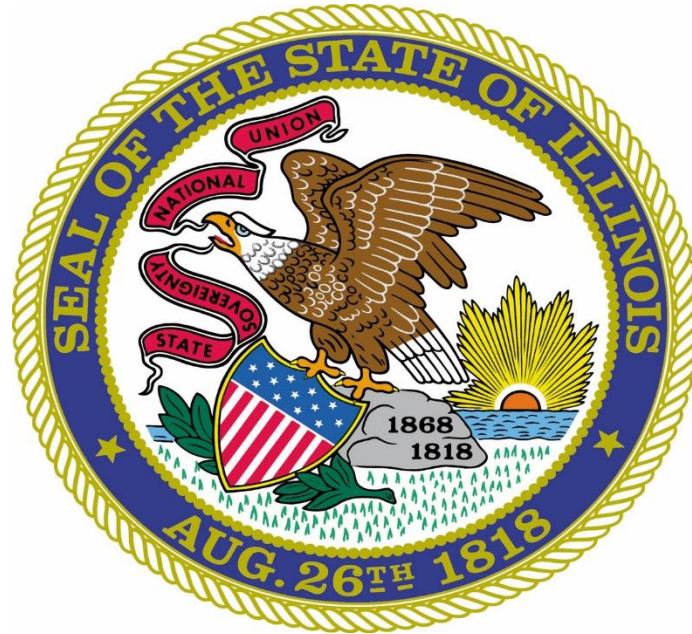


FY 2023 Economic Forecast and Revenue Estimate and FY 2022 Revenue Update



Presented by:

Clayton Klenke, Executive Director

Commission on Government Forecasting and Accountability
802 Stratton Office Building, Springfield, Illinois 62706

March 8, 2022

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<http://cgfa.ilga.gov>

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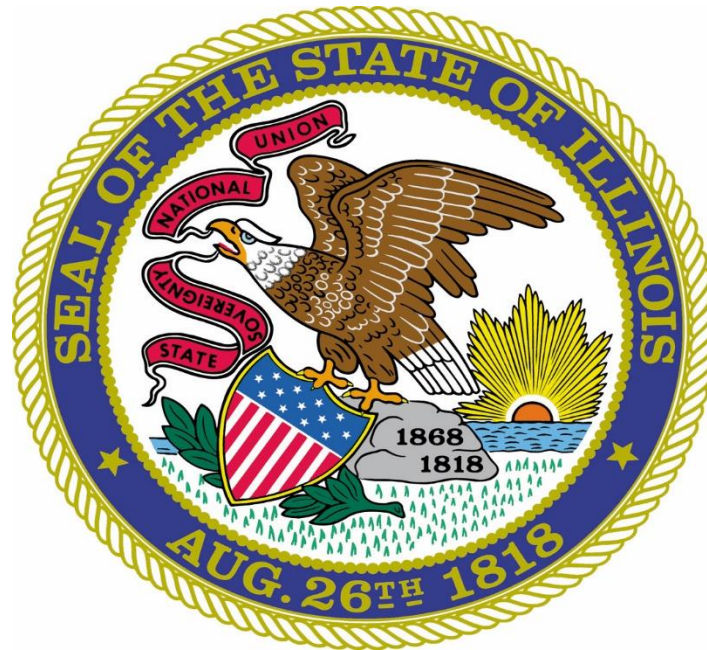
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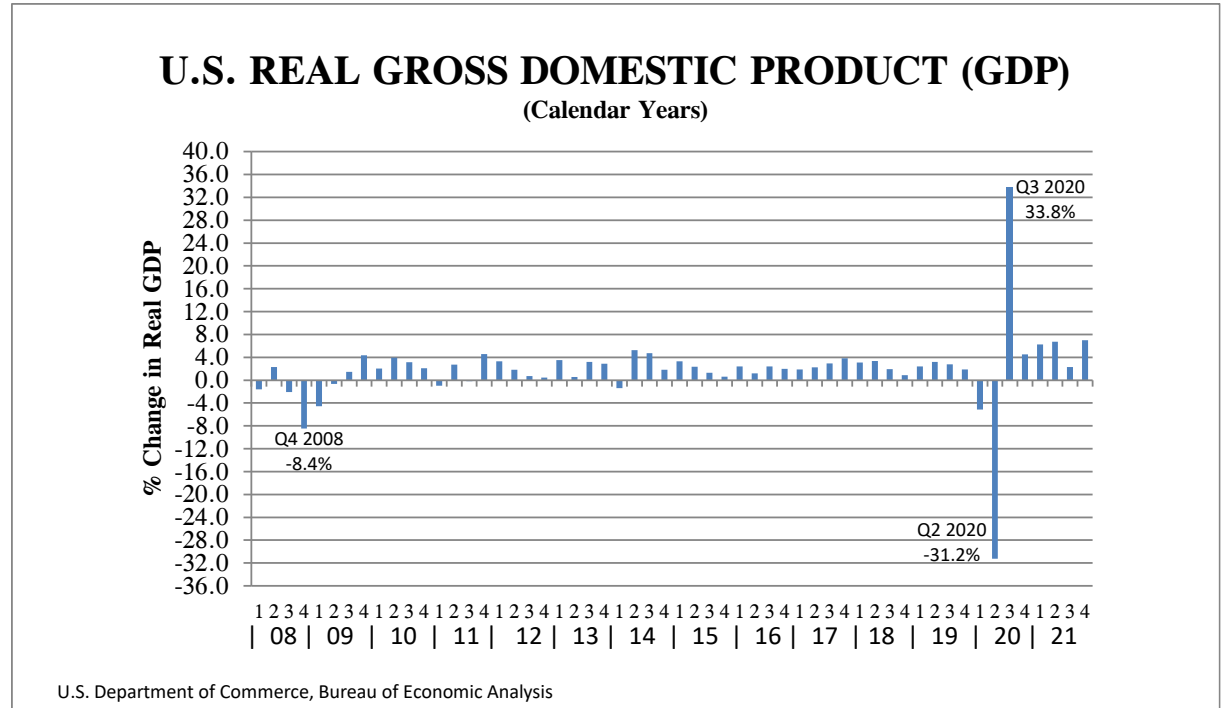
- Bi-Partisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State in addition to providing objective policy research for legislators and legislative staff.
- Prepares annual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



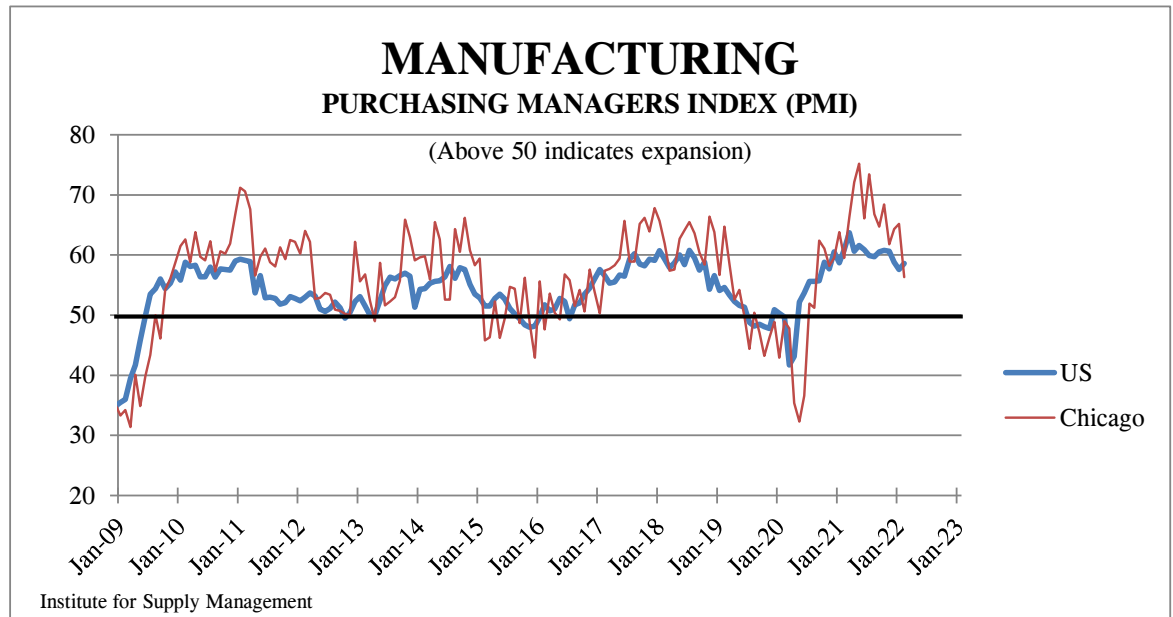
Real Gross Domestic Product (GDP)

- The spread of COVID-19 led to a historic decline (-31.2%) in the 2nd quarter of 2020, followed by the largest percentage increase (33.8%) ever.
- The fall wave of the virus in 2020 slowed growth to 4.3% in the fourth quarter.
- Results from the first two quarters of 2021 were 6.4% and 6.6% but the economy faltered to 2.3% in the third quarter due to the Delta variant and supply chain issues.
- The fourth quarter of 2021 ended on the upswing as GDP returned to 7.0%.
- An aggregation of economic forecasts in February had a mean estimate for real GDP growth of 3.7% for 2022 and 2.5% for 2023.



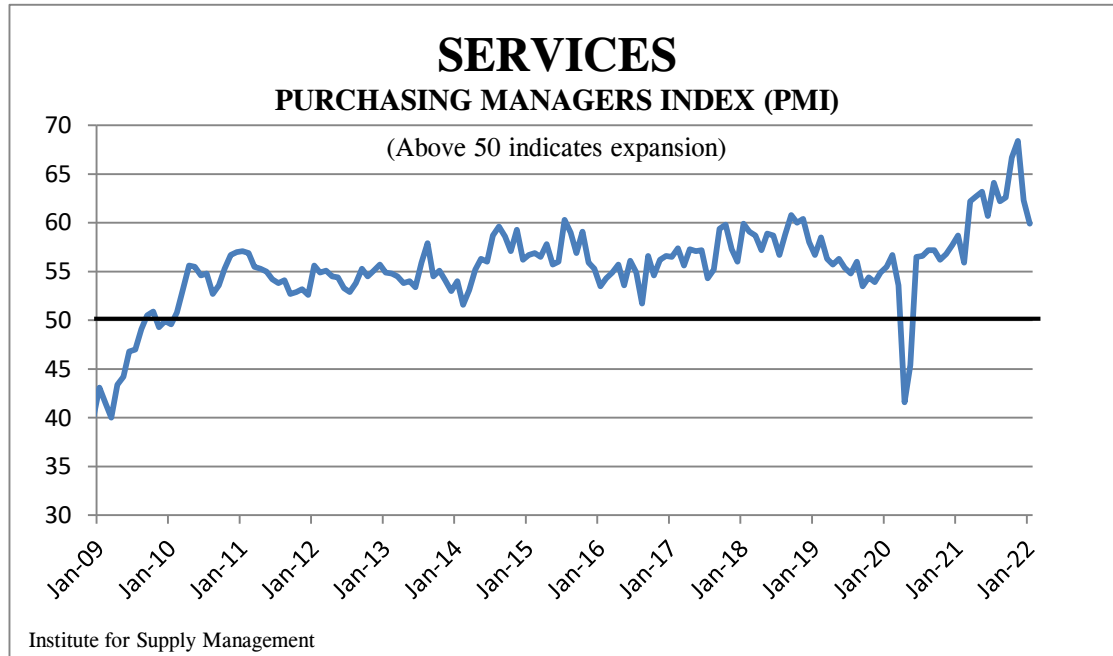
Manufacturing PMI

- 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 strong level of 58.6.
- The Manufacturing PMI for Chicago was at an all-time high in May of 2021 but has receded since then.
- While demand remains strong, supply chain issues and labor shortages continue to hamper the manufacturing sector. These issues have led to order back logs, higher prices, and low inventories.



