



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

BRUCE RAUNER
GOVERNOR

FISCAL YEAR 2018 FIRST QUARTER FINANCIAL REVIEW

A NEW DEFINITION OF GENERAL FUNDS

Pursuant to Public Act 100-0023, beginning with fiscal year 2018 (FY18), the number of funds that comprise the state's General Funds was increased from four to seven. General Funds now includes Fund for the Advancement of Education, Commitment to Human Services Fund and Budget Stabilization Fund along with the four original funds: General Revenue Fund, General Revenue-Common School Special Account Fund, Education Assistance Fund and Common School Fund.

The addition of these new funds makes it difficult to compare the state's FY18 revenues and expenditures to the actual results of FY17 when these new funds were not included in the General Funds definition. To address this issue, this report includes two separate sets of numbers for FY17: FY17 Actual and FY17 Revised. FY17 Actual represents the definition of General Funds that was law at that time. FY17 Revised is a restatement of the values with the three new General Funds included. In the discussion of year-over-year changes in this report, we will be referring to the change from FY17 Revised to FY18.

CHANGES FOR FISCAL YEAR 2018: INCOME TAX RATES AND LOCAL GOVERNMENT FUND DEPOSITS

In July 2017, Public Act 100-0022, which increased income tax rates as well as made many other changes to state taxes, became law. Effective July 1, 2017, the Individual Income Tax and Corporate Income Tax rates increased to 4.95% and 7.0%, respectively.

Prior to FY18, state income and sales tax revenues shared with local governments and transit districts were first deposited into the General Revenue Fund (GRF) and then transferred to the Local Government Distributive Fund (LGDF), Public Transportation Fund (PTF), and Downstate Public Transportation Fund (DPTF) for distribution. Public Act 100-0023, effective July 1, 2017, now directs the Department of Revenue to deposit these revenues into LGDF, PTF, and DPTF at the time they are collected. Local governments are expected to receive their payments from the State more quickly under this structure. While this change decreases net receipts into the General Funds, it will also decrease transfers out, effectively making this a neutral change over the long-term.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW						
First Quarter and Year-to-Date Review						
(\$ in millions)						
	1st Quarter			Year-to-date		
	FY17 Actual	FY17 Revised*	FY18 Actual	FY17 Actual	FY17 Revised*	FY18 Actual
Beginning Backlog at Comptroller	\$ (3,444)		\$ (8,191)	\$ (3,444)		\$ (8,191)
Beginning Cash Balance	\$ 246	\$ 967	\$ 1,368	\$ 246	\$ 967	\$ 1,368
Revenues						
Individual Income Tax	\$ 2,684	\$ 2,894	\$ 3,408	\$ 2,684	\$ 2,894	\$ 3,408
Corporate Income Tax	288	288	416	288	288	416
Sales Tax	2,102	2,102	2,080	2,102	2,102	2,080
Other Sources/Transfers In	1,129	1,129	1,348	1,129	1,129	1,348
State Source Revenues	\$ 6,203	\$ 6,413	\$ 7,252	\$ 6,203	\$ 6,413	\$ 7,252
Federal Sources	724	724	1,179	724	724	1,179
Total Revenues	\$ 6,927	\$ 7,137	\$ 8,431	\$ 6,927	\$ 7,137	\$ 8,431
Expenditures						
Current Year Vouchers	\$ 5,798	\$ 6,664	\$ 7,482	\$ 5,798	\$ 6,664	\$ 7,482
Prior Year Vouchers	630	630	1,561	630	630	1,561
Subtotal, Vouchers Presented	\$ 6,428	\$ 7,294	\$ 9,044	\$ 6,428	\$ 7,294	\$ 9,044
Posted Transfers Out	651	651	435	651	651	435
Transfer to GO Bond Debt Service Fund	532	532	607	532	532	607
Prior Year Adjustments	5	5	(2)	5	5	(2)
Total Expenditures	\$ 7,616	\$ 8,482	\$ 10,084	\$ 7,616	\$ 8,482	\$ 10,084
End of Quarter Cash Balance	\$ 309	\$ 458	\$ 581	\$ 309	\$ 458	\$ 581
End of Quarter Backlog at Comptroller	\$ (4,197)		\$ (9,058)	\$ (4,197)		\$ (9,058)

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.

