

FY 2023 Economic Forecast and Revenue Estimate Update



Presented by:

Clayton Klenke – Executive Director

Eric Noggle – Revenue Manager, Ben Varner – Chief Economist

Commission on Government Forecasting and Accountability

802 Stratton Office Building, Springfield, Illinois 62706

November 15, 2022

CGFA Commission Members

<http://cgfa.ilga.gov>

Senate

Senator David Koehler
Co-Chair

Senator Omar Aquino
Senator Darren Bailey
Senator Donald DeWitte
Senator Elgie Sims
Senator Dave Syverson

Clayton Klenke
Executive Director

House of Representatives

Representative C.D. Davidsmeyer
Co-Chair

Representative Amy Elik
Representative Amy Grant
Representative Sonya Harper
Representative Elizabeth Hernandez
Representative Anna Moeller

Laurie Eby
Deputy Director

CGFA Background & Responsibilities

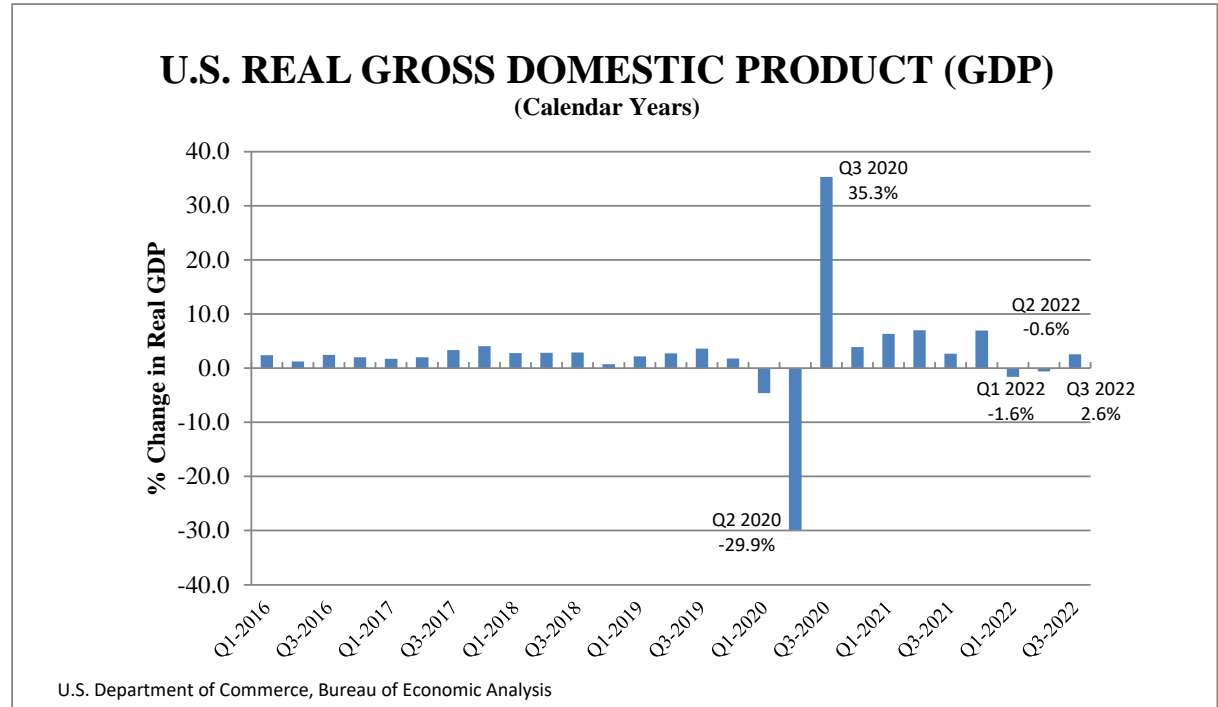
- Bi-Partisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State in addition to providing objective policy research for legislators and legislative staff.
- Prepares annual revenue estimates with periodic updates;
- Reports monthly on the State's financial and economic condition;
- Analyzes of the fiscal impact of revenue bills;
- Prepares State Debt Impact Notes;
- Periodically assesses capital programs;
- Annually estimates the liabilities of the State's group health insurance program and approves contract renewals promulgated by the Department of Central Management Services;
- Implements the provisions of the State Facilities Closure Act;
- Annually estimates public pension funding requirements and prepares pension impact notes;
- Provides non-partisan research for General Assembly Members and legislative staffs.

THE ECONOMY



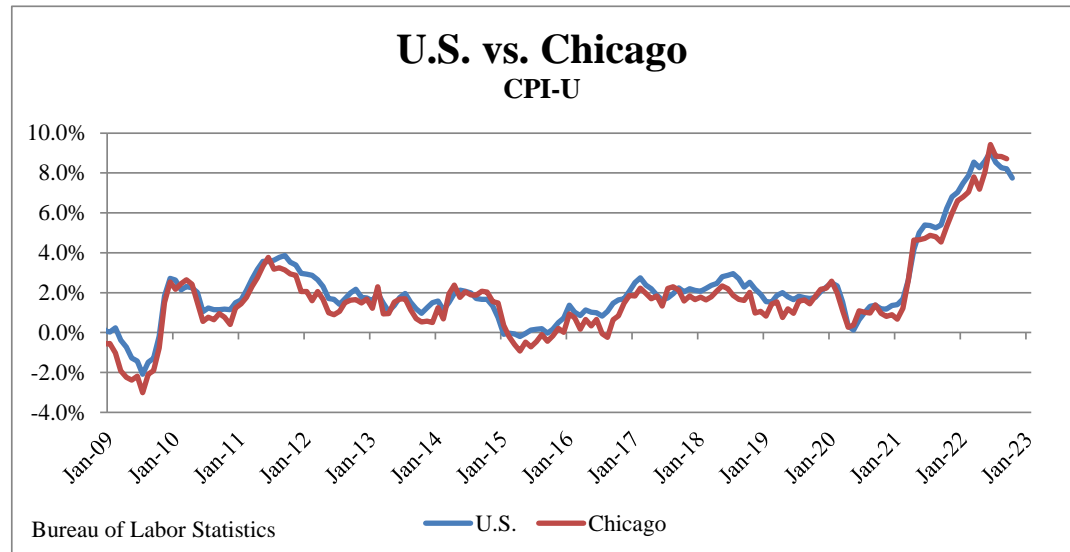
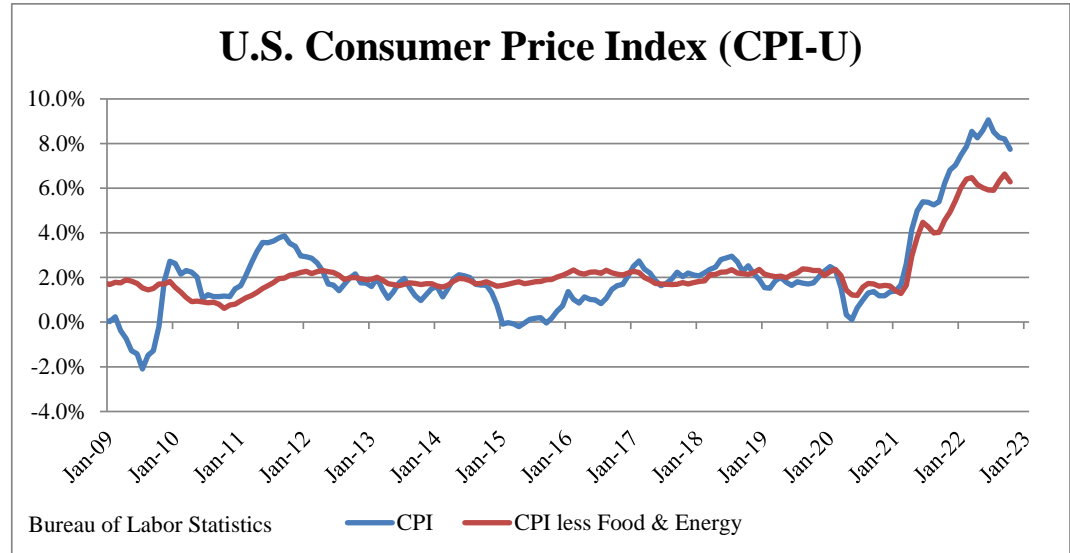
Real Gross Domestic Product (GDP)

- The spread of COVID-19 led to a historic decline (-29.9%) in the 2nd quarter of 2020, followed by the largest percentage increase (35.3%) ever.
- 2021 saw three quarters of strong growth (6.3% to 7.0%) interrupted by a slower growth quarter (Q3, 2.7%) due to the Delta variant.
- The economy contracted in the first two quarters of 2022 falling -1.6% in the first quarter and -0.6% in the second.
- Advance estimates of the third quarter had the U.S. economy growing 2.6%.
- An aggregation of economic forecasts in November had a mean estimate for real GDP growth of 1.8% for 2022 and 0.2% for 2023.

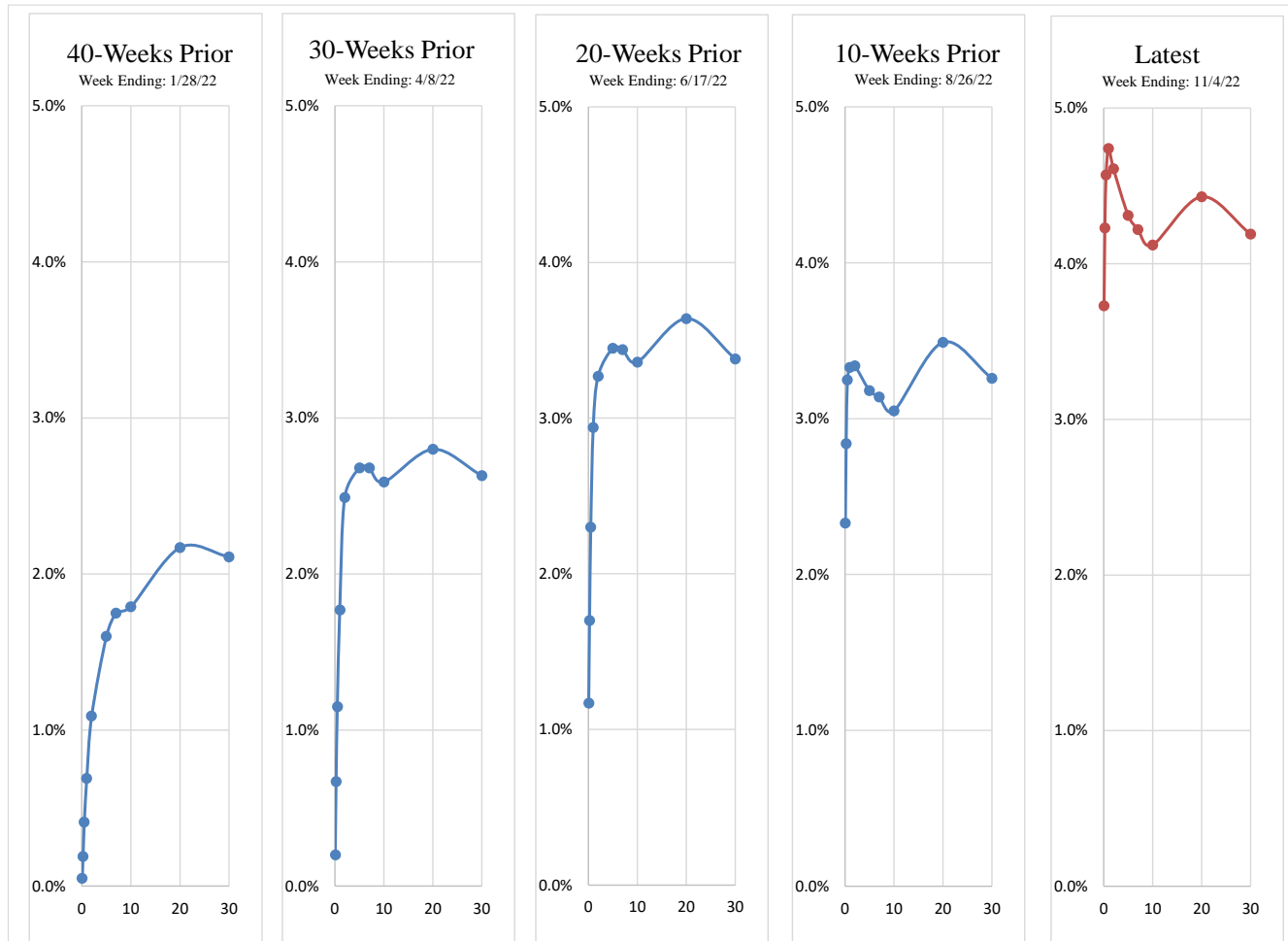


Consumer Price Index (CPI)

- The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.
- The first chart shows the CPI for the U.S. as well as the CPI without food and energy included, which are two of the more volatile components of the index.
- Inflation was mostly steady between 1.5% to 2.0% between 2012 and 2019, especially when food and energy were removed.
- In April of 2021, the CPI began to accelerate due to high consumer demand buoyed by healthy household balance sheets augmented by government support. Supply chain issues and supply shocks such as the war in Ukraine also put upward pressure on prices.
- CPI reached a high of 9.1% in June of 2022. Core CPI grew to 6.6% in September of 2022.
- In October, the headline CPI slowed to 7.7%, while Core CPI ticked down to 6.3%.
- Expectations are for inflation to continue to remain elevated in the near-term, slowing over the next year.



