



# Commission on Government Forecasting and Accountability

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**MONTHLY BRIEFING FOR THE MONTH ENDED: FEBRUARY 2020**

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## Illinois Employment and Wage Update

Eric Noggle, Senior Revenue Analyst

At the end of January, the Bureau of Labor Statistics released their preliminary job and wage figures for the month of December 2019, thereby providing an initial look at end-of-year statistics for CY 2019. This monthly dataset includes a wide variety of job-related information, including statewide employment totals by subsector, as well as each subsector's average weekly earnings. A summary of these figures for Illinois on an average annual basis between 2010 and 2019 is shown in the table on the following page.

From a calendar year average perspective, Illinois averaged 6.182 million jobs in CY 2019, which was a 1.1% increase over the CY 2018 average of 6.118 million jobs. This is the ninth consecutive year of positive growth in statewide employment following three consecutive years of negative job growth suffered as a result of the Great Recession. Since hitting its post-recession low point in CY 2010, Illinois' employment has increased by approximately 572,600 jobs, an increase of 10.2% over this nine-year period.

In regard to earnings, the data shows that average weekly earnings grew a solid 2.6% in CY 2019 from an average weekly earnings value of \$947 to \$971. While this growth is not as strong as the 3.7% increase in CY 2018, it is still noticeably higher than the 1.5% average growth between CY 2013 and CY 2017. Since CY 2010, the average weekly earnings value has increased from \$799 to \$971, an increase of 21.6% over this nine-year period.

## INSIDE THIS ISSUE

PAGE 1: Illinois Employment and Wage Update

PAGE 4: Illinois Economic Indicators

PAGE 5: **REVENUE:** February Receipts Grow on Performance of Personal Income and Sales Taxes, While Federal Sources Stumble

PAGE 6 - 7: Revenue Tables

PAGE 8: FY 2021 Economic Forecast and Revenue Estimate and FY 2020 Revenue Update

| 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

When combining the impact of the employment change with the growth in wages, a CY 2019 annualized wage/employment growth factor of 3.7% results. Although this value is lower than the robust 4.7% comparable value that occurred in CY 2018, the CY 2019 combined rate of 3.7% marked the 2<sup>nd</sup> strongest rate of growth for this value over the last seven years. The growth in both employment figures and earnings provides some context for the continued solid performance of economically-tied revenue sources.

From a subsector perspective, as shown in the following table, "Education and Health Services" had the largest rate of growth between 2018 and 2019 for any subsector in terms of the number of jobs created with an increase of 16,000 jobs (+1.7%). In terms of percentage growth, the largest increase over the last year came from "Leisure and Hospitality"

with a growth of 2.6% (+15,900 jobs). Other subsectors with solid growth (more than 1%) in CY 2019 were in the areas of "Other Services" (+1.3% growth, +3,400 jobs); "Professional and Business Services" (+1.0% growth, +9,600 jobs); and in "Financial Activities" (+1.0% growth, +4,100 jobs). The only subsectors in Illinois that saw year-over-year declines in CY 2019 were in "Mining" (-4.3% growth, -300 jobs) and "Information" (-3.0% growth, -2,800 jobs).

Over the span of the decade, employment levels have increased from an average of 5.610 million jobs in CY 2010 to 6.182 million jobs in CY 2019, which is a decade increase of 10.2%. From a subsector perspective, the results have been mixed. The largest increase in terms of jobs gained came from the "Professional and Business Services" sector with an increase of 166,800 jobs (+21.0%). In terms of

percentage growth, “Leisure and Hospitality” led the way with a growth of +22.8% (+117,700 jobs). Other areas of significant growth came from “Education and Health Services” (+14.2%, +118,400 jobs) and “Trade Transportation, and Utilities (+9.0%, +100,600 jobs). Only three subsectors saw declines over this time frame:

Mining (-17.9%, -1,600 jobs); Information (-10.1%, -10,300 jobs); and Government (-2.3%, -19,200 jobs).