*FY17 Revised backlog numbers that would reflect the new definition of the General Funds are not available for FY17, so they are not included here.

General Funds' first quarter revenues totaled \$8,431 million, an increase of \$1,294 million, or 18.1%, over the FY17 Revised first quarter level, including an increase of \$642 million in Net Income Taxes, primarily due to the rate increases.

FY18 first quarter General Funds' expenditures totaled \$10,084 million, an increase of \$1,602 million, or 18.9%, above the FY17 Revised first quarter level.

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES										
First Quarter and Year-to-Date Review										
(\$ in millions)										
	First Quarter			Change: FY17 Revised to FY18 Actual		Year-to-Date			Change: FY17 Revised to FY18 Actual	
	FY17 Actual	FY17 Revised	FY18 Actual	Dollar Change	Percent Change	FY17 Actual	FY17 Revised	FY18 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 3,248	\$ 3,248	\$ 3,996	\$ 748	23.0%	\$ 3,248	\$ 3,248	\$ 3,996	\$ 748	23.0%
Income Tax Refund Fund	(354)	(354)	(392)	(37)	10.5%	(354)	(354)	(392)	(37)	10.5%
Local Government Distributive Fund Deposit	0	0	(197)	(197)	0.0%	0	0	(197)	(197)	0.0%
Net Individual Income Tax	\$ 2,894	\$ 2,894	\$ 3,408	\$ 514	17.8%	\$ 2,894	\$ 2,894	\$ 3,408	\$ 514	17.8%
Non-General Funds Deposits	(210)					(210)				
Net Individual Income Tax	\$ 2,684					\$ 2,684				
Gross Corporate Income	\$ 348	\$ 348	\$ 538	\$ 190	54.6%	\$ 348	\$ 348	\$ 538	\$ 190	54.6%
Income Tax Refund Fund	(60)	(60)	(94)	(35)	57.9%	(60)	(60)	(94)	(35)	57.9%
Local Government Distributive Fund Deposit	0	0	(27)	(27)	0.0%	0	0	(27)	(27)	0.0%
Net Corporate Income Tax	\$ 288	\$ 288	\$ 416	\$ 128	44.4%	\$ 288	\$ 288	\$ 416	\$ 128	44.4%
Non-General Funds Deposits	(0)					(0)				
Net Corporate Income Tax	\$ 288					\$ 288				
Gross Sales Tax	\$ 2,102	\$ 2,102	\$ 2,129	\$ 28	1.3%	\$ 2,102	\$ 2,102	\$ 2,129	\$ 28	1.3%
Downstate Public Trans/Public Trans Deposits	0	0	(49)	(49)	0.0%	0	0	(49)	(49)	0.0%
Net Sales Tax	\$ 2,102	\$ 2,102	\$ 2,080	\$ (22)	(1.0%)	\$ 2,102	\$ 2,102	\$ 2,080	\$ (22)	(1.0%)
Public Utility	208	208	214	6	3.0%	208	208	214	6	3.0%
Cigarette	88	88	88	(0)	(0.3%)	88	88	88	(0)	(0.3%)
Inheritance	79	79	74	(5)	(6.4%)	79	79	74	(5)	(6.4%)
Liquor	44	44	46	2	4.0%	44	44	46	2	4.0%
Insurance	108	108	113	5	4.6%	108	108	113	5	4.6%
Corporate Franchise	57	57	52	(5)	(8.1%)	57	57	52	(5)	(8.1%)
Investment Income	7	7	11	4	66.0%	7	7	11	4	66.0%
Cook County IGT	0	0	0	0	0.0%	0	0	0	0	0.0%
Other	114	114	114	0	0.0%	114	114	114	0	0.0%
TOTAL STATE REVENUES	\$ 5,779	\$ 5,988	\$ 6,616	\$ 628	10.5%	\$ 5,779	\$ 5,988	\$ 6,616	\$ 628	10.5%
Federal Revenues	\$ 725	\$ 725	\$ 1,179	\$ 454	62.7%	\$ 725	\$ 725	\$ 1,179	\$ 454	62.7%
Transfers In	\$ 424	\$ 424	\$ 636	\$ 212	50.1%	\$ 424	\$ 424	\$ 636	\$ 212	50.1%
Lottery	165	165	153	(12)	(7.3%)	165	165	153	(12)	(7.3%)
Gaming/Gaming Taxes	77	77	78	1	1.5%	77	77	78	1	1.5%
Fund Reallocations	0	0	126	126	0.0%	0	0	126	126	0.0%
Interfund Borrowing	0	0	150	150	0.0%	0	0	150	150	0.0%
Other	182	182	129	(53)	(29.1%)	182	182	129	(53)	(29.1%)
TOTAL RECEIPTS	\$ 6,927	\$ 7,137	\$ 8,431	\$ 1,294	18.1%	\$ 6,927	\$ 7,137	\$ 8,431	\$ 1,294	18.1%