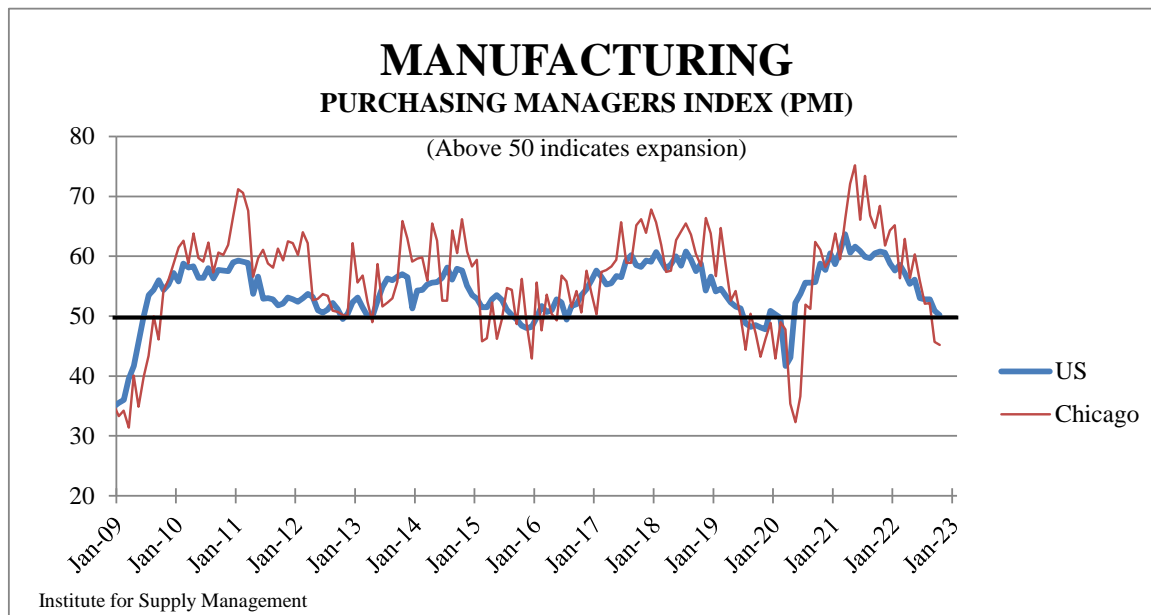
Treasury Yield Curve



- The charts above show the changes in the yield curve of U.S. Treasury Securities over the last forty weeks. The rates shown are the weekly averages for the market yield on constant maturity securities quoted on an investment basis. The securities include 1-month, 3-month, 6-month, 1-year, 2-year, 5-year, 7-year, 10-year, 20-year, and 30-year U.S. Treasury Securities.
- As shown in the chart, the yield curve has risen and compacted. In addition, there is evidence of an inversion of rates which means that some longer term rates are lower than short-term rates which can be an indicator of a recession in the near future.

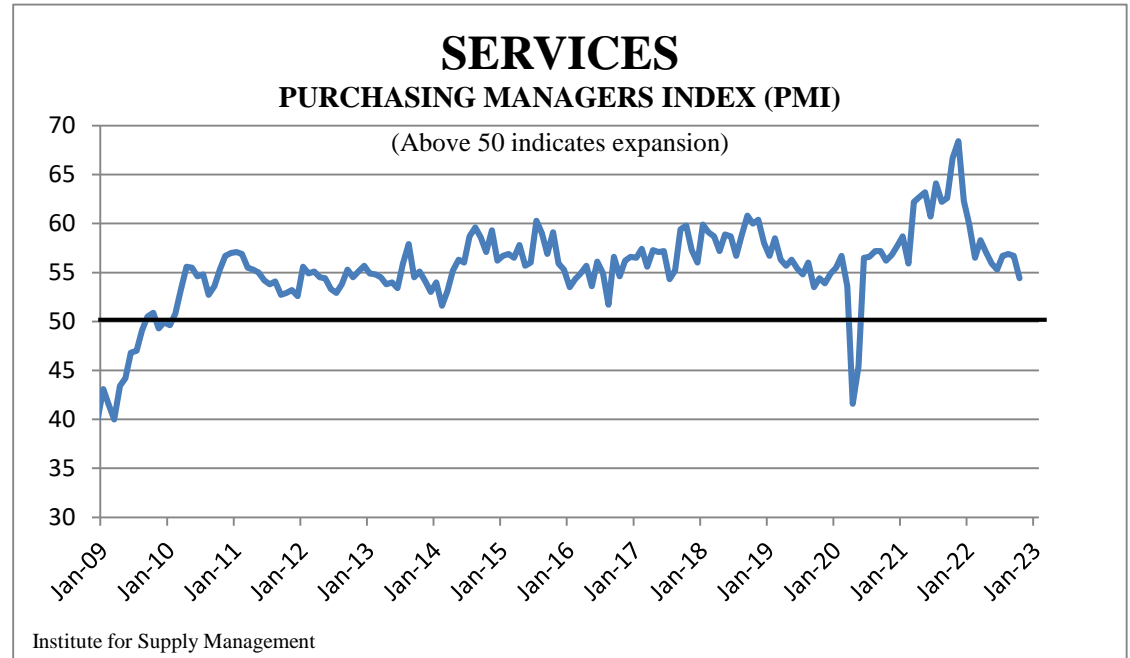
Manufacturing PMI

- This chart shows the Purchasing Managers Index (PMI) for the manufacturing sector. A value of 50 or more meaning expansion and below 50 a contraction.
- The Manufacturing PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.
- Similar to real GDP, the Manufacturing PMI declined precipitously during the spring of 2020 due to COVID-19.
- However, since May of 2020, the index has been indicating expansion. The index had its highest level since the early 1980's at 64.7 in March of 2021. Since then, manufacturing PMI has drifted downward though remains at a level of 50.2 which still indicates expansion.
- The Manufacturing PMI for Chicago peaked at an all-time high in May of 2021 but has receded since then to a level of 45.2 which would indicate contraction.
- Economic expansion continues but at the slowest rate since the outbreak of the pandemic. Softening demand, supply-chain issues, and hiring remain concerns.



Services PMI

- The Services PMI (previously known as the Non-Manufacturing Index) is a composite index that is calculated as an indicator of the overall economic condition for the non-manufacturing sector, which is far larger than the manufacturing sector (representing over 80% of GDP).
- The Services PMI is a composite index based on the diffusion indexes for four of the indicators with equal weights: business activity, new orders, and employment – all of which are seasonally adjusted – and supplier deliveries.
- Similar to the Manufacturing PMI, the Services PMI saw a large decline during the spring of 2020 due to COVID-19 but rebounded over the summer of 2021.
- An all-time high of 68.4 was registered in November of 2021 but slipped to the mid 50's since the beginning of 2022.



United States Employment

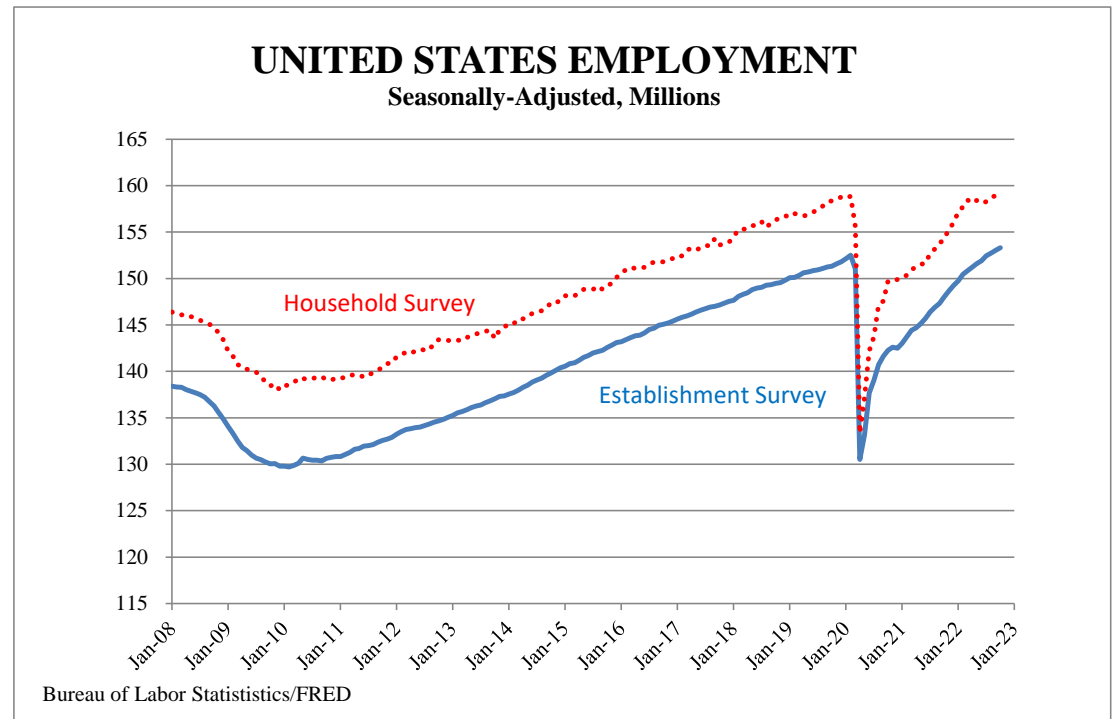
Since a low reached at the end of 2009, United States employment had continuously increased and finally recouped all the jobs lost during the Great Recession in 5 years and maintained the upward trend until COVID-19 hurt the national economy.

After peaking in February of 2022, U.S. employment lost approximately 22 to 26 million jobs by April 2020 due to social distancing and restrictions on economic activities to contain the spread of COVID-19. These were the largest declines in employment since the Great Depression.

With the substantial stimulus packages by Congress and Fed's monetary policies, along with the availability of vaccines, U.S. employment improved.

With the continued strong jobs reports through the first ten months of the year, the U.S. has made up all the lost jobs according to the Establishment (payroll) survey but remains just below the previous peak according to the Household Survey.

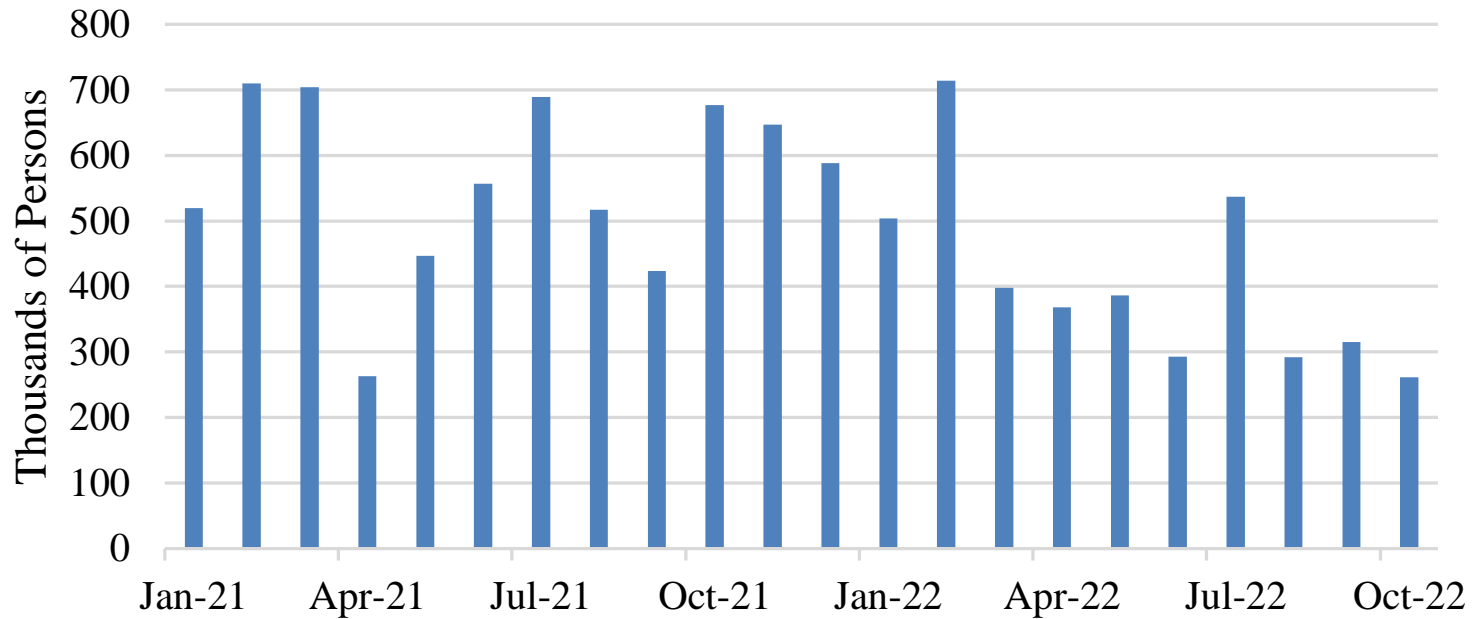
The rebound in jobs due to the pandemic has been much quicker compared to after the Great Recession. (30 months vs 76 months)



