



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

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FISCAL YEAR 2019 SECOND QUARTER FINANCIAL REVIEW

SECOND QUARTER HIGHLIGHTS

Fiscal Year 2019's second quarter saw modest performance of the big three revenue sources (individual and corporate income taxes; sales taxes), \$250 million in interfund borrowing, as well as a slight increase in federal sources over the first quarter. The major tax sources are benefitting from stable consumer prices, rising personal income and favorable economic conditions. Second quarter expenditures, including lapse period spending, decreased by \$218M compared to FY18 second quarter expenditures.

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

TREASURER'S INVESTMENT BORROWING

Public Act 100-1107 authorized the State Treasurer to invest or reinvest any State money in the Treasury that is not needed for current expenditures via deposit into the General Revenue Fund (GRF) or Health Insurance Reserve Fund (HIRF), when the total amount of vouchers presented to the Comptroller exceeds the funds available in GRF by \$1 billion. Up to \$2 billion of state funds not immediately needed for current expenses can be deposited into the General Revenue Fund or HIRF to pay down the current bill backlog. These transfers are governed by written agreements between the Treasurer and Comptroller. All of the current filed agreements outline a six-month repayment period to the fund of origin, including both principal and interest. Year-to-date, \$700 million has been invested under this new authority (\$15 million of this total has been returned to the Federal Student Loan Fund, along with \$38.2 thousand in calculated interest).

ILLINOIS ECONOMIC INDICATORS

Illinois's unemployment rate remained stable over the period, while state personal income and wages rose over the same timeframe. Favorable national and global economic conditions have resulted in slightly elevated growth to U.S. and Illinois real Gross Domestic Product (GDP). Consumer prices are expected to rise in Illinois at a sustainable level throughout the fiscal year. Illinois continues to be a national leader in the trade and transportation industry and should continue to benefit from increased demand for consumer goods. Positive outlooks for both the U.S. and global economy suggests that the Illinois economy will continue to grow in the near term.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW				
Second Quarter and Year-to-Date Review				
(\$ in millions)				
	Second Quarter		Year-to-date	
	FY18 Actual	FY19 Actual	FY18 Actual	FY19 Actual
Beginning Backlog at Comptroller	\$ (9,058)	\$ (5,623)	\$ (8,191)	\$ (4,180)
Beginning Cash Balance	\$ 581	\$ 502	\$ 1,368	\$ 125
Revenues				
Individual Income Tax	\$ 3,714	\$ 3,876	\$ 7,122	\$ 7,899
Corporate Income Tax	406	456	823	987
Sales Tax	1,975	2,190	4,055	4,347
Other Sources/Transfers In	4,000	1,456	5,198	2,797
State Source Revenues	\$ 10,095	\$ 7,978	\$ 17,197	\$ 16,029
Federal Sources	2,341	635	3,520	1,253
Interfund Borrowing	204	250	354	250
Investment Borrowing	-	500	-	700
Total Revenues	\$ 12,639	\$ 9,361	\$ 21,071	\$ 18,232
Expenditures				
Current Year Vouchers	\$ 9,515	\$ 9,251	\$ 16,997	\$ 16,323
Prior Year Vouchers	34	159	1,595	1,903
Subtotal, Vouchers Presented	\$ 9,549	\$ 9,410	\$ 18,592	\$ 18,227
Posted Transfers Out	58	59	493	320
Transfer to GO Bond Debt Service Fund	750	655	1,357	1,519
Investment Borrowing Repayments	-	15	-	15
Prior Year Adjustments	(8)	(7)	(10)	(10)
Total Expenditures	\$ 10,350	\$ 10,132	\$ 20,431	\$ 20,071
End of Quarter Cash Balance	\$ 502	\$ 190	\$ 502	\$ 190
End of Quarter Backlog at Comptroller	\$ (6,685)	\$ (6,084)	\$ (6,685)	\$ (6,084)

Source: Illinois Office of the Comptroller

General Funds' second quarter revenues totaled \$9,361 million, a decrease of \$3,278 million, or 25.9%, from the FY18 second quarter level. The primary driver for this change was a decrease in federal matching revenues and a non-recurring \$2,500 million transfer into the general funds from the state's backlog borrowing bond sale in November 2017.

FY19 second quarter General Funds' expenditures totaled \$10,132 million, a decrease of \$218 million, or 2.1%, below the FY18 second quarter level.

