Commission on Government Forecasting and Accountability

802 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: September 2022

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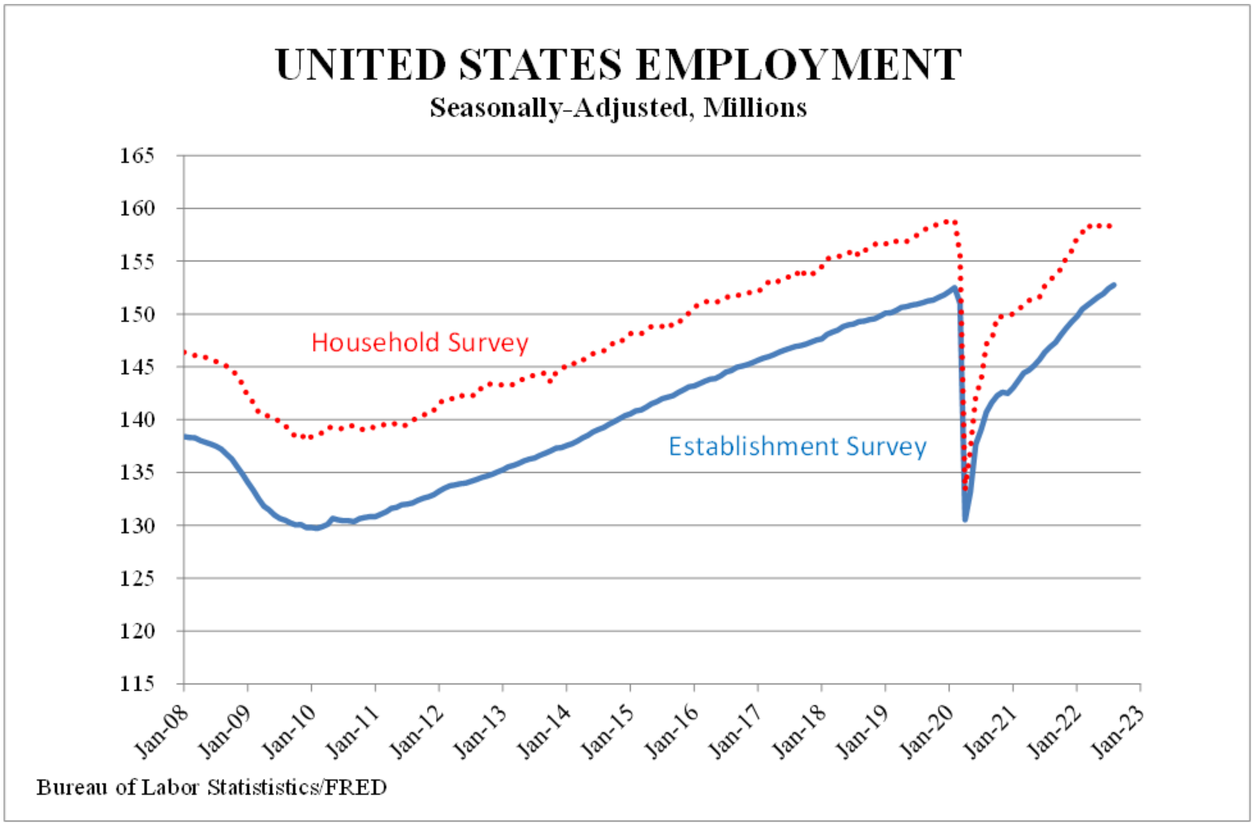
Economy: Tight Labor Market and Inflation Keep Fed Busy

Benjamin L. Varner, Chief Economist

In September, the Federal Reserve raised short-term interest rates again to meet its dual mandate of maximum employment and stable prices as the economy continued to see tight labor markets and high levels of inflation. The Federal Open Market Committee (FOMC) raised the federal funds interest rate range ¾ of a percentage point to 3.0% to 3.25%. This was the third meeting in a row that the FOMC raised rates ¾ of a point and was the fifth interest rate hike in 2022. Short-term interest rates are now at the highest levels since just before the Great Recession. In raising short-term interest rates to this level, the Fed now considers its monetary policy as moving from a more neutral monetary policy to a slightly restrictive one. As outlined in the news briefing at the time of the September Fed meeting, this more restrictive monetary policy is designed to "moderate demand so that it comes into better alignment with supply." Chairman Powell indicated that the committee "anticipates that ongoing increases will be appropriate."