SLOWDOWN IN U.S. JOB GROWTH

MONTHLY CHANGE IN TOTAL NONFARM PAYROLLS

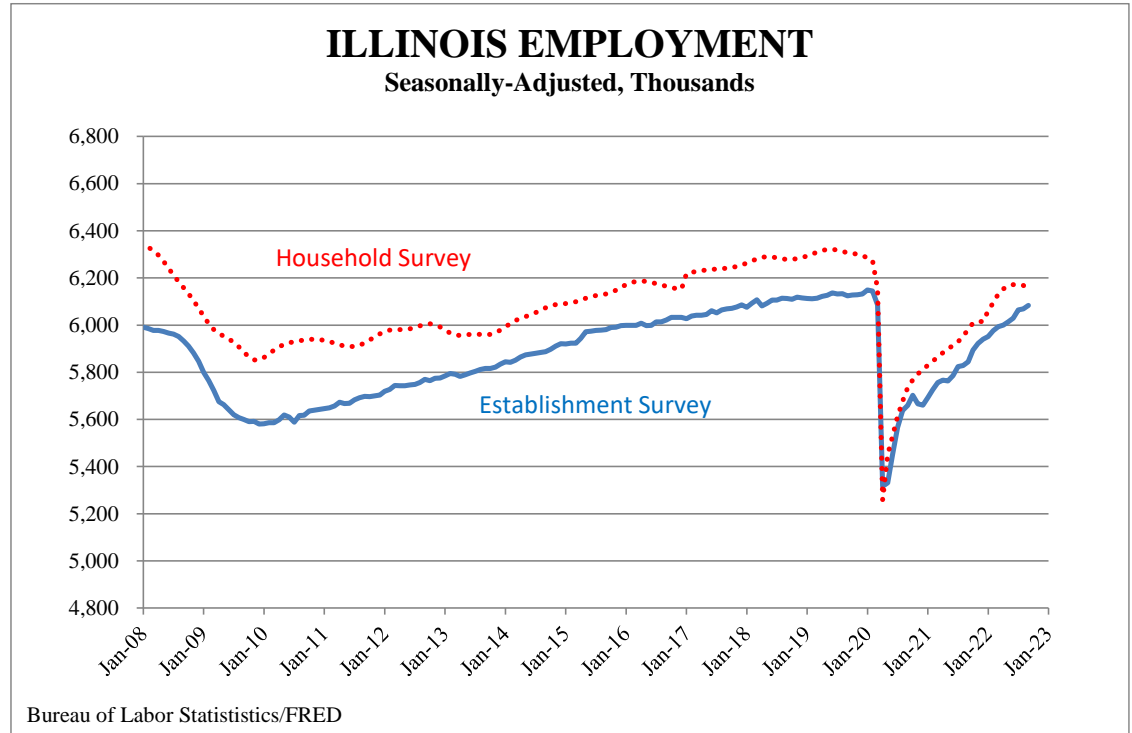
Seasonally Adjusted



U.S. Bureau of Labor Statistics, FRED

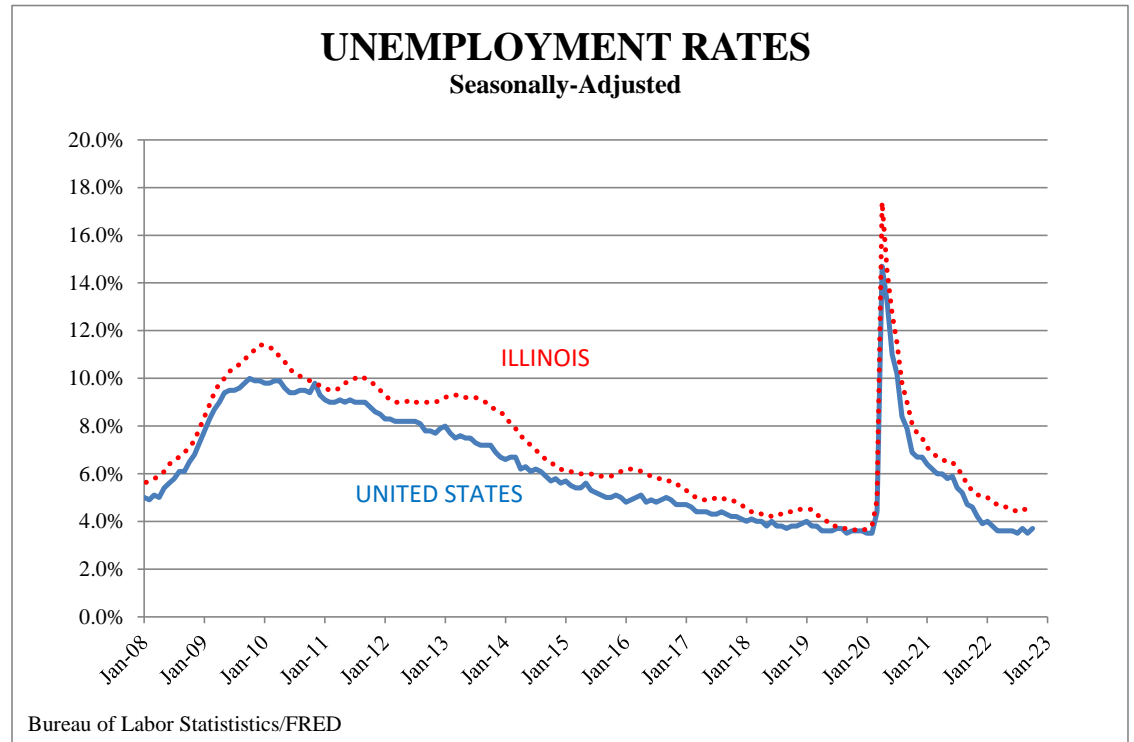
Illinois Employment

- Like the U.S., Illinois employment experienced a severe drop due to the COVID-19 outbreak.
- Both surveys showed the job losses that Illinois employment experienced during the 2007-2009 recessions were fully or almost recovered prior to the COVID-19 recession, although the recovery pace of the Household Survey was much slower than that of the Establishment Survey. However, the improvement was completely erased by the effects of COVID-19 in early 2020.
- Illinois employment was hit hardest in April 2020, which synced with the sharp drop in U.S. employment. The Establishment Survey and the Household Survey showed Illinois jobs declined by 769,000 and 895,000 respectively that month, which were the biggest drops on record.
- Since then, employment has rebounded as the Illinois economy has recovered. While a significant improvement has been seen, the recovery pace is behind that of the nation. Illinois remains about 62,000 to 117,000 jobs below where it was in February of 2020.



Unemployment Rates

- As shown in the chart, the gap between the nation's unemployment rate and that in Illinois has fluctuated over time, but they usually move in the same direction.
- As the U.S. economy was in its longest expansion, unemployment rates for both had declined as the recovery from the Great Recession got underway. The U.S. and Illinois had its lowest rate at 3.5% and 3.6%, respectively, prior to the COVID-19 recession.
- However, the COVID-19 outbreak caused severe damage to the economy, both at the national and state levels. In April of 2020, the unemployment rates for the U.S. and the State surged to 14.7% and 17.4% respectively, the highest and largest monthly percentage increase in the history of the data.
- While the gap between U.S. and Illinois unemployment rates that lasted for a decade finally closed just prior to the pandemic, it has reappeared during the recovery. As of September, the U.S. unemployment rate was 3.5%, while Illinois was at 4.5%.



Average Employment Levels by Subsector in Illinois

Non-Seasonally Adjusted Averages: FY 2015 to FY 2022 (in thousands)

Subsector	Annual Average								FY21 to FY22	
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Change	% Change
Mining and Logging	9.9	8.6	7.9	7.7	8.2	7.7	6.5	6.6	0.1	1.3%
Construction	208.7	217.6	219.1	223.4	227.1	223.0	218.4	224.1	5.7	2.6%
Manufacturing	582.2	579.1	572.5	582.5	589.3	571.2	551.6	562.1	10.4	1.9%
Trade, Transportation, and Utilities	1,188.3	1,204.9	1,210.5	1,212.7	1,207.8	1,177.5	1,172.0	1,203.3	31.4	2.7%
Information	99.9	98.9	99.2	95.1	95.0	92.2	86.4	90.9	4.5	5.2%
Financial Activities	379.9	384.2	390.4	398.9	407.7	410.6	406.1	407.5	1.4	0.3%
Professional and Business Services	915.3	927.8	935.6	945.1	949.0	924.3	900.7	948.1	47.4	5.3%
Education and Health Services	891.9	908.8	920.1	928.3	934.7	923.6	896.6	909.8	13.1	1.5%
Leisure and Hospitality	566.6	589.9	604.6	614.1	620.6	553.9	455.7	549.3	93.6	20.5%
Other Services	252.2	251.7	251.9	253.5	255.1	245.4	234.4	243.6	9.2	3.9%
Government	826.9	823.6	820.0	818.9	821.6	809.1	771.5	790.4	18.9	2.4%
Annual Average Totals	5,921.7	5,995.2	6,031.9	6,080.3	6,116.1	5,938.4	5,700.0	5,935.7	235.7	4.1%
Illinois' Annual % Change	1.4%	1.2%	0.6%	0.8%	0.6%	-2.9%	-4.0%	4.1%		

Source: Bureau of Labor Statistics, CGFA

Average Weekly Earnings by Subsector in Illinois

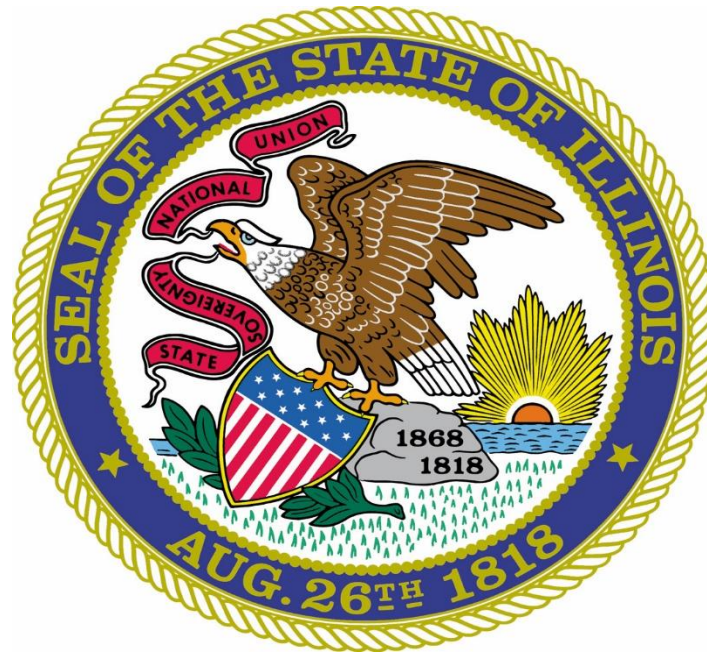
FY 2015 to FY 2022

Subsector	Annual Average								FY21 to FY22	
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	\$ Change	% Change
Mining*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,349	\$1,383	\$1,383	\$1,386	\$1,471	\$1,467	\$1,456	\$1,576	\$120	8.2%
Manufacturing	\$1,026	\$1,044	\$1,033	\$1,064	\$1,103	\$1,135	\$1,179	\$1,201	\$22	1.8%
Trade, Transportation, and Utilities	\$809	\$811	\$811	\$840	\$873	\$883	\$931	\$985	\$53	5.7%
Information	\$1,151	\$1,140	\$1,149	\$1,265	\$1,392	\$1,482	\$1,517	\$1,447	(\$69)	-4.6%
Financial Activities	\$1,281	\$1,327	\$1,366	\$1,366	\$1,413	\$1,473	\$1,614	\$1,621	\$8	0.5%
Professional and Business Services	\$1,036	\$1,061	\$1,081	\$1,105	\$1,155	\$1,211	\$1,268	\$1,350	\$82	6.5%
Education and Health Services	\$802	\$813	\$802	\$805	\$820	\$839	\$871	\$937	\$66	7.5%
Leisure and Hospitality	\$362	\$372	\$383	\$396	\$416	\$432	\$445	\$496	\$51	11.5%
Other Services	\$808	\$852	\$857	\$845	\$884	\$976	\$1,025	\$1,052	\$27	2.7%
Government*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Illinois' Annual Average Weekly Earnings*	\$888	\$903	\$907	\$925	\$963	\$1,001	\$1,059	\$1,103	\$ 44	4.1%
% Change in Avg. Weekly Earnings	2.0%	1.7%	0.4%	2.0%	4.1%	4.0%	5.8%	4.1%		
Annualized Wage and Employment Total	3.4%	3.0%	1.1%	2.8%	4.7%	1.1%	1.7%	8.3%		

* Because the Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics, "Statewide Average Weekly Earnings" is calculated by using the weekly earnings of the other nine subsectors. The statewide value was calculated by multiplying each subsector's average jobs by its average earnings and dividing the sum of these figures by the total number of jobs from these nine subsectors.

Source: Bureau of Labor Statistics, CGFA

ECONOMIC FORECASTS



Consensus Forecast

The Consensus Forecasts – USA report from Consensus Economics summarizes economic outlooks for the United States from various economic forecasters monthly.

These include:

- Banks and Econometric Firms (Wells Fargo/Moody’s Analytics)
- Professional Business Associations (National Association of Home Builders)
- Academic Institutions (Univ. of Maryland/Georgia State Univ.)
- Individual Businesses (Eaton Corporation/Ford Motor Company)

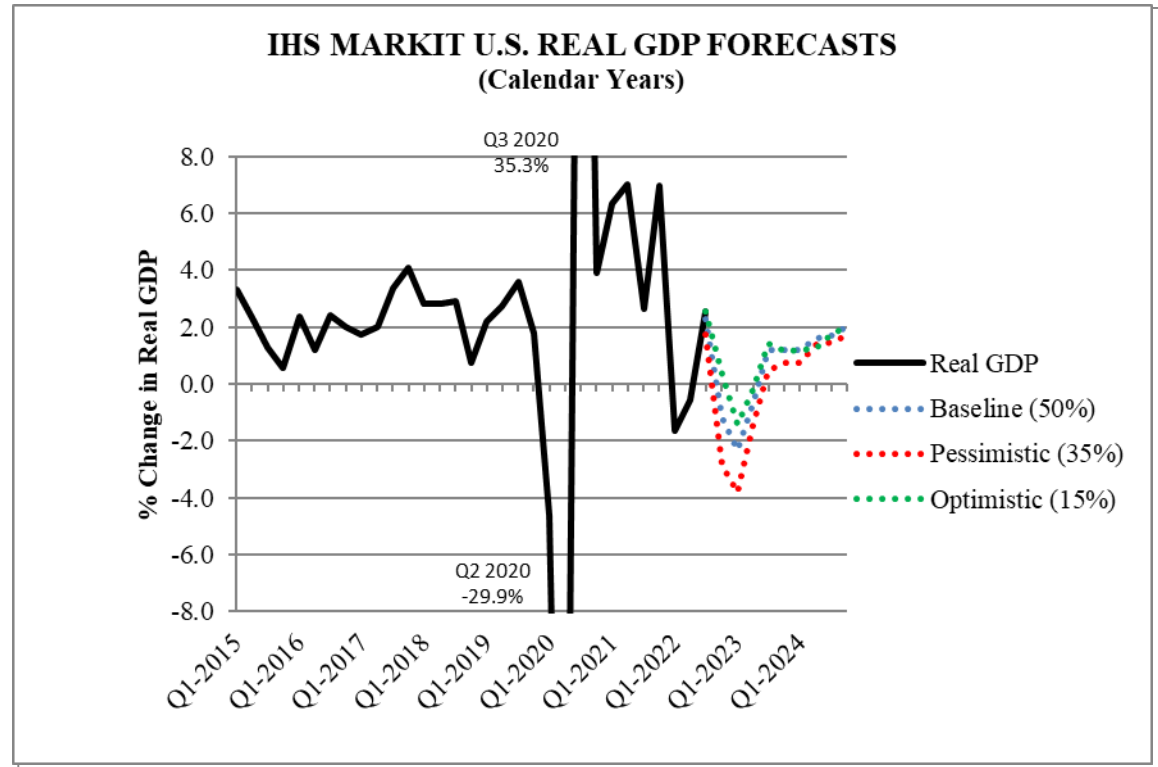
The following table shows the economic forecasts along with historical data for relevant economic indicators.

