

FY 2021 Economic Forecast and Revenue Estimate and FY 2020 Revenue Update



Presented by:

Clayton Klenke, Executive Director and Jim Muschinske, Revenue Manager

Commission on Government Forecasting and Accountability

802 Stratton Office Building; Springfield, Illinois 62706

March 4, 2020

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<http://cgfa.ilga.gov>

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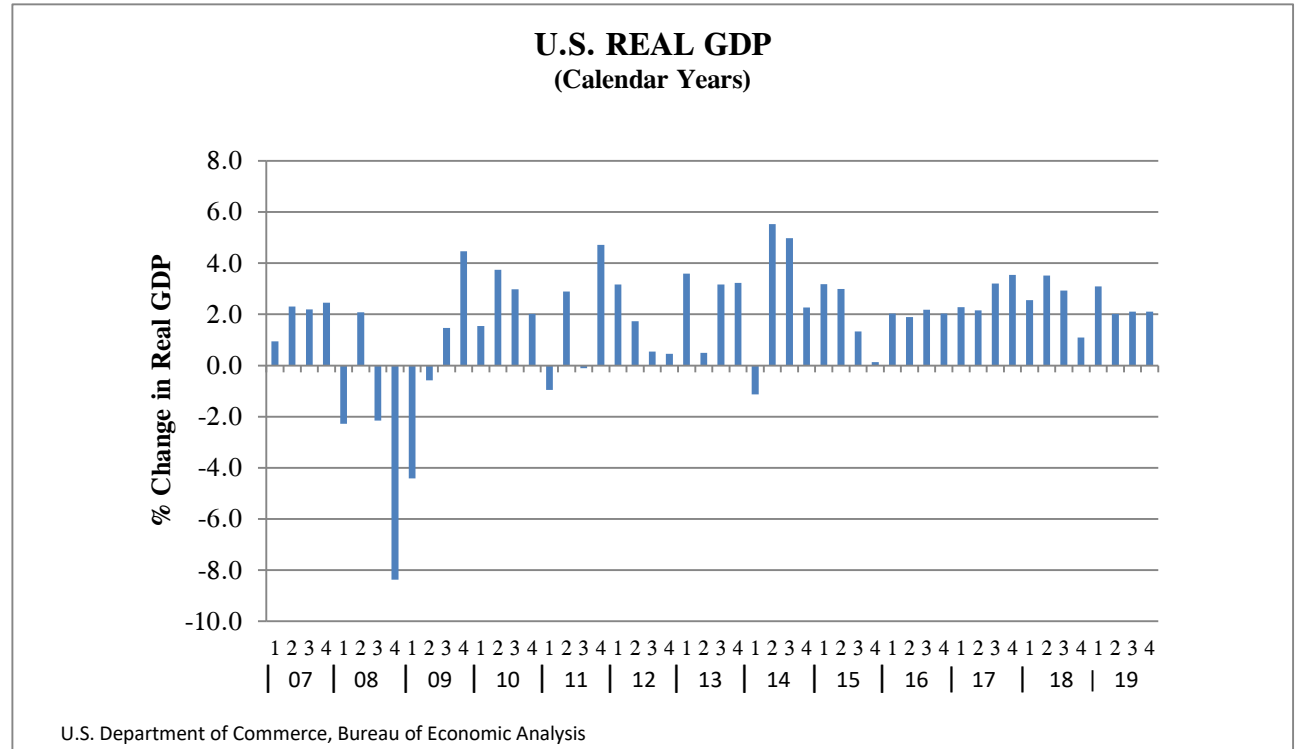
- Bi-Partisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State in addition to providing objective policy research for legislators and legislative staff.
- Prepares annual 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



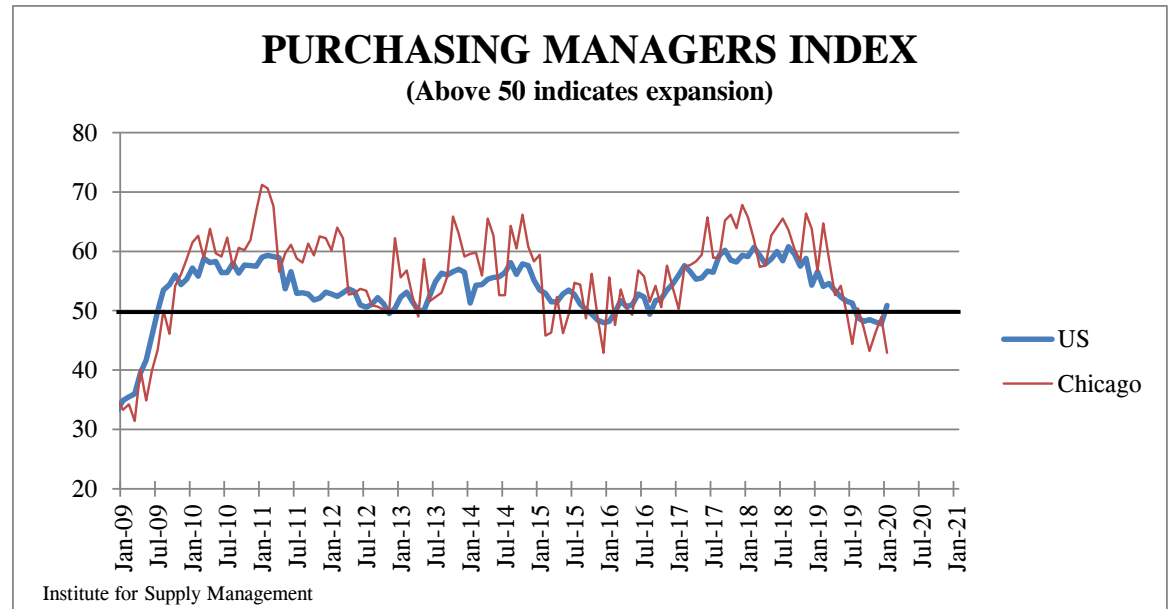
CHANGE IN REAL GDP

- After the Great Recession, the recovery that began in June 2009 has been steady but was somewhat erratic on a quarterly basis through 2015.
- Since 2015, real GDP has been at least 1.9% or higher with only one quarter below that (1.1% in Q4 2018).
- After the slowdown to 1.1% growth in the 4th quarter of 2018, real GDP grew at an annualized rate of 3.1% in the 1st quarter, 2.0% in the 2nd quarter and 2.1% in the 3rd and 4th quarters of 2019.
- An aggregation of economic forecasts has a mean estimate for real GDP growth of 1.9% for 2020 and 2.0% for 2021.
- Impacts of the coronavirus on the global supply chain are expected to put downward pressure on both global and U.S. economic growth.



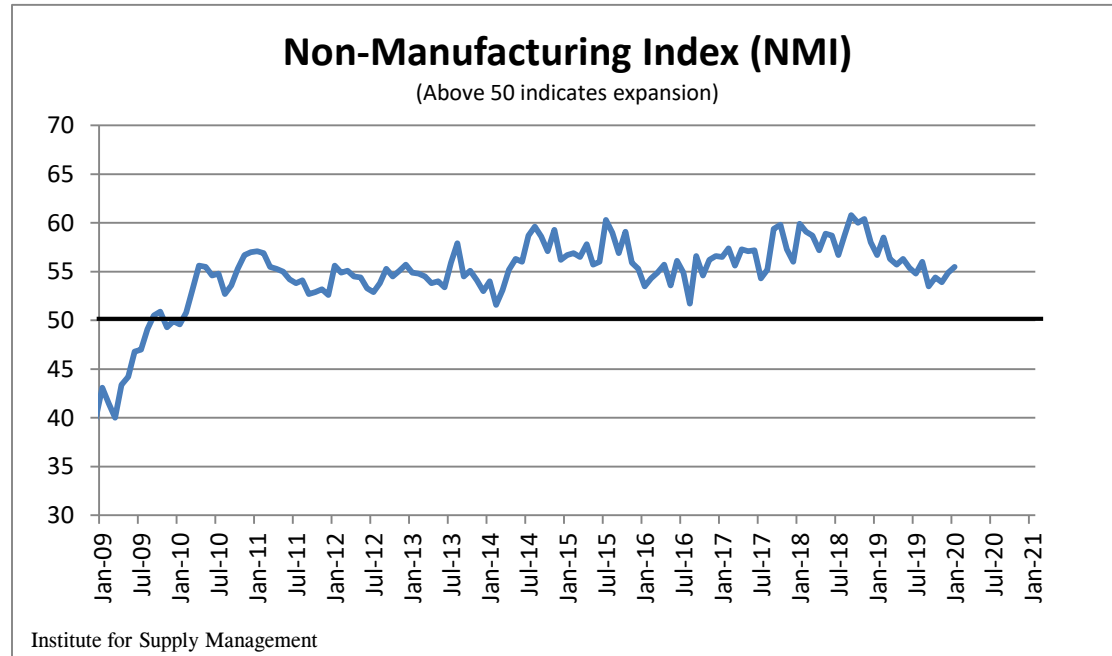
PURCHASING MANAGERS INDEX

- 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 PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.
- August 2018 was the highest PMI level (60.8) for the U.S. since May of 2004. Since then, the PMI has steadily declined.
- In August of 2019, the PMI for the U.S. went below 50 for the first time in three years.
- In December of 2019, the PMI stood at 47.8 which was the lowest level since the country was coming out of the Great Recession. The PMI has rebounded some and currently stands at 50.9.
- The PMI for the Chicago area has followed a similar pattern to the U.S. with similar declines in the last year.



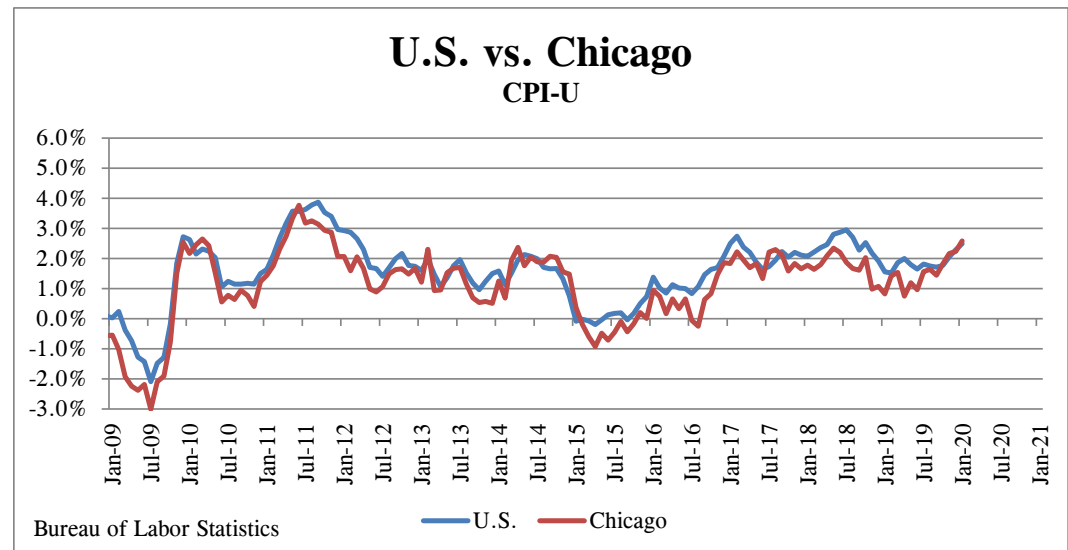
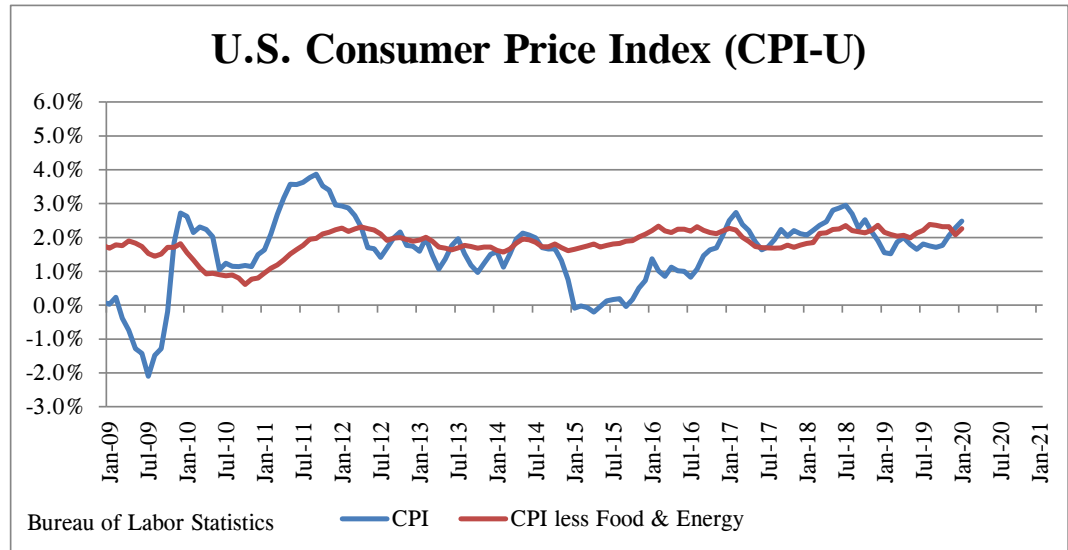
NON-MANUFACTURING INDEX (NMI)

- The Non-Manufacturing Index (NMI) 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 NMI 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.
- The chart shows the large decline associated with the Great Recession, followed by steady expansion.
- Based on the NMI, the non-manufacturing sector doesn't show the same ups and downs seen in the manufacturing sector as illustrated in the previous slide by the PMI.
- Similar to the PMI, the NMI has shown a slow down in economic activity since September of 2018, but has not fallen below the level associated with economic contraction.



