Commission on Government Forecasting and Accountability

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MONTHLY BRIEFING FOR THE MONTH ENDED: APRIL 2020

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INSIDE THIS ISSUE

REVENUE: THE PERFECT STORM SLAMS INTO APRIL RECEIPTS AS BASE REVENUES DROP $2.740 BILLION; FY 2020 NOW DOWN $1 BILLION AS EARLIER GAINS ERASED

Jim Muschinske, Revenue Manager

A combination of COVID-19 impacts, delayed tax filing deadlines, and comparative drop-off due to 2019's "April Surprise", all conspired to dramatically derail receipts as base revenues fell $2.740 billion. After managing to avoid much of the virus' effects on March revenues, as foreshadowed in last month's briefing, the impact on April's receipts was unavoidable. In addition, the "tax day" deadline change to July 15th delayed approximately $1.3 billion in final payments into next fiscal year. And finally, the one-time nature of 2019's "April Surprise" related to a surge in non-wage income taxes and federal sources, exacerbated this month's comparative decline. April had the same number of receipting days as last fiscal year.

While not counted as base revenues, $207 million of interfund borrowing took place in April from a variety of funds. A detailed listing of funds is provided in a following section.

Gross personal income taxes fell a whopping $1.977 billion, or $1.678 billion on a net basis, while gross corporate income taxes dropped $482 million, or $377 million net. Again, the decreases were fueled by effects of COVID-19, tax day deadline changes, and the phenomenally strong performance of income taxes in April 2019. Sales taxes, after holding up in March due to receipts in "the pipeline", couldn't escape the economic shut down, as gross receipts dropped $143 million, or $146 million net.

A number of smaller revenue lines also experienced declines in April as other sources were down $15 million, both corporate franchise taxes and interest income were each off $12 million, cigarette tax fell $10 million, and vehicle use tax dipped $3 million.

Only a few sources managed to post monthly gains as insurance taxes continued its volatile performance by rising $29 million, while estate taxes grew $5 million and public utility taxes $4 million.

Overall transfers fell $35 million for the month. Lottery transfers dropped $21 million as ticket purchases were likely impacted by stay at home orders. Other miscellaneous transfers were off $10 million, while no riverboat transfers were recorded as the Gaming Board has suspended casino operations [and video gaming] until further notice. Federal sources suffered a sizable $490 million downturn in April, despite increased Medicaid reimbursement percentages rising 6.2% due to the recently federally passed Families First Act. The decline in federal sources is largely tied to the "April Surprise" of 2019, whereby a voluminous amount of reimbursable spending was made possible due to the one-time surge of income tax receipts.

Year to Date

Excluding proceeds from the Treasurer's Investment program as well as interfund borrowing, after incorporating April's dramatic falloff of receipts, base general funds revenues have turned negative for the year—dropping $1.001 billion below last year's levels [when those two items are included, the decline grows to $1.139 billion]. As discussed last month, through March, revenues had performed admirably with $1.739 billion in gains having 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. Unfortunately, the previously discussed issues of COVID-19 and tax day deadline changes have significantly altered the fiscal year trajectory [the one-time nature of last year's April Surprise, while impacting year-over-year performance, was always assumed in earlier expectations].

With two months remaining in the fiscal year, gross personal income taxes are now down $1.113 billion, or $913 million net. Gross corporate income taxes are off $377 million, or $273 million net. While gross sales taxes are clinging to a $61 million gain [$102 million net], it is also expected to soon fall into negative territory. The performance of the remaining revenue sources continue mixed, but have experienced a combined $126 million decline.

Aided by gains associated to Refund Fund and Capital Projects Fund transfers, overall transfers to the general funds are still up $404 million. Federal sources, which have experienced wide monthly swings in performance this fiscal year, are now down $195 million.

Looking Ahead

As expected, the impacts of the COVID-19 virus on revenues are quickly manifesting in the economically related sources such as income and sales taxes. As we move forward over the remaining months of the fiscal year, its consequences are expected to continue as job losses, impacts on business, and severely curtailed consumer activity will add to the State's fiscal stress.

While a tremendous amount of uncertainty remains, with April now behind us, over the coming days the Commission will be recalibrating its revenue outlook for FY 2021 as well as updating its FY 2020 estimate. The revisions will utilize the most updated economic data, adjust for timing aspects related to policy decisions [tax deadline changes], and incorporate new expectations related to federal sources. When complete, the revised forecasts will be found under the Commission's "Latest Publications" heading on our website http://cgfa.ilga.gov/.

APRIL
FY 2020 vs. FY 2019
($ million)

Revenue Sources	April FY 2020	April FY 2019	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$2,102	$4,079	($1,977)	-48.5%
Corporate Income Tax (regular)	363	845	($482)	-57.0%
Sales Taxes	587	730	($143)	-19.6%
Public Utility Taxes (regular)	72	68	$4	5.9%
Cigarette Tax	17	27	($10)	-37.0%
Liquor Gallonage Taxes	14	14	$0	0.0%
Vehicle Use Tax	0	3	($3)	-100.0%
Inheritance Tax	32	27	$5	18.5%
Insurance Taxes and Fees	103	74	$29	39.2%
Corporate Franchise Tax & Fees	3	15	($12)	-80.0%
Interest on State Funds & Investments	5	17	($12)	-70.6%
Cook County IGT	0	0	$0	N/A
Other Sources	14	29	($15)	-51.7%
Subtotal	$3,312	$5,928	($2,616)	-44.1%
Transfers				
Lottery	50	71	($21)	-29.6%
Riverboat transfers & receipts	0	4	($4)	N/A
Proceeds from Sale of 10th license	0	0	$0	N/A
Refund Fund transfer	0	0	$0	N/A
Other	29	39	($10)	-25.6%
Total State Sources	$3,391	$6,042	($2,651)	-43.9%
Federal Sources	$267	$757	($490)	-64.7%
Total Federal & State Sources	$3,658	$6,799	($3,141)	-46.2%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($200)	($396)	$196	-49.5%
Corporate Income Tax	($52)	(131)	$79	-60.3%
LGDF--Direct from PIT	($109)	(212)	$103	-48.6%
LGDF--Direct from CIT	($20)	(46)	$26	-56.5%
Downstate Pub/Trans--Direct from Sales	($43)	(40)	($3)	7.5%
Subtotal General Funds	$3,234	$5,974	($2,740)	-45.9%
Treasurer's Investments	$0	$0	$0	N/A
Interfund Borrowing	$207	$0	$207	N/A
Total General Funds	$3,441	$5,974	($2,533)	-42.4%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 4-May-20

