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GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2020 FIRST QUARTER FINANCIAL REVIEW

FIRST QUARTER RESULTS

Fiscal Year 2020's first quarter saw modest performance for General Funds revenue sources linked to economic activity. Individual income and corporate income taxes grew at a reasonable pace. Sales tax receipts, along with modest gains in investment income and federal revenues ending the quarter on a positive note. First quarter expenditures increased by \$664 million compared to FY19 first quarter expenditures.

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

ILLINOIS ECONOMIC INDICATORS

The State of Illinois is expected to see moderate economic growth in the upcoming fiscal year, particularly in personal income and employment even though the state has lagged behind the nation in a number of key categories. The largest economy in the Midwestern region, the State should see growth in the largest sources of revenue – individual and corporate income taxes, and sales taxes. Individual income taxes are rising on the back of strong wage and salary growth, which is being driven by a relatively low unemployment rate and a wide scope of available jobs in the state. This salary growth has allowed personal expenditures to also increase, pushing up strong sales tax receipts and personal investment. As recession fears continue to mount, all signs in the national and global economy remain stable for the time. The long-term effects of the trade war with China and instability in the Middle East are yet unknown but the short-term positive signs continue on for the state.

FIRST QUARTER REPORT HIGHLIGHT: CIGARETTE AND TOBACCO SALES AND TAX CHANGES

Several changes to cigarette and tobacco sales and taxes will have an impact on receipts into the General Funds in Fiscal Year 2020. Public Act 101-31, enacted on June 28th, 2019, increased the Illinois per-pack cigarette tax by \$1 per pack (from \$1.98 to \$2.98) effective July 1st, 2019. The portion of tax receipts from the \$1 increase will be deposited into the Capital Projects Fund. This increase in taxes was preceded by Public Act 101-2, known as "Tobacco 21" legislation, which made it illegal for individuals under the age of 21-years-old to buy tobacco products, electronic cigarettes, and alternative nicotine products. Illinois becomes the 7th state in the U.S. and first in the Midwest to raise the age from 18 to 21 as a means of reducing medical costs and improving Illinois' health. Together, these two measures are expected to cause a decline in total consumption but, due to the tax increase, a net increase in total receipts across all state funds. This report reflects General Funds receipts, which will show a marginal decline from the decrease in consumption.

In addition to the changes described above, Illinois has also moved to tax electronic cigarette and vape products like all other tobacco products in an effort to bring all the products along in a similar regulatory and taxation structure. The revenues from this tax will be deposited into the Healthcare Provider Relief Fund.

GENERAL FUNDS OVERVIEW

| GENERAL FUNDS CASH FLOW | | | | |
|--|------------------------|------------------------|------------------------|------------------------|
| First Quarter and Year-to-Date Review | | | | |
| (\$ in millions) | | | | |
| | First Quarter | | Year-to-date | |
| | FY19 Actual | FY20 Actual | FY19 Actual | FY20 Actual |
| Beginning Backlog at Comptroller | \$ (4,180) | \$ (5,161) | \$ (4,180) | \$ (5,161) |
| Beginning Cash Balance | \$ 125 | \$ 466 | \$ 125 | \$ 466 |
| Revenues | | | | |
| Individual Income Tax | \$ 4,023 | \$ 4,261 | \$ 4,023 | \$ 4,261 |
| Corporate Income Tax | 531 | 568 | 531 | 568 |
| Sales Tax | 2,157 | 2,236 | 2,157 | 2,236 |
| Other Sources/Transfers In | 1,343 | 1,954 | 1,343 | 1,954 |
| State Source Revenues | \$ 8,053 | \$ 9,019 | \$ 8,053 | \$ 9,019 |
| Federal Sources | 618 | 863 | 618 | 863 |
| Interfund Borrowing | 0 | 0 | 0 | 0 |
| Investment Borrowing | 200 | 400 | 200 | 400 |
| Total Revenues | \$ 8,871 | \$ 10,282 | \$ 8,871 | \$ 10,282 |
| Expenditures | | | | |
| Current Year Vouchers | \$ 7,072 | \$ 7,736 | \$ 7,072 | \$ 7,736 |
| Prior Year Vouchers | 1,745 | 1,224 | 1,745 | 1,224 |
| Subtotal, Vouchers Presented | \$ 8,816 | \$ 8,960 | \$ 8,816 | \$ 8,960 |
| Posted Transfers Out | 261 | 222 | 261 | 222 |
| Transfer to GO Bond Debt Service Fund | 863 | 624 | 863 | 624 |
| Transfer to Repay Interfund Borrowing | 0 | 0 | 0 | 0 |
| Investment Borrowing Repayments | 0 | 0 | 0 | 0 |
| Prior Year Adjustments | (3) | (2) | (3) | (2) |
| Total Expenditures | \$ 9,937 | \$ 9,804 | \$ 9,937 | \$ 9,804 |
| End of Quarter Cash Balance | \$ 502 | \$ 847 | \$ 502 | \$ 847 |
| End of Quarter Backlog at Comptroller | \$ (5,623) | \$ (5,064) | \$ (5,623) | \$ (5,064) |