Source: Illinois Office of the Comptroller

Income Taxes: FY18 year-to-date (YTD) Individual Income Tax net receipts increased by \$514 million, or 17.8% from the FY17 Revised YTD level. \$197 million of individual income taxes were directly deposited into Local Government Distributive Fund in the first quarter of FY18.

FY18 YTD Corporate Income Tax (CIT) net receipts increased by \$128 million, or 44.4%, from the FY17 Revised YTD level. This large increase is attributable to the rate increase from 5.25% to 7.0% as well as the impact of relatively low deposits of CIT in the first quarter of fiscal year 2017. The first quarter of FY17 was greatly impacted by true-ups of allocations of gross business income tax between CIT and Personal Property Tax Replacement Tax.

Sales Taxes: FY18 YTD Sales Tax net receipts decreased by \$22 million, or 1.0%, from the FY17 YTD level.

Public Utilities: FY18 YTD Public Utility receipts increased by \$6 million, or 3.0%, from the FY17 YTD level.

Inheritance: FY18 YTD Inheritance receipts decreased by \$5 million, or 6.4%, from the FY17 YTD level.

Federal Revenues: FY18 YTD Federal Revenues increased by \$454 million, or 62.7%, compared to the FY17 YTD level. This is due to increases in released vouchers eligible for federal reimbursements.

Transfers In: FY18 YTD Transfers In increased by \$212 million, or 50.1%, compared to the FY17 YTD level. This is attributable to the fund reallocations and interfund borrowing authorized by Public Act 100-0023. Through the first quarter, \$126 million has been transferred to General Revenue Fund from fund reallocations and \$150 million from interfund borrowing.

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 FY18. Total State Revenues (not including Transfers In) were \$167 million, or 2.5%, below the budgeted level. Federal revenues were \$392 million, or 49.7%, above the budgeted level.