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2020 vs. FY 2019

($ million)

Revenue Sources	FY 2020	FY 2019	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$18,183	$19,296	($1,113)	-5.8%
Corporate Income Tax (regular)	2,111	2,488	($377)	-15.2%
Sales Taxes	7,383	7,322	$61	0.8%
Public Utility Taxes (regular)	716	732	($16)	-2.2%
Cigarette Tax	227	294	($67)	-22.8%
Liquor Gallonage Taxes	149	145	$4	2.8%
Vehicle Use Tax	22	25	($3)	-12.0%
Inheritance Tax	226	325	($99)	-30.5%
Insurance Taxes and Fees	326	322	$4	1.2%
Corporate Franchise Tax & Fees	192	206	($14)	-6.8%
Interest on State Funds & Investments	122	114	$8	7.0%
Cook County IGT	150	150	$0	0.0%
Other Sources	467	410	$57	13.9%
Subtotal	$30,274	$31,829	($1,555)	-4.9%
Transfers				
Lottery	485	586	($101)	-17.2%
Riverboat transfers & receipts	195	230	($35)	-15.2%
Proceeds from Sale of 10th license	10	10	$0	0.0%
Refund Fund transfer	617	327	$290	88.7%
Other	851	601	$250	41.6%
Total State Sources	$32,432	$33,583	($1,151)	-3.4%
Federal Sources	$2,553	$2,748	($195)	-7.1%
Total Federal & State Sources	$34,985	$36,331	($1,346)	-3.7%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($1,728)	($1,872)	$144	-7.7%
Corporate Income Tax	($301)	(386)	$85	-22.0%
LGDF--Direct from PIT	($947)	(1,003)	$56	-5.6%
LGDF--Direct from CIT	($118)	(137)	$19	-13.9%
Downstate Pub/Trans--Direct from Sales	($352)	(393)	$41	-10.4%
Subtotal General Funds	$31,539	$32,540	($1,001)	-3.1%
Treasurer's Investments	$400	$750	($350)	-46.7%
Interfund Borrowing	$462	$250	$212	84.8%
Total General Funds	$32,401	$33,540	($1,139)	-3.4%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 4-May-20

FY 2018 – FY 2021 Interfund Borrowing

Lynnae Kapp, Sr. Analyst

Interfund Borrowing, which started in FY 2018, was extended through March 1, 2021, by Public Act 101-10. Interfund Borrowing may include transfers from unspecified special state funds to general funds and the Health Insurance Reserve Fund up to and outstanding at any one time of $1.2 billion. Additional transfers and retransfers may occur between funds as needed due to insufficient cash in the originator fund, as long as the amount outstanding is still at or below $1.2 billion. Amounts shall be repaid from general funds to the original funds with interest within 48 months of the dates borrowed (was originally 24 months).

With $218 million in borrowing occurring in April 2020 [$10.5 million of which was from another General Fund – Commitment to Human Services (#0644)], transfers to-date to the General Revenue Fund equal $1.256 billion, while principal of approximately $288 million has been paid back. Transfers to the Health Insurance Reserve Fund equal $231 million, with no pay backs to-date. Combining the net transfers to the General Revenue Fund and the Health Insurance Reserve Fund, the total Interfund Borrowing outstanding as of April is $1,199,418,523.

FY 2018-FY 2021 Interfund Borrowing [30 ILCS 105/5h.5]		
Transfers to General Funds		
Fund #	**Fund Name**	**April 2020**
0044	Lobbyist Registration Administration Fund	$1,000,000
0048	Rural/Downstate Health Access Fund	$200,000
0054	State Pensions Fund	$50,000,000
0068	Hospital Licensure Fund	$1,500,000
0069	Natural Heritage Endowment Trust Fund	$340,000
0075	Compassionate Use of Medical Cannabis Fund	$3,000,000
0082	Distance Learning Fund	$100,000
0093	Illinois State Medical Disciplinary Fund	$15,000,000
0104	Stroke Data Collection Fund	$150,000
0113	Community Health Center Care Fund	$400,000
0115	Safe Bottled Water Fund	$150,000
0118	Facility Licensing Fund	$1,500,000
0145	Explosives Regulatory Fund	$200,000
0148	Mental Health Reporting Fund	$4,000,000
0151	Registered Certified Public Accountants' Administration and Disciplinary Fund	$500,000
0152	State Crime Laboratory Fund	$2,000,000
0166	State Police Merit Board Public Safety Fund	$500,000
0184	ICJIA Violence Prevention Fund	$100,000
0238	Illinois Health Facilities Planning Fund	$1,000,000
0244	Residential Finance Regulatory Fund	$1,000,000
0256	Public Health Water Permit Fund	$150,000
0258	Nursing Dedicated and Professional Fund	$7,000,000
0259	Optometric Licensing and Disciplinary Board Fund	$350,000
0291	Regulatory Fund	$100,000
0294	Used Tire Management Fund	$500,000
0327	Tattoo and Body Piercing Establishment Registration Fund	$500,000
0342	Audit Expense Fund	$20,000,000

