



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2024 SECOND QUARTER FINANCIAL REVIEW

SECOND QUARTER RESULTS

Fiscal Year 2024's (FY24) second quarter saw a year-over-year increase of \$280 million in base general funds revenues due to strong receipts from estate taxes, investment income and individual income taxes. Second quarter expenditures increased by \$214 million compared to FY23 second quarter expenditures.

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

SECOND QUARTER REPORT HIGHLIGHT: INVESTMENT INCOME

The Illinois Treasurer is responsible for managing an investment portfolio that holds approximately \$50 billion worth of assets (as of September 2021). \$25 billion are in state assets, \$16 billion in retirement and college savings, and \$9 billion are held on behalf of local and state governments. The Treasury manages the \$25 billion in state assets to meet the State's daily financial obligations, while investing the remaining funds in short/long-term opportunities. The return on investments are usually deposited back into the general funds unless statute dictates it be deposited in a specific fund. Since calendar year 2022, the Federal Reserve open market operations have had a direct effect on yields on rate-dependent assets for Illinois' investments. These open-market operations, along with high cash balances in state accounts, have increased the State's investment returns dramatically.

The market interest rate, measured by the Effective Federal Funds Rate has remained at a high mark of 5.33% for quite some time. With rates at their highest point since 2007, borrowing has become more expensive for consumers, but cash deposits are yielding more interest for the State. The 30-Day effective yield of the Treasurer's portfolio has increased from 0.3% in December 2021 to 4.698% in December 2023. As the Federal Reserve begins to reverse its Effective Federal Funds Rate back towards 0%, investment income will start to decrease but in the meantime, state accounts are greatly benefiting from the additional monies.

ILLINOIS ECONOMIC INDICATORS

The state's economic conditions have rather closely tracked those of the United States economy. State continues to show strong signs of growth in some areas such as unemployment and consumer spending. Inflation, particularly in housing and energy, continues to be a pressing issue.

The housing market in Illinois continues to struggle amid inadequate inventory and fluctuating interest rates. The demand for houses in the Chicago market saw some increases over the quarter but overall affordability continues to be an issue. Inflation has started to cool but energy prices and housing costs remain elevated year-over-year. Housing costs in the city of Chicago take up a large percentage of household income. It is estimated that housing accounts for about 36.6 percent of the area's household budget which is significantly higher than the 33.5 percent national average.

GENERAL FUNDS OVERVIEW

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

(\$ in millions)

	Second Quarter		Year-to-date	
	FY23 Actual	FY24 Actual	FY23 Actual	FY24 Actual
Beginning Backlog at Comptroller	\$ (950)	\$ (1,075)	\$ (1,081)	\$ (341)
Beginning Cash Balance	\$ 2,128	\$ 3,439	\$ 2,063	\$ 3,852
Revenues				
Individual Income Tax	\$ 5,205	\$ 5,587	\$ 10,230	\$ 10,934
Corporate Income Tax	1,323	1,153	2,596	2,425
Sales Tax	2,669	2,686	5,429	5,468
Other Sources/Transfers In	1,306	1,309	2,882	3,209
State Source Revenues	\$ 10,503	\$ 10,734	\$ 21,138	\$ 22,035
Federal Sources	1,187	1,668	2,067	2,685
ARPA Reimbursement for Government Services	0	0	763	0
Total Revenues	\$ 11,690	\$ 12,402	\$ 23,968	\$ 24,721
Expenditures				
Current Year Vouchers	\$ 11,945	\$ 12,159	\$ 21,445	\$ 23,218
Prior Year Vouchers	0	0	1,384	1,671
Subtotal, Vouchers Presented	\$ 11,945	\$ 12,159	\$ 22,830	\$ 24,888
Posted Transfers Out	68	39	299	330
Transfer to GO Bond Debt Service Fund	55	243	707	693
Transfers to fund tax relief programs	0	0	125	0
Transfers to Pension Stabilization Fund	0	0	200	0
Prior Year Adjustments	(19)	(19)	(31)	(24)
Total Expenditures	\$ 12,050	\$ 12,422	\$ 24,131	\$ 25,887
End of Quarter Cash Balance	\$ 2,023	\$ 3,544	\$ 2,023	\$ 3,544
End of Quarter Backlog at Comptroller	\$ (1,204)	\$ (1,199)	\$ (1,204)	\$ (1,199)

