



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

BRUCE RAUNER
 GOVERNOR

FISCAL YEAR 2017 THIRD QUARTER FINANCIAL REVIEW

GENERAL FUNDS CASH FLOW

The table below sets forth General Funds Cash Flow third quarter and year-to-date comparisons between fiscal year 2016 (FY16) and FY17. This table reflects a FY17 cash balance of \$433 million, and pending vouchers and transfers at the Office of the Comptroller of \$7,722 million.

| GENERAL FUNDS CASH FLOW | | | | |
|---|--------------------|--------------------|---------------------|---------------------|
| Second Quarter and Year-to-Date Review | | | | |
| (\$ in millions) | | | | |
| | FY16 | FY17 | FY16 | FY17 |
| | 3rd Quarter | 3rd Quarter | Year-to-Date | Year-to-Date |
| Beginning Backlog at Comptroller | \$ (3,992) | \$ (6,197) | \$ (2,830) | \$ (3,444) |
| Beginning Cash Balance | \$ 298 | \$ 163 | \$ 621 | \$ 246 |
| Revenues | | | | |
| Individual Income Tax | \$ 3,488 | \$ 3,620 | \$ 9,186 | \$ 9,058 |
| Corporate Income Tax | \$ 474 | \$ 163 | \$ 1,301 | \$ 651 |
| Sales Tax | \$ 1,873 | \$ 1,822 | \$ 6,016 | \$ 6,010 |
| Other Sources/Transfers In | \$ 1,174 | \$ 1,151 | \$ 3,479 | \$ 3,434 |
| State Source Revenues | \$ 7,009 | \$ 6,756 | \$ 19,981 | \$ 19,152 |
| Budget Stabilization Fund | \$ - | \$ - | \$ 125 | \$ - |
| Federal Sources | \$ 857 | \$ 660 | \$ 2,152 | \$ 1,666 |
| Total Revenues | \$ 7,866 | \$ 7,415 | \$ 22,258 | \$ 20,818 |
| Expenditures | | | | |
| Current Year Vouchers | \$ 5,646 | \$ 7,570 | \$ 18,537 | \$ 20,911 |
| Prior Year Vouchers | \$ - | \$ - | \$ 752 | \$ 588 |
| Subtotal, Vouchers Presented | \$ 5,646 | \$ 7,570 | \$ 19,289 | \$ 21,500 |
| Posted Transfers Out | \$ 593 | \$ 550 | \$ 1,865 | \$ 1,793 |
| Transfer to GO Bond Debt Service Fd | \$ 475 | \$ 555 | \$ 1,443 | \$ 1,614 |
| Prior Year Adjustments | \$ (3) | \$ (4) | \$ (10) | \$ 1 |
| Total Expenditures | \$ 6,711 | \$ 8,670 | \$ 22,588 | \$ 24,909 |
| End of Quarter Cash Balance | \$ 510 | \$ 433 | \$ 510 | \$ 433 |
| End of Quarter Backlog at Comptroller | \$ (3,049) | \$ (7,722) | \$ (3,049) | \$ (7,722) |

SOURCE: Illinois Office of the Comptroller Records.

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.

General Funds' third quarter revenues totaled \$7,415 million, a decrease of \$451 million, or 5.7%, below the FY16 third quarter level, including a decrease of \$197 million, or 23.0%, in Federal Sources due primarily to decreases in reimbursable spending on Medicaid.

FY17 third quarter General Funds' expenditures totaled \$8,670 million, an increase of \$1,959 million, or 29.2%, above the FY16 third quarter level.