In the Summary of Economic Projections developed by members of the FOMC, the median response indicated that short-term rates would rise to 4.4% by the end of 2022, and then to 4.6% by the end of 2023, before falling to 2.3% in 2024. Real Gross Domestic Product (GDP) growth was forecast to be just 0.2% this year and 1.2% in 2023. Participants projected the unemployment rate will rise to 4.4% in December and be at 4.6% at the end of 2023.



So far in 2022, growth in non-farm payrolls as measured by the establishment survey has averaged growth of 438,000 jobs per month, though this rate has slowed to 378,000 per month over the last three months. To meet the Fed's expectations of a slowing economy, the growth in employment will likely need to slow further. The U.S. has basically made up all of the lost jobs since the outbreak of the COVID-19 pandemic, though the State of Illinois has further to go to meet this benchmark. The unemployment rate for the U.S. rose from 3.5% in July to 3.7% in August, despite the growth in jobs as the labor force expanded with more people looking for employment. Similarly, the unemployment rate in Illinois rose from 4.4% to 4.5%. While Illinois' unemployment rate of 4.5% in August is still near historic lows, the State has one of the highest unemployment rates in the country. Illinois has the fourth highest unemployment rate, which is tied with Delaware and just below Washington D.C. (5.1%), New York (4.7%), and Alaska (4.6%). As would be expected in a tight labor market, both initial claims (213,000) and continuing claims (1,379,000) to the unemployment insurance program remain low. In addition to this, job openings continue to be high though down a little from the all-time highs seen in the spring.

While the Fed's mandate for full employment is likely being achieved, it's mandate for stable prices is obviously not being met. The Fed has a long-term goal of keeping inflation at 2%. In August, the Consumer Price Index (CPI) came in at 8.3% year-over-year. This was down from the 40-year high of 9.1% in July but is still one of the highest levels seen since the early 1980's. The reduction in gas prices has lowered headline CPI but core CPI, which removes energy and food items, grew from 5.9% to 6.3% in August. The rise in core CPI was driven by increases in shelter costs, new vehicle prices, and healthcare rates. The Fed's preferred measure of inflation, the Personal Consumption Expenditure (PCE) price index, which has tended to track a little lower than the CPI, set a recent high in June at 7.0% and sits at 6.2% in August. Core PCE has been around 5.0% in recent months. While current inflation rates are high, based on survey results and other market indicators, the Fed believes that inflation expectations remain anchored in the long run. The Fed's economic projections predict that PCE will end the year at 5.2%, while Core PCE will be at 4.5%. Headline PCE is projected to drop to 2.8% by the end of 2023, while Core PCE will remain a little higher at 3.1%.

Going forward economic conditions will likely remain volatile in the short-term. The effects of the Fed's restrictive monetary policy will continue to spread beyond the downturn already being observed in the housing market. While the U.S. economy has held up pretty well compared to the rest of the world, economic conditions around the world will likely begin to have a larger influence on the U.S. economy. The war between Russia and Ukraine is anticipated to keep energy prices high and is expected to hinder economies throughout Europe. While disruptions in the supply of gas and oil are causing high prices in Europe, other countries are experiencing shortages as a portion of these commodities have been diverted to fill demand in Europe. In addition to energy prices, the war is affecting the price and availability of food commodities. The economic slowdown in China, partially associated with reinstated COVID-19 lockdowns, will reverberate throughout the world. In addition to geo-political events, natural events will also continue to influence the economy. Droughts in the Southwestern U.S. and Central Europe have hampered the economy in recent months, while the effects of Hurricane Ian will cause turmoil in the Southeastern U.S. All of these factors, plus many more, will determine the path forward.

