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EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2026 FIRST QUARTER FINANCIAL REVIEW

FIRST QUARTER RESULTS

Fiscal Year 2026's (FY26) first quarter saw a year-over-year increase of \$450 million in total revenues, spurred by strong individual income and sales tax receipts. First quarter expenditures increased by \$636 million compared to FY25 first quarter expenditures.

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

FIRST QUARTER REPORT HIGHLIGHT: CORPORATE INCOME TAX

Along with the individual income tax, the corporate income tax (CIT) was first enacted in 1969 at the original rate of 4.0%. In the years since, rates have changed several times, most recently raised to 7.0% in 2017. Constitutionally, the rate for corporations cannot exceed the individual income rate by more than a ratio of 8 to 5. It is a tax on the net income of corporations doing business in Illinois. In the past, apportionment formulas were used to determine a company's taxable income in Illinois, however recent changes have led to sales in Illinois as the determinant for taxable income.

Corporate income tax deposits can change every year based on Department of Revenue statutory formulas that can change the percentage of gross receipts to be deposited in the Income Tax Refund Fund. For FY26, this percentage is 14.0%, unchanged from the prior year. Similar to individual income taxes, CIT is shared with local units of government via the Local Government Distributive Fund (LGDF). LGDF receives deposits directly from the Department of Revenue, ensuring that monies to locals are received in a timely manner.

ILLINOIS ECONOMIC INDICATORS

The State's economic conditions align generally to those of the national economy. Following a 2.2% GDP contraction in Q3 FY25 – a decline that exceeded the national average, GDP rebounded from April to June, growing by 4.8% in Q4 FY25. This growth exceeded the 3.8% national GDP growth and ranked eighth in the nation. Federal monetary policy has become increasingly clearer after two 25 basis point cuts in September and October that will lower interest rates despite concerns the cuts could cause inflationary pressures to rise again. Despite these concerns, inflation statewide and in the Chicago metropolitan area has declined to levels below national averages. 30-year fixed mortgage rates continue to fall from their peak of around 7%, and real estate values continue to increase by about 5% year-over-year. The economic forces affecting Illinois can be seen in the state's general funds collections, with resilient growth in personal income tax and sales tax collections showing a reliant consumer base, while declining corporate income taxes show a need to update statute in the wake of the One Big Beautiful Bill Act signed into law on July 4.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW First Quarter and Year-to-Date Review				
(\$ in millions)				
	First Quarter		Year-to-date	
	FY25 Actual	FY26 Actual	FY25 Actual	FY26 Actual
Beginning Backlog at Comptroller	\$ (966)	\$ (1,608)	\$ (966)	\$ (1,608)
Beginning Cash Balance	\$ 4,671	\$ 5,456	\$ 4,671	\$ 5,456
Revenues				
Individual Income Tax	\$ 5,934	\$ 6,153	\$ 5,934	\$ 6,153
Corporate Income Tax	1,142	927	1,142	927
Sales Tax	2,716	2,800	2,716	2,800
Other Sources/Transfers In	1,375	1,610	1,375	1,610
State Source Revenues	\$ 11,167	\$ 11,491	\$ 11,167	\$ 11,491
Federal Sources	910	1,035	910	1,035
Total Revenues	\$ 12,076	\$ 12,526	\$ 12,076	\$ 12,526
Expenditures				
Current Year Vouchers	\$ 12,012	\$ 12,546	\$ 12,012	\$ 12,546
Prior Year Vouchers	1,744	1,805	1,744	1,805
Subtotal, Vouchers Presented	\$ 13,756	\$ 14,351	\$ 13,756	\$ 14,351
Posted Transfers Out	311	349	311	349
Transfer to GO Bond Debt Service Fund	711	703	711	703
Prior Year Adjustments	(18)	(8)	(18)	(8)
Total Expenditures	\$ 14,760	\$ 15,395	\$ 14,760	\$ 15,395
End of Quarter Cash Balance	\$ 2,926	\$ 3,393	\$ 2,926	\$ 3,393
End of Quarter Backlog at Comptroller	\$ (1,904)	\$ (2,415)	\$ (1,904)	\$ (2,415)