GENERAL FUNDS REVENUES SUMMARY

| GENERAL FUNDS REVENUES | | | | | | | | |
|---------------------------------------|---------------------|---------------------|------------------|-------------------|---------------|---------------|------------------|-------------------|
| Third Quarter and Year-to-Date Review | | | | | | | | |
| (in millions) | | | | | | | | |
| | FY16 3rd Quarter | FY17 3rd Quarter | Dollar Change | Percent Change | FY16 YTD | FY17 YTD | Dollar Change | Percent Change |
| Gross Individual Income Tax | 4,151 | 4,344 | 193 | 4.6% | 10,918 | 10,922 | 4 | 0.0% |
| Income Tax Refund Fund | (405) | (487) | (82) | 20.3% | (1,065) | (1,223) | (159) | 14.9% |
| Fund for Advancement of Education | (129) | (119) | 11 | (8.2%) | (334) | (321) | 13 | (4.0%) |
| Commitment to Human Services Fund | (129) | (119) | 11 | (8.2%) | (334) | (321) | 13 | (4.0%) |
| Net Individual Income Tax | 3,488 | 3,620 | 132 | 3.8% | 9,186 | 9,058 | (128) | (1.4%) |
| Gross Corporate Income | 559 | 199 | (361) | (64.5%) | 1,535 | 789 | (747) | (48.6%) |
| Income Tax Refund Fund | (85) | (35) | 50 | (59.3%) | (233) | (137) | 96 | (41.4%) |
| Fund for Advancement of Education | (0) | (0) | (0) | 58.9% | (1) | (1) | 0 | (8.8%) |
| Commitment to Human Services Fund | (0) | (0) | (0) | 58.9% | (1) | (1) | 0 | (8.8%) |
| Net Corporate Income Tax | 474 | 163 | (311) | (65.5%) | 1,301 | 651 | (650) | (50.0%) |
| Sales | 1,873 | 1,822 | (51) | (2.7%) | 6,016 | 6,010 | (6) | (0.1%) |
| Public Utility | 278 | 254 | (24) | (8.7%) | 709 | 666 | (43) | (6.1%) |
| Cigarette | 88 | 85 | (3) | (3.7%) | 265 | 256 | (9) | (3.4%) |
| Inheritance | 63 | 65 | 2 | 3.9% | 255 | 203 | (52) | (20.3%) |
| Liquor | 41 | 40 | (1) | (1.5%) | 127 | 130 | 3 | 2.0% |
| Insurance | 88 | 89 | 1 | 1.3% | 249 | 256 | 7 | 3.0% |
| Corporate Franchise | 47 | 53 | 6 | 13.5% | 158 | 162 | 3 | 2.1% |
| Investment Income | 7 | 11 | 4 | 53.8% | 17 | 25 | 8 | 45.8% |
| Cook County IGT | 94 | 94 | (0) | (0.1%) | 150 | 150 | 0 | 0.0% |
| Other Sources | 126 | 143 | 17 | 13.9% | 330 | 456 | 126 | 38.2% |
| TOTAL STATE REVENUES | 829 | 832 | 3 | 0.4% | 18,763 | 18,023 | (741) | (3.9%) |
| Federal Revenues | 857 | 660 | (197) | (23.0%) | 2,152 | 1,666 | (486) | (22.6%) |
| Transfers In: | 345 | 319 | (26) | (7.6%) | 1,218 | 1,129 | (89) | (7.3%) |
| Lottery | 175 | 165 | (10) | (5.5%) | 487 | 511 | 24 | 4.9% |
| Gaming/Gaming Taxes | 66 | 62 | (4) | (5.5%) | 237 | 228 | (9) | (3.8%) |
| Other Transfers In | 104 | 91 | (13) | (12.3%) | 494 | 390 | (104) | (21.0%) |
| TOTAL RECEIPTS | 7,866 | 7,415 | (450) | (5.7%) | 22,133 | 20,818 | (1,315) | (5.9%) |

SOURCE: Illinois Office of the Comptroller Records.

NOTE: Totals may not add due to rounding. Excludes Budget Stabilization Fund transfers into the General Funds.

Income Taxes: Individual Income Tax net receipts through the third quarter decreased by \$128 million, or 1.4% from the FY16 year-to-date level.

Corporate Income Tax net receipts through the third quarter decreased by \$650 million, or 50%, from the FY16 level.

Sales Taxes: Sales Tax receipts through the third quarter decreased by \$6 million, or 0.1%, from the FY16 level.

Public Utilities: Public Utility receipts through the third quarter decreased by \$43 million, or 6.1%, from the FY16 level.

Inheritance: Inheritance receipts through the third quarter decreased by \$52 million, or 20.3%, from the FY16 level.

All Other Sources: All Other Sources are up \$126 million YTD, or 38.2%, from the FY16 level.

Federal Revenues: FY17 Federal Sources through the third quarter decreased by \$486 million, or 22.6%, compared to the FY16 level.