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' first quarter revenues totaled \$10,282 million, an increase of \$1,411 million, or 15.9%, from the FY19 first quarter level. The primary driver for this change was a 6.0% increase in income tax collections, along with a 39.6% increase in federal matching revenues.

FY20 first quarter General Funds' expenditures from current year appropriations totaled \$7,736 million, an increase of \$664 million, or 9.4%, above the FY19 first quarter level.

GENERAL FUNDS REVENUES SUMMARY

| GENERAL FUNDS REVENUES | | | | | | | | |
|--|---------------|-------------|------------------------------------|----------------|--------------|-------------|------------------------------------|----------------|
| First Quarter and Year-to-Date Review | | | | | | | | |
| (\$ in millions) | | | | | | | | |
| | First Quarter | | Change: FY19 Actual to FY20 Actual | | Year-to-Date | | Change: FY19 Actual to FY20 Actual | |
| | FY19 Actual | FY20 Actual | Dollar Change | Percent Change | FY19 Actual | FY20 Actual | Dollar Change | Percent Change |
| Gross Individual Income Tax | \$ 4,728 | \$ 4,996 | \$ 268 | 5.7% | \$ 4,728 | \$ 4,996 | \$ 268 | 5.7% |
| Income Tax Refund Fund | (459) | (475) | (16) | 3.4% | (459) | (475) | (16) | 3.4% |
| Local Government Distributive Fund Deposit | (246) | (260) | (14) | 5.8% | (246) | (260) | (14) | 5.8% |
| Net Individual Income Tax | \$ 4,023 | \$ 4,261 | \$ 238 | 5.9% | \$ 4,023 | \$ 4,261 | \$ 238 | 5.9% |
| Gross Corporate Income | \$ 672 | \$ 708 | \$ 36 | 5.4% | \$ 672 | \$ 708 | \$ 36 | 5.4% |
| Income Tax Refund Fund | (104) | (101) | 3 | (2.9%) | (104) | (101) | 3 | (2.9%) |
| Local Government Distributive Fund Deposit | (37) | (40) | (3) | 6.9% | (37) | (40) | (3) | 6.9% |
| Net Corporate Income Tax | \$ 531 | \$ 568 | \$ 37 | 6.9% | \$ 531 | \$ 568 | \$ 37 | 6.9% |
| Gross Sales Tax | \$ 2,212 | \$ 2,291 | \$ 79 | 3.6% | \$ 2,212 | \$ 2,291 | \$ 79 | 3.6% |
| Downstate Public Trans/Public Trans Deposits | (55) | (55) | 0 | (0.2%) | (55) | (55) | 0 | (0.2%) |
| Net Sales Tax | 2,157 | 2,236 | 79 | 3.7% | 2,157 | 2,236 | 79 | 3.7% |
| Public Utility | 187 | 188 | 1 | 0.6% | 187 | 188 | 1 | 0.6% |
| Cigarette | 93 | 62 | (31) | (32.9%) | 93 | 62 | (31) | (32.9%) |
| Inheritance | 89 | 64 | (25) | (28.6%) | 89 | 64 | (25) | (28.6%) |
| Liquor | 46 | 48 | 2 | 4.6% | 46 | 48 | 2 | 4.6% |
| Insurance | 107 | 100 | (7) | (6.3%) | 107 | 100 | (7) | (6.3%) |
| Corporate Franchise | 58 | 62 | 4 | 7.0% | 58 | 62 | 4 | 7.0% |
| Investment Income | 26 | 49 | 23 | 87.6% | 26 | 49 | 23 | 87.6% |
| Cook County IGT | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Other | 138 | 93 | (45) | (32.6%) | 138 | 93 | (45) | (32.6%) |
| TOTAL STATE REVENUES | \$ 7,455 | \$ 7,731 | \$ 276 | 3.7% | \$ 7,455 | \$ 7,731 | \$ 276 | 3.7% |
| Federal Revenues | \$ 618 | \$ 863 | \$ 245 | 39.6% | \$ 618 | \$ 863 | \$ 245 | 39.6% |
| Transfers In | \$ 598 | \$ 1,288 | \$ 690 | 115.4% | \$ 598 | \$ 1,288 | \$ 690 | 115.4% |
| Lottery | 156 | 128 | (28) | (17.8%) | 156 | 128 | (28) | (17.8%) |
| Riverboat Gaming | 74 | 75 | 1 | 1.4% | 74 | 75 | 1 | 1.4% |
| Fund Reallocations | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Special Bond Proceeds | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Interfund Borrowing | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Other | 368 | 1,085 | 717 | 194.8% | 368 | 1,085 | 717 | 194.8% |
| SUBTOTAL REVENUES | \$ 8,671 | \$ 9,882 | \$ 1,211 | 14.0% | \$ 8,671 | \$ 9,882 | \$ 1,211 | 14.0% |
| Investment Borrowing | 200 | 400 | 200 | 100.0% | 200 | 400 | 200 | 100.0% |
| TOTAL REVENUES | \$ 8,871 | \$ 10,282 | \$ 1,411 | 15.9% | \$ 8,871 | \$ 10,282 | \$ 1,411 | 15.9% |

