



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2023 SECOND QUARTER FINANCIAL REVIEW

SECOND QUARTER RESULTS

Fiscal Year 2023's (FY23) second quarter saw a year-over-year increase of \$1,010 million in base general funds revenues due to continued strong receipts from income taxes and higher-than-expected investment income. Second quarter expenditures increased by \$1,448 million compared to FY22 second quarter expenditures.

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

SECOND QUARTER REPORT HIGHLIGHT: INVESTMENT INCOME

The investment income received by the state's general funds is the returns on investments made by the Treasurer using the funds' cash balances. The amount of investment income generated is driven primarily by three variables: the amount invested, the investment instruments used, and the market returns on those investments.

The investment priorities of the Treasurer are different from those of other investors because of the value of liquidity; the money in state funds must be quickly available, a lesser requirement of, for example, the State's pension funds. Unlike the pension funds, a large majority of the Treasurer's investments are not equity or real assets, with 57% in money markets, a high-liquidity but often low-return investment consisting of short-term loans. ([Illinois Treasurer](#)).

As addressing inflation took hold as a national priority, the Federal Reserve began to increase interest rates in the second half of calendar year 2022 to slow the economy and fight inflation. This action has significantly increased market interest rates, measured by the Effective Federal Funds Rate, from 0.08% in March to 4.33% in December ([NY Federal Reserve](#)). As such, yields on rate-dependent assets have risen, increasing the State's returns. The 30-Day Effective Yield of the Treasurer's portfolio increased from 0.3% in December 2021 to 3.5% in December 2022, an increase of more than 1,000% ([Illinois Treasurer](#)). This, coupled with the increase in cash balances in the general funds, led to a massive increase in investment income, with second quarter returns up 1,035% over FY22 and year-to-date returns up 1,793%.

ILLINOIS ECONOMIC INDICATORS

The state's economic conditions have closely tracked those of the United States economy over the last calendar year. The state continues to show strong signs of growth in some areas such as unemployment and consumer spending, although other measures including home sales are down and inflation has continued to be a pressing issue. Many economists project that the United States will enter a recession during this fiscal year.

Prices in the Chicago area, as measured by CPI-U, decreased by 0.82% in December according to the U.S. Bureau of Labor Statistics, but were up 5.5% since December 2021. CPI-U is a measure that examines the prices of a basket of goods and services for urban consumers. Across the Midwest, prices were down 0.45% month-over-month and up 6.0% over the year, while nationwide prices decreased 0.31% for the month and increased by 6.5% for the year.

GENERAL FUNDS OVERVIEW

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

(\$ in millions)

	Second Quarter		Year-to-date	
	FY22 Actual	FY23 Actual	FY22 Actual	FY23 Actual
Beginning Backlog at Comptroller	\$ (2,928)	\$ (950)	\$ (2,204)	\$ (1,081)
Beginning Cash Balance	\$ 937	\$ 2,128	\$ 975	\$ 2,063
Revenues				
Individual Income Tax	\$ 4,684	\$ 5,205	\$ 9,362	\$ 10,230
Corporate Income Tax	1,031	1,323	2,103	2,596
Sales Tax	2,623	2,669	5,250	5,429
Other Sources/Transfers In	1,102	1,306	2,585	2,882
State Source Revenues	\$ 9,440	\$ 10,503	\$ 19,300	\$ 21,137
Federal Sources	801	1,187	2,196	2,067
Short Term Borrowing/Municipal Liquidity Facility	0	0	0	0
Investment Borrowing	0	0	0	0
ARPA Reimbursement for Government Services	439	0	439	763
Total Revenues	\$ 10,680	\$ 11,690	\$ 21,934	\$ 23,968
Expenditures				
Current Year Vouchers	\$ 10,497	\$ 11,945	\$ 19,686	\$ 21,445
Prior Year Vouchers	17	0	1,917	1,384
Subtotal, Vouchers Presented	\$ 10,514	\$ 11,945	\$ 21,603	\$ 22,830
Posted Transfers Out	47	68	317	299
Transfer to GO Bond Debt Service Fund	18	55	668	707
Transfer to Repay Interfund Borrowing	14	0	15	0
Transfers to fund tax relief programs	0	0	0	125
Transfers to Pension Stabilization Fund	0	0	0	200
Transfers to cash-fund capital projects	0	0	0	0
Investment Borrowing Repayments	0	0	0	0
Short Term Borrowing Repayments	750	0	750	0
Prior Year Adjustments	(17)	(19)	(12)	(31)
Total Expenditures	\$ 11,327	\$ 12,049	\$ 23,340	\$ 24,131
End of Quarter Cash Balance	\$ 625	\$ 2,023	\$ 625	\$ 2,024
End of Quarter Backlog at Comptroller	\$ (3,261)	\$ (1,204)	\$ (3,261)	\$ (1,204)

