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EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2022 SECOND QUARTER FINANCIAL REVIEW

SECOND QUARTER RESULTS

Fiscal Year 2022's (FY22) second quarter saw a year-over-year increase of \$1,341 million in base General Funds revenues due to strong receipts from corporate income and sales taxes. Second quarter expenditures decreased by \$419 million compared to FY21 second quarter expenditures.

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

SECOND QUARTER REPORT HIGHLIGHT: CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Authorized under the American Rescue Plan Act of 2021, state and local fiscal recovery funds can be used, among other purposes, to fund government services to the extent that revenue loss was experienced since the onset of the pandemic. To date, Illinois has deposited \$439 million in ARPA revenue replacement funds into the General Funds out of an estimated \$2 billion. These funds will help bridge the fiscal gap created by the pandemic, helping the state avoid costly cuts to government services or return services to their pre-pandemic level.

ILLINOIS ECONOMIC INDICATORS

According to the Illinois Department of Employment Security, the State's unemployment rate continued its decline from its historical high of 16.5% in April 2020 to a current rate of 4.5% (seasonally adjusted) in November 2021. Year-over-year, total nonfarm jobs increased in all fourteen metropolitan areas. The industries that saw job growth in the majority of those metro areas included: Leisure & Hospitality, Wholesale Trade & Transportation, Warehousing & Public Utilities and Professional & Business Services. The Chicago-Naperville-Arlington Heights Metropolitan Division saw the largest unemployment rate decrease year-over-year. The unemployment rate decreased year-over-year in all 102 counties.

Per capita income continues to rise, as does the states inflationary rate. Inflation is best measured by increases in the consumer price index or CPI. CPI is a measure that examines the weighted average of a basket of consumer goods and services. Changes in the CPI are used to assess price changes associated with the cost of living. CPI in the Chicago-Naperville-Elgin area was up 0.2% in November according the U.S. Bureau of Labor Statistics. This is following a 6.0% increase over the last 12 months. Food prices increased 0.8% for the month of November and the energy index rose 1.0% over the month. CPI for all items less food and energy increased 0.1% in November following a 3.5% increase over the year.

The effects of inflation can be both good and bad. Inflation can erode the purchasing power of the dollar and can encourage consumers to save less and spend more on durable goods. U.S. consumer spending slowed moderately to 0.6% in November 2021 after posting a 1.4% increase in October 2021. Inflation may have played a role in this slow down, but preliminary data suggests that shoppers did not spend less during the holiday shopping season, they may have simply spread out their holiday shopping over a longer period of time.

GENERAL FUNDS OVERVIEW

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

(\$ in millions)

	Second Quarter		Year-to-date	
	FY21 Actual	FY22 Actual	FY21 Actual	FY22 Actual
Beginning Backlog at Comptroller	\$ (5,604)	\$ (2,928)	\$ (4,856)	\$ (2,204)
Beginning Cash Balance	\$ 862	\$ 937	\$ 531	\$ 975
Revenues				
Individual Income Tax	\$ 4,272	\$ 4,684	\$ 9,740	\$ 9,362
Corporate Income Tax	588	1,032	1,458	2,103
Sales Tax	2,360	2,623	4,606	5,250
Other Sources/Transfers In	879	1,102	2,229	2,585
State Source Revenues	\$ 8,099	\$ 9,440	\$ 18,033	\$ 19,300
Federal Sources	2,196	801	2,983	2,196
Interfund Borrowing	0	0	0	0
Short Term Borrowing	1,998	0	1,998	0
Investment Borrowing	400	0	400	0
ARPA Reimbursement for Government Services	0	439	0	439
Total Revenues	\$ 12,693	\$ 10,680	\$ 23,414	\$ 21,934
Expenditures				
Current Year Vouchers	\$ 10,916	\$ 10,497	\$ 19,302	\$ 19,686
Prior Year Vouchers	66	16	1,545	1,920
Subtotal, Vouchers Presented	\$ 10,982	\$ 10,513	\$ 20,847	\$ 21,606
Posted Transfers Out	51	47	292	317
Transfer to GO Bond Debt Service Fund	390	18	1,017	668
Transfer to Repay Interfund Borrowing	0	14	12	15
Investment Borrowing Repayments	0	0	402	0
Short Term Borrowing Repayments	360	750	360	750
Prior Year Adjustments	(7)	(17)	(16)	(12)
Total Expenditures	\$ 11,777	\$ 11,325	\$ 22,915	\$ 23,343
End of Quarter Cash Balance	\$ 722	\$ 625	\$ 722	\$ 625
End of Quarter Backlog at Comptroller	\$ (4,547)	\$ (3,261)	\$ (4,547)	\$ (3,261)