Transfers-In: Transfers-in decreased by \$88 million YTD, or 7.3%, compared to the FY16 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 FY17. Total State Revenues (not including Transfers In) were \$715 million, or 3.8%, below the budgeted level. Federal revenues were \$1,088 million, or 39.5%, below the budgeted level.

| GENERAL FUNDS REVENUES | | | | |
|--|---|--------------------|------------------|-------------------|
| Year-to-Date Budgeted versus Actual | | | | |
| | (in millions) | | | |
| | FY17 YTD Budgeted (February 2017 Estimate) | FY17 YTD Actual | Dollar Change | Percent Change |
| Gross Individual Income Tax | 10,941 | 10,922 | (19) | (0.2%) |
| Income Tax Refund Fund | (1,225) | (1,223) | 2 | (0.1%) |
| Fund for Advancement of Education | (328) | (321) | 8 | (2.3%) |
| Commitment to Human Services Fund | (328) | (321) | 8 | (2.3%) |
| Net Individual Income Tax | 9,059 | 9,058 | (2) | (0.0%) |
| Gross Corporate Income | 1,117 | 789 | (328) | (29.4%) |
| Income Tax Refund Fund | (193) | (137) | 56 | (29.1%) |
| Fund for Advancement of Education | (2) | (1) | 1 | (61.8%) |
| Commitment to Human Services Fund | (2) | (1) | 1 | (61.8%) |
| Net Corporate Income Tax | 921 | 651 | (270) | (29.3%) |
| Sales | 6,092 | 6,010 | (82) | (1.3%) |
| Public Utility | 687 | 666 | (21) | (3.0%) |
| Cigarette | 265 | 256 | (9) | (3.3%) |
| Inheritance | 206 | 203 | (3) | (1.4%) |
| Liquor | 129 | 130 | 1 | 0.7% |
| Insurance | 250 | 256 | 6 | 2.3% |
| Corporate Franchise | 158 | 162 | 4 | 2.4% |
| Investment Income | 20 | 25 | 5 | 27.1% |
| Cook County IGT | 146 | 150 | 4 | 0.0% |
| Other Sources | 498 | 456 | (42) | (8.4%) |
| TOTAL STATE REVENUES | 18,431 | 18,023 | (408) | (2.2%) |
| Federal Revenues | 2,286 | 1,666 | (620) | (27.1%) |
| Transfers In: | 1,128 | 1,129 | 1 | 0.1% |
| Lottery | 513 | 511 | (2) | (0.4%) |
| Gaming/Gaming Taxes | 218 | 228 | 10 | 4.4% |
| Other Transfers In | 397 | 390 | (7) | 0.0% |
| TOTAL RECEIPTS | 21,845 | 20,818 | (1,027) | (4.7%) |

SOURCE: Illinois Office of the Comptroller Records and Governor's Office of Management and Budget.

Income Taxes: Individual Income Tax net receipts through the third quarter were \$2 million lower than the budgeted levels. Corporate Income Tax net receipts through the third quarter were \$270 million, or 29.3%, lower than budgeted levels.

Sales Taxes: Sales Tax receipts through the third quarter were \$82 million, or 1.3%, lower than budgeted levels.

Public Utilities: Public Utility receipts through the third quarter were \$21 million, or 3.0%, lower than budgeted levels.

Other Sources: Other Sources through the third quarter were \$42 million, or 8.4%, below budgeted levels.

Federal Revenues: FY17 Federal sources of revenue through the third quarter were \$620 million, or 27.1%, lower than budgeted revenues.

Transfers-In: Transfers-in through the third quarter were \$1 million, or 0.1%, higher than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY16 and FY17 third quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the third quarter of FY17 totaled \$7,570 million, an increase of \$1,924 million, or 34.1%, from the FY16 level.

| GENERAL FUNDS EXPENDITURES | | | | |
|--|------------------------------------|------------------------------------|--|----------------------------|
| Third Quarter and Year-to-Date Review | | | | |
| (in millions) | | | | |
| Agency | FY16 Expend 3rd Quarter | FY17 Expend 3rd Quarter | FY16 Expend YTD¹ | FY17 Expend YTD |
| Constitutional Officers ^{2,3} | \$ 80 | \$ 85 | \$ 214 | \$ 242 |
| DHFS | \$ 607 | \$ 1,947 | \$ 3,761 | \$ 4,234 |
| ISBE | \$ 1,662 | \$ 2,003 | \$ 4,864 | \$ 5,406 |
| DHS | \$ 785 | \$ 737 | \$ 2,267 | \$ 2,255 |
| Higher Education | \$ 6 | \$ 11 | \$ 18 | \$ 711 |
| SERS ³ | \$ 332 | \$ 327 | \$ 1,035 | \$ 982 |
| TRS ³ | \$ 963 | \$ 1,027 | \$ 2,897 | \$ 3,090 |
| SURS ³ | \$ 357 | \$ 558 | \$ 1,051 | \$ 1,336 |
| Corrections | \$ 220 | \$ 250 | \$ 619 | \$ 743 |
| CMS | \$ 5 | \$ 12 | \$ 13 | \$ 173 |
| DCFS | \$ 153 | \$ 163 | \$ 483 | \$ 469 |
| Aging | \$ 180 | \$ 129 | \$ 431 | \$ 354 |
| ISP | \$ 51 | \$ 49 | \$ 158 | \$ 156 |
| Revenue | \$ 19 | \$ 21 | \$ 54 | \$ 59 |
| DPH | \$ 11 | \$ 26 | \$ 33 | \$ 50 |
| DNR | \$ 8 | \$ 9 | \$ 24 | \$ 25 |
| IDOT | \$ - | \$ - | \$ - | \$ - |
| DCEO | \$ 2 | \$ 2 | \$ 6 | \$ 5 |
| All Others ³ | \$ 204 | \$ 215 | \$ 609 | \$ 619 |
| Agency Totals | \$ 5,646 | \$ 7,570 | \$ 18,537 | \$ 20,911 |