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES								
Second Quarter and Year-to-Date Review								
(\$ in millions)								
	Second Quarter		Change: FY18 Actual to FY19 Actual		Year-to-Date		Change: FY18 Actual to FY19 Actual	
	FY18 Actual	FY19 Actual	Dollar Change	Percent Change	FY18 Actual	FY19 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 4,355	\$ 4,554	\$ 199	4.6%	\$ 8,351	\$ 9,282	\$ 931	11.1%
Income Tax Refund Fund	(427)	(441)	(14)	3.3%	(818)	(900)	(82)	10.0%
Local Government Distributive Fund Deposit	(214)	(237)	(23)	10.6%	(411)	(483)	(72)	17.5%
Net Individual Income Tax	\$ 3,714	\$ 3,876	\$ 162	4.4%	\$ 7,122	\$ 7,899	\$ 777	10.9%
Gross Corporate Income	\$ 525	\$ 578	\$ 53	10.0%	\$ 1,063	\$ 1,249	\$ 186	17.5%
Income Tax Refund Fund	(92)	(89)	3	(3.0%)	(186)	(193)	(7)	3.8%
Local Government Distributive Fund Deposit	(27)	(32)	(4)	16.4%	(54)	(69)	(15)	27.8%
Net Corporate Income Tax	\$ 406	\$ 456	\$ 50	12.3%	\$ 823	\$ 987	\$ 164	19.9%
Gross Sales Tax	\$ 2,099	\$ 2,335	\$ 236	11.2%	\$ 4,229	\$ 4,547	\$ 318	7.5%
Downstate Public Trans/Public Trans Deposits	(124)	(145)	(21)	16.9%	(174)	(200)	(26)	14.9%
Net Sales Tax	1,975	\$ 2,190	\$ 215	10.9%	\$ 4,055	\$ 4,347	\$ 292	7.2%
Public Utility	201	212	11	5.5%	415	399	(16)	(3.9%)
Cigarette	84	87	3	3.5%	172	180	8	4.7%
Inheritance	107	108	1	0.9%	181	197	16	8.8%
Liquor	43	44	1	1.4%	89	90	1	1.1%
Insurance	80	83	3	4.3%	193	190	(3)	(1.6%)
Corporate Franchise	56	75	19	33.9%	108	133	25	23.1%
Investment Income	20	37	17	85.0%	31	63	32	103.2%
Cook County IGT	56	56	0	0.0%	56	56	0	0.0%
Other	197	158	(39)	(19.8%)	311	293	(18)	(5.8%)
TOTAL STATE REVENUES	\$ 6,940	\$ 7,382	\$ 442	6.4%	\$ 13,556	\$ 14,834	\$ 1,278	9.4%
Federal Revenues	\$ 2,341	\$ 635	\$ (1,706)	(72.9%)	\$ 3,520	\$ 1,253	\$ (2,267)	(64.4%)
Transfers In	\$ 3,359	\$ 846	\$ (2,513)	(74.8%)	\$ 3,995	\$ 1,445	\$ (2,550)	(63.8%)
Lottery	184	188	4	2.2%	338	344	6	1.8%
Riverboat Gaming	90	86	(4)	(4.4%)	167	161	(6)	(3.6%)
Fund Reallocations	81	0	(81)	(100.0%)	207	0	(207)	(100.0%)
Special Bond Proceeds	2,500	0	(2,500)	(100.0%)	2,500	0	(2,500)	(100.0%)
Interfund Borrowing	204	250	46	22.5%	354	250	(104)	(29.4%)
Other	300	322	22	7.3%	429	690	261	60.8%
SUBTOTAL, REVENUES	\$ 12,639	\$ 8,861	\$ (3,778)	(29.9%)	\$ 21,071	\$ 17,532	\$ (3,539)	(16.8%)
Investment Borrowing	0	500	500	0.0%	0	700	700	100.0%
SUBTOTAL, REVENUES	\$ 12,639	\$ 9,361	\$ (3,278)	(25.9%)	\$ 21,071	\$ 18,232	\$ (2,839)	(13.5%)

Source: Illinois Office of the Comptroller

Income Taxes: FY19 year-to-date (YTD) Individual Income Tax net receipts increased by \$777 million, or 10.9% from the FY18 YTD level due to rising personal incomes. \$483 million of individual income taxes were directly deposited into the Local Government Distributive Fund for the first half of FY19.

FY19 YTD Corporate Income Tax (CIT) net receipts increased by \$164 million, or 19.9%, from the FY18 YTD level.

Sales Taxes: FY19 YTD Sales Tax net receipts increased by \$292 million, or 7.2%, from the FY18 YTD level. This increase is attributable to increased personal consumption and real wage growth, as well as online retailers collecting and remitting sales tax post *Wayfair*.