GENERAL FUNDS REVENUES Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY18 YTD Budgeted*	FY18 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 4,016	\$ 3,996	\$ (20)	(0.5%)
Income Tax Refund Fund	(394)	(392)	2	(0.5%)
Local Government Distributive Fund Deposit	(195)	(197)	(1)	0.6%
Net Individual Income Tax	\$ 3,427	\$ 3,408	\$ (19)	(0.6%)
Gross Corporate Income	\$ 506	\$ 538	\$ 32	6.3%
Income Tax Refund Fund	(89)	(94)	(6)	6.3%
Local Government Distributive Fund Deposit	(26)	(27)	(2)	6.2%
Net Corporate Income Tax	\$ 392	\$ 416	\$ 25	6.3%
Gross Sales Tax	\$ 2,081	\$ 2,129	\$ 48	2.3%
Downstate Public Trans/Public Trans Deposits	(27)	(49)	(22)	80.6%
Net Sales Tax	\$ 2,054	\$ 2,080	\$ 26	1.3%
Public Utility	212	214	2	1.1%
Cigarette	85	88	3	3.5%
Inheritance	68	74	6	8.2%
Liquor	47	46	(1)	(2.5%)
Insurance	97	113	16	16.6%
Corporate Franchise	53	52	(1)	(1.4%)
Investment Income	5	11	6	132.5%
Cook County IGT	0	0	0	0.0%
Other	146	114	(32)	(21.6%)
TOTAL STATE REVENUES	\$ 6,585	\$ 6,616	\$ 31	0.5%
Federal Revenues	\$ 787	\$ 1,179	\$ 392	49.7%
Transfers In	\$ 434	\$ 636	\$ 202	46.6%
Lottery	151	153	2	1.3%
Gaming/Gaming Taxes	80	78	(2)	(1.9%)
Fund Reallocations	0	126	126	0.0%
Interfund Borrowing	0	150	150	0.0%
Other	203	129	(74)	(36.6%)
TOTAL RECEIPTS	\$ 7,806	\$ 8,431	\$ 625	8.0%

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.

Income Taxes: Individual Income Tax net receipts through the first quarter were \$19 million, or 0.6%, lower than the budgeted levels as payroll processors adjusted to the change in the tax rate. Corporate Income Tax net receipts through the first quarter were \$25 million, or 6.3%, higher than budgeted levels.

Sales Taxes: Sales Tax receipts through the first quarter were \$26 million, or 1.3%, higher than budgeted levels.

Public Utilities: Public Utility receipts through the first quarter were \$2 million, or 1.1%, higher than budgeted levels.

Other Sources: Other Sources through the first quarter were \$32 million, or 21.6%, lower than budgeted levels.

Transfers In: Transfers In through the first quarter were \$202 million, or 46.6%, higher than budgeted levels, due primarily to the interfund borrowing and fund reallocation transfers not appearing in the budgeted estimate.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY17 and FY18 first quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the first quarter of FY18 totaled \$7,482 million, an increase of \$818 million, or 12.3%, from the FY17 Revised level.

GENERAL FUNDS EXPENDITURES						
First Quarter and Year-to-Date Review						
(\$ in millions)						
Agency	First Quarter			Year-to-Date		
	FY17 Actual Spending	FY17 Revised Spending	FY18 Actual Spending	FY17 Actual Spending ¹	FY17 Revised Spending ¹	FY18 Actual Spending
Constitutional Officers ^{2,3}	\$ 84	\$ 87	\$ 70	\$ 84	\$ 87	\$ 70
DHFS	409	427	1,833	409	427	1,833
ISBE	1,444	1,445	1,333	1,444	1,445	1,333
DHS	708	907	612	708	907	612
Higher Education	595	780	432	595	780	432
SERS ³	327	327	378	327	327	378
TRS ³	1,036	1,036	1,179	1,036	1,036	1,179
SURS ³	394	394	440	394	394	440
Corrections	233	329	182	233	329	182
CMS	58	86	480	58	86	480
DCFS	137	137	136	137	137	136
Aging	101	408	122	101	408	122
ISP	46	46	44	46	46	44
Revenue	16	19	10	16	19	10
DPH	11	25	9	11	25	9
DNR	8	12	7	8	12	7
DCEO	2	2	2	2	2	2
All Others ³	187	195	213	187	195	213
Agency Totals	5,798	6,664	7,482	5,798	6,664	7,482