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)

	Second Quarter	
	Projected	Actual
Cash Balance, Beginning	\$ 2,128	\$ 2,128
Receipts	\$ 11,721	\$ 11,688
IIT	5,305	5,205
CIT	1,239	1,323
Sales	2,642	2,669
Other Sources	639	685
Transfers In	743	619
Interfund Borrowing	-	-
Investment Borrowing	-	-
Federal Sources	1,153	1,187
ARPA Reimbursement	-	-
Certificate Proceeds	-	-
Cash Expenditures	(11,637)	(12,847)
Short-Term Borrowing Repayment	-	-
Cash Balance - Budget Stabilization Fund	\$ 1,050	\$ 1,054
Cash Balance - All other General Funds	\$ 400	\$ 969

Based on revenue projections revised in November 2022.

GENERAL FUNDS REVENUES SUMMARY

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

(\$ in millions)

	Second Quarter		Change: FY22 Actual to FY23 Actual		Year-to-Date		Change: FY22 Actual to FY23 Actual	
	FY22 Actual	FY23 Actual	Dollar Change	Percent Change	FY22 Actual	FY23 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 5,495	\$ 6,112	\$ 618	11.2%	\$ 10,982	\$ 12,013	\$ 1,032	9.4%
Income Tax Refund Fund	(509)	(566)	(57)	11.2%	(1,016)	(1,111)	(96)	9.4%
Local Government Distributive Fund Deposit	(302)	(342)	(40)	13.1%	(604)	(672)	(68)	11.2%
Net Individual Income Tax	\$ 4,684	\$ 5,205	\$ 521	11.1%	9,362	10,230	\$ 868	9.3%
Gross Corporate Income	\$ 1,302	\$ 1,815	\$ 512	39.3%	\$ 2,657	\$ 3,260	\$ 604	22.7%
Income Tax Refund Fund	(196)	(394)	(199)	101.7%	(399)	(473)	(74)	18.6%
Local Government Distributive Fund Deposit	(76)	(97)	(21)	28.3%	(155)	(191)	(36)	23.4%
Net Corporate Income Tax	\$ 1,031	\$ 1,323	\$ 292	28.3%	\$ 2,103	\$ 2,596	\$ 493	23.5%
Gross Sales Tax	\$ 2,784	\$ 2,851	\$ 67	2.4%	\$ 5,482	\$ 5,687	\$ 205	3.7%
Downstate Public Trans/Public Trans Deposits	(161)	(182)	(21)	13.3%	(233)	(258)	(25)	10.9%
Road Fund Deposit	(30)	(145)	(115)	384.7%	(53)	(243)	(190)	361.6%
Net Sales Tax	2,623	\$ 2,669	\$ 46	1.8%	5,250	\$ 5,429	\$ 179	3.4%
Public Utility	\$ 172	\$ 159	(13)	(7.7%)	\$ 348	\$ 338	(10)	(2.8%)
Cigarette	65	61	(4)	(6.0%)	136	124	(12)	(8.9%)
Inheritance	151	149	(2)	(1.3%)	309	267	(42)	(13.7%)
Liquor	47	45	(2)	(4.8%)	98	95	(3)	(3.0%)
Insurance	76	77	1	1.3%	188	210	22	11.6%
Corporate Franchise	48	60	12	25.0%	112	116	4	3.9%
Investment Income	5	57	52	1035.4%	6	114	108	1793.0%
Cook County IGT	0	0	0	0.0%	0	0	0	0.0%
Other	69	78	9	13.0%	141	201	60	42.6%
TOTAL STATE REVENUES	\$ 8,971	\$ 9,883	\$ 913	10.2%	\$ 18,053	\$ 19,720	\$ 1,667	9.2%
Federal Revenues	\$ 801	\$ 1,187	\$ 386	48.2%	\$ 2,196	\$ 2,067	\$ (129)	(5.9%)
Transfers In	\$ 469	\$ 619	\$ 150	32.1%	\$ 1,246	\$ 1,418	\$ 172	13.8%
Lottery	199	150	(49)	(24.6%)	409	300	(109)	(26.7%)
Gaming/Gaming Taxes	53	54	1	1.1%	86	94	8	9.4%
Adult-Use Cannabis	28	27	(1)	(4.4%)	53	56	3	5.7%
Other	189	389	200	105.8%	698	968	270	38.7%
SUBTOTAL REVENUES	\$ 10,241	\$ 11,690	\$ 1,449	14.1%	\$ 21,495	\$ 23,205	\$ 1,710	8.0%
Investment Borrowing	0	0	0	0.0%	0	0	0	100.0%
Municipal Liquidity Facility	0	0	0	0.0%	0	0	0	100.0%
ARPA Reimbursement for Government Services	439	0	(439)	(100.0%)	439	763	324	73.8%
TOTAL REVENUES	\$ 10,680	\$ 11,690	\$ 1,010	9.5%	\$ 21,934	\$ 23,968	\$ 2,034	9.3%