Fund #	Transfers to General Funds Fund Name	April 2020
0343	Federal National Community Services Grant Fund	$333,289
0362	Securities Audit and Enforcement Fund	$6,000,000
0372	Plumbing Licensure and Program Fund	$1,000,000
0422	Alternate Fuels Fund	$1,500,000
0453	Monitoring Device Driving Permit Administration Fee Fund	$3,000,000
0510	Illinois Fire Fighters' Memorial Fund	$5,000,000
0514	State Asset Forfeiture Fund	$100,000
0527	Sex Offender Management Board Fund	$100,000
0539	Death Penalty Abolition Fund	$1,500,000
0564	Renewable Energy Resources Trust Fund	$1,500,000
0571	Energy Efficiency Trust Fund	$4,000,000
0603	Port Development Revolving Loan Fund	$204,153
0611	Fund For Illinois' Future	$61,181
0621	International Tourism Fund	$1,500,000
0629	Real Estate Recovery Fund	$350,000
0690	DHS Private Resources Fund	$500,000
0702	Assisted Living and Shared Housing Regulatory Fund	$500,000
0705	State Police Whistleblower Reward and Protection Fund	$4,000,000
0714	Spinal Cord Injury Paralysis Cure Research Trust Fund	$339,200
0722	Comptroller Debt Recovery Trust Fund	$10,000,000
0746	Home Inspector Administration Fund	$300,000
0792	Cemetery Oversight Licensing and Disciplinary Fund	$1,500,000
0795	Bank and Trust Company Fund	$1,000,000
0801	Attorney General's State Projects and Court Ordered Distribution	$10,000,000
0816	Money Laundering Asset Recovery Fund	$300,000
0818	Grant v. Dimas Escrow Fund	$1,360,700
0821	Dram Shop Fund	$9,000,000
0828	Hazardous Waste Fund	$1,000,000
0840	Hazardous Waste Research Fund	$300,000
0845	Environmental Protection Trust Fund	$2,000,000
0848	Settlement Fund	$5,000,000
0888	Design Professionals Administration and Investigation Fund	$200,000
0896	Public Health Special State Projects Fund	$5,000,000
0906	State Police Services Fund	$6,000,000
0920	Metabolic Screening and Treatment Fund	$5,000,000
0942	Low-Level Radioactive Waste Facility Development and Operation Fund	$500,000
0944	Environmental Protection Permit and Inspection Fund	$3,000,000
0945	Landfill Closure and Post-Closure Fund	$300,000
0974	Illinois Equity Fund	$500,000
0975	Large Business Attraction Fund	$100,000
0982	Adeline Jay Geo-Karis Illinois Beach Marina Fund	$330,000
0997	Insurance Financial Regulation Fund	$2,000,000
	TOTAL	**$207,418,523**

Note: An additional $10.5 million was transferred from the Commitment to Human Services Fund, which is not counted in this total because it is a part of General Funds.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (Mar.)	4.6%	3.4%	4.3%
Inflation in Chicago (12-month percent change) (Mar.)	1.1%	2.0%	1.5%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (Mar.)	6,327.9	-1.1%	-2.0%
Employment (thousands) (Mar.)	6,035.6	-2.3%	-2.4%
Nonfarm Payroll Employment (Mar.)	6,087,700	-34,100	-29,900
New Car & Truck Registration (Mar.)	39,232	9.3%	-15.9%
Single Family Housing Permits (Mar.)	695	20.9%	-10.8%
Total Exports ($ mil) (Feb.)	4,791.4	3.2%	-1.9%
Chicago Purchasing Managers Index (Apr.)	35.4	-25.9%	-32.7%

* Due to monthly fluctuations, trend best shown by % change from a year ago

The ABC's of Recession and Recovery

Benjamin L. Varner, Senior Analyst and Economic Specialist

The COVID-19 pandemic has been a body blow to economies around the world. The mandated closures of non-essential businesses in many states and the subsequent fall in economic activity has led many economists to say that the country has fallen into a recession. Over 30 million U.S. workers (including almost 820,000 in Illinois) have applied for unemployment benefits since the middle of March. Numerous forecasters such as Fitch, Goldman Sachs, Morningstar, IHS Markit, and the International Monetary Fund have a recession as part of their baseline economic forecast. This month the Commission will delve into what an economic recession is, how it is designated, and what types of recovery we could see if the country has indeed fallen into a recession.

A recession is commonly defined by the financial press as two consecutive quarters of negative gross domestic product (GDP) growth. While this often occurs during a recession, it is not how economists generally designate recessions. In the U.S., recessions are designated by the National Bureau of Economic Research's (NBER) Business Cycle Dating Committee. This committee maintains a chronology of the U.S. business cycle. The chronology comprises alternating dates of peaks and troughs in economic activity.

As explained by NBER, a recession is a period between a peak and a trough, and an expansion is a period between a trough and a peak. During a recession, a significant decline in economic activity spreads across the economy and can last from a few months to more than a year. Similarly, during an expansion, economic activity rises substantially, spreads across the economy, and usually lasts for several years. In both recessions and expansions, brief reversals in economic activity may occur—a recession may include a short period of expansion followed by further decline; an expansion may include a short period of contraction followed by further growth. The Business Cycle chart on the following page illustrates these concepts with the portion of the chart titled "Period of Contraction" signifying the recession.

The Committee applies its judgment based on the previous definitions of recessions and expansions. It has no fixed rule to determine whether a contraction is only a short interruption of an expansion, or an expansion is only a short interruption of a contraction. The Committee also does not have a fixed definition of economic activity. It examines and compares the behavior of various measures of broad activity such as real GDP measured on the product and income sides, economy-wide employment, and real income. The Committee also may consider indicators that do not cover the entire economy, such as real sales and the Federal Reserve's index of industrial production.

Recessions occur due to many factors and each recession is unique but the Congressional Research Service (CRS) identified three main causes of recessions in 2019. The first cause was the overheating of the economy. An overheated economy is one in which demand outstrips supply, expanding past full employment and the maximum capacity of the nation's resources. This scenario is characterized by rising inflation and unemployment below its "natural" rate. Examples identified include the recessions of 1957, 1969, and 1973. The second cause of recession identified was a different type of an overheating economic environment in which a large increase in general price inflation was absent but featured rapid growth and subsequent bursting of asset bubbles. The last two recessions would fall into this category with the "dot-com" stock bubble bursting prior to the 2001 recession and the housing bubble leading to the Great Recession. The final cause identified by CRS was economic shocks. Recessions can be triggered by negative, unexpected, external events, which economists refer to as "shocks" to the economy that disrupt the expansion. The oil shocks of the 1970's and 1980's are classic examples of economic shocks. The current situation would also likely fall into this category.

Once an economy falls into recession, there are a myriad of paths to recovery. These paths are often described in the financial press through the use of letters which describes the shape of various economic data when plotted. The following table highlights some of these different types of recovery and hypothesizes how such a recovery could unfold under the current situation.