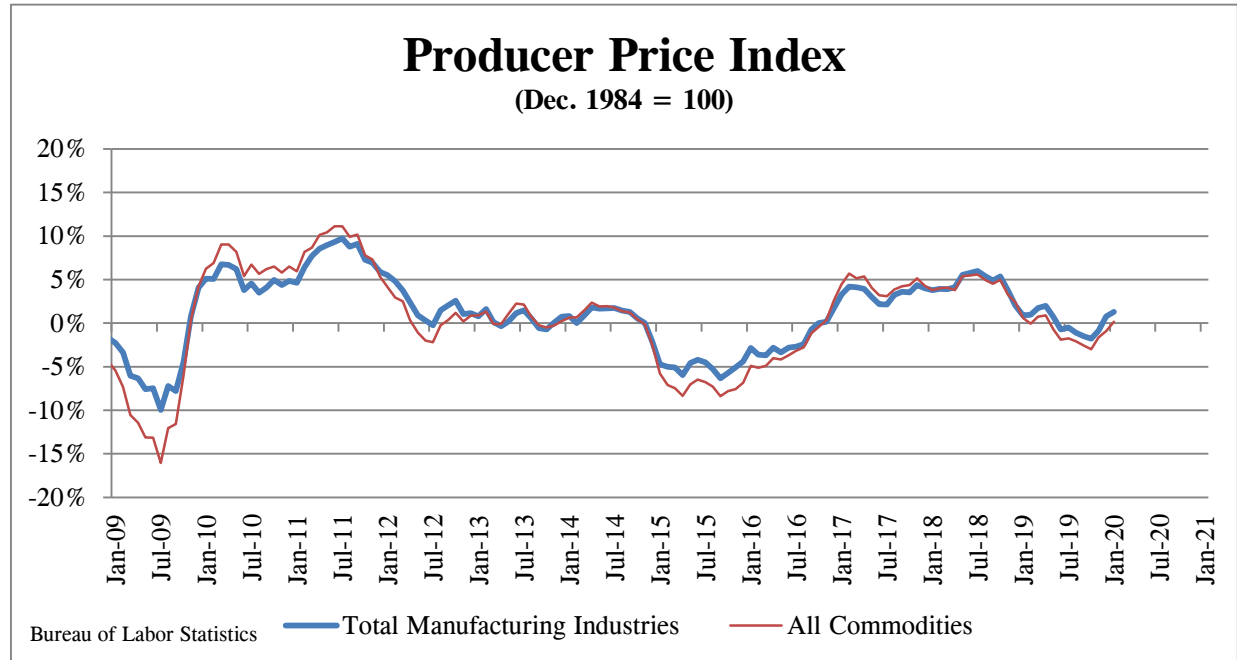
CONSUMER PRICE INDEX (CPI)

- 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.
- While there was some price volatility around the time of the Great Recession, it was mostly steady between 1.5% to 2.0% between 2012 and 2017, especially when food and energy are removed.
- The CPI approached 3% in the summer of 2018 but went below 2% for most of 2019.
- In recent months, the inflation rate has been edging up. In January of 2020, the CPI stood at 2.5%.
- Consumer prices for Chicago have basically tracked with the nation as a whole. Chicago's price growth has been consistently a little lower since February of 2015 though the two rates have been at the same level over the past few months.



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.
- Like other economic variables, the PPI for the U.S. rose dramatically prior to the Great Recession and then fell precipitously.
- Similar to the CPI, the PPI showed some heightened inflation pressure at the wholesale level in the summer of 2018 which has since declined.
- Since that time, the PPI has steadily slowed with actual declines in prices beginning in May of 2019.
- After 8 months of declining prices for all commodities at the wholesale level, prices began to increase marginally in January.



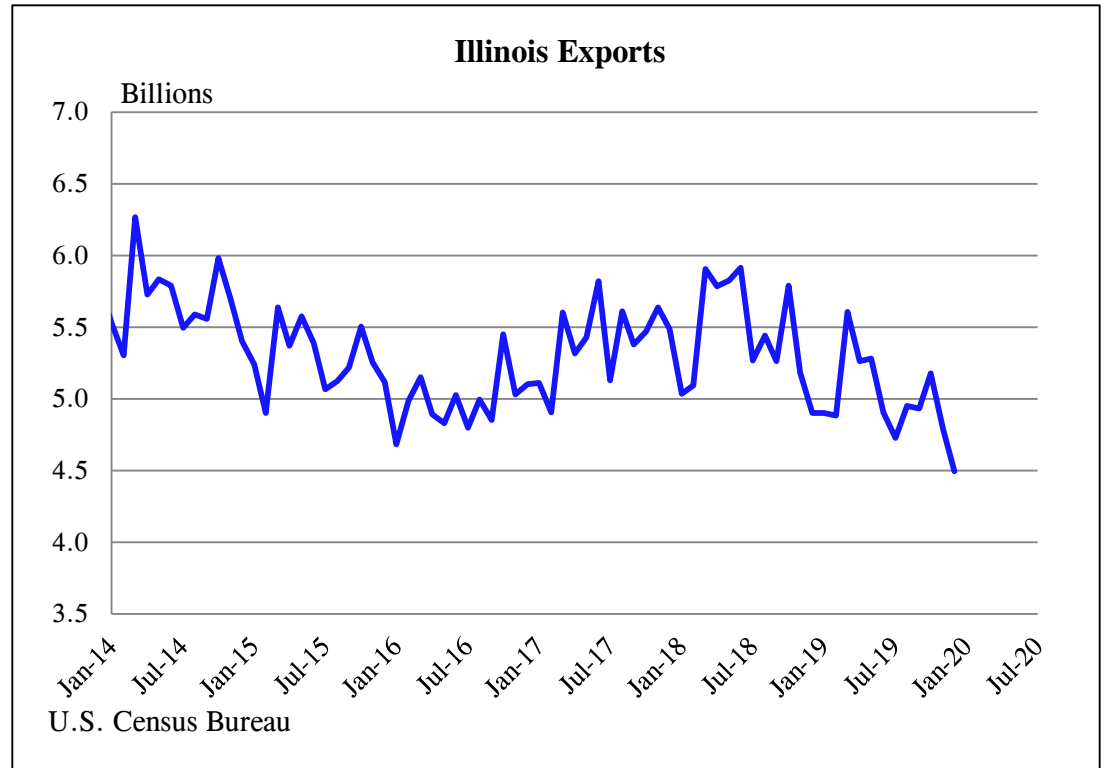
10-YEAR TREASURY RATE

- The 10-year treasury rate is a key rate tied to many transactions, particularly home mortgages and is considered as an indicator of investor sentiment about the U.S. economy. When the confidence of investors in the economy is strong, the price of the treasury bonds decreases and the yield (rate) increases.
- The 10-year treasury rate has been erratic. After falling to 1.37% in July 2016, the lowest level in history, it finally started to recover and reached its peak since mid-2011 at 3.24% in late 2018.
- However, the rally did not last long, and the 10-year treasury rate experienced a recent downturn, partially due to concerns of a weakening global economy and the coronavirus outbreak as well as the effects of trade policies. As of February 2020, it is around 1.6%.



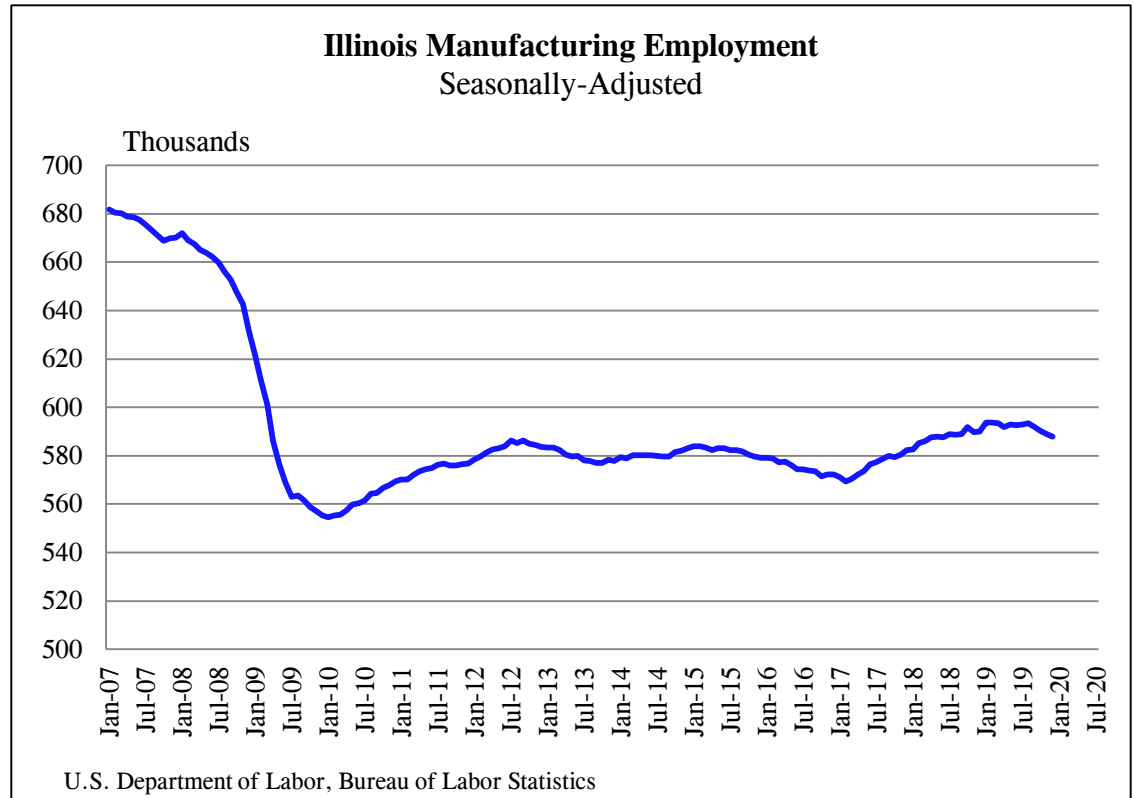
ILLINOIS EXPORTS

- Illinois exports, while erratic, started to decline and continued its downward trend beginning in early 2014.
- Starting in January 2016, the downward slope was reversed, and Illinois exports began to grow. In June 2018, Illinois exports surprisingly reached its peak since late 2014 at \$5.92 billion despite uncertainties such as trade conflicts between the U.S. and other countries.
- Since then, it has again declined in a volatile manner. As of December 2019, it reached its lowest monthly level of \$4.495 billion since early 2011. Total 2019 exports were \$59.9 billion, an 8.4% decrease over a year earlier.
- According to IHS Markit, the underperformance in 2019 was partially due to a decrease in machinery products (IL's top export category) and the trade war with China. China's share of total Illinois exports dropped to fifth largest, from third previously.
- Illinois is the sixth largest U.S. exporter.



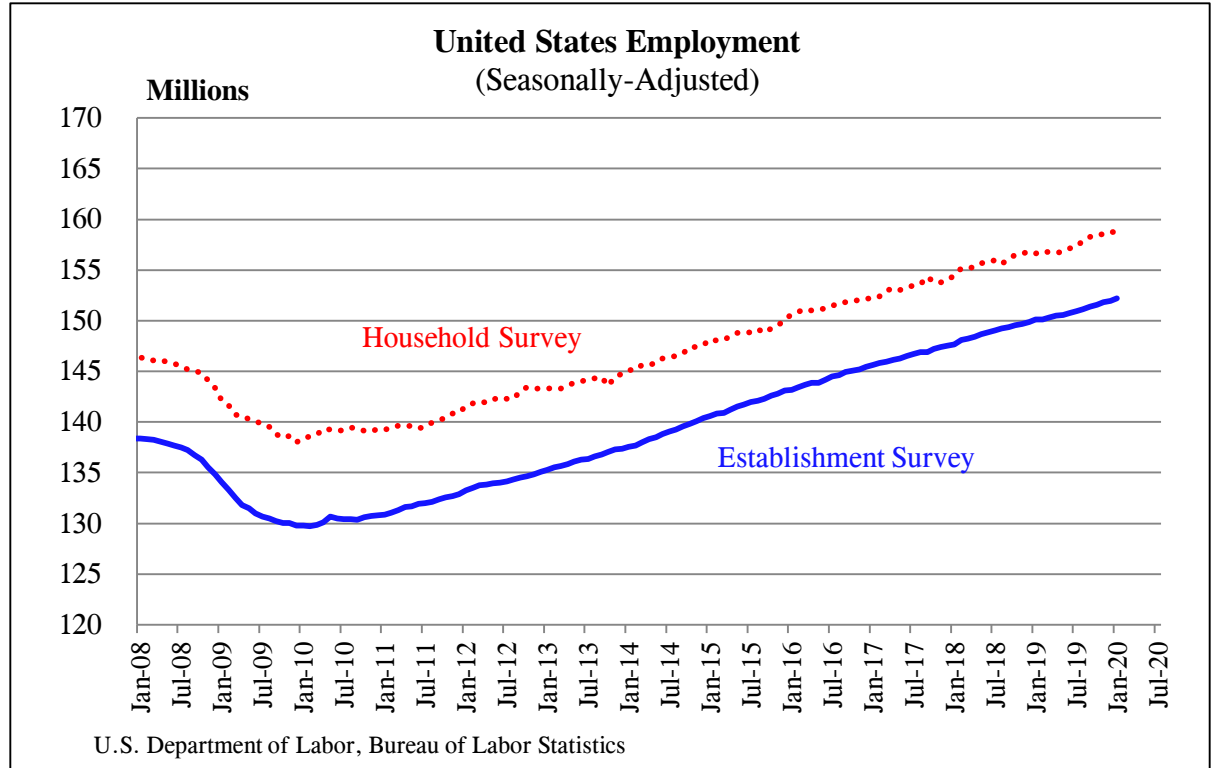
ILLINOIS MANUFACTURING EMPLOYMENT

- The weakness in Illinois employment has centered in the manufacturing area.
- After experiencing a severe loss during the 2008-2009 recessions, Illinois manufacturing employment finally changed to upward movement as the economic recovery began to improve around 2010. A few years later, however, it leveled out, followed by renewed weakening throughout early 2017.
- Since early 2017, manufacturing employment improved considerably, although it has experienced a recent decline. As of December 2019, the State had added approximately 32,600 manufacturing jobs since the end of 2009.
- The State is still well below pre-recession levels.



