



# STATE OF ILLINOIS

Presentation to the Chicago Municipal Analysts Society



**JANUARY 2024**

# Illinois Fiscal Progress 2019 to Today



- Retired bill backlog to accounts payable & increased Rainy Day Fund balance
- Contributed to pension systems at levels above statutory required amounts
- 9 bond rating upgrades

## Snapshot of the State's Progress - 2019 to Today

	2019	Today
Bills Outstanding	\$8 billion <sup>1</sup>	Now Accounts Payable
Rainy Day Fund (fiscal year end)	\$4 million	\$2.0 billion <sup>2</sup>
Credit Ratings (S&P/Moody's/ Fitch)	BBB-/Baa3/BBB	A-/A3/A-
Gross Domestic Product	\$881 billion	\$1.092 trillion <sup>3</sup>
Pension Funded Ratio (Fair Value)	40.3%	44.6% <sup>4</sup>
State Contributions/ADC	66.8%	73.5% <sup>4</sup>

<sup>1</sup> Consists of both accounts payable and bills more than 30 days past due

<sup>2</sup> Current Budget Stabilization Fund balance, expected to reach \$2.1 billion by FYE 2024

<sup>3</sup> Bureau of Economic Analysis, current dollar GDP for 2023:Q3 retrieved January 15, 2024

<sup>4</sup> Actuarial Valuations of the Retirement Systems for the fiscal year ended June 30, 2023

# Strongest Fiscal Position in a Generation



## *Strong Operating Results, Significant Debt Paydown, and Investment in Stabilization Funds*

### **Historic fiscal progress resulting from a multi-prong focus on fiscal prudence**

- Record Budget Stabilization Fund balance expected to grow to over \$2.1 billion by FYE 2024
  - 4.2% of enacted 2024 revenues, and expected to grow to 4.5% by FYE 2024
  - Raised targeted balance of Budget Stabilization Fund to 7.5% of revenues, demonstrating Illinois' commitment to responsible fiscal planning
  - Established *permanent revenue streams* plus deposit of \$450 million loan repayment from the UI Trust Fund over 10 years
- Eliminated the UI Trust Fund outstanding borrowing and strengthened UI Trust Fund for the future
- Retired \$449 million of Tobacco Settlement Revenue Bonds
- Dedicated \$280 million to address College Illinois Prepaid Tuition Program actuarial shortfalls
- Repaid all interfund borrowing
- Repaid all COVID-related MLF borrowing<sup>1</sup>

### **State tax revenue growth and sound fiscal policy is driving a stronger balance sheet**

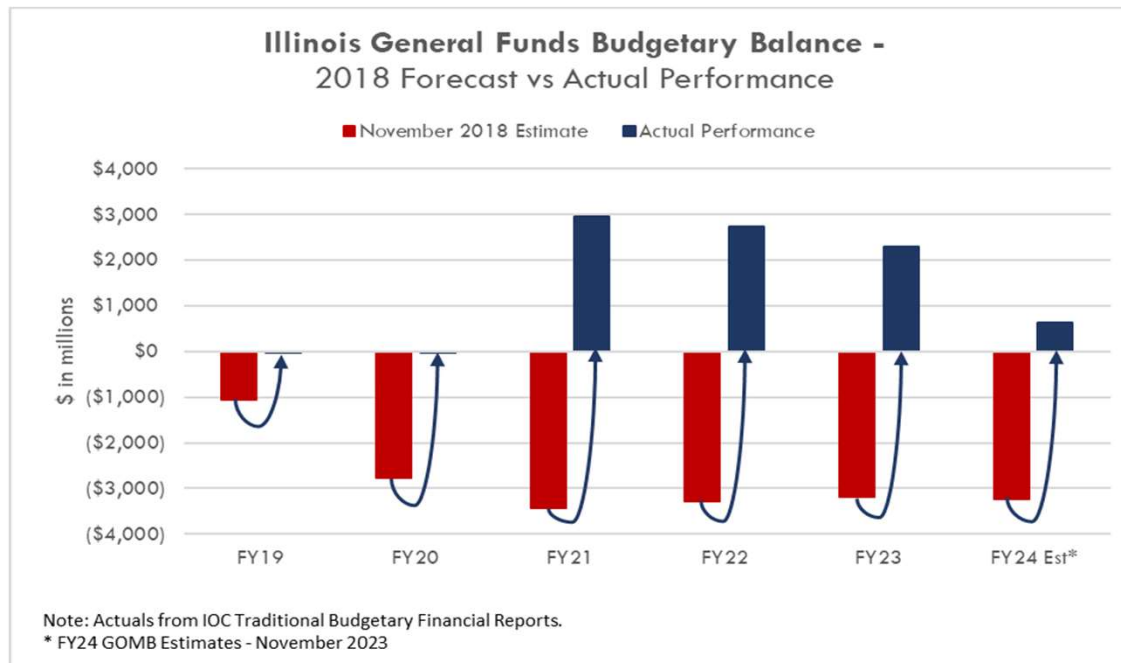
- FY 2022 and FY 2023 budgetary basis surpluses in excess of \$2 billion with continued surpluses estimated for FY 2024
- Consistent addressing of projected budgetary shortfalls
- FY 2022 ACFR reported \$1.48 billion General Fund surplus on a GAAP basis