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	\$ 3,128	\$ 3,439
Receipts	\$ 12,467	\$ 12,401
IIT	5,575	5,587
CIT	1,245	1,153
Sales	2,714	2,686
Other Sources	742	737
Transfers In	547	571
Federal Sources	1,644	1,668
Cash Expenditures	(13,730)	(14,545)
Cash Balance - Budget Stabilization Fund	\$ 2,011	\$ 2,019
Cash Balance - All other General Funds	\$ 1,865	\$ 1,296

Based on revenue projections revised in November 2023.

GENERAL FUNDS REVENUES SUMMARY

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

(\$ in millions)

	Second Quarter		Change: FY23 Actual to FY24 Actual		Year-to-Date		Change: FY23 Actual to FY24 Actual	
	FY23 Actual	FY24 Actual	Dollar Change	Percent Change	FY23 Actual	FY24 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 6,112	\$ 6,575	\$ 463	7.6%	\$ 12,013	\$ 12,868	\$ 855	7.1%
Income Tax Refund Fund	(566)	(602)	(36)	6.4%	(1,111)	(1,178)	(66)	6.0%
Local Government Distributive Fund Deposit	(342)	(387)	(45)	13.1%	(672)	(756)	(85)	12.6%
Net Individual Income Tax	\$ 5,205	\$ 5,587	\$ 382	7.3%	10,230	10,934	\$ 704	6.9%
Gross Corporate Income	\$ 1,661	\$ 1,536	\$ (125)	(7.5%)	\$ 3,260	\$ 3,226	\$ (34)	(1.1%)
Income Tax Refund Fund	(241)	(299)	(58)	24.1%	(473)	(623)	(150)	31.6%
Local Government Distributive Fund Deposit	(97)	(84)	(13)	13.4%	(191)	(178)	(13)	6.8%
Net Corporate Income Tax	\$ 1,323	\$ 1,153	\$ (170)	(12.8%)	\$ 2,596	\$ 2,425	\$ (171)	(6.6%)
Gross Sales Tax	\$ 2,996	\$ 3,033	\$ 37	1.2%	\$ 5,929	\$ 6,023	\$ 94	1.6%
Downstate Public Trans/Public Trans Deposits	(182)	(193)	(11)	5.9%	(258)	(269)	(10)	4.1%
Road Fund Deposit	(145)	(155)	(9)	6.4%	(243)	(287)	(44)	18.2%
Net Sales Tax	2,669	2,686	17	0.6%	5,429	5,468	39	0.7%
Public Utility	\$ 159	\$ 154	(4)	(2.8%)	\$ 338	\$ 308	(30)	(8.9%)
Cigarette	61	54	(7)	(11.6%)	124	108	(16)	(13.0%)
Inheritance	149	179	30	20.2%	267	335	69	25.8%
Liquor	45	44	(1)	(1.6%)	95	93	(2)	(1.8%)
Insurance	77	31	(46)	(59.9%)	210	175	(34)	(16.4%)
Corporate Franchise	60	47	(13)	(22.4%)	116	107	(10)	(8.4%)
Investment Income	57	146	89	157.0%	114	308	195	171.3%
Cook County IGT	0	0	0	0.0%	0	0	0	0.0%
Other	78	82	4	5.1%	201	174	(27)	(13.4%)
TOTAL STATE REVENUES	\$ 9,883	\$ 10,163	\$ 280	2.8%	\$ 19,720	\$ 20,435	\$ 716	3.6%
Federal Revenues	\$ 1,187	\$ 1,668	\$ 481	40.5%	\$ 2,067	\$ 2,685	\$ 618	29.9%
Transfers In	\$ 619	\$ 571	\$ (48)	(7.8%)	\$ 1,418	\$ 1,601	\$ 183	12.9%
Lottery	150	205	55	36.7%	300	420	120	40.0%
Gaming/Gaming Taxes	54	50	(4)	(6.7%)	94	81	(13)	(13.9%)
Adult-Use Cannabis	27	27	0	0.9%	56	54	(2)	(3.6%)
Other	389	289	(100)	(25.7%)	968	1,046	78	8.1%
SUBTOTAL REVENUES	\$ 11,690	\$ 12,402	\$ 713	6.1%	\$ 23,205	\$ 24,721	\$ 1,516	6.5%
ARPA Reimbursement for Government Services	0	0	0	100.0%	763	0	(763)	(100.0%)
TOTAL REVENUES	\$ 11,690	\$ 12,402	\$ 713	6.1%	\$ 23,968	\$ 24,721	\$ 753	3.1%