Source: Illinois Office of the Comptroller

Income Taxes: FY20 year-to-date (YTD) Individual Income Tax net receipts increased by \$238 million, or 5.9% from the FY19 YTD level due in part to rising personal incomes. \$260 million of individual income taxes were directly deposited into the Local Government Distributive Fund in the first quarter of FY20.

FY20 YTD Corporate Income Tax (CIT) net receipts increased by \$37 million, or 6.9%, from the FY19 YTD level.

Sales Taxes: FY20 YTD Sales Tax net receipts increased by \$79 million, or 3.7%, from the FY19 YTD level. This increase is attributable to increased personal consumption and real wage growth. A portion of the year-over-year growth may also have been driven by receipts related to the Wayfair decision, as the collection of those receipts began in October of 2018.

Public Utilities: FY20 YTD Public Utility receipts increased by \$1 million, or 0.6%, from the FY19 YTD level.

Cigarette: FY20 YTD Cigarette receipts decreased by \$31 million, or 32.9%, below the FY19 YTD level based on the enactment of Tobacco 21 and the \$1 per pack tax increase.

Federal Revenues: FY20 YTD Federal Revenues increased by \$245 million, or 39.6%, compared to the FY19 YTD level.

Transfers In: FY20 YTD Transfers In increased by \$690 million, or 115.4%, compared to the FY19 YTD level. This increase is primarily attributable to a \$616 million deposit from the Income Tax Refund Fund. The Income Tax Refund Fund receives a percentage of individual and corporate income tax collections and puts them aside for refunds. Excess balances are transferred into the General Revenue Fund during the following fiscal year.

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 FY20. Total State Revenues (not including Transfers In) were \$339 million, or 4.6%, above the revised May 2019 budgeted level. Federal revenues were \$78 million, or 9.9%, above the May 2019 budgeted level.