Source: Illinois Office of the Comptroller

Income Taxes: FY23 year-to-date (YTD) Individual Income Tax net receipts increased by \$868 million, or 9.3% from FY22, while FY23 YTD Corporate Income Tax (CIT) net receipts increased by \$493 million, or 23.5%. \$863 million of income taxes were directly deposited into the Local Government Distributive Fund in the first half of FY23.

Sales Taxes: FY23 YTD Sales Tax net receipts increased by \$179 million, or 3.4%, from the FY22 YTD level.

Federal Revenues: FY23 YTD base Federal Revenues decreased by \$129 million, or 5.9%, compared to the FY22 YTD level.

Transfers In: FY23 YTD Transfers In increased by \$172 million, or 13.8%, compared to the FY22 YTD level.

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 FY23. Total State Revenues (not including Transfers In) were \$56 million, or 0.3%, above the November 2022 budgeted level. Federal Revenues were \$34 million, or 1.7%, above the November 2022 budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY23 YTD Budgeted*	FY23 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 12,131	\$ 12,013	\$ (118)	(1.0%)
Income Tax Refund Fund	(1,122)	\$ (1,111)	11	(1.0%)
Local Government Distributive Fund Deposit	(678)	\$ (672)	7	(1.0%)
Net Individual Income Tax	\$ 10,331	\$ 10,230	\$ (101)	(1.0%)
Gross Corporate Income	\$ 3,155	\$ 3,260	\$ 105	3.3%
Income Tax Refund Fund	(457)	(473)	(15)	3.4%
Local Government Distributive Fund Deposit	(185)	(191)	(6)	3.4%
Net Corporate Income Tax	\$ 2,513	\$ 2,596	\$ 83	3.3%
Gross Sales Tax	\$ 5,901	\$ 5,687	\$ (214)	(3.6%)
Downstate Public Trans/Public Trans Deposits	(258)	(258)	(0)	0.0%
Road Fund Deposits	(243)	(243)	(0)	0.0%
Net Sales Tax	\$ 5,401	\$ 5,429	\$ 28	0.5%
Public Utility	\$ 344	338	(6)	(1.7%)
Cigarette	121	124	3	2.4%
Inheritance	225	267	42	18.5%
Liquor	99	95	(4)	(4.0%)
Insurance	210	210	(0)	(0.1%)
Corporate Franchise	117	116	(0)	(0.3%)
Investment Income	106	114	8	7.2%
Cook County IGT	0	0	0	0.0%
Other	197	201	4	2.0%
TOTAL STATE REVENUES	\$ 19,663	\$ 19,720	\$ 56	0.3%
Federal Revenues	\$ 2,033	\$ 2,067	\$ 34	1.7%
Transfers In	\$ 1,540	\$ 1,418	\$ (122)	(7.9%)
Lottery	300	300	0	0.0%
Gaming/Gaming Taxes	97	94	(3)	(3.0%)
Adult-Use Cannabis	64	56	(8)	(12.5%)
Other	1,079	968	(111)	(10.3%)
SUBTOTAL REVENUES	\$ 23,235	\$ 23,205	\$ (30)	(0.1%)
Investment Borrowing	0	0	0	0.0%
Short Term Borrowing	0	0	0	0.0%
ARPA Reimbursement for Government Services	0	763	763	0.0%
TOTAL REVENUES	\$ 23,236	\$ 23,968	\$ 732	3.1%

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 November 2022.