The Business Cycle

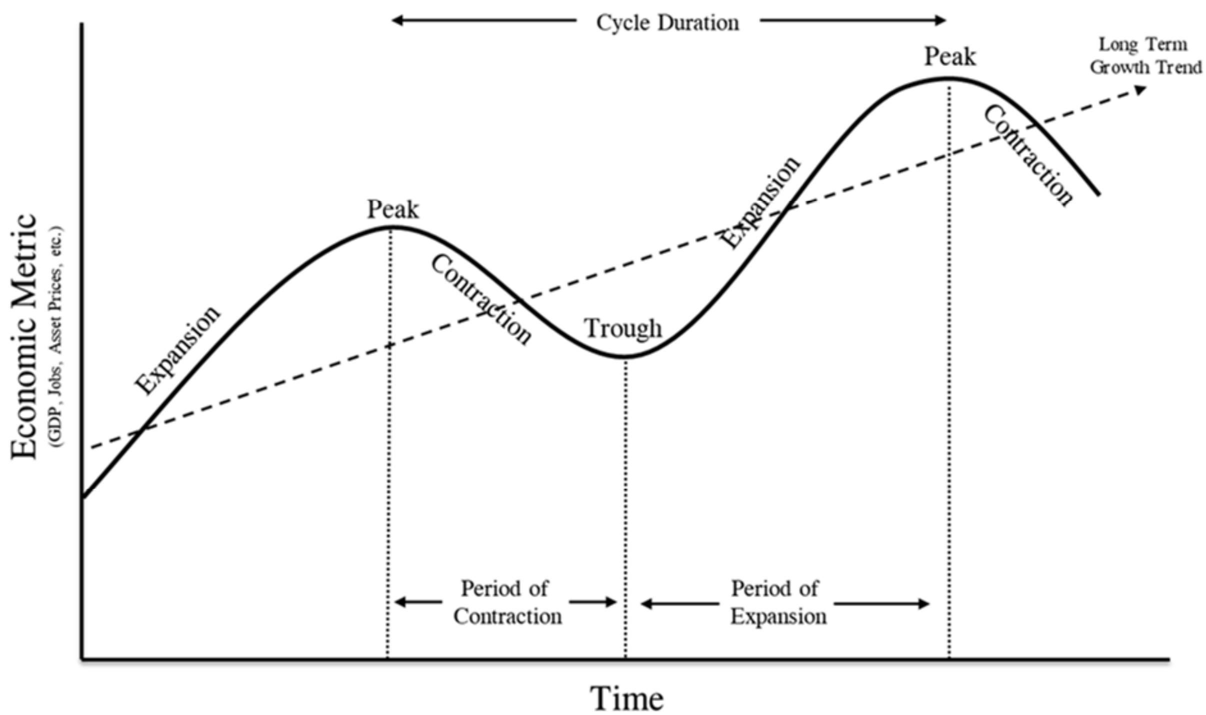
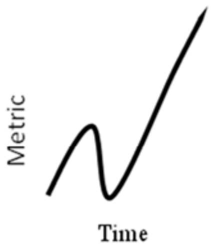
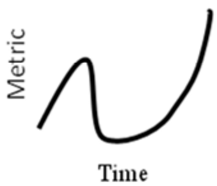
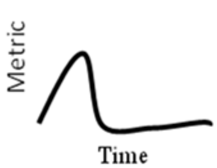


Chart reproduced based on a chart previously presented by the Central Bank of the Republic of Turkey.

Economic Recoveries

Recovery Type	Characteristics	Current Scenario
"V" Shaped 	V-shaped recoveries are characterized by a sudden decline in economic activity followed by a quick return to growth. These types of economic turndowns can be associated with exogenous factors such as hurricanes.	A V-shaped recovery under current conditions would likely involve a swift reopening of the economy due to effective containment of the Covid-19 virus with an efficient federal response that aids businesses in staying open and retaining their work forces along with providing economic support for state and local governments.
"U" Shaped 	U-shaped recoveries are characterized by a more drawn-out economic downturn than a v-shaped recovery. Instead of bouncing back once a bottom is found, the economy spends an extended period with little growth before accelerating and returning to previous levels.	A U-shaped recovery under current conditions would likely involve a reopening of the economy that takes a few months longer than hoped for and fear of a 2nd wave of the virus keeps consumers hesitant to spend at levels prior to the pandemic.
"W" Shaped 	A W-shaped recovery can be characterized as a recovery that sees the economy fall, begins to recover (or fully recovers) but then falls back into recession soon thereafter. Recoveries such as this are sometimes referred to as "Double Dip" recessions.	A W-shaped recovery could occur if economies and individual markets have to be closed and reopened multiple times due to multiple waves of Covid-19.
"J" Shaped 	A J-shaped recovery is characterized by moderate to slow growth which causes the recovery to take multiple years. The recovery from the Great Recession in the U.S. is an example of a J-shaped recovery.	A J-shaped recovery could occur if the economy were to reopen relatively smoothly but business and consumer confidence takes multiple years to revive.
"L" Shaped 	An L-shaped recovery is a recovery characterized by years of a stagnant economy. The economy falls from the cycle high but does not begin to grow again once a bottom is hit. L-shaped recoveries are often associated with severe economic downturns or fundamental changes to the economy.	An L-shaped recovery could occur if the economy remains only partially opened for years to come as efforts to contain Covid-19 are unsuccessful.

Although a wide array of opinions exist on the current economic situation, the most prevalent view seems to be for a two to three quarter recession with a recovery reflecting some manner of a V-shaped recovery, a U-shaped recovery, or a hybrid recovery with characteristics of both. More recently, some forecasters have expressed heightened concern related to a W-shaped recovery. This concern is based on the perception that the chances of having to re-apply social distancing restrictions on the economy have increased. This is due to the fear by forecasters that some states are "opening up the economy" prior to having effective infrastructure in place to monitor and prevent flair-ups of the virus. While the medium to long-term economic performance of the country and the State are unknown, it will almost certainly be a highly volatile environment for the rest of 2020 and into 2021.