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	\$ 847	\$ 937
Receipts	\$ 10,354	\$ 10,680
IIT	4,433	4,684
CIT	788	1,032
Sales	2,565	2,623
Other Sources	578	633
Transfers In	327	469
Interfund Borrowing	-	-
Investment Borrowing	-	-
Federal Sources	1,269	801
ARPA Reimbursement	394	439
Certificate Proceeds	-	-
Cash Expenditures	(10,805)	(10,242)
Short-Term Borrowing Repayment	(845)	(750)
Cash Balance, Ending	\$ 396	\$ 625

GENERAL FUNDS REVENUES SUMMARY

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

(\$ in millions)

	Second Quarter		Change: FY21 Actual to FY22 Actual		Year-to-Date		Change: FY21 Actual to FY22 Actual	
	FY21 Actual	FY22 Actual	Dollar Change	Percent Change	FY21 Actual	FY22 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 4,997	\$ 5,495	\$ 497	10.0%	\$ 11,394	\$ 10,981	\$ (413)	(3.6%)
Income Tax Refund Fund	(450)	(509)	(59)	13.1%	(1,026)	(1,016)	(10)	0.9%
Local Government Distributive Fund Deposit	(276)	(302)	(27)	9.7%	(628)	(604)	(24)	3.8%
Net Individual Income Tax	\$ 4,272	\$ 4,684	\$ 412	9.6%	\$ 9,740	\$ 9,362	\$ (378)	(3.9%)
Gross Corporate Income	\$ 735	\$ 1,302	\$ 568	77.2%	\$ 1,675	\$ 2,657	\$ 982	58.6%
Income Tax Refund Fund	(103)	(196)	(92)	89.1%	(152)	(399)	(247)	162.4%
Local Government Distributive Fund Deposit	(43)	(76)	(32)	74.7%	(64)	(155)	(91)	141.7%
Net Corporate Income Tax	\$ 588	\$ 1,031	\$ 443	75.3%	\$ 1,459	\$ 2,103	\$ 644	44.1%
Gross Sales Tax	\$ 2,437	\$ 2,783	\$ 346	14.2%	\$ 4,733	\$ 5,483	\$ 750	15.8%
Downstate Public Trans/Public Trans Deposits	(77)	(160)	(83)	107.3%	(126)	(233)	(107)	84.5%
Net Sales Tax	2,360	2,623	263	11.1%	4,607	5,250	643	14.0%
Public Utility	179	172	(7)	(3.9%)	353	348	(5)	(1.4%)
Cigarette	71	65	(6)	(8.5%)	150	136	(14)	(9.3%)
Inheritance	75	151	76	101.3%	211	309	98	46.4%
Liquor	45	47	2	4.4%	92	98	6	6.5%
Insurance	68	76	8	11.8%	252	188	(64)	(25.4%)
Corporate Franchise	72	48	(24)	(33.3%)	158	112	(46)	(29.1%)
Investment Income	13	5	(8)	(61.5%)	41	6	(35)	(85.4%)
Cook County IGT	0	0	0	0.0%	0	0	0	0.0%
Other	51	69	18	35.3%	121	141	20	16.5%
TOTAL STATE REVENUES	\$ 7,794	\$ 8,971	\$ 1,177	15.1%	\$ 17,184	\$ 18,053	\$ 869	5.1%
Federal Revenues	\$ 2,196	\$ 801	\$ (1,395)	(63.5%)	\$ 2,983	\$ 2,196	\$ (787)	(26.4%)
Transfers In	\$ 305	\$ 469	\$ 164	53.8%	\$ 849	\$ 1,246	\$ 397	46.8%
Lottery	196	199	3	1.5%	361	409	48	13.3%
Gaming/Gaming Taxes	0	53	53	0.0%	0	86	86	100.0%
Adult-Use Cannabis	11	28	17	154.5%	24	53	29	120.8%
Interfund Borrowing	0	0	0	0.0%	0	0	0	0.0%
Other	98	189	91	92.9%	464	698	234	50.4%
SUBTOTAL REVENUES	\$ 10,295	\$ 10,241	\$ (54)	(0.5%)	\$ 21,016	\$ 21,495	\$ 479	2.3%
Investment Borrowing	400	0	(400)	(100.0%)	400	0	(400)	(100.0%)
Municipal Liquidity Facility	1,998	0	(1,998)	(100.0%)	1,998	0	(1,998)	(100.0%)
ARPA Reimbursement for Government Services	0	439	439	100.0%	0	439	439	100.0%
TOTAL REVENUES	\$ 12,693	\$ 10,680	\$ (2,013)	(15.9%)	\$ 23,414	\$ 21,934	\$ (1,480)	(6.3%)