| State Rankings of Illinois' Employment Subsectors - Job Data |                            |                |                              |                |                            |                |                       |                |                            |                |
|--|----------------------------|----------------|------------------------------|----------------|----------------------------|----------------|-----------------------|----------------|----------------------------|----------------|
| Employment Values, Non-Seasonally Adjusted (in thousands)    |                            |                |                              |                |                            |                |                       |                |                            |                |
| Subsector  | 2019 Avg Employment Totals | Sector Ranking | CY 18 to CY 19 (1-yr Change) |                |                            |                | CY 10 to CY 19        |                |                            |                |
|  |                            |                | Change in Jobs (% Ch)        | Sector Ranking | Change in Jobs (thousands) | Sector Ranking | Change in Jobs (% Ch) | Sector Ranking | Change in Jobs (thousands) | Sector Ranking |
| Mining   | 7.5                        | 11             | -4.3%                        | 11             | (0.3)                      | 10             | -17.9%                | 11             | (1.6)                      | 9              |
| Construction   | 225.9                      | 9              | 0.0%                         | 9              | 0.1                        | 9              | 13.9%                 | 4              | 27.6                       | 7              |
| Manufacturing  | 592.2                      | 6              | 0.7%                         | 7              | 3.9                        | 7              | 5.5%                  | 7              | 30.9                       | 6              |
| Trade, Transportation, and Utilities                         | 1,224.2                    | 1              | 0.7%                         | 8              | 8.1                        | 4              | 9.0%                  | 5              | 100.6                      | 4              |
| Information  | 91.6                       | 10             | -3.0%                        | 10             | (2.8)                      | 11             | -10.1%                | 10             | (10.3)                     | 10             |
| Financial Activities   | 405.9                      | 7              | 1.0%                         | 5              | 4.1                        | 6              | 8.9%                  | 6              | 33.2                       | 5              |
| Professional and Business Services                           | 961.0                      | 2              | 1.0%                         | 4              | 9.6                        | 3              | 21.0%                 | 2              | 166.8                      | 1              |
| Education and Health Services                                | 930.0                      | 3              | 1.7%                         | 2              | 16.0                       | 1              | 14.2%                 | 3              | 118.4                      | 2              |
| Leisure and Hospitality                                      | 633.2                      | 5              | 2.6%                         | 1              | 15.9                       | 2              | 22.8%                 | 1              | 117.7                      | 3              |
| Other Services   | 257.8                      | 8              | 1.3%                         | 3              | 3.4                        | 8              | 3.5%                  | 8              | 8.6                        | 8              |
| Government   | 833.0                      | 4              | 0.8%                         | 6              | 6.7                        | 5              | -2.3%                 | 9              | (19.2)                     | 11             |

Source: www.bls.gov

| State Rankings of Illinois' Employment Subsectors - Wage Data |         |         |                              |         |           |         |                |         |           |         |
|---|---------|---------|------------------------------|---------|-----------|---------|----------------|---------|-----------|---------|
| Weekly Wages, Non-Seasonally Adjusted (in thousands)          |         |         |                              |         |           |         |                |         |           |         |
| Subsector   | Weekly  | Ranking | CY 18 to CY 19 (1-yr Change) |         |           |         | CY 10 to CY 19 |         |           |         |
|   |         |         | Wage                         | Ranking | Change in | Ranking | Wage           | Ranking | Change in | Ranking |
| Mining  | N/A     | N/A     | N/A                          | N/A     | N/A       | N/A     | N/A            | N/A     | N/A       | N/A     |
| Construction  | \$1,482 | 1       | 4.0%                         | 5       | \$58      | 3       | 19.9%          | 7       | \$246     | 3       |
| Manufacturing   | \$1,123 | 5       | 3.6%                         | 6       | \$39      | 5       | 21.6%          | 6       | \$199     | 5       |
| Trade, Transportation, and Utilities                          | \$857   | 7       | 0.1%                         | 9       | \$1       | 9       | 23.7%          | 5       | \$164     | 6       |
| Information   | \$1,428 | 3       | 7.2%                         | 2       | \$95      | 1       | 37.2%          | 2       | \$387     | 2       |
| Financial Activities  | \$1,435 | 2       | 0.6%                         | 8       | \$8       | 8       | 38.5%          | 1       | \$399     | 1       |
| Professional and Business Services                            | \$1,182 | 4       | 4.5%                         | 4       | \$51      | 4       | 15.4%          | 8       | \$157     | 7       |
| Education and Health Services                                 | \$822   | 8       | 1.2%                         | 7       | \$9       | 7       | 13.4%          | 9       | \$97      | 9       |
| Leisure and Hospitality                                       | \$427   | 9       | 5.5%                         | 3       | \$22      | 6       | 34.0%          | 3       | \$108     | 8       |
| Other Services  | \$927   | 6       | 7.6%                         | 1       | \$66      | 2       | 30.3%          | 4       | \$215     | 4       |
| Government  | N/A     | N/A     | N/A                          | N/A     | N/A       | N/A     | N/A            | N/A     | N/A       | N/A     |