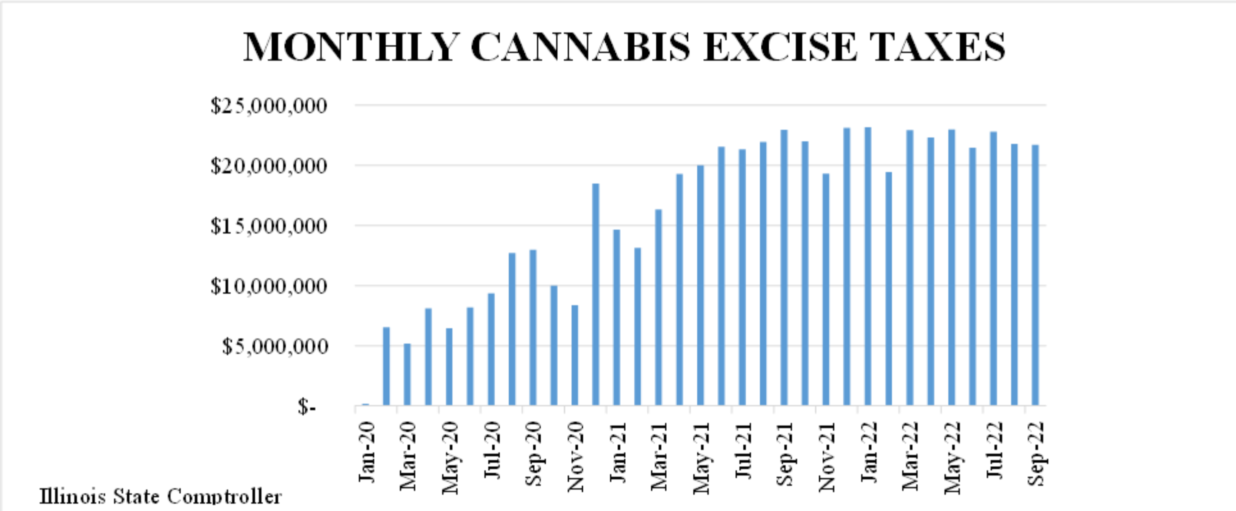
INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (Aug.)	4.5%	4.4%	6.0%
Inflation in Chicago (12-month percent change) (Aug.)	8.8%	8.8%	4.8%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (Aug.)	6,458.6	0.0%	2.0%
Employment (thousands) (Aug.)	6,168.4	-0.1%	3.6%
Nonfarm Payroll Employment (Aug.)	6,068,200	4,100	239,700
New Car & Truck Registration (Aug.)	30,557	2.3%	-24.8%
Single Family Housing Permits (Aug.)	832	9.5%	-30.5%
Total Exports ($ mil) (July)	6,216.0	-13.2%	13.9%
Chicago Purchasing Managers Index (Sep.)	45.7	-12.5%	-29.4%

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

Cannabis Quarterly – 1st Quarter FY 2023



CANNABIS REGULATION FUND REVENUE
($ millions)

Revenue Source	FY22 Q1	FY23 Q1	$ Change	% Change	FY22 YTD	FY23 YTD	$ Change	% Change
State Cannabis Excise Taxes	$66.2	$66.3	$0.0	0.1%	$66.2	$66.3	$0.0	0.1%
Licenses and Registration Fees	$1.7	$1.4	($0.3)	-16.0%	$1.7	$1.4	($0.3)	-16.0%
Other Revenue	$0.0	$0.0	($0.0)	-48.8%	$0.0	$0.0	($0.0)	-48.8%
Total	**$67.9**	**$67.7**	**($0.2)**	**-0.4%**	**$67.9**	**$67.7**	**($0.2)**	**-0.4%**
Illinois State Comptroller, CGFA								

CANNABIS REGULATION FUND EXPENDITURES
($ millions)

