



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

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FISCAL YEAR 2019 FOURTH QUARTER FINANCIAL REVIEW

FOURTH QUARTER HIGHLIGHTS

Fiscal Year 2019's fourth quarter saw modest performance for revenue sources linked to economic activity. Personal income and corporate income taxes grew at a reasonable pace. Sales tax receipts, along with modest gains in inheritance taxes and investment income, helped to offset weaker than expected federal revenues ending the quarter on a positive note. Fourth quarter expenditures increased by \$1,064 million compared to FY18 fourth quarter expenditures.

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

TREASURER'S INVESTMENT BORROWING

Public Act 100-1107 authorized the State Treasurer to invest or reinvest any State money in the Treasury that is not needed for current expenditures via deposit into the General Revenue Fund (GRF) or Health Insurance Reserve Fund (HIRF), when the total amount of vouchers presented to the Comptroller exceeds the funds available in GRF by \$1 billion. Up to \$2 billion of state funds not immediately needed for current expenses can be deposited into the General Revenue Fund or HIRF to pay down the current bill backlog. These transfers are governed by written agreements between the Treasurer and Comptroller. All of the current filed agreements outline a six-month repayment period to the fund of origin, including both principal and interest. In FY19, \$750 million was invested under this new authority (As of June 30, 2019 all \$750 million of this total has been returned to its original fund, along with \$8.5 million in calculated interest).

ILLINOIS ECONOMIC INDICATORS

Illinois real Gross Domestic Product (GDP) continues to grow albeit at a slower pace compared to the Midwest and U.S. averages. The state continues to add jobs moving further into full employment. As a result, personal income and wage growth has begun to accelerate, pushing Illinois per capita income growth higher than its regional competitors. Sales tax growth continues one year after the U.S. Supreme Court decision to overturn the decades-old ban on states collecting sales taxes from online sellers. The state has also seen a recent resurgence in central and downstate manufacturing, resulting in a boost in some of the smaller economies found outside the Chicagoland area. Several economic indicators continue to hold the state back. The housing market has struggled in new construction and declining populations could stymie growth. The state will continue to ride positive momentum stemming from national and global economic growth and its own ability to stay competitive among its peers.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW				
Fourth Quarter and Year-to-Date Review				
(\$ in millions)				
	Fourth Quarter		Year-to-date	
	FY18 Actual	FY19 Actual	FY18 Actual	FY19 Actual
Beginning Backlog at Comptroller	\$ (5,797)	\$ (6,855)	\$ (8,191)	\$ (4,180)
Beginning Cash Balance	\$ 414	\$ 308	\$ 1,368	\$ 125
Revenues				
Individual Income Tax	\$ 5,379	\$ 6,286	\$ 17,725	\$ 19,236
Corporate Income Tax	882	1,092	2,017	2,389
Sales Tax	1,941	2,170	7,810	8,409
Other Sources/Transfers In	1,580	1,471	8,128	5,561
State Source Revenues	\$ 9,782	\$ 11,019	\$ 35,680	\$ 35,595
Federal Sources	859	1,610	5,238	3,600
Interfund Borrowing	17	0	0	250
Investment Borrowing	0	0	533	750
Total Revenues	\$ 10,656	\$ 12,629	\$ 41,451	\$ 40,195
Expenditures				
Current Year Vouchers	\$ 8,379	\$ 9,637	\$ 33,505	\$ 35,052
Prior Year Vouchers	0	0	1,595	1,903
Subtotal, Vouchers Presented	\$ 8,379	\$ 9,637	\$ 35,100	\$ 36,955
Posted Transfers Out	51	57	582	446
Transfer to GO Bond Debt Service Fund	775	580	2,899	2,702
Transfer to Repay Interfund Borrowing	128	10	128	10
Investment Borrowing Repayments	-	493	-	750
Prior Year Adjustments	(5)	-	(28)	(27)
Total Expenditures	\$ 9,328	\$ 10,778	\$ 38,682	\$ 40,836
End of Quarter Cash Balance	\$ 125	\$ 466	\$ 125	\$ 466
End of Quarter Backlog at Comptroller	\$ (4,180)	\$ (5,161)	\$ (4,180)	\$ (5,161)

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.