Source: www.bls.gov. Note: Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics

As previously noted, there was another solid increase (+2.6%) in wages between CY 2018 and CY 2019. From a subsector perspective, the largest increase in terms of percentage change was from the “Information” subsector (average weekly wage increase of \$95 to \$1,428 or +7.2%). Other notable increases in wages came from “Other Services” (+\$66 to \$927, +7.6%); “Construction” (+\$58 to \$1,482, +4.0%); and “Professional and Business Services” (+51 to \$1,182, +4.5%). No subsector saw a decline in wages in CY 2019. These values are shown in the table above.

Over the last decade, the largest increases in wages in Illinois have come from the “Financial Activities” subsector (average weekly wage increase between CY 2010 and CY 2019 of \$399, an increase of

+38.5%). Other notable increases during this time frame came from “Information” (+\$387, +37.2%); “Construction” (+\$246, +19.9%); and “Other Services” (+\$215, +30.3%).

While the recent improvement in employment and wage statistics in Illinois is encouraging, the pay level of the jobs being added continues to raise some concern. The three subsectors that saw the largest rate of increases in jobs created over the past year are three of the lower paying subsectors in terms of average weekly wage. For example, the largest rate of subsector job growth in CY 2019 came from “Leisure and Hospitality”, but this is the lowest paying subsector at \$427 per week. The “Education and Health Services” sector grew +1.7% over the last year and is up +22.8% since 2010, but the average weekly pay value of \$822 is ranked 8<sup>th</sup> out of the nine reported subsectors. Similarly, “Other

Services” grew +1.3% in CY 2019, but is only ranked 6<sup>th</sup> in terms of subsector pay with a weekly wage of \$927.

Contributing to this concern is the fact that many of the higher paying job categories in Illinois have seen little to no growth. For example, the highest weekly wage in Illinois is “Construction” with an average weekly wage of \$1,482. But this subsector saw little growth over the past year (+.03%). The “Information” subsector has the 3<sup>rd</sup> highest weekly wage average of \$1,428, but this job category fell 3.0% over the last year and is down 10.1% since CY 2010. The “Manufacturing” subsector has one of the top average weekly wage values at \$1,123, but continues its decade-long trend of lackluster job growth, increasing only 0.7% over the past year with growth since CY 2010 of only +5.5%.

With that being said, there are some signs of positive trends in some of the higher paying subsectors. The second highest paying subsector in Illinois is the

“Financial Activities” subsector with an average of \$1,435 per week. While this subsector is only up +8.9% since CY 2010, it was up +1.0% over the past year. Jobs in the “Professional and Business Services” category have the 4<sup>th</sup> highest weekly wage at \$1,182 and are also up +1.0% over the past year.