Source: Illinois Office of the Comptroller

Income Taxes: FY22 year-to-date (YTD) Individual Income Tax net receipts decreased by \$378 million, or 3.9% from FY21 due to the tax year 2019 filing deadline being moved from April 15, 2020 to July 15, 2020. As a result, approximately \$1 billion individual income tax receipts and \$300 million in corporate income tax receipts were shifted from FY20 to FY21. FY22 YTD Corporate Income Tax (CIT) net receipts increased by \$644 million, or 44.1%, from the FY21 level. \$759 million of income taxes were directly deposited into the Local Government Distributive Fund through the second quarter of FY22.

Sales Taxes: FY22 YTD Sales Tax net receipts increased by \$643 million, or 14.0%, from the FY21 YTD level.

Federal Revenues: FY22 YTD Federal Revenues decreased by \$787 million, or 26.4%, compared to the FY21 YTD level due to federal matches on reimbursable spending.

Transfers In: FY22 YTD Transfers In increased by \$397 million, or 46.8%, compared to the FY21 YTD level. This increase is due in part to \$86 million in transfers from the State Gaming Fund, up from \$0 through the second quarter of FY21 and \$409 million from the State Lottery Fund, up \$48 million, or 13.3% from the FY21 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 FY22. Total State Revenues (not including Transfers In) were \$607 million, or 3.5%, above the November 2021 budgeted level. Federal revenues were \$467 million, or 17.5%, below the November 2021 budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY22 YTD Budgeted*	FY22 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 10,688	\$ 10,981	\$ 293	2.7%
Income Tax Refund Fund	(989)	(1,016)	(27)	2.7%
Local Government Distributive Fund Deposit	(588)	(604)	(16)	2.7%
Net Individual Income Tax	\$ 9,111	\$ 9,362	\$ 251	2.8%
Gross Corporate Income	\$ 2,349	\$ 2,657	\$ 308	13.1%
Income Tax Refund Fund	(352)	(399)	(47)	13.3%
Local Government Distributive Fund Deposit	(137)	(155)	(18)	12.9%
Net Corporate Income Tax	\$ 1,860	\$ 2,103	\$ 243	13.1%
Gross Sales Tax	\$ 5,391	\$ 5,483	\$ 92	1.7%
Downstate Public Trans/Public Trans Deposits	(198)	(233)	(35)	17.4%
Net Sales Tax	\$ 5,193	\$ 5,250	\$ 57	1.1%
Public Utility	343	348	5	1.5%
Cigarette	140	136	(4)	(2.9%)
Inheritance	262	309	47	17.9%
Liquor	97	98	1	1.0%
Insurance	169	188	19	11.2%
Corporate Franchise	102	112	10	9.8%
Investment Income	11	6	(5)	(45.5%)
Cook County IGT	0	0	0	0.0%
Other	157	141	(16)	(10.2%)
TOTAL STATE REVENUES	\$ 17,446	\$ 18,053	\$ 607	3.5%
Federal Revenues	\$ 2,663	\$ 2,196	\$ (467)	(17.5%)
Transfers In	\$ 1,105	\$ 1,246	\$ 141	12.8%
Lottery	360	409	49	13.6%
Gaming/Gaming Taxes	82	86	4	4.9%
Adult- Use Cannabis	53	53	0	0.0%
Interfund Borrowing	0	0	0	0.0%
Other	610	698	88	14.4%
SUBTOTAL REVENUES	\$ 21,213	\$ 21,495	\$ 282	1.3%
Investment Borrowing	0	0	0	0.0%
Short Term Borrowing	0	0	0	0.0%
ARPA Reimbursement for Government Services	394	439	45	11.4%
TOTAL REVENUES	\$ 21,609	\$ 21,934	\$ 325	1.5%