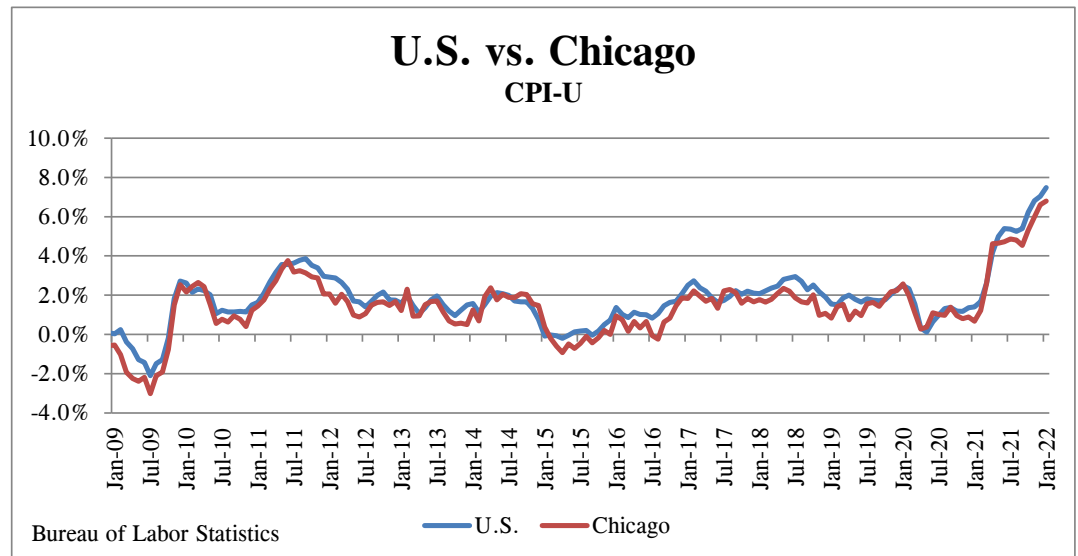
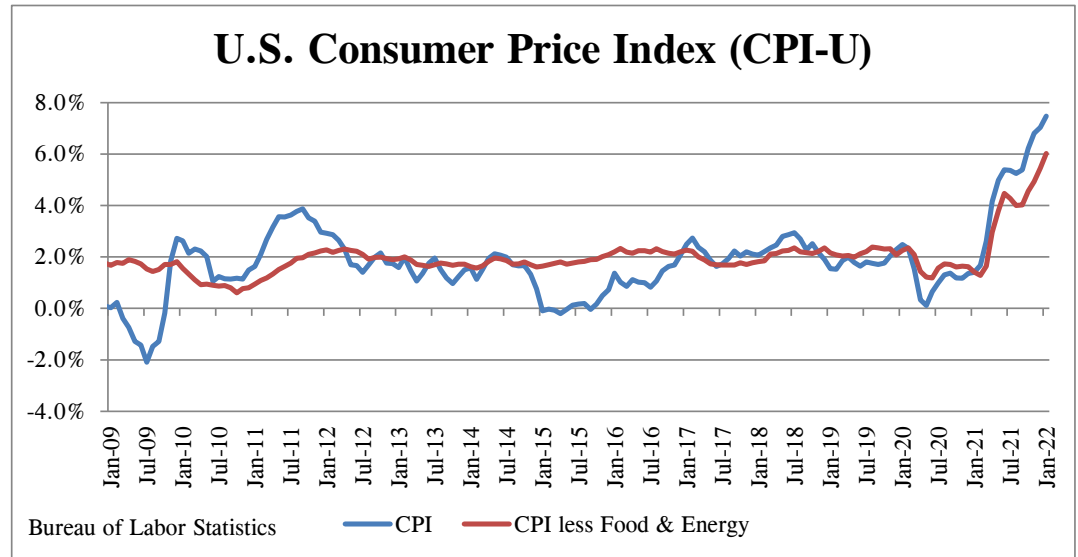
Services PMI

- 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 Service 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 59.9 in January as the Omicron variant spread.



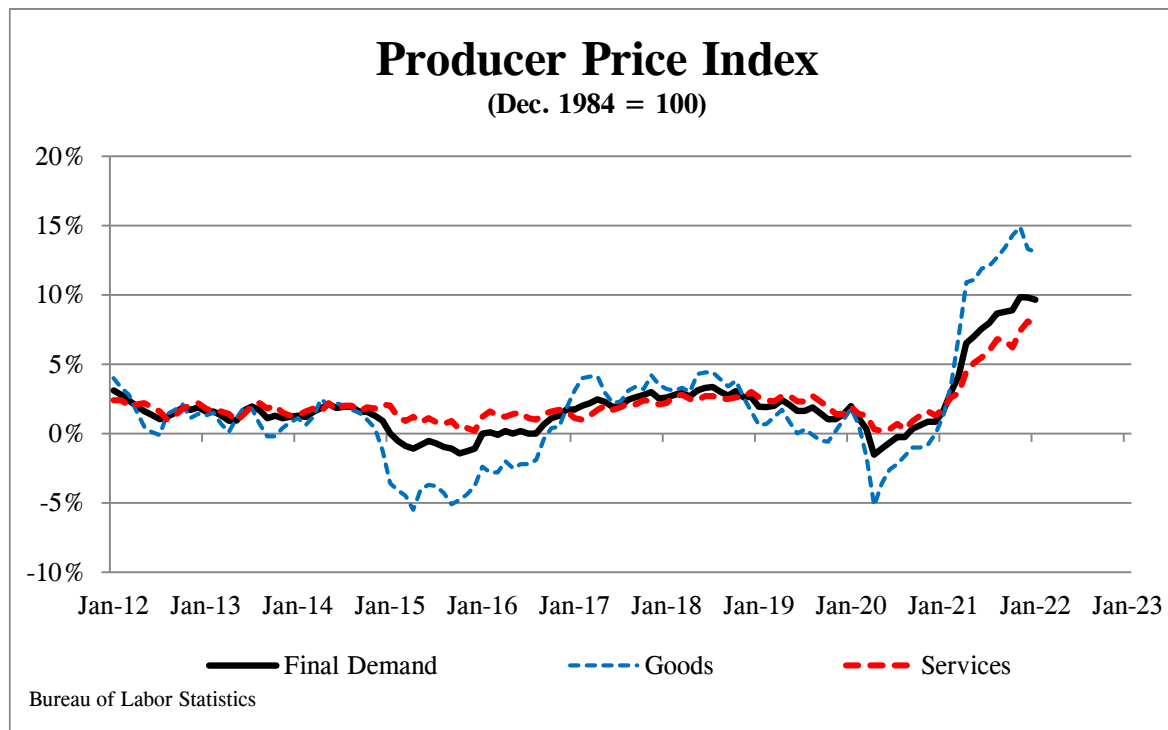
Consumer Price Index (CPI)

- 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.
- The growth of consumer prices slowed due to COVID-19 but did not lead to actual price declines in general.
- In April of 2021, the CPI began to accelerate reaching 7.5% in January. Core CPI has grown to 6.0%.
- CPI for Chicago has risen to 6.8%, while core inflation remains more subdued at 4.8%.
- Expectations are for inflation to continue to remain elevated in the near-term, gradually slowing over the next year.



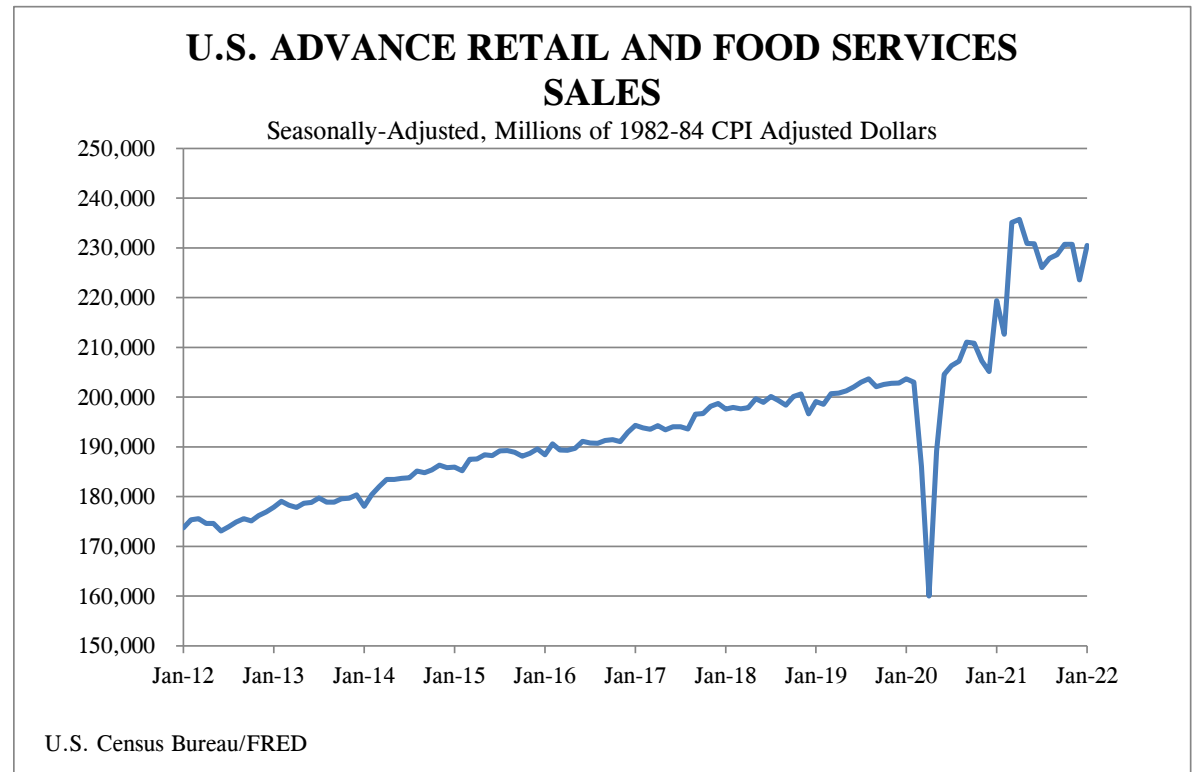
Producer Price Index (PPI)

- 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 is seeing some of the highest rates of growth since the 1980's. Overall Final Demand sits at just under 10%. The goods portion sits at just over 13%, while the PPI for services is at 7.7%.



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 has rebounded well above the pre-pandemic trend, it has slowed since peaking in April of 2021.
- This trend is expected to continue as consumers revert back to spending patterns that lean more towards services.



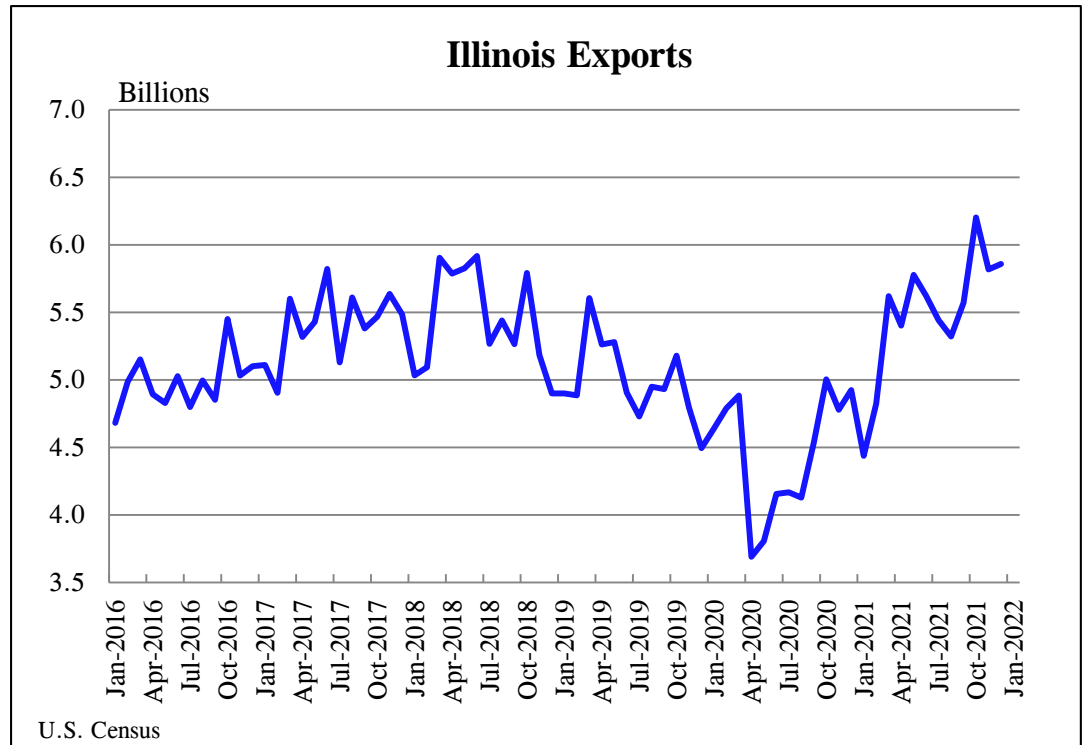
10-Year Treasury Rate

- The 10-year Treasury rate is a key interest rate tied to many transactions, particularly home mortgages, and is considered as an indicator of investor sentiment about the U.S. economy.
- When the investors' confidence in the economy grows, investors tend to seek higher return investments with higher risks than treasury bonds. Then, the falling demand decreases the prices and increases the yield (rate). It is the opposite when the confidence falls.
- The 10-year treasury rate has been erratic. 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.
- With the identification of a new variant, Omicron, it dipped again to around 1.4% in early December in 2021, and then quickly recovered to 2% as the Omicron concerns waned. However, it fell again due to Russia's invasion of Ukraine. As of early March 2022, it is around 1.8%.



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 \$5.92 billion in mid-2018 despite uncertainties such as trade conflicts between the U.S. and other countries.
- Since then, it 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 \$3.69 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 December of 2021, Illinois exports stood at \$5.86 billion, down from its recent high of \$6.2 billion. But it still remained high, compared to where it was over the past 3 years.
- IHS Markit projects U.S. exports to grow in 2022 and 2023. This would also affect Illinois as it is the 5th largest exporter in the U.S.