In regard to Illinois’ employment outlook, Moody’s Analytics wrote in its February 2020 “State of Illinois Economic Forecast” the following: *Growth in wage and salary income will decelerate in the coming year because faster growth in wage rates will be offset by slower growth in employment and hours. The unemployment rate will begin to rise in the second half of 2020, and growth in wage and salary income, the most important driver of spending growth, will slow.*

Additional details regarding this employment forecast and other forecasts relating to Illinois’ economy can be viewed in Moody’s Analytics report, which can be found at the Commission’s website or by going to the following link:

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

| <b>INDICATORS OF ILLINOIS ECONOMIC ACTIVITY</b>                             |                     |                                |                               |
|---|---------------------|--------------------------------|-------------------------------|
| <u>INDICATORS*</u>  | <u>LATEST MONTH</u> | <u>PRIOR MONTH</u>             | <u>A YEAR AGO</u>             |
| Unemployment Rate (Average) (Dec.)**  | 3.7%                | 3.8%                           | 4.3%                          |
| Inflation in Chicago (12-month percent change) (Jan.)                       | 2.6%                | 2.2%                           | 1.4%                          |
|   |                     |                                |                               |
|   | <u>LATEST MONTH</u> | <u>CHANGE OVER PRIOR MONTH</u> | <u>CHANGE OVER A YEAR AGO</u> |
| Civilian Labor Force (thousands) (Dec.)**                                   | 6,480.0             | -0.3%                          | 0.1%                          |
| Employment (thousands) (Dec.)**   | 6,239.9             | -0.2%                          | 0.7%                          |
| Nonfarm Payroll Employment (Dec.)**   | 6,193,300           | 8,000                          | 45,000                        |
| New Car & Truck Registration (Jan.)   | 56,721              | 12.3%                          | 14.7%                         |
| Single Family Housing Permits (Jan.)  | 554                 | 0.5%                           | 1.1%                          |
| Total Exports (\$ mil) (Dec.)   | 4,494.9             | -6.3%                          | -8.3%                         |
| Chicago Purchasing Managers Index (Feb.)                                    | 49.0                | 14.2%                          | -24.3%                        |
| * Due to monthly fluctuations, trend best shown by % change from a year ago |                     |                                |                               |
| ** As of writing, data for January has not yet been released.               |                     |                                |                               |

## **REVENUE: FEBRUARY RECEIPTS GROW ON PERFORMANCE OF PERSONAL INCOME AND SALES TAXES, WHILE FEDERAL SOURCES STUMBLE**

Jim Muschinske, Revenue Manager

Base general funds revenues increased by \$139 million in February. While the larger economically related sources took pause from decent yearly gains in January, growth returned stronger this month, particularly in the case of personal and sales taxes. Unfortunately, performance from federal sources again whipsawed, this time with a substantially weak month of receipting. Despite an extra calendar day during a leap year, the number of processing days were the same as last February.

After January's poor showing, gross personal income tax receipts performance got back on track with an increase of \$248 million, or \$215 million on a net basis. Gross sales taxes also upped its performance, growing \$54 million, or \$56 million net. Insurance taxes and fees increased \$16 million on what appears to be receipt timing, while interest earnings managed to grow \$3 million. Liquor taxes posted a \$2 million monthly uptick and cigarette taxes eked out a \$1 million gain.

The remaining tax sources were either flat or experienced declines in February. Public utility taxes fell \$11 million, while both inheritance and corporate franchise taxes were off \$7 million. Gross corporate income taxes were down \$5 million, but only \$3 million on a net basis. Both vehicle use tax as well as all other sources dipped \$1 million.

Overall transfers fell \$21 million for the month. A \$6 million gain from Lottery transfers and a \$1 million advance in riverboat transfers were more than erased with a loss of \$28 million from all other miscellaneous transfers. As mentioned, the pendulum of monthly federal source performance swung negatively in February as reimbursements fell \$103 million.