Object of Expenditure	FY22 Q1	FY23 Q1	$ Change	% Change	FY22 YTD	FY23 YTD	$ Change	% Change
Transfer - General Revenue Fund	$19.5	$22.7	$3.2	16.6%	$19.5	$22.7	$3.2	16.6%
Transfer - Professional Services	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Transfer - Workers' Compensation Revolving	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Transfer - Criminal Justice Info Projects	$13.9	$16.2	$2.3	16.6%	$13.9	$16.2	$2.3	16.6%
Transfer - Drug Treatment	$1.1	$1.3	$0.2	16.6%	$1.1	$1.3	$0.2	16.6%
Transfer - DHS Community Services	$11.1	$13.0	$1.9	16.6%	$11.1	$13.0	$1.9	16.6%
Transfer - Local Government Distributive Fund	$4.5	$5.2	$0.7	16.6%	$4.5	$5.2	$0.7	16.6%
Transfer - Budget Stabilization	$5.6	$6.5	$0.9	16.6%	$5.6	$6.5	$0.9	16.6%
Transfer - Cannabis Expungement	$0.7	$0.7	($0.0)	-2.4%	$0.7	$0.7	($0.0)	-2.4%
Transfer Total	**$56.4**	**$65.7**	**$9.3**	**16.4%**	**$56.4**	**$65.7**	**$9.3**	**16.4%**
Operations - Agriculture	$0.2	$0.8	$0.6	296.9%	$0.2	$0.8	$0.6	296.9%
Operations - Commerce and Econ. Opportunity	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Operations - Financial Professional Regulation	$0.7	$0.9	$0.2	23.1%	$0.7	$0.9	$0.2	23.1%
Operations - Public Health	$0.0	$0.0	$0.0	0.0%	$0.0	$0.0	$0.0	0.0%
Operations - Revenue	$0.0	$1.5	$1.5	n/a	$0.0	$1.5	$1.5	n/a
Operations - State Police	$0.4	$0.4	($0.0)	-6.9%	$0.4	$0.4	($0.0)	-6.9%
Operations - Criminal Justice Information Authority	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Operations Total	**$1.3**	**$3.6**	**$2.3**	**175.7%**	**$1.3**	**$3.6**	**$2.3**	**175.7%**
Grand Total	**$57.7**	**$69.3**	**$11.6**	**20.0%**	**$57.7**	**$69.3**	**$11.6**	**20.0%**
Illinois State Comptroller, CGFA								

October Sports Wagering Update
Austin Verthein, Research Analyst

FY 2022 was a strong year for wagering-related revenues for the State of Illinois. This was especially the case for the sports wagering industry. Since its legalization in June 2019 as part of P.A. 101-0031, the industry has continued to expand and flourish. Ever since its inception in March 2020, Illinois has seen increases in adjusted gross receipts (AGR) produced from sports wagering. In FY 2022, the AGR generated was approximately $610 million, a 60.7% increase from FY 2021's $380 million. Recent figures have benefitted from sports returning from the pandemic, as well as eliminating implementational issues in registering new sports bettors. As a result, overall wagers, handle, payout, and tax revenue totals have increased alongside the AGR figures.

Governor Pritzker's permanent waiver of the in-person sportsbook registration in March 2022 has allowed mobile customers and digital sportsbook applications to blossom throughout the state.

Currently in Illinois, seven casinos accept on-site and online sports wagers, as sportsbooks must partner with an Illinois casino to operate their mobile application sportsbook. In addition, recent changes to wagering laws on Illinois collegiate teams were made, which may enhance revenues even further, as bets are now allowed on Illinois collegiate sports teams (if the bet is made at an Illinois sportsbook).