Public Utilities: FY19 YTD Public Utility receipts decreased by \$16 million, or 3.9%, from the FY18 YTD level.

Inheritance: FY19 YTD Inheritance receipts increased by \$16 million, or 8.8%, from the FY18 YTD level.

Federal Revenues: FY19 YTD Federal Revenues decreased by \$2,267 million, or 64.4%, compared to the FY18 YTD level. This decrease is attributable to over \$2,200 million in federal matching for Medicaid bill payments resulting from the November FY18 bill backlog bond sale deposit.

Transfers In: FY19 YTD Transfers In decreased by \$2,550 million, or 63.8%, compared to the FY18 YTD level. This decrease is attributable to a \$2,500 million deposit related to a November bond sale for the paydown of the state's bill backlog in FY18.

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 FY19. Total State Revenues (not including Transfers In) were \$5 million, or 0.0%, below the budgeted level. Federal revenues were \$322 million, or 20.4%, below the budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY19 YTD Budgeted*	FY19 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 9,528	\$ 9,282	\$ (246)	(2.6%)
Income Tax Refund Fund	(924)	(900)	24	2.6%
Local Government Distributive Fund Deposit	(495)	(483)	12	2.4%
Net Individual Income Tax	\$ 8,108	\$ 7,899	\$ (209)	(2.6%)
Gross Corporate Income	\$ 1,297	\$ 1,249	\$ (48)	(3.7%)
Income Tax Refund Fund	(201)	(193)	8	4.0%
Local Government Distributive Fund Deposit	(71)	(69)	2	2.8%
Net Corporate Income Tax	\$ 1,024	\$ 987	\$ (37)	(3.6%)
Gross Sales Tax	\$ 4,467	\$ 4,547	\$ 80	1.8%
Downstate Public Trans/Public Trans Deposits	(255)	(200)	55	21.6%
Net Sales Tax	\$ 4,212	\$ 4,347	\$ 135	3.2%
Public Utility	410	399	(11)	(2.7%)
Cigarette	170	180	10	5.9%
Inheritance	165	197	32	19.4%
Liquor	89	90	1	1.1%
Insurance	186	190	4	2.2%
Corporate Franchise	106	133	27	25.5%
Investment Income	48	63	15	31.3%
Cook County IGT	56	56	0	0.0%
Other	265	293	28	10.6%
TOTAL STATE REVENUES	\$ 14,839	\$ 14,834	\$ (5)	(0.0%)
Federal Revenues	\$ 1,575	\$ 1,253	\$ (322)	(20.4%)
Investment Borrowing	\$ 0	\$ 700	\$ 700	100.0%
Transfers In	\$ 1,374	\$ 1,445	\$ 71	5.2%
Lottery	341	344	3	0.9%
Gaming/Gaming Taxes	164	161	(3)	(1.8%)
Fund Reallocations	0	0	0	0.0%
Interfund Borrowing	250	250	0	0.0%
Other	619	690	71	11.5%
TOTAL RECEIPTS	\$ 17,786	\$ 18,232	\$ 446	2.5%

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 on Nov. 15, 2018.

Income Taxes: Individual Income Tax net receipts through the second quarter were \$209 million, or 2.6%, lower than budgeted levels. Corporate Income Tax net receipts through the second quarter were \$37 million, or 3.6%, lower than budgeted levels.

Sales Taxes: Sales Tax net receipts through the second quarter were \$135 million, or 3.2%, higher than budgeted levels.

Public Utilities: Public Utility receipts through the second quarter were \$11 million, or 2.7%, lower than budgeted levels.

Transfers In: Transfers In through the second quarter were \$71 million, or 5.2%, higher than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY18 and FY19 second quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the second quarter of FY19 totaled \$9,251 million, a decrease of \$264 million, or 2.8%, from the FY18 level.

GENERAL FUNDS EXPENDITURES				
Second Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Second Quarter		Year-to-Date	
	FY18 Actual Spending	FY19 Actual Spending	FY18 Actual Spending	FY19 Actual Spending
Constitutional Officers ¹	\$ 83	\$ 80	\$ 152	\$ 152
DHFS	1,841	1,861	3,675	2,904
ISBE	2,102	2,272	3,434	3,739
DHS	950	867	1,562	1,548
Higher Education	741	577	1,174	1,142
SERS	378	352	757	704
TRS	1,170	1,148	2,349	2,296
SURS	525	375	965	780
Corrections	467	392	650	590
CMS	498	513	978	1,024
DCFS	190	175	326	331
Aging	235	216	357	343
ISP	59	70	103	117
Revenue	15	11	25	24
DPH	15	30	23	39
DNR	9	9	15	16
DCEO	3	4	4	6
All Others	236	299	449	568
Agency Totals	\$ 9,515	\$ 9,251	\$ 16,997	\$ 16,323