Income Taxes: Individual Income Tax net receipts through the second quarter were \$101 million, or 1.0%, lower than budgeted levels. Corporate Income Tax net receipts through the second quarter were \$83 million, or 3.3%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the second quarter were \$28 million, or 0.5%, higher than the budgeted levels.

Transfers In: Transfers In through the second quarter were \$122 million, or 7.9%, lower than budgeted levels.

OUTLOOK FOR FUTURE GENERAL FUNDS REVENUES

The table below sets forth the future outlook for General Funds revenues for FY23. The table below reflects anticipated revenues to be received compared against year-to-date collections.

PROJECTED GENERAL FUNDS REVENUES			
Year-to-Date Actuals versus Annual Forecast			
(\$ in millions)			
	FY23 YTD Actual	FY23 Annual Forecast*	Remainder of Forecast*
Receipts	\$ 23,205	\$ 49,356	\$ 26,151
IIT	10,230	23,215	12,985
CIT	2,596	5,262	2,666
Sales	5,429	10,261	4,832
Other Sources	1,464	3,224	1,760
Transfers In	1,418	3,294	1,876
Federal Sources	2,067	4,100	2,033
Total Base Revenues	23,205	49,356	26,151

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

*Fiscal year 2023 forecast was updated in November 2022 using historical averages, national and regional economic activity data, and tax-related information provided by the Department of Revenue.

Through the second quarter of FY23, total base State General Funds revenues have performed well against the revised November 2022 annual revenue forecast. Net corporate income tax has exceeded its forecast by 3.3%, while net individual income taxes was slightly below its forecast by 1.0%. That difference is mainly attributable to the timing of certain income tax payments and well withing a margin of forecasting error. Currently, GOMB reaffirms its forecast.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY22 and FY23 second quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the second quarter of FY23 totaled \$11,945 million, an increase of \$1,448 million, or 13.8%, from the FY22 level.

GENERAL FUNDS EXPENDITURES				
Second Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Second Quarter		Year-to-Date	
	FY22 Actual Spending	FY23 Actual Spending	FY22 Actual Spending	FY23 Actual Spending
Constitutional Officers ¹	\$ 85	\$ 112	\$ 171	\$ 202
DHFS	1,851	2,641	3,831	4,473
ISBE	2,451	2,556	4,132	4,356
DHS	1,137	1,367	1,910	2,151
Higher Education	780	893	1,311	1,477
SERS	417	416	818	865
TRS	1,526	1,574	2,907	3,161
SURS	468	461	936	1,156
Corrections	417	424	639	680
CMS	400	460	1,230	1,065
DCFS	282	298	491	546
Aging	246	270	413	466
ISP	79	84	136	143
Revenue	12	12	22	22
DPH	46	54	67	99
DNR	11	17	17	32
DCEO	4	6	6	9
All Others	285	301	649	543
Agency Totals	\$ 10,497	\$ 11,945	\$ 19,686	\$ 21,445