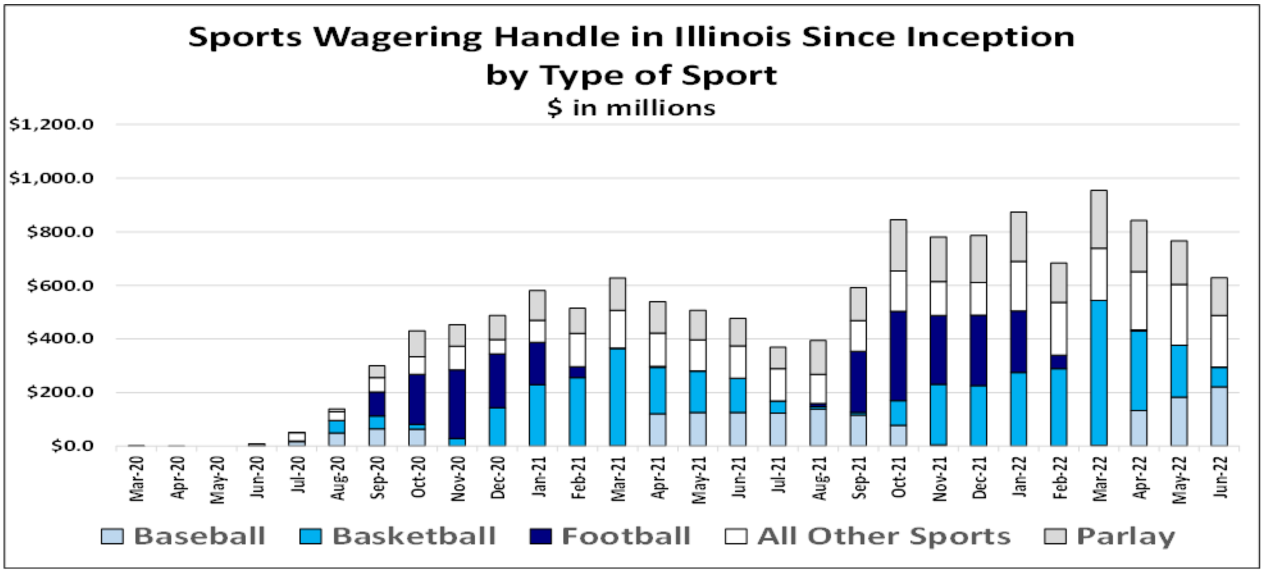
Adjusted gross receipts from sports wagering are taxed at a flat 15% rate, the vast majority of which is transferred to the Capital Projects Fund. In FY 2022, total tax revenue was calculated to be approximately $92 million, an increase from $57 million from FY 2021. This indicates an annual trend of increases in tax revenue since sports wagering's inception, which should continue into FY 2023. A summary of Illinois' sports wagering figures in its first three fiscal years can be seen in the following table.

ILLINOIS SPORTS WAGERING STATISTICS BY FISCAL YEAR
in millions

Fiscal Year	Wagers	Handle	Payout	AGR	Tax Revenue
FY 2020	0.2	$8.8	$8.3	$0.4	$0.1
FY 2021	146.9	$5,106.3	$4,726.5	$379.8	$57.0
FY 2022	221.7	$8,514.7	$7,904.4	$610.3	$91.5
Total	**368.8**	**$13,629.7**	**$12,639.2**	**$990.5**	**$148.6**

Source: Illinois Gaming Board

Sports wagering has displayed fluctuations based on seasonality since its inception in Illinois. During the fall and winter months, football is considered the most popular sport to place wagers, thus increasing tax revenues during those months. After the football season, wagering on basketball, mainly the NCAA men's basketball tournament and the NBA Playoffs, constitutes the majority of wagering activity from March to May. The summer months are considered the slower months in wagering activity, with sports such as baseball, golf, and tennis generating the greatest amount of activity. This seasonal cycle has been well documented and besides non-annual events, such as major boxing/MMA matches or competitions such as the World Cup, trends in sports wagering activity on a monthly basis will remain relatively the same. These ebbs and flows of seasonal activity can be seen in the following graph.



In terms of type of sport wagered on, "parlays" had the highest percentage of wagers in FY 2022 with 54.6% of all wagers. Parlays can involve multiple wagers tied into the same bet, and can involve different sports or different games. No further breakdowns of parlay data are available from the Gaming Board. Basketball bets consisted of the 2nd most wagers with 14.0%, followed by football (10.2%) and baseball (6.5%). In terms of handle and payout, however, parlays did not consist of a plurality of either. Basketball consisted of 26.7% of total handles in FY 2022, and 27.6% of all payouts, with parlays being second in both.