### **Economy Benefiting from Economic Development Projects**

- Strong Economic Development Team with constant attention from the Governor
- Historic investments in infrastructure, educational levels and other building blocks
- Economy over \$1 trillion GDP
- Private and public investments in new, forward looking technologies and evolving industries

<sup>1</sup> Federal Reserve's Municipal Liquidity Facility Borrowing/Short Term borrowing encompasses the issuance of the 2020 CURE Borrowing Act Notes and the 2020 Short-Term Certificates (together, the "MLF Borrowings")

# Projected Deficits Addressed Annually



- Projected deficits have been addressed annually through actions such as:
  - Broadening sales tax to include online retailers
  - Reducing net pension liability and increasing discounted pension buyouts
  - Negotiating savings in health insurance contracts and consolidating operating footprint
  - Reducing interest costs by paying off short-term debts and bill backlog

Chart Data Sources: [Illinois Economic and Fiscal Policy Report](#), November 2018; IOC Traditional Budgetary Financial Reports; FY24 GOMB estimates November 2023.

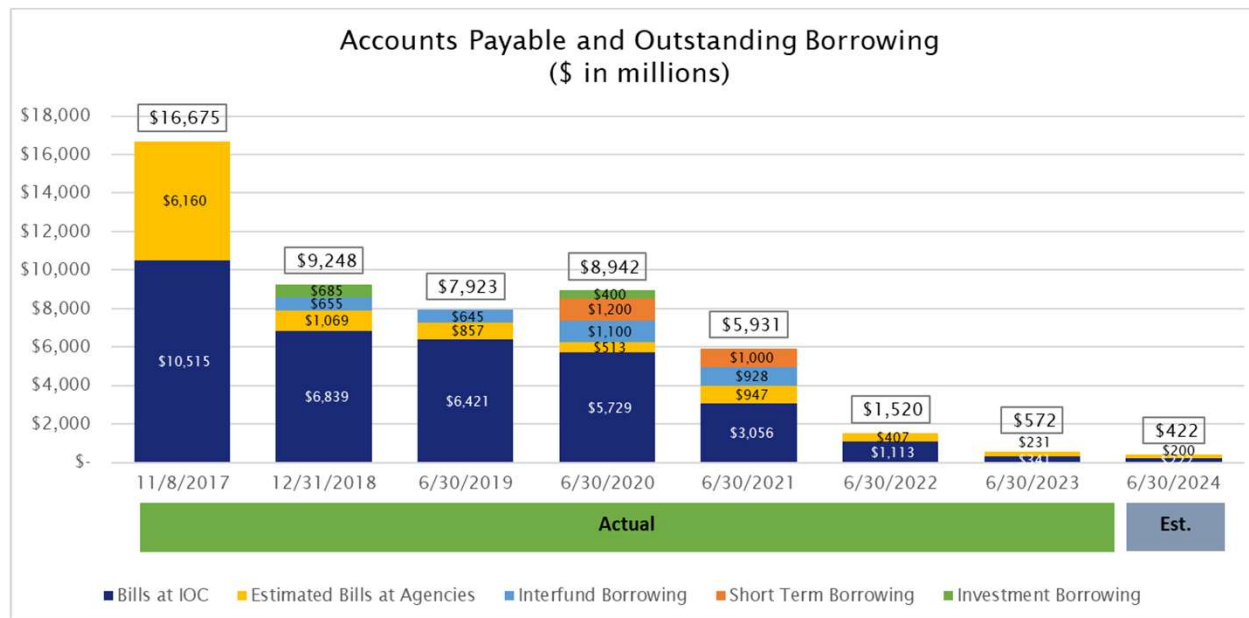