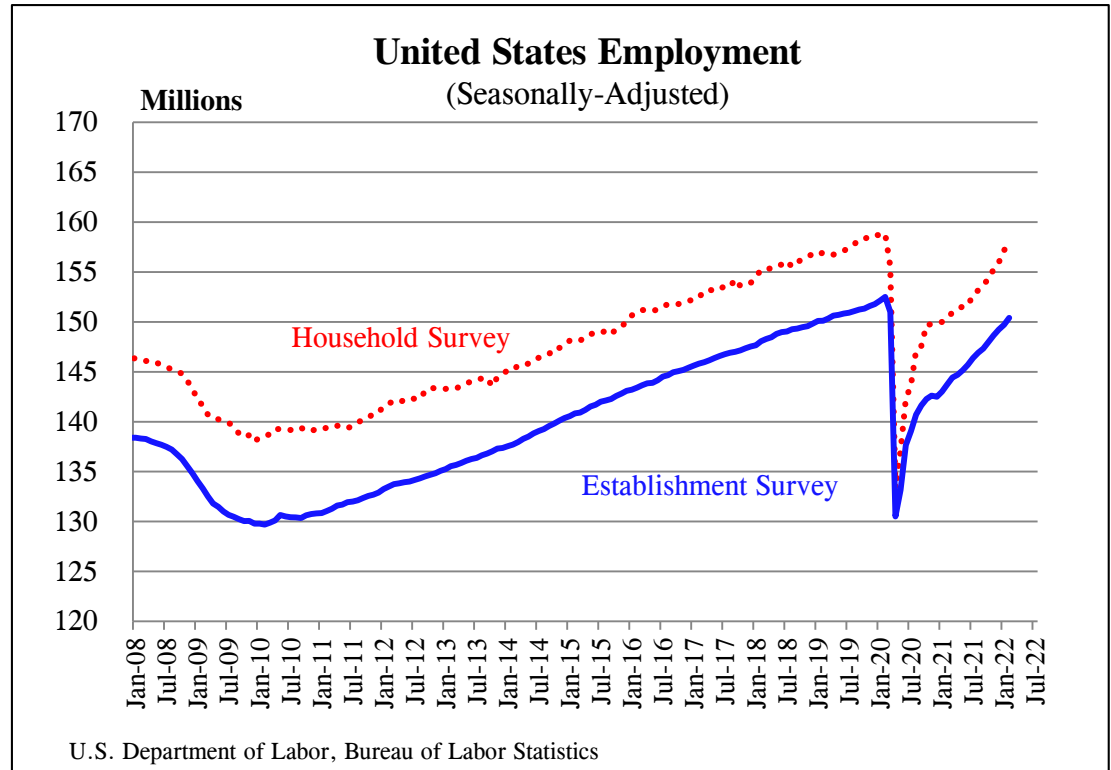
United States Employment

- 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.

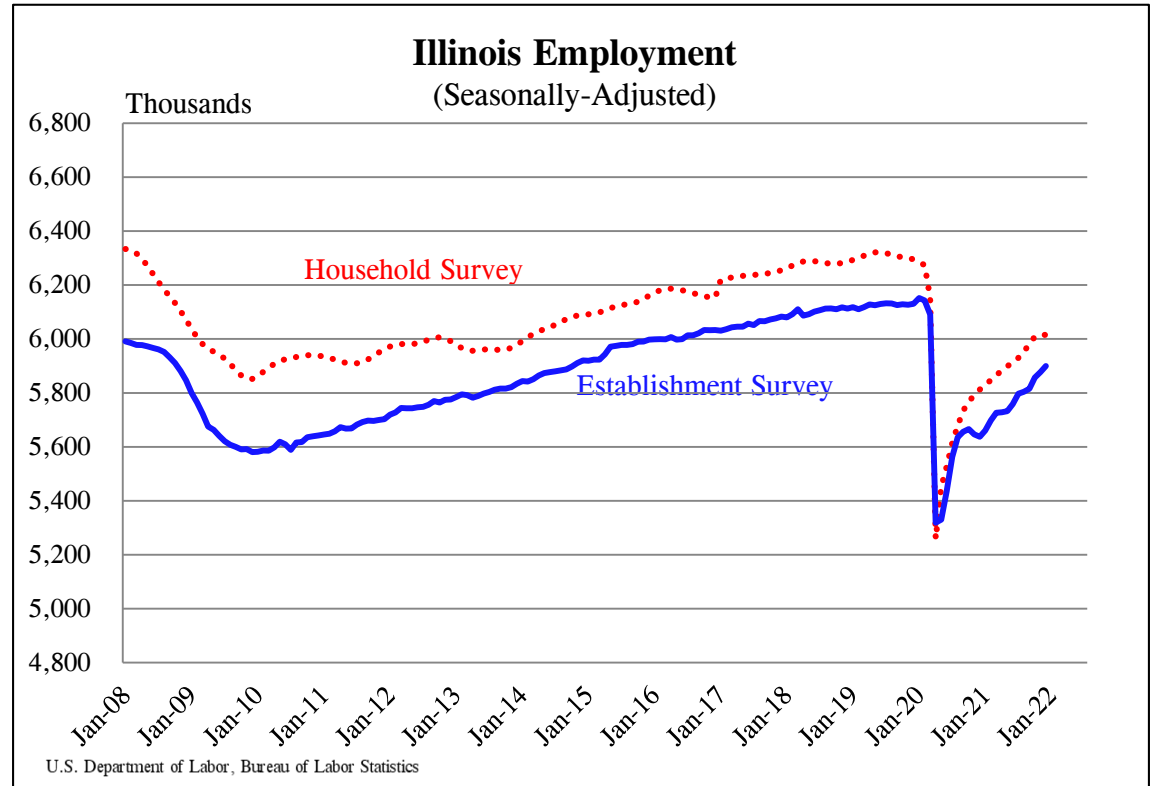
- With the substantial stimulus packages by Congress and Fed's monetary policies, along with the increasing availability of vaccines, U.S. employment has improved. Fading Omicron concerns help further improve the economy.

- With the strong jobs report in February 2022, the U.S. has climbed to within 1 to 2 million jobs below the previous peak, which suggests that U.S. employment is closing in on a full recovery.



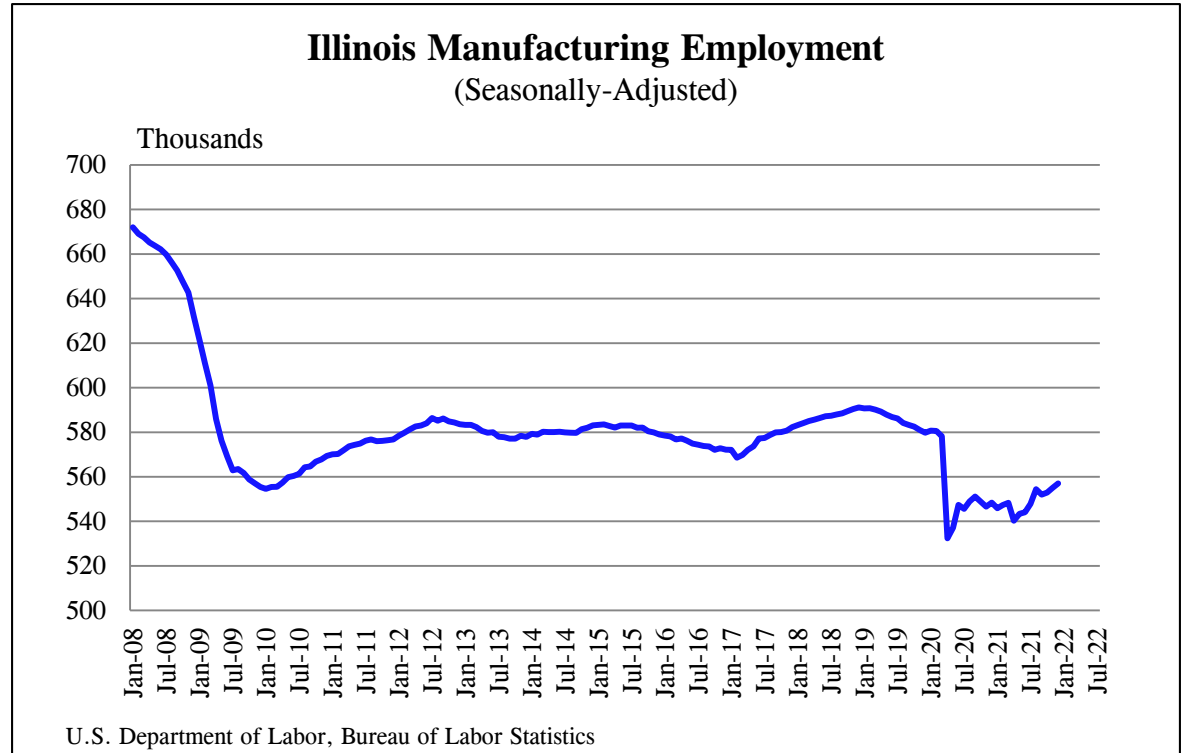
Illinois Employment

- 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 Household Survey was much slower than that of 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. Establishment Survey and Household Survey showed Illinois jobs declined by 13% and 15%, respectively that month, which were the biggest drops on record.
- Since then, employment has rebounded as the Illinois economy slowly reopened. While a significant improvement is seen, the recovery pace is behind that of the nation. IHS Markit projects that Illinois employment would continue to improve in the coming years.



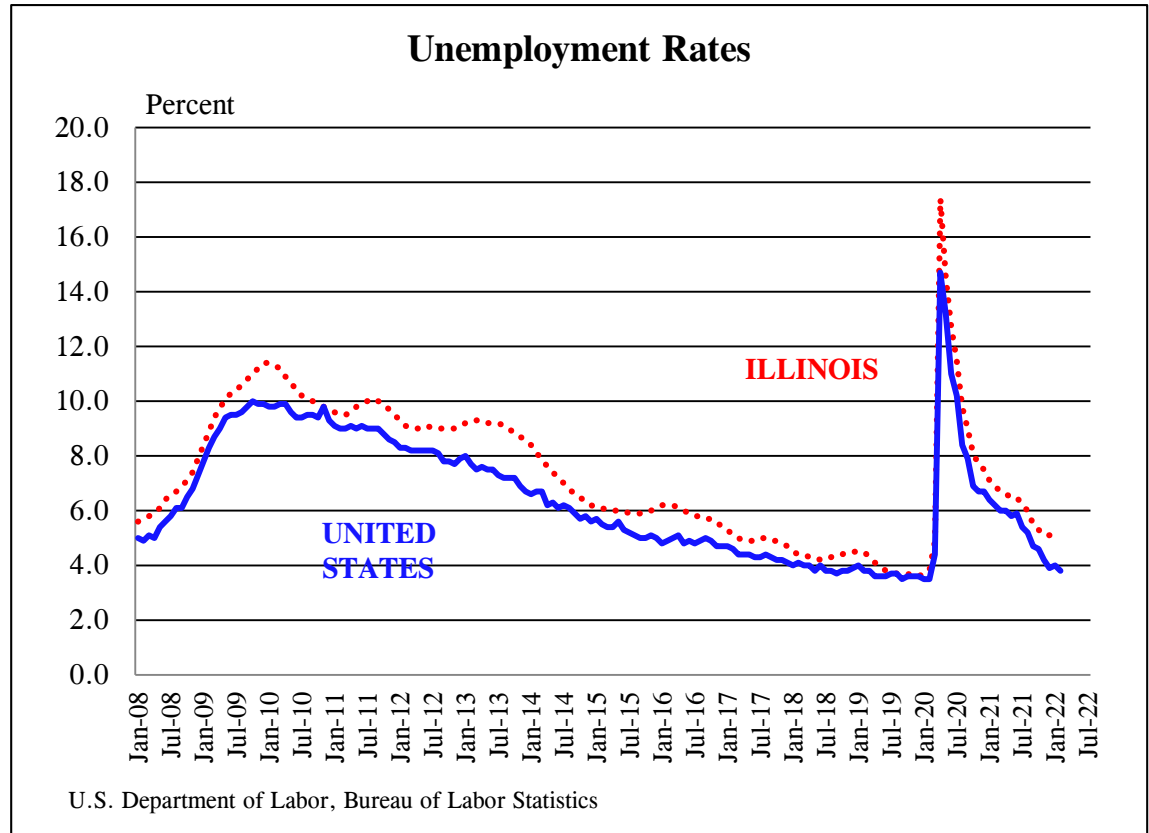
Illinois Manufacturing Employment

- 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 45,800 manufacturing jobs over the previous month, the largest monthly decline on record.
- Since then, it quickly picked up again but remains well below previous levels.
- IHS Markit projects that the State's manufacturing employment will continue to slowly improve in 2022 and remain stable for the next few years.



