

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

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## FISCAL YEAR 2021 FIRST QUARTER FINANCIAL REVIEW

## FIRST QUARTER RESULTS

Fiscal Year 2021's (FY21) first quarter saw an increase in General Funds revenues due to delays in the final deadline for income tax filings and benefited from federal stimulus in response to the COVID-19 pandemic. First quarter expenditures increased by \$650 million compared to FY20 first quarter expenditures.

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

## FIRST QUARTER REPORT HIGHLIGHT: DELAYED INCOME TAX FILING DATE

The federal and state level income tax filing date was delayed from April 15<sup>th</sup> to July 15<sup>th</sup>. Approximately \$1.2 billion of fiscal year 2020 income tax receipts fell into the first quarter of FY21.

#### ILLINOIS ECONOMIC INDICATORS

Illinois, along with the rest of the country, continues to fight through the economic recession caused by COVID-19. The state's unemployment rate, which reached a historical high of 16.8% in April 2020, has since declined to 11.0% by August. Nonfarm payroll and labor force participation rates also have declined over the same time period. Job losses in the retail, leisure and hospitality sectors and continuing unemployment will hinder economic growth; however, bright spots have emerged as the state moved into Phase 4.

In comparison to the fourth quarter of FY2020, consumers have resumed some amount of normal economic activity. Businesses have responded by slowly calling back laid-off workers, but the near future outlook remains uncertain as COVID-19 continues to have an impact. As the nation approaches cold and flu season, it is expected that some consumers may shift back to virtual economic transactions and job growth may slow.

On the alternate side of the economic spectrum, personal income and consumer spending was steady to prior year levels in the first quarter of FY21 due to federal stimulus programs. Personal income, which is the amount of income collectively received by individuals and households, grew by 10.5% from the third quarter to the fourth quarter of FY20, due to the expansion of workers able to claim unemployment insurance benefits and the additional \$600 a week in federal compensation. Consumer spending has largely followed suit, rebounding dramatically from April lows to pre-pandemic levels by the end of the quarter.

A major caveat to continued growth in all indices is the possibility of additional federal stimulus and a concrete solution to the COVID-19 pandemic. Work on a vaccine continues but one isn't expected until calendar year 2021 and spending negotiations between Congress and the White House currently seem at an impasse.

## **GENERAL FUNDS OVERVIEW**

	F	irst Quarter a	nd Year		w				
			in million	.s)	1				
		First Q	Year-te	to-date					
_		FY20 Actual		FY21 Actual		FY20 Actual	FY21 Actual		
Beginning Backlog at Comptroller	\$	(5,161)	\$	(4,856)	\$	(5,161)	\$	(4,856)	
Beginning Cash Balance	\$	466	\$	531	\$	466	\$	531	
Revenues									
Individual Income Tax Corporate Income Tax Sales Tax	\$	4,261 568 2,236	\$	5,468 870 2,246	\$	4,261 568 2,236	\$	5,468 870 2,246	
Other Sources/Transfers In State Source Revenues	\$	1,954 <b>9,019</b>	\$	1,350	\$	1,954 <b>9,019</b>		1,350	
Federal Sources Interfund Borrowing Short Term Borrowing Investment Borrowing	·	863 0 0 400		<b>9,934</b> 787 0 0		863 0 0 400		9,934 787 0 0	
Total Revenues	\$	10,282	\$	10,721	\$	10,282	\$	10,721	
Expenditures Current Year Vouchers Prior Year Vouchers	\$	7,736 1,224	\$	8,386 1,479	\$	7,736 1,224	\$	8,386 1,479	
Subtotal, Vouchers Presented Posted Transfers Out Transfer to GO Bond Debt Service Fund Transfer to Repay Interfund Borrowing Investment Borrowing Repayments	\$	8,960 222 624 0	\$	9,865 241 627 12 402	\$	8,960 222 624 0	\$	9,865 241 627 12 402	
Prior Year Adjustments Total Expenditures	\$	(2) 9,804	-\$	(9) 11,138	-\$	(2) 9,804	-\$	(9) 11,138	
End of Quarter Cash Balance	\$	847	\$	862	\$	847	\$	862	
End of Quarter Backlog at Comptroller	\$	(5,064)	\$	(5,604)	\$	(5,064)	\$	(5,604)	