General Funds' fourth quarter revenues totaled \$12,629 million, an increase of \$1,973 million, or 18.5%, from the FY18 fourth quarter level. The primary driver for this change was an 18% increase in income taxes, along with an 87% increase in federal matching revenues.

FY19 fourth quarter General Funds' expenditures totaled \$9,637 million, an increase of \$1,258 million, or 15%, over the FY18 fourth quarter level.

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES								
Fourth Quarter and Year-to-Date Review								
(\$ in millions)								
	Fourth Quarter		Change: FY18 Actual to FY19 Actual		Year-to-Date		Change: FY18 Actual to FY19 Actual	
	FY18 Actual	FY19 Actual	Dollar Change	Percent Change	FY18 Actual	FY19 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 6,307	\$ 7,385	\$ 1,078	17.1%	\$ 20,784	\$ 22,602	\$ 1,818	8.7%
Income Tax Refund Fund	(618)	(717)	(99)	16.0%	(2,037)	(2,193)	(156)	7.7%
Local Government Distributive Fund Deposit	(310)	(384)	(74)	23.9%	(1,022)	(1,175)	(153)	15.0%
Net Individual Income Tax	\$ 5,379	\$ 6,286	\$ 907	16.9%	\$ 17,725	\$ 19,236	\$ 1,511	8.5%
Gross Corporate Income	\$ 1,139	\$ 1,382	\$ 243	21.3%	\$ 2,606	\$ 3,025	\$ 419	16.1%
Income Tax Refund Fund	(199)	(214)	(15)	7.5%	(456)	(469)	(13)	2.9%
Local Government Distributive Fund Deposit	(58)	(76)	(18)	31.0%	(133)	(167)	(34)	25.6%
Net Corporate Income Tax	\$ 882	\$ 1,092	\$ 210	23.8%	\$ 2,017	\$ 2,389	\$ 372	18.4%
Gross Sales Tax	\$ 2,102	\$ 2,296	\$ 194	9.2%	\$ 8,256	\$ 8,788	\$ 532	6.4%
Downstate Public Trans/Public Trans Deposits	(161)	(134)	27	(16.8%)	(446)	(487)	(41)	9.2%
Net Sales Tax	1,941	2,170	229	11.8%	7,810	8,409	599	7.7%
Public Utility	219	198	(21)	(9.6%)	896	863	(33)	(3.7%)
Cigarette	92	94	2	2.2%	344	361	17	4.9%
Inheritance	112	90	(22)	(19.6%)	359	388	29	8.1%
Liquor	43	42	(1)	(2.3%)	173	172	(1)	(0.6%)
Insurance	160	149	(11)	(6.9%)	432	396	(36)	(8.2%)
Corporate Franchise	46	56	10	21.7%	207	247	40	19.2%
Investment Income	26	48	22	84.6%	79	145	66	83.0%
Cook County IGT	94	94	0	0.0%	244	244	0	0.1%
Other	282	296	14	5.0%	719	710	(9)	(1.2%)
TOTAL STATE REVENUES	\$ 9,275	\$ 10,615	\$ 1,340	14.4%	\$ 31,003	\$ 33,560	\$ 2,557	8.2%
Federal Revenues	\$ 859	\$ 1,610	\$ 751	87.4%	\$ 5,238	\$ 3,600	\$ (1,638)	(31.3%)
Transfers In	\$ 523	\$ 404	\$ (119)	(22.8%)	\$ 5,210	\$ 2,285	\$ (2,925)	(56.1%)
Lottery	213	215	2	0.9%	719	731	12	1.7%
Riverboat Gaming	41	42	1	2.4%	272	269	(3)	(1.1%)
Fund Reallocations	18	0	(18)	(100.0%)	269	0	(269)	(100.0%)
Special Bond Proceeds	0	0	0	0.0%	2,500	0	(2,500)	(100.0%)
Interfund Borrowing	17	0	(17)	(100.0%)	533	250	(283)	(53.1%)
Other	234	147	(87)	(37.2%)	917	1,035	118	12.9%
SUBTOTAL REVENUES	\$ 10,656	\$ 12,629	\$ 1,973	18.5%	\$ 41,451	\$ 39,445	\$ (2,006)	(4.8%)
Investment Borrowing	0	0	0	0.0%	0	750	750	100.0%
TOTAL REVENUES	\$ 10,656	\$ 12,629	\$ 1,973	18.5%	\$ 41,451	\$ 40,195	\$ (1,256)	(3.0%)