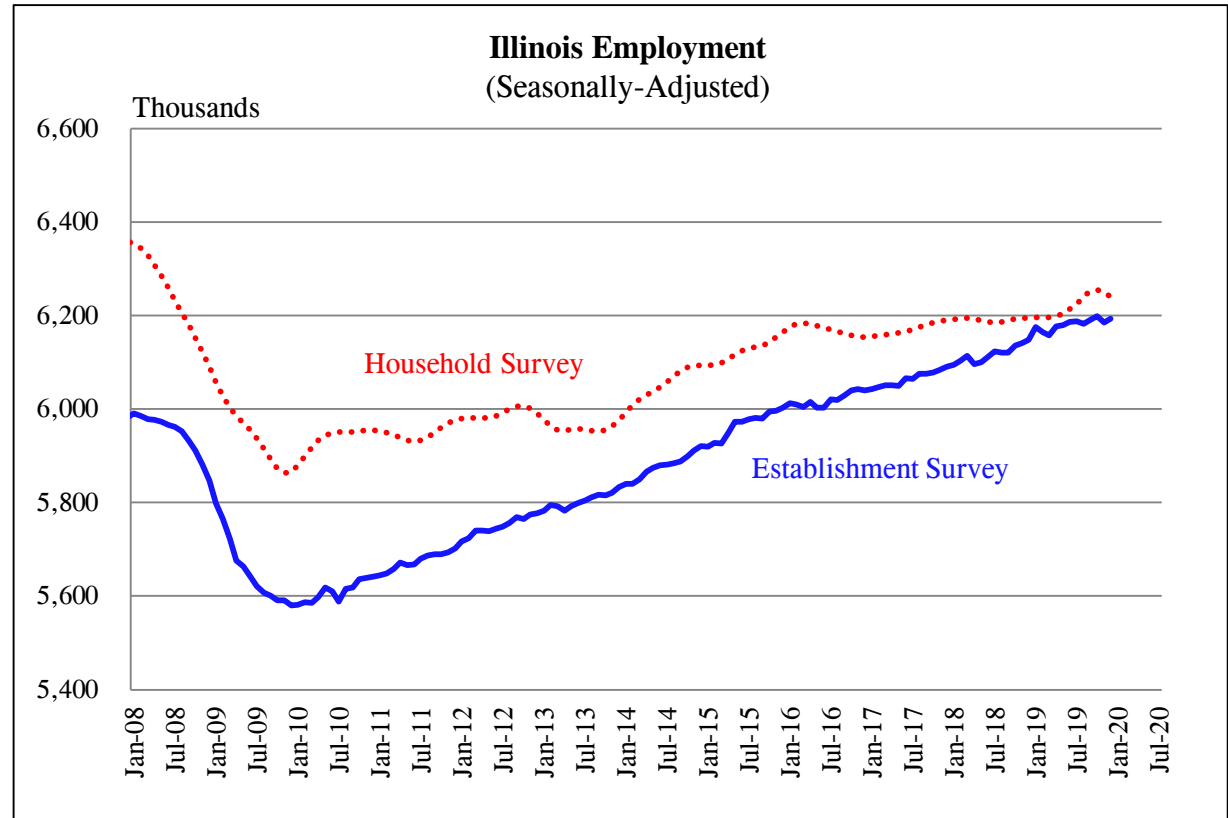
UNITED STATES EMPLOYMENT

- United States employment has been increasing since a low reached at the end of 2009.
- All the jobs lost during the last recession were recovered after 5 years of the expansion and have been added to since.
- The U.S. economy has been in the longest expansion in history, supported by the continued strong employment, as shown in the chart.
- Economic forecasters say that the economy is at or close to full employment. The recent employment data suggests the U.S. economy is still experiencing moderate growth although risks of a recession are projected to increase in 2021.



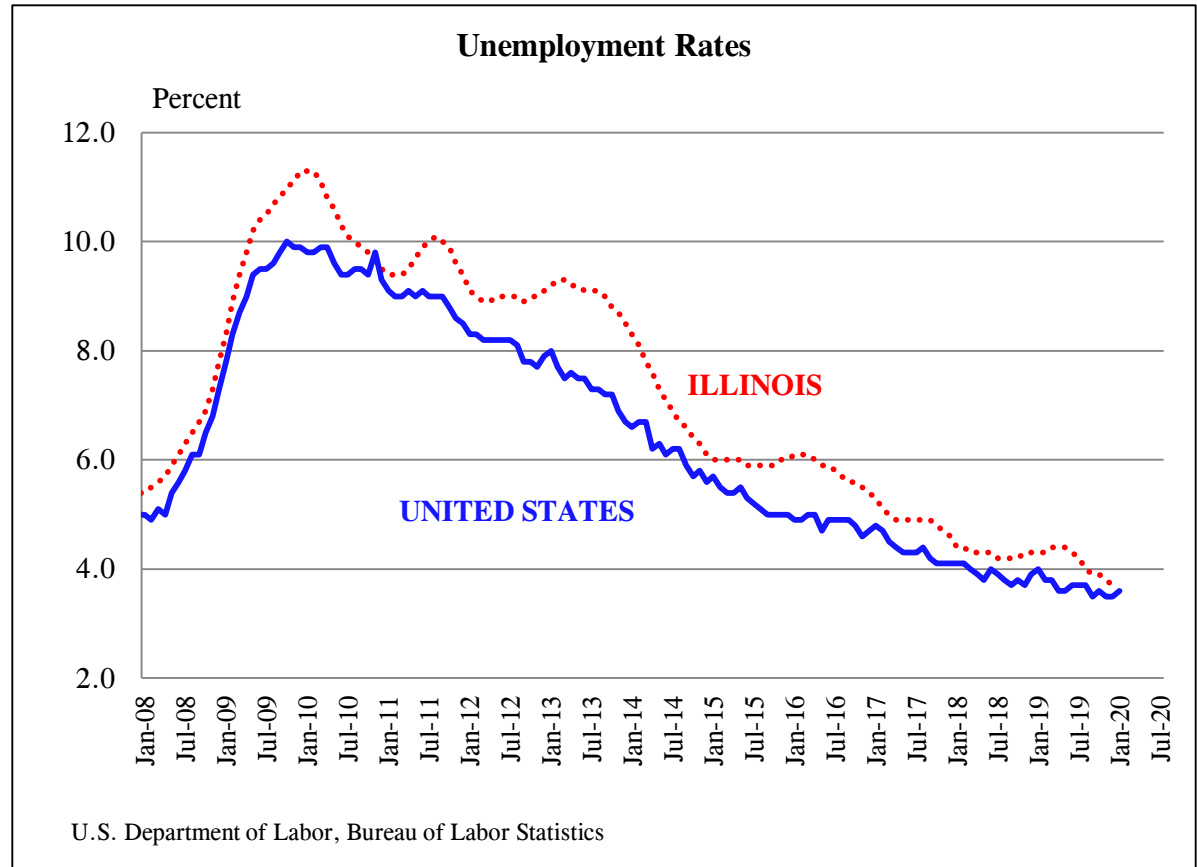
ILLINOIS EMPLOYMENT

- Like the U.S., Illinois employment also has shown gains but at a slower pace.
- As mentioned, it took 5 years for U.S. employment to finally recoup all the jobs lost during the Great Recession. It was not until around mid-2015, however, that the Establishment Survey showed Illinois recouped all of its lost payroll jobs.
- As shown, the Household employment measure has yet to do the same, although it is getting closer.
- The Establishment Survey shows continuous upward movement in Illinois employment, and the Household Survey is now near its highest level since mid-2008.



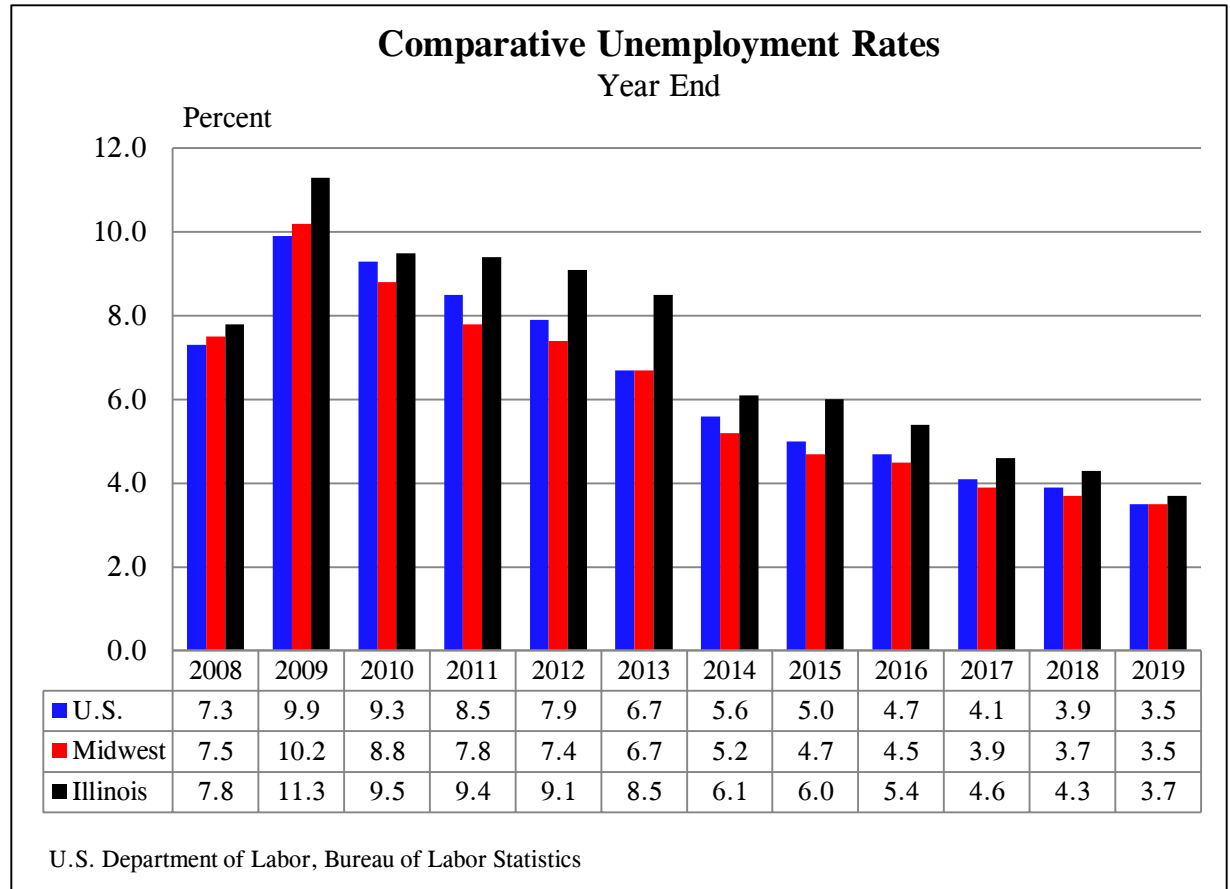
UNEMPLOYMENT RATES

- As shown in the chart, the gap between the nation's unemployment rate and that in Illinois has fluctuated over time.
- Together, the two rates rose sharply as the recession got underway at the end of 2007.
- However, the gap widened as the recovery began in mid-2009, with Illinois' rate reaching a high at about 11% from October 2009 through March 2010. While both rates then began to decline, the gap remained large before narrowing in 2014.
- Recently, the gap appears to have narrowed again as Illinois' rate decreased faster than the U.S. unemployment rate. Unemployment rates in December 2019 for the U.S. and Illinois now stand at 3.5% and 3.7%, respectively.