U.S. ECONOMIC FORECASTS					
The forecasts presented are the mean forecast from 26 economic forecasters.					
Economic Indicator	2019 Actual	2020 Actual	2021 Actual	2022 Forecast	2023 Forecast
Real GDP*	2.3%	-2.8%	5.9%	1.8%	0.2%
Nominal GDP*	4.1%	-1.5%	10.7%	9.0%	4.1%
Real Disposable Personal Income*	3.5%	6.2%	1.9%	-6.2%	1.5%
Real Personal Consumption*	2.0%	-3.0%	8.3%	2.6%	0.5%
Real Government Consumption and Investment*	3.3%	2.6%	0.6%	-0.8%	1.0%
Real Business Investment*	3.6%	-4.9%	6.4%	3.5%	0.4%
Nominal Pre-tax Profits*	3.9%	-5.9%	22.6%	5.7%	-1.4%
Consumer Prices*	1.8%	1.2%	4.7%	8.1%	4.1%
Core PCE Prices (excluding Food/Energy)*	1.7%	1.3%	3.5%	5.2%	3.9%
Producer Prices*	0.8%	-1.3%	8.9%	13.0%	2.5%
Employment Costs*	2.7%	2.6%	3.3%	5.0%	4.3%
Auto & Light Truck Sales (inc. imports) mn	17.0	14.5	14.9	13.8	14.6
Housing Starts, mn units	1.29	1.40	1.61	1.56	1.36
Unemployment Rate (%)	3.7%	8.1%	5.4%	3.7%	4.4%

*average % change over previous calendar year
Source: Consensus Economics, November 2022

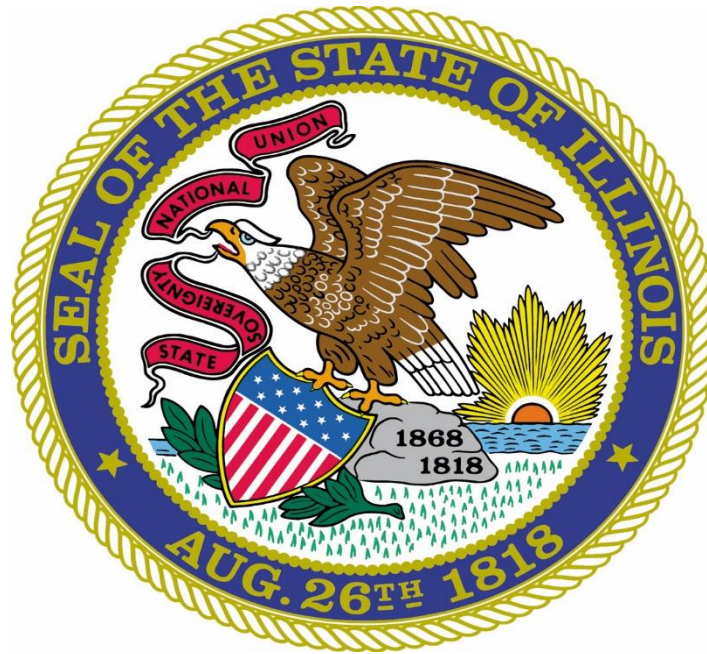
U.S. Real GDP Forecast Scenarios

- The **BASELINE** shows the most likely scenario with a 55% chance of occurrence. The baseline forecast calls for tightening financial conditions to tip U.S. economy into a mild recession from the fourth quarter of 2022 through the second quarter of next year.
- A more **PESSEMISTIC** scenario, with a 30% probability, has the recovery stumbling as the Russia-Ukraine conflict intensifies and drags on, leading to weaker consumer spending and a moderate recession.
- A final 15% likely **OPTIMISTIC** scenario has a continued economic slowdown but faster resolution of the Russia-Ukraine conflict and improving supply issues driving faster growth than the baseline scenario. This scenario also assumes more robust consumer and business response to the Infrastructure Investment and Jobs Act.



IHS MARKIT – October 2022

GENERAL FUNDS REVENUE



FY 2023 General Funds Revenue Final Budget Assumptions

A general funds revenue total of \$46.429 billion was assumed for the adopted FY 2023 budget, which was enacted in April 2022.

This revenue total did not assume any revenues from the ARPA reimbursement for essential government services, nor any one-time revenues from interfund or short term borrowing.

At the time of the budget's formation, the underpinnings of the forecast utilized a conservative view given uncertain economic and geopolitical conditions.

FY 2023 GENERAL FUNDS REVENUE FINAL BUDGET ASSUMPTIONS	
[Amounts per GOMB and Legislative Staffs] (\$ millions)	
<u>Revenue Sources</u>	<u>FY 2023 Final Budget Assumptions</u>
State Taxes	
Personal Income Tax	\$26,512
Corporate Income Tax (regular)	\$5,786
Sales Taxes	\$10,907
Public Utility (regular)	\$720
Cigarette Tax	\$252
Liquor Gallonage Taxes	\$184
Inheritance Tax	\$409
Insurance Taxes & Fees	\$447
Corporate Franchise Tax & Fees	\$267
Interest on State Funds & Investments	\$35
Cook County Intergovernmental Transfer	\$244
<u>Other Sources</u>	<u>\$593</u>
Total State Taxes	\$46,356
Transfers In	
Lottery	\$665
Gaming	\$157
Cannabis	\$142
Refund Fund	\$200
<u>Other</u>	<u>\$849</u>
Total Transfers In	\$2,013
Total State Sources	\$48,369
Federal Sources [Base]	\$4,000
Total Federal & State Sources	\$52,369
Nongeneral Funds Distribution:	
Refund Fund	
Personal Income Tax [9.25% '23]	(\$2,452)
Corporate Income Tax [14.5% '23]	(\$839)
Local Government Distributive Fund	
Personal Income Tax	(\$1,482)
Corporate Income Tax	(\$339)
Sales Tax Distributions	
Sales Tax Deposits into Road Fund	(\$229)
Sales Tax Distribution to the PTF and DPTF	(\$598)
General Funds Subtotal [Base]	\$46,429
ARPA Reimbursement for Essential Government Services	\$0
Total Revenues General Funds	\$46,429

FY 2023 General Funds Revenue Final Budget Assumptions
(continued)

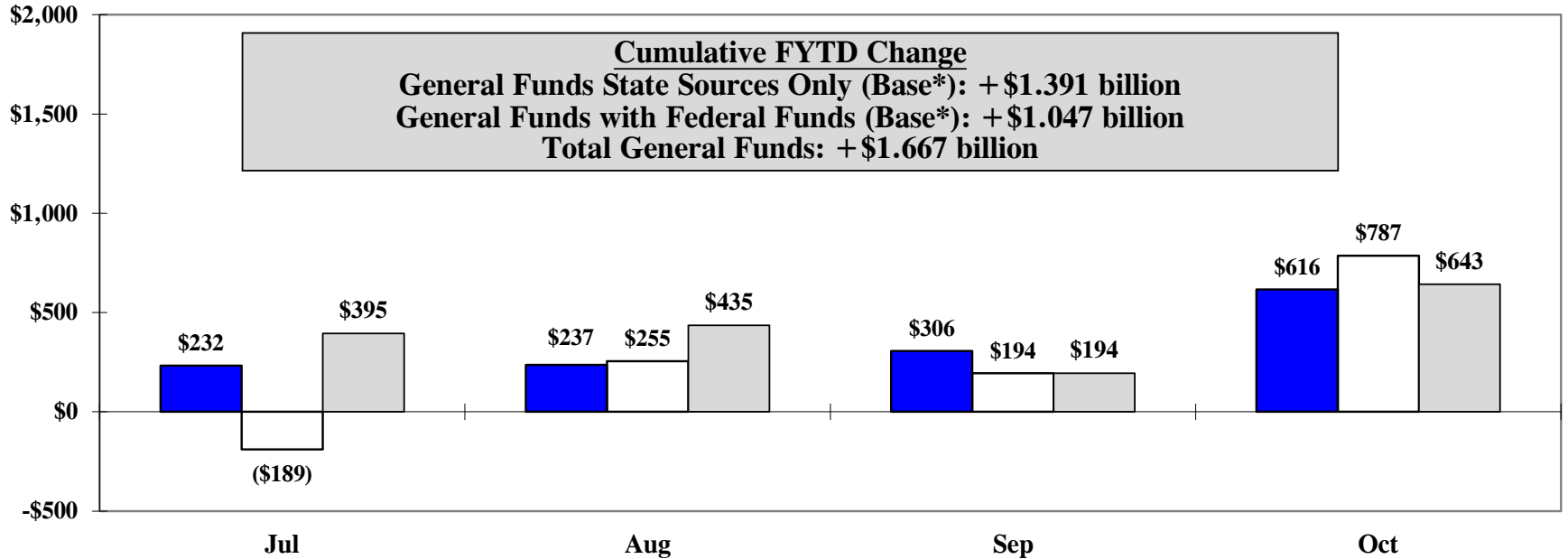
- The assumed revenue total for the FY 2023 budget is \$46.429 billion. The higher-than-expected revenues collected over the last quarter of FY 2022 helped elevate the final total to \$51.070 billion. Therefore, the FY 2023 enacted budget is \$4.6 billion lower than FY 2022 actuals.

General Funds Revenues			
FY 2022 Actuals vs FY 2023 Final Budget Assumptions			
\$ in millions			
Revenue Sources	FY 2022	FY 2023	Difference
	Actuals	Enacted Budget Apr-22	
Personal Income Taxes [Net]	\$24,839	\$22,578	(\$2,261)
Corporate Income Taxes [Net]	\$5,407	\$4,608	(\$799)
Sales Tax [Net]	\$10,234	\$10,080	(\$154)
All Other State Sources	\$3,178	\$3,151	(\$27)
Transfers In	\$2,092	\$2,013	(\$79)
Federal Sources [Base]	\$4,584	\$4,000	(\$584)
General Funds Subtotal [Base]	\$50,334	\$46,429	(\$3,905)
ARPA Reimbursement for Essential Gov't Services	\$736	\$0	(\$736)
Total General Funds Revenues	\$51,070	\$46,429	(\$4,641)

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

FY 2023 General Funds Performance FYTD

FY 2023 Monthly General Funds Performance July thru October as Compared to Same Prior Year Months (\$ in millions)



■ General Funds State Sources Only (Base*)
 General Funds w/ State & Federal Sources (Base*)
 Total General Funds*

**The "Base" figures exclude the impact of federal funds associated with ARPA Reimbursement for Essential Government Services. The "Total General Funds" category accounts for these funds.*

FY 2023 General Funds Performance thru October

- Through October, base receipts are up \$1.047 billion. This comparative level of growth rises to \$1.667 billion when accounting for ARPA reimbursement funds.
- Personal income tax receipts have grown \$790 million or \$666 million (+10.9%) on a net basis.
- Despite volatile market conditions, corporate income tax receipts have continued to perform well, growing \$294 million or \$242 million (+19.0%) net.
- While sales tax net receipt growth has slowed from last year's stellar pace, it is still up \$274 million over the first four months of the fiscal year. When removing distributions to the road fund and other transportation funds, the growth is reduced to \$145 million (+4.2%).
- All other State sources have combined to grow \$87 million (+9.9%), led by a \$68 million increase in interest income due to significantly higher interest rates.
- State Transfers-In have risen \$252 million thru October (+27.7%). Much of this growth comes from a \$251 million increase in the amounts received from the Income Tax Refund Fund Transfer.
- Base Federal Sources are \$345 million below last year's levels (-20.2%). However, if the ARPA reimbursement federal funds are included, the federal source deficit turns into a year-to-date gain of \$275 million.

GENERAL FUNDS RECEIPTS: YEAR TO DATE				
<i>FY 2023 vs. FY 2022</i>				
<i>(\$ millions)</i>				
Revenue Sources	FY 2023	FY 2022	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$7,928	\$7,138	\$790	11.1%
Corporate Income Tax (regular)	1,899	1,605	294	18.3%
Sales Taxes	3,897	3,623	274	7.6%
Public Utility Taxes (regular)	230	227	3	1.3%
Cigarette Tax	83	92	(9)	-9.8%
Liquor Gallonage Taxes	65	68	(3)	-4.4%
Inheritance Tax	161	208	(47)	-22.6%
Insurance Taxes and Fees	133	112	21	18.8%
Corporate Franchise Tax & Fees	77	78	(1)	-1.3%
Interest on State Funds & Investments	72	4	68	1700.0%
Cook County IGT	0	0	0	N/A
Other Sources	149	94	55	58.5%
Total State Taxes	\$14,694	\$13,249	\$1,445	10.9%
Transfers In				
Lottery	\$200	\$245	(\$45)	-18.4%
Gaming	63	54	9	16.7%
Cannabis	38	36	2	5.6%
Refund Fund	493	242	251	103.7%
Other	367	332	35	10.5%
Total Transfers In	\$1,161	\$909	\$252	27.7%
Total State Sources	\$15,855	\$14,158	\$1,697	12.0%
Federal Sources [base]	\$1,366	\$1,711	(\$345)	-20.2%
Total Federal & State Sources	\$17,221	\$15,869	\$1,352	8.5%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$734)	(\$660)	(\$74)	11.2%
Corporate Income Tax	(276)	(241)	(35)	14.5%
Local Government Distributive Fund				
Personal Income Tax	(443)	(393)	(50)	12.7%
Corporate Income Tax	(111)	(93)	(18)	19.4%
Sales Tax Distributions				
Deposits into Road Fund	(146)	(33)	(113)	342.4%
Distribution to the PTF and DPTF	(124)	(108)	(16)	14.8%
General Funds Subtotal [Base]	\$15,388	\$14,341	\$1,047	7.3%
ARPA Reimb. for Essential Gov't Services	\$764	\$144	\$620	N/A
Total General Funds	\$16,152	\$14,485	\$1,667	11.5%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

1-Nov-22

FY 2023 General Funds Performance thru October

<i>Summary of Receipts</i>				
<i>GENERAL FUNDS RECEIPTS: YEAR TO DATE</i>				
<i>FY 2023 vs. FY 2022</i>				
<i>(\$ millions)</i>				
<u>Revenue Sources</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$</u> <u>CHANGE</u>	<u>%</u> <u>CHANGE</u>
Net Personal Income Tax	\$6,751	\$6,085	\$666	10.9%
Net Corporate Income Tax	\$1,513	\$1,271	\$242	19.0%
Net Sales Tax	\$3,627	\$3,482	\$145	4.2%
All Other State Sources	\$970	\$883	\$87	9.9%
Transfers In	\$1,161	\$909	\$252	27.7%
Federal Sources [base]	\$1,366	\$1,711	(\$345)	-20.2%
<i>Base General Funds</i>	<i>\$15,388</i>	<i>\$14,341</i>	<i>\$1,047</i>	<i>7.3%</i>
<i>ARPA Reimb. for Essential Gov't Services</i>	\$764	\$144	\$620	N/A
<i>Total General Funds</i>	<i>\$16,152</i>	<i>\$14,485</i>	<i>\$1,667</i>	<i>11.5%</i>

Positive Factors for Increasing FY 2023 Revenue Outlook...