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 FU Comparison: Pro								
(\$ in	millions)	)						
	First Quarter							
	Pı	rojected		Actual				
Cash Balance, Beginning	\$	531	\$	531				
Receipts*	\$	9,803	\$	10,721				
IIT		4,780		5,468				
CIT		546		87 o				
Sales		2,044		2,246				
Other Sources		667		805				
Transfers In		571		545				
Interfund Borrowing		50		-				
Federal Sources		1,145		787				
Certificate Proceeds		-		-				
Cash Expenditures		(9,934)		(10,390)				
Cash Balance, Ending	\$	400	\$	862				

#### GENERAL FUNDS REVENUES SUMMARY

					Yea	ar-to-D	ENUES ate Revie	ew						
				(\$ i	n millio	,	ao Actual	l					Changa: EV	oo A <i>e</i> tuol
		First	Quar	ter	Change: FY20 Actual to FY21 Actual Year-to-Date					ıte	Change: FY20 Actual to FY21 Actual			
		FY20 Actual		FY21 Actual		Dollar Change	Percent Change		FY20 Actual		FY21 Actual		Dollar Change	Percent Change
Gross Individual Income Tax Income Tax Refund Fund Local Government Distributive Fund Deposit	\$	<b>4,996</b> (475) (260)	\$	<b>6,395</b> (576)	\$	1,399 (101) (93)	28.0% 21.3% 35.8%	\$	<b>4,996</b> (475) (260)	\$	<b>6,395</b> (576) (353)	\$	1,399 (101) (93)	28.0% 21.3% 35.8%
Net Individual Income Tax	\$	4,261	\$	(353) <b>5,468</b>	\$	1,207	28.3%	\$	4,261	\$	5,468	\$	1,207	28.3%
Gross Corporate Income Income Tax Refund Fund	\$	7 <b>09</b> (101)	\$	1,086 (152)	\$	<b>3</b> 77 (51)	<b>53.2%</b> 50.5%	\$	7 <b>09</b> (101)	\$	1,086 (152)	\$	<b>3</b> 77 (51)	<b>53.2%</b> 50.5%
Local Government Distributive Fund Deposit Net Corporate Income Tax	*	(40) <b>568</b>	-\$	(64) <b>870</b>	\$	(24) <b>302</b>	60.0% <b>53.2%</b>	\$	(40) <b>568</b>	-	(64) <b>870</b>	\$	(24) <b>302</b>	60.0% <b>53.2</b> %
Gross Sales Tax Downstate Public Trans/Public Trans Deposits	\$	<b>2,291</b> (55)	\$	<b>2,295</b> (49)	\$	<b>4</b> 6	<b>0.2%</b> (10.9%)	\$	<b>2,291</b> (55)	\$	<b>2,295</b> (49)	\$	<b>4</b> 6	<b>0.2%</b> (10.9%)
Net Sales Tax		2,236	\$	2,246	\$	10	0.4%		2,236	\$	2,246	\$	10	0.4%
Public Utility		188		175		(13)	(6.9%)		188		175		(13)	(6.9%)
Cigarette Inheritance		62 64		79 136		17 72	27.4% 112.5%		62 64		79 136		17 72	27.4% 112.5%
Liquor Insurance		48 100		46 184		(2) 84	(4.2%) 84.0%		48 100		46 184		(2) 84	(4.2%) 84.0%
Corporate Franchise Investment Income		62 49		86 28		24 (21)	38.7% (42.9%)		62 49		86 28		24 (21)	38.7% (42.9%)
Cook County IGT Other		0 93		0 71		0 (22)	0.0% (23.7%)		0 93		0 71		0 (22)	0.0%
TOTAL STATE REVENUES	\$	7,731	\$	9,389	\$	1,658	21.4%	\$	7,731	\$	9,389	\$	1,658	21.4%
Federal Revenues	\$	863	\$	787	\$	(76)	(8.8%)	\$	863	\$	787	\$	(76)	(8.8%)
Transfers In	\$	1,288	\$	545	\$	(743)	(57.7%)	\$	1,288	\$	545	\$	(743)	(57.7%)
Lottery Riverboat Gaming		128 75		165 0		37 (75)	28.9% (100.0%)		128 75		165 0		37 (75)	28.9% (100.0%)
Adult-Use Cannabis		О		13		13	100.0%		О		13		13	100.0%
Interfund Borrowing Other		0 1,085		o 367		0 (718)	0.0% (66.2%)		0 1,085		o 367		0 (718)	0.0% (66.2%)
SUBTOTAL REVENUES	\$	9,882	\$	10,721	\$	839	8.5%	\$	9,882	\$	10,721	\$	839	8.5%
Investment Borrowing Short Term Borrowing		400 0		o 0		(400) 0	(100.0%) 100.0%		400 0		o o		(400) 0	(100.0%) 100.0%
TOTAL REVENUES	\$	10,282	\$	10,721	\$	439	4.3%	\$	10,282	\$	10,721	\$	439	4.3%