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

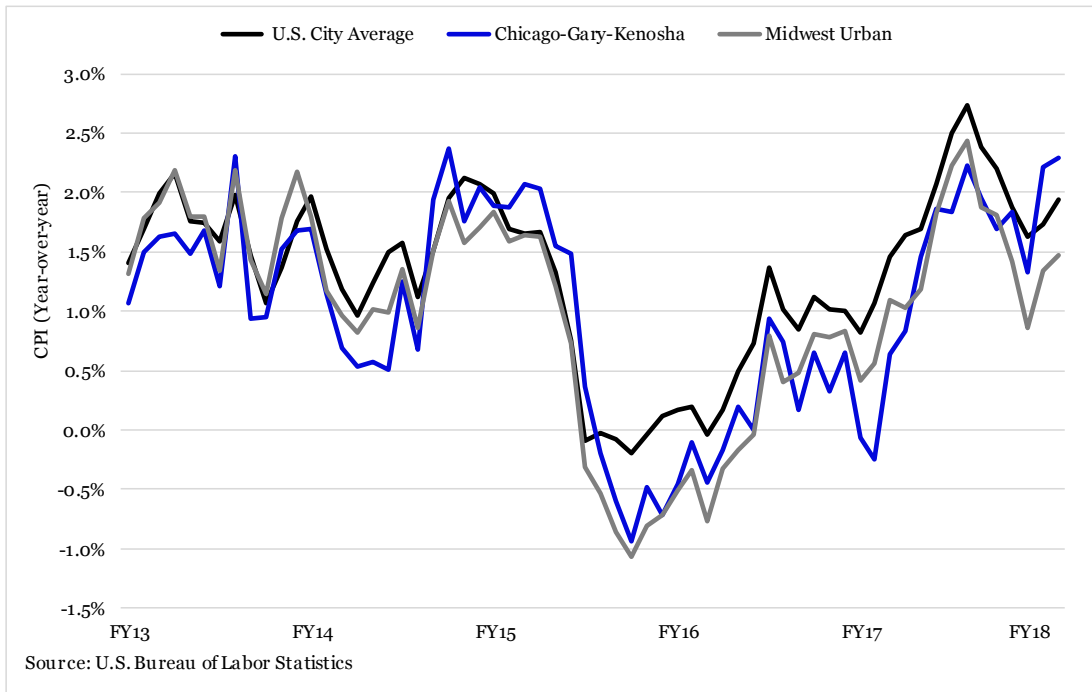
¹ Represents YTD figures for the same time period last fiscal year.

² Constitutional Officers exclude Auditor General.

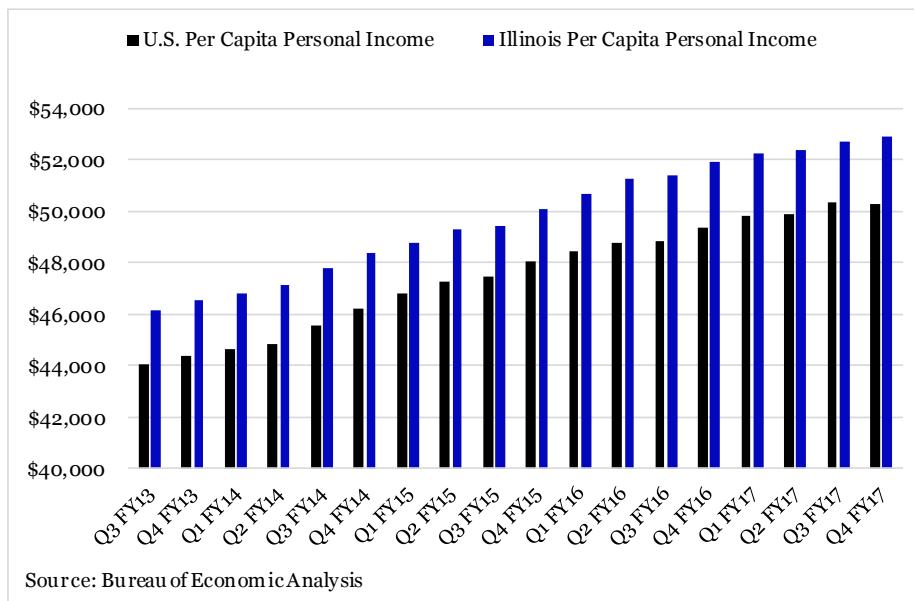
³ Includes continuing appropriations.