Further analyses of Illinois' sports wagering data through FY 2022 can be seen in the Commission's recently released Wagering in Illinois update. In addition to sports wagering, the report provides a detailed analysis of each of Illinois wagering-related revenue sources, including casinos, video gaming, the Lottery, and horse racing. This report can be found at the Commission's website: https://cgfa.ilga.gov/.

October 2022 General Obligation Bond Sale

By Lynnae Kapp, Senior Revenue and Bond Analyst

Illinois sold October 2022 Series A, B and C General Obligation Bonds for $700 million on September 28, 2022. The bonds were sold by competitive sale and included both tax-exempt and taxable bonds. Taxable October 2022 Series A, of $175 million, included $138 million for the Accelerated Pension Benefit Buyout program and sold with a true interest cost of 5.7823%. In May 2022, the State passed Public Act 102-0718, which increased the bond authorization for the Pension Obligation Acceleration Bonds from $1 billion to $2 billion and lengthened the program another 2 years through the end of FY 2026. This allowed for the June 2022 Series A bond sale and the October 2022 Series A bond sale to include Pension Obligation Acceleration Bonds, which increased the amount of funding for the Accelerated Pension Benefit Buyout program to $1.148 billion.

The remaining proceeds from the October 2022 Series A, B and C bond sales will pay for Rebuild Illinois construction projects. Tax-exempt October 2022 Series B was sold for $245 million with a true interest cost of 5.0080%, and tax-exempt October 2022 Series C was sold for $280 million with a true interest cost of 5.4420%. Each series received eight to nine bids.

STATE-ISSUED BOND SALES									
DATE	BOND SALE TYPE	AMOUNT	TAXABLE v. TAX-EXEMPT	NEGOTIATED v. COMPETITIVE SALE	TRUE INTEREST COST	S&P	FITCH	MOODY'S	KROLL
FY 2020									
Nov-19	General Obligation November 2019A/B/C	$750 million	tax-exempt	competitive	all in TIC 3.4578%	BBB	BBB-	Baa3	
May-20	General Obligation May 2020	$800 million	tax-exempt	negotiated	all in TIC 5.83%	BBB-	BBB-	Baa3	
Jun-20	General Obligation Certificates (MLF)	$1.2 billion	tax-exempt	negotiated	3.36% adjusted	BBB-	BBB-	Baa3	
FY 2021									
Oct-20	General Obligation October 2020 A	$125 million	taxable	competitive	2.83%	BBB-	BBB-	Baa3	
Oct-20	General Obligation October 2020 B	$325 million	tax-exempt	competitive	3.71%	BBB-	BBB-	Baa3	
Oct-20	General Obligation October 2020 C	$300 million	tax-exempt	competitive	4.32%	BBB-	BBB-	Baa3	
Oct-20	General Obligation October 2020 D	$100 million	tax-exempt	competitive	2.15%	BBB-	BBB-	Baa3	
Dec-20	General Obligation Notes (MLF)	$2.0 billion	tax-exempt	negotiated	3.42%	BBB-	BBB-	Baa3	
Mar-21	General Obligation March 2021A	$850 million	tax-exempt	negotiated	2.90%	BBB-	BBB-	Baa3	
Mar-21	General Obligation March 2021B	$150 million	tax-exempt	negotiated		BBB-	BBB-	Baa3	
Mar-21	General Obligation Refunding March 2021C	$258 million	tax-exempt	negotiated		BBB-	BBB-	Baa3	
FY 2022									
Sep-21	Build Illinois Septemer 2021A	$130 million	tax-exempt	competitive	1.31%	BBB+	BBB+	Baa2	AA+
Sep-21	Build Illinois Septemer 2021B	$220 million	taxable	negotiated	2.72%	BBB+	BBB+	Baa2	AA+
Sep-21	Build Illinois Septemer 2021C refunding	$143 million	tax-exempt	negotiated	1.25%	BBB+	BBB+	Baa2	AA+
Dec-21	General Obligation December 2021A	$200 million	tax-exempt	competitive	1.30%	BBB	BBB-	Baa2	
Dec-21	General Obligation December 2021B	$200 million	tax-exempt	competitive	2.50%	BBB	BBB-	Baa2	
May-22	General Obligation June 2022A	$925 million	tax-exempt	negotiated	4.64% aggregated	BBB+	BBB+	Baa1	
May-22	General Obligation June 2022B refunding	$713 million	tax-exempt	negotiated		BBB+	BBB+	Baa1	
FY 2023									
Sep-22	General Obligation October 2022A	$175 million	taxable	competitive	5.78%	BBB+	BBB+	Baa1	
Sep-22	General Obligation October 2022B	$245 million	tax-exempt	competitive	5.01%	BBB+	BBB+	Baa1	
Sep-22	General Obligation October 2022C	$280 million	tax-exempt	competitive	5.44%	BBB+	BBB+	Baa1	