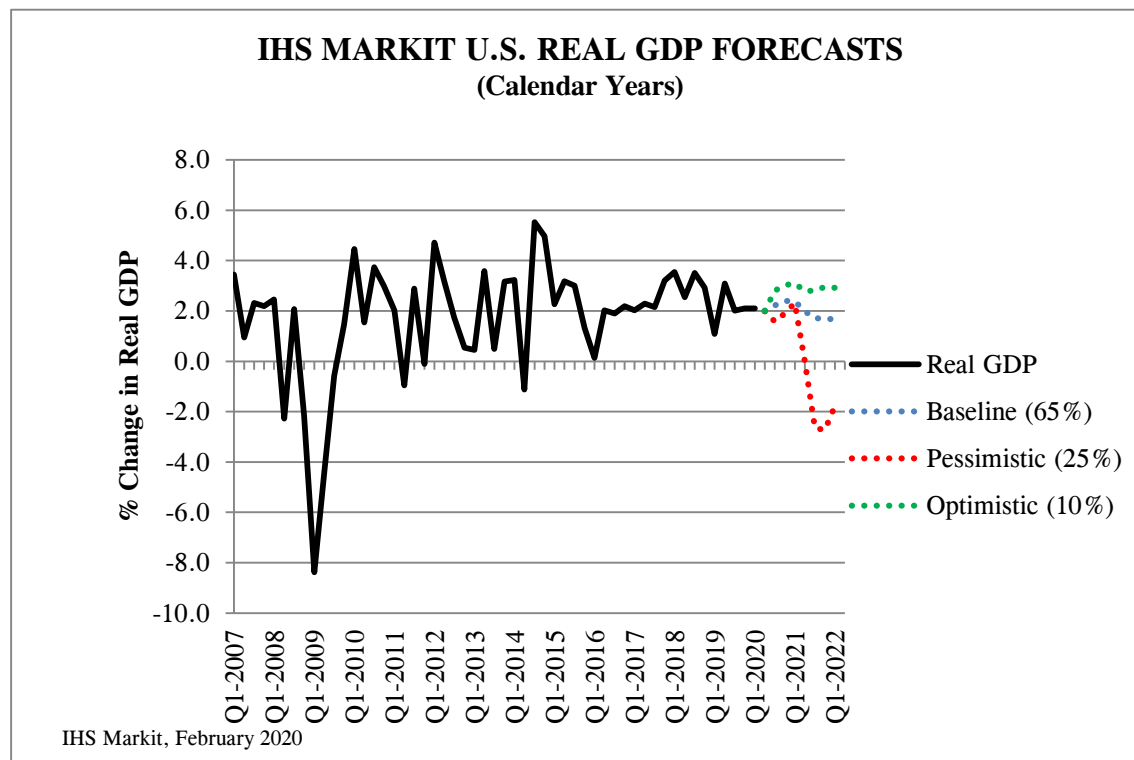
COMPARATIVE UNEMPLOYMENT RATES

- 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 rates between Illinois and the others widened.
- Since 2010, unemployment in the Midwest fell below or at the national level.
- More than a decade after trying to catch up with both the nation and Midwest, Illinois finally succeeded in tightening the gap. The latest data as of December of 2019 have the national and Midwest rates at 3.5% and the Illinois rate at 3.7%.



U.S. REAL GDP FORECAST SCENARIOS [IHS MARKIT – February 2020]

- The **BASELINE** shows the most likely scenario with a 65% chance of occurrence. The economy is expected to continue at a moderate pace with GDP growth of 2.3% in 2020 supported by consumer growth of 2.6% and fixed business investment of 3.9%. The economy is expected to then slow to 1.8% in 2021 as both consumer and business spending decelerates.
- A more **PESSIMISTIC** scenario with a 25% probability has GDP growth slowing to 1.9% in 2020 with a 3-quarter recession starting in the second quarter of 2021.
- A final 10% likely **OPTIMISTIC** scenario has growth climbing to 2.7% in 2020 and 2.9% in 2021 based on faster productivity growth with continued low levels of unemployment and inflation.



IHS MARKIT U.S. ECONOMIC FORECAST SCENARIOS

FEBRUARY 2020*

	Baseline (65%)	Pessimistic (25%)	Optimistic (10%)
GDP Growth	Growth remains at 2.3% in 2020 and falls to 1.8% in 2021 and 1.6% in 2022	GDP grows at 1.9% in 2020 with a 3-quarter recession starting in the second quarter of 2021	Growth climbs to 2.7% in 2020 and 2.9% in 2021
Consumer Spending	Growth remains at 2.6% in 2020 and falls to 2.2% in 2021 and 2.1% in 2022	Grows at 2.2% in 2020 and slows to 0.3% in 2021 before bouncing back to 1.1% in 2022	Rises 3.0% in 2020 and 3.2% in 2021 and 2022 thanks to faster real income growth
Business Fixed Investment	Growth jumps to 3.9% in 2020 then retreats to 3.4% in 2021 and 3.0% in 2022	Jumps to 3.9% growth in 2020, and then declines 9.0% in 2021 as businesses trim capex in the face of falling demand	Growth jumps to 5.6% in 2020 and rises further to 5.9% in 2021
Monetary Policy	Fed is at the end of its easing cycle and the federal funds rate eventually rises to 2.50-2.75%	Fed lowers the federal funds rate from second quarter of 2020 to the third quarter of 2021, reaching the zero bound, before the Fed increases it starting in the second quarter of 2023	The federal funds rate eventually rises to 3.25-3.50%, around 0.75 percentage point higher than the baseline
Consumer Confidence	Gradually declines from the second quarter in 2021 through 2027	Declines through the recession and continues below the baseline through the end of forecast	Outperforms baseline over the entire forecast interval
Inflation (PCE)	Core personal consumption (PCE) price inflation rises 1.9% in 2020, then grows at 2.0% in 2021 and 2022	Core personal consumption (PCE) price inflation rises 1.9% in 2020, then grows at 2.0% in 2021 and 1.5% in 2022	Core personal consumption (PCE) price inflation rises 2.0% in 2020, then grows at 1.9% in 2021 and 2022

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

IHS Markit

BASELINE U.S. FORECASTS -- FEBRUARY 2020

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

	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	Est.	Est.
Gross Domestic Product	2.0%	2.8%	2.5%	2.3%	2.3%	1.8%
Personal Consumption	2.8%	2.9%	2.6%	2.6%	2.6%	2.2%
Durable	7.3%	7.7%	3.8%	5.7%	4.7%	4.4%
Nondurable	1.8%	3.7%	2.5%	3.3%	2.3%	1.6%
Services	2.4%	2.0%	2.5%	2.0%	2.3%	2.1%
Fixed Investment (Nonresidential)	2.4%	5.4%	5.9%	-0.1%	3.9%	3.4%
Exports	1.1%	5.5%	0.4%	0.2%	4.5%	2.7%
Imports	3.4%	5.6%	3.2%	-2.2%	6.4%	4.4%
Government						
Federal	0.1%	1.7%	2.7%	4.3%	2.1%	-0.4%
State & Local	2.3%	0.4%	0.9%	2.2%	0.7%	1.1%
OTHER MEASURES						
Personal Consumption (Current \$)	4.3%	4.8%	4.6%	4.1%	4.2%	4.3%
Before Tax Profits (Current \$)	7.8%	-8.6%	3.9%	-0.2%	3.2%	5.7%
Unemployment Rate (Average Q4)	4.8%	4.1%	3.8%	3.5%	3.3%	3.4%
IHS Markit						

ILLINOIS FORECASTS -- FEBRUARY 2020

(Calendar Years, Q4/Q4 for Annual Rates)

	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Est.	Est.	Est.
Real Gross State Product (Billions 2012\$)	752.5	759.3	773.8	786.5	802.2	811.7
% Change	0.8%	0.9%	1.9%	1.6%	2.0%	1.2%
Total Employment (1,000's)	6,041.0	6,084.0	6,141.5	6,192.4	6,218.5	6,236.3
% Change	0.7%	0.7%	0.9%	0.8%	0.4%	0.3%
Population (1,000's)	12,799.7	12,750.9	12,697.4	12,648.0	12,611.9	12,592.1
% Change	-0.3%	-0.4%	-0.4%	-0.4%	-0.3%	-0.2%
Personal Income (Billions \$)	677.1	701.4	732.7	753.8	778.6	804.8
% Change	1.2%	3.6%	4.5%	2.9%	3.3%	3.4%
Private Housing Starts (1,000's)	25.9	20.3	17.1	19.6	19.0	19.8
% Change	48.4%	-21.6%	-16.0%	14.7%	-2.8%	4.0%
Unemployment Rate Average % (Q4)	5.5%	4.7%	4.3%	3.8%	3.9%	4.1%
IHS Markit						

FEBRUARY 2020 STATE OF ILLINOIS FORECAST REPORT

Prepared by Moody's Analytics for

Illinois Commission on Government Forecasting and Accountability

[Excerpted from Summary]

- Illinois is in decent shape for a state facing a slowdown in manufacturing, poor agricultural conditions, and numerous demographic and fiscal problems. The economy is doing better than it has in some time. Several private-sector industries are strengthening, and greater fiscal certainty and growth in tax revenue have allowed the public sector to recoup some jobs.
- The tight labor market coupled with a better jobs mix is helping to preserve big gains in average hourly earnings.
- Most economic gauges point to a performance gap with the Midwest and the U.S. Income growth in key industries such as healthcare, professional/business services and manufacturing was slower than average in 2019.
- The U.S. trade war with China has taken a toll on the industrial and agricultural parts of the state.
- An array of factors that juiced industrial production and factory job growth in 2018 have all but played out, including federal fiscal stimulus, customers' rush to stock up before tariffs took effect, and increased demand for oil extraction equipment.
- Illinois can keep advancing without a positive contribution from manufacturing, but the rest of the economy will have to do its part.
- Illinois will be hard-pressed to match the U.S. pace of growth in any industry, but the state will lean increasingly on healthcare and professional/business services to power job and income gains.
- Population loss and troubled state finances will limit Illinois' long-term potential.

Excerpts from Moody's Illinois Forecast Report, continued

- Illinois has what it needs to remain a top business center, as long as it can solve the fiscal problems that are eroding its edge in the competition for talent, jobs and capital. Specifically, Illinois has a huge talent pool of highly skilled workers, world-class universities, more money for investment, and better transportation with an airport with direct connections around the globe.
- Weak demographic trends and deep-rooted fiscal problems such as mounting pension obligations and a shrinking tax base represent the biggest hurdles to the longer-term outlook. The forecast anticipates that the state will grow a step behind the Midwest average and a few steps behind the nation over the extended forecast horizon.
- Although Illinois' business cycle closely tracks the nation's, job growth has trailed the national pace for the last 10 years. Cyclical swings in the Illinois economy have greater amplitude than the national average, a dynamic that has been evident in downswings in the business cycle but not in upswings.
- The state's outlook is tarnished primarily by its budget woes and weak population trends, not its high costs relative to nearby states. Business costs in the state are lower than they are nationally and have trended downward for the past few decades. Overall costs are similar to those in Ohio, lower than those in Michigan and Wisconsin, but higher than those in neighboring Indiana and Iowa.

For the full Moody's Analytics report, see the following.

<http://cgfa.ilga.gov/Upload/2020MoodyEconomyILForecast.pdf>

Average Employment Levels by Subsector in Illinois
Non-Seasonally Adjusted Averages: 2010 to 2019 (in thousands)

Subsector	Annual Average									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mining	9.1	9.6	10.2	9.7	9.9	9.3	8.1	7.8	7.8	7.5
Construction	198.3	195.8	189.1	191.4	201.7	213.6	218.7	220.3	225.8	225.9
Manufacturing	561.3	574.3	583.4	579.7	580.5	582.1	575.0	575.9	588.3	592.2
Trade, Transportation, and Utilities	1,123.6	1,141.6	1,153.9	1,162.0	1,177.4	1,198.8	1,208.5	1,210.5	1,216.1	1,224.2
Information	101.9	100.5	100.2	98.9	99.0	100.4	98.5	97.5	94.4	91.6
Financial Activities	372.7	372.3	375.6	379.0	378.1	382.5	386.6	394.9	401.8	405.9
Professional and Business Services	794.2	824.1	857.1	883.2	909.4	921.9	931.4	941.6	951.4	961.0
Education and Health Services	831.6	848.3	863.2	875.3	886.1	900.3	915.2	923.7	934.0	950.0
Leisure and Hospitality	515.5	522.4	536.5	546.4	558.7	578.9	597.3	610.7	617.3	633.2
Other Services	249.2	249.7	249.7	249.9	252.2	252.1	251.4	252.8	254.4	257.8
Government	852.2	836.3	830.9	828.3	825.9	828.2	828.5	827.7	826.3	833.0
Annual Average Totals	5,609.6	5,674.9	5,749.8	5,803.8	5,878.9	5,968.1	6,019.2	6,063.4	6,117.6	6,182.2
Illinois' Annual % Change	-0.8%	1.2%	1.3%	0.9%	1.3%	1.5%	0.9%	0.7%	0.9%	1.1%

Average Weekly Earnings and Employment Change by Subsector in Illinois
Calendar Year Averages: 2010 to 2019

Subsector	Annual Average									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mining*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,236	\$1,282	\$1,291	\$1,265	\$1,302	\$1,339	\$1,336	\$1,359	\$1,425	\$1,482
Manufacturing	\$923	\$978	\$982	\$1,000	\$1,022	\$1,042	\$1,042	\$1,029	\$1,083	\$1,123
Trade, Transportation, and Utilities	\$693	\$734	\$766	\$790	\$805	\$807	\$806	\$821	\$856	\$857
Information	\$1,040	\$1,005	\$1,027	\$1,102	\$1,155	\$1,153	\$1,129	\$1,202	\$1,332	\$1,428
Financial Activities	\$1,036	\$1,054	\$1,131	\$1,116	\$1,184	\$1,244	\$1,330	\$1,393	\$1,426	\$1,435
Professional and Business Services	\$1,024	\$1,007	\$1,027	\$1,025	\$1,038	\$1,049	\$1,073	\$1,087	\$1,130	\$1,182
Education and Health Services	\$724	\$757	\$792	\$814	\$810	\$806	\$808	\$805	\$812	\$822
Leisure and Hospitality	\$319	\$322	\$337	\$323	\$340	\$365	\$377	\$392	\$405	\$427
Other Services	\$712	\$703	\$728	\$751	\$780	\$834	\$864	\$840	\$861	\$927
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*	\$799	\$820	\$846	\$857	\$875	\$890	\$902	\$913	\$947	\$971
% Change in Avg. Weekly Earnings	0.9%	2.7%	3.2%	1.2%	2.2%	1.7%	1.3%	1.2%	3.7%	2.6%
Annualized Wage/Employment Comparison	0.1%	3.9%	4.6%	2.1%	3.5%	3.2%	2.2%	2.0%	4.7%	3.7%