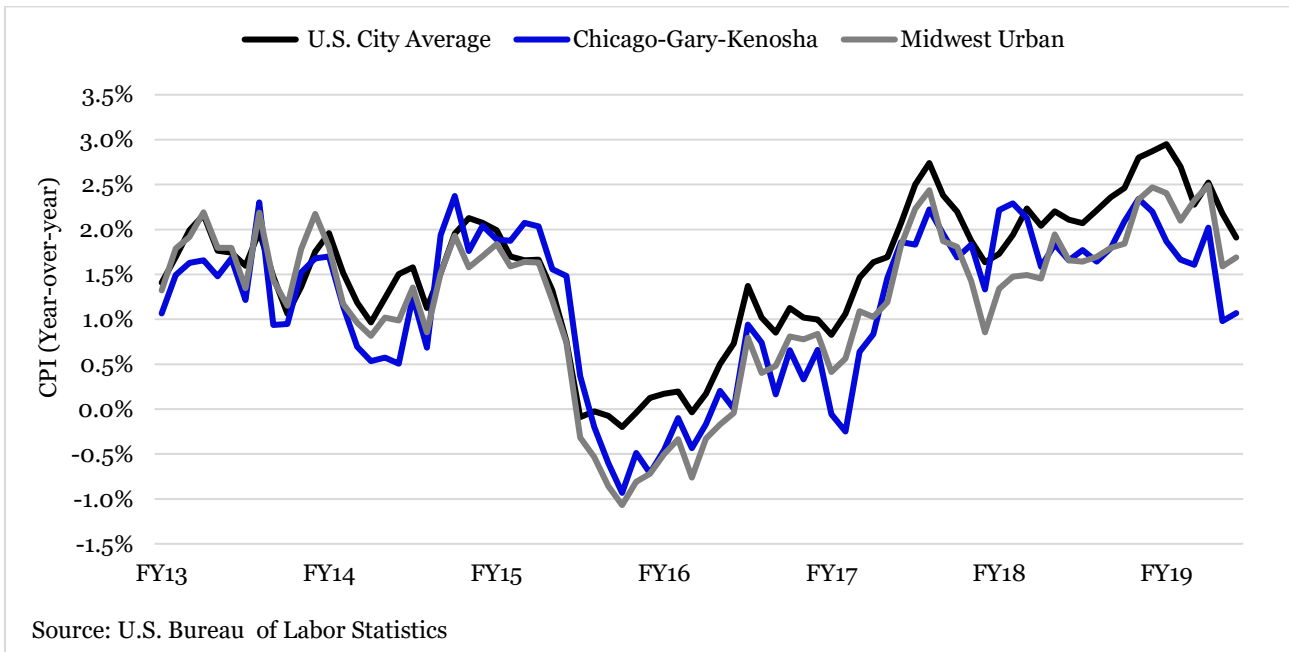
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