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)		
	First Quarter	
	Projected	Actual
Cash Balance, Beginning	\$ 5,456	\$ 5,456
Receipts	\$ 12,236	\$ 12,526
IIT	5,945	6,153
CIT	1,141	927
Sales	2,720	2,800
Other Sources	854	955
Transfers In	614	655
Federal Sources	963	1,035
Cash Expenditures	(16,257)	(16,977)
Cash Balance - Budget Stabilization Fund	\$ 2,387	\$ 2,387
Cash Balance - All other General Funds	\$ 1,435	\$ 1,005

GENERAL FUNDS REVENUES SUMMARY

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

(\$ in millions)

	First Quarter		Change: FY25 Actual to FY26 Actual		Year-to-Date		Change: FY25 Actual to FY26 Actual	
	FY25 Actual	FY26 Actual	Dollar Change	Percent Change	FY25 Actual	FY26 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 6,983	\$ 7,241	\$ 258	3.7%	\$ 6,983	\$ 7,241	\$ 258	3.7%
Income Tax Refund Fund	(639)	(663)	(24)	3.7%	(639)	(663)	(24)	3.7%
Local Government Distributive Fund Deposit	(410)	(426)	(15)	3.7%	(410)	(426)	(15)	3.7%
Net Individual Income Tax	\$ 5,934	\$ 6,153	\$ 219	3.7%	\$ 5,934	\$ 6,153	\$ 219	3.7%
Gross Corporate Income	\$ 1,426	\$ 1,157	\$ (269)	(18.9%)	\$ 1,426	\$ 1,157	\$ (269)	(18.9%)
Income Tax Refund Fund	(200)	(162)	(38)	19.2%	(200)	(162)	(38)	19.2%
Local Government Distributive Fund Deposit	(84)	(68)	(16)	13.4%	(84)	(68)	(16)	6.8%
Net Corporate Income Tax	\$ 1,142	\$ 927	\$ (215)	(18.8%)	\$ 1,142	\$ 927	\$ (215)	(18.8%)
Gross Sales Tax	\$ 2,868	\$ 3,050	\$ 182	6.3%	\$ 2,868	\$ 3,050	\$ 182	6.3%
Downstate Public Trans/Public Trans Deposits	(1)	(94)	(93)	16145.9%	(1)	(94)	(93)	16145.9%
Road Fund Deposit	(152)	(156)	(4)	2.7%	(152)	(156)	(4)	2.7%
Net Sales Tax	2,716	\$ 2,800	\$ 85	3.1%	2,716	\$ 2,800	\$ 85	3.1%
Public Utility	\$ 168	\$ 163	(5)	(2.9%)	\$ 168	\$ 163	(5)	(2.9%)
Cigarette	52	47	(5)	(9.4%)	52	47	(5)	(9.4%)
Inheritance	145	211	65	44.9%	145	211	65	44.9%
Liquor	48	45	(3)	(6.2%)	48	45	(3)	(6.2%)
Insurance	150	161	11	7.0%	150	161	11	7.0%
Corporate Franchise	58	56	(3)	(4.4%)	58	56	(3)	(4.4%)
Investment Income	205	178	(26)	(12.8%)	205	178	(26)	(12.8%)
Cook County IGT	0	0	0	0.0%	0	0	0	0.0%
Other	127	94	(33)	(26.0%)	127	94	(33)	(26.0%)
TOTAL STATE REVENUES	\$ 10,746	\$ 10,836	\$ 90	0.8%	\$ 10,746	\$ 10,836	\$ 90	0.8%
Federal Revenues	\$ 910	\$ 1,035	\$ 125	13.7%	\$ 910	\$ 1,035	\$ 125	13.7%
Transfers In	\$ 421	\$ 655	\$ 234	55.6%	\$ 421	\$ 655	\$ 234	55.6%
Lottery	190	186	(4)	(2.1%)	190	186	(4)	(2.1%)
Gaming/Gaming Taxes	28	52	24	83.6%	28	52	24	83.6%
Adult-Use Cannabis	28	27	(1)	(3.6%)	28	27	(1)	(3.6%)
Sports Wagering	8	64	56	695.9%	8	64	56	695.9%
Other	167	327	160	95.9%	167	327	160	95.9%
TOTAL REVENUES	\$ 12,076	\$ 12,526	\$ 450	3.7%	\$ 12,076	\$ 12,526	\$ 450	3.7%