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 August FY18. In August FY18, the CPI for U.S. city average increased 1.9% year-over-year. The CPI for Chicago metropolitan area increased 2.3% and the CPI for Midwest region increased 1.5%.



The graph below compares the per capita personal income between U.S. and Illinois from the third quarter of FY13 to the fourth quarter of FY17. The U.S. per capita personal income decreased \$28 or 0.1% from \$50,337 in the third quarter of FY17 to \$50,309 in the fourth quarter. Year-over-year, U.S. per capita personal income increased \$946 or 1.9%. In Illinois, per capita personal income increased \$376 or 0.7% from \$52,558 in the third quarter of FY17 to \$52,934 in the fourth quarter. Year-over-year, Illinois per capita personal income increased \$984 or 1.9%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in August of FY18 was 4.4%, down from 4.9% during the same period last fiscal year. Illinois' unemployment rate of 5.0% in August of FY18 reflected a decrease of 0.8% from the state's unemployment rate of 5.8% during the same period last fiscal year. Additionally, total nonfarm employment in Illinois increased 23,600 year-over-year in August, led by increases in the Professional in Business Services and Education and Health Services industries.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>June FY16</u>	<u>June FY17</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,995,000	6,049,100	54,100
Unemployment Rate, Illinois	5.9% ²	4.7%	(1.2)
Unemployment Rate, United States	4.9%	4.4%	(0.5)
Labor Force Participation Rate, Illinois	65.1%	64.4%	(0.7)
Labor Force Participation Rate, United States	62.7%	62.8%	0.1
EMPLOYMENT STATISTICS	<u>July FY17</u>	<u>July FY18</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,015,800	6,049,000	33,200
Unemployment Rate, Illinois	5.8% ²	4.8%	(1.0)
Unemployment Rate, United States	4.9%	4.3%	(0.6)
Labor Force Participation Rate, Illinois	65.0%	64.2%	(0.8)
Labor Force Participation Rate, United States	62.8%	62.9%	0.1
EMPLOYMENT STATISTICS	<u>August FY17</u>	<u>August FY18</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,020,200	6,043,800	23,600
Unemployment Rate, Illinois	5.8% ²	5.0% ¹	(0.8)
Unemployment Rate, United States	4.9%	4.4%	(0.5)
Labor Force Participation Rate, Illinois	64.9%	64.0%	(0.9)
Labor Force Participation Rate, United States	62.8%	62.9%	0.1

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 5.0 percent in August year-over-year, and statewide home sales decreased 3.4 percent for the same period. Statewide home sales (including single-family homes and condominiums) in August FY18 totaled 16,196 homes sold, down from 16,771 in August FY17. The statewide median price in August FY18 was \$200,456, up 5.0 percent compared to August FY17, when the median price was \$191,000. The time it took to sell a home in August averaged 48 days, down from 55 days year-over-year. In August FY18, available housing inventory totaled 60,462 homes for sale, a 11.4 percent decline from August FY17 when there were 68,240 homes on the market.