* 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: www.bls.gov

GENERAL FUNDS REVENUE

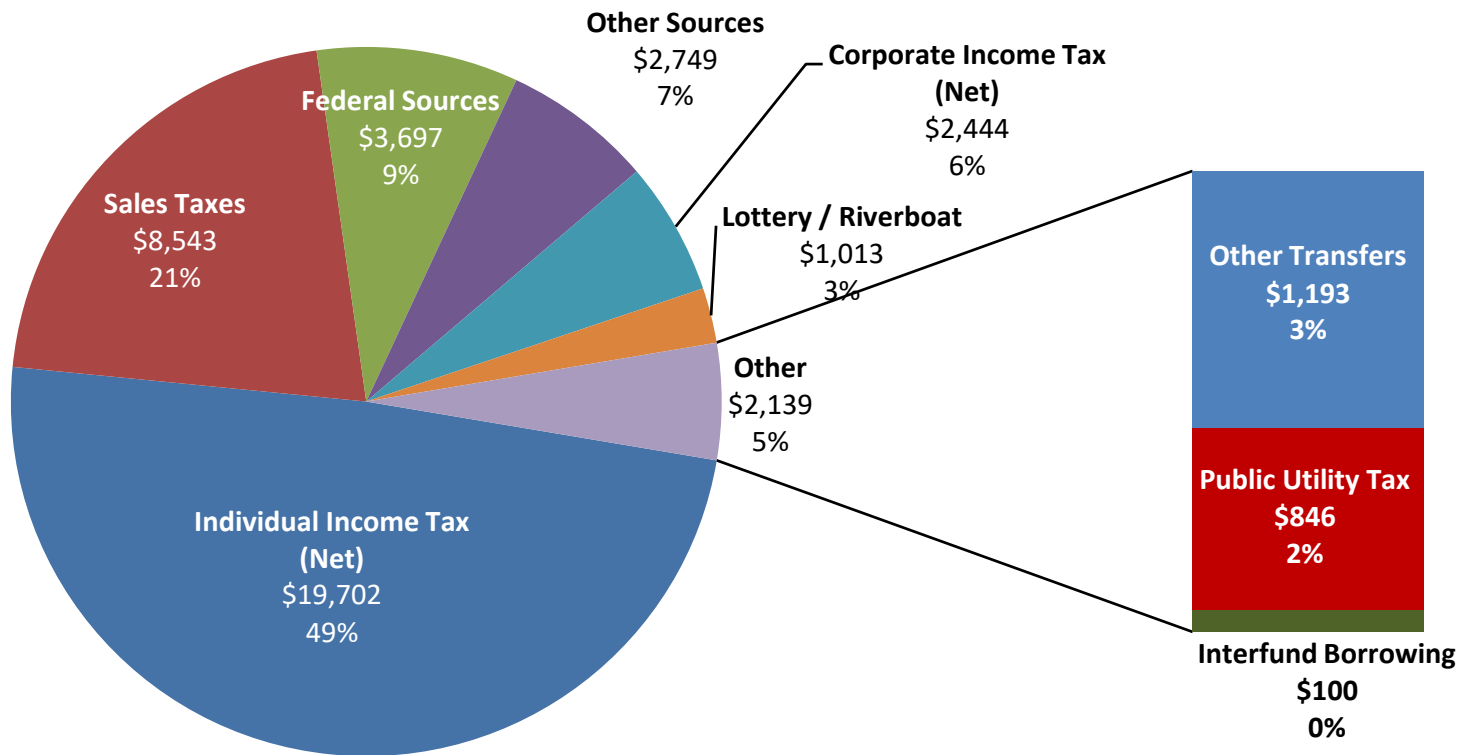


FY 2020 GENERAL FUNDS REVENUES BY SOURCE

Per Enacted Budget - June 2019

(\$ Millions)

Total General Funds Revenues: \$40.287 Billion



REVENUE ASSUMPTIONS ENACTED BUDGET [JUNE-19]

As shown in the following table, the FY 2020 budget was crafted based upon assumed general funds revenues of \$40.287 billion. The following provides a brief explanation of the revenue components used in the formulation of the FY 2020 budget, signed into law in early June 2019.

“Big Three” – Personal, Corporate, and Sales Taxes

- Refund percentages in FY 2020: personal income tax 9.5%; corporate income tax 14.25%. In FY 2020, 5% of LGDF funds will remain in the general funds [the same proration used in FY 2019].
- Corporate income tax included \$94 million net for decoupling from federal repatriation credit.
- Sales tax revenues included \$80 million net for change in “market place facilitator” beginning January 1, 2020.

All Other State Sources and Transfers

The estimate of all other State revenue sources included \$175 million for the FY 2020 tax amnesty program [eventually the proceeds will be spread into the respective revenue lines e.g. income/sales/other]. The Refund Fund transfer was expected to be \$400 million.

Federal Sources

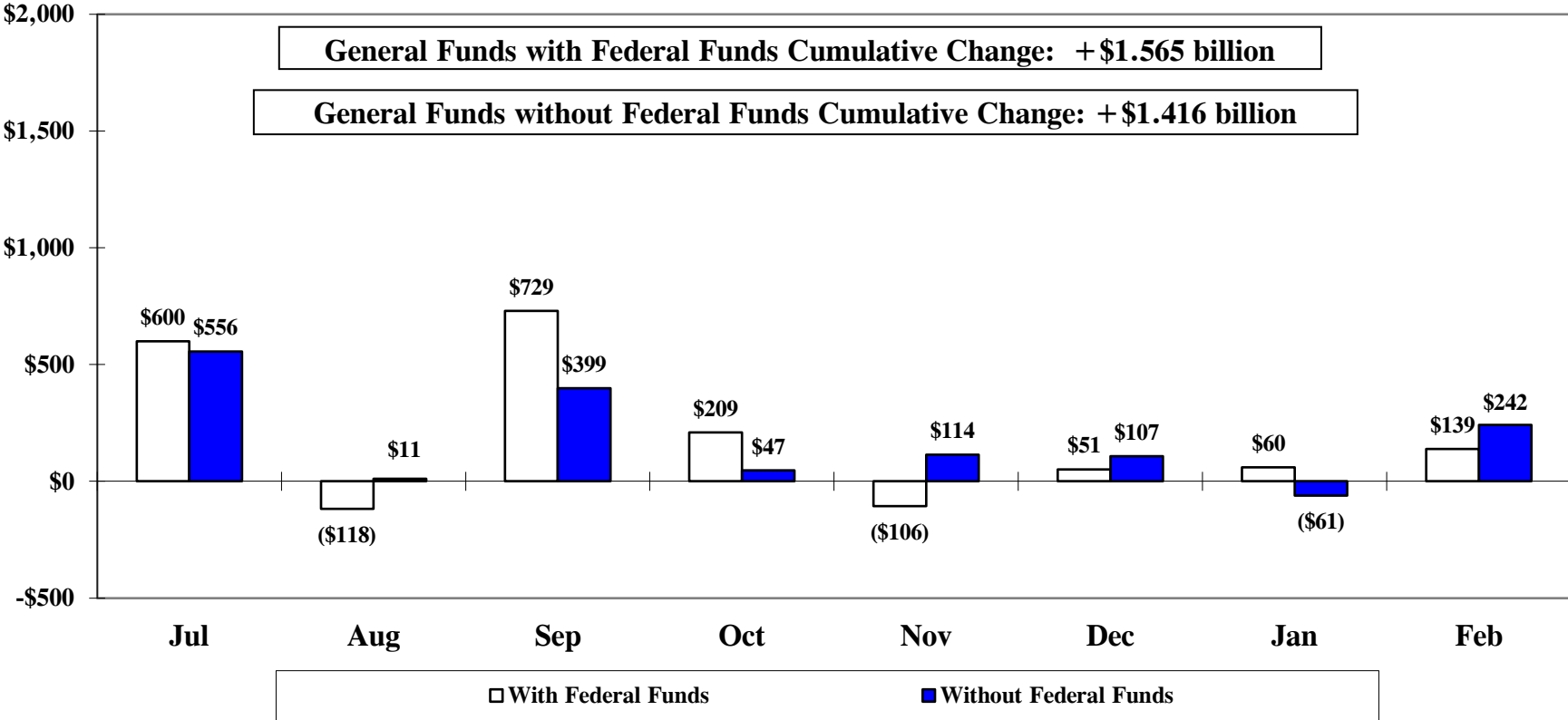
The assumed value of federal sources to the general funds reflected Medicaid pay down with backlog borrowing assumed in FY 2020.

Interfund Borrowing

The assumed amount for FY 2020 interfund borrowing was \$100 million. While the statute was changed to reauthorize for an additional two years, the limit of \$1.2 billion was not adjusted from previous law.

FY 2020 General Funds Estimate Enacted Budget Assumptions [June-19]	
(\$ millions)	Final Budget
Income Taxes [Net]	\$22,146
Sales Tax [Net]	\$8,543
All Other State Sources	\$3,595
Transfers In	\$2,206
Federal Sources	\$3,697
Subtotal [Base]	\$40,187
Interfund Borrowing	\$100
Treasurer's Investments	\$0
Total General Funds	\$40,287

FY 2020 Monthly General Funds Performance
July thru February as Compared to Same Prior Year Months
 (\$ in millions)



* Figures exclude short-term borrowing and Budget Stabilization Fund transfers.

Year to Date

Excluding proceeds from the Treasurer's Investment program as well as interfund borrowing, through the first two-thirds of the fiscal year base general funds receipts have posted gains of \$1.565 billion. Those gains have been driven by specific transfers [Refund Fund and Capital Projects], comparatively better federal sources, court settlement proceeds, tax amnesty program efforts, and decent underlying performance from the larger economically related sources.

With a strong rebound in February, gross personal income taxes are ahead of last year by \$676 million, or \$601 million net. Gross sales taxes are up \$185 million, or \$234 million net, while gross corporate income taxes are up \$141 million, or \$129 million net. The performance of the remaining revenue sources have been mixed, but have experienced a combined \$51 million decline.

Aided by gains associated to Refund Fund and Capital Projects Fund transfers, overall transfers to the general funds are up \$503 million. Federal sources, despite wide monthly swings in performance, are still up \$149 million through February.

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2020 vs. FY 2019

(\$ million)

<u>Revenue Sources</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>\$</u> <u>CHANGE</u>	<u>%</u> <u>CHANGE</u>
State Taxes				
Personal Income Tax	\$13,759	\$13,083	\$676	5.2%
Corporate Income Tax (regular)	1,540	1,399	\$141	10.1%
Sales Taxes	6,090	5,905	\$185	3.1%
Public Utility Taxes (regular)	562	580	(\$18)	-3.1%
Cigarette Tax	173	227	(\$54)	-23.8%
Liquor Gallonage Taxes	122	118	\$4	3.4%
Vehicle Use Tax	19	20	(\$1)	-5.0%
Inheritance Tax	181	268	(\$87)	-32.5%
Insurance Taxes and Fees	220	220	\$0	0.0%
Corporate Franchise Tax & Fees	200	173	\$27	15.6%
Interest on State Funds & Investments	113	84	\$29	34.5%
Cook County IGT	150	150	\$0	0.0%
Other Sources	405	356	\$49	13.8%
Subtotal	\$23,534	\$22,583	\$951	4.2%
Transfers				
Lottery	390	430	(\$40)	-9.3%
Riverboat transfers & receipts	195	197	(\$2)	-1.0%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	617	327	\$290	88.7%
Other	733	478	\$255	53.3%
Total State Sources	\$25,469	\$24,015	\$1,454	6.1%
Federal Sources	\$1,821	\$1,672	\$149	8.9%
Total Federal & State Sources	\$27,290	\$25,687	\$1,603	6.2%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$1,307)	(\$1,269)	(\$38)	3.0%
Corporate Income Tax	(\$220)	(217)	(\$3)	1.4%
LGDF--Direct from PIT	(\$717)	(680)	(\$37)	5.4%
LGDF--Direct from CIT	(\$86)	(77)	(\$9)	11.7%
Downstate Pub/Trans--Direct from Sales	(\$250)	(299)	\$49	-16.4%
Subtotal General Funds	\$24,710	\$23,145	\$1,565	6.8%
Treasurer's Investments	\$400	\$700	(\$300)	-42.9%
Interfund Borrowing	\$150	\$250	(\$100)	-40.0%
Total General Funds	\$25,260	\$24,095	\$1,165	4.8%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				2-Mar-20

FY 2020 CGFA REVENUE UPDATE

As shown in the table, the Commission’s updated FY 2020 base general funds estimate is \$40.129 billion. The revised forecast reflects revenue performance through February and incorporates updated expectations over the remainder of the fiscal year. The estimate projects base revenues falling \$58 million below the level assumed since enactment of the FY 2020 budget, primarily due to greatly reduced federal source expectations. However, when updated interfund borrowing and Treasurer’s Investment Borrowing are included, overall total general funds revenues rise \$392 million above earlier levels. Highlights of the updated forecast include:

FY 2020 General Funds Revenue Estimate			
Updated CGFA [Mar-20] vs. Enacted Budget [June-19]			
(\$ millions)	Mar-20	June-19	Difference
Income Taxes [Net]	\$22,179	\$22,146	\$33
Sales Tax [Net]	\$8,715	\$8,543	\$172
All Other State Sources	\$3,434	\$3,595	(\$161)
Transfers In	\$2,647	\$2,206	\$441
Federal Sources	\$3,154	\$3,697	(\$543)
Subtotal [Base]	\$40,129	\$40,187	(\$58)
Interfund Borrowing	\$150	\$100	\$50
Treasurer's Investment Borrowing	\$400	\$0	\$400
Total General Funds	\$40,679	\$40,287	\$392

Income Taxes

The estimate of net income taxes is being revised up \$33 million from enacted budget assumptions. While net personal income taxes are forecast to fall just shy of earlier expectations, net corporate income taxes are in a position to exceed previous assumptions. Both lines incorporate impacts from amnesty proceeds, which at the time of budget enactment were counted in the “other source” category. The updated outlook should be viewed as conservative as the forecasts continue to assume that the “April Surprise” of last fiscal year will not repeat. Due to favorable market conditions in tax year 2019, a potentially stronger than anticipated performance in April’s final payments cannot be totally dismissed. However, those much more volatile non-wage related components of income [e.g. capital gains and related distributions, dividends, and any modification of taxpayer behavior], are uncertain and difficult to project with confidence.