Source: Illinois Office of the Comptroller

Income Taxes: FY24 year-to-date (YTD) Individual Income Tax net receipts increased by \$704 million, or 6.9% from FY23, while FY24 YTD Corporate Income Tax (CIT) net receipts decreased by \$171 million, or 6.6%. \$470 million of income taxes were directly deposited into the Local Government Distributive Fund in the second quarter of FY24.

Sales Taxes: FY24 YTD Sales Tax net receipts increased by \$39 million, or 0.7%, from the FY23 YTD level.

Federal Revenues: FY24 YTD base Federal Revenues increased by \$618 million, or 29.9%, compared to the FY23 YTD level.

Transfers In: FY24 YTD Transfers In increased by \$183 million, or 12.9%, compared to the FY23 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 FY24. Total State Revenues (not including Transfers In) were \$114 million, or 0.6%, below the November 2023 budgeted level. Federal Revenues were up \$25 million, or 0.9%, above the November 2023 budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY24 YTD Budgeted*	FY24 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 12,854	\$ 12,868	\$ 14	0.1%
Income Tax Refund Fund	(1,176)	(1,178)	(2)	0.2%
Local Government Distributive Fund Deposit	(756)	(756)	(0)	0.1%
Net Individual Income Tax	\$ 10,922	\$ 10,934	\$ 12	0.1%
Gross Corporate Income	\$ 3,142	\$ 3,226	\$ 84	2.7%
Income Tax Refund Fund	(440)	(623)	(183)	41.5%
Local Government Distributive Fund Deposit	(185)	(178)	7	(3.6%)
Net Corporate Income Tax	\$ 2,517	\$ 2,425	\$ (92)	(3.7%)
Gross Sales Tax	\$ 6,059	\$ 6,023	\$ (36)	(0.6%)
Downstate Public Trans/Public Trans Deposits	(262)	(269)	(7)	2.5%
Road Fund Deposits	(300)	(287)	13	(4.4%)
Net Sales Tax	\$ 5,497	\$ 5,468	\$ (29)	(0.5%)
Public Utility	\$ 304	308	4	1.3%
Cigarette	111	108	(3)	(2.9%)
Inheritance	330	335	5	1.6%
Liquor	94	93	(1)	(0.7%)
Insurance	182	175	(7)	(3.7%)
Corporate Franchise	110	107	(3)	(3.1%)
Investment Income	307	308	1	0.4%
Cook County IGT	0	0	0	0.0%
Other	175	174	(1)	(0.6%)
TOTAL STATE REVENUES	\$ 20,549	\$ 20,435	\$ (114)	(0.6%)
Federal Revenues	\$ 2,660	\$ 2,685	\$ 25	0.9%
Transfers In	\$ 1,577	\$ 1,601	\$ 24	1.5%
Lottery	420	420	0	0.0%
Gaming/Gaming Taxes	84	81	(3)	(3.6%)
Adult-Use Cannabis	55	54	(1)	(1.8%)
Other	1,018	1,046	28	2.8%
TOTAL REVENUES	\$ 24,786	\$ 24,721	\$ (65)	(0.3%)

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 2023.