Income Taxes: FY26 year-to-date (YTD) Individual Income Tax net receipts increased by \$219 million, or 3.7% from FY25, while FY26 YTD Corporate Income Tax (CIT) net receipts decreased by \$215 million, or 18.8%. \$494 million of income taxes were directly deposited into the Local Government Distributive Fund in the first quarter of FY26.

Sales Taxes: FY26 YTD Sales Tax net receipts increased by \$85 million, or 3.1%, compared to the FY25 YTD level.

Federal Revenues: FY26 YTD base Federal Revenues increased by \$125 million, or 13.7%, compared to the FY25 YTD level.

Transfers In: FY26 YTD Transfers In increased by \$234 million, or 55.6%, compared to the FY25 level. This increase is largely attributable to the timing and amount of the Income Tax Refund Fund transfer in and growth in transfers from sports wagering proceeds and casino gaming taxes.

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 FY26. Total State Revenues (not including Transfers In and federal revenues) were \$175 million, or 1.6%, above FY26 budgeted levels. Federal Revenues were \$72 million, or 7.5%, above the FY26 budgeted level.

GENERAL FUNDS REVENUES Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY26 YTD Budgeted*	FY26 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 6,996	\$ 7,241	\$ 245	3.5%
Income Tax Refund Fund	(640)	(663)	(22)	3.5%
Local Government Distributive Fund Deposit	(411)	(426)	(14)	3.5%
Net Individual Income Tax	\$ 5,945	\$ 6,153	\$ 208	3.5%
Gross Corporate Income	\$ 1,425	\$ 1,157	\$ (268)	(18.8%)
Income Tax Refund Fund	(199)	(162)	38	(19.0%)
Local Government Distributive Fund Deposit	(84)	(68)	16	(18.8%)
Net Corporate Income Tax	\$ 1,141	\$ 927	\$ (214)	(18.8%)
Gross Sales Tax	\$ 2,960	\$ 3,050	\$ 90	3.0%
Downstate Public Trans/Public Trans Deposits	(86)	(94)	(8)	9.0%
Road Fund Deposits	(154)	(156)	(2)	1.4%
Net Sales Tax	\$ 2,720	\$ 2,800	\$ 80	2.9%
Public Utility	\$ 160	163	3	1.7%
Cigarette	51	47	(3)	(6.4%)
Inheritance	136	211	74	54.5%
Liquor	48	45	(3)	(7.0%)
Insurance	110	161	51	46.2%
Corporate Franchise	58	56	(2)	(3.7%)
Investment Income	200	178	(22)	(10.8%)
Cook County IGT	0	0	0	0.0%
Other	90	94	4	4.7%
TOTAL STATE REVENUES	\$ 10,660	\$ 10,836	\$ 175	1.6%
Federal Revenues	\$ 963	\$ 1,035	\$ 72	7.5%
Transfers In	\$ 614	\$ 655	\$ 42	6.8%
Lottery	174	186	12	6.9%
Gaming/Gaming Taxes	31	52	21	66.5%
Adult-Use Cannabis	30	27	(3)	(8.5%)
Sports Wagering	54	64	10	17.9%
Other	325	327	2	0.6%
TOTAL REVENUES	\$ 12,238	\$ 12,525	\$ 287	2.3%

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

*Budgeted figures are based on information from the Department of Revenue on timing of income tax deposits.

Income Taxes: Individual Income Tax net receipts through the first quarter were \$208 million, or 3.5%, higher than budgeted levels. Corporate Income Tax net receipts through the first quarter were \$214 million, or 18.8%, lower than budgeted levels.

Sales Taxes: Sales Tax net receipts through the first quarter were \$80 million, or 2.9%, higher than the budgeted levels.

Transfers In: Transfers In through the first quarter were \$42 million, or 6.8%, higher than budgeted levels.