Sales Tax

Sales taxes have somewhat outperformed expectations through February, and as a result of that positive growth, coupled with an updated outlook over the remaining third of the fiscal year, a net upward revision of \$172 million from earlier assumptions is being made.

All Other State Sources

The reduced forecast of \$161 million from all other state sources is primarily the result of more accurately accounting for fund distribution changes related to cigarette taxes, as well as year to date weakness in some of the smaller revenue lines such as inheritance and insurance taxes. The downward revision in other miscellaneous sources reflects the initial lump-sum accounting of tax amnesty in that line back in June.

Transfers

The overall estimate for transfers has been increased \$441 million. The large upward revision reflects \$217 million in actual Refund Fund transfers above earlier assumptions, as well stronger than expected transfers from the Capital Projects Fund.

Federal Sources

Federal sources have performed extremely erratic over the first two-thirds of the fiscal year. The significant \$543 million downward revision incorporates updated reduced expectations over the remainder of FY 2020, and is more reflective with what has been actually receipted on an average monthly basis.

Interfund Borrowing

The enacted FY 2020 budget assumed only \$100 million of interfund borrowing. To date, \$150 million of interfund borrowing has occurred. While no additional interfund borrowing is indicated, the estimate is updated to reflect actuals. It should be noted that interfund borrowing has a limit of \$1.2 billion outstanding at any one-time. Under current law, such borrowing may occur through March 1, 2021 with payback periods up to 48 months.

Treasurer's Investment Borrowing

The enacted FY 2020 budget did not originally contain values related to the Treasurer's Investment Borrowing program. However, to date \$400 million of such borrowing has occurred. While no additional investment borrowing is indicated, the estimate is updated to reflect actuals. The Treasurer may invest up to \$2 billion outstanding at any one-time to pay down owed bills. The program serves to reduce the bill backlog while serving to reduce higher interest penalties.

FY 2020 GENERAL FUNDS REVENUE ESTIMATE			
Updated CGFA [March-20] vs. Enacted Budget [June-19]			
(millions)			
Revenue Sources	FY 2020 CGFA March-20	FY 2020 Final Budget June-19	\$ Difference
State Taxes			
Personal Income Tax	\$23,000	\$23,101	(\$101)
Corporate Income Tax (regular)	\$3,196	\$3,049	\$147
Sales Taxes	\$9,164	\$9,066	\$98
Public Utility (regular)	\$838	\$846	(\$8)
Cigarette Tax	\$263	\$321	(\$58)
Liquor Gallonage Taxes	\$175	\$176	(\$1)
Vehicle Use Tax	\$30	\$30	\$0
Inheritance Tax	\$280	\$305	(\$25)
Insurance Taxes & Fees	\$400	\$419	(\$19)
Corporate Franchise Tax & Fees	\$235	\$205	\$30
Interest on State Funds & Investments	\$155	\$140	\$15
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$814</u>	<u>\$909</u>	<u>(\$95)</u>
Subtotal	\$38,794	\$38,811	(\$17)
Transfers			
Lottery	\$695	\$745	(\$50)
Riverboat transfers and receipts	\$270	\$258	\$12
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund	\$617	\$400	\$217
<u>Other</u>	<u>\$1,055</u>	<u>\$793</u>	<u>\$262</u>
Total State Sources	\$41,441	\$41,017	\$424
Federal Sources			
	\$3,154	\$3,697	(\$543)
Subtotal Federal & State Sources	\$44,595	\$44,714	(\$119)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax	(\$2,185)	(\$2,195)	\$10
Corporate Income Tax	(\$455)	(\$434)	(\$21)
Local Government Distributive Fund			
Personal Income Tax	(\$1,198)	(\$1,204)	\$6
Corporate Income Tax	(\$179)	(\$171)	(\$8)
Sales Tax Distribution to the PTF and DPTF	(\$449)	(\$523)	\$74
Subtotal General Funds [Base]	\$40,129	\$40,187	(\$58)
Interfund Borrowing	\$150	\$100	\$50
Treasurer's Investment Borrowing	\$400	\$0	\$400
Total General Funds Revenues	\$40,679	\$40,287	\$392

FY 2020 REVENUE ESTIMATE COMPARISON – CGFA and GOMB

The accompanying table compares the Commission’s updated FY 2020 general funds revenue estimate to the GOMB’s outlook presented in the FY 2021 Budget Book. As shown, the Commission’s base forecast of \$40.129 billion is \$89 million above the GOMB projection. Including interfund borrowing along with Treasurer’s Investment Borrowing results in total revenues of \$40.679 billion [with the differentials remaining \$89 million]. While the overall estimates are very close given the magnitude of total receipts, there are some observable differences in the outlook by individual components. To summarize, the Commission is higher in its outlook for income taxes, but lower to varying degrees in the other areas. A more detailed comparison and brief discussion of the differences follows on the next page.

FY 2020 GENERAL FUNDS REVENUE COMPARISON			
CGFA [Mar-20] vs. GOMB [Feb-2020]			
(\$ millions)	CGFA	GOMB	Difference
Income Taxes [Net]	\$22,179	\$21,924	\$255
Sales Tax [Net]	\$8,715	\$8,740	(\$25)
All Other State Sources	\$3,434	\$3,561	(\$127)
Transfers In	\$2,647	\$2,661	(\$14)
Federal Sources	\$3,154	\$3,154	\$0
Subtotal [Base]	\$40,129	\$40,040	\$89
Interfund Borrowing	\$150	\$150	\$0
Treasurer's Investment Borrowing	\$400	\$400	\$0
Total General Funds	\$40,679	\$40,590	\$89

Overall net income taxes differ by \$255 million, with the Commission's projection being higher than the GOMB. On a net basis, the CGFA updated forecast of personal income tax is \$183 million higher, while the view of net corporate income tax is \$72 million above GOMB's estimate. Despite the Commission being somewhat higher, both share similar conservative views of the remainder of the fiscal year.

Net sales tax forecasts for FY 2020 are very similar, with the Commission being only \$25 million below GOMB's expectations. Both forecasts are at levels above enacted budgeted assumptions and take into account actual receipt performance over the first part of the fiscal year coupled with updated expectations for the remainder of FY 2020.

All other State source estimates differ by a net \$127 million. As shown, in most instances where variance exists, the Commission is lower in its forecast. The Commission is \$78 million below the GOMB's outlook for "other sources", inheritance tax, and interest income.

Transfers into the general funds differ by only \$14 million overall, with the Commission's forecast being slightly lower. By major component, the Commission is \$5 million lower in its outlook for lottery transfers, \$18 million lower in expectations of the many other miscellaneous transfers, but \$9 million higher in its assumed riverboat gaming transfers.

Federal sources, which are heavily dependent on reimbursable spending, have performed very erratically over the first two-thirds of the fiscal year. Based on performance thus far, coupled with updated expectations over the remainder of the fiscal year, both agencies have undergone similar downward revisions, and now total \$3.154 billion.

FY 2020 GENERAL FUNDS REVENUE COMPARISON			
CGFA [Mar-20] vs. GOMB [Feb-20]			
(millions)			
	FY 2020 CGFA	FY 2020 GOMB	\$
Revenue Sources	March-20	Feb-20	Difference
State Taxes			
Personal Income Tax	\$23,000	\$22,787	\$213
Corporate Income Tax (regular)	\$3,196	\$3,106	\$90
Sales Taxes	\$9,164	\$9,196	(\$32)
Public Utility (regular)	\$838	\$846	(\$8)
Cigarette Tax	\$263	\$263	\$0
Liquor Gallonage Taxes	\$175	\$174	\$1
Vehicle Use Tax	\$30	\$30	\$0
Inheritance Tax	\$280	\$305	(\$25)
Insurance Taxes & Fees	\$400	\$400	\$0
Corporate Franchise Tax & Fees	\$235	\$237	(\$2)
Interest on State Funds & Investments	\$155	\$170	(\$15)
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$814	\$892	(\$78)
Subtotal	\$38,794	\$38,650	\$144
Transfers			
Lottery	\$695	\$700	(\$5)
Riverboat transfers and receipts	\$270	\$261	\$9
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund	\$617	\$617	\$0
Other	\$1,055	\$1,073	(\$18)
Total State Sources	\$41,441	\$41,311	\$130
Federal Sources [Base]	\$3,154	\$3,154	\$0
Subtotal Federal & State Sources	\$44,595	\$44,465	\$130
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.5% '20]	(\$2,185)	(\$2,166)	(\$19)
Corporate Income Tax [14.25% '20]	(\$455)	(\$443)	(\$12)
Local Government Distributive Fund			
Personal Income Tax	(\$1,198)	(\$1,187)	(\$11)
Corporate Income Tax	(\$179)	(\$173)	(\$6)
Sales Tax Distribution to the PTF and DPTF	(\$449)	(\$456)	\$7
Subtotal General Funds [Base]	\$40,129	\$40,040	\$89
Interfund Borrowing	\$150	\$150	\$0
Treasurer's Investment Borrowing	\$400	\$400	\$0
Total Revenues General Funds	\$40,679	\$40,590	\$89

CGFA FY 2021 GENERAL FUNDS FORECAST [per CURRENT LAW]

Excludes Impact from SJRCA 1, P.A. 101-8

As shown below, the Commission's FY 2021 base general funds forecast, per current law excluding impacts from SJRCA 1 and P.A. 101-8, is \$40.645 billion. The projection represents growth of \$516 million in base revenues over FY 2020, but falls \$34 million once FY 2020 interfund borrowing and Treasurer's investment borrowing are included in the comparison. Discussion of the forecast's major components follows.

FY 2021 and Updated FY 2020 General Funds Revenue CGFA Estimates [per Current Law]			
(\$ millions)	FY 2021	FY 2020	Difference
Income Taxes [Net]	\$22,720	\$22,179	\$541
Sales Tax [Net]	\$8,987	\$8,715	\$272
All Other State Sources	\$3,266	\$3,434	(\$168)
Transfers In	\$2,021	\$2,647	(\$626)
Federal Sources	\$3,651	\$3,154	\$497
Subtotal [Base]	\$40,645	\$40,129	\$516
Interfund Borrowing	\$0	\$150	(\$150)
Treasurer's Investment Borrowing	\$0	\$400	(\$400)
Total General Funds	\$40,645	\$40,679	(\$34)

Net income taxes are projected to be \$22.720 billion, which represents growth of \$541 million over the updated FY 2020 estimate. [Again, these base estimates exclude potential revenue impacts should the graduated rate structure set forth under P.A. 101-8 be enacted]. The base projections reflect a moderation in growth for the upcoming fiscal year for personal income taxes, and little net growth anticipated for corporate income taxes. In addition, per current law, the 5% retention of the LGDF monies from net income taxes will not extend to FY 2021. The value of that change reduces net income taxes by approximately \$74 million.

Net sales tax is projected to total \$8.987 billion in FY 2021. While underlying growth expectations are modest during the course of the upcoming fiscal year, annualizations related to recent changes to "market facilitators", vehicle trade-in limits, and recreational cannabis sales serve to support higher overall growth. Similar to income taxes, the 5% retention of local share of certain transit funds will end under current law, causing a decrease of approximately \$50 million in net sales tax.

All other state sources are forecast to decline \$168 million next year. Most of the lesser revenue lines are either flat, demonstrate very little growth, exhibit great volatility, or in some cases are in decline. In addition, the corporate franchise tax will be phased-out over the next several years under P.A. 101-9, resulting in a modest falloff anticipated in FY 2021. A one-time \$193 million court settlement recovery related to drug manufacturers in FY 2020 will result in a significant \$136 million drop in “other sources” next fiscal year.

Transfers into the general funds are anticipated to fall \$626 million from FY 2020 levels. The large decline is due to much lower expected Refund Fund transfers [an anticipated decline of \$447 million]. In addition, FY 2020 transfers reflect an effort to make up for past shortages in scheduled Capital Projects Fund transfers. FY 2021 is expected to return to lower levels, thereby contributing to a \$209 million decrease in all other miscellaneous transfers to general funds.

Federal sources are forecast to be \$3.651 billion, a \$497 million increase over FY 2020. At this time, the Commission will utilize the same forecast as that presented by GOMB in the Budget Book. However, final appropriation levels, cash resources for reimbursable spending, as well as Comptroller payment schedules will be the final determiner.

At this time, neither interfund borrowing or Treasurer’s investment Borrowing is assumed in FY 2021.