Federal COVID-19 Stimulus 3.5 Relief Package (HR 266)

Anthony Bolton, Revenue Analyst

On April 24, 2020, HR 266, the Paycheck Protection Program and Health Care Enhancement Act, was signed into law by President Trump after passing the House of Representatives and the Senate. This legislation provides additional funding to existing programs created under the CARES Act and other COVID-related stimulus legislation and is the fourth COVID-19 relief law to date. Specifically, the main components of this legislation appropriates approximately $483 billion in the following ways:

- $310 billion is appropriated for the Paycheck Protection Program (PPP) created under the CARES Act. This program had an initial appropriation of $350 billion, which was depleted within two weeks of passage. $16 billion of the initial $350 billion was approved for approximately 70,000 businesses in Illinois. The overall appropriation for this program is increased to $659 billion. Of the $310 billion in new appropriation, $30 billion is set aside for loans from insured depository institutions and
- credit unions with between $10 and $50 billion in assets. An additional $30 billion is set aside for loans from insured depository institutions, credit unions, and community financial institutions with less than $10 billion in assets.
- $60 billion is appropriated for loans and grants for economic disaster assistance. Of that total, $10 billion is allocated to Emergency Economic Injury Disaster Loans authorization, which is raised from $10 billion to $20 billion and expands eligible recipients to certain agricultural enterprises with less than 500 employees. This program consists of forgivable loans of up to $10,000 to cover temporary revenue losses. The remaining $50 billion is appropriated to the Economic Injury Disaster Loan Program, which is intended to cover standard costs.
- $75 billion is appropriated for health care providers and is intended to reimburse hospitals and other providers for COVID-19 related expenses and lost revenue. This

supplements the $100 billion allocated in the CARES Act. No funding formula is specified, though this appropriation has similar legislative provisions to those set forth in the CARES Act.

- $25 billion is appropriated for increasing testing capacity. Of that total:
    - $11 billion is allocated in grants for states, local governments, territories, and tribes to develop, purchase, administer, and process COVID-19 tests. This includes contact testing and tests for employees of businesses. Within 30 days of enactment, grantees must submit testing plans and goals for the remainder of CY 2020.
    - $1 billion is allocated to the CDC.
    - $1.8 billion is allocated for the National Institute of Health.
    - $1 billion is allocated for testing of uninsured individuals.
    - $22 million is allocated for the FDA.
    - $1 billion is allocated for the Biomedical Advanced Research and Development Authority.
    - $600 million is allocated for community health centers and $225 million for rural health clinics.

Recent Illinois Ratings Changes

By Lynnae Kapp, Senior Bond Analyst

In April 2020, due to economic impacts related to COVID-19, Fitch downgraded Illinois' General Obligation bonds to the same level as S&P and Moody's. All three rating agencies changed the State's ratings outlook to negative.

Fitch Ratings—downgraded one level to BBB-; outlook changed to Negative

Fitch downgraded the State of Illinois' General Obligation bond rating one level to BBB- with a negative outlook on April 16, 2020. The State downgrade led to the downgrade of the State's Build Illinois Revenue Bonds from A- to BBB+. Due to appropriation risk of the State, the Metropolitan Pier and Exposition Authority and the Illinois Sports Facility Authority were downgraded from BBB- to BB+, which is considered junk level.

"The downgrade of Illinois' IDR [Issuer Default Rating] and GO bond ratings to 'BBB-' from 'BBB' reflects Fitch's anticipation of a fundamental weakening of the state's financial resilience given its already tenuous position entering the current severe downturn. While Illinois should avoid any immediate cash flow pressures, the state's lack of meaningful reserves and the limited nature of other fiscal-management tools at its disposal mean Illinois will be challenged to maintain its investment-grade IDR.

"Illinois' 'BBB-' IDR and GO bond ratings, well below the level of other states, have long reflected an ongoing pattern of weak operating performance and irresolute fiscal decision-making that has produced a credit position well below the level that the state's broad economic base and substantial independent legal ability to control its budget would otherwise support. The ratings also reflect the state's elevated long-term liability position, modest long-term economic and revenue growth profile and adequate expenditure flexibility.

"The Outlook revision to Negative reflects the risk that the depth and duration of the downturn lead Illinois to implement nonstructural budget-management measures the state finds difficult to quickly unwind once an economic recovery finally begins to take hold…

"In Fitch's coronavirus baseline scenario, the Fitch Analytical Stress Test (FAST) model indicates Illinois' revenue decline could be among the most severe for U.S. states over the three-year scenario period, as Fitch anticipates the state's tax revenues will rebound more slowly than in most other states. This will likely constrain Illinois' ability to restore its limited financial resilience. Deeper economic declines as outlined in the downside scenario would trigger more substantial revenue declines, making it even more difficult for the state to maintain an investment-grade credit profile."

Standard & Poor's—BBB-; outlook changed to Negative

On April 3, 2020, Standard and Poor's changed the State of Illinois' General Obligation Bond and Build Illinois Revenue Bonds outlooks to Negative from Stable. This also affected the outlooks of both the Metropolitan Pier and Exposition Authority and the Illinois Sports Facility Authority bonds, which were changed to negative based off of their reliance on State revenue or backup for debt service. S&P also changed the Illinois State Toll Highway Authority's outlook to negative, along with the State's public universities that it rates. Standard and Poor's has changed all U.S. Public Finance sectors' outlooks to negative, but will look at individual issuers to decide if they will be changed to negative outlook and need rating changes.

"The [State's G.O.] negative outlook reflects our anticipation that there is at least a one-in-three chance that economic conditions worsen to a degree that affects the state's ability to maintain credit characteristics in line with the investment-grade rating level.

"We will be watching to see if the stimulus as currently allocated is sufficient for Illinois to fight the COVID-19 pandemic; if the anticipated growth in the bill backlog does not create service delivery problems; and if the current market volatility worsens the funding status of the already poorly funded pension plans. Over the intermediate term, we believe that the state will need to take further action to achieve sustainable structural balance and address its pension liabilities to maintain an investment-grade rating.