Income Taxes: Individual Income Tax net receipts through the second quarter were \$12 million, or 0.1%, higher than budgeted levels. Corporate Income Tax net receipts through the second quarter were \$92 million, or 3.7%, lower than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the second quarter were \$29 million, or 0.5%, lower than the budgeted levels.

Transfers In: Transfers In through the second quarter were \$24 million, or 1.5%, higher than budgeted levels.

OUTLOOK FOR FUTURE GENERAL FUNDS REVENUES

The table below sets forth the future outlook for General Funds revenues for FY24. 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)			
	FY24 YTD Actual	FY24 Annual Forecast*	Remainder of Forecast*
Receipts	\$ 24,721	\$ 52,104	\$ 27,382
IIT	10,934	25,711	14,777
CIT	2,425	5,169	2,745
Sales	5,468	10,531	5,063
Other Sources	1,608	3,809	2,200
Transfers In	1,601	2,576	975
Federal Sources	2,685	4,308	1,623
Total Base Revenues	24,721	52,104	27,382

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

*Fiscal year 2024 forecast was updated in November 2023 using historical averages, national and regional economic activity data, and tax-related information provided by the Department of Revenue.

Through the second quarter of FY24, total base State General Funds revenues have performed well against the revised November 2023 annual revenue forecast. Taxes closely linked to economic activity, (income and sales taxes) were slightly lower than the forecast amount. Income from investments, estate taxes, and federal sources have performed well against their forecast amount. The timing of Federal receipts depends mostly on vouchers available for reimbursable spending. If an above average amount of vouchers are paid earlier in the fiscal year, receipts towards the back end will decrease. GOMB continues to monitor the national and state economy for changes which might impact the forecast. Annual forecasts can be recalculated when actuals do not meet expectations.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY23 and FY24 second quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the second quarter of FY24 totaled \$12,158 million, an increase of \$214 million, or 1.8%, from the FY23 level.

GENERAL FUNDS EXPENDITURES				
Second Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Second Quarter		Year-to-Date	
	FY23 Actual Spending	FY24 Actual Spending	FY23 Actual Spending	FY24 Actual Spending
Constitutional Officers ¹	\$ 112	\$ 126	\$ 202	\$ 227
DHFS	2,641	2,409	4,473	5,010
ISBE	2,556	2,779	4,356	4,590
DHS	1,367	1,495	2,151	2,602
Higher Education	893	859	1,476	1,649
SERS	416	419	865	937
TRS	1,574	1,604	3,000	3,223
SURS	461	460	1,156	1,134
Corrections	424	453	680	737
CMS	460	311	1,065	916
DCFS	298	355	546	636
Aging	270	332	466	562
ISP	84	91	143	153
Revenue	12	12	22	21
DPH	54	49	99	78
DNR	17	18	32	32
DCEO	6	16	9	58
All Others	301	371	704	653
Agency Totals	\$ 11,945	\$ 12,158	\$ 21,445	\$ 23,218