| GENERAL FUNDS REVENUES | | | | |
|--|-----------------------|--------------------|------------------|-------------------|
| Year-to-Date Budgeted versus Actual | | | | |
| | (\$ in millions) | | | |
| | FY20 YTD Budgeted* | FY20 YTD Actual | Dollar Change | Percent Change |
| Gross Individual Income Tax | \$ 4,589 | \$ 4,996 | \$ 407 | 8.9% |
| Income Tax Refund Fund | (436) | (475) | (39) | 8.9% |
| Local Government Distributive Fund Deposit | (239) | (260) | (21) | 8.9% |
| Net Individual Income Tax | \$ 3,914 | \$ 4,261 | \$ 347 | 8.9% |
| Gross Corporate Income | \$ 610 | \$ 708 | \$ 98 | 16.1% |
| Income Tax Refund Fund | (87) | (101) | (14) | 16.1% |
| Local Government Distributive Fund Deposit | (34) | (40) | (6) | 0.0% |
| Net Corporate Income Tax | \$ 489 | \$ 568 | \$ 79 | 16.1% |
| Gross Sales Tax | \$ 2,251 | \$ 2,291 | \$ 40 | 1.8% |
| Downstate Public Trans/Public Trans Deposits | (54) | (55) | (1) | 1.6% |
| Net Sales Tax | \$ 2,197 | \$ 2,236 | \$ 39 | 1.8% |
| Public Utility | 201 | 188 | (13) | (6.4%) |
| Cigarette | 77 | 62 | (15) | (18.9%) |
| Inheritance | 76 | 64 | (12) | (16.4%) |
| Liquor | 48 | 48 | 0 | 0.3% |
| Insurance | 103 | 100 | (3) | (2.7%) |
| Corporate Franchise | 53 | 62 | 9 | 17.1% |
| Investment Income | 28 | 49 | 21 | 74.2% |
| Cook County IGT | 0 | 0 | 0 | 0.0% |
| Other | 207 | 93 | (114) | (55.1%) |
| TOTAL STATE REVENUES | \$ 7,392 | \$ 7,731 | \$ 339 | 4.6% |
| Federal Revenues | \$ 785 | \$ 863 | \$ 78 | 9.9% |
| Transfers In | \$ 539 | \$ 1,288 | \$ 749 | 138.9% |
| Lottery | 156 | 128 | (28) | (17.8%) |
| Gaming/Gaming Taxes | 75 | 75 | (0) | (0.3%) |
| Fund Reallocations | 0 | 0 | 0 | 0.0% |
| Interfund Borrowing | 0 | 0 | 0 | 0.0% |
| Other | 308 | 1,085 | 777 | 252.3% |
| SUBTOTAL REVENUES | \$ 8,717 | \$ 9,882 | \$ 1,165 | 13.4% |
| Investment Borrowing | 400 | 400 | 0 | 0.0% |
| TOTAL REVENUES | \$ 9,117 | \$ 10,282 | 1,165 | 12.8% |

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 May 2019.

Income Taxes: Individual Income Tax net receipts through the first quarter were \$347 million, or 8.9%, higher than budgeted levels. Corporate Income Tax net receipts through the first quarter were \$79 million, or 16.1%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the first quarter were \$39 million, or 1.8%, higher than the budgeted levels.

Public Utilities: Public Utility receipts through the first quarter were \$13 million, or 6.4%, lower than budgeted levels.

Transfers In: Transfers In through the first quarter were \$749 million, or 138.9%, higher than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY19 and FY20 first quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the first quarter of FY20 totaled \$7,736 million, an increase of \$664 million, or 9.4%, from the FY19 level.

| GENERAL FUNDS EXPENDITURES | | | | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| First Quarter and Year-to-Date Review | | | | |
| (\$ in millions) | | | | |
| Agency | First Quarter | | Year-to-Date | |
| | FY19 Actual Spending | FY20 Actual Spending | FY19 Actual Spending | FY20 Actual Spending |
| Constitutional Officers ¹ | \$ 72 | \$ 75 | \$ 72 | \$ 75 |
| DHFS | 1,042 | 984 | 1,042 | 984 |
| ISBE | 1,467 | 1,436 | 1,467 | 1,436 |
| DHS | 681 | 586 | 681 | 586 |
| Higher Education | 565 | 579 | 565 | 579 |
| SERS | 352 | 372 | 352 | 372 |
| TRS | 1,167 | 1,236 | 1,167 | 1,236 |
| SURS | 405 | 456 | 405 | 456 |
| Corrections | 198 | 277 | 198 | 277 |
| CMS | 511 | 1,012 | 511 | 1,012 |
| DCFS | 156 | 199 | 156 | 199 |
| Aging | 127 | 141 | 127 | 141 |
| ISP | 47 | 47 | 47 | 47 |
| Revenue | 13 | 9 | 13 | 9 |
| DPH | 9 | 41 | 9 | 41 |
| DNR | 8 | 8 | 8 | 8 |
| DCEO | 2 | 1 | 2 | 1 |
| All Others | 249 | 275 | 249 | 275 |
| Agency Totals | \$ 7,072 | \$ 7,736 | \$ 7,072 | \$ 7,736 |