OUTLOOK FOR FUTURE GENERAL FUNDS REVENUES

The table below reflects the anticipated revenues expected to be receipted during FY26 compared against year-to-date collections. Annual forecasts were derived using historical averages, assessing national and regional economic activity, and gathering tax-related information from the Department of Revenue. Estimates are updated throughout the fiscal year to reflect changes in information.

PROJECTED GENERAL FUNDS REVENUES Year-to-Date Actuals versus Annual Forecast			
(\$ in millions)			
	FY26 YTD Actual	FY26 Annual Forecast	Remainder of Forecast
Receipts	\$ 12,526	\$ 55,297	\$ (42,771)
IIT	6,153	28,420	(22,267)
CIT	927	5,238	(4,311)
Sales	2,800	10,717	(7,917)
Other Sources	955	3,955	(3,000)
Transfers In	655	2,768	(2,113)
Federal Sources	1,035	4,200	(3,165)
Total Base Revenues	12,526	55,297	(42,771)

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

Through the first quarter of FY26, the state has collected 22.7% of its annualized forecast amount. This amount is equal to the FY25 level. A handful of revenue sources have outperformed expectations (IIT, sales taxes, investment income, and insurance taxes). Corporate income taxes have underperformed expectations, collecting only 17.7% of its annualized forecast compared to 21.2% from a year ago. The possible reason for these decreases can be attributed to declining corporate profits, the basis of this revenue source. Corporate profits can vary month-over-month as they are influenced by a variety of external factors and can be difficult to predict. GOMB and the Department of Revenue will continue to monitor underlying economic data when it becomes public to assess the likelihood that actual revenue collections will meet or not meet forecasted amounts.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY25 and FY26 first quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the first quarter of FY26 totaled \$12,546 million, an increase of \$535 million, or 4.5%, from the FY25 level.

GENERAL FUNDS EXPENDITURES First Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	First Quarter		Year-to-Date	
	FY25 Actual Spending	FY26 Actual Spending	FY25 Actual Spending	FY26 Actual Spending
Constitutional Officers ¹	\$ 113	\$ 135	\$ 113	\$ 135
DHFS	1,960	1,842	\$ 1,960	\$ 1,842
ISBE	1,982	2,011	\$ 1,982	\$ 2,011
DHS	1,157	1,290	\$ 1,157	\$ 1,290
Higher Education	695	598	\$ 695	\$ 598
SERS	659	747	\$ 659	\$ 747
TRS	2,450	2,919	\$ 2,450	\$ 2,919
SURS	793	802	\$ 793	\$ 802
Corrections	354	336	\$ 354	\$ 336
CMS	768	631	\$ 768	\$ 631
DCFS	311	331	\$ 311	\$ 331
Aging	246	282	\$ 246	\$ 282
ISP	83	80	\$ 83	\$ 80
Revenue	10	10	\$ 10	\$ 10
DPH	16	30	\$ 16	\$ 30
DNR	16	19	\$ 16	\$ 19
DCEO	46	65	\$ 46	\$ 65
DoIT	63	116	\$ 63	\$ 116
All Others	287	303	\$ 287	\$ 303
Agency Totals	\$ 12,011	\$ 12,546	\$ 12,011	\$ 12,546