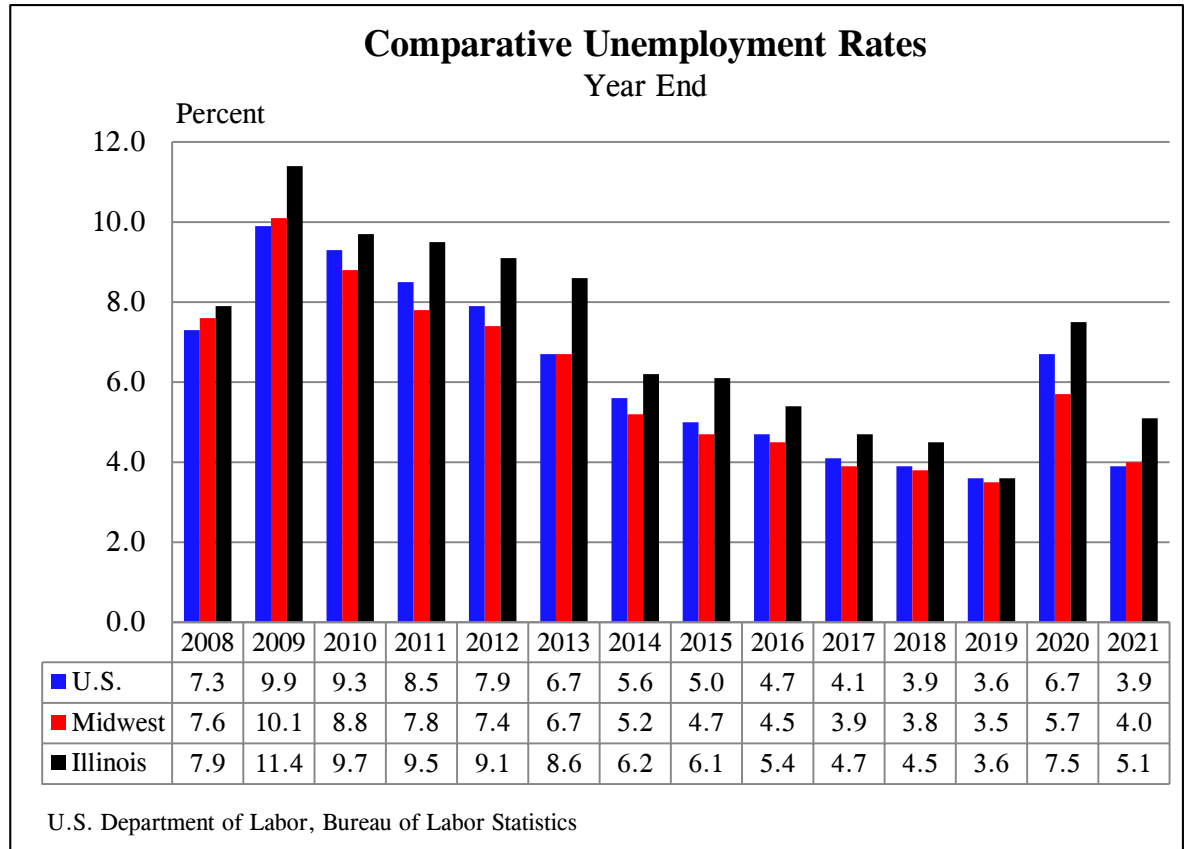
Unemployment Rates

- 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.
- As the economic activities picked up, the rates went down as well. As the recovery continued, the unemployment rates in December 2021 for the U.S. and Illinois declined to 3.9% and 5.1%, respectively. Since then, the U.S. rate has fallen to 3.8%.



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 recent data as of December 2021 had the national and Midwest rate at 3.9% and 4.0%, respectively, and the Illinois rate at 5.1%. The U.S. rate stood at 4.0% in January and fell to 3.8% in February 2022.



Average Employment Levels by Subsector in Illinois
Non-Seasonally Adjusted Averages: 2012 to 2021 (in thousands)

| Subsector | Annual Average | | | | | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 prelim |
| Mining | 10.2 | 9.7 | 9.9 | 9.3 | 8.1 | 7.8 | 7.9 | 8.3 | 6.8 | 6.6 |
| Construction | 189.1 | 191.4 | 201.7 | 213.6 | 218.7 | 220.3 | 226.1 | 228.1 | 216.5 | 226.2 |
| Manufacturing | 583.4 | 579.7 | 580.5 | 582.1 | 575.0 | 575.9 | 587.2 | 586.1 | 554.2 | 549.2 |
| Trade, Transportation, and Utilities | 1,153.9 | 1,162.0 | 1,177.4 | 1,198.8 | 1,208.5 | 1,210.5 | 1,211.5 | 1,205.9 | 1,157.4 | 1,192.9 |
| Information | 100.2 | 98.9 | 99.0 | 100.4 | 98.5 | 97.5 | 94.7 | 94.8 | 87.4 | 86.5 |
| Financial Activities | 375.6 | 379.0 | 378.1 | 382.5 | 386.6 | 394.9 | 402.9 | 411.4 | 406.2 | 400.6 |
| Professional and Business Services | 857.1 | 883.2 | 909.4 | 921.9 | 931.4 | 941.6 | 947.6 | 948.6 | 889.7 | 916.1 |
| Education and Health Services | 863.2 | 875.3 | 886.1 | 900.3 | 915.2 | 923.7 | 932.2 | 940.0 | 892.0 | 892.5 |
| Leisure and Hospitality | 536.5 | 546.4 | 558.7 | 578.9 | 597.3 | 610.7 | 617.6 | 623.2 | 460.9 | 488.9 |
| Other Services | 249.7 | 249.9 | 252.2 | 252.1 | 251.4 | 252.8 | 254.3 | 255.5 | 233.5 | 240.1 |
| Government | 832.2 | 828.0 | 825.7 | 826.5 | 822.0 | 819.3 | 819.8 | 822.9 | 785.8 | 783.5 |
| Annual Average Totals | 5,751.1 | 5,803.5 | 5,878.7 | 5,966.4 | 6,012.7 | 6,055.0 | 6,101.8 | 6,124.8 | 5,690.4 | 5,783.0 |
| Illinois' Annual % Change | 1.3% | 0.9% | 1.3% | 1.5% | 0.8% | 0.7% | 0.8% | 0.4% | -7.1% | 1.6% |

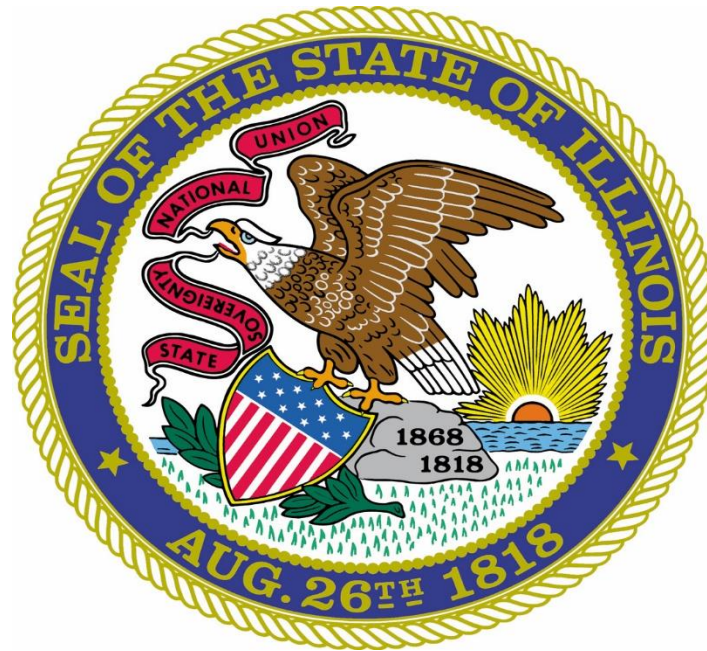
Average Weekly Earnings and Employment Change by Subsector in Illinois
Calendar Year Averages: 2012 to 2021

| Subsector | Annual Average | | | | | | | | | |
|--|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 prelim |
| Mining* | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Construction | 1,290.8 | 1,262.6 | 1,317.0 | 1,374.2 | 1,391.8 | 1,376.5 | 1,424.3 | 1,488.3 | 1,445.1 | 1,516.6 |
| Manufacturing | 981.3 | 993.5 | 1,015.6 | 1,033.4 | 1,043.1 | 1,044.7 | 1,085.8 | 1,117.3 | 1,153.0 | 1,187.9 |
| Trade, Transportation, and Utilities | 765.6 | 787.6 | 807.7 | 812.7 | 810.8 | 822.8 | 859.9 | 872.0 | 902.6 | 968.1 |
| Information | 1,027.3 | 1,102.2 | 1,155.0 | 1,152.6 | 1,129.3 | 1,201.8 | 1,332.5 | 1,431.2 | 1,530.8 | 1,450.5 |
| Financial Activities | 1,131.0 | 1,140.4 | 1,229.8 | 1,314.2 | 1,348.7 | 1,367.8 | 1,399.9 | 1,424.5 | 1,544.2 | 1,642.7 |
| Professional and Business Services | 1,027.3 | 1,024.9 | 1,037.5 | 1,049.4 | 1,072.9 | 1,087.2 | 1,130.2 | 1,183.3 | 1,236.4 | 1,305.7 |
| Education and Health Services | 791.7 | 814.1 | 810.1 | 805.8 | 808.3 | 804.8 | 815.0 | 823.7 | 856.4 | 901.9 |
| Leisure and Hospitality | 343.3 | 338.4 | 352.4 | 368.3 | 374.7 | 391.2 | 404.7 | 426.2 | 428.1 | 473.7 |
| Other Services | 727.5 | 750.8 | 779.6 | 833.5 | 863.5 | 840.1 | 861.3 | 927.7 | 1,012.0 | 1,022.4 |
| 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* | 847.0 | 858.8 | 880.5 | 897.4 | 906.2 | 913.7 | 946.4 | 976.1 | 1,032.1 | 1,083.9 |
| % Change in Avg. Weekly Earnings | 3.3% | 1.4% | 2.5% | 1.9% | 1.0% | 0.8% | 3.6% | 3.1% | 5.7% | 5.0% |
| Annualized Wage/Employment Comparison | 4.6% | 2.3% | 3.9% | 3.4% | 1.8% | 1.5% | 4.4% | 3.5% | -1.8% | 6.7% |

* 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

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:

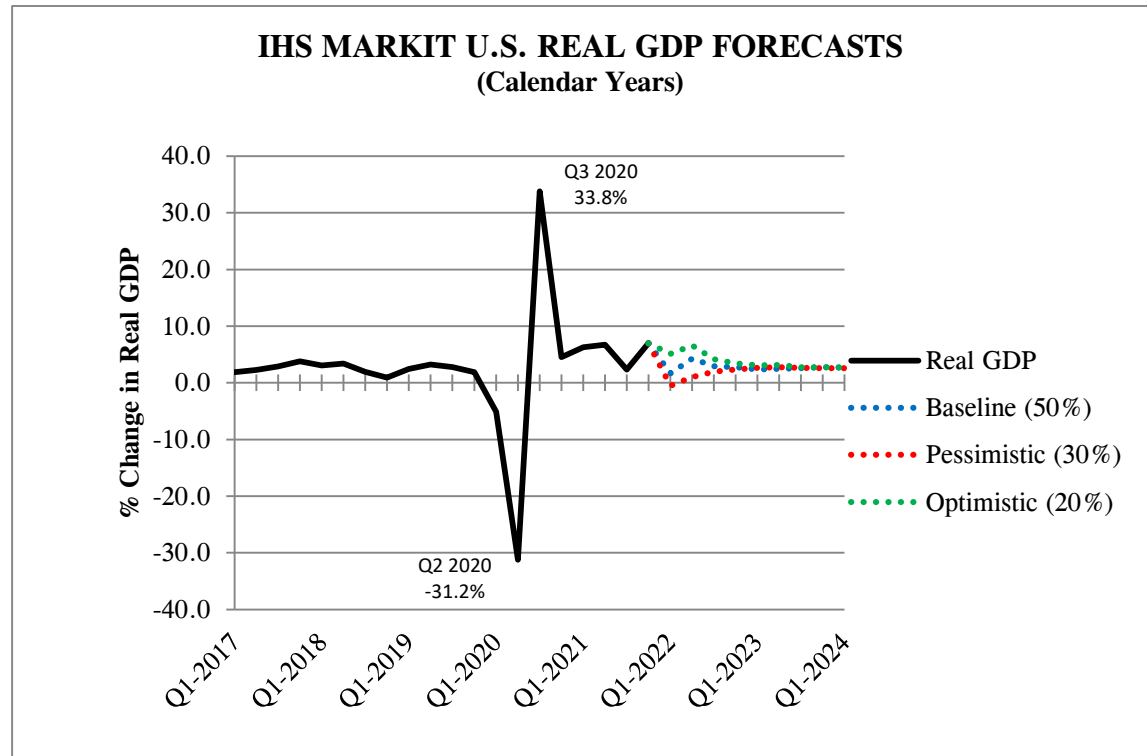
- Econometric Firms (IHS Markit/Moody’s Analytics)
- Professional Business Associations (National Association of Home Builders)
- Academic Institutions (Univ. of Michigan/Georgia State Univ.)
- Individual Businesses (Eaton Corporation/FedEx)

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 28 economic forecasters. | | | | | |
| Economic Indicator | 2019 Actual | 2020 Actual | 2021 Actual | 2022 Forecast | 2023 Forecast |
| Real GDP* | 2.3% | -3.4% | 5.7% | 3.7% | 2.5% |
| Nominal GDP* | 4.1% | -2.2% | 10.0% | 8.4% | 3.5% |
| Real Disposable Personal Income* | 2.3% | 6.2% | 2.2% | -3.1% | 2.8% |
| Real Personal Consumption* | 2.2% | -3.8% | 7.9% | 3.3% | 2.4% |
| Real Government Consumption and Investment* | 2.2% | 2.5% | 0.5% | 0.7% | 1.4% |
| Real Business Investment* | 4.3% | -5.3% | 7.3% | 4.9% | 4.1% |
| Nominal Pre-tax Profits* | 2.7% | -5.2% | 24.9% est. | 5.2% | 2.7% |
| Consumer Prices* | 1.8% | 1.2% | 4.7% | 5.2% | 2.6% |
| Core PCE Prices (excluding Food/Energy)* | 1.7% | 1.4% | 3.3% | 4.0% | 2.6% |
| Producer Prices* | 0.8% | -1.3% | 8.9% | 6.7% | 2.5% |
| Employment Costs* | 2.7% | 2.6% | 3.3% | 4.0% | 3.7% |
| Auto & Light Truck Sales (inc. imports) mn | 17 | 14.5 | 15.0 | 15.6 | 16.8 |
| Housing Starts, mn units | 1.29 | 1.40 | 1.60 | 1.60 | 1.57 |
| Unemployment Rate (%) | 3.7% | 8.1% | 5.4% | 3.7% | 3.5% |
| *average % change over previous calendar year | | | | | |
| Source: Consensus Economics, February 2022 | | | | | |

U.S. Real GDP Forecast Scenarios

- The **BASELINE** shows the most likely scenario with a 50% chance of occurrence. The economy is expected to continue to grow as a transition from pandemic to endemic occurs. The 1st quarter is expected to be hampered by the Omicron variant but rebounds to 4.3% in the 2nd quarter. The second half of the year is expected to grow a little under 3%. Overall, real GDP grows 2.9% in 2022 and 2.5% in 2023.
- A more **PESSEMISTIC** scenario, with a 30% probability, has the recovery stumbling as supply issues persist and Omicron variant lingers. The pessimistic scenario forecasts contraction in the 1st quarter of 2022. The economy lags in the 2nd and 3rd quarter before returning to more normal growth of around 2.5% to end 2022 and into 2023.
- A final 20% likely **OPTIMISTIC** scenario has the economy growing 4.7% in 2022 as the economy returns to normal with still more government stimulus and improving supply chain issues driving faster growth.