Source: IOC Data Warehouse and GOMB.

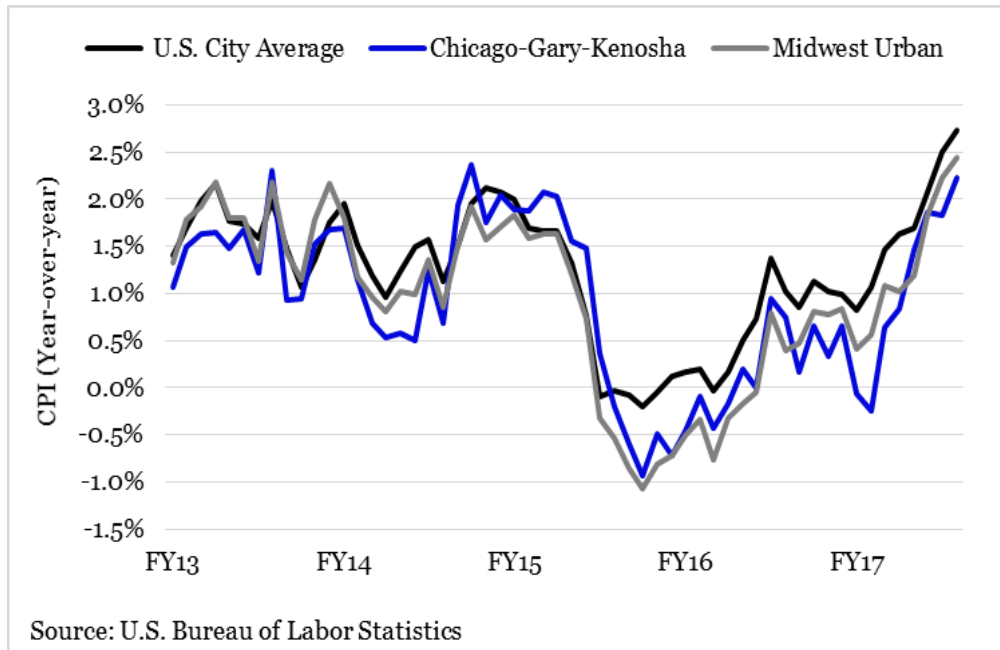
¹ Represents YTD figures for the same time period last fiscal year.

² Constitutional Officers exclude Auditor General.

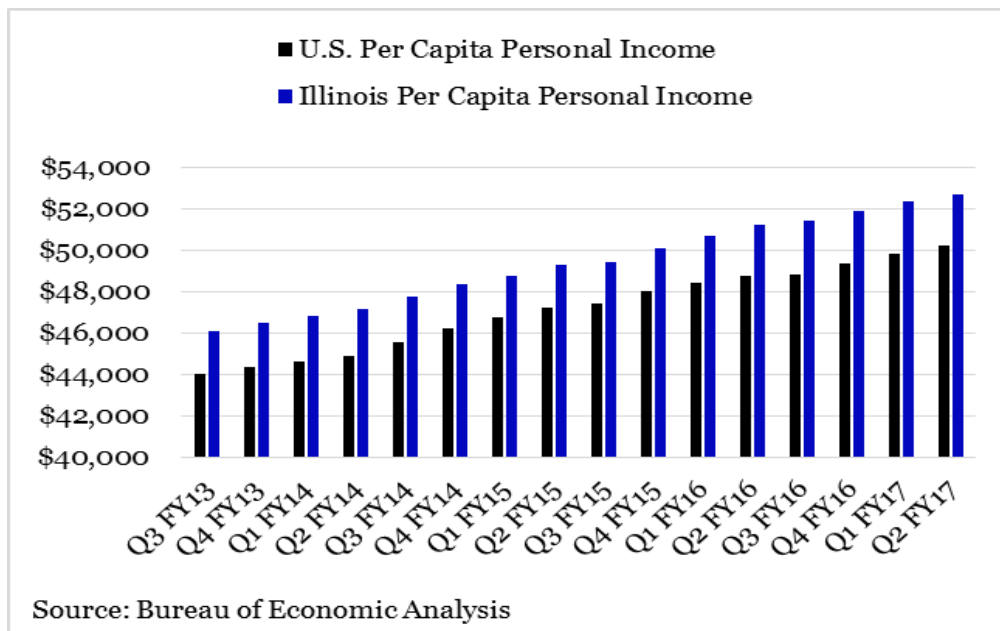
³ Includes continuing appropriations.