FY 2021 and UPDATED FY 2020 GENERAL FUNDS REVENUE			
CGFA ESTIMATES [per Current Law]			
(millions)			
Revenue Sources	FY 2021 CGFA Mar-20	FY 2020 CGFA Mar-20	\$ Difference
State Taxes			
Personal Income Tax	\$23,643	\$23,000	\$643
Corporate Income Tax (regular)	\$3,201	\$3,196	\$5
Sales Taxes	\$9,503	\$9,164	\$339
Public Utility (regular)	\$818	\$838	(\$20)
Cigarette Tax	\$255	\$263	(\$8)
Liquor Gallonage Taxes	\$176	\$175	\$1
Vehicle Use Tax	\$30	\$30	\$0
Inheritance Tax	\$300	\$280	\$20
Insurance Taxes & Fees	\$400	\$400	\$0
Corporate Franchise Tax & Fees	\$215	\$235	(\$20)
Interest on State Funds & Investments	\$150	\$155	(\$5)
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$678</u>	<u>\$814</u>	<u>(\$136)</u>
Subtotal	\$39,613	\$38,794	\$819
Transfers			
Lottery	\$720	\$695	\$25
Riverboat transfers and receipts	\$275	\$270	\$5
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund	\$170	\$617	(\$447)
<u>Other</u>	<u>\$846</u>	<u>\$1,055</u>	<u>(\$209)</u>
Total State Sources	\$41,634	\$41,441	\$193
Federal Sources	\$3,651	\$3,154	\$497
Subtotal Federal & State Sources	\$45,285	\$44,595	\$690
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.5% '20; 9.25% '21]	(\$2,187)	(\$2,185)	(\$2)
Corporate Income Tax [14.25% '20; 14% '21]	(\$448)	(\$455)	\$7
Local Government Distributive Fund			
Personal Income Tax	(\$1,300)	(\$1,198)	(\$102)
Corporate Income Tax	(\$189)	(\$179)	(\$10)
Sales Tax Distribution to the PTF and DPTF	(\$516)	(\$449)	(\$67)
Subtotal General Funds [Base]	\$40,645	\$40,129	\$516
Interfund Borrowing	\$0	\$150	(\$150)
Treasurer's Investment Borrowing	\$0	\$400	(\$400)
Total Revenues General Funds	\$40,645	\$40,679	(\$34)

CGFA FY 2021 FUNDS FORECAST

Assuming SJRCA 1 Passes and P.A. 101-8 Graduated Rates Enacted January 1, 2021

In November 2020, citizens of Illinois will take to the ballot box to determine the fate of SJRCA 1, which will effectively determine if Illinois will move from a flat personal income tax structure to a graduated rate structure. In the spring of 2019, P.A. 101-8, which combined a graduated rate structure along with numerous other changes, was signed into law contingent on the passage of the above Constitutional Amendment.

Should the graduated rate structure and other changes made under P.A. 101-8 be enacted January 1, 2020, it would only be in effect for half of FY 2021. As a result, the full-year estimate of approximately \$3.6 billion would have to be adjusted to take into account timing related to the split fiscal year structure. As shown in the summary table below, the Commission estimates that under current law, assuming implementation of P.A. 101-8, the base estimate for FY 2021 would be increased by a net amount of \$1.546 billion to an adjusted total of \$42.191 billion. That augmentation to the Commission's base forecast would be comprised of \$1.425 billion increase to net personal income tax receipts and a \$121 million increase in net corporate income tax receipts [see below and on next page].

FY 2021 CGFA General Funds Estimate	
Base Revenues and Adjusted if SJRCA 1 is Adopted	
(\$ millions)	Current Law
Income Taxes [Net]	\$22,720
Sales Tax [Net]	\$8,987
All Other State Sources	\$3,266
Transfers In	\$2,021
Federal Sources	\$3,651
Subtotal [Base]	\$40,645
P.A 101-8 Net Income Taxes if SJRCA 1 is adopted	\$1,546
Adjusted Total General Funds Revenues	\$42,191

**FY 2021 CGFA General Funds Estimates
Base Revenues and Adjusted if SJRCA 1 is Adopted**

(\$ millions)	Base Current Law	SJRCA 1 Passes	Difference
Personal Income Taxes [Net]	\$20,156	\$21,580	\$1,424
Corporate Income Taxes [Net]	\$2,564	\$2,686	\$122
Sales Tax [Net]	\$8,987	\$8,987	\$0
All Other State Sources	\$3,266	\$3,266	\$0
Transfers In	\$2,021	\$2,021	\$0
Federal Sources	\$3,651	\$3,651	\$0
Total	\$40,645	\$42,191	\$1,546

*Under the Commission's above current law projection, there is no 95% proration of LGDF distributions to locals as P.A. 101-8 contains a statutory formula that the above valuations assume. A continuation of the current 95% proration during the first half of FY 2021 would require legislative action [this is assumed under the Governor's assumptions discussed in the following section].

**FY 2021 CGFA GENERAL FUNDS REVENUE ESTIMATES
Base Revenues and Adjusted if SJRCA 1 is Adopted**

(millions)

	Base Current Law Mar-20	SJRCA 1 Passes Current Law Mar-20	Difference
Revenue Sources			
State Taxes			
Personal Income Tax	\$23,643	\$25,190	\$1,547
Corporate Income Tax (regular)	\$3,201	\$3,337	\$136
Sales Taxes	\$9,503	\$9,503	\$0
Public Utility (regular)	\$818	\$818	\$0
Cigarette Tax	\$255	\$255	\$0
Liquor Gallonage Taxes	\$176	\$176	\$0
Vehicle Use Tax	\$30	\$30	\$0
Inheritance Tax	\$300	\$300	\$0
Insurance Taxes & Fees	\$400	\$400	\$0
Corporate Franchise Tax & Fees	\$215	\$215	\$0
Interest on State Funds & Investments	\$150	\$150	\$0
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$678	\$678	\$0
Subtotal	\$39,613	\$41,296	\$1,683
Transfers			
Lottery	\$720	\$720	\$0
Riverboat transfers and receipts	\$275	\$275	\$0
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund	\$170	\$170	\$0
Other	\$846	\$846	\$0
Total State Sources	\$41,634	\$43,317	\$1,683
Federal Sources	\$3,651	\$3,651	\$0
Subtotal Federal & State Sources	\$45,285	\$46,968	\$1,683
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.25% '21]	(\$2,187)	(\$2,330)	(\$143)
Corporate Income Tax [14% '21]	(\$448)	(\$467)	(\$19)
Local Government Distributive Fund			
Personal Income Tax	(\$1,300)	(\$1,280)	\$20
Corporate Income Tax	(\$189)	(\$184)	\$5
Sales Tax Distribution to the PTF and DPTF	(\$516)	(\$516)	\$0
Subtotal General Funds	\$40,645	\$42,191	\$1,546

GOMB FY 2021 BUDGET BOOK FORECASTS

The table below summarizes the GOMB's general funds revenue estimate presented in the FY 2021 Budget Book. As shown, the GOMB estimate of base general funds is presented as \$40.696 billion, an increase of \$656 million over their updated FY 2020 projections. Should SJRCA 1 be adopted and the resulting changes made under P.A. 101-8 go into effect January 1, 2021, the GOMB forecast adds an additional net \$1.435 billion, which would bring the overall available resource total to \$42.131 billion. That figure would represent an overall total increase of \$1.541 billion over the GOMB's updated FY 2020 total resource estimate.

GOMB FY 2020-21 General Funds Forecast			
Per Governor's Proposed Budget [Table II-B & Walkdown p. 51]			
(\$ millions)	FY 2020	FY 2021	Difference
Income Taxes [Net]	\$21,924	\$22,614	\$690
Sales Tax [Net]	\$8,740	\$9,038	\$298
All Other State Sources	\$3,561	\$3,351	(\$210)
Transfers In	\$2,661	\$2,042	(\$619)
Federal Sources	\$3,154	\$3,651	\$497
Subtotal [Base]	\$40,040	\$40,696	\$656
Interfund Borrowing	\$150	\$0	(\$150)
Treasurer's Investment Borrowing	\$400	\$0	(\$400)
P.A 101-8 Net Income Taxes if SCRCA 1 is adopted	\$0	\$1,435	\$1,435
Total General Funds	\$40,590	\$42,131	\$1,541

GOMB Estimated Receipts from P.A. 101-8 per FY 2021 Budget Book	
(\$ millions)	
	<u>FY 2021</u>
Net General Funds from Individual Income Tax	\$1,433
Net General Funds from Corporate Income Tax	\$102
Subtotal Net Increase from P.A. 101-8	\$1,535
Less Governor Proposed Pension Contribution	(\$100)
Net Gain to General Funds	\$1,435

**Estimated Value of P.A. 101-8 [The Graduated Income Tax]
CGFA and GOMB Comparison**

The table below compares the valuations related to passage of SJRCA 1 and implementation of P.A. 101-8 for both CGFA as well as GOMB. As shown, the differences are minor, with the Commission being \$11 million higher overall. In total, the Commission values the increase in net income taxes at \$1.546 billion. That gain would be comprised of net increases of \$1.425 billion in net personal income taxes, and \$121 million in net corporate income taxes.

In comparison, the Commission estimates the net gain in personal income taxes to be \$8 million lower than the GOMB, while being \$19 million higher than GOMB's estimate of corporate income taxes. For comparison purposes, an additional line is included that reflects the Governor's proposed additional \$100 million pension contribution should the Constitutional Amendment pass.

Estimated FY 2021 Receipts from P.A. 101-8 Comparison CGFA and GOMB			
(\$ millions)	<u>CGFA</u> <u>FY 2021</u>	<u>GOMB</u> <u>FY 2021</u>	<u>Difference</u>
Net General Funds from Individual Income Tax	\$1,425	\$1,433	(\$8)
Net General Funds from Corporate Income Tax	\$121	\$102	\$19
Subtotal Net Increase from P.A. 101-8	\$1,546	\$1,535	\$11
Less Governor Proposed Pension Contribution	(\$100)	(\$100)	\$0
Net Gain to General Funds	\$1,446	\$1,435	\$11

FY 2021 OUTLOOK COMPARISON OF BASE REVENUES CGFA and GOMB

As shown in the below table, the FY 2021 CGFA estimate based on current law totals a forecast of \$40.645 billion. The GOMB forecast presented in various tables throughout the FY 2021 Budget Book presents a forecast \$40.696 billion, or \$51 million higher than CGFA. That differential equates to a negligible difference in underlying base revenue forecasts overall. However, there are some individual variances between specific revenue categories.

FY 2021 General Funds Estimate Comparison CGFA vs. GOMB				
Base Revenues and Adjusted if SJRCA 1 is Adopted				
(\$ millions)	CGFA	GOMB	Difference	
Income Taxes [Net]	\$22,720	\$22,614	\$106	
Sales Tax [Net]	\$8,987	\$9,038	(\$51)	
All Other State Sources	\$3,266	\$3,351	(\$85)	
Transfers In	\$2,021	\$2,042	(\$21)	
Federal Sources	\$3,651	\$3,651	\$0	
Base General Funds	\$40,645	\$40,696	(\$51)	
P.A 101-8 Net Income Taxes if SJRCA 1 is adopted	\$1,546	\$1,535	\$11	
Adjusted Total General Funds Revenues	\$42,191	\$42,231	(\$40)	
Governor's Assumed Pension Contribution	(\$100)	(\$100)	\$0	
Adjusted Total General Funds Revenues	\$42,091	\$42,131	(\$40)	

The overall base estimates of net income taxes are extremely close given their size, differing by only \$106 million, with the Commission being higher. Of that difference, personal income tax makes up \$30 million, while net corporate income taxes makes up the remaining \$76 million.

The Commission is slightly lower in its outlook for net sales taxes as the estimates are separated by \$51 million, but again, based on the size of the category, the differential is negligible.

The Commission's estimate of all other State sources is \$85 lower million than the GOMB, indicating a more conservative view from the lesser lines such as inheritance, interest earnings, and other miscellaneous sources.

Transfers expected to be made to the general funds are similar, differing by only \$21 million, with the Commission having the lower forecast.

**FY 2021 General Funds Estimate Comparison CGFA vs. GOMB
Base Revenues and Adjusted if SJRCA 1 is Adopted**

(millions)

	FY 2021 CGFA March-20	FY 2021 GOMB Feb-20	\$ Difference
Revenue Sources			
State Taxes			
Personal Income Tax	\$23,643	\$23,532	\$111
Corporate Income Tax (regular)	\$3,201	\$3,095	\$106
Sales Taxes	\$9,503	\$9,550	(\$47)
Public Utility (regular)	\$818	\$828	(\$10)
Cigarette Tax	\$255	\$257	(\$2)
Liquor Gallonage Taxes	\$176	\$176	\$0
Vehicle Use Tax	\$30	\$30	\$0
Inheritance Tax	\$300	\$310	(\$10)
Insurance Taxes & Fees	\$400	\$400	\$0
Corporate Franchise Tax & Fees	\$215	\$217	(\$2)
Interest on State Funds & Investments	\$150	\$170	(\$20)
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$678	\$719	(\$41)
Subtotal	\$39,613	\$39,528	\$85
Transfers			
Lottery	\$720	\$728	(\$8)
Riverboat transfers and receipts	\$275	\$258	\$17
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund	\$170	\$170	\$0
Other	\$846	\$876	(\$30)
Total State Sources	\$41,634	\$41,570	\$64
Federal Sources [Base]	\$3,651	\$3,651	\$0
Subtotal Federal & State Sources	\$45,285	\$45,221	\$64
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.5 '20; 9.25% '21]	(\$2,187)	(\$2,177)	(\$10)
Corporate Income Tax [14.25% '20; 14% '21]	(\$448)	(\$434)	(\$14)
Local Government Distributive Fund			
Personal Income Tax	(\$1,300)	(\$1,229)	(\$71)
Corporate Income Tax	(\$189)	(\$173)	(\$16)
Sales Tax Distribution to the PTF and DPTF	(\$516)	(\$512)	(\$4)
Base General Funds	\$40,645	\$40,696	(\$51)
P.A. 101-8 Net Income Taxes if SJRCA 1 is adopted	\$1,546	\$1,535	\$11
Adjusted Total General Funds Revenues	\$42,191	\$42,231	(\$40)
Governor's Assumed Pension Contribution	(\$100)	(\$100)	\$0
Adjusted Total General Funds Revenues	\$42,091	\$42,131	(\$40)

At this point, the Commission will adopt a similar view of federal sources for FY 2021. However, those estimates will ultimately be determined by appropriation levels, cash available for reimbursable spending, and bill payment schedules made by the Comptroller's Office.