IHS MARKIT - FEBRUARY 2022

IHS MARKIT U.S. ECONOMIC FORECAST SCENARIOS

FEBRUARY 2022*

| | Baseline (50%) | Pessimistic (30%) | Optimistic (20%) |
|----------------------------------|---|---|---|
| GDP Growth | Real GDP rises 2.9% in 2022 as the aggressive recovery following the pandemic-induced downturn begins to chill. Growth then slows to 2.5% in 2023 and 2.7% in 2024. | Real GDP rises a mere 1.2% in 2022 in response to weakness in the first half of the year from Omicron and supplychain disruptions. Growth increases to 2.7% in 2023 and 2.6% in 2024. | Real GDP rises 4.7% in 2022 as the momentum from 2021 continues into the first half of the year. Growth slows to 3.0% in 2023 and 2.5% in 2024. |
| Consumer Spending | Consumption slips from 7.1% in 2021 to a more modest 2.6% in 2022. Growth continues in 2023 and 2024 at 2.9% and 3.0%, respectively. | Spending rises only 1.3% in 2022, before accelerating to 3.0% in 2023 and 2.7% in 2024. | Personal consumption expenditures rise 4.7% in 2022 and 3.5% in 2023, before easing to 2.8% growth in 2024. |
| Business Fixed Investment | Jumps 7.2% in 2022 with growth persisting at 4.2% in 2023 and 2024. | Grows 5.2% in 2022, moderating to 3.4% in 2023 and 2024. | Rises 10.6% in 2022, 5.7% in 2023, and 4.4% in 2024. |
| Monetary Policy | Fed keeps the funds rate at the zero bound until March 2022; taper of asset purchases concludes in March of 2022. | Fed keeps the federal funds rate at the zero bound till late-2025. | Fed raises the federal funds rate in March 2022. |
| Consumer Confidence | Rises steadily over 2022 and steadies near its pre-pandemic level by early 2023. | Remain slightly tighter than in baseline. | Outperforms baseline over the entire forecast interval. |
| Inflation (PCE) | Core personal consumption (PCE) price inflation moderates from 4.6% in 2021 to 3.4% in 2022, before slowing to 2.1% in 2023 and 2024. | Core PCE price inflation registers 2.3% in 2022, but slows to 0.9% in 2023 and 1.2% in 2024. | Core PCE price inflation rises 3.8% in 2022, slowing to 2.3% in 2023 and 2.2% in 2024 in response to increased interest rates. |

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

IHS Markit

U.S. FORECASTS -- FEBRUARY 2022

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

| | 2021 | 2022 | | | 2023 | | |
|--|--------|-------------|----------|------------|-------------|----------|------------|
| | Actual | Pessimistic | Baseline | Optimistic | Pessimistic | Baseline | Optimistic |
| Gross Domestic Product | 5.5% | 1.2% | 2.9% | 4.7% | 2.7% | 2.5% | 3.0% |
| Personal Consumption | 7.1% | 1.3% | 2.6% | 4.7% | 3.0% | 2.9% | 3.5% |
| Durable | 6.4% | -1.0% | 0.3% | 3.5% | 4.3% | 4.4% | 5.2% |
| Nondurable | 7.7% | -1.6% | -0.7% | 1.3% | 2.0% | 2.0% | 2.6% |
| Services | 7.1% | 2.6% | 4.1% | 6.1% | 3.0% | 3.0% | 3.5% |
| Fixed Investment (Nonresidential) | 6.4% | 5.2% | 7.2% | 10.6% | 3.4% | 4.2% | 5.7% |
| Exports | 5.3% | 4.0% | 8.1% | 9.6% | 5.4% | 5.1% | 4.5% |
| Imports | 9.6% | 1.5% | 3.8% | 7.0% | 4.2% | 3.4% | 3.6% |
| Government | 0.0% | 1.4% | 1.3% | 1.2% | 1.3% | 1.3% | 1.3% |
| Federal | -1.0% | -0.4% | -0.5% | -0.5% | 0.3% | 0.2% | 0.2% |
| State & Local | 0.6% | 2.6% | 2.4% | 2.3% | 1.9% | 1.9% | 1.9% |
| OTHER MEASURES | | | | | | | |
| Personal Consumption (Current \$) | 13.0% | 2.9% | 5.3% | 8.0% | 3.6% | 4.8% | 5.6% |
| Before Tax Profits (Current \$) | 23.7% | -12.9% | -4.0% | 3.7% | -1.0% | 4.7% | 3.0% |
| Unemployment Rate (Average Q4) | 4.2% | 4.2% | 3.4% | 3.1% | 4.1% | 3.6% | 3.3% |
| IHS Markit | | | | | | | |

ILLINOIS FORECASTS -- FEBRUARY 2022

(Calendar Years, Q4/Q4 for Annual Rates)

| | 2021 | 2022 | | | 2023 | | |
|---|----------|-------------|----------|------------|-------------|----------|------------|
| | Estimate | Pessimistic | Baseline | Optimistic | Pessimistic | Baseline | Optimistic |
| Real Gross State Product (Billions 2012\$) | 787.8 | 792.5 | 806.2 | 820.8 | 807.5 | 820.2 | 838.3 |
| % Change | 5.2% | 0.6% | 2.3% | 4.2% | 1.9% | 1.7% | 2.1% |
| Total Employment (1,000's) | 5,878.1 | 5,972.2 | 6,042.2 | 6,060.8 | 6,031.0 | 6,079.3 | 6,102.1 |
| % Change | 4.0% | 1.6% | 2.8% | 3.1% | 1.0% | 0.6% | 0.7% |
| Population (1,000's) | 12,619.7 | 12,541.6 | 12,541.6 | 12,541.6 | 12,494.8 | 12,494.8 | 12,494.8 |
| % Change | -0.8% | -0.6% | -0.6% | -0.6% | -0.4% | -0.4% | -0.4% |
| Personal Income (Billions \$) | 831.5 | 852.9 | 870.8 | 883.8 | 885.9 | 908.1 | 928.7 |
| % Change | 4.3% | 2.6% | 4.7% | 6.3% | 3.9% | 4.3% | 5.1% |
| Private Housing Starts (1,000's) | 22.6 | 18.3 | 19.5 | 19.9 | 18.1 | 19.0 | 19.5 |
| % Change | 33.8% | -19.1% | -13.7% | -11.9% | -0.8% | -2.9% | -2.1% |
| Unemployment Rate Average % (Q4) | 5.6% | 4.8% | 3.7% | 3.4% | 4.6% | 3.9% | 3.6% |
| IHS Markit | | | | | | | |

GENERAL FUNDS REVENUE



FY 2022 Enacted vs. Revised CGFA General Funds Revenue Outlook

The FY 2022 budget was enacted last year 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 billion in assumed resources from ARPA reimbursement for essential government services.

| | |
|--|-------------------------|
| Enacted FY 2022 Budget Revenue Assumptions [Base] | \$42.367 billion |
| <u>ARPA Reimbursement for Essential Gov’t Services</u> | <u>\$2.000 billion</u> |
| Total Assumed Resources for FY 2022 | \$44.367 billion |

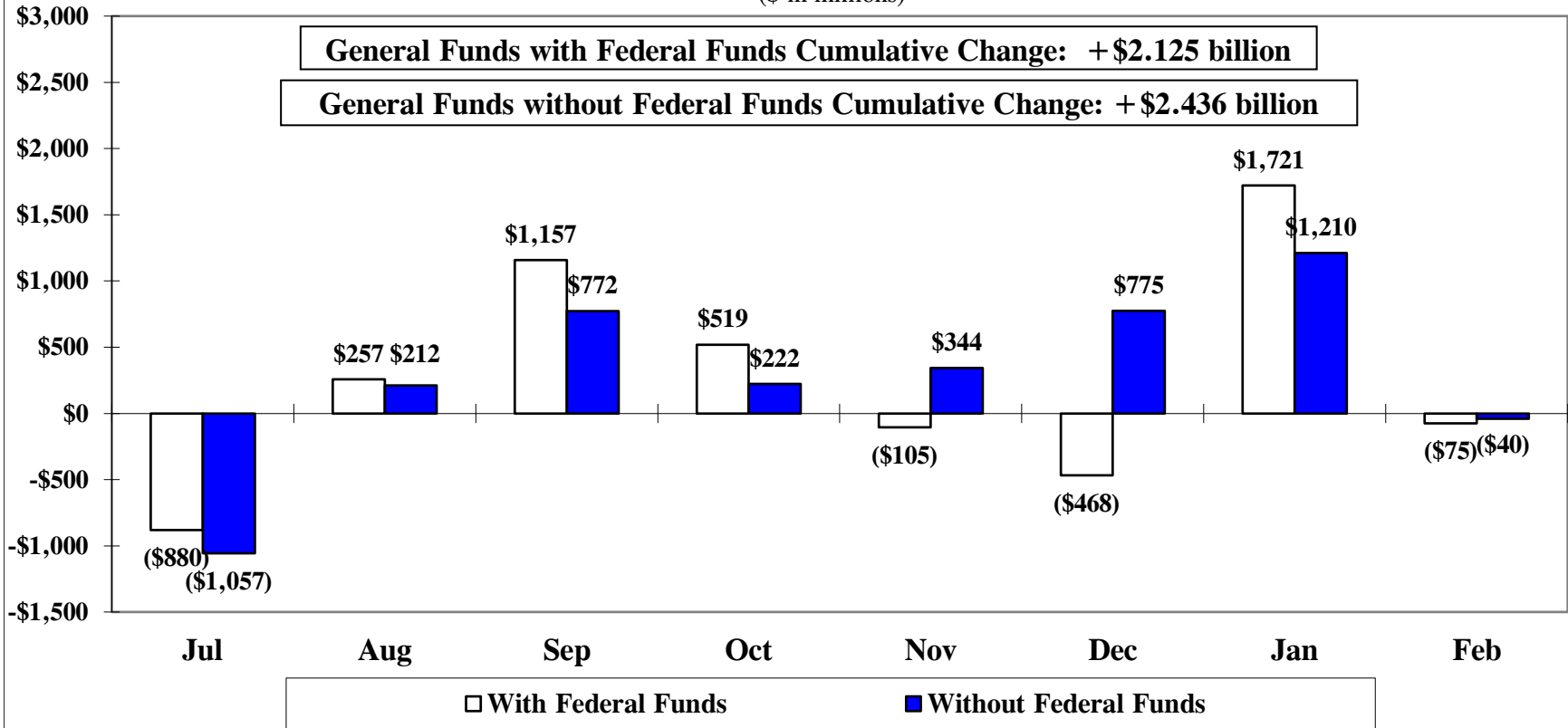
Followers of the Commission’s monthly revenue briefings will be aware of CGFA’s discussion of actual year-to-date revenues demonstrating surprising strength given the heightened state of uncertainty over the last two years. This is a fortuitous trend that was established throughout the previous fiscal year.

A review of the overall positive revenue performance since enactment, coupled with the latest economic trends/outlooks and budgetary plans, necessitates an upward revision. The Commission’s update to the FY 2022 “base” revenue outlook has been raised to \$46.988 billion, while ARPA reimbursement amounts have been reduced, per the GOMB, by \$500 million, netting an overall upward revenue increase of \$4.121 billion.

| | |
|---|-------------------------|
| Preliminary CGFA Revised FY 2022 Revenues [Base] | \$46.988 billion |
| <u>Revised ARPA Reimbursement for Essential Gov’t Services [per GOMB]</u> | <u>\$1.500 billion</u> |
| Preliminary CGFA Revised Total Assumed Resources for FY 2022 | \$48.488 billion |
| Net Increase from Enactment | \$4.121 billion |

FY 2022 Revenue Performance to Date

FY 2022 Monthly General Funds Performance
July thru February as Compared to Same Prior Year Months
 (\$ in millions)



Notes: Figures exclude short-term borrowing, treasurer's investments, and federal funds associated with ARPA Reimbursement for Essential Government Services.