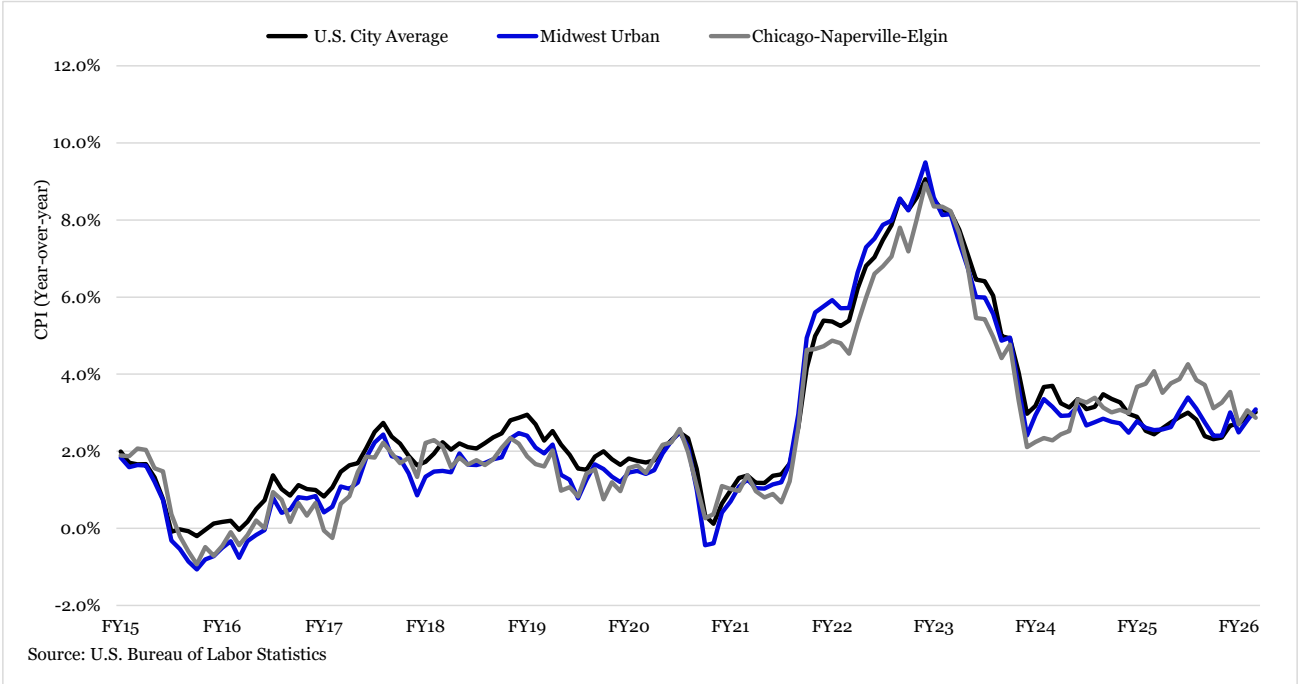
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

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

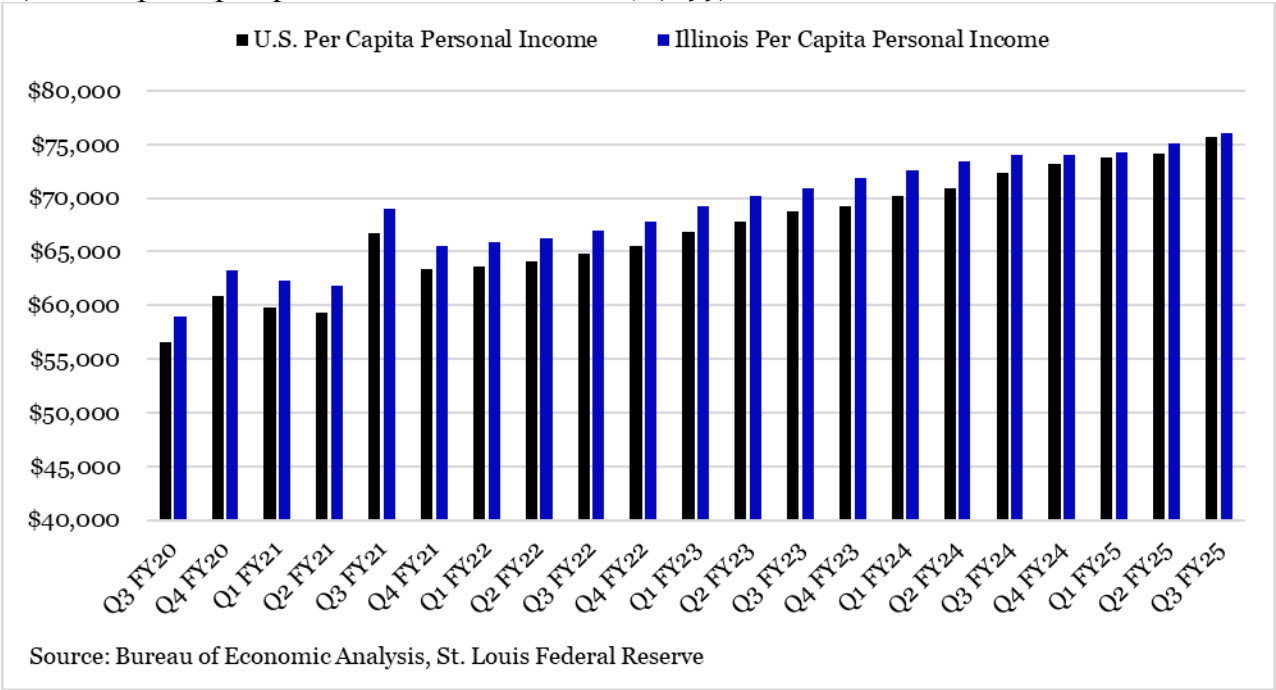
¹ Constitutional Officers exclude Auditor General.