Source: Illinois Office of the Comptroller

Income Taxes: FY19 year-to-date (YTD) Individual Income Tax net receipts increased by \$1,511 million, or 8.5% from the FY18 YTD level due in part to rising personal incomes and federal tax law changes. \$1,175 million of individual income taxes were directly deposited into the Local Government Distributive Fund in FY19.

FY19 YTD Corporate Income Tax (CIT) net receipts increased by \$372 million, or 18.4%, from the FY18 YTD level.

Sales Taxes: FY19 YTD Sales Tax net receipts increased by \$599 million, or 7.7%, from the FY18 YTD level. This increase is attributable to increased personal consumption and real wage growth. Sales tax growth continues post *Wayfair*, as more online sellers come into compliance with the law requiring them to remit sales taxes.

Public Utilities: FY19 YTD Public Utility receipts decreased by \$33 million, or 3.7%, from the FY18 YTD level.

Inheritance: FY19 YTD Inheritance receipts increased by \$29 million, or 8.1%, from the FY18 YTD level.

Federal Revenues: FY19 YTD Federal Revenues decreased by \$1,638 million, or 31.3%, compared to the FY18 YTD level. This decrease is attributable to over \$2,200 million in federal matching for Medicaid bill payments resulting from the November FY18 bill backlog bond sale deposit.

Transfers In: FY19 YTD Transfers In decreased by \$2,925 million, or 56.1%, compared to the FY18 YTD level. This decrease is attributable to a FY18 \$2,500 million deposit related to a November bond sale for the paydown of the state's bill backlog, \$269 million in fund reallocations and \$533 million in interfund borrowing in FY18.

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 FY19. Total State Revenues (not including Transfers In) were \$59 million, or 0.2%, below the revised May 2019 budgeted level. Federal revenues were \$381 million, or 11.8%, above the May 2019 budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY19 YTD Budgeted*	FY19 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 22,914	\$ 22,603	\$ (311)	(1.4%)
Income Tax Refund Fund	(2,223)	(2,193)	30	(1.3%)
Local Government Distributive Fund Deposit	(1,191)	(1,175)	16	(1.3%)
Net Individual Income Tax	\$ 19,500	\$ 19,235	\$ (265)	(1.4%)
Gross Corporate Income	\$ 3,028	\$ 3,025	\$ (3)	(0.1%)
Income Tax Refund Fund	(469)	(469)	0	0.0%
Local Government Distributive Fund Deposit	(167)	(167)	0	0.0%
Net Corporate Income Tax	\$ 2,392	\$ 2,389	\$ (3)	(0.1%)
Gross Sales Tax	\$ 8,735	\$ 8,896	\$ 161	1.8%
Downstate Public Trans/Public Trans Deposits	(506)	(487)	19	(3.8%)
Net Sales Tax	\$ 8,229	\$ 8,409	\$ 180	2.2%
Public Utility	848	862	14	1.7%
Cigarette	347	360	13	3.7%
Inheritance	375	388	13	3.5%
Liquor	174	173	(1)	(0.6%)
Insurance	410	396	(14)	(3.4%)
Corporate Franchise	230	248	18	7.8%
Investment Income	138	145	7	5.1%
Cook County IGT	244	244	0	0.0%
Other	731	709	(22)	(3.0%)
TOTAL STATE REVENUES	\$ 33,617	\$ 33,558	\$ (59)	(0.2%)
Federal Revenues	\$ 3,220	\$ 3,601	\$ 381	11.8%
Transfers In	\$ 2,305	\$ 2,285	\$ (20)	(0.9%)
Lottery	731	731	0	0.0%
Gaming/Gaming Taxes	263	268	5	1.9%
Fund Reallocations	0	0	0	0.0%
Interfund Borrowing	250	250	0	0.0%
Other	1,061	1,036	(25)	(2.4%)
SUBTOTAL REVENUES	\$ 39,143	\$ 39,444	\$ 301	0.8%
Investment Borrowing	750	750	0	0.0%
TOTAL REVENUES	\$ 39,893	\$ 40,195	302	0.8%

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 fourth quarter were \$265 million, or 1.4%, lower than budgeted levels. Corporate Income Tax net receipts through the fourth quarter were \$3 million, or 0.1%, lower than the May 2019 budgeted levels.