Revenues Year to Date [Thru February]

Through the first two-thirds of FY 2022, overall base receipts are up an impressive \$2.125 billion. Individual income tax receipts are \$465 million above last year's pace on a net basis. Corporate income tax receipts are up a remarkable \$833 million [net]. What makes the growth in income tax revenues so impressive is that the revenue totals of FY 2022 are compared to FY 2021 receipts that benefitted from the previous year's final payment delay, valued at approximately \$1.3 billion.

Net sales tax also continues to have a strong year of receipts, now up \$761 million through February. All other sources are trailing last year's levels by a combined \$67 million.

Overall transfers continue to outpace last year's levels and are now up \$444 million this fiscal year. A \$39 million reduction in refund fund transfers is offset by increases in other areas, including \$364 million in gains from miscellaneous transfers and \$107 million from the return of riverboat transfers. In addition, lottery transfers are up \$12 million for the fiscal year.

Federal sources, when not including the revenues from the ARPA Reimbursement for Essential Government Services, are \$311 million below last year's levels through two-thirds of the fiscal year. This is what the Commission considers as "base" federal source revenues. [However, if \$439 million of ARPA money is included, total federal sources are up \$128 million. The Commission plans to distinguish this federal revenue going forward for comparison purposes].

| GENERAL FUNDS RECEIPTS: YEAR TO DATE | | | | |
|--|-----------------|-----------------|------------------|-----------------|
| <i>FY 2022 vs. FY 2021</i> | | | | |
| <i>(\$ million)</i> | | | | |
| <u>Revenue Sources</u> | <u>FY 2022</u> | <u>FY 2021</u> | <u>\$ CHANGE</u> | <u>% CHANGE</u> |
| State Taxes | | | | |
| Personal Income Tax | \$16,157 | \$15,568 | \$589 | 3.8% |
| Corporate Income Tax (regular) | 3,129 | 2,052 | 1,077 | 52.5% |
| Sales Taxes | 7,208 | 6,237 | 971 | 15.6% |
| Public Utility Taxes (regular) | 496 | 492 | 4 | 0.8% |
| Cigarette Tax | 167 | 186 | (19) | -10.2% |
| Liquor Gallonage Taxes | 128 | 121 | 7 | 5.8% |
| Vehicle Use Tax | 25 | 22 | 3 | 13.6% |
| Inheritance Tax | 381 | 307 | 74 | 24.1% |
| Insurance Taxes and Fees | 250 | 312 | (62) | -19.9% |
| Corporate Franchise Tax & Fees | 145 | 235 | (90) | -38.3% |
| Interest on State Funds & Investments | 9 | 46 | (37) | -80.4% |
| Cook County IGT | 150 | 150 | 0 | 0.0% |
| Other Sources | 184 | 131 | 53 | 40.5% |
| Subtotal | \$28,429 | \$25,859 | \$2,570 | 9.9% |
| Transfers | | | | |
| Lottery | \$513 | \$501 | \$12 | 2.4% |
| Riverboat transfers & receipts | 107 | 0 | 107 | N/A |
| Proceeds from Sale of 10th license | 0 | 0 | 0 | N/A |
| Refund Fund transfer | 242 | 281 | (39) | N/A |
| Other | 659 | 295 | 364 | 123.4% |
| Total State Sources | \$29,950 | \$26,936 | \$3,014 | 11.2% |
| Federal Sources [base] | | | | |
| Total Federal & State Sources | \$33,022 | \$30,319 | \$2,703 | 8.9% |
| Nongeneral Funds Distributions/Direct Receipts: | | | | |
| Refund Fund | | | | |
| Personal Income Tax | (\$1,495) | (\$1,401) | (\$94) | 6.7% |
| Corporate Income Tax | (470) | (288) | (182) | 63.2% |
| Local Government Distributive Fund | | | | |
| Personal Income Tax | (889) | (859) | (30) | 3.5% |
| Corporate Income Tax | (183) | (121) | (62) | 51.2% |
| Sales Tax Distributions | | | | |
| Deposits into Road Fund | (75) | 0 | (75) | N/A |
| Distribution to the PTF and DPTF | (356) | (221) | (135) | 61.1% |
| Subtotal General Funds | \$29,554 | \$27,429 | \$2,125 | 7.7% |
| Treasurer's Investments | \$0 | \$400 | (\$400) | N/A |
| Interfund Borrowing | \$0 | \$0 | \$0 | N/A |
| ARPA Reimb. for Essential Gov't Services | \$439 | \$0 | \$439 | N/A |
| Short Term Borrowing [MLF] | \$0 | \$1,998 | (\$1,998) | N/A |
| Total General Funds | \$29,993 | \$29,827 | \$166 | 0.6% |
| CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding | | | | |
| | | | | 2-Mar-22 |

Revisions to the FY 2022 Revenue Outlooks – CGFA [Mar-22] vs GOMB [Feb-22]

As mentioned, the Commission’s revised view of overall FY 2022 revenues has improved \$4.121 billion since enactment. Stronger performance from the larger economic related sources such as income and sales taxes comprise the vast majority of the improved outlook.

| FY 2022 General Funds Revenue Estimates | | | |
|---|-------------------------------------|-----------------------------------|-------------------------------------|
| Enacted Budget vs CGFA Revised Est. Mar-22 | | | |
| \$ in millions | | | |
| Revenue Sources | FY 2022 Enacted Budget May-21 | FY 2022 CGFA Revised Mar-22 | Difference Revised vs Enacted |
| Personal Income Taxes [Net] | \$20,792 | \$22,459 | \$1,667 |
| Corporate Income Taxes [Net] | \$3,293 | \$4,527 | \$1,234 |
| Sales Tax [Net] | \$9,255 | \$10,181 | \$926 |
| All Other State Sources | \$3,127 | \$3,233 | \$106 |
| Transfers In | \$1,697 | \$2,068 | \$371 |
| Federal Sources [Base] | \$4,203 | \$4,520 | \$317 |
| Base General Funds | \$42,367 | \$46,988 | \$4,621 |
| ARPA Reimbursement for Essential Gov't Services | \$2,000 | \$1,500 | (\$500) |
| Total General Funds Revenues | \$44,367 | \$48,488 | \$4,121 |

Shown in the table below are the upward revisions in revenues made by the GOMB since the budget was enacted. Thus far, the GOMB has made overall upward adjustments of \$3.426 billion, with the majority of the upward revisions also being made to the larger economic related sources of income and sales tax. [Prior to the latest \$1.711 billion increase in their forecast outlined in the recent release of the FY’23 Budget Book, the GOMB made an earlier Nov-21 upward revision of \$1.715 billion].

| FY 2022 General Funds Revenue Estimates--GOMB | | | | |
|--|-------------------|-----------------|-----------------|------------------------------------|
| Enacted Budget; GOMB Update Nov-21; GOMB Revised Feb-22 | | | | |
| (\$ millions) | Enacted May-21 | GOMB Nov-21 | GOMB Feb-22 | Difference Feb-22 vs Enacted |
| Personal Income Taxes [Net] | \$20,792 | \$20,948 | \$21,512 | \$720 |
| Corporate Income Taxes [Net] | \$3,293 | \$3,974 | \$4,698 | \$1,405 |
| Sales Tax [Net] | \$9,255 | \$9,851 | \$10,036 | \$781 |
| All Other State Sources | \$3,127 | \$3,081 | \$3,162 | \$35 |
| Transfers In | \$1,697 | \$1,861 | \$2,100 | \$403 |
| Federal Sources | \$4,203 | \$4,367 | \$4,786 | \$583 |
| Base General Funds | \$42,367 | \$44,082 | \$46,293 | \$3,926 |
| \$ Change from Previous Estimate | | \$1,715 | \$2,211 | |
| ARPA Reimbursement for Essential Gov't Services | \$2,000 | \$2,000 | \$1,500 | (\$500) |
| Total General Funds Revenues | \$44,367 | \$46,082 | \$47,793 | \$3,426 |
| \$ Change from Previous Estimate | | \$1,715 | \$1,711 | |

FY 2022 Revenue Estimate Comparison Revised CGFA Mar-22 vs GOMB Revised Feb-22

The Commission's revised overall FY 2022 revenue outlook is \$695 million higher than the revised GOMB forecast contained in the Governor's FY 2023 Budget Book. Most of the differences are contained in the estimates of income taxes, sales taxes, and federal sources. While the Commission was able to incorporate January's extremely strong performance of actual receipting, due to the earlier than usual budget address, the GOMB was only able to incorporate actual revenue performance through December 2021. It is believed that timing of when the forecasts were updated is a large contributor to the differences in the outlooks.

| FY 2022 General Funds Revenue Estimates | | | |
|---|-----------------------------------|-----------------------------------|--------------|
| CGFA Revised Mar-22 vs GOMB Revised Feb-22 | | | |
| \$ in millions | | | |
| Revenue Sources | FY 2022 CGFA Revised Mar-22 | FY 2022 GOMB Revised Feb-22 | Difference |
| Personal Income Taxes [Net] | \$22,459 | \$21,512 | \$947 |
| Corporate Income Taxes [Net] | \$4,527 | \$4,698 | (\$171) |
| Sales Tax [Net] | \$10,181 | \$10,036 | \$145 |
| All Other State Sources | \$3,233 | \$3,152 | \$81 |
| Transfers In | \$2,068 | \$2,110 | (\$42) |
| Federal Sources [Base] | \$4,520 | \$4,786 | (\$266) |
| Base General Funds | \$46,988 | \$46,293 | \$695 |
| ARPA Reimbursement for Essential Gov't Services | \$1,500 | \$1,500 | \$0 |
| Total General Funds Revenues | \$48,488 | \$47,793 | \$695 |

- The Commission is higher in its view of personal income tax [\$947 million], due in large part to January's success.
- While the Commission's corporate income tax revenue estimate incorporates the strong performance year-to-date, it is not as aggressive as GOMB in its outlook over the remainder of the year, resulting in an estimate being \$171 million lower than GOMB.
- CGFA has a slightly higher estimate of sales taxes [\$145 million].

FY 2022 Revenue Estimate Comparison

Revised CGFA Mar-22 vs GOMB Revised Feb-22 (continued)

- The Commission is slightly higher than GOMB for all other miscellaneous sources [\$81 million].
- The forecasts for transfers into the general funds are quite similar, with the CGFA outlook being \$42 million lower.
- At this time, the Commission will utilize a slightly lower expectation of base federal source revenues, more in line with how actual federal source receipting transpired over the last four-month period of the previous fiscal year.
- The Commission will adopt the revised view of GOMB related to resources made available to the general funds via the ARPA reimbursement for essential government services [adjusted down to \$1.5 billion].

| <i>FY 2022 General Funds Revenue Estimates</i> | | | |
|---|-----------------------------------|-----------------------------------|--------------------------------|
| <i>CGFA Revised Mar-22 vs GOMB Revised Feb-22</i> | | | |
| (millions) | | | |
| | FY 2022 CGFA Revised Mar-22 | FY 2022 GOMB Revised Feb-22 | CGFA vs. GOMB Difference |
| Revenue Sources | | | |
| State Taxes | | | |
| Personal Income Tax | \$26,345 | \$25,234 | \$1,111 |
| Corporate Income Tax (regular) | \$5,718 | \$5,933 | (\$215) |
| Sales Taxes | \$10,897 | \$10,741 | \$156 |
| Public Utility (regular) | \$748 | \$743 | \$5 |
| Cigarette Tax | \$260 | \$271 | (\$11) |
| Liquor Gallonage Taxes | \$183 | \$182 | \$1 |
| Vehicle Use Tax | \$43 | \$30 | \$13 |
| Inheritance Tax | \$535 | \$415 | \$120 |
| Insurance Taxes & Fees | \$432 | \$438 | (\$6) |
| Corporate Franchise Tax & Fees | \$240 | \$271 | (\$31) |
| Interest on State Funds & Investments | \$20 | \$20 | \$0 |
| Cook County Intergovernmental Transfer | \$244 | \$244 | \$0 |
| <u>Other Sources</u> | <u>\$528</u> | <u>\$538</u> | <u>(\$10)</u> |
| Subtotal | \$46,193 | \$45,060 | \$1,133 |
| Transfers | | | |
| Lottery | \$818 | \$826 | (\$8) |
| Riverboat transfers and receipts | \$129 | \$158 | (\$29) |
| Proceeds from sale of 10th license | \$10 | \$10 | \$0 |
| Refund Fund | \$242 | \$242 | \$0 |
| <u>Other</u> | <u>\$869</u> | <u>\$874</u> | <u>(\$5)</u> |
| Total State Sources | \$48,261 | \$47,170 | \$1,091 |
| Federal Sources [Base] | \$4,520 | \$4,786 | (\$266) |
| Subtotal Federal & State Sources | \$52,781 | \$51,956 | \$825 |
| Nongeneral Funds Distribution: | | | |
| Refund Fund | | | |
| Personal Income Tax [9.25% '22] | (\$2,437) | (\$2,334) | (\$103) |
| Corporate Income Tax [15% '22] | (\$858) | (\$890) | \$32 |
| Local Government Distributive Fund | | | |
| Personal Income Tax | (\$1,449) | (\$1,388) | (\$61) |
| Corporate Income Tax | (\$333) | (\$345) | \$12 |
| Sales Tax Distributions | | | |
| Sales Tax Deposits into Road Fund | (\$125) | (\$116) | |
| Sales Tax Distribution to the PTF and DPTF | (\$591) | (\$589) | (\$2) |
| Base General Funds | \$46,988 | \$46,293 | \$695 |
| ARPA Reimbursement for Essential Gov't Services | \$1,500 | \$1,500 | \$0 |
| Total General Funds Revenues | \$48,488 | \$47,793 | \$695 |