Source: Illinois Office of the Comptroller

**Income Taxes:** FY21 year-to-date (YTD) Individual Income Tax net receipts increased by \$1,207 million, or 28.3% from the FY20 YTD level due to the extension of the tax filing date.

FY21 YTD Corporate Income Tax (CIT) net receipts increased by \$302 million, or 53.2%, from the FY20 level. \$417 million of income taxes were directly deposited into the Local Government Distributive Fund in the first quarter of FY21.

**Sales Taxes:** FY21 YTD Sales Tax net receipts increased by \$10 million, or 0.4%, from the FY20 YTD level.

**Public Utilities:** FY21 YTD Public Utility receipts decreased by \$13 million, or 6.9%, from the FY20 YTD level.

Cigarette: FY21 YTD Cigarette receipts increased by \$17 million, or 27.4%, from the FY20 YTD level.

**Federal Revenues:** FY21 YTD Federal Revenues decreased by \$76 million, or 8.8%, compared to the FY20 YTD level.

**Transfers In:** FY21 YTD Transfers In decreased by \$743 million, or 57.7%, compared to the FY20 YTD level. This increase is primarily attributable to a \$616 million deposit from the Income Tax Refund Fund in FY20. 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 several months after the tax filing deadline has passed. The FY21 transfer from this fund totaled \$281 million.

#### 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 FY21. Total State Revenues (not including Transfers In) were \$1,352 million, or 16.8%, above the revised August 2020 budgeted level. Federal revenues were \$358 million, or 16.8%, below the August 2020 budgeted level.