Sales Taxes: Sales Tax net receipts through the fourth quarter were \$180 million, or 2.2%, higher than the May 2019 budgeted levels.

Public Utilities: Public Utility receipts through the fourth quarter were \$14 million, or 1.7%, higher than budgeted levels.

Transfers In: Transfers In through the fourth quarter were \$20 million, or 0.9%, lower than budgeted levels.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY18 and FY19 fourth quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the fourth quarter of FY19 totaled \$9,637 million, an increase of \$1,258 million, or 13.1%, from the FY18 level.

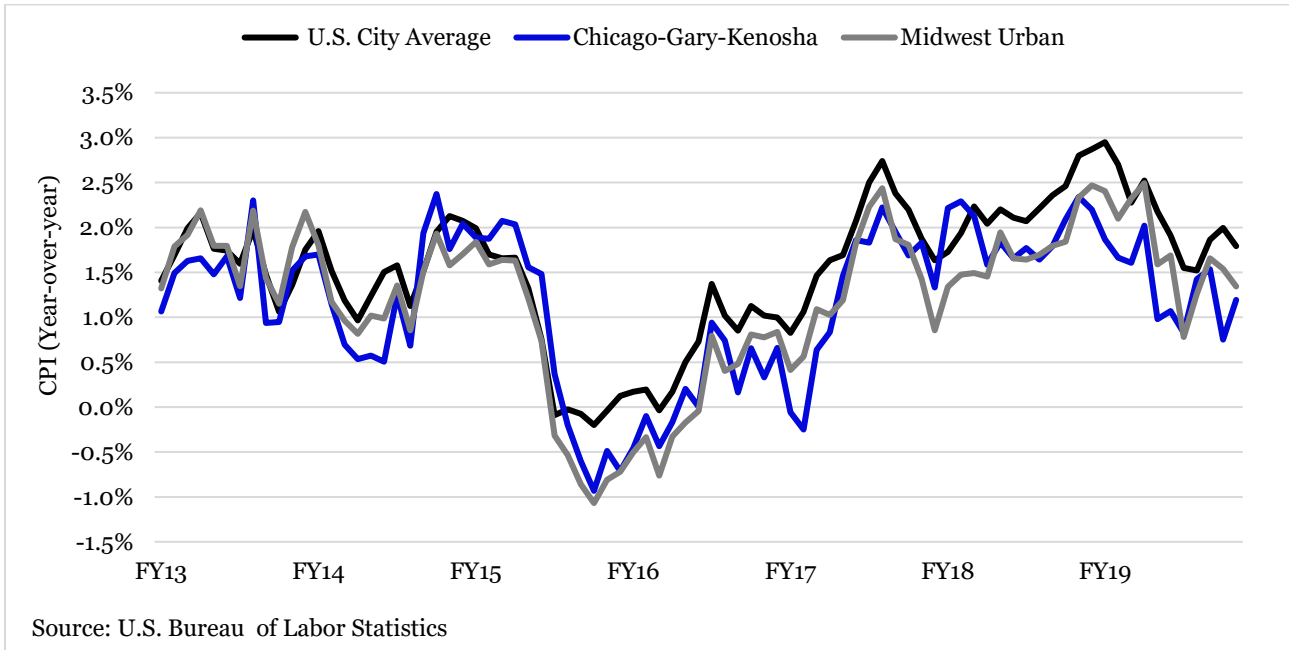
GENERAL FUNDS EXPENDITURES				
Fourth Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Fourth Quarter		Year-to-Date	
	FY18 Actual Spending	FY19 Actual Spending	FY18 Actual Spending	FY19 Actual Spending
Constitutional Officers ¹	\$ 92	\$ 92	\$ 321	\$ 320
DHFS	1,789	2,876	7,113	7,596
ISBE	2,534	2,256	8,090	8,292
DHS	817	840	3,240	3,298
Higher Education	149	136	1,694	1,736
SERS	281	352	1,319	1,408
TRS	879	1,176	4,210	4,581
SURS	202	305	1,418	1,445
Corrections	427	313	1,385	1,236
CMS	435	521	1,895	2,058
DCFS	194	202	700	706
Aging	218	227	813	827
ISP	77	70	239	243
Revenue	12	13	49	49
DPH	31	26	73	88
DNR	12	9	36	33
DCEO	3	4	10	13
All Others	228	220	901	1,120
Agency Totals	\$ 8,379	\$ 9,637	\$ 33,505	\$ 35,052