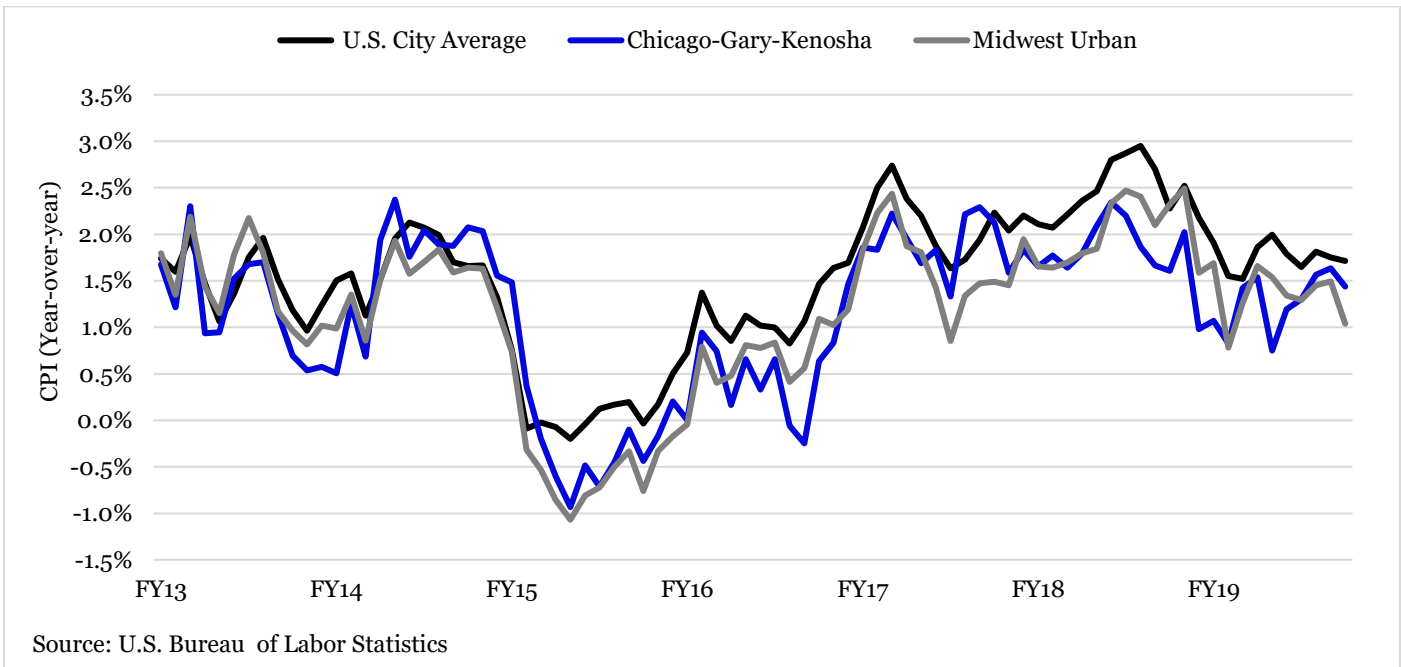
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

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

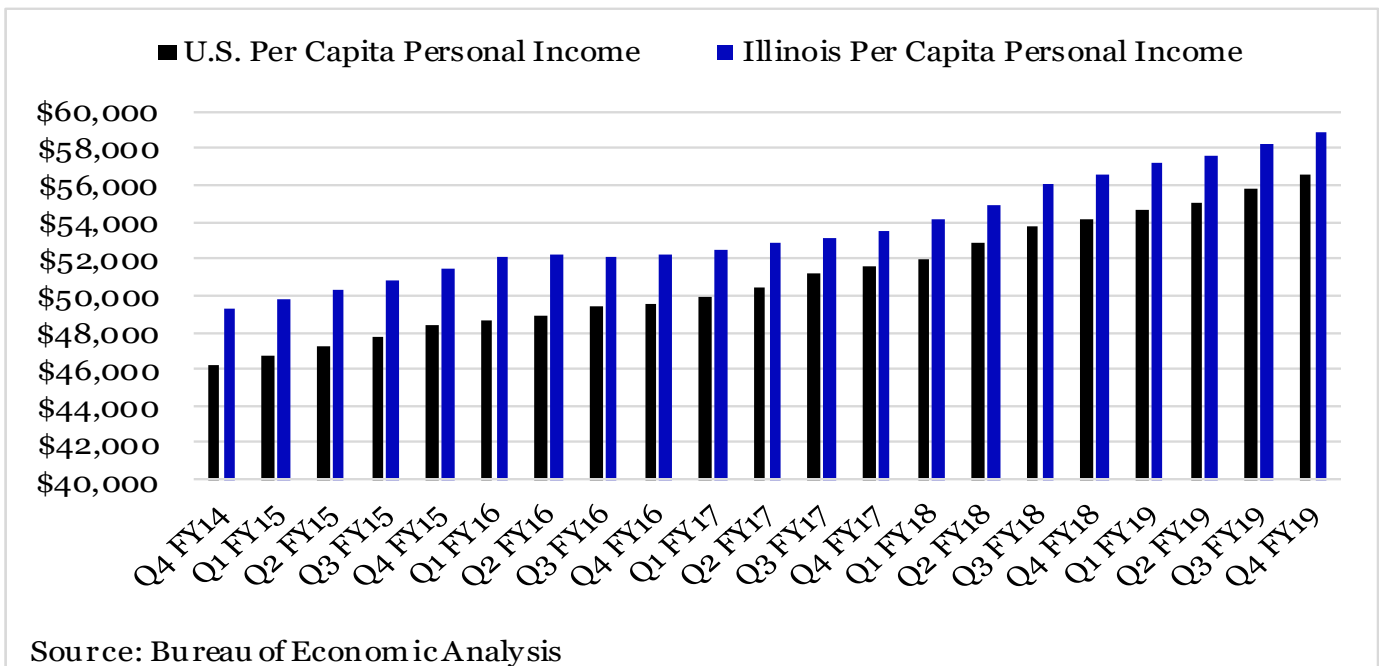
¹ Constitutional Officers exclude Auditor General.