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 in November 2021.

Income Taxes: Individual Income Tax net receipts through the second quarter were \$251 million, or 2.8%, higher than budgeted levels. Corporate Income Tax net receipts through the second quarter were \$243 million, or 13.1%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the second quarter were \$57 million, or 1.1%, higher than the budgeted levels.

Transfers In: Transfers In through the second quarter were \$141 million, or 12.8%, higher than budgeted levels.

OUTLOOK FOR FUTURE GENERAL FUNDS REVENUES

The table below sets forth the future outlook for General Funds revenues for FY22. 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)			
	FY22 YTD Actual	FY22 Annual Forecast*	Remainder of Forecast*
Receipts	\$ 21,495	\$ 44,082	\$ 22,587
IIT	9,362	20,948	11,586
CIT	2,103	3,974	1,871
Sales	5,250	9,851	4,601
Other Sources	1,338	3,091	1,753
Transfers In	1,246	1,851	605
Federal Sources	2,196	4,367	2,171
Total State Revenues	21,495	44,082	22,587

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

*Fiscal year 2022 forecast was made in November 2021 using historical averages, national and regional economic activity data, and tax-related information provided by the Department of Revenue.

Through the second quarter of FY22, total State General Funds revenues have performed well against the revised November 2021 annual revenue forecast. The July 2021 annual revenue forecast was revised upwards due to strength in key fundamentals. Year-to-date, the top three sources of General Funds revenues (Individual and Corporate Income Taxes and Sales Tax), which account for 76% of total revenues, have continued to perform well against forecasted amounts.

Net individual income taxes, which account for 43% of total base state revenues, lead the annual estimate by 2.8%. Net corporate income taxes, which account for 10% of total base state revenues, lead the annual estimate by 13.1%. Net sale tax, which account for 24% of total base state revenues, lead the annual estimated by 1.1%. Combined total revenue collections lead the annual estimated forecast by 1.5%.

Key leading national and state economic indicators are trending towards a positive future outlook. Annual forecasts can be recalculated if major changes to the national state and economic conditions occur or if actual revenue performance does not meet current expectations. At this time, OMB affirms their annual revenue forecasts.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY21 and FY22 second quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the second quarter of FY21 totaled \$10,497 million, a decrease of \$419 million, or 3.8%, from the FY21 level.

GENERAL FUNDS EXPENDITURES				
Second Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Second Quarter		Year-to-Date	
	FY21 Actual Spending	FY22 Actual Spending	FY21 Actual Spending	FY22 Actual Spending
Constitutional Officers ¹	\$ 83	\$ 85	\$ 163	\$ 171
DHFS	2,121	1,851	3,529	3,831
ISBE	2,427	2,451	3,992	4,132
DHS	1,073	1,137	1,935	1,910
Higher Education	714	780	1,306	1,311
SERS	460	417	842	818
TRS	1,404	1,526	2,639	2,907
SURS	391	468	882	936
Corrections	409	417	652	639
CMS	919	400	1,607	1,230
DCFS	261	282	480	491
Aging	267	246	413	413
ISP	67	79	129	136
Revenue	12	12	21	22
DPH	30	46	50	67
DNR	10	11	20	17
DCEO	3	4	5	6
All Others	264	285	636	649
Agency Totals	\$ 10,916	\$ 10,497	\$ 19,302	\$ 19,686