"In addition, the rating reflects our view of governance risks that we view as being above the sector norms due to the constitutional limits the state faces to modify its growing pension costs, and that the state is not contributing to meet static funding, limiting current and future budgetary flexibility. However, we view the state's environmental risks as inline with our view of the sector. Our outlook revision also reflects our view that the COVID-19 pandemic's impact on the state's economy, budget, and forecast is a social rating factor elevating the public health and safety issues. If economic activity resumes, however, and credit metrics are upheld, we could revise the outlook to stable."

Moody's Investors Service—Baa3; outlook changed to Negative

On April 9, 2020, Moody's changed the outlook to negative for Illinois' General Obligation Bonds, Build Illinois Bonds, Civic Center Debt and Metropolitan Pier and Exposition Authority bonds.

"Today's action affirming Illinois' general obligation bond rating and revising the outlook to negative reflects our expectation that the coronavirus pandemic and its economic consequences will exacerbate the state's financial challenges and test its resiliency relative to other states. Large unfunded pension liabilities and a chronic unpaid bill backlog are likely to worsen significantly and reduce the state's financial flexibility. The actual toll on Illinois in social, economic and budgetary terms will be determined by factors such as federal aid, virus containment efforts and near-term financial market performance. Illinois' credit is supported by a large, diverse economy with above-average wealth. The state also has strong powers over revenue and spending and substantial non-operating fund liquid resources."

On April 15, Moody's also revised the Toll Highway Authority's outlook to negative from stable: "The rating action was prompted by the coronavirus outbreak in the US and its impact on the authority and the State of Illinois (Baa3 negative outlook). The negative outlook reflects the relationship between the state and ISTHA, the authority's potential exposure to further deterioration in the state's credit and the powers a state could invoke in times of fiscal stress. These powers include actions that could impact financial matters at separately managed agencies. With respect to ISTHA, Moody's notes that the toll authority does not rely on state funding and that strong protections exist in its authorizing legislation, master trust indenture and the Illinois Constitution. Moody's notes the five notches of rating differential between ISTHA and the state is unlikely to widen… The authority has more than 1,000 days cash on hand, which could provide an additional 20 months of coverage, though it should be noted that the authority targets to use a portion of its cash on hand to fund a portion of its capital program."

ILLINOIS' GENERAL OBLIGIATION RATINGS HISTORY						
Date of Rating Action	***Fitch***		***S&P***		***Moody's***	
	Rating	***up/down***	***Rating***	***up/down***	***Rating***	***up/down***
April 2020	***BBB-***	↓1x				
June 2017			***BBB-***	↓1x	***Baa3***	↓1x
February 2017	***BBB***	↓1x				
September 2016			***BBB***	↓1x		
June 2016			***BBB+***	↓1x	***Baa2***	↓1x
October 2015	***BBB+***	↓1x			***Baa1***	↓1x
June 2013	***A-***	↓1x			***A3***	↓1x
Jan 2013			***A-***	↓1x		
Aug 2012			***A***	↓1x		
Jan 2012					***A2***	↓1x
Jun 2010	***A***	↓1x			***A1***	↓1x
Mar-Apr 2010	***A-/A+ recal***	↓1x/↑2x			***Aa3 recal***	↑2x
Dec 2009			***A+***	↓1x	***A2***	↓1x
Mar-Jul 2009	***A***	↓2x	***AA-***	↓1x	***A1***	↓1x
Dec 2008	***AA-***	↓1x				
May 2003	***AA***	↓1x			***Aa3***	↓1x
Jun 2000	***AA+***	↑1x				
Jun 1998					***Aa2***	↑1x
Jul 1997			***AA***	↑1x		
Feb 1997					***Aa3***	↑1x
Sep 1996	***AA***	***initial rating***				
Feb 1995					***A1***	↓1x
Aug 1992			***AA-***	↓1x	***Aa****	↓1x
Aug-Sep 1991			***AA***	↓1x	***Aa1***	↓1x
Mar 1983			***AA+***	↓1x		
Feb 1979			***AAA***	***initial rating***		
1973					***AAA***	***initial rating***

Note: "recal" means recalibration, when Fitch and Moody's revised their ratings on municipal bonds to match global/corporate ratings. These are not considered upgrades.
***Moody's rating of Aa was before that level had modifiers of Aa2 and Aa3, so it was considered one level in between AA1 and A1**

TABLE 1	ILLINOIS BONDS AT A GLANCE ($ in millions)						
	FY 2019	FY 2020	$ Change	% Change	FY 2021	$ Change	% Change
Bond Sales							
General Obligation	$300.0	$2,350.0	$2,050.0	683.3%	$2,400.0	$50.0	2.1%
Revenue	$250.0	$0.0	-$250.0	-100.0%	$250.0	$250.0	100.0%
Total	**$550.0**	**$2,350.0**	**$1,800.0**	**327.3%**	**$2,650.0**	**$300.0**	**12.8%**
Outstanding Principal							
General Obligation	$27,725.1	$29,149.9	$1,424.8	5.1%	$29,800.9	$651.0	2.2%
Revenue	$2,319.0	$2,114.3	-$204.7	-8.8%	$2,191.2	$76.9	3.6%
Total	**$30,044.1**	**$31,264.2**	**$1,220.1**	**4.1%**	**$31,992.1**	**$727.9**	**2.3%**
Debt Service							
General Obligation	$4,069.5	$3,110.2	-$959.3	-23.6%	$3,278.7	$168.5	5.4%
Revenue	$333.3	$312.4	-$20.9	-6.3%	$281.3	-$31.1	-10.0%
Total	**$4,402.8**	**$3,422.6**	**-$980.2**	**-22.3%**	**$3,560.0**	**$137.4**	**4.0%**

The Governor's Office sent a Notice of Proposed Short-Term Borrowing to the Legislature and Secretary of State on April 15, utilizing authorization under the failure of revenues section of the Illinois Constitution [Article 9, Section 9(d)] and the Short Term Borrowing Act [30 ILCS 340/1.1]. The notice states that the proceeds of up to $1.5 billion of borrowing would be applied to FY 2020 appropriations and repayment of borrowed funds. GOMB's revised budget in April assumes $1.2 billion of short-term borrowing for general funds. The State plans to finalize the sale in May 2020.