# Paid Off All Overdue Bills



## Accounts Payable Reaches New Lows

**End of FY 2024 accounts payable estimate totals less than \$500 million, a reduction of \$16.1 billion (97%) since 2017**

- Accounts payable primarily include bills under 30 days
- Reduction of \$8.4 billion (94%) since June 2020 and nearly \$1 billion (62%) reduction since June 2022
- End of FY 2023 Accounts Payable at lowest level in 19 years



Source: Illinois Office of the Comptroller, Debt Transparency Act Reports

Chart Source: [Illinois Economic and Fiscal Policy Report](#), published November 2023, p. 13

# Record Setting Budget Stabilization Fund

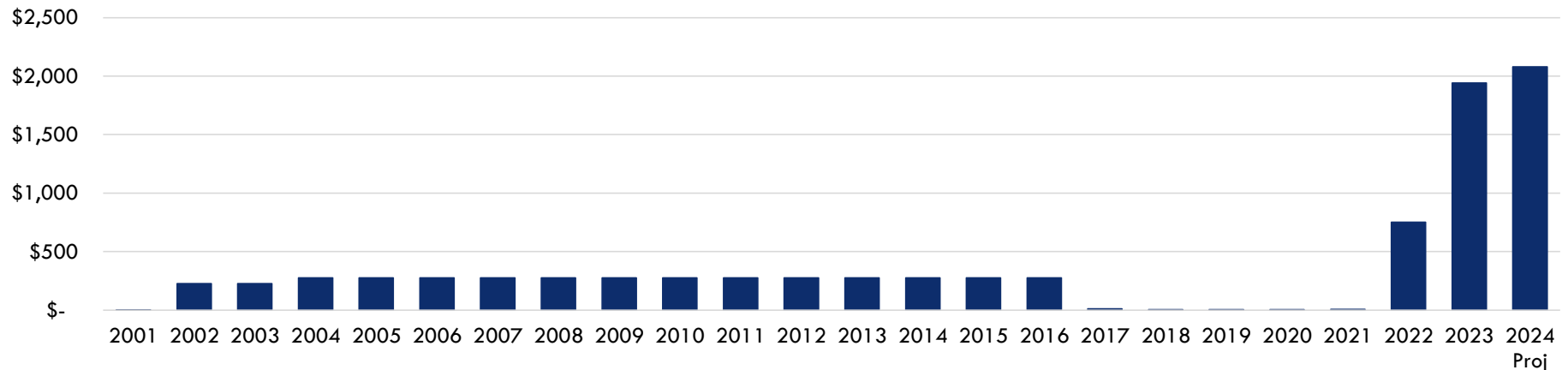


*Committed to a New Era of Fiscal Responsibility by Planning for Rainy Days*

- Record setting balance of \$2 billion as of December 31, 2023
  - \$746 million deposited into the fund in FY 2022
  - \$1.155 billion deposited in FY 2023 plus \$34 million of earned interest
- \$138 million to be deposited in FY 2024 with ongoing dedicated revenue sources
  - 10% of cannabis tax revenues (approximately \$25 million)
  - Monthly transfers of \$3.75 million from General Revenue Fund beginning July 1, 2023 (\$45 million)
  - Repayment over 10-years from State’s \$450 million loan to UI Trust Fund (\$45 million/year)
  - Interest earnings on the fund’s balance (\$34 million in FY 2023)