- **As compared to FY 2022 actuals, FY 2023 began the year able to absorb \$4.6 billion falloff in revenues to reach the Enacted Budget. Therefore, given FYTD growth of nearly \$1.7 billion, revenues could fall \$6.3 billion over the last 2/3rds of FY 2023 and still reach budgetary level. This level of falloff is not likely.**
- While inflation is no doubt a concern for the nation's economy going forward, it has provided short-term benefits in the form of elevated tax revenues from sales taxes (higher prices), income taxes (higher wages), and interest income (higher interest rates). While there are signs of slowing in certain revenue areas, a sudden shift in trends is not expected, leading to upward pressure to increase these economically driven revenue source estimates for FY 2023.
- The \$252 million growth in "Transfers In" thru October is almost entirely due to the \$251 million increase in the amounts received from the Income Tax Refund Fund Transfer (from \$242 million to \$493 million FYTD). **This amount, which is based on a set percentage of income tax receipts set aside to pay for tax refunds, will grow to \$1.481 billion by the end of FY 2023.** This unusually high transfer amount is due to an overabundance of funds deposited into the Refund Fund in FY 2022 as a result of stronger than expected income tax performance during that fiscal year. Only \$200 million was conservatively assumed in the budget for this transfer for FY 2023, resulting in budgetary upward adjustment of \$1.281 billion.
- General Funds received \$764 million from ARPA Reimbursement for Essential Gov't Services in FY 2023 that was not anticipated under the Enacted Budget. These funds were originally anticipated by GOMB to be received in FY 2022, but were instead receipted in July/Aug of FY 2023.

FY 2023 CGFA General Funds Revised Estimate (Nov-22)

- The Commission is increasing its FY 2023 revenue outlook by **\$4.9 billion** to \$51.329 billion.
- The revised estimate, however, is only **\$259 million** above FY 2022 final levels.

General Funds Revenues				
FY 2023 Final Budget Assumptions vs CGFA Revised Nov-22				
Revenue Sources	FY 2022 Actuals	FY 2023 Enacted Budget Apr-22	FY 2023 CGFA Revised Nov-22	FY 2023 Estimate Difference
Personal Income Taxes [Net]	\$24,839	\$22,578	\$24,176	\$1,598
Corporate Income Taxes [Net]	\$5,407	\$4,608	\$5,241	\$633
Sales Tax [Net]	\$10,234	\$10,080	\$10,416	\$336
All Other State Sources	\$3,178	\$3,151	\$3,355	\$204
Transfers In	\$2,092	\$2,013	\$3,377	\$1,364
Federal Sources [Base]	\$4,584	\$4,000	\$4,000	\$0
General Funds Subtotal [Base]	\$50,334	\$46,429	\$50,565	\$4,136
ARPA Reimbursement for Essential Gov't Services	\$736	\$0	\$764	\$764
Total General Funds Revenues	\$51,070	\$46,429	\$51,329	\$4,900
FY 2023 Estimates vs FY 2022 Actuals		(\$4,641)	\$259	\$4,900

FY 2023 CGFA General Funds Revised Estimate (Nov-22)

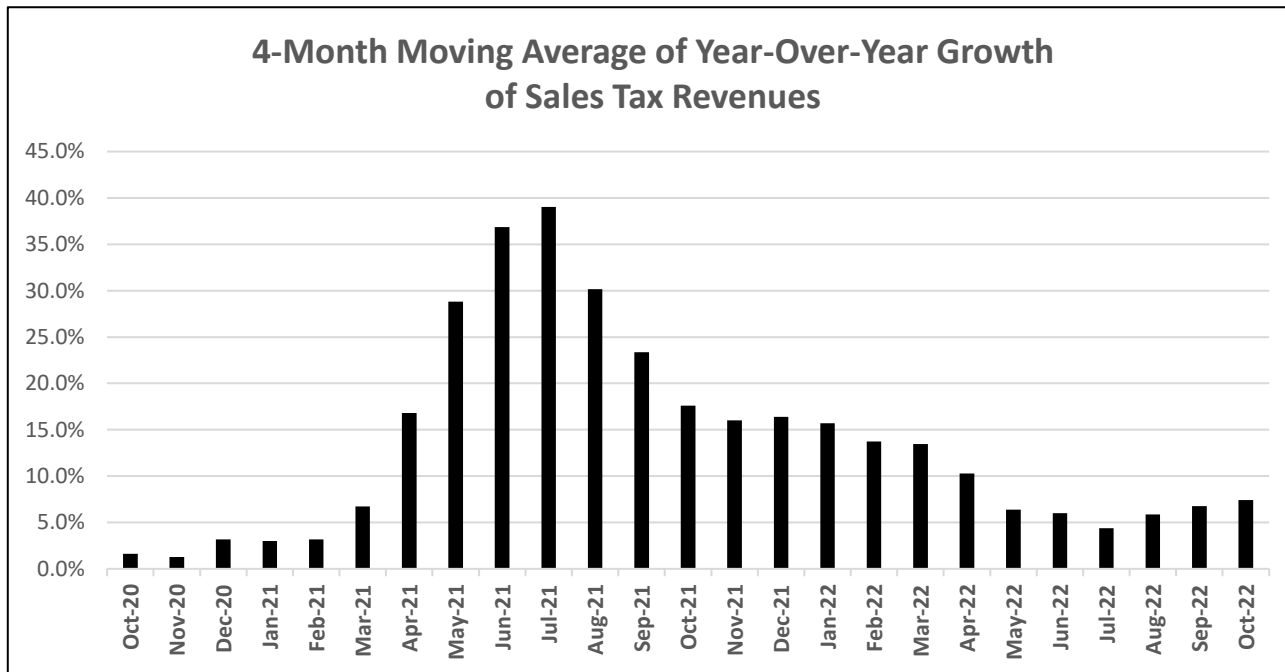
<i>General Funds Revenues</i>				
<i>FY 2023 Final Budget Assumptions vs CGFA Revised Nov-22</i>				
(\$ millions)				
<u>Revenue Sources</u>	<u>FY 2022</u> <u>Actuals</u>	<u>FY 2023</u> <u>Enacted Budget</u> <u>Apr-22</u>	<u>FY 2023</u> <u>CGFA Revised</u> <u>Nov-22</u>	<u>FY 2023</u> <u>Estimate</u> <u>Difference</u>
State Taxes				
Personal Income Tax	\$29,137	\$26,512	\$28,389	\$1,877
Corporate Income Tax (regular)	\$6,831	\$5,786	\$6,581	\$795
Sales Taxes	\$10,984	\$10,907	\$11,483	\$576
Public Utility (regular)	\$750	\$720	\$750	\$30
Cigarette Tax	\$254	\$252	\$234	(\$18)
Liquor Gallonage Taxes	\$183	\$184	\$184	\$0
Inheritance Tax	\$603	\$409	\$465	\$56
Insurance Taxes & Fees	\$455	\$447	\$460	\$13
Corporate Franchise Tax & Fees	\$216	\$267	\$225	(\$42)
Interest on State Funds & Investments	\$30	\$35	\$200	\$165
Cook County Intergovernmental Transfer	\$244	\$244	\$244	\$0
Other Sources	<u>\$443</u>	<u>\$593</u>	<u>\$593</u>	<u>\$0</u>
Total State Taxes	\$50,130	\$46,356	\$49,808	\$3,452
Transfers In				
Lottery	\$820	\$665	\$711	\$46
Gaming	\$140	\$157	\$167	\$10
Cannabis	\$115	\$142	\$134	(\$8)
Refund Fund	\$242	\$200	\$1,481	\$1,281
Other	<u>\$775</u>	<u>\$849</u>	<u>\$884</u>	<u>\$35</u>
Total Transfers In	\$2,092	\$2,013	\$3,377	\$1,364
Total State Sources	\$52,222	\$48,369	\$53,185	\$4,816
Federal Sources [Base]	<u>\$4,584</u>	<u>\$4,000</u>	<u>\$4,000</u>	<u>\$0</u>
Total Federal & State Sources	\$56,806	\$52,369	\$57,185	\$4,816
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax [9.25% '23]	(\$2,696)	(\$2,452)	(\$2,626)	(\$174)
Corporate Income Tax [14.5% '23]	(\$1,026)	(\$839)	(\$954)	(\$115)
Local Government Distributive Fund				
Personal Income Tax	(\$1,602)	(\$1,482)	(\$1,587)	(\$105)
Corporate Income Tax	(\$398)	(\$339)	(\$386)	(\$47)
Sales Tax Distributions				
Sales Tax Deposits into Road Fund	(\$132)	(\$229)	(\$432)	(\$203)
Sales Tax Distribution to the PTF and DPTF	(\$618)	(\$598)	(\$635)	(\$37)
General Funds Subtotal [Base]	<u>\$50,334</u>	<u>\$46,429</u>	<u>\$50,565</u>	<u>\$4,136</u>
ARPA Reimbursement for Essential Gov't Services	\$736	\$0	\$764	\$764
Total General Funds Revenues	\$51,070	\$46,429	\$51,329	\$4,900

CGFA FY 2023 Revenue Outlook Increase – Factors Considered

- Strong gains in revenues for first 1/3rd of the fiscal year necessitate an increase in the FY 2023 Revenue Outlook. However, a conservative outlook for the remaining 2/3^{rds} of FY 2023 will be assumed at this time because of the following factors:
 - Possibility of Resurgence of COVID-19 Variants
 - Unstable Geopolitical Environment?
 - Ukraine/Russia Conflict
 - World Economies are Struggling
 - Inflation Impacts
 - Will Federal Rate Hikes Hurt Illinois' Business Activity?
 - Will it Lead to Job Losses?
 - Recession?
 - How Severe Will it Be?
 - When Will These Factors Impact Tax Revenues?

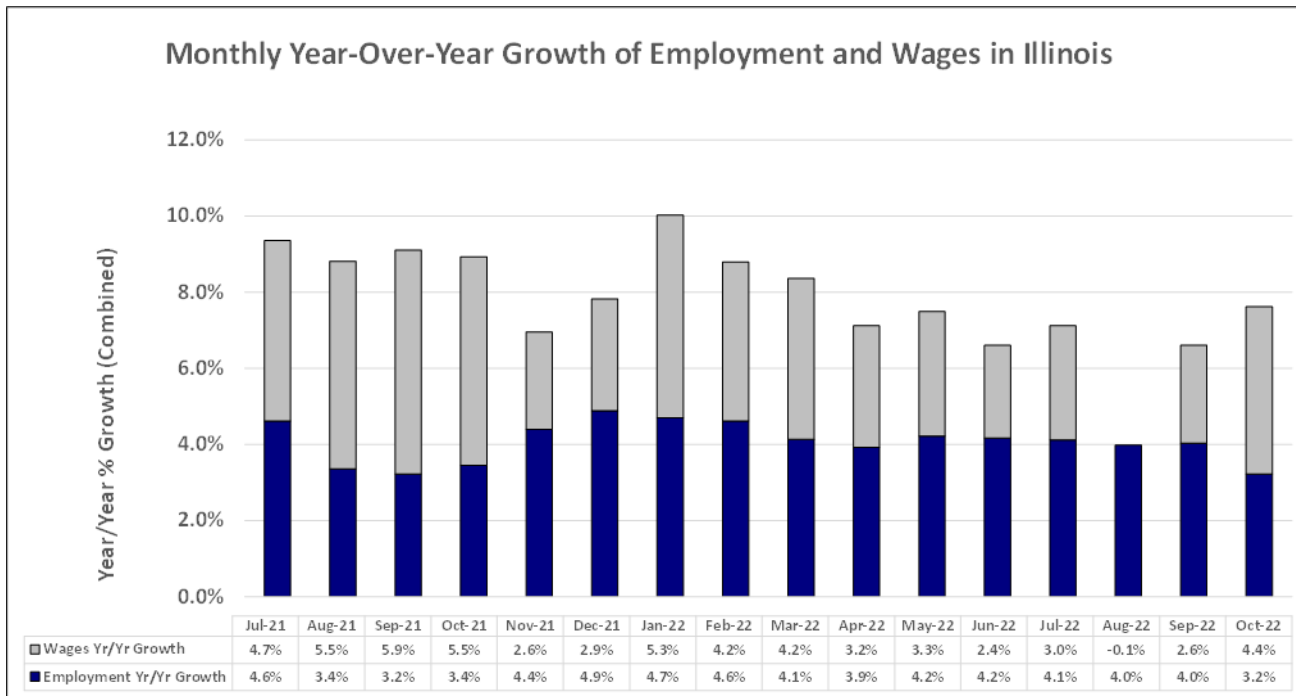
CGFA FY 2023 Revenue Outlook Increase – Factors Considered (cont...)

- Sales Tax performance is starting to weaken.
 - Weaker consumer confidence and purchasing power erosion due to inflation.
 - High motor fuel prices lowering available spending in other areas.
 - Returning trend of shift from taxable goods to non-taxable service sectors.
 - No planned additional federal stimulus to help boost spending.
 - Fewer “big item” purchases due to high interest rates.



CGFA FY 2023 Revenue Outlook Increase – Factors Considered (cont...)

- Factors that Could Lead to Slowdown in Income Tax Revenues
 - Fewer goods sold could lead to lower corporate profits and potential job cuts.
 - Impacts of income tax performance brought about by federal stimulus efforts, consumer demand, and record corporate profits are expected to wane.
 - Poor market performance could lead to comparatively lower taxable income from capital gains and corporate profits, impacting final tax payments in 2nd Half of FY23.
 - While still strong, monthly change in employment and wage levels are already starting to slow from robust levels (see below).



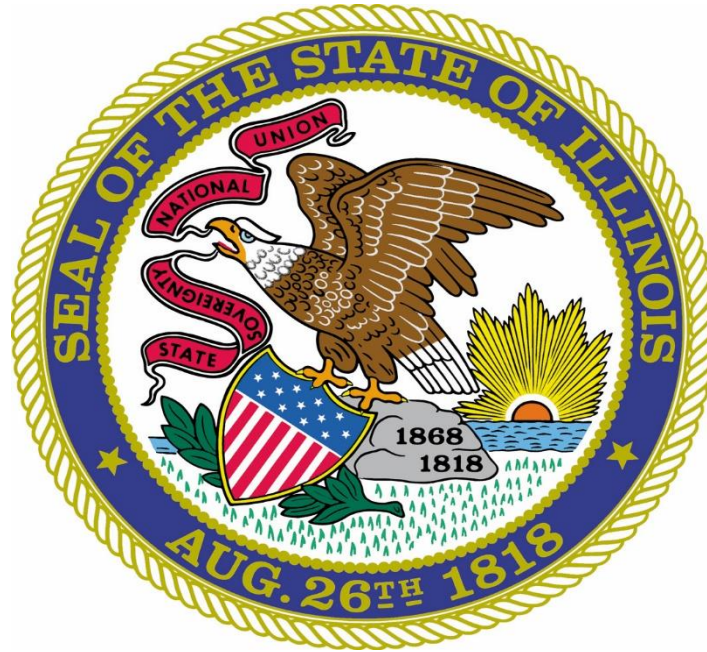
Note: This graph has been updated from the original to reflect October data and to correct a calculation error used to determine the wages yr/yr growth rates.