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

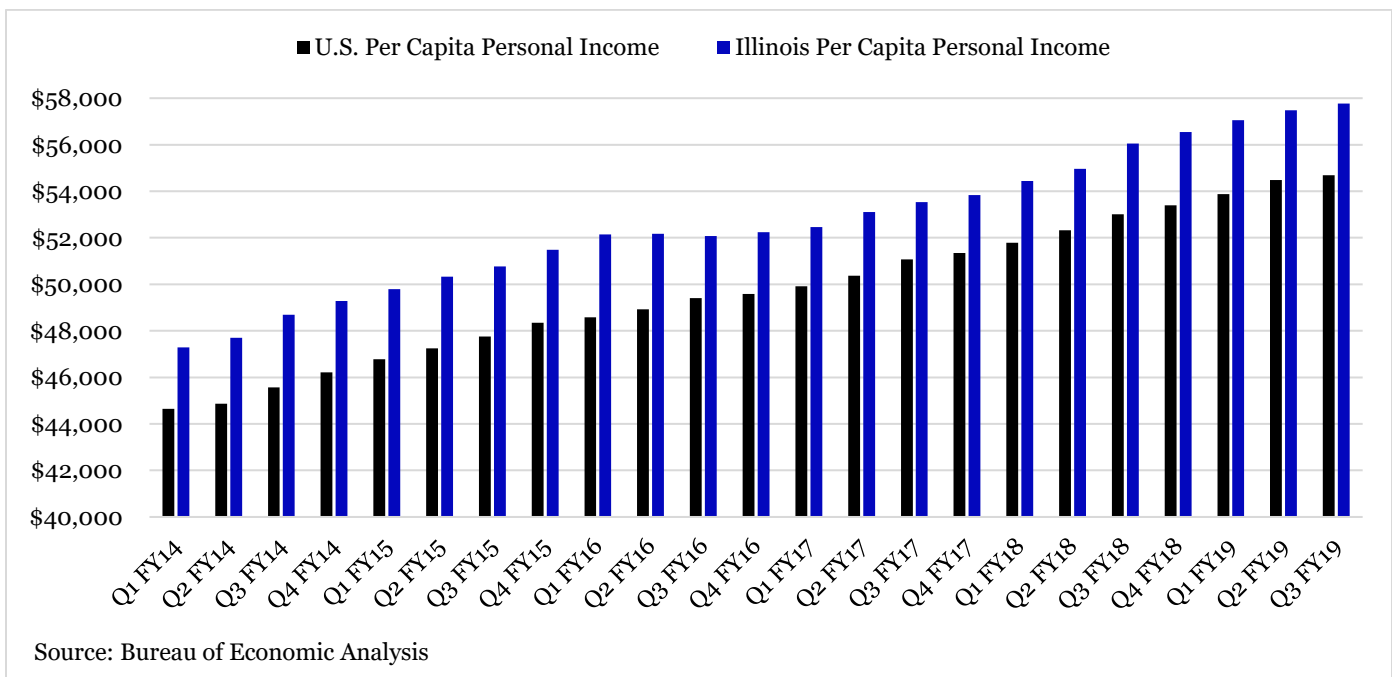
Note: Lapse period spending is not included in this table.