PA 102-1115 raised the targeted balance of the fund to 7.5 percent of revenues from 5 percent demonstrating Illinois’ commitment to responsible fiscal planning

**Budget Stabilization Fund**  
EOY Balance  
(\$ in millions)



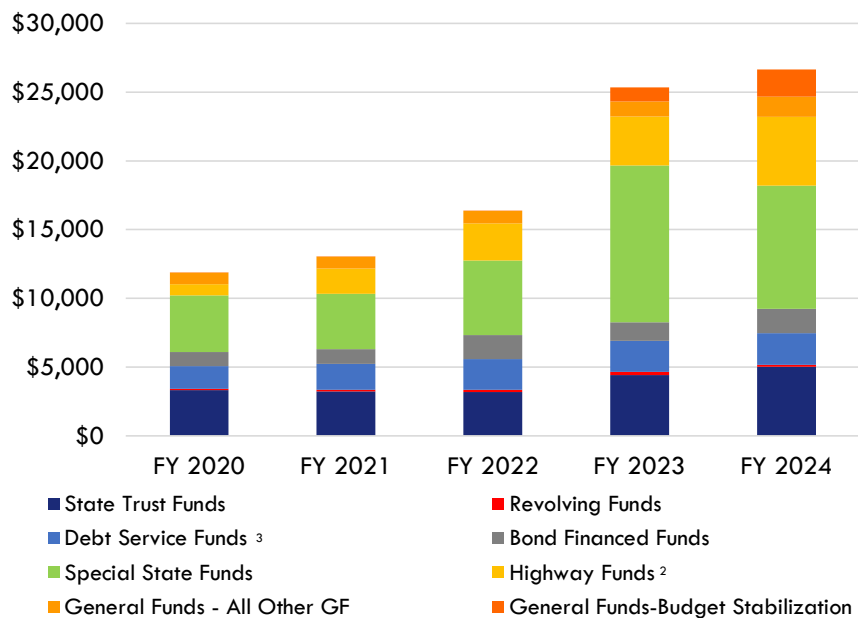


# Strong Cash Balances

*Illinois' Cash Position Continues to Outperform Previous Years*

**The State's cash balances totaled \$26.6 billion as of September 30, 2023**

**Cash Balance by Fund Category<sup>1</sup>  
As of September 30, 2023  
(\$ in millions)**



**Cash Balance by Fund Category  
As of September 30, 2023  
(\$ in millions)**

Fund Category <sup>1</sup>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Funds- Budget Stabilization	0	0	11	1,041	1,979
General Funds- All other GF	847	862	926	1,086	1,461
Highway Funds <sup>2</sup>	818	1,836	2,684	3,568	5,004
Special State Funds	4,108	4,044	5,433	11,408	8,958
Bond Financed Funds	1,025	1,060	1,735	1,353	1,774
Debt Service Funds <sup>3</sup>	1,660	1,883	2,246	2,239	2,297
Revolving Funds	89	110	155	239	152
State Trust Funds	3,327	3,237	3,189	4,419	5,019
<b>Sept. 30<sup>th</sup> Amounts</b>	<b>\$11,874</b>	<b>\$13,032</b>	<b>\$16,378</b>	<b>\$25,354</b>	<b>\$26,642</b>

Source: Illinois Office of the Comptroller and GOMB

Note: Totals may not add due to rounding. Increase in cash balance is temporary and partly due to the timing of expenditures

<sup>1</sup> Does not include Federal Trust Funds

<sup>2</sup> Highway Funds are limited by the Illinois Constitution and State statute to support construction and maintenance of transportation and the debt service on certain GO Bonds issued for transportation projects