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 FY15 to September FY26. CPI rates ticked above 3% for all averages at some time during the quarter. CPI data has most drastically improved in the Chicago-Naperville-Elgin metropolitan region, down from 4.1% in September FY25. Since the post-COVID inflationary period, the CPI has hovered above at least 2% for all consumers.



The graph below compares the per capita personal income between the U.S. and Illinois from the first quarter of FY20 to the third quarter of FY25. The U.S. per capita personal income decreased \$120, or 0.2%, from \$74,167 in the second quarter of FY25 to \$74,048 in the third quarter of FY25. Year-over-year, U.S. per capita personal income increased \$1,661, or 2.3%. In Illinois, per capita personal income increased by \$987 or 1.3% from \$75,096 in the third quarter of FY24 to \$76,083 in the third quarter of FY25, continuing to surpass national totals. Year-over-year, Illinois per capita personal income increased \$2,099, or 2.8%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. The Illinois unemployment rate has decreased from 5.1% in July FY25 to 4.4% in August FY26, while total nonfarm employment has remained steady year-over-year. Labor force participation rates have remained high despite several high-profile layoff announcements from private companies during the quarter. September employment statistics are not available due to the on-going federal government shutdown.

EMPLOYMENT HIGHLIGHTS State and National Review			
EMPLOYMENT STATISTICS	<u>July FY25</u>	<u>July FY26</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,145,300	6,167,000	21,700
Unemployment Rate, Illinois	5.1%	4.6%	(0.5)
Unemployment Rate, United States	4.2%	4.2%	0.0
Labor Force Participation Rate, Illinois	65.1%	64.9%	(0.2)
Labor Force Participation Rate, United States	62.7%	62.2%	(0.5)
EMPLOYMENT STATISTICS	<u>August FY25</u>	<u>August FY26</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,147,800	6,153,700	5,900
Unemployment Rate, Illinois	5.0%	4.4%	(0.6)
Unemployment Rate, United States	4.2%	4.3%	0.1
Labor Force Participation Rate, Illinois	65.1%	64.7%	(0.4)
Labor Force Participation Rate, United States	62.6%	62.3%	(0.3)
EMPLOYMENT STATISTICS	<u>September FY25</u>	<u>September FY26*</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,140,200	0	N/A
Unemployment Rate, Illinois	5.1%	0	N/A
Unemployment Rate, United States	4.1%	0	N/A
Labor Force Participation Rate, Illinois	65.1%	0	N/A
Labor Force Participation Rate, United States	62.6%	0	N/A

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

*Due to the Government Shutdown, labor force data is unavailable for September FY26.

ILLINOIS REAL ESTATE

The Illinois real estate market in the first quarter reflects strong demand with steady increases in prices. The median price for a home in 2025 peaked in July at \$319,900. The median home valuation in Illinois is expected to finish the calendar year at 5%. Homes sold reflected the seasonal change from July to September with less homes sold in the fall, but September home sales were 4.6% year-over-year. At the same time, average 30-year fixed mortgage rates declined during each month of the quarter, dropping from 6.35%, Illinois' lower average rate since September 2024. With cuts of 25 basis points to interest rates occurring in September and October, whether rates continue to fall to close out the calendar year will serve as a key indicator of the economy's overall health.