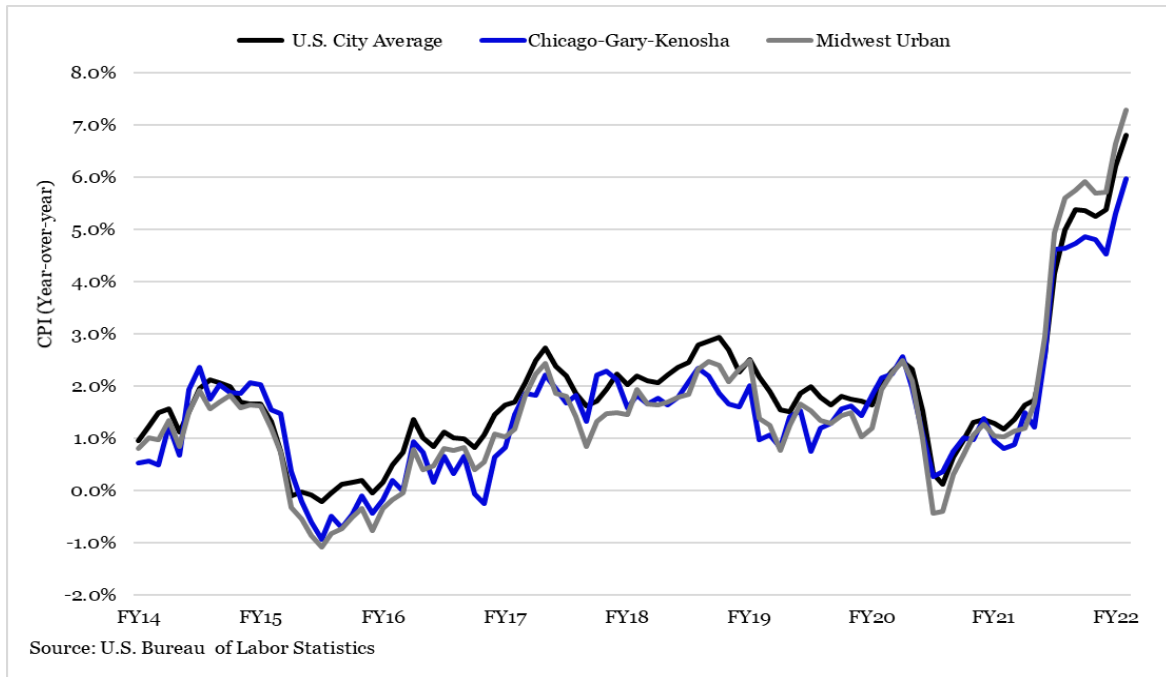
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

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

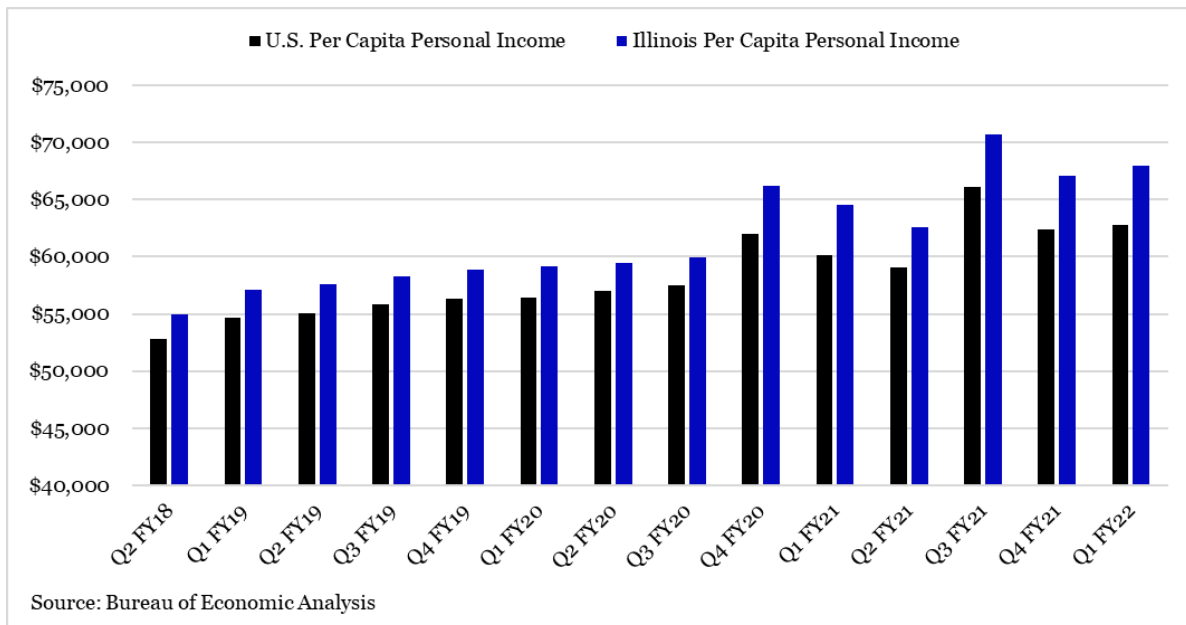
¹ Constitutional Officers exclude Auditor General.