<sup>3</sup> Includes the General Obligation Bond Retirement and Interest Fund

# FY 2022, FY 2023 & FY 2024 General Funds Revenues Summary



## FY 2023 Revenues Exceeded Forecast; State Continues to Conservatively Forecast Revenues

- Excluding COVID-related federal receipts, FY 2023 General Fund revenues of \$50.71 billion reflected a \$375 million (0.7%) increase from FY 2022
- Revised FY 2024 revenue estimates project a \$1.309 billion (2.6%) increase from FY 2023 when excluding COVID-related federal receipts
- FY 2024 estimates project Individual Income Tax receipts will increase by 8.3% above FY 2023
- Net Corporate Income Taxes projected to decline by \$659 million, an 11.3% decrease from FY 2023
  - Individual Income Tax growth and Corporate Income Tax drop largely related to updated allocations of business tax collections by the Department of Revenue
- FY 2023 State CURE transfers were movements of ARPA SLFRF funding to ensure funding fully expended in allowed timeframe. State funds were transferred to cover existing State CURE Fund appropriations<sup>1</sup>

General Funds Resources (\$ in millions)	Actual FY 2022	Preliminary Final FY 2023	Revised FY 2024	Percent Change
<b>RESOURCES</b>				
<b>State Sources: Revenues</b>				
Net Individual Income Taxes	\$ 24,839	\$ 23,750	\$ 25,711	8.3%
Net Corporate Income Taxes	5,407	5,828	5,169	-11.3%
Net Sales Taxes	10,234	10,451	10,576	1.2%
Public Utility Taxes	750	751	710	-5.5%
All Other Sources	2,428	2,877	3,017	4.9%
<b>Total State Sources: Revenues</b>	<b>43,658</b>	<b>43,657</b>	<b>45,183</b>	<b>3.5%</b>
<b>State Sources: Transfers In</b>				
Lottery	820	726	800	10.2%
Gaming	140	157	175	11.5%
Adult-Use Cannabis	115	111	116	4.5%
Other Transfers	1,017	2,254	1,455	-35.4%
<b>Total State Sources</b>	<b>45,750</b>	<b>46,905</b>	<b>47,729</b>	<b>1.8%</b>
Federal Sources	4,584	3,803	4,288	12.8%
<b>SUBTOTAL, RESOURCES</b>	<b>50,334</b>	<b>50,708</b>	<b>52,017</b>	<b>2.6%</b>
ARPA Reimbursement for Essential Services	736	1,063	-	-
State CURE	-	1,363	-	-
<b>TOTAL RESOURCES WITH COVID-RELATED FEDERAL RECEIPTS</b>	<b>\$ 51,070</b>	<b>\$ 53,134</b>	<b>\$ 52,017</b>	<b>-2.1%</b>

Note: Totals may not add due to rounding

Please see the 5-Year Economic and Fiscal Policy Report released on November 15, 2023 for revenue forecast<sup>2</sup>.

<sup>1</sup> See GOMB's [July 2023 Report to Legislative Budget Oversight Commission](#), p. 4

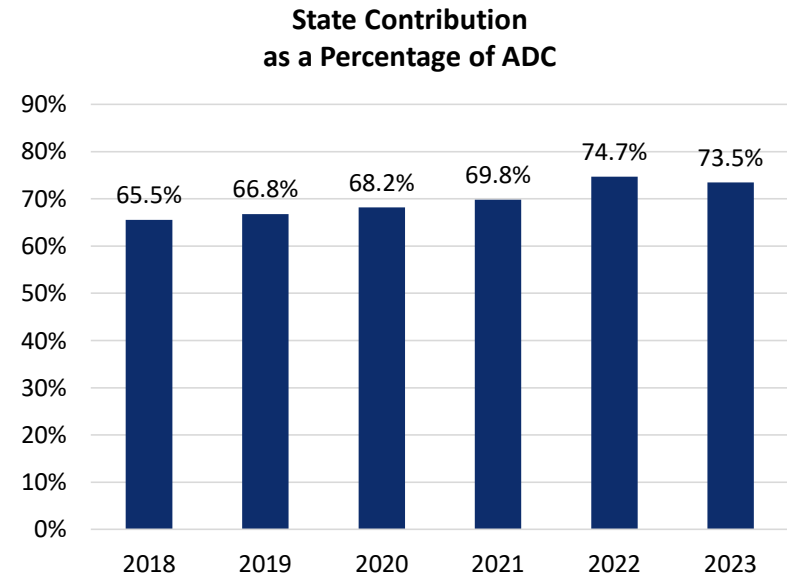
<sup>2</sup> See GOMB's [5-Year Economic and Fiscal Policy Report](#)