FUND REALLOCATIONS

FY18 FIRST QUARTER						
30 ILCS 105/8.52						
(\$ in thousands)						
		Fund of Origin			Receiving Fund	
Date of Transaction	Reallocation Amount	Fund	Fund Name	End Of Day Balance	Fund	End Of Day Balance
8/9/2017	2,500.0	0047	Fire Prevention Fund	21,785.8	0001	376,254.1
8/9/2017	1,101.3	0050	Mental Health Fund	29,484.9	0001	376,254.1
8/9/2017	1,000.0	0068	Hospital Licensure Fund	3,081.7	0001	376,254.1
8/9/2017	2,500.0	0075	Compassionate Use of Medical Cannabis Fund	6,978.5	0001	376,254.1
8/9/2017	5,000.0	0093	IL State Medical Disciplinary Fund	35,058.0	0001	376,254.1
8/9/2017	2,500.0	0119	Foreclosure Prevention Program Graduated Fund	3,076.7	0001	376,254.1
8/9/2017	1,200.0	0137	Plugging and Restoration Fund	1,238.5	0001	376,254.1
8/9/2017	1,500.0	0151	Registered CPAs' Administration and Disciplinary Fund	1,906.9	0001	376,254.1
8/9/2017	6,000.0	0156	Motor Vehicle Theft Prevention Trust Fund	9,312.9	0001	376,254.1
8/9/2017	2,250.0	0211	DHS Technology Initiative Fund	5,268.7	0001	376,254.1
8/9/2017	1,409.5	0218	Professions Indirect Cost Fund	12,571.4	0001	376,254.1
8/9/2017	5,000.0	0258	Nursing Dedicated and Professional Fund	7,043.5	0001	376,254.1
8/9/2017	5,000.0	0286	IL Affordable Housing Trust Fund	60,997.1	0001	376,254.1
8/9/2017	2,000.0	0298	Natural Areas Acquisition Fund	14,979.7	0001	376,254.1
8/9/2017	1,500.0	0356	Law Enforcement Camera Grant Fund	1,619.4	0001	376,254.1
8/9/2017	3,000.0	0397	Trauma Center Fund	9,645.1	0001	376,254.1
8/9/2017	1,272.9	0534	IL Workers' Compensation Commission Operations Fund	45,089.1	0001	376,254.1
8/9/2017	5,000.0	0763	Tourism Promotion Fund	8,492.9	0001	376,254.1
8/9/2017	4,500.0	0796	Nuclear Safety Emergency Preparedness Fund	8,825.2	0001	376,254.1
8/9/2017	1,022.0	0817	State Police Operations Assistance Fund	17,792.5	0001	376,254.1
8/9/2017	1,500.0	0823	IL State Dental Disciplinary Fund	1,761.6	0001	376,254.1
8/9/2017	3,000.0	0850	Real Estate License Administration Fund	4,109.0	0001	376,254.1
8/9/2017	2,500.0	0891	Foreclosure Prevention Program Fund	2,218.4	0001	376,254.1
8/9/2017	6,600.0	0892	Abandoned Residential Property Municipality Relief Fund	8,926.7	0001	376,254.1
8/9/2017	10,000.0	0896	Public Health Special State Projects Fund	30,862.9	0001	376,254.1
8/9/2017	3,500.0	0906	State Police Services Fund	18,487.7	0001	376,254.1
8/9/2017	5,000.0	0920	Metabolic Screening and Treatment Fund	9,469.3	0001	376,254.1
8/9/2017	1,000.0	0921	DHS Recoveries Trust Fund	16,320.1	0001	376,254.1
8/9/2017	15,000.0	0922	Insurance Producer Administration Fund	28,437.3	0001	376,254.1
8/9/2017	9,500.0	0925	Coal Technology Development Assistance Fund	11,869.5	0001	376,254.1
8/9/2017	1,000.0	0936	Rail Freight Loan Repayment Fund	2,517.6	0001	376,254.1
8/9/2017	1,263.0	0973	IL Capital Revolving Loan Fund	2,538.4	0001	376,254.1
8/9/2017	10,941.9	0997	Insurance Financial Regulation Fund	29,980.8	0001	376,254.1
Total	126,060.6					

Source: Illinois Office of the Comptroller