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

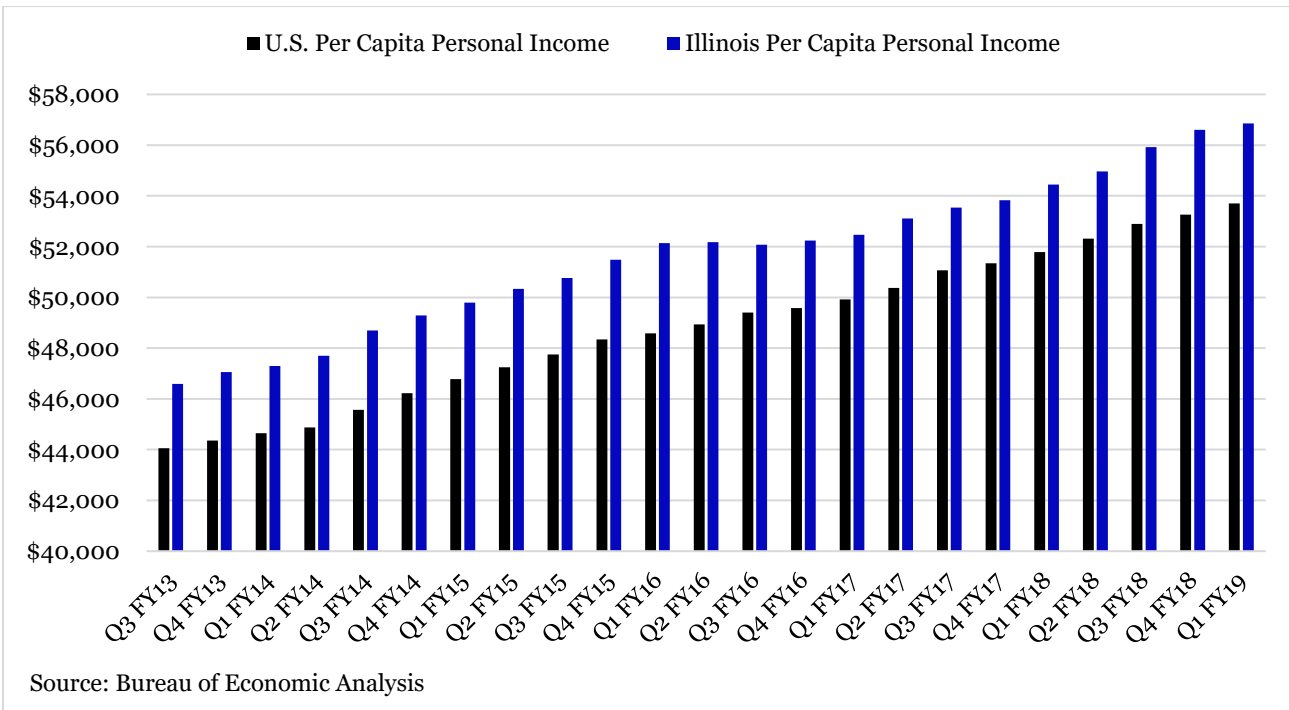
¹ Constitutional Officers exclude Auditor General.

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 Dec FY19. In Dec FY19, the CPI for U.S. city average increased 1.9% year-over-year. The CPI for Chicago metropolitan area increased 1.1% and the CPI for Midwest region increased 1.7%.



The graph below compares the per capita personal income between U.S. and Illinois from the fourth quarter of FY13 to the first quarter of FY19. The U.S. per capita personal income increased \$438 or 0.8% from \$53,259 in the fourth quarter of FY18 to \$53,698 in the first quarter of FY19. Year-over-year, U.S. per capita personal income increased \$1,916 or 3.8%. In Illinois, per capita personal income increased \$250 or 0.5% from \$56,600 in the fourth quarter of FY18 to \$56,850 in the first quarter of FY19. Year-over-year, Illinois per capita personal income increased \$3,928 or 7.6%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in November of FY19 was 3.7%, down from 4.1% during the same period last fiscal year. Illinois' unemployment rate of 4.2% in November of FY19 reflected a decrease of 0.7% from the state's unemployment rate of 4.9% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased 54,600 year-over-year in November, led by increases in Professional Services, Leisure and Hospitality and Education and Health Services.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>September FY18</u>	<u>September FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,074,600	6,124,900	50,300
Unemployment Rate, Illinois	5.0%	4.1% ²	(0.9)
Unemployment Rate, United States	4.2%	3.7%	(0.5)
Labor Force Participation Rate, Illinois	64.8%	64.4%	(0.4)
Labor Force Participation Rate, United States	63.0%	62.7%	(0.3)
EMPLOYMENT STATISTICS	<u>October FY18</u>	<u>October FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,074,800	6,130,600	55,800
Unemployment Rate, Illinois	4.9%	4.2% ²	(0.7)
Unemployment Rate, United States	4.1%	3.7%	(0.4)
Labor Force Participation Rate, Illinois	64.6%	64.6%	0.0
Labor Force Participation Rate, United States	62.7%	62.9%	0.2
EMPLOYMENT STATISTICS	<u>November FY18</u>	<u>November FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,081,900	6,136,500	54,600
Unemployment Rate, Illinois	4.9%	4.2% ¹	(0.7)
Unemployment Rate, United States	4.1%	3.7%	(0.4)
Labor Force Participation Rate, Illinois	64.6%	64.7%	0.1
Labor Force Participation Rate, United States	62.7%	62.9%	0.2

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

¹ Preliminary figures.

² Reflects revised population controls, model reestimation, and new seasonal adjustment.

ILLINOIS REAL ESTATE

According to Illinois REALTORS, median home prices in Illinois rose 2.7 percent in November year-over-year, and statewide home sales decreased 1.6 percent for the same period. The time it took to sell a home in November averaged 54 days, down from 58 days year-over-year. In November, available housing inventory totaled 53,929 homes for sale, a 2.4 percent decline from November 2018 when there were 55,276 homes on the market.