# Funding Pension Obligations



- Illinois has a statutory plan in place to reach 90% funded by 2045
- The FY 2024 budget fully funds the certified contribution of \$9.8 billion from General Funds
  - Contributions are projected to constitute approximately 20% of State’s General Funds expenditures
- Illinois created a “2-tier” public pension system in 2011
  - Tier 2 Employees will soon exceed the number of Tier 1 Employees
- Substantial recent steps taken to manage pension commitments include:
  - Discounted state pension buyout program
  - Additional pension payments above statutory requirement in 2022 and 2023 for first time ever
  - 5 Year and 10 Year pension investment earnings at or above long-term target returns



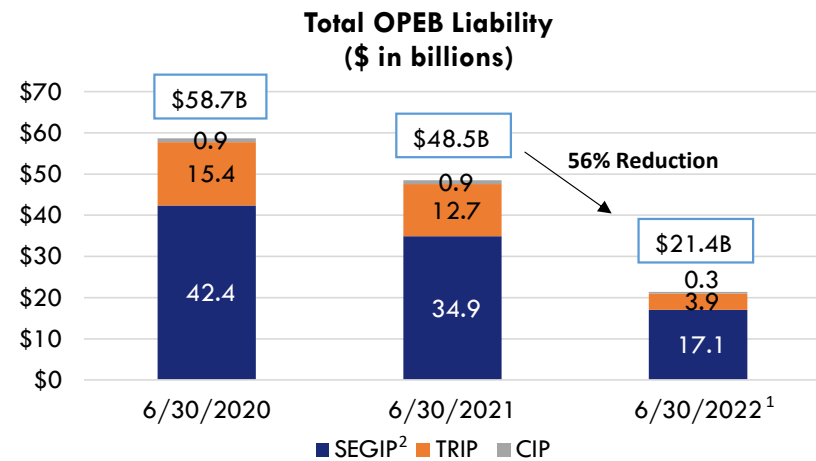
Source: Comprehensive Annual Financial Reports of the Retirement Systems for the fiscal Years ending June 30, 2018 through June 30, 2023.

# Other Post Employment Benefits Reductions



## Proactive Cost Management is Reducing OPEB Liabilities

- State contributes to three OPEB programs for retirees:
  - State Employees Group Insurance Program (SEGIP) for State and university employees and their dependents
  - Teachers’ Retirement Insurance Program (TRIP) for retired teachers covered by TRS pension system
  - College Insurance Program (CIP) for retired community college employees outside of Chicago
- While the State is the primary funder for SEGIP, the TRIP and CIP programs are jointly funded by the State, local employers, active employees, and retirees.
  - For allocation of FY 2023 TRIP OPEB liability, the State is allocated 57.6% as a non-employer contributing entity
  - For allocation of the FY 2023 CIP OPEB liability, the State is allocated 50%
- FY 2022 Actuarial Valuations reflect the results of proactive management to reduce costs in the State’s retiree health insurance programs with an estimated 56% reduction in State OPEB liability
- Updated analysis based on claim and enrollment experience, premium changes, and changes in OPEB-related assumptions led to a significant drop in estimated OPEB liability
- Favorable Medicare Advantage Prescription Drug (MAPD) premium rates including expected zero premium rates from 2023 to 2028, and significantly reduced MAPD premium rates after 2028



Source: FY 2022 Actuarial Valuations, FY 2022 ACFR. Pursuant to GASB 75, reflects state share for TRIP and CIP.

Note: FY 2022 information will be incorporated into FY 2023 ACFR.