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 FY13 to September FY20. In September FY20, the CPI for U.S. city average increased 1.7% year-over-year. The CPI for Chicago metropolitan area increased 1.4% and the CPI for Midwest region increased 1.0%.



The graph below compares the per capita personal income between U.S. and Illinois from the second quarter of FY14 to the fourth quarter of FY19. The U.S. per capita personal income increased \$664 or 1.2% from \$55,846 in the third quarter of FY19 to \$56,511 in the fourth quarter of FY19. Year-over-year, U.S. per capita personal income increased \$2,329 or 4.3%. In Illinois, per capita personal income increased \$657 or 1.2% from \$58,248 in the third quarter of FY19 to \$58,905 in the fourth quarter of FY19. Year-over-year, Illinois per capita personal income increased \$2,326 or 4.1%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in August of FY20 was 3.7%, down from 3.9% during the same period last fiscal year. Illinois' unemployment rate of 4.0% in August of FY20 reflected a decrease of 0.1% from the state's unemployment rate of 4.1% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased 63,300 year-over-year in August, led by increases in Professional Services, Leisure and Hospitality and Education and Health Services.

| EMPLOYMENT HIGHLIGHTS | | | |
|---|---------------------------|---------------------------|----------------------|
| State and National Review | | | |
| EMPLOYMENT STATISTICS | <u>June FY18</u> | <u>June FY19</u> | <u>Change</u> |
| Total Nonfarm Employment, Illinois | 6,126,100 | 6,213,500 | 87,400 |
| Unemployment Rate, Illinois | 4.3% | 4.3% | 0.0 |
| Unemployment Rate, United States | 4.0% | 3.7% | (0.3) |
| Labor Force Participation Rate, Illinois | 64.5% | 64.7% | 0.2 |
| Labor Force Participation Rate, United States | 62.9% | 62.9% | 0.0 |
| EMPLOYMENT STATISTICS | <u>July FY19</u> | <u>July FY20</u> | <u>Change</u> |
| Total Nonfarm Employment, Illinois | 6,128,900 | 6,223,800 | 94,900 |
| Unemployment Rate, Illinois | 4.2% | 4.2% | 0.0 |
| Unemployment Rate, United States | 3.9% | 3.7% | (0.2) |
| Labor Force Participation Rate, Illinois | 64.5% | 65.8% | 1.3 |
| Labor Force Participation Rate, United States | 62.9% | 63.0% | 0.1 |
| EMPLOYMENT STATISTICS | <u>August FY19</u> | <u>August FY20</u> | <u>Change</u> |
| Total Nonfarm Employment, Illinois | 6,120,000 | 6,186,300 | 66,300 |
| Unemployment Rate, Illinois | 4.1% | 4.0% | (0.1) |
| Unemployment Rate, United States | 3.9% | 3.7% | (0.2) |
| Labor Force Participation Rate, Illinois | 64.5% | 65.2% | 0.7 |
| Labor Force Participation Rate, United States | 62.7% | 63.2% | 0.5 |

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

ILLINOIS REAL ESTATE

Illinois home median prices posted another gain in August 2019 while home sales grew at a moderate pace. The time it took to sell a home in August averaged 45 days, the same as a year ago. Available inventory totaled 60,149 homes for sale, a 5.1 percent decline from 63,389 homes in August 2018.