Outlook for FY 2023 General Funds Revenues

As shown below, the Commission’s forecast for upcoming FY 2023 anticipates an overall reduction in revenues of \$2.171 billion. That falloff includes the one-time impact of \$1.5 billion related to FY 2022 ARPA reimbursement, but also forecasts a drop of \$671 million in “base” general funds revenues. The underpinnings of the forecast utilize a conservative view given current uncertain economic, as well as geopolitical conditions. That said, as recent history proves, unpredictable events could alter the landscape and impact on these forecasts. Highlights of the outlook include:

| FY 2023 and Revised FY 2022 General Funds Revenue | | | |
|--|---------------------------|---------------------------|------------------|
| CGFA Estimates [per Current Law] | | | |
| \$ in millions | | | |
| Revenue Sources | FY 2023 CGFA Mar-22 | FY 2022 CGFA Mar-22 | Difference |
| Personal Income Taxes [Net] | \$22,750 | \$22,459 | \$291 |
| Corporate Income Taxes [Net] | \$4,357 | \$4,527 | (\$170) |
| Sales Tax [Net] | \$10,087 | \$10,181 | (\$94) |
| All Other State Sources | \$3,176 | \$3,233 | (\$57) |
| Transfers In | \$1,992 | \$2,068 | (\$76) |
| Federal Sources [Base] | \$3,955 | \$4,520 | (\$565) |
| Base General Funds | \$46,317 | \$46,988 | (\$671) |
| ARPA Reimbursement for Essential Gov't Services | \$0 | \$1,500 | (\$1,500) |
| Total General Funds Revenues | \$46,317 | \$48,488 | (\$2,171) |

- Net personal income taxes are expected to grow \$291 million in FY 2023. The slowdown in anticipated growth largely stems from some one-time FY 2022 receipting conditions related to pass-through filers, coupled with waning impacts of federal stimulus policies/programs. In addition, the current outlook for strong TY 2021 capital gains cannot assume to repeat.
- Net corporate income taxes are expected to take a breather from receipting gains brought about by federal stimulus efforts, receipt timing shifts, consumer demand, and record corporate profits. Looking ahead, those drivers will be replaced with waning effects of previous stimulus policies, consumer spending being impacted by record inflation, and much higher input costs impacting bottom line profits. Net corporate income tax receipts are anticipated to fall \$170 million.
- Net sales taxes are also expected to downshift from current trajectory, dropping \$94 million. The anticipated decline, albeit modest, reflects weaker consumer confidence due to purchasing power erosion as inflation spikes, pending interest rate increases, current elimination of federal child tax credit payments, and continued motor fuel sales tax shifting to Road Fund. In addition, a shift back to pre-pandemic purchasing patterns may mean stronger “service” spending at the expense of “goods” spending, which would create downward pressure on receipts.

Outlook for FY 2023 General Funds Revenues (continued)

- All other state sources are projected to see a combined decline of \$57 million.
- State transfers in are anticipated to be \$76 million lower in FY 2023. This includes expected increases of \$40 million in riverboat transfers and \$26 million in other transfers being offset by a projected \$142 million decline in Refund Fund transfers. Lottery transfers are forecast to remain flat in FY 2023.
- Federal sources are forecast to fall \$565 million due to anticipated lower reimbursable spending coupled with a lack of enhanced federal matching rates made possible under the federal “Public Health Emergency” (PHE). It’s unclear exactly how much longer the PHE will be extended [each qtr. of enhanced 6.2% matching rate reportedly equates to about \$90 million in federal reimbursement].

| <i>FY 2023 and Revised FY 2022 General Funds Revenue CGFA Estimates [per Current Law]</i> | | | |
|---|------------------------------------|------------------------------------|---|
| (millions) | | | |
| | FY 2023 CGFA Mar-22 | FY 2022 CGFA Mar-22 | FY 2023 vs. FY 2022 Difference |
| Revenue Sources | | | |
| State Taxes | | | |
| Personal Income Tax | \$26,687 | \$26,345 | \$342 |
| Corporate Income Tax (regular) | \$5,471 | \$5,718 | (\$247) |
| Sales Taxes | \$10,919 | \$10,897 | \$22 |
| Public Utility (regular) | \$718 | \$748 | (\$30) |
| Cigarette Tax | \$252 | \$260 | (\$8) |
| Liquor Gallonage Taxes | \$184 | \$183 | \$1 |
| Vehicle Use Tax | \$38 | \$43 | (\$5) |
| Inheritance Tax | \$485 | \$535 | (\$50) |
| Insurance Taxes & Fees | \$440 | \$432 | \$8 |
| Corporate Franchise Tax & Fees | \$235 | \$240 | (\$5) |
| Interest on State Funds & Investments | \$35 | \$20 | \$15 |
| Cook County Intergovernmental Transfer | \$244 | \$244 | \$0 |
| <u>Other Sources</u> | <u>\$545</u> | <u>\$528</u> | <u>\$17</u> |
| Subtotal | \$46,253 | \$46,193 | \$60 |
| Transfers | | | |
| Lottery | \$818 | \$818 | \$0 |
| Riverboat transfers and receipts | \$169 | \$129 | \$40 |
| Proceeds from sale of 10th license | \$10 | \$10 | \$0 |
| Refund Fund | \$100 | \$242 | (\$142) |
| <u>Other</u> | <u>\$895</u> | <u>\$869</u> | <u>\$26</u> |
| Total State Sources | \$48,245 | \$48,261 | (\$16) |
| Federal Sources [Base] | \$3,955 | \$4,520 | (\$565) |
| Subtotal Federal & State Sources | \$52,200 | \$52,781 | (\$581) |
| Nongeneral Funds Distribution: | | | |
| Refund Fund | | | |
| Personal Income Tax [9.25% '22; 9.25% '23] | (\$2,469) | (\$2,437) | (\$32) |
| Corporate Income Tax [15% '22; 14.5% '23] | (\$793) | (\$858) | \$65 |
| Local Government Distributive Fund | | | |
| Personal Income Tax | (\$1,468) | (\$1,449) | (\$19) |
| Corporate Income Tax | (\$321) | (\$333) | \$12 |
| Sales Tax Distributions | | | |
| Sales Tax Deposits into Road Fund | (\$240) | (\$125) | (\$115) |
| Sales Tax Distribution to the PTF and DPTF | (\$592) | (\$591) | (\$1) |
| Base General Funds | \$46,317 | \$46,988 | (\$671) |
| ARPA Reimbursement for Essential Gov't Services | \$0 | \$1,500 | (\$1,500) |
| Total General Funds Revenues | \$46,317 | \$48,488 | (\$2,171) |

FY 2023 Revenue Comparison –CGFA vs. GOMB

As shown, the Commission’s FY 2023 forecast of \$46.317 billion is \$484 million higher than the GOMB’s outlook recently presented in the Governor’s introduced FY 2023 budget. While the differences between forecasts are not considered fundamentally very significant given the size of the overall revenue base, a few points of comparison are worth noting.

| FY 2023 GENERAL FUND REVENUE COMPARISON | | | |
|--|---------------------------|---------------------------|--------------|
| CGFA vs. GOMB [per Current Law] | | | |
| \$ in millions | | | |
| Revenue Sources | FY 2023 CGFA Mar-22 | FY 2023 GOMB Feb-22 | Difference |
| Personal Income Taxes [Net] | \$22,750 | \$22,401 | \$349 |
| Corporate Income Taxes [Net] | \$4,357 | \$4,446 | (\$89) |
| Sales Tax [Net] | \$10,087 | \$9,909 | \$178 |
| All Other State Sources | \$3,176 | \$3,109 | \$67 |
| Transfers In | \$1,992 | \$1,923 | \$69 |
| Federal Sources [Base] | \$3,955 | \$4,045 | (\$90) |
| Base General Funds | \$46,317 | \$45,833 | \$484 |
| ARPA Reimbursement or Other Borrowing | \$0 | \$0 | \$0 |
| Total General Funds Revenues | \$46,317 | \$45,833 | \$484 |

- While the Commission’s estimate of net personal income tax receipts are \$349 million higher than the GOMB, that differential is reflective of CGFA’s higher FY 2022 base estimate rather than underlying growth expectations of the upcoming fiscal year. In fact, the Commission is assuming considerably lower growth expectations for FY 2023 than the GOMB.
- While both agencies are anticipating a falloff in net corporate income taxes, the Commission’s more conservative outlook equates to a lower estimate for FY 2023.
- While the Commission’s estimate of net sales tax receipts are \$178 million higher than the GOMB, that is quite similar to the FY 2022 outlook differential as well.

FY 2023 Revenue Comparison –CGFA vs. GOMB (continued)

- CGFA has slightly higher expectations of all other state source estimates, with the Commission \$67 million higher than the GOMB.
- CGFA is \$69 million higher for transfers in. The Commission is \$7 million lower than the GOMB, but \$12 million higher in riverboat transfers and \$64 million higher in lottery transfers. [Based on the budget book narrative, the GOMB assumes legislative action necessary to “true-up” some earlier lottery transfers. The net effect if passed would likely reduce the Commission’s FY 2023 lottery transfer estimate by approximately \$64 million].
- At this time, the Commission is not assuming a continuation of the higher federal matching rate into FY 2023. As a result, the estimate of federal sources is \$90 million lower than the GOMB’s outlook.

| FY 2023 GENERAL FUND REVENUE COMPARISON | | | |
|--|-------------------------|-------------------------|--------------------------------|
| CGFA vs. GOMB [per Current Law] | | | |
| (millions) | | | |
| | FY 2023 CGFA | FY 2023 GOMB | FY 2023 vs. FY 2022 |
| | Mar-22 | Feb-22 | Difference |
| Revenue Sources | | | |
| State Taxes | | | |
| Personal Income Tax | \$26,687 | \$26,277 | \$410 |
| Corporate Income Tax (regular) | \$5,471 | \$5,582 | (\$111) |
| Sales Taxes | \$10,919 | \$10,722 | \$197 |
| Public Utility (regular) | \$718 | \$720 | (\$2) |
| Cigarette Tax | \$252 | \$265 | (\$13) |
| Liquor Gallonage Taxes | \$184 | \$184 | \$0 |
| Vehicle Use Tax | \$38 | \$30 | \$8 |
| Inheritance Tax | \$485 | \$379 | \$106 |
| Insurance Taxes & Fees | \$440 | \$447 | (\$7) |
| Corporate Franchise Tax & Fees | \$235 | \$267 | (\$32) |
| Interest on State Funds & Investments | \$35 | \$20 | \$15 |
| Cook County Intergovernmental Transfer | \$244 | \$244 | \$0 |
| <u>Other Sources</u> | <u>\$545</u> | <u>\$553</u> | <u>(\$8)</u> |
| Subtotal | \$46,253 | \$45,690 | \$563 |
| Transfers | | | |
| Lottery | \$818 | \$754 | \$64 |
| Riverboat transfers and receipts | \$169 | \$157 | \$12 |
| Proceeds from sale of 10th license | \$10 | \$10 | \$0 |
| Refund Fund | \$100 | \$100 | \$0 |
| <u>Other</u> | <u>\$895</u> | <u>\$902</u> | <u>(\$7)</u> |
| Total State Sources | \$48,245 | \$47,613 | \$632 |
| Federal Sources [Base] | \$3,955 | \$4,045 | (\$90) |
| Subtotal Federal & State Sources | \$52,200 | \$51,658 | \$542 |
| Nongeneral Funds Distribution: | | | |
| Refund Fund | | | |
| Personal Income Tax [9.25% '22; 9.25% '23] | (\$2,469) | (\$2,431) | (\$38) |
| Corporate Income Tax [15% '22; 14.5% '23] | (\$793) | (\$809) | \$16 |
| Local Government Distributive Fund | | | |
| Personal Income Tax | (\$1,468) | (\$1,445) | (\$23) |
| Corporate Income Tax | (\$321) | (\$327) | \$6 |
| Sales Tax Distributions | | | |
| Sales Tax Deposits into Road Fund | (\$240) | (\$225) | (\$15) |
| Sales Tax Distribution to the PTF and DPTF | (\$592) | (\$588) | (\$4) |
| Base General Funds | \$46,317 | \$45,833 | \$484 |
| ARPA Reimbursement or Other Borrowing | \$0 | \$0 | \$0 |
| Total General Funds Revenues | \$46,317 | \$45,833 | \$484 |

