Labor Force Participation Rate, Illinois	64.5%	65.2%	0.7
Labor Force Participation Rate, United States	62.7%	63.2%	0.5

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

ILLINOIS REAL ESTATE

Illinois home median prices posted another gain in August 2019 while home sales grew at a moderate pace. The time it took to sell a home in August averaged 45 days, the same as a year ago. Available inventory totaled 60,149 homes for sale, a 5.1 percent decline from 63,389 homes in August 2018.