GEN	ER	AL FUNI	OS RE	VENUES			
Year-to	-Da	te Budge	eted v	ersus Act	ual		
		(\$ in mill	ions)				
	FY	21 YTD	FY	721 YTD	]	Dollar	Percent
	Bu	dgeted*		Actual	C	Change	Change
Gross Individual Income Tax	\$	5,592	\$	6,395	\$	803	14.4%
Income Tax Refund Fund		(503)	\$	(576)		(73)	14.5%
Local Government Distributive Fund Deposit		(308)	\$	(353)		(45)	14.6%
Net Individual Income Tax	\$	4,780	\$	5,468	\$	688	14.4%
Gross Corporate Income	\$	682	\$	1,086	\$	404	59.2%
Income Tax Refund Fund		(95)		(152)		(57)	60.0%
Local Government Distributive Fund Deposit		(40)		(64)		(24)	60.0%
Net Corporate Income Tax	\$	546	\$	870	\$	324	59.3%
Gross Sales Tax	\$	2,087	\$	2,295	\$	208	10.0%
Downstate Public Trans/Public Trans Deposits		(43)		(49)		(6)	14.0%
Net Sales Tax	\$	2,044	\$	2,246	\$	202	9.9%
Public Utility		211		175		(36)	(17.1%)
Cigarette		62		79		17	27.4%
Inheritance		75		136		61	81.3%
Liquor		42		46		4	9.5%
Insurance		87		184		97	111.5%
Corporate Franchise		47		86		39	83.0%
Investment Income		41		28		(13)	(31.7%)
Cook County IGT Other		0		0		0	0.0%
TOTAL STATE REVENUES	\$	102	-\$	71	-\$	(31)	(30.4%) <b>16.8%</b>
		8,037	,	9,389		1,352	
Federal Revenues	\$	1,145	\$	7 <b>8</b> 7	\$	(358)	(31.3%)
Transfers In	\$	621	\$	545	\$	(76)	(12.2%)
Lottery		133		165		32	24.1%
Gaming/Gaming Taxes		0		0		0	0.0%
Adult-Use Cannabis		9		13		4	44.4%
Fund Reallocations		0		0		0	0.0%
Interfund Borrowing Other		50		0 367		(50) (62)	0.0% (14.5%)
	_	429		,		` ,	
SUBTOTAL REVENUES	\$	9,804	\$	10,721	\$	917	9.4%
Investment Borrowing		0		0		0	0.0%
Short Term Borrowing		0		0		0	0.0%
TOTAL REVENUES	\$	9,804	\$	10,721	\$	917	9.4%

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

**Income Taxes:** Individual Income Tax net receipts through the first quarter were \$688 million, or 14.4%, higher than budgeted levels. Corporate Income Tax net receipts through the first quarter were \$324 million, or 59.3%, higher than the budgeted levels.

**Sales Taxes:** Sales Tax net receipts through the first quarter were \$202 million, or 9.9%, higher than the budgeted levels.

**Public Utilities:** Public Utility receipts through the first quarter were \$36 million, or 17.1%, lower than budgeted levels.

**Transfers In:** Transfers In through the first quarter were \$26 million, or 4.6%, lower than budgeted levels.

<sup>\*</sup>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 July 2020.

### GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY20 and FY21 first quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the first quarter of FY21 totaled \$8,386 million, an increase of \$650 million, or 8.4%, from the FY20 level.

GENERAL FUNDS EXPENDITURES First Quarter and Year-to-Date Review										
(\$ in millions)										
		First (	)uartei	•		Year-te	o-Date	<b>3</b>		
	FY20	Actual	-	1 Actual	FY2	o Actual	-	FY21 Actual		
Agency		nding		ending		ending		Spending		
Constitutional Officers <sup>1</sup>	\$	75	\$	81	\$	75	\$	81		
DHFS		984		1,407		984		1,407		
ISBE		1,436		1,565		1,436		1,565		
DHS		586		862		586		862		
Higher Education		579		592		579		592		
SERS		372		382		372		382		
TRS		1,236		1,319		1,236		1,319		
SURS		456		491		456		491		
Corrections		277		244		277		244		
CMS		1,012		688		1,012		688		
DCFS		199		219		199		219		
Aging		141		146		141		146		
ISP		47		62		47		62		
Revenue		9		10		9		10		
DPH		41		20		41		20		
DNR		8		10		8		10		
IDOT		0		O		Ο		О		
DCEO		1		1		1		1		
All Others		277		287		277		287		
Agency Totals	\$	7,736	\$	8,386	\$	7,736	\$	8,386		

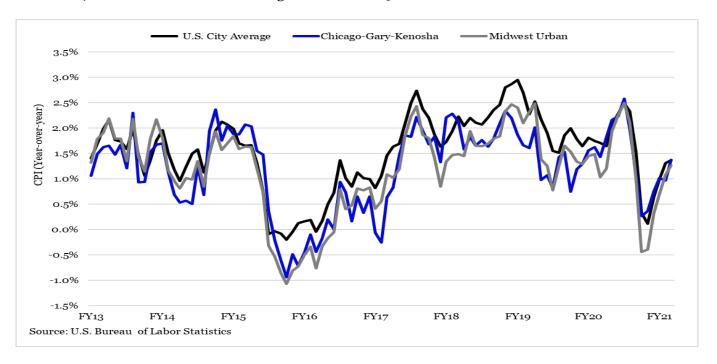
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