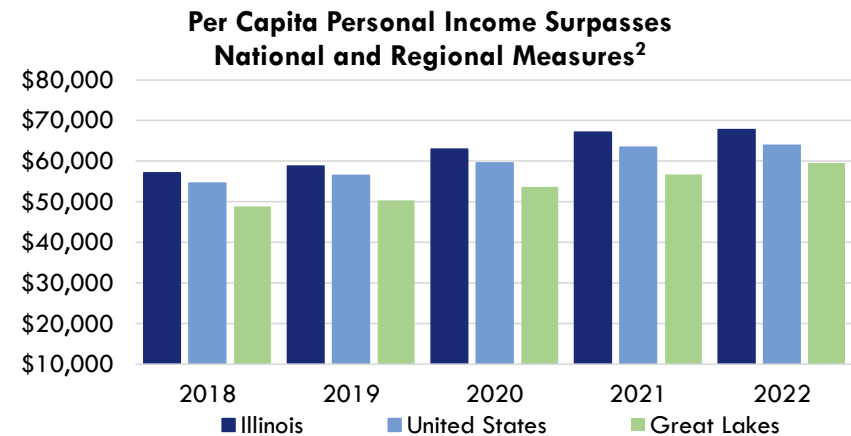
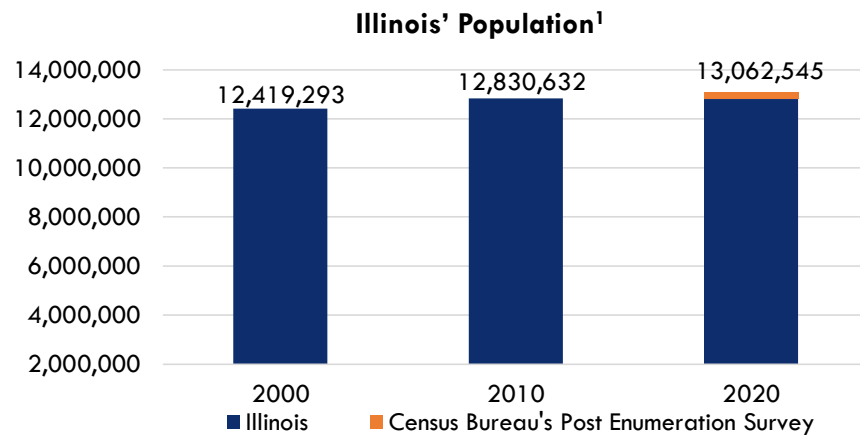
<sup>1</sup> GOMB Estimate

<sup>2</sup> Reflects 100% of the liability including small portions outside of the State’s allocation

# Illinois' Robust Economic Indicators



## Historic Low Unemployment Rate, Record Population, GDP, and Income



- Illinois' population grew 2010 – 2020 to retake its place as the 5<sup>th</sup> largest state
- Illinois' per capita income is 1<sup>st</sup> among the Great Lakes and 3<sup>rd</sup> among the 10 most populous states<sup>2</sup>
- Illinois' GDP 24% over pre-pandemic levels of 2020:Q1 (\$881 billion), with State GDP now exceeding \$1.09 trillion (2023:Q3)<sup>3</sup>
- Illinois' non-seasonally adjusted unemployment rate has fallen from the pandemic high of 17.7% in April 2020 to a preliminary 4.2% in November 2023<sup>4</sup>

1. Adjusted Illinois population is for illustration purposes only. The Census Bureau's Post Enumeration Survey (PES) is a follow-up survey to the census count meant to examine the results for accuracy through additional statistical sampling. Adjusted total includes the estimated 250,000 undercount found in 2020 Post-Enumeration Survey Estimation Report plus the April 1, 2020 State of Illinois's population base estimate of 12,812,545 as of December 2022 Source: U.S. Census, [www2.census.gov/programs-surveys/decennial/coverage-measurement/pes/census-coverage-estimates-for-people-in-the-united-states-by-state-and-census-operations.pdf](https://www2.census.gov/programs-surveys/decennial/coverage-measurement/pes/census-coverage-estimates-for-people-in-the-united-states-by-state-and-census-operations.pdf).