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 May FY19. In May FY19, the CPI for U.S. city average increased 1.8% year-over-year. The CPI for Chicago metropolitan area increased 1.2% 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 FY14 to the third quarter of FY19. The U.S. per capita personal income increased \$211 or 0.4% from \$54,480 in the second quarter of FY19 to \$54,692 in the third quarter of FY19. Year-over-year, U.S. per capita personal income increased \$1,675 or 3.3%. In Illinois, per capita personal income increased \$288 or 0.5% from \$57,477 in the second quarter of FY19 to \$57,765 in the third quarter of FY19. Year-over-year, Illinois per capita personal income increased \$1,720 or 3.2%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in May of FY19 was 3.6%, down from 3.8% during the same period last fiscal year. Illinois' unemployment rate of 4.4% in May of FY19 reflected an increase of 0.1% from the state's unemployment rate of 4.3% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased 74,700 year-over-year in May, led by increases in Professional Services, Leisure and Hospitality and Education and Health Services.

EMPLOYMENT HIGHLIGHTS			
State and National Review			
EMPLOYMENT STATISTICS	<u>March FY18</u>	<u>March FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,114,000	6,158,100	44,100
Unemployment Rate, Illinois	4.6%	4.4%	(0.2)
Unemployment Rate, United States	4.0%	3.8%	(0.2)
Labor Force Participation Rate, Illinois	64.5%	64.6%	0.1
Labor Force Participation Rate, United States	62.9%	63.0%	0.1
EMPLOYMENT STATISTICS	<u>April FY18</u>	<u>April FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,095,500	6,179,000	83,500
Unemployment Rate, Illinois	4.4%	4.4%	0.0
Unemployment Rate, United States	3.9%	3.6%	(0.3)
Labor Force Participation Rate, Illinois	64.5%	64.7%	0.2
Labor Force Participation Rate, United States	62.8%	62.8%	0.0
EMPLOYMENT STATISTICS	<u>May FY18</u>	<u>May FY19</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	6,099,400	6,174,100	74,700
Unemployment Rate, Illinois	4.3%	4.4%	0.1
Unemployment Rate, United States	3.8%	3.6%	(0.2)
Labor Force Participation Rate, Illinois	64.4%	64.7%	0.3
Labor Force Participation Rate, United States	62.7%	62.8%	0.1

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

ILLINOIS REAL ESTATE

Illinois home median prices posted another gain in May while home sales grew at a moderate pace. The time it took to sell a home in May averaged 49 days, the same as a year ago. Available inventory totaled 56,414 homes for sale, a 3.3% decline from 58,317 homes in May 2018.

BALANCED BUDGET AND FISCAL NOTES

The table below lists the fiscal year 2019 balanced budget and fiscal notes prepared and filed pursuant to Public Act 87-688 otherwise known as the Balanced Budget Note Act. Balanced budget and fiscal notes are required on any supplemental appropriation bill or on any amendment to a supplemental appropriation bill.

Fiscal Year 2019 Report on Balanced Budget and Fiscal Notes	
100th General Assembly Fall 2018 Balanced Budget Notes	
Bill	Description
SB1226	Energy Efficient Building and Green Construction Act
101st General Assembly Spring 2019 Balanced Budget Notes	
Bill	Description
HB246	School Code - LGBT - Unit of Instruction
SB1	Minimum Wage Law
HB253	Illinois Educational Labor Relations Act - Employee Definition
HB2974	Income Tax - Caregiver Credit
HB2071	Pension Code - Cook County - Furlough Credit
SB1596	Workers' Compensation Repose
HB1441	Imported Prescription Drugs
HB2233	Special Interrogatories - Repeal
HB6	Department of Public Health - Women's Health Clinics
HB348	McHenry Township and District Dissolution
HB1468	Juvenile Court - Age of Detention
SB2052	Blighted Buildings & Property
SB2122	Community College - Apprentice Program
SB1467	Veterans Grant Program
HB2830	School Conference - No Termination
SB25	Reproductive Health Act
SB1407	Hazardous Materials
SB1966	Public Defender Bail Program
HB97	Circuit Courts
SB1784	Government Ethics - Economic Interests
101st General Assembly Spring 2019 Fiscal Notes	
Bill	Description
HB837	Youth Advisory Council