The State will also sell $1 billion of General Obligation bonds in May for construction projects and for the accelerated pension buyout programs.

There is $1.2 billion of Income Tax Proceeds Bond authorization available which can be sold to pay down the State's backlog of bills. The Governor's Office of Management and Budget has not determined when these bonds would be issued and they are not included in the chart above.

FY 2021 Capital Plan

By Lynnae Kapp, Senior Bond Analyst

The six-year, $45 billion Rebuild Illinois capital program began in FY 2020, with new appropriations for capital projects of $33 billion. The $20.8 billion in bond appropriations were all enacted in the FY 2020 budget along with leftover appropriations for previous capital projects, and will be reappropriated in subsequent years until the appropriations are used. The pay-as-you-go portions for the entire program will include $10.4 billion in State funds, $10 billion in federal funds and $3.6 billion in local/private matching funds.

The table below shows the FY 2020 capital appropriations and the FY 2021 requested capital appropriations. The requested FY 2021 new appropriations total $3.6 billion in pay-as-you go funding, mainly from State funds, with no new bond appropriations.

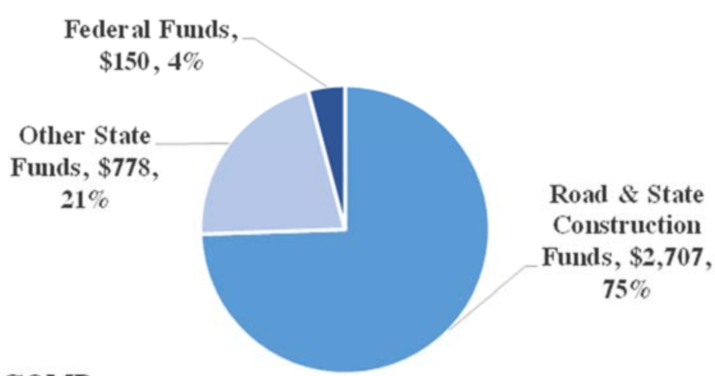
TABLE 2 FUND TYPE	FY 2021 CAPITAL PLAN REQUESTED APPROPRIATIONS NEW APPROPRIATIONS	RE-APPROPRIATIONS	TOTAL
Bond	$0	$25,727,703,664	**$25,727,703,664**
State Funds	$3,484,597,500	$15,343,078,204	**$18,827,675,704**
Federal/Trust	$150,000,000	$294,243,839	**$444,243,839**
TOTAL	**$3,634,597,500**	**$41,365,025,707**	**$44,999,623,207**

FUND TYPE	FY 2020 CAPITAL PLAN APPROPRIATIONS NEW APPROPRIATIONS	RE-APPROPRIATIONS	TOTAL
Bond	$21,744,603,479	$5,980,577,812	**$27,725,181,291**
State Funds	$11,482,930,600	$7,333,466,480	**$18,816,397,080**
Federal/Trust	$108,500,000	$294,815,839	**$403,315,839**
TOTAL	**$33,336,034,079**	**$13,608,860,131**	**$46,944,894,210**

Project priorities include the Annual Road Program ($2.7 billion); new high speed rolling stock and rail ($15 million); downstate transit ($7.5 million); $652 million for drinking, storm and wastewater projects; $52 million for mass transit; and $85 million for financial assistance to airports.

All of the new appropriations for the FY 2021 capital plan are from pay-as-you-go funding, which is separated out in categories in Chart 1: the Road Fund & State Construction Fund are used for Transportation projects and would pay for 75% of new appropriations, while other State funds would pay for 21% and Federal funds approximately 4%.

CHART 1 FY 2021 Capital Plan Funding New Appropriations by Type of Fund ($ in millions)