KEY ECONOMIC INDICATORS

The graph below shows the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area, and Midwest from July FY13 to February FY17. In February FY17, the CPI for U.S. city average increased 2.7% year-over-year. The CPI for Chicago metropolitan area increased 2.2% year-over-year. In February FY17, the CPI for Midwest region increased 2.4%.



The graph below compares the per capita personal income between U.S. and Illinois from the third quarter of FY13 to the first quarter of FY17. The national per capita personal income increased \$379 or 0.8% from \$49,828 in the first quarter of FY17 to \$50,207 in the second quarter. Year-over-year, U.S. per capita personal income increased \$1,441 or 3.0%. In Illinois, per capita personal income increased \$363 or 0.7% from \$52,333 in the first quarter of FY17 to \$52,696 in the second quarter. Year-over-year, Illinois per capita personal income increased \$1,457 or 2.8%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent employment highlights. Nationally, the unemployment rate in February of FY17 was 4.7%, down from 4.9% during the same period last fiscal year. Illinois' unemployment rate of 5.4% in February of FY17 reflected a decrease from the state's unemployment rate of 6.1% during the same period last fiscal year. Additionally, total nonfarm employment in Illinois increased 47,000 year-over-year in February, led by increases in Financial Activities, Construction, and Educational and Health.

| EMPLOYMENT HIGHLIGHTS | | | |
|--|-----------------------------|-----------------------------|----------------------|
| State and National Review | | | |
| EMPLOYMENT STATISTICS | <u>December FY16</u> | <u>December FY17</u> | <u>Change</u> |
| Total Nonfarm Employment, Illinois | 6,002,400 | 6,021,300 | 18,900 |
| Unemployment Rate, Illinois | 6.1% | 5.7% | (0.4) |
| Unemployment Rate, United States | 5.0% | 4.7% | (0.3) |
| Labor Force Participation Rate, Illinois | 65.3% | 64.8% | (0.5) |
| Labor Force Participation Rate, United States | 62.7% | 62.7% | 0.0 |
| EMPLOYMENT STATISTICS | <u>January FY16</u> | <u>January FY17</u> | <u>Change</u> |
| Total Nonfarm Employment, Illinois | 6,007,100 | 6,029,400 | 22,300 |
| Unemployment Rate, Illinois | 6.1% | 5.7% | (0.4) |
| Unemployment Rate, United States | 4.9% | 4.8% | (0.1) |
| Labor Force Participation Rate, Illinois | 65.4% | 65.0% | (0.4) |
| Labor Force Participation Rate, United States | 62.7% | 62.9% | 0.2 |
| EMPLOYMENT STATISTICS | <u>February FY16</u> | <u>February FY17</u> | <u>Change</u> |
| Total Nonfarm Employment, Illinois | 6,008,000 | 6,055,000 | 47,000 |
| Unemployment Rate, Illinois | 6.1% | 5.4% | (0.7) |
| Unemployment Rate, United States | 4.9% | 4.7% | (0.2) |
| Labor Force Participation Rate, Illinois | 65.5% | 65.1% | (0.4) |
| Labor Force Participation Rate, United States | 62.9% | 63.0% | 0.1 |
| Source: Illinois Department of Employment Security and United States Department of Labor | | | |

ILLINOIS REAL ESTATE

According to Illinois REALTORS, median home prices in Illinois rose 6.3 percent in February year-over-year, while statewide home sales decreased 2.8 percent for the same period. Statewide home sales (including single-family homes and condominiums) in February totaled 8,461 homes sold, down 2.8 percent from 8,704 year-over-year. The statewide median price in February FY17 was \$170,000, up 6.3 percent compared to February FY16, when the median price was \$160,000. The time it took to sell a home in February averaged 74 days, down from 81 days year-over-year. Available housing inventory totaled 51,227 homes for sale, a 14.9 percent decline from February FY16 when there were 60,168 homes on the market.