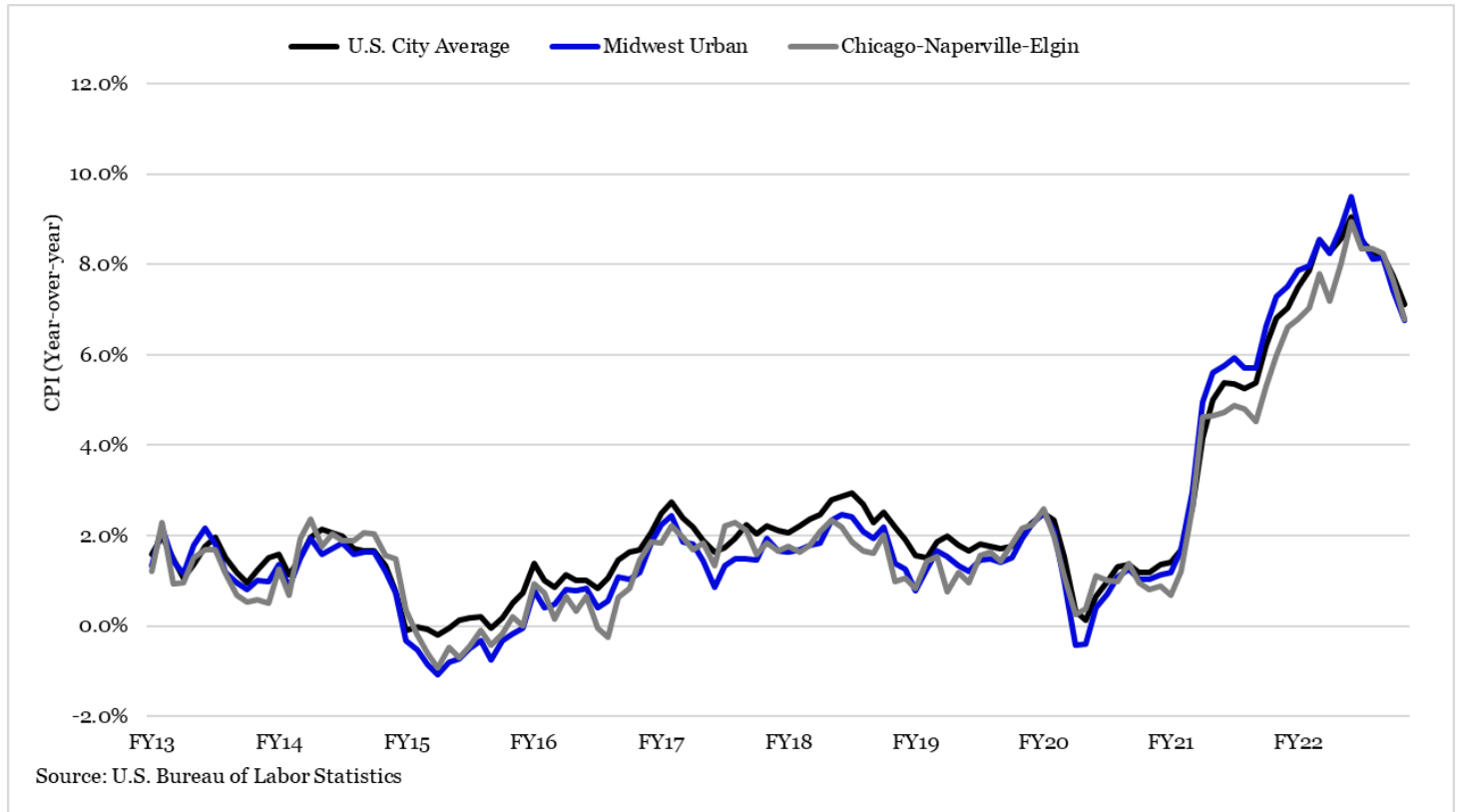
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

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

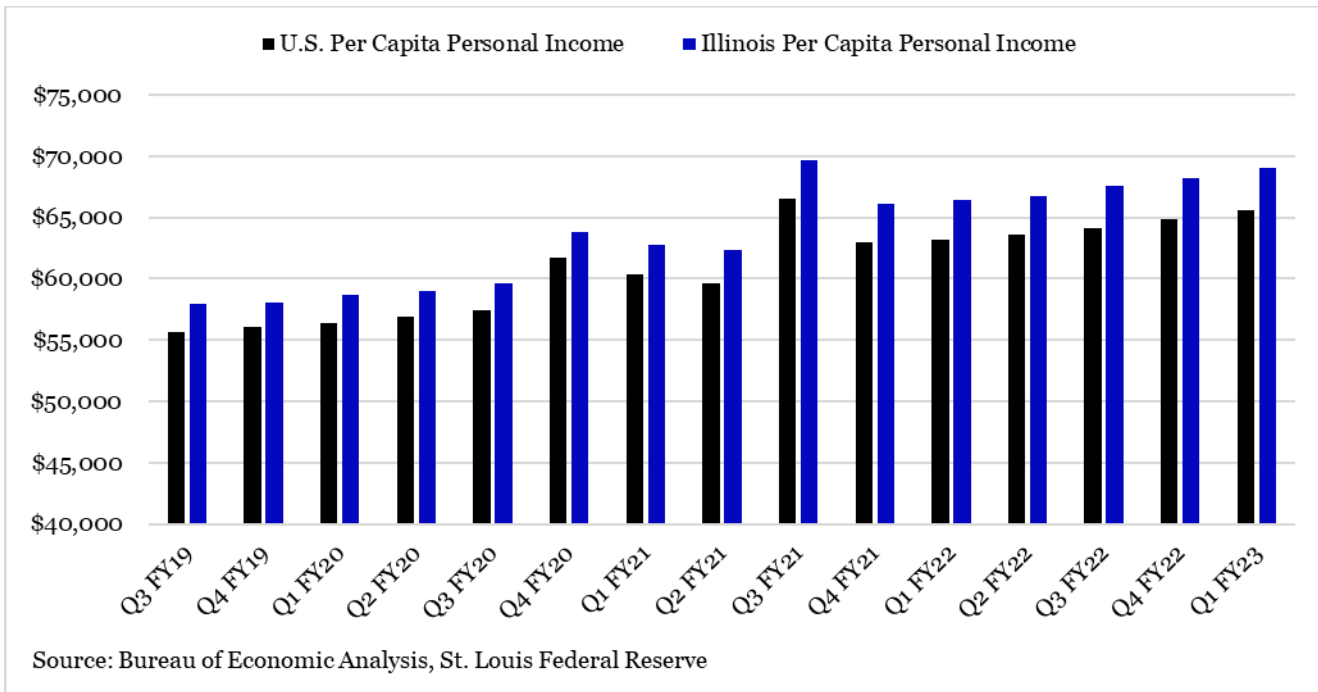
¹ Constitutional Officers exclude Auditor General.