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

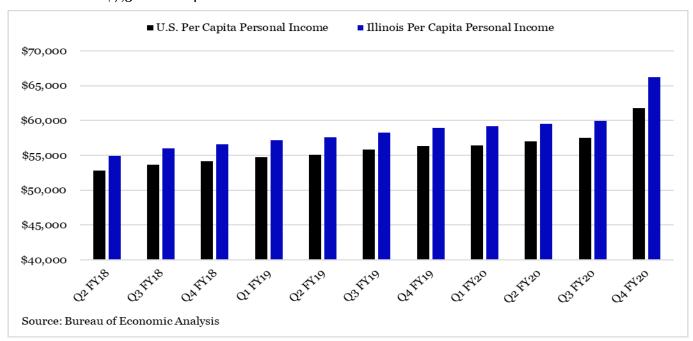
<sup>&</sup>lt;sup>1</sup> Constitutional Officers exclude Auditor General.

#### **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 1.4% year-over-year. The CPI for Chicago metropolitan area increased 1.4% and the CPI for Midwest region increased 1.3%.



The graph below compares the per capita personal income between U.S. and Illinois from the second quarter of FY18 to the fourth quarter of FY20. The U.S. per capita personal income increased \$4,318 or 7.5% from \$57,509 in the third quarter of FY20 to \$61,827 in the fourth quarter of FY20. Year-over-year, U.S. per capita personal income increased \$5,449 or 9.7%. In Illinois, per capita personal income increased \$6,303 or 10.5% from \$59,921 in the third quarter of FY20 to \$66,224 in the fourth quarter of FY20. Year-over-year, Illinois per capita personal income increased \$7,320 or 12.4%.



#### **EMPLOYMENT HIGHLIGHTS**

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in August of FY21 was 11.0%, up from 3.8% during the same period last fiscal year. Illinois' unemployment rate of 8.4% in August of FY20 reflected an increase of 4.7% from the state's unemployment rate of 3.7% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois decreased by 428,700 year-over-year in August, led by decreases in Leisure and Hospitality.

EMPLOYMENT HIGHLIGHTS State and National Review									
EMPLOYMENT STATISTICS	June FY20	June FY21	<u>Change</u>						
Total Nonfarm Employment, Illinois	6,213,500	5,322,300	(891,200)						
Unemployment Rate, Illinois	4.0%	14.5%	10.5						
Unemployment Rate, United States	3.7%	11.4%	7.7						
Labor Force Participation Rate, Illinois	64.5%	65.1%	0.6						
Labor Force Participation Rate, United States	63.0%	61.5%	(1.5)						
EMPLOYMENT STATISTICS	July FY20	July FY21	<u>Change</u>						
Total Nonfarm Employment, Illinois	6,172,700	5,384,500	(788,200)						
Unemployment Rate, Illinois	3.9%	11.3%	7.4						
Unemployment Rate, United States	3.7%	10.2%	6.5						
Labor Force Participation Rate, Illinois	64.5%	62.5%	(2.0)						
Labor Force Participation Rate, United States	63.0%	61.4%	(1.6)						
EMPLOYMENT STATISTICS	August FY20	August FY21	<u>Change</u>						
Total Nonfarm Employment, Illinois	6,123,900	5,695,200	(428,700)						
Unemployment Rate, Illinois	3.8%	11.0%	7.2						
Unemployment Rate, United States	3.7%	8.4%	4.7						
Labor Force Participation Rate, Illinois	64.6%	63.6%	(1.0)						
Labor Force Participation Rate, United States	63.2%	61.7%	(1.5)						

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

#### ILLINOIS REAL ESTATE

The Illinois housing market continued to bounce back in September with increases in home sales and higher median prices. The time it took to sell a home in September averaged 44 days, an increase of 6.4 percent over last year. Available inventory totaled 40,047 homes for sale, a 35.8 percent decline from 62,406 homes in September 2019.