FY 2023 General Funds Revised Estimates (Nov-22)

CGFA vs GOMB

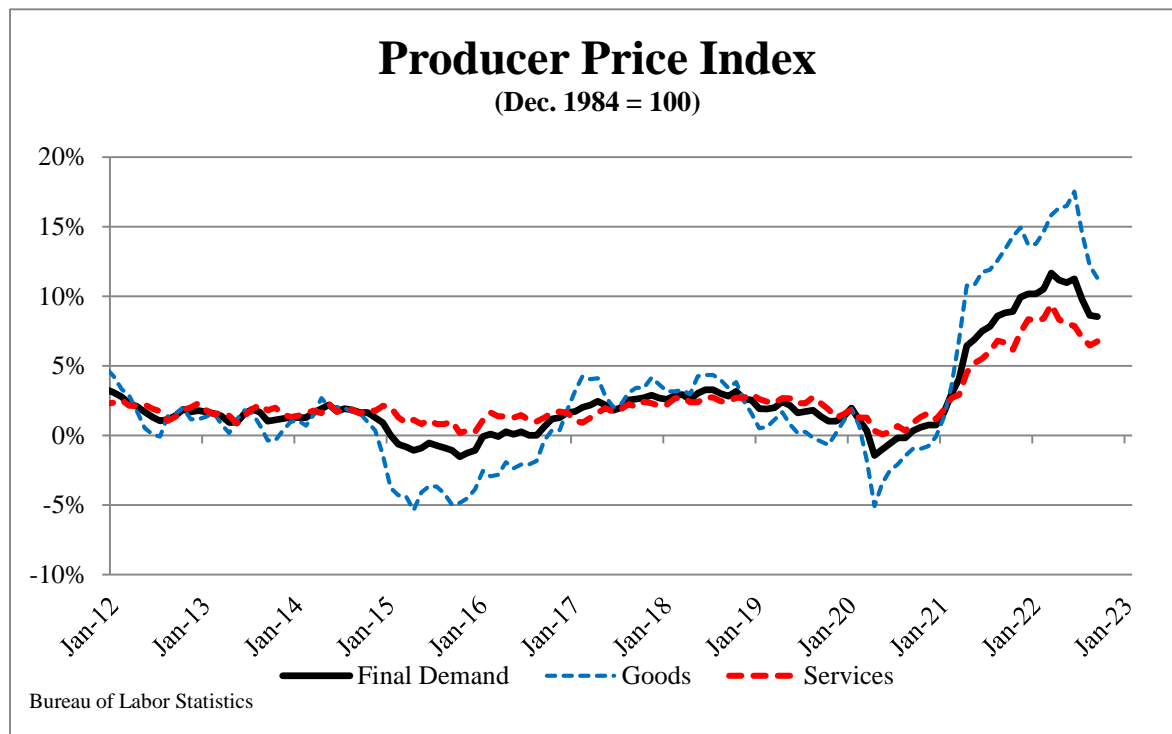
General Funds Revenues					
FY 2023 CGFA Revised Nov-22 vs GOMB Revised Nov-22					
Revenue Sources	FY 2022 Actuals	FY 2023 Enacted Budget Apr-22	FY 2023 CGFA Revised Nov-22	FY 2023 GOMB Revised Nov-22	FY 2023 CGFA vs GOMB Difference
Personal Income Taxes [Net]	\$24,839	\$22,578	\$24,176	\$23,215	\$961
Corporate Income Taxes [Net]	\$5,407	\$4,608	\$5,241	\$5,262	(\$21)
Sales Tax [Net]	\$10,234	\$10,080	\$10,416	\$10,261	\$155
All Other State Sources	\$3,178	\$3,151	\$3,355	\$3,223	\$132
Transfers In	\$2,092	\$2,013	\$3,377	\$3,294	\$83
Federal Sources [Base]	\$4,584	\$4,000	\$4,000	\$4,100	(\$100)
General Funds Subtotal [Base]	\$50,334	\$46,429	\$50,565	\$49,355	\$1,210
ARPA Reimbursement for Essential Gov't Services	\$736	\$0	\$764	\$764	\$0
Total General Funds Revenues	\$51,070	\$46,429	\$51,329	\$50,119	\$1,210
FY 2023 Estimates vs FY 2022 Actuals		(\$4,641)	\$259	(\$951)	\$1,210
FY 2023 Estimates vs FY 2023 Enacted Budget			\$4,900	\$3,690	\$1,210

APPENDIX



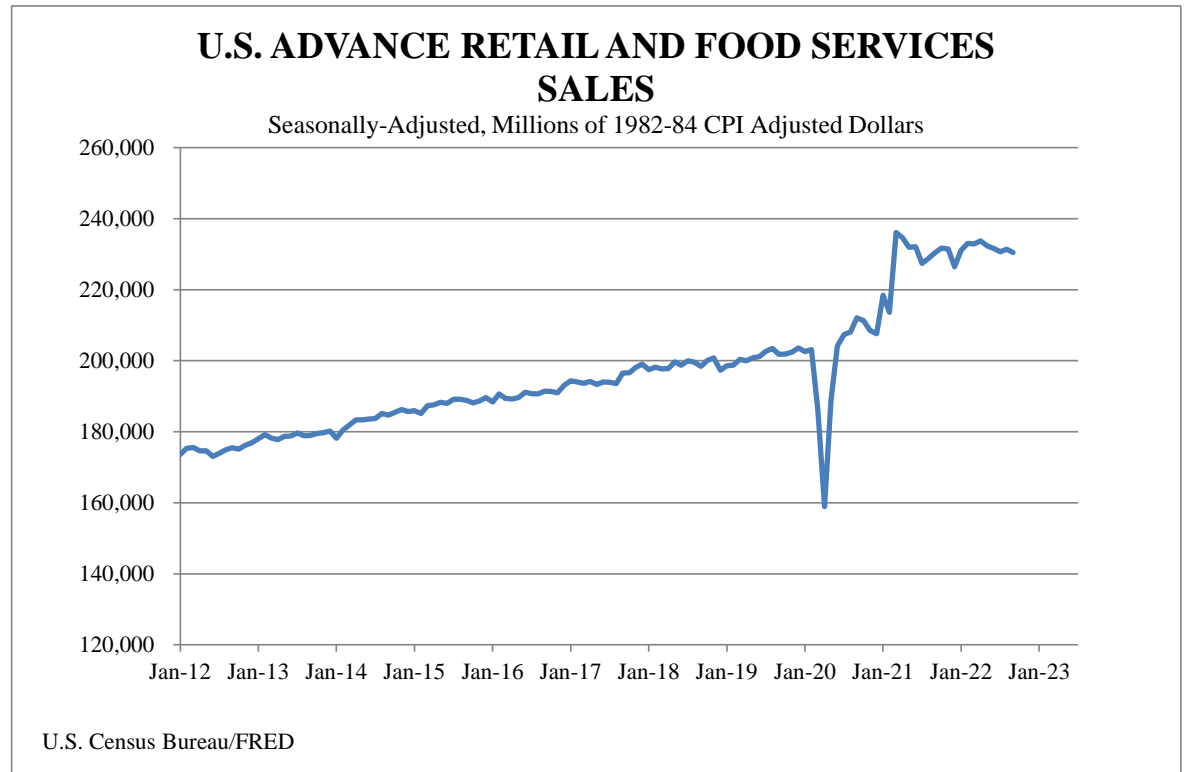
Producer Price Index (PPI)

- The Producer Price Index (PPI) measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.
- Unlike CPI, the PPI has swung from growth to actual declines in recent years.
- The PPI declined with the start of the COVID-19 pandemic.
- Since the beginning of 2021, the PPI has increased significantly due to increased demand and supply chain issues.
- Currently, the PPI has been trending down over the last few months after seeing some of the highest rates of growth since the 1980's. Overall Final Demand is at 8.5%. The goods portion sits at just over 11%, while the PPI for services is just under 7%.



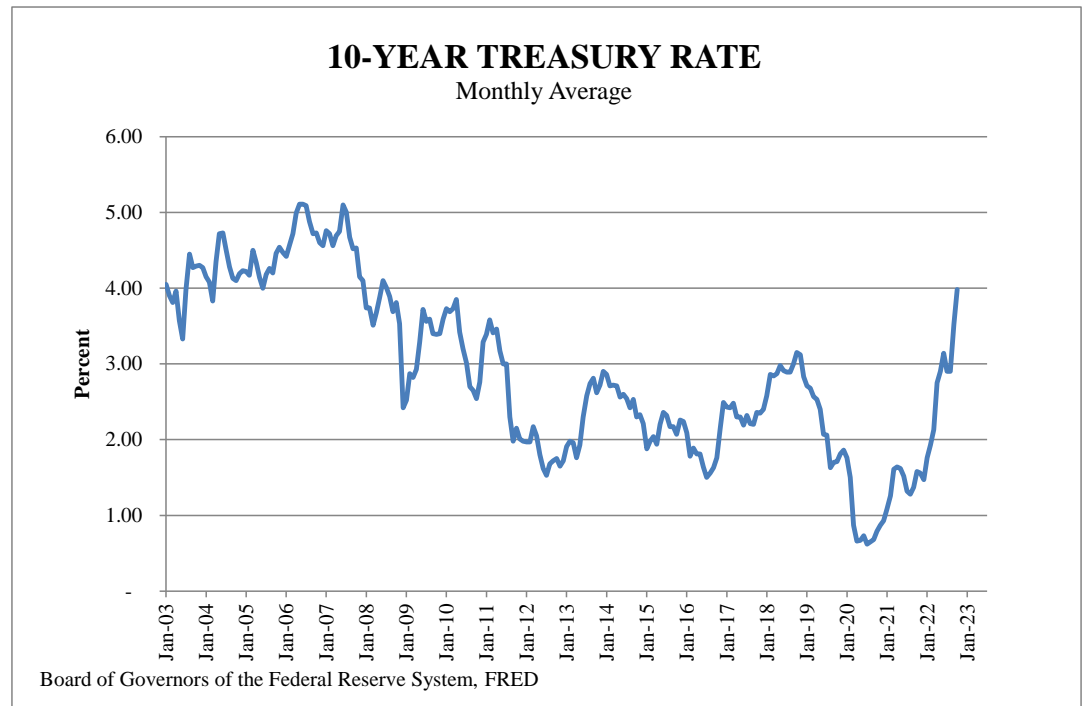
Retail Sales

- The U.S. Census Bureau conducts the Advance Monthly Retail Trade and Food Services Survey to provide an early estimate of monthly sales by kind of business for retail and food service firms.
- Retail sales are sales by businesses that sell goods in small quantities directly to consumers.
- After an initial demand shock at the beginning of the pandemic, consumer goods spending was buoyed by financial support from the federal government.
- While consumer spending on goods rebounded well above the pre-pandemic trend, it has plateaued since peaking in March of 2021.
- This trend is expected to continue as consumers revert back to spending patterns that lean more towards services.



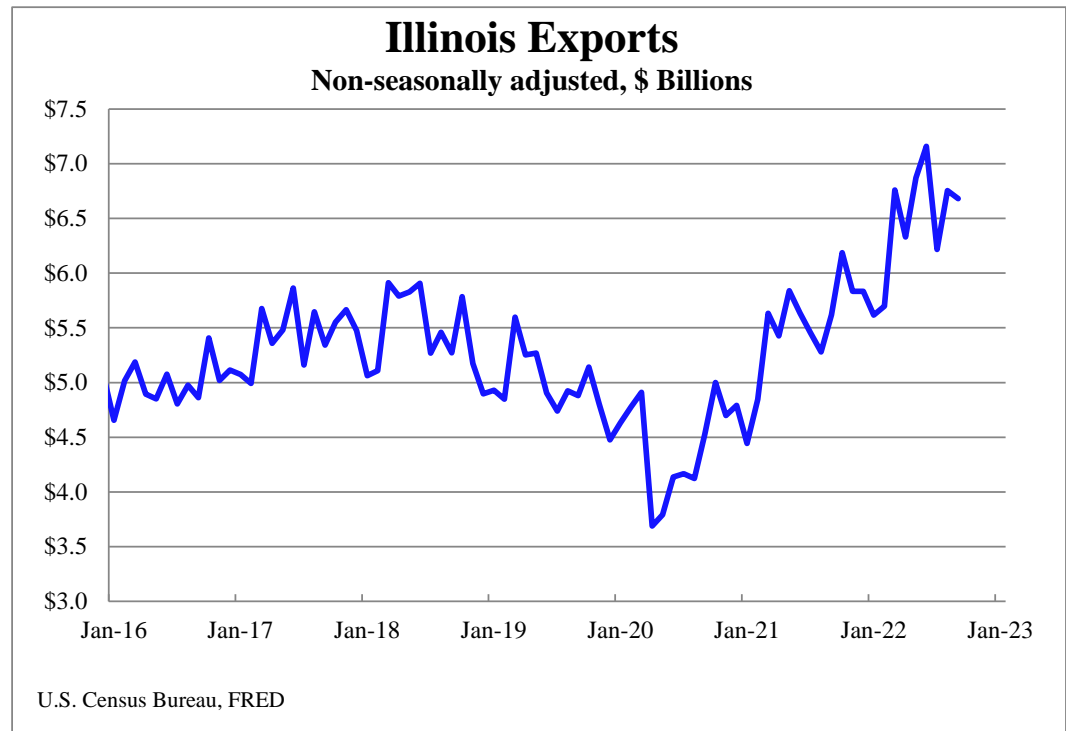
10-Year Treasury Rate

- The 10-year Treasury rate is a key interest rate related to many transactions, particularly home mortgages, and is considered as an indicator of investor sentiment about the U.S. economy.
- The 10-year treasury rate has been erratic in recent years. It went up to 3.25% in 2018 and gradually declined afterward. When the COVID-19 pandemic hit the U.S. economy, the rate sharply dropped to nearly 0.5% in March 2020.
- As the economy improved due in part to the substantial COVID-19 relief packages and improved expectations about the COVID-19 situation, it rose to around 1.75% in spring 2021. Then, it fell due to the growing concerns of the Delta variant.
- In an attempt to fight inflation and slow the economy, the Fed began increasing short-term interest rates in the spring of 2022. In October, the 10-year had grown to 4.0% which was the highest monthly average since July of 2007.