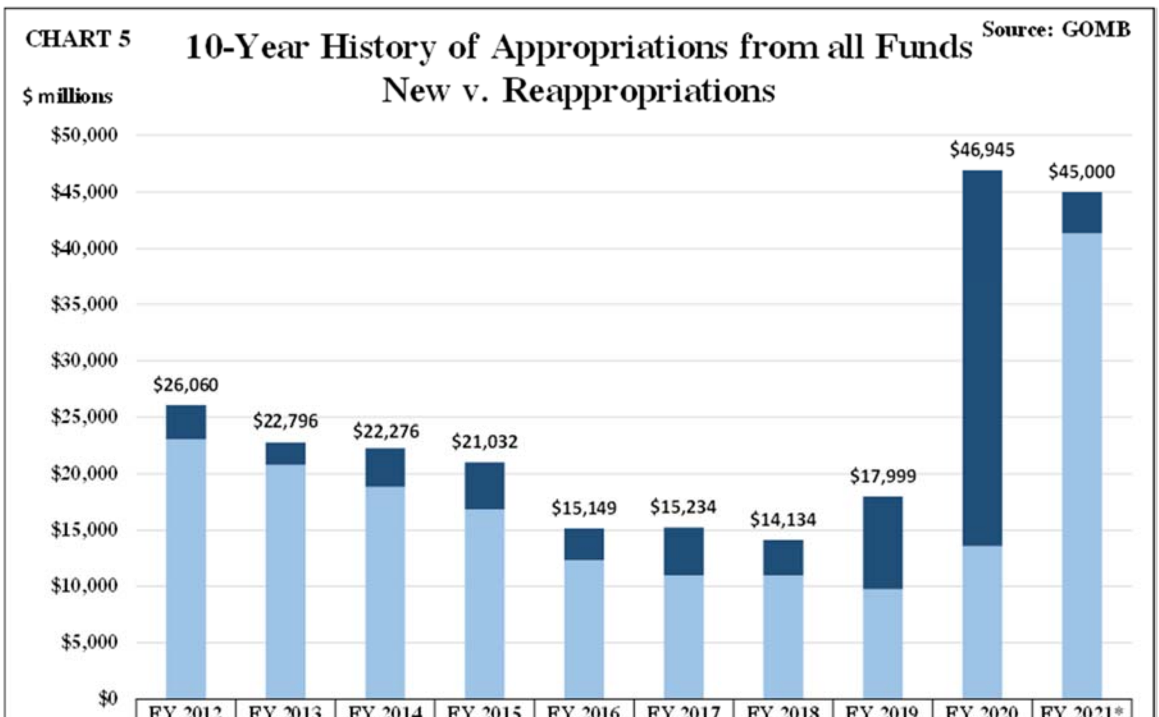


Source: GOMB

History of Appropriations from All Funds

A ten-year history of all appropriations from pay-as-you-go as well as bond funds from FY 2012 to requested FY 2021 is illustrated in the chart below. New appropriations increased dramatically in FY 2010 to $18 billion due to most of the funding for the IJN Capital Program being appropriated in the first year of the program. Not all new appropriations were made in that first year, so new appropriations occurred annually with amounts remaining in the $2 billion - $5 billion range through FY 2017. A large proportion of these new appropriations were from various State revenue funds for pay-as-you-go funding. In FY 2020, the Rebuild Illinois Capital Program created new appropriations of $33.3 billion, with $21.7 billion coming from bond funds. FY 2021 has new appropriations of $3.6 billion, all from pay-as-you-go funding.

Due to the budget impasse, a large portion of projects that would normally have been reappropriated were not. As part of the budget agreement for FY 2017, stopgap appropriations were made for safety, health and mental health issues at mental health facilities and prisons through CDB. In FY 2018, those stopgap provisions were reappropriated and some other projects that missed out on reappropriations had to be listed as new appropriations. Nearly 35% of the Capital Program request for FY 2019 new appropriations included funding to restore the remaining projects, mostly through DCEO, DNR and the EPA, that lost their reappropriations from previous years.

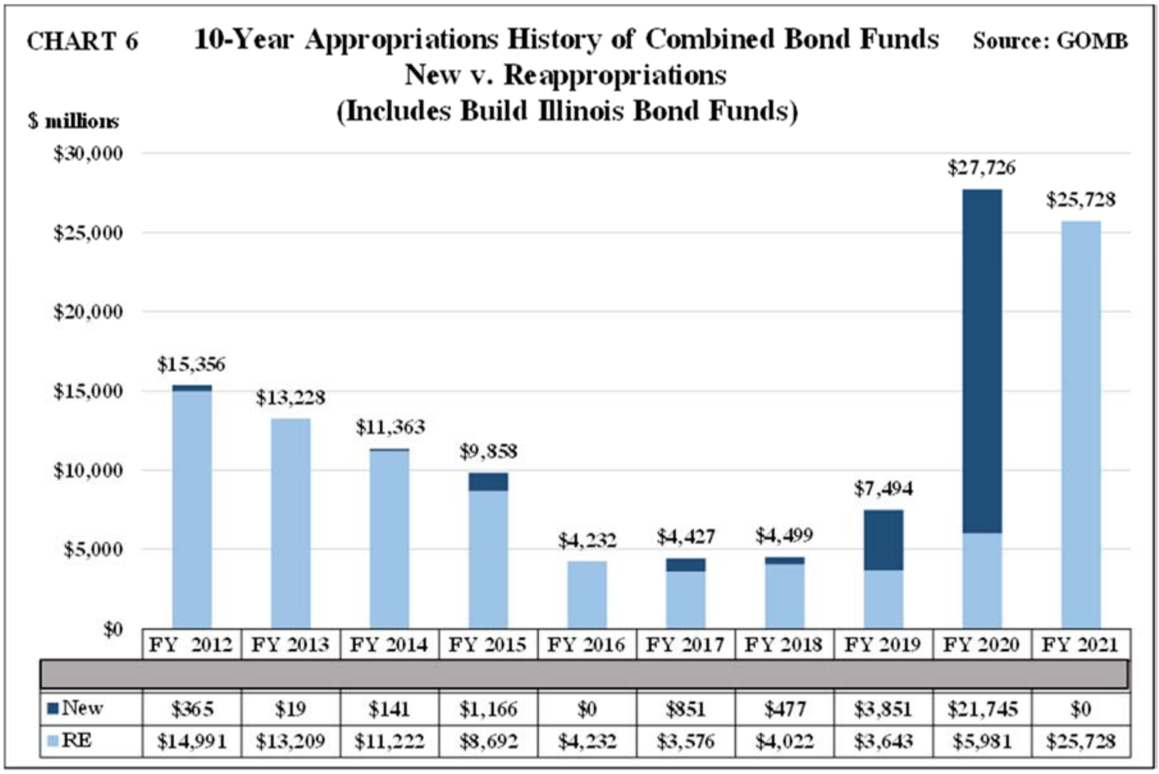


	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021*
New	$2,978	$2,004	$3,434	$4,177	$2,842	$4,287	$3,174	$8,271	$33,336	$3,635
RE	$23,081	$20,792	$18,842	$16,855	$12,307	$10,947	$10,960	$9,728	$13,609	$41,365

History of Appropriations from Bond Funds

Chart 6 shows the amount of new appropriations versus reappropriations of all bond funds, including Build Illinois bond funds. Historically, the majority of bond project funding came from general obligation bond funds. In FY 2010, a significant portion of project appropriations came from the Build Illinois Bond Fund. Total bond funds combined for fiscal years 2012 through requested appropriations for 2021 are shown in the chart below.

Under the Illinois Jobs Now program, new bond fund appropriations increased dramatically to $14.6 billion in FY 2010. In FY 2015, the State appropriated almost $1.2 billion in new appropriations, mostly for Transportation projects. In FY 2016, there were no new appropriations from bond funds. FY 2017 and FY 2018 were under the $900 million mark. The new bond appropriations in FY 2019 were $3.9 billion, approximately 2/3rd of which were to make up for previous projects that were not reappropriated due to the budget impasse. FY 2020 was the beginning of the Rebuild Illinois Program. All $20.8 billion of the program's bond funds were appropriated in that fiscal year along with some remaining bond appropriations needed for past projects. There are no new bond appropriations in FY 2021.



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
New	$365	$19	$141	$1,166	$0	$851	$477	$3,851	$21,745	$0
RE	$14,991	$13,209	$11,222	$8,692	$4,232	$3,576	$4,022	$3,643	$5,981	$25,728

For additional information, you can find the Commission's FY 2021 Capital Plan Analysis report at http://cgfa.ilga.gov/Resource.aspx?id=6.