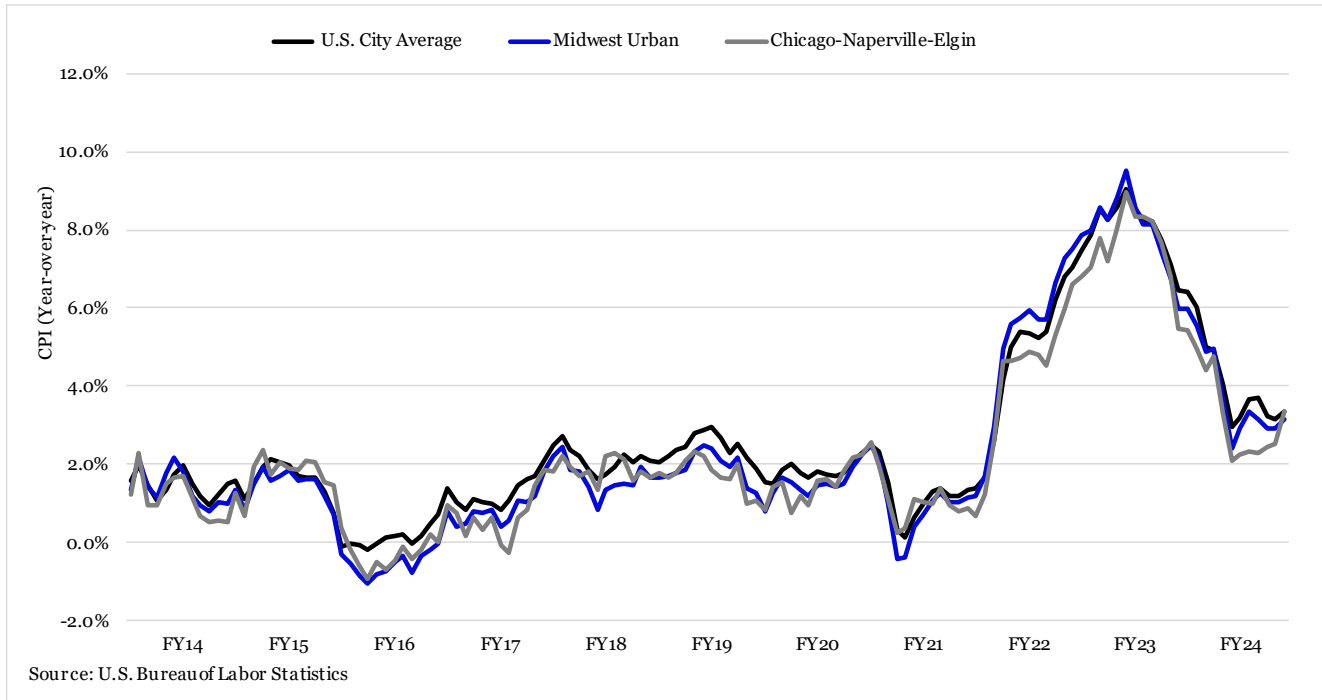
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

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

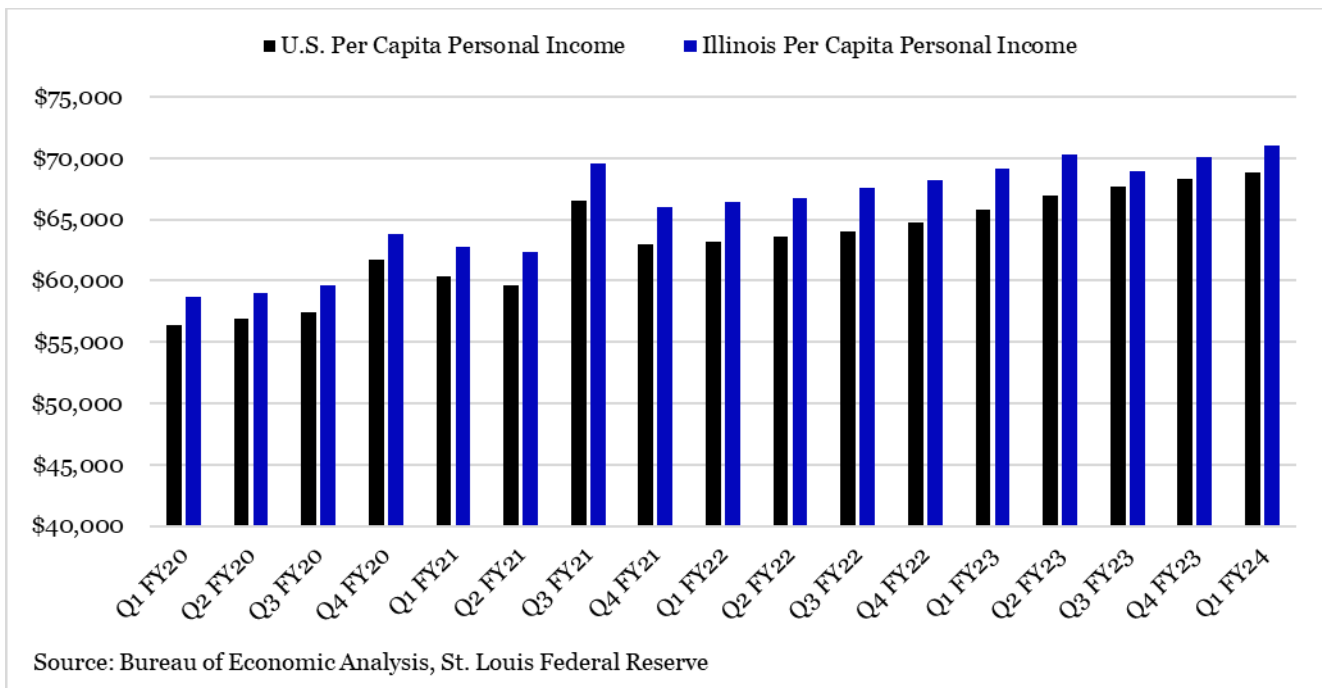
¹ Constitutional Officers exclude Auditor General.