Illinois Exports

- Illinois exports, while erratic, started to reverse its downward slope in early 2016 and began to grow. It reached its highest peak since late 2014 at \$5.9 billion in mid-2018 despite uncertainties such as trade conflicts between the U.S. and other countries.
- It then declined in a volatile manner and went down further as the COVID-19 outbreak began. It fell to its lowest monthly level since early 2010 at \$3.7 billion in April 2020. This was 24% down from the previous month or a 30% drop compared to a year ago.
- After this steep decline, it began to recover. Illinois exports have considerably improved and continue to rise. The most recent data shows that, in September of 2022, Illinois exports stood at \$6.7 billion, down from its recent high of \$7.2 billion. But it still remains high, compared to where it was over the past 3 years.
- IHS Markit projects U.S. exports to slow in 2023 before accelerating again in 2024. This would affect Illinois as it is one of the largest exporting states.



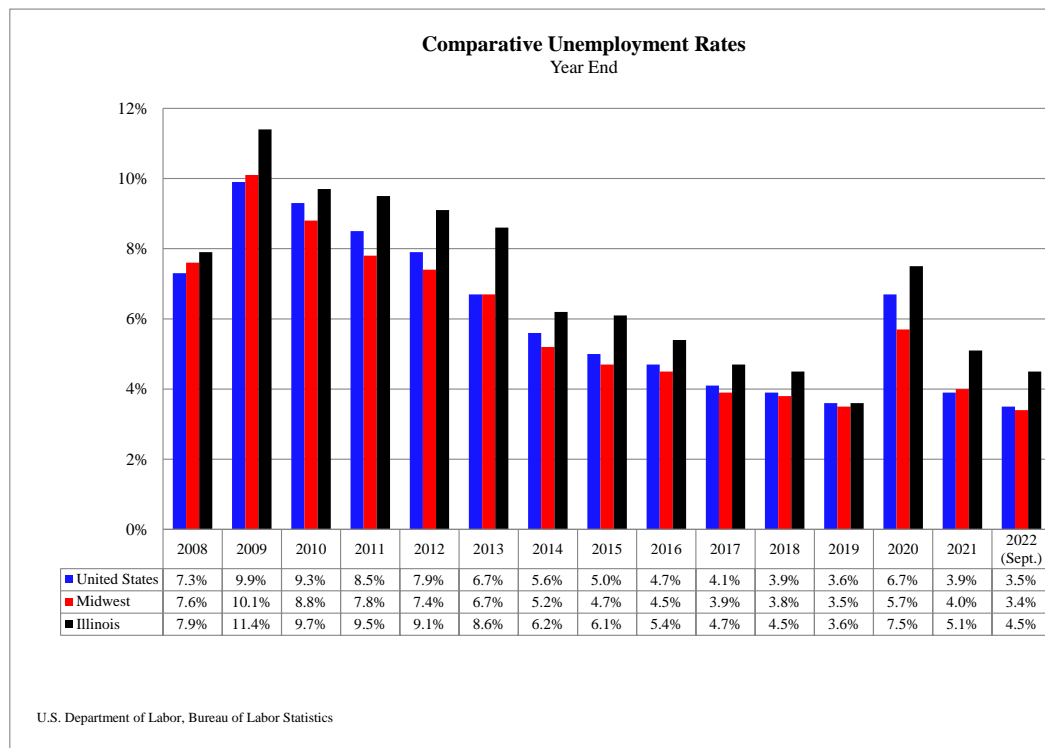
Illinois Manufacturing Employment

- After experiencing a severe loss during the Great Recession, Illinois manufacturing employment finally began to improve around 2010. A few years later, however, it leveled out, followed by a decline in early 2019.
- Then, it significantly dropped further after the pandemic hit. In April 2020, the State lost approximately 45,900 manufacturing jobs over the previous month, the largest monthly decline on record.
- A small rebound occurred over the summer of 2020 but more significant improvement did not occur until the beginning of 2022.
- As of July, manufacturing employment was basically back to where it was prior to the pandemic.
- IHS Markit projects that the State's manufacturing employment will face a slow decline over the next few years.



Comparative Unemployment Rates

- The chart shows comparative unemployment rates for the nation, Midwest, and Illinois.
- In 2008, Midwest and Illinois rates were similar and only slightly higher than the nation. However, beginning in 2009, the difference in the rates between Illinois and the others widened. Since 2010, unemployment in the Midwest fell below or at the national level as resurgence in several “rust belt” states from increased energy production caused an employment spurt.
- More than a decade after trying to catch up with both the nation and Midwest, Illinois finally succeeded to lessen the gap until COVID-19 hit. The rates in April 2020 were at least four times higher than where they were prior to the pandemic.
- Since April 2020, the labor market has improved nationwide. The most recent data as of September of 2022 had the national and Midwest rate at 3.5% and 3.4%, respectively, and the Illinois rate at 4.5%. The national rate rose to 3.7% in October of 2022.



IHS MARKIT U.S. ECONOMIC FORECAST SCENARIOS

OCTOBER 2022*

	Baseline (55%)	Pessimistic (30%)	Optimistic (15%)
GDP Growth	Real GDP falls 0.3% in 2022 as the aggressive recovery following the pandemic-induced downturn begins to chill. A recession drops output by 0.2% in 2023 before rising modestly at 1.7% in 2024.	Real GDP falls 0.8% in 2022 and 1.0% in 2023 in response to sustained weakness through the end of this year leading into next year. Growth resumes at 1.3% in 2024.	Real GDP rises 0.2% in 2022 as the relative strength in consumer spending supports a small level of growth. Growth persists at 0.2% in 2023 and 1.6% in 2024.
Consumer Spending	Consumption slips from 7.2% in 2021 to a more restrained 1.1% in 2022. Growth continues in 2023 and 2024 at 0.3% and 2.0%, respectively.	Spending rises 0.5% in 2022 and remains basically flat at 0.1% in 2023. Growth resumes at 1.8% in 2024.	Spending rises 1.4% in 2022 and 0.7% in 2023, before growth rises to 1.9% in 2024.
Business Fixed Investment	Jumps 2.7% in 2022 with growth turning negative in 2023 at -2.4%. Slow growth returns at 0.5% in 2024.	Grows 1.0% in 2022, before shrinking 6.5% in 2023 and 2.3% in 2024.	Rises 3.2% in 2022, falls 1.4% in 2023, and grows 1.0% in 2024.
Monetary Policy	We expect the upper end of the federal funds rate target to reach 4.75% by mid-2023.	The federal funds rates reaches an upper limit of 4.75% in mid-2023 before descending to an upper limit of 0.75% by 2025, where it remains throughout the forecast window.	Similar path to baseline, but more overshoot of the long-run federal funds rate over 2023–2026.
Consumer Confidence	Dips through the middle of next year before gently escalating.	Remains below the baseline over the entire forecast interval.	Outperforms baseline over the entire forecast interval.
Inflation (PCE)	Core personal consumption (PCE) price inflation rises 4.9% in 2022, before moderating to 3.1% in 2023 and 2.3% in 2024.	Core PCE price inflation registers 5.0% growth in 2022, but slows to 3.5% in 2023 and 2.0% in 2024.	Core PCE price inflation rises to 4.7% in 2022, slowing to 3.4% in 2023 and 2.5% in 2024.

*Annual percent changes are fourth-quarter over fourth-quarter.

IHS Markit

U.S. FORECASTS -- OCTOBER 2022

(Percent Change of Real 2012 \$ on Calendar Year Basis, Q4/Q4 for Annual Rates)

	2020	2021	2022			2023		
	Actual	Actual	Pessimistic	Baseline	Optimistic	Pessimistic	Baseline	Optimistic
Gross Domestic Product	-1.5%	5.7%	-0.8%	-0.3%	0.2%	-1.0%	-0.2%	0.2%
Personal Consumption	-1.4%	7.2%	0.5%	1.1%	1.4%	0.1%	0.3%	0.7%
Durable	16.2%	7.0%	-0.5%	0.5%	1.2%	-0.7%	1.0%	1.6%
Nondurable	4.6%	7.2%	-4.2%	-3.5%	-3.0%	-0.7%	-0.5%	0.1%
Services	-5.8%	7.2%	2.3%	2.7%	3.0%	0.5%	0.4%	0.8%
Fixed Investment (Nonresidential)	-3.5%	5.0%	1.0%	2.7%	3.2%	-6.5%	-2.4%	-1.4%
Exports	-10.0%	6.5%	3.6%	4.2%	4.8%	-1.6%	0.7%	2.1%
Imports	0.4%	10.1%	0.6%	1.2%	1.5%	-1.6%	0.3%	1.2%
Government	1.0%	0.5%	-0.7%	-0.6%	-0.4%	1.6%	1.8%	1.8%
Federal	5.4%	0.4%	-1.8%	-1.8%	-1.8%	1.8%	1.8%	1.8%
State & Local	-1.6%	0.6%	0.0%	0.1%	0.4%	1.6%	1.8%	1.7%
OTHER MEASURES								
Personal Consumption (Current \$)	-0.2%	13.2%	6.7%	7.0%	7.2%	3.2%	2.9%	3.7%
Before Tax Profits (Current \$)	9.7%	22.0%	8.8%	9.5%	10.1%	1.0%	0.8%	1.5%
Unemployment Rate (Average Q4)	6.8%	4.2%	4.2%	3.7%	3.4%	7.7%	6.0%	5.7%
IHS Markit								

ILLINOIS FORECASTS -- OCTOBER 2022

(Calendar Years, Q4/Q4 for Annual Rates)

	2021	2022			2023		
	Actual	Pessimistic	Baseline	Optimistic	Pessimistic	Baseline	Optimistic
Real Gross State Product (Billions 2012\$)	794.5	790.5	796.0	799.8	775.2	788.3	794.9
% Change	6.4%	-0.5%	0.2%	0.7%	-1.9%	-1.0%	-0.6%
Total Employment (1,000's)	5,918.9	6,034.7	6,075.2	6,091.9	5,762.7	5,899.1	5,918.3
% Change	4.3%	2.0%	2.6%	2.9%	-4.5%	-2.9%	-2.8%
Population (1,000's)	12,621.0	12,542.8	12,542.8	12,542.8	12,491.2	12,491.2	12,491.2
% Change	-0.8%	-0.6%	-0.6%	-0.6%	-0.4%	-0.4%	-0.4%
Personal Income (Billions \$)	843.6	869.5	871.6	875.3	875.4	891.3	900.7
% Change	6.2%	3.1%	3.3%	3.8%	0.7%	2.3%	2.9%
Private Housing Starts (1,000's)	24.0	16.4	16.8	17.0	14.7	16.3	16.7
% Change	41.7%	-31.5%	-30.0%	-29.0%	-10.7%	-3.0%	-1.7%
Unemployment Rate Average % (Q4)	5.2%	4.8%	4.2%	4.0%	8.6%	6.5%	6.2%

IHS Markit

FY 2022 Enacted vs. Revised Estimates vs. FY 2022 Actuals

FY 2022 General Funds Revenues			
<i>Projections vs. Actuals</i>			
<i>(\$ in billions)</i>	FY 2022 Revenue Budget Assumptions <i>(May 2021)</i>	CGFA Revised FY 2022 Revenues <i>(March 2022)</i>	FY 2022 Actuals
Base Revenues	\$42.367	\$46.988	\$50.334
ARPA Reimbursement for Essential Gov't Services	\$2.000	\$1.500	\$0.736
Total Revenues	\$44.367	\$48.488	\$51.070
Net Increase from Enacted Budget:		\$4.121	\$6.703

- The FY 2022 budget was enacted based on an overall revenue forecast of \$44.367 billion. That figure was comprised of \$42.367 billion in “base” revenues, as well as \$2.0 billion in assumed resources from ARPA reimbursement for essential government services.
- Throughout the fiscal year, **revenues demonstrated surprising strength** given the heightened state of uncertainty over the last two years. In light of this positive revenue performance, coupled with the latest economic trends, an upward revision was warranted. In March 2022, the Commission elevated the FY 2022 “base” revenue outlook to \$46.988 billion, while ARPA reimbursement amounts were reduced, per the GOMB, by \$500 million, netting an overall upward revenue increase of \$4.121 billion.
- In years past, the Commission would release another revision in May. However, due to the early adjournment of the State Legislature in April, a May revision was deemed unnecessary.
- Revenues continued to perform exceedingly well throughout the end of the fiscal year. As a result, FY 2022 actuals exceeded all “official” projections, ending at \$51.070 billion. This was despite only \$736 million in ARPA reimbursement monies being receipted in FY 2022. Actual receipts for FY 2022 finished \$6.703 billion above the FY 2022 Final Budget Assumption.

FY 2022 General Funds Receipts

It was a sensational fiscal year of revenues in FY 2022 with base receipts totaling \$50.334 billion, or \$51.070 billion overall.