### **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.

**FEBRUARY**  
**FY 2020 vs. FY 2019**  
(\$ million)

| <b>Revenue Sources</b>                   | <b>Feb.<br/>FY 2020</b> | <b>Feb.<br/>FY 2019</b> | <b>\$<br/>CHANGE</b> | <b>%<br/>CHANGE</b> |
|--|-------------------------|-------------------------|----------------------|---------------------|
| <b>State Taxes</b>                       |                         |                         |                      |                     |
| Personal Income Tax                      | \$1,687                 | \$1,439                 | \$248                | 17.2%               |
| Corporate Income Tax (regular)           | 42                      | 47                      | (\$5)                | -10.6%              |
| Sales Taxes                              | 641                     | 587                     | \$54                 | 9.2%                |
| Public Utility Taxes (regular)           | 74                      | 85                      | (\$11)               | -12.9%              |
| Cigarette Tax                            | 21                      | 20                      | \$1                  | 5.0%                |
| Liquor Gallonage Taxes                   | 11                      | 9                       | \$2                  | 22.2%               |
| Vehicle Use Tax                          | 1                       | 2                       | (\$1)                | -50.0%              |
| Inheritance Tax                          | 25                      | 32                      | (\$7)                | -21.9%              |
| Insurance Taxes and Fees                 | 35                      | 19                      | \$16                 | 84.2%               |
| Corporate Franchise Tax & Fees           | 15                      | 22                      | (\$7)                | -31.8%              |
| Interest on State Funds & Investments    | 15                      | 12                      | \$3                  | 25.0%               |
| Cook County IGT                          | 94                      | 94                      | \$0                  | 0.0%                |
| Other Sources                            | 22                      | 23                      | (\$1)                | -4.3%               |
| <b>Subtotal</b>                          | <b>\$2,683</b>          | <b>\$2,391</b>          | <b>\$292</b>         | <b>12.2%</b>        |
| <b>Transfers</b>                         |                         |                         |                      |                     |
| Lottery                                  | 50                      | 44                      | \$6                  | 13.6%               |
| Riverboat transfers & receipts           | 1                       | 0                       | \$1                  | N/A                 |
| Proceeds from Sale of 10th license       | 0                       | 0                       | \$0                  | N/A                 |
| Refund Fund transfer                     | 0                       | 0                       | \$0                  | N/A                 |
| Other                                    | 55                      | 83                      | (\$28)               | -33.7%              |
| <b>Total State Sources</b>               | <b>\$2,789</b>          | <b>\$2,518</b>          | <b>\$271</b>         | <b>10.8%</b>        |
| <b>Federal Sources</b>                   | <b>\$84</b>             | <b>\$187</b>            | <b>(\$103)</b>       | <b>-55.1%</b>       |
| <b>Total Federal &amp; State Sources</b> | <b>\$2,873</b>          | <b>\$2,705</b>          | <b>\$168</b>         | <b>6.2%</b>         |

**Nongeneral Funds Distributions/Direct Receipts:**

|   |                |                |               |               |
|---|----------------|----------------|---------------|---------------|
| <b>Refund Fund</b>                            |                |                |               |               |
| Personal Income Tax                           | (\$160)        | (\$140)        | (\$20)        | 14.3%         |
| Corporate Income Tax                          | (\$6)          | (7)            | \$1           | -14.3%        |
| <b>LGDF--Direct from PIT</b>                  | <b>(\$88)</b>  | <b>(75)</b>    | <b>(\$13)</b> | <b>17.3%</b>  |
| <b>LGDF--Direct from CIT</b>                  | <b>(\$2)</b>   | <b>(3)</b>     | <b>\$1</b>    | <b>-33.3%</b> |
| <b>Downstate Pub/Trans--Direct from Sales</b> | <b>(\$45)</b>  | <b>(47)</b>    | <b>\$2</b>    | <b>-4.3%</b>  |
| <b>Subtotal General Funds</b>                 | <b>\$2,572</b> | <b>\$2,433</b> | <b>\$139</b>  | <b>5.7%</b>   |
| <b>Treasurer's Investments</b>                | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>    | <b>N/A</b>    |
| <b>Interfund Borrowing</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>    | <b>N/A</b>    |
| <b>Total General Funds</b>                    | <b>\$2,572</b> | <b>\$2,433</b> | <b>\$139</b>  | <b>5.7%</b>   |