2. Bureau of Economic Analysis retrieved February 14, 2023. The Great Lakes region includes Illinois, Indiana, Michigan, Ohio and Wisconsin.

3. St Louis Federal Reserve, Source: BEA, <https://fred.stlouisfed.org/series/ILNQGSP>.

4. U.S. Bureau of Labor Statistics, data retrieved as of January 15, 2024.

# Corporate Investments and Expansions



## *Business expansion across the state*

### Attractive Sites for Investments Across the State:

- **Gotion** announced a \$2 billion electric vehicle battery gigafactory in Kankakee County. Facility will create 2,600 new jobs in Manteno.
- Illinois selected as part of **Midwest Hydrogen Hub**, with IN and MI to enable decarbonization through strategic hydrogen use in steel and glass production, power generation, refining, heavy-duty transportation and sustainable aviation fuel. Funding of \$1 billion from Bipartisan Infrastructure Law to catalyze private investment, creating 13,600 good-paying jobs overall.
- U.S. Economic Development Administration just announced two Illinois programs were designated as part of 31 Regional Technology and Innovation Hubs (Tech Hubs). The **Central Illinois Fermentation and Agriculture Biomanufacturing (iFAB) Hub** and **Chicago Area Quantum Tech Hub (the Bloch)**.
- **Prysmian Group** announced a \$64 million expansion, creating 80 new jobs and retaining 225 jobs in Du Quoin. Expanded facility will enable the company to increase cable manufacturing for renewable energy and electric vehicle sectors.
- Building on Illinois' status as data center capital of the Midwest, **Meta's DeKalb Data Center** is a new \$1.9 billion energy and water efficient facility, creating 50 jobs.





## Positioning Illinois for Growth:

### *Record Breaking Infrastructure Investments*

- In 2019, launched \$45 billion Rebuild Illinois infrastructure program, largest in the nation, modernizing roads, bridges, airports, ports, and universities
- In 2021, Congress authorized the Infrastructure Investment and Jobs Act (IIJA), which will direct over \$18 billion in additional capital dollars to Illinois
- From Fiscal Year 2020 through September 2023, Illinois has spent approximately \$18.25 billion on capital projects
- Major Projects:
  - I-80 Joliet Business Corridor Improvement Projects
  - McClugage Bridge in Peoria
  - Rockford Airport Cargo Expansion
  - Expansion of I-57 in Southern Illinois
  - Reconstruction of I-255 in Metro East
  - Auburn Gresham Metra Station in Chicago



# A New Era of Fiscal Responsibility in Illinois



## Historic fiscal progress evidenced by nine credit rating upgrades

- Operating results and sound fiscal policy is driving a stronger balance sheet
  - FY 2022 and FY 2023 budgetary basis surpluses in excess of \$2 billion
  - FY 2022 ACFR reported a \$1.48 billion General Funds surplus on a GAAP basis
  - Significant growth in General Funds cash balance year over year
  - Record budget stabilization funding level expected to grow to over \$2.1 billion by FYE 2024

## Sustained progress in reducing State's liabilities across all types of liabilities

- Eliminated the bill backlog and \$1.5 billion of interfund borrowing
- Restored General Funds Account Payable to under 30 days (at 16 days on September 30, 2023)
- Defeased \$449 million Railsplitter Bonds to free up ongoing settlement revenues
- Eliminated UI Trust Fund outstanding balance and strengthened UI Trust Fund for the future
- Paid down over \$9.1 billion of debt from FY 2021 to FY 2023 including COVID-related borrowing early

## Managing pension commitments continues to be a priority

- Steady progress toward reducing gap between actual contributions and the ADC
- Contributed \$700 million above statutory amounts across FY 2022 and FY 2023
- Additional \$1 billion authorization for bond funding for pension buyouts, extending the program to 2026
- Tier 1 employees continuing to decrease while Tier 2 employees continues to increase

## Economic Development Team is Actively Engaged

- Economic Development initiatives helping modernize and diversify economy

**The State is in the strongest fiscal position in a generation due to continued strong operating results, significant debt paydown, and replenishment of the budget and pension stabilization funds**