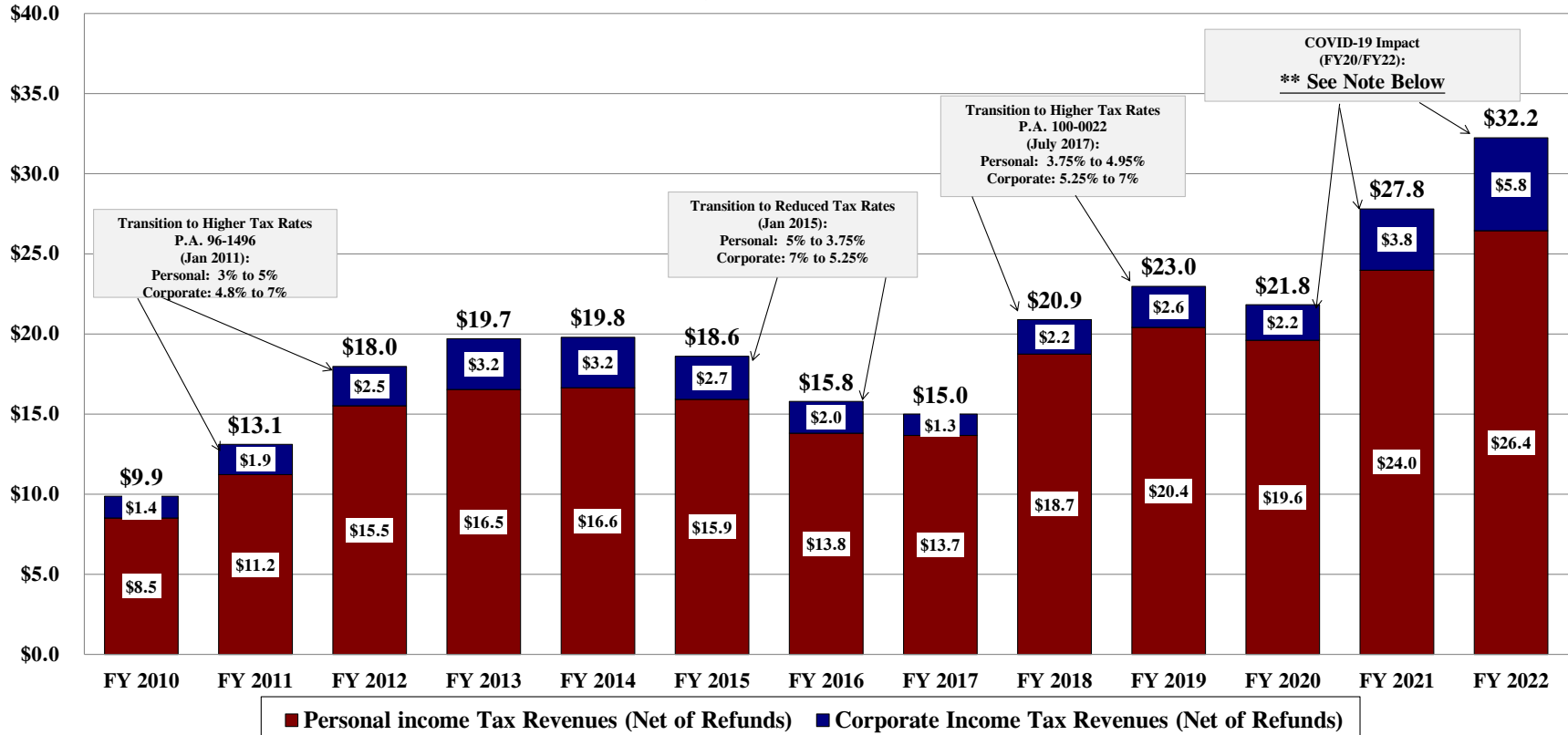
- Personal income tax receipts finished the year a whopping \$2.787 billion above last year's levels, or \$2.314 billion on a net basis.
- Corporate income tax revenues were up \$2.381 billion or \$1.844 billion net.
- Sales tax receipts were just as impressive, with year-over-year growth in net receipts of \$1.185 billion or \$866 million on a net basis.
- All Other State sources combined to finish up \$76 million.
- Total Transfers In finished the fiscal year \$542 million above last year's levels. This included \$315 million in gains from miscellaneous transfers, \$140 million in added revenue from the return of casino transfers and related proceeds; and \$43 million in lottery transfer growth.
- Federal Sources, when not including the revenues from the ARPA Reimbursement for Essential Government Services, ended FY 2022 \$160 million below last fiscal year's levels. However, if the \$736 million of ARPA money that was receipted in FY 2022 is included, total Federal Sources rose \$576 million for the fiscal year.

GENERAL FUNDS RECEIPTS: YEAR END				
FY 2022 vs. FY 2021				
(\$ millions)				
<u>Revenue Sources</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>\$</u>	<u>%</u>
			<u>CHANGE</u>	<u>CHANGE</u>
State Taxes				
Personal Income Tax	\$29,137	\$26,350	\$2,787	10.6%
Corporate Income Tax (regular)	\$6,831	\$4,450	\$2,381	53.5%
Sales Taxes	\$10,984	\$9,799	\$1,185	12.1%
Public Utility (regular)	\$750	\$752	(\$2)	-0.3%
Cigarette Tax	\$254	\$281	(\$27)	-9.6%
Liquor Gallonage Taxes	\$183	\$177	\$6	3.4%
Inheritance Tax	\$603	\$450	\$153	34.0%
Insurance Taxes & Fees	\$455	\$480	(\$25)	-5.2%
Corporate Franchise Tax & Fees	\$216	\$322	(\$106)	-32.9%
Interest on State Funds & Investments	\$30	\$57	(\$27)	-47.4%
Cook County Intergovernmental Transfer	\$244	\$244	\$0	0.0%
<u>Other Sources</u>	<u>\$443</u>	<u>\$339</u>	<u>\$104</u>	<u>30.7%</u>
Total State Taxes	\$50,130	\$43,701	\$6,429	14.7%
Transfers In				
Lottery	\$820	\$777	\$43	5.5%
Gaming	\$140	\$0	\$140	N/A
Cannabis	\$115	\$71	\$44	62.0%
<u>Other</u>	<u>\$1,017</u>	<u>\$702</u>	<u>\$315</u>	<u>44.9%</u>
Total Transfers In	\$2,092	\$1,550	\$542	35.0%
Total State Sources	\$52,222	\$45,251	\$6,971	15.4%
Federal Sources	\$4,584	\$4,744	(\$160)	-3.4%
Total Federal & State Sources	\$56,806	\$49,995	\$6,811	13.6%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax [9.25% '22]	(\$2,696)	(\$2,372)	(\$324)	13.7%
Corporate Income Tax [15% '22]	(\$1,026)	(\$625)	(\$401)	64.2%
Local Government Distributive Fund				
Personal Income Tax	(\$1,602)	(\$1,453)	(\$149)	10.3%
Corporate Income Tax	(\$398)	(\$262)	(\$136)	51.9%
Sales Tax Distributions				
Sales Tax Deposits into Road Fund	(\$132)	\$0	(\$132)	N/A
Sales Tax Distribution to the PTF and DPTF	(\$618)	(\$431)	(\$187)	43.4%
General Funds Subtotal [Base]	\$50,334	\$44,852	\$5,482	12.2%
ARPA Reimbursement for Essential Gov't Services	\$736	\$0	\$736	N/A
Short-Term Borrowing/MLF	\$0	\$1,998	(\$1,998)	N/A
Treasurer's Investment	\$0	\$400	(\$400)	N/A
Total General Funds Revenues	\$51,070	\$47,250	\$3,820	8.1%

CGFA Source: Office of the Comptroller: Some totals may not equal due to rounding

Recent History of Income Tax Revenues in Illinois

COMPOSITION OF INCOME TAX NET REVENUES FY 2010 - FY 2022* \$ in billions



* Nongeneral fund distribution subtractions to the Fund for Advancement of Education (thru FY17), Commitment to Human Services Fund (thru FY17), and the Local Government Distributive Fund (FY18+) are not applied to these figures.

** Due to the COVID-19 pandemic, the Tax Year 2020 tax deadline was moved from April 2020 to July 2020, thereby causing an estimated \$1.3 billion in net final tax payments typically received in FY 2020 to instead fall into FY 2021 (giving FY 2021 two periods of final payments). In addition, in anticipation of lower tax liability due to the uncertainties of the pandemic, estimated tax payments during Tax Year 2020 were lower than normal. As revenues outpaced expectations, higher than normal final payments were necessary to make up for these shorted estimated payments. The combination of these factors resulted in FY 2021 income tax receipts being abnormally high. FY 2022 revenues again surpassed expectations due to a combination of revenue enhancing factors including an influx of pandemic-related federal stimulus dollars to the nation's economy and strong market conditions as a result of this activity. This created elevated levels of taxable income from corporate profits and capital gains, thereby providing another significant increase in tax revenues.

General Funds Revenue History

DETAILED GENERAL FUNDS REVENUE HISTORY FY 2013 - FY 2022

	(\$ millions)									
Revenue Sources	Actual Receipts FY 2013	Actual Receipts FY 2014	Actual Receipts FY 2015	Actual Receipts FY 2016	Actual Receipts FY 2017	Actual Receipts FY 2018	Actual Receipts FY 2019	Actual Receipts FY 2020	Actual Receipts FY 2021	Actual Receipts FY 2022
State Taxes										
Personal Income Tax	\$18,323	\$18,388	\$17,682	\$15,299	\$15,385	\$20,784	\$22,604	\$21,657	\$26,350	\$29,137
Corporate Income Tax (regular)	3,679	3,640	3,129	2,334	1,610	2,607	3,026	2,596	4,450	6,831
Sales Taxes	7,355	7,676	8,030	8,063	8,043	8,256	8,897	8,691	9,799	10,984
Public Utility Taxes (regular)	1,033	1,013	1,006	926	884	896	863	831	752	750
Cigarette Tax	353	353	353	353	353	344	361	267	281	254
Liquor Gallonage Taxes	165	165	167	170	171	172	172	177	177	183
Inheritance Tax (Gross)	293	276	333	306	261	358	388	283	450	603
Insurance Taxes and Fees	334	333	353	398	391	432	396	361	480	455
Corporate Franchise Tax & Fees	205	203	211	207	207	207	247	210	322	216
Interest on State Funds & Investments	20	20	24	24	36	79	145	137	57	30
Cook County Intergovernmental Transfer	244	244	244	244	244	244	244	244	244	244
Other Sources	504	624	735	574	725	679	710	761	339	443
Total State Taxes	\$32,508	\$32,935	\$32,267	\$28,898	\$28,310	\$35,058	\$38,053	\$36,215	\$43,701	\$50,130
Transfers In										
Lottery	656	668	679	677	720	719	731	630	777	820
Gaming	345	321	292	277	270	272	269	195	0	140
Cannabis	0	0	0	0	0	0	0	18	71	115
Other	688	1,113	2,012	627	552	1,186	1,035	1,588	702	1,017
Total Transfers In	\$1,689	\$2,102	\$2,983	\$1,581	\$1,542	\$2,177	\$2,035	\$2,431	\$1,550	\$2,092
Total State Sources	\$34,197	\$35,037	\$35,250	\$30,479	\$29,852	\$37,235	\$40,088	\$38,646	\$45,251	\$52,222
Federal Sources										
	\$4,154	\$3,903	\$3,330	\$2,665	\$2,483	\$5,238	\$3,600	\$3,551	\$4,744	\$4,584
Total Federal & State Sources	\$38,351	\$38,940	\$38,580	\$33,144	\$32,335	\$42,473	\$43,688	\$42,197	\$49,995	\$56,806
Nongeneral Funds Distribution:										
Refund Fund										
Personal Income Tax	(\$1,785)	(\$1,746)	(\$1,769)	(\$1,493)	(\$1,724)	(\$2,037)	(\$2,193)	(\$2,058)	(\$2,372)	(\$2,696)
Corporate Income Tax	(502)	(476)	(439)	(362)	(278)	(457)	(470)	(370)	(625)	(1,026)
Direct Deposits										
Fund for Advancement of Education	0	0	(242)	(458)	(464)	0	0	0	0	0
Commitment to Human Services Fund	0	0	(242)	(458)	(464)	0	0	0	0	0
Local Government Distributive Fund										
Personal Income Tax	0	0	0	0	0	(1,022)	(1,175)	(1,128)	(1,453)	(1,602)
Corporate Income Tax	0	0	0	0	0	(133)	(167)	(145)	(262)	(398)
Sales Tax Distributions										
Deposits into Road Fund	0	0	0	0	0	0	0	0	0	(132)
Distribution to the PTF and DPTF	0	0	0	0	0	(446)	(488)	(436)	(431)	(618)
General Funds Subtotal [Base]	\$36,064	\$36,718	\$35,888	\$30,373	\$29,405	\$38,378	\$39,195	\$38,060	\$44,852	\$50,334
Change from Prior Year	\$2,267	\$654	(\$830)	(\$5,515)	(\$968)	\$8,973	\$817	(\$1,135)	\$6,792	\$5,482
Percent Change	6.7%	1.8%	-2.3%	-15.4%	-3.2%	30.5%	2.1%	-2.9%	17.8%	12.2%
ARPA Reimb. for Essential Gov't Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$736
Short-Term Borrowing/MLF	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,198	\$1,998	\$0
Treasurer's Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$750	\$400	\$400	\$0
Interfund Borrowing	\$0	\$0	\$454	\$0	\$0	\$533	\$250	\$462	\$0	\$0
Income Tax Bond Fund Transfer	\$0	\$0	\$0	\$0	\$0	\$2,500	\$0	\$0	\$0	\$0
Transfer to Commitment Human Services	\$0	\$0	\$0	\$0	\$0	\$40	\$0	\$0	\$0	\$0
FY'13/14 Backlog Payment Fund Transfer	\$264	\$50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Budget Stabilization Fund Transfer	\$275	\$275	\$275	\$125	\$0	\$0	\$0	\$0	\$0	\$0
Total General Funds	\$36,603	\$37,043	\$36,617	\$30,498	\$29,405	\$41,451	\$40,195	\$40,120	\$47,250	\$51,070
Change from Prior Year	\$2,531	\$440	(\$426)	(\$6,119)	(\$1,093)	\$12,046	(\$1,256)	(\$75)	\$7,130	\$3,820
Percent Change	7.4%	1.2%	-1.2%	-16.7%	-3.6%	41.0%	-3.0%	-0.2%	17.8%	8.1%

DEVELOPMENT OF CGFA ESTIMATES

Econometric Firms—The Commission utilizes the services of IHS Markit, Moody's Analytics, and Consensus Economics Inc. They provide a wealth of economic measures and forecasts, both on a national and state specific basis, which are utilized to varying degrees during the estimating process.

Data Sources—The Commission utilizes actual receipt data via the Comptroller's warehouse. Additionally, tax collection data reports prepared by the IDoR, as well as employment and earning reports produced by the Bureau of Labor Statistics and IDES are also utilized, as are other pertinent data that may be necessary and available.

Forecasting models—Depending on the revenue source being forecasted, model complexity can range from the very simple to fairly complex. Several smaller sources with relatively low volatility need nothing more than simple trend analysis to produce accurate forecasts, while the estimates of the larger more economically driven revenue sources such as income and sales benefit from more sophisticated econometric models which utilize regressions and various time series techniques.

Application of Adjustments—Often times a base forecast must be adjusted by factors such as tax changes made at either the federal or state level that will disrupt historical receipt patterns, either by acceleration or delay. A clear example of this was seen during the pandemic as a one-time delay in the tax deadline date resulted in tax receipts shifting to other fiscal years. Also, as has been the case in recent years, impacts related to IDOR accounting procedures must also be included. These are usually one-time phenomena, but must be accounted for by adjusting the estimate. Examples include tax rates, credits, deductions, exemptions, amnesty, etc.

Review Process and Tests of Reasonableness— Before a forecast is presented, it must pass internal review. In other words, the forecast must make sense. Any questionable forecast is re-examined for error. Accuracy of the estimates is reviewed during each forecasting period and, if necessary, appropriate revisions to the models are made in an effort to improve accuracy.