General Funds Revenue History

Detailed General Funds Revenue History FY 2014 - FY 2021 and Estimated FY 2022 - FY 2023 (\$ millions)

| Revenue Sources | 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 | Estimated Receipts FY 2022 | Estimated Receipts FY 2023 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-------------------------------|-------------------------------|
| State Taxes | | | | | | | | | | |
| Personal Income Tax | \$18,388 | \$17,682 | \$15,299 | \$15,385 | \$20,784 | \$22,604 | \$21,657 | \$26,350 | \$26,345 | \$26,687 |
| Corporate Income Tax (regular) | 3,640 | 3,129 | 2,334 | 1,610 | 2,607 | 3,026 | 2,596 | 4,450 | 5,718 | 5,471 |
| Sales Taxes | 7,676 | 8,030 | 8,063 | 8,043 | 8,256 | 8,897 | 8,691 | 9,799 | 10,897 | 10,919 |
| Public Utility Taxes (regular) | 1,013 | 1,006 | 926 | 884 | 896 | 863 | 831 | 752 | 748 | 718 |
| Cigarette Tax | 353 | 353 | 353 | 353 | 344 | 361 | 267 | 281 | 260 | 252 |
| Liquor Gallonage Taxes | 165 | 167 | 170 | 171 | 172 | 172 | 177 | 177 | 183 | 184 |
| Vehicle Use Tax | 29 | 32 | 30 | 30 | 28 | 31 | 26 | 36 | 43 | 38 |
| Inheritance Tax (Gross) | 276 | 333 | 306 | 261 | 358 | 388 | 283 | 450 | 535 | 485 |
| Insurance Taxes and Fees | 333 | 353 | 398 | 391 | 432 | 396 | 361 | 480 | 432 | 440 |
| Corporate Franchise Tax & Fees | 203 | 211 | 207 | 207 | 207 | 247 | 210 | 322 | 240 | 235 |
| Interest on State Funds & Investments | 20 | 24 | 24 | 36 | 79 | 145 | 137 | 57 | 20 | 35 |
| Cook County Intergovernmental Transfer | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 |
| Other Sources | 585 | 693 | 534 | 685 | 641 | 669 | 725 | 297 | 528 | 545 |
| Subtotal | \$32,925 | \$32,257 | \$28,888 | \$28,300 | \$35,048 | \$38,043 | \$36,205 | \$43,695 | \$46,193 | \$46,253 |
| Transfers | | | | | | | | | | |
| Lottery | 668 | 679 | 677 | 720 | 719 | 731 | 630 | 777 | 818 | 818 |
| Gaming Fund Transfer [and related] | 331 | 302 | 287 | 280 | 282 | 279 | 205 | 6 | 139 | 179 |
| Other | 1,113 | 2,012 | 627 | 552 | 1,186 | 1,035 | 1,606 | 773 | 1,111 | 995 |
| Total State Sources | \$35,037 | \$35,250 | \$30,479 | \$29,852 | \$37,235 | \$40,088 | \$38,646 | \$45,251 | \$48,261 | \$48,245 |
| Federal Sources [Base] | | | | | | | | | | |
| | \$3,903 | \$3,330 | \$2,665 | \$2,483 | \$5,238 | \$3,600 | \$3,551 | \$4,744 | \$4,520 | \$3,955 |
| Total Federal & State Sources | \$38,940 | \$38,580 | \$33,144 | \$32,335 | \$42,473 | \$43,688 | \$42,197 | \$49,995 | \$52,781 | \$52,200 |
| Nongeneral Funds Distribution: | | | | | | | | | | |
| Refund Funds/Direct Deposits | | | | | | | | | | |
| Personal Income Tax Refund Fund | (\$1,746) | (\$1,769) | (\$1,493) | (\$1,724) | (\$2,037) | (\$2,193) | (\$2,058) | (\$2,372) | (\$2,437) | (\$2,469) |
| Corporate Income Tax Refund Fund | (476) | (439) | (362) | (278) | (457) | (470) | (370) | (625) | (858) | (793) |
| Fund for Advancement of Education | 0 | (242) | (458) | (464) | 0 | 0 | 0 | 0 | 0 | 0 |
| Commitment to Human Services Fund | 0 | (242) | (458) | (464) | 0 | 0 | 0 | 0 | 0 | 0 |
| LGDF--Direct from PIT | 0 | 0 | 0 | 0 | (1,022) | (1,175) | (1,128) | (1,453) | (1,449) | (1,468) |
| LGDF--Direct from CIT | 0 | 0 | 0 | 0 | (133) | (167) | (145) | (262) | (333) | (321) |
| Sales Tax Deposits into Road Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (125) | (240) |
| Downstate Pub/Trans--Direct from Sales | 0 | 0 | 0 | 0 | (446) | (488) | (436) | (431) | (591) | (592) |
| Subtotal General Funds | \$36,718 | \$35,888 | \$30,373 | \$29,405 | \$38,378 | \$39,195 | \$38,060 | \$44,852 | \$46,988 | \$46,317 |
| Change from Prior Year | \$654 | (\$830) | (\$5,515) | (\$968) | \$8,973 | \$817 | (\$1,135) | \$6,792 | \$2,136 | (\$671) |
| Percent Change | 1.8% | -2.3% | -15.4% | -3.2% | 30.5% | 2.1% | -2.9% | 17.8% | 4.8% | -1.4% |
| ARPA Reimb. for Essential Gov't Services | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,500 | \$0 |
| Short-Term Borrowing/MLF | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,198 | \$1,998 | \$0 | \$0 |
| Treasurer's Investments | \$0 | \$0 | \$0 | \$0 | \$0 | \$750 | \$400 | \$400 | \$0 | \$0 |
| Interfund Borrowing | \$0 | \$454 | \$0 | \$0 | \$533 | \$250 | \$462 | \$0 | \$0 | \$0 |
| Income Tax Bond Fund Transfer | \$0 | \$0 | \$0 | \$0 | \$2,500 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Transfer to Commitment Human Services | \$0 | \$0 | \$0 | \$0 | \$40 | \$0 | \$0 | \$0 | \$0 | \$0 |
| FY'13/14 Backlog Payment Fund Transfer | \$50 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Budget Stabilization Fund Transfer | \$275 | \$275 | \$125 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total General Funds | \$37,043 | \$36,617 | \$30,498 | \$29,405 | \$41,451 | \$40,195 | \$40,120 | \$47,250 | \$48,488 | \$46,317 |
| Change from Prior Year | \$440 | (\$426) | (\$6,119) | (\$1,093) | \$12,046 | (\$1,256) | (\$75) | \$7,130 | \$1,238 | (\$2,171) |
| Percent Change | 1.2% | -1.2% | -16.7% | -3.6% | 41.0% | -3.0% | -0.2% | 17.8% | 2.6% | -4.5% |

ALL APPROPRIATED FUNDS REVENUE FY 2014 to FY 2021 & ESTIMATED FY 2022-23 [Current Law]

(\$ millions)

| | 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 | Current Law Estimate FY 2022 | Current Law Estimate FY 2023 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| REVENUE SOURCES | | | | | | | | | | |
| State Sources | | | | | | | | | | |
| CASH RECEIPTS: | | | | | | | | | | |
| Personal Income Tax (gross) | \$18,388 | \$17,682 | \$15,301 | \$15,385 | \$20,785 | \$22,604 | \$21,658 | \$26,352 | \$26,345 | \$26,687 |
| Corporate Income Tax (gross) | \$3,640 | \$3,132 | \$2,339 | \$1,614 | \$2,610 | \$3,029 | \$2,599 | \$4,456 | \$5,718 | \$5,471 |
| Sales Taxes | \$9,451 | \$9,908 | \$9,073 | \$9,053 | \$9,297 | \$10,094 | \$9,937 | \$11,374 | \$12,249 | \$12,274 |
| Short-Term Borrowing | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,198 | \$0 | \$0 | \$0 |
| Fund Transfers | \$2,322 | \$2,882 | \$460 | \$849 | \$3,413 | \$4,236 | \$4,176 | \$3,697 | \$3,356 | \$3,651 |
| State Employees Retirement System | \$2,136 | \$0 | \$0 | \$0 | \$2,607 | \$2,774 | \$0 | \$0 | \$0 | \$0 |
| Corporate Personal Property Replacement Taxes | \$1,657 | \$1,786 | \$1,628 | \$1,922 | \$1,790 | \$1,935 | \$1,881 | \$2,761 | \$3,996 | \$3,787 |
| Health Care Provider Assessment Fees & Taxes | \$2,413 | \$1,961 | \$2,080 | \$2,238 | \$2,343 | \$2,496 | \$3,590 | \$3,918 | \$4,298 | \$4,537 |
| Public Utility Taxes | \$1,498 | \$1,510 | \$1,417 | \$1,423 | \$1,409 | \$1,415 | \$1,347 | \$1,262 | \$1,220 | \$1,180 |
| Motor Vehicle & Operators Licenses | \$1,511 | \$1,539 | \$1,552 | \$1,585 | \$1,483 | \$1,599 | \$1,458 | \$1,691 | \$1,555 | \$1,565 |
| Lottery Tickets & Licenses | \$1,341 | \$1,589 | \$1,308 | \$1,341 | \$1,510 | \$1,330 | \$1,164 | \$1,528 | \$1,485 | \$1,526 |
| Motor Fuel Tax (gross) | \$1,326 | \$1,326 | \$1,354 | \$1,348 | \$1,368 | \$1,351 | \$2,319 | \$2,380 | \$2,607 | \$2,866 |
| Cigarette Taxes | \$860 | \$862 | \$845 | \$782 | \$764 | \$769 | \$851 | \$917 | \$859 | \$837 |
| Riverboat Gambling Taxes & Fees | \$533 | \$520 | \$494 | \$489 | \$482 | \$469 | \$370 | \$225 | \$443 | \$485 |
| Revolving Funds | \$595 | \$606 | \$242 | \$678 | \$533 | \$666 | \$579 | \$614 | \$730 | \$740 |
| Insurance Tax & Fees | \$443 | \$466 | \$515 | \$519 | \$552 | \$512 | \$470 | \$625 | \$561 | \$572 |
| Inheritance Tax (gross) | \$294 | \$355 | \$325 | \$278 | \$381 | \$413 | \$301 | \$479 | \$569 | \$516 |
| Liquor Gallonage Taxes | \$280 | \$283 | \$288 | \$294 | \$296 | \$297 | \$303 | \$312 | \$315 | \$318 |
| Optional Health Insurance Deductions | \$404 | \$376 | \$352 | \$340 | \$332 | \$340 | \$345 | \$409 | \$422 | \$434 |
| County Intergovernmental Transfers | \$244 | \$244 | \$244 | \$244 | \$244 | \$244 | \$244 | \$244 | \$244 | \$244 |
| Hotel Tax | \$227 | \$257 | \$264 | \$273 | \$281 | \$296 | \$251 | \$94 | \$192 | \$245 |
| Corporate Franchise Tax & Fees | \$211 | \$219 | \$216 | \$215 | \$216 | \$257 | \$219 | \$332 | \$250 | \$245 |
| Tobacco Settlement | \$163 | \$120 | \$84 | \$105 | \$227 | \$138 | \$128 | \$145 | \$124 | \$119 |
| Investment Income | \$52 | \$52 | \$52 | \$83 | \$163 | \$256 | \$237 | \$101 | \$50 | \$87 |
| Recreational Cannabis | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$67 | \$246 | \$378 | \$486 |
| Sports Wagering | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$7 | \$113 | \$151 | \$115 |
| Video Gaming Tax | \$137 | \$235 | \$302 | \$356 | \$417 | \$474 | \$444 | \$593 | \$898 | \$979 |
| Other Taxes, Licenses, Fees & Earnings | \$3,995 | \$4,186 | \$4,275 | \$4,583 | \$4,757 | \$4,322 | \$4,535 | \$5,604 | \$6,221 | \$6,182 |
| Total, State Source Cash Receipts | \$54,121 | \$52,096 | \$45,010 | \$45,997 | \$58,260 | \$62,316 | \$60,678 | \$70,472 | \$75,236 | \$76,148 |
| Transfers in from Other State Funds: | \$315 | \$493 | \$249 | \$219 | \$339 | \$456 | \$324 | \$370 | \$376 | \$325 |
| TOTAL, STATE SOURCES | \$54,436 | \$52,589 | \$45,259 | \$46,216 | \$58,599 | \$62,772 | \$61,002 | \$70,842 | \$75,612 | \$76,473 |
| Federal Sources | \$17,095 | \$18,722 | \$19,033 | \$18,523 | \$20,940 | \$19,468 | \$25,410 | \$28,731 | \$40,326 | \$31,698 |
| Sale of Bonds | \$4,244 | \$42 | \$1,084 | \$2,977 | \$8,342 | \$2,005 | \$1,975 | \$4,500 | \$1,979 | \$3,812 |
| TOTAL, REVENUES - APPROPRIATED FUNDS | \$75,775 | \$71,353 | \$65,376 | \$67,716 | \$87,881 | \$84,245 | \$88,387 | \$104,073 | \$117,917 | \$111,983 |
| Short Term Borrowing | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,198 | \$0 | \$0 | \$0 |
| TOTAL BASE REVENUE - ALL APPROPRIATED | \$75,775 | \$71,353 | \$65,376 | \$67,716 | \$87,881 | \$84,245 | \$87,189 | \$104,073 | \$117,917 | \$111,983 |

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.