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 FY14 to November FY22. In November FY22, the U.S. city average CPI increased 6.8% year-over-year. The CPI for Chicago metropolitan area increased 6.0% and the CPI for Midwest region increased 7.3%.



The graph below compares the per capita personal income between the U.S. and Illinois from the second quarter of FY18 to the first quarter of FY22. The U.S. per capita personal income increased \$330 or 0.5% from \$62,407 in the fourth quarter of FY21 to \$62,737 in the first quarter of FY22. Year-over-year, U.S. per capita personal income increased \$2,642 or 4.4%. In Illinois, per capita personal income increased by \$806 or 1.2% from \$67,116 in the fourth quarter of FY21 to \$67,922 in the first quarter of FY22. Year-over-year, Illinois per capita personal income increased \$3,341 or 5.2%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in November of FY22 was 3.9%, down from 6.4% during the same period last fiscal year. Illinois' unemployment rate of 4.5% in November of FY22 reflected a decrease of 3.1 percentage points from the state's unemployment rate of 7.6% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased by 230,700 year-over-year in November, led by increases in Leisure & Hospitality, Wholesale Trade & Transportation, Warehousing & Public Utilities and Professional & Business Services.

EMPLOYMENT HIGHLIGHTS State and National Review

EMPLOYMENT STATISTICS	<u>September FY21</u>	<u>September FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,655,600	5,815,200	159,600
Unemployment Rate, Illinois	10.1%	5.1%	(5.0)
Unemployment Rate, United States	7.7%	4.6%	(3.1)
Labor Force Participation Rate, Illinois	63.9%	62.8%	(1.1)
Labor Force Participation Rate, United States	61.4%	61.7%	0.3

EMPLOYMENT STATISTICS	<u>October FY21</u>	<u>October FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,665,800	5,857,200	191,400
Unemployment Rate, Illinois	7.5%	5.0%	(2.5)
Unemployment Rate, United States	6.6%	4.3%	(2.3)
Labor Force Participation Rate, Illinois	63.6%	63.3%	(0.3)
Labor Force Participation Rate, United States	61.7%	61.8%	0.1

EMPLOYMENT STATISTICS	<u>November FY21</u>	<u>November FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,646,500	5,876,700	230,200
Unemployment Rate, Illinois	7.6%	4.5%	(3.1)
Unemployment Rate, United States	6.4%	3.9%	(2.5)
Labor Force Participation Rate, Illinois	62.0%	64.0%	2.0
Labor Force Participation Rate, United States	61.5%	61.9%	0.4

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

ILLINOIS REAL ESTATE

The Illinois housing market continues an upward trend up with faster home sales and higher median prices in November. The time it took to sell a home in September averaged 30 days, down from 41 days last year. Available inventory totaled 25,400 homes for sale. The statewide median price was up 7.7% from last year.