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 FY24. In December FY24, the U.S. city average CPI increased 3.4% year-over-year. The CPI for Chicago metropolitan area increased 3.3% and the CPI for Midwest region increased 3.3%.



The graph below compares the per capita personal income between the U.S. and Illinois from the first quarter of FY20 to the first quarter of FY24. The U.S. per capita personal income increased \$496 or 0.73% from \$68,305 in the fourth quarter of FY23 to \$68,801 in the first quarter of FY24. Year-over-year, U.S. per capita personal income increased \$2,985 or 4.7%. In Illinois, per capita personal income increased by \$931 or 1.35% from \$70,125 in the fourth quarter of FY23 to \$71,056 in the first quarter of FY24. Year-over-year, Illinois per capita personal income increased \$1,889 or 2.7%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in December of FY24 was 3.7%, up from 3.5% during the same period last fiscal year. Illinois' unemployment rate of 4.8% in December of FY24 reflected an increase of 0.2 percentage points from the state's unemployment rate of 4.6% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased by 57,800 year-over-year in December, led by increases in Government employment, Educational and Health Services, and Leisure and Hospitality.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>October FY23</u>	<u>October FY24</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,080,600	6,143,800	63,200
Unemployment Rate, Illinois	4.6%	4.0%	(0.6)
Unemployment Rate, United States	3.7%	3.5%	(0.2)
Labor Force Participation Rate, Illinois	64.4%	64.5%	0.1
Labor Force Participation Rate, United States	62.3%	62.7%	0.4
EMPLOYMENT STATISTICS	<u>November FY23</u>	<u>November FY24</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,096,400	6,148,200	51,800
Unemployment Rate, Illinois	4.6%	4.7%	0.1
Unemployment Rate, United States	3.6%	3.7%	0.1
Labor Force Participation Rate, Illinois	64.5%	64.7%	0.2
Labor Force Participation Rate, United States	62.1%	62.8%	0.7
EMPLOYMENT STATISTICS	<u>December FY23</u>	<u>December FY24</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,091,600	6,149,400	57,800
Unemployment Rate, Illinois	4.6%	4.8%	0.2
Unemployment Rate, United States	3.5%	3.7%	0.2
Labor Force Participation Rate, Illinois	64.5%	64.7%	0.2
Labor Force Participation Rate, United States	62.3%	62.5%	0.2

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

ILLINOIS REAL ESTATE

The number of homes and sales continued to decline as year-over-year home sales ended 2023 with another month of higher home prices and tight housing inventories. December 2023 home sales ended up 6.1% lower than in December 2022. Annually speaking, Illinois saw 18.3% less homes sold in 2023 than in 2022. Available inventory was 17,291 in December statewide, a decrease of 22.7% since last year. The statewide sale price rose 7.0% in 2023, up to \$307,000. There is increasingly cautious optimism from Illinois realtors for the future of the housing market, fueled by anticipation for lower interest rates going into 2024. According to data from Freddie Mac, the monthly average 30 year fixed-rate mortgage fell to 6.82% in December 2022, compared to 7.44% in November and 7.62% at the beginning of the quarter.