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 January FY13 to December FY23. In December FY23, the U.S. city average CPI was up 6.5% year-over-year. The CPI for Chicago metropolitan area increased 6.0% and the CPI for Midwest region increased 5.5%.



The graph below compares the per capita personal income between the U.S. and Illinois from the third quarter of FY19 to the first quarter of FY23. The U.S. per capita personal income increased \$791 or 1.21% from \$64,811 in the fourth quarter of FY22 to \$65,602 in the first quarter of FY23. Year-over-year, U.S. per capita personal income increased \$2,398 or 3.78%. In Illinois, per capita personal income increased by \$768 or 1.11% from \$68,220, in the fourth quarter of FY22 to \$68,988 in the first quarter of FY23. Year-over-year, Illinois per capita personal income increased \$2,533 or 3.81%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in December of FY23 was 3.5%, down from 3.9% during the same period last fiscal year. Illinois' unemployment rate of 4.7% in December of FY23 reflected a decrease of 0.4 percentage points from the state's unemployment rate of 5.1% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased by 161,000 year-over-year in December, led by increases in the Leisure & Hospitality, Educational and Health Services, and Trade, Transportation and Utilities sectors.

EMPLOYMENT HIGHLIGHTS
State and National Review

EMPLOYMENT STATISTICS	<u>October FY22</u>	<u>October FY23</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,894,400	6,089,900	195,500
Unemployment Rate, Illinois	5.3%	4.6%	(0.7)
Unemployment Rate, United States	4.5%	3.7%	(0.8)
Labor Force Participation Rate, Illinois	63.3%	64.4%	1.1
Labor Force Participation Rate, United States	61.8%	62.2%	0.4

EMPLOYMENT STATISTICS	<u>November FY22</u>	<u>November FY23</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,922,000	6,102,000	180,000
Unemployment Rate, Illinois	5.1%	4.7%	(0.4)
Unemployment Rate, United States	4.2%	3.6%	(0.6)
Labor Force Participation Rate, Illinois	63.2%	64.3%	1.1
Labor Force Participation Rate, United States	61.9%	62.2%	0.3

EMPLOYMENT STATISTICS	<u>December FY22</u>	<u>December FY23</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,940,200	6,101,200	161,000
Unemployment Rate, Illinois	5.1%	4.7%	(0.4)
Unemployment Rate, United States	3.9%	3.5%	(0.4)
Labor Force Participation Rate, Illinois	63.3%	64.3%	1.0
Labor Force Participation Rate, United States	62.0%	62.3%	0.3

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

ILLINOIS REAL ESTATE

Prices have declined somewhat and sales have dropped significantly in the Illinois housing market; the demand for homes has declined as interest rates rise. The monthly median price of \$238,000 in December 2022 was 2.1 percent less than \$243,000 the year before and statewide home sales in December 2022 totaled 9,581 homes sold, down 36.4 percent from 15,070 in December 2021. For the year, the annual median price of \$260,000 in 2022 was 4.0 percent greater than the median price of \$250,000 in 2021.

In December 2022, homes sold on average of 34 days, up from 33 days a year ago. Available housing inventory in December 2022 totaled 20,671 homes for sale, a 9.7 percent decline from December 2021 when 22,896 homes were on the market. The time it took to sell a home in 2022 averaged 28 days, a 15.2 percent reduction from 33 days in 2021.