For ease of comparison, a line that assigns the respective valuations of P.A. 101-8 is presented. When included, the differential between the forecasts is reduced further to \$40 million, with the Commission remaining lower. A further accommodation is made to facilitate ease of comparison, with the inclusion of the Governor's proposed additional \$100 million pension contribution.

In summary, whether comparing base revenue forecasts only, or including anticipated impacts of P.A. 101-8, taken in context of overall revenues falling between \$40.6 billion or \$42.1 billion, the economic and resulting revenue outlooks are viewed as being very similar.

GOVERNOR'S PROPOSAL IF SJRCA 1 FAILS

As presented in the Budget Book, should the Constitutional amendment fail to pass this coming November, the Governor proposes several actions that GOMB values at \$1.396 billion to address that projected loss of \$1.435 billion of anticipated revenues. While \$865 million in proposed remedies would stem from various appropriation reserves, approximately \$531 million in assumed “transfers/interfund borrowing” is proposed. Since those elements are presented as being revenue items, they will be briefly discussed below [For a more detailed discussion of the Governor’s proposed actions should SJRCA 1 fail, please reference page 41 of the FY 2021 Budget Book].

In addition to assuming the continuation of the 95% proration of income taxes to LGDF, beginning July 1, 2020, the Governor proposes to reserve an additional 5% of income tax sharing with local governments for both personal and corporate income taxes [valued at \$73 million] A similar additional 5% reserve would apply to matching payments to local transit districts [valued at \$25 million]. Should SJRCA 1 fail, those reserved amounts would be transferred to the general funds [\$98 million combined], and moving forward, a proration of 90% to local government revenue sharing would apply during the second half of the fiscal year.

The Governor also proposes a change to the flow of corporate income tax refunds starting at the beginning of FY 2021, whereby the assumed corporate refund fund percentage of 14% would be split with 9.7% going to a trust fund, and the remaining 4.3% directly to the Refund Fund. Should SJRCA 1 fail, the assumption is that the trust fund amounts would be transferred to general funds, and the corporate income tax refund percentage would be set at 4.3% for the remainder of the fiscal year. The assumed value of those actions would result in an additional \$300 million being made available to the general funds.

Should SJRCA 1 fail, the Governor proposes utilizing \$100 million from the Road Fund to cover transit costs. In addition, reserves of \$29.8 million from OSLAD grants would be tapped, as would \$3.5 million from reserved costs of the 2021 State Police Cadet Class.

DETAILED GENERAL FUNDS REVENUE HISTORY FY 2012 - FY 2019 and Estimated FY 2020-21 [Base]

(\$ Million)

	Actual Receipts FY 2012	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	Estimated Receipts FY 2020	Estimated Receipts FY 2021*
Revenue Sources										
State Taxes										
Personal Income Tax	\$17,000	\$18,323	\$18,388	\$17,682	\$15,299	\$15,385	\$20,784	\$22,604	\$23,000	\$23,643
Corporate Income Tax (regular)	2,983	3,679	3,640	3,129	2,334	1,610	2,607	3,026	3,196	3,201
Sales Taxes	7,226	7,355	7,676	8,030	8,063	8,043	8,256	8,897	9,164	9,503
Public Utility Taxes (regular)	995	1,033	1,013	1,006	926	884	896	863	838	818
Cigarette Tax	354	353	353	353	353	353	344	361	263	255
Liquor Gallonage Taxes	164	165	165	167	170	171	172	172	175	176
Vehicle Use Tax	29	27	29	32	30	30	28	31	30	30
Inheritance Tax (Gross)	235	293	276	333	306	261	358	388	280	300
Insurance Taxes and Fees	345	334	333	353	398	391	432	396	400	400
Corporate Franchise Tax & Fees	192	205	203	211	207	207	207	247	235	215
Interest on State Funds & Investments	21	20	20	24	24	36	79	145	155	150
Cook County Intergovernmental Transfer	244	244	244	244	244	244	244	244	244	244
Other Sources	399	462	585	693	534	685	641	669	814	678
Subtotal	\$30,187	\$32,493	\$32,925	\$32,257	\$28,888	\$28,300	\$35,048	\$38,043	\$38,794	\$39,613
Transfers										
Lottery	640	656	668	679	677	720	719	731	695	720
Gaming Fund Transfer [and related]	413	360	331	302	287	280	282	279	280	285
Other	885	688	1,113	2,012	627	552	1,186	1,035	1,672	1,016
Total State Sources	\$32,125	\$34,197	\$35,037	\$35,250	\$30,479	\$29,852	\$37,235	\$40,088	\$41,441	\$41,634
Federal Sources	\$3,682	\$4,154	\$3,903	\$3,330	\$2,665	\$2,483	\$5,238	\$3,600	\$3,154	\$3,651
Total Federal & State Sources	\$35,807	\$38,351	\$38,940	\$38,580	\$33,144	\$32,335	\$42,473	\$43,688	\$44,595	\$45,285
Nongeneral Funds Distribution:										
Refund Funds/Direct Deposits										
Personal Income Tax Refund Fund	(\$1,488)	(\$1,785)	(\$1,746)	(\$1,769)	(\$1,493)	(\$1,724)	(\$2,037)	(\$2,193)	(\$2,185)	(\$2,187)
Corporate Income Tax Refund Fund	(522)	(502)	(476)	(439)	(362)	(278)	(457)	(470)	(455)	(448)
Fund for Advancement of Education	0	0	0	(242)	(458)	(464)	0	0	0	0
Commitment to Human Services Fund	0	0	0	(242)	(458)	(464)	0	0	0	0
LGDF--Direct from PIT	0	0	0	0	0	0	(1,022)	(1,175)	(1,198)	(1,300)
LGDF--Direct from CIT	0	0	0	0	0	0	(133)	(167)	(179)	(189)
Downstate Pub/Trans--Direct from Sales	0	0	0	0	0	0	(446)	(488)	(449)	(516)
Subtotal General Funds	\$33,797	\$36,064	\$36,718	\$35,888	\$30,373	\$29,405	\$38,378	\$39,195	\$40,129	\$40,645
Change from Prior Year	\$3,309	\$2,267	\$654	(\$830)	(\$5,515)	(\$968)	\$8,973	\$817	\$934	\$516
Percent Change	10.9%	6.7%	1.8%	-2.3%	-15.4%	-3.2%	30.5%	2.1%	2.4%	1.3%
Short-Term Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Treasurer's Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$750	\$400	\$0
Interfund Borrowing	\$0	\$0	\$0	\$454	\$0	\$0	\$533	\$250	\$150	\$0
Income Tax Bond Fund Transfer	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500	\$0	\$0	\$0
Transfer to Commitment Human Services	\$0	\$0	\$0	\$0	\$0	\$0	\$40	\$0	\$0	\$0
FY'13/14 Backlog Payment Fund Transfer	\$0	\$264	\$50	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tobacco Liquidation Proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
HPF and HHSMTF Transfers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Budget Stabilization Fund Transfer	\$275	\$275	\$275	\$275	\$125	\$0	\$0	\$0	\$0	\$0
Pension Contribution Fund Transfer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total General Funds	\$34,072	\$36,603	\$37,043	\$36,617	\$30,498	\$29,405	\$41,451	\$40,195	\$40,679	\$40,645
Change from Prior Year	\$275	\$2,531	\$440	(\$426)	(\$6,119)	(\$1,093)	\$12,046	(\$1,256)	\$484	(\$34)
Percent Change	0.8%	7.4%	1.2%	-1.2%	-16.7%	-3.6%	41.0%	-3.0%	1.2%	-0.1%

*If SJRCA 1 is adopted, FY 2021 net income taxes will increase by \$1.546 billion.

ALL APPROPRIATED FUNDS REVENUE FY 2012 to FY 2019 & ESTIMATED FY 2020-21

(\$ millions)

	ACTUAL RECEIPTS FY 2012	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	Current Law Estimate FY 2020	Current Law Estimate FY 2021*
REVENUE SOURCES										
State Sources										
CASH RECEIPTS:										
Personal Income Tax (gross)	\$17,000	\$18,324	\$18,388	\$17,682	\$15,301	\$15,385	\$20,785	\$22,604	\$23,000	\$23,643
Corporate Income Tax (gross)	\$2,983	\$3,679	\$3,640	\$3,132	\$2,339	\$1,614	\$2,610	\$3,029	\$3,196	\$3,201
Sales Taxes	\$8,851	\$9,054	\$9,451	\$9,908	\$9,073	\$9,053	\$9,297	\$10,094	\$10,397	\$10,781
Fund Transfers	\$2,366	\$2,689	\$2,322	\$2,882	\$460	\$849	\$3,413	\$4,236	\$3,615	\$3,936
State Employees Retirement System	\$1,764	\$1,875	\$2,136	n/a	n/a	n/a	\$2,607	\$2,774	\$2,885	\$2,991
Corporate Personal Property Replacement Taxes	\$1,460	\$1,690	\$1,657	\$1,786	\$1,628	\$1,922	\$1,790	\$1,935	\$2,085	\$2,160
Health Care Provider Assessment Fees & Taxes	\$1,677	\$1,656	\$2,413	\$1,961	\$1,952	\$2,138	\$2,205	\$2,376	\$3,370	\$3,739
Public Utility Taxes	\$1,584	\$1,564	\$1,498	\$1,510	\$1,417	\$1,423	\$1,409	\$1,415	\$1,370	\$1,340
Motor Vehicle & Operators Licenses	\$1,498	\$1,462	\$1,511	\$1,539	\$1,552	\$1,585	\$1,483	\$1,599	\$1,816	\$2,045
Lottery Tickets & Licenses	\$1,502	\$1,388	\$1,341	\$1,589	\$1,308	\$1,341	\$1,510	\$1,330	\$1,405	\$1,405
Motor Fuel Tax (gross)	\$1,324	\$1,292	\$1,326	\$1,326	\$1,354	\$1,348	\$1,368	\$1,351	\$2,510	\$2,640
Cigarette Taxes	\$606	\$856	\$860	\$862	\$845	\$782	\$764	\$769	\$838	\$831
Riverboat Gambling Taxes & Fees	\$611	\$579	\$533	\$520	\$494	\$489	\$482	\$469	\$488	\$501
Revolving Funds	\$617	\$544	\$595	\$606	\$242	\$678	\$533	\$666	\$610	\$635
Insurance Tax & Fees	\$447	\$442	\$443	\$466	\$515	\$519	\$552	\$512	\$517	\$517
Inheritance Tax (gross)	\$235	\$309	\$294	\$355	\$325	\$278	\$381	\$413	\$298	\$319
Liquor Gallonage Taxes	\$279	\$280	\$280	\$283	\$288	\$294	\$296	\$297	\$300	\$302
Optional Health Insurance Deductions	\$266	\$269	\$404	\$376	\$352	\$340	\$332	\$340	\$337	\$331
County Intergovernmental Transfers	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244
Hotel Tax	\$208	\$221	\$227	\$257	\$264	\$273	\$281	\$296	\$298	\$310
Corporate Franchise Tax & Fees	\$200	\$213	\$211	\$219	\$216	\$215	\$216	\$257	\$242	\$222
Tobacco Settlement	\$133	\$133	\$163	\$120	\$84	\$105	\$227	\$138	\$126	\$117
Investment Income	\$43	\$37	\$52	\$52	\$52	\$83	\$163	\$256	\$265	\$260
Cannabis Regulation Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$33	\$102
Sports Wagering	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10	\$50
Video Gaming Tax	\$0	\$29	\$137	\$235	\$302	\$356	\$417	\$474	\$590	\$652
Other Taxes, Licenses, Fees & Earnings	\$3,586	\$4,153	\$3,995	\$4,186	\$4,403	\$4,683	\$4,895	\$4,442	\$4,947	\$5,166
Total, State Source Cash Receipts	\$49,484	\$52,982	\$54,121	\$52,096	\$45,010	\$45,997	\$58,260	\$62,316	\$65,792	\$68,440
Transfers in from Other State Funds:	\$361	\$316	\$315	\$493	\$249	\$219	\$339	\$456	\$356	\$328
TOTAL, STATE SOURCES	\$49,845	\$53,298	\$54,436	\$52,589	\$45,259	\$46,216	\$58,599	\$62,772	\$66,148	\$68,768
Federal Sources	\$14,669	\$16,252	\$17,095	\$18,722	\$19,033	\$18,523	\$20,940	\$19,468	\$20,779	\$22,571
Sale of Bonds	\$4,099	\$1,872	\$4,244	\$42	\$1,084	\$2,977	\$8,342	\$2,005	\$2,650	\$2,950
TOTAL, REVENUES - APPROPRIATED FUNDS	\$68,613	\$71,422	\$75,775	\$71,353	\$65,376	\$67,716	\$87,881	\$84,245	\$89,577	\$94,289
Short Term Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL BASE REVENUE - ALL APPROPRIATED	\$68,613	\$71,422	\$75,775	\$71,353	\$65,376	\$67,716	\$87,881	\$84,245	\$89,577	\$94,289

*If SJRCA 1 is adopted, FY 2021 All Appropriated Income Tax Revenues would see an increase of \$1.683 billion [gross].

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. Additional tax collection data reports prepared by the DoR, 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. 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 reexamined 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.