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

2-Mar-20

## 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><br><u>CHANGE</u> | <u>%</u><br><u>CHANGE</u> |
|--|-----------------|-----------------|----------------------------|---------------------------|
| <b>State Taxes</b>                                     |                 |                 |                            |                           |
| 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%                     |
| <b>Subtotal</b>  | <b>\$23,534</b> | <b>\$22,583</b> | <b>\$951</b>               | <b>4.2%</b>               |
| <b>Transfers</b>                                       |                 |                 |                            |                           |
| 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%                     |
| <b>Total State Sources</b>                             | <b>\$25,469</b> | <b>\$24,015</b> | <b>\$1,454</b>             | <b>6.1%</b>               |
| <b>Federal Sources</b>                                 | <b>\$1,821</b>  | <b>\$1,672</b>  | <b>\$149</b>               | <b>8.9%</b>               |
| <b>Total Federal &amp; State Sources</b>               | <b>\$27,290</b> | <b>\$25,687</b> | <b>\$1,603</b>             | <b>6.2%</b>               |
| <b>Nongeneral Funds Distributions/Direct Receipts:</b> |                 |                 |                            |                           |
| <b>Refund Fund</b>                                     |                 |                 |                            |                           |
| Personal Income Tax                                    | (\$1,307)       | (\$1,269)       | (\$38)                     | 3.0%                      |
| Corporate Income Tax                                   | (\$220)         | (217)           | (\$3)                      | 1.4%                      |
| <b>LGDF--Direct from PIT</b>                           | <b>(\$717)</b>  | <b>(680)</b>    | <b>(\$37)</b>              | <b>5.4%</b>               |
| <b>LGDF--Direct from CIT</b>                           | <b>(\$86)</b>   | <b>(77)</b>     | <b>(\$9)</b>               | <b>11.7%</b>              |
| <b>Downstate Pub/Trans--Direct from Sales</b>          | <b>(\$250)</b>  | <b>(299)</b>    | <b>\$49</b>                | <b>-16.4%</b>             |
| <b>Subtotal General Funds</b>                          | <b>\$24,710</b> | <b>\$23,145</b> | <b>\$1,565</b>             | <b>6.8%</b>               |
| <b>Treasurer's Investments</b>                         | <b>\$400</b>    | <b>\$700</b>    | <b>(\$300)</b>             | <b>-42.9%</b>             |
| <b>Interfund Borrowing</b>                             | <b>\$150</b>    | <b>\$250</b>    | <b>(\$100)</b>             | <b>-40.0%</b>             |
| <b>Total General Funds</b>                             | <b>\$25,260</b> | <b>\$24,095</b> | <b>\$1,165</b>             | <b>4.8%</b>               |

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

2-Mar-20

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

Jim Muschinske, Revenue Manager

On March 4<sup>th</sup>, the Commission met to discuss the FY 2021 revenue forecast and FY 2020 revenue update. The full presentation can be seen at [<http://cgfa.ilga.gov/Upload/03042020econforecastrevestFY2020-2021.pdf>], but the following sections provide a brief overview of the revenue projections over the forecast period.

### 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.

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

### FY 2020 REVENUE ESTIMATE COMPARISON – CGFA and GOMB

The table on the following page 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.

**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         |
| <b>Subtotal [Base]</b>           | <b>\$40,129</b> | <b>\$40,040</b> | <b>\$89</b> |
| Interfund Borrowing              | \$150           | \$150           | \$0         |
| Treasurer's Investment Borrowing | \$400           | \$400           | \$0         |
| <b>Total General Funds</b>       | <b>\$40,679</b> | <b>\$40,590</b> | <b>\$89</b> |

**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.

| <b>FY 2021 and Updated FY 2020 General Funds Revenue<br/>CGFA Estimates [ per Current Law]</b> |                 |                 |               |
|--|-----------------|-----------------|---------------|
| (\$ 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         |
| <b>Subtotal [Base]</b>   | <b>\$40,645</b> | <b>\$40,129</b> | <b>\$516</b>  |
| Interfund Borrowing  | \$0             | \$150           | (\$150)       |
| Treasurer's Investment Borrowing   | \$0             | \$400           | (\$400)       |
| <b>Total General Funds</b>   | <b>\$40,645</b> | <b>\$40,679</b> | <b>(\$34)</b> |

**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.

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

**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 of \$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.

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

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 million lower 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.

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.