“Illinois' $700 million general obligation issue drew healthy interest from bidders but the state saw spreads widen as rising marketwide interest rates trumped the state's fiscal and credit progress…The 10-year in the deal offered a yield of 4.80%, a 152 basis point spread to Municipal Market Data's AAA benchmark, while the long, 25-year maturity paid a 5.50% yield, a 168 bp spread. The maturities had 5% coupons…BBB benchmark rates Wednesday were at 4.17% and 4.81% on the 10 and 25-year, respectively.

“…Market participants said the spreads were in line with expectations given ongoing market volatility and rising rates, healthier supply levels this week, the deal's size, and concessions offered on other deals. The state's spring upgrades also were viewed as holding the spread penalties from even further widening.” [*Illinois draws healthy number of bids as spreads ratchet wider*, by Yvette Shields, The Bond Buyer, September 29, 2022]

General Obligation Bond Ratings: The State’s General Obligation ratings of BBB+/Baa1 were affirmed by S&P, Moody’s and Fitch rating agencies, with stable outlooks.

S&P BBB+; outlook stable

“Our 'BBB+' GO rating reflects our view of the state's:

- Adequate liquidity with access to currently untapped interfund borrowing options, and a growing budget stabilization fund (BSF) at almost half the 5% statutory target;
- High pension and other postemployment benefit (OPEB) liabilities and a pension funding practice where the statutory pension funding is designed to attain a 90% funded status in 2045, which is one of the least conservative funding methodologies in the nation among peers;
- Trend of annual financial audits being released later than in most other states, with the audit for fiscal 2021 published almost a year after the close of the fiscal period; and
- Transparent reporting both from the comptroller and the governor's office of

management and budget improves a longstanding credit weakness.

"The stable outlook reflects our view that Illinois' near-term credit profile has stabilized given improved liquidity, an economy rebounding from the COVID-19 pandemic-driven recession, and historic levels of direct federal support.

“If the state continues to improve pension, OPEB, and BSF funding levels, while shrinking the statutorily created structural deficit without experiencing meaningful deterioration in other credit factors, we could raise the rating. Although not required for us to consider an upgrade, a return to a more abbreviated audit-release period would be in line with that of higher-rated peers.

“We could lower the rating if a structural deficit were to increase, derived from economic uncertainties; or increases in pension, OPEB, or other fixed-cost obligations.” [*Illinois' Series 2022A, B, And C General Obligation Bonds Assigned 'BBB+' Rating; Outlook Is Stable*, S&P Global Ratings, 16-Sep-2022]

MOODY'S Baa1; outlook stable

“The Baa1 rating on the general obligation bonds is the same as the state's Baa1 issuer rating given the availability of the state's broad revenue base to pay the bonds. The rating reflects the state's solid tax revenue growth over the past year, which expanded its capacity to rebuild financial reserves and increase payments towards unfunded liabilities. The state is operating with its strongest fund balance in over a decade, which reflects steady progress towards paying down accounts payable. The state is also increasing pension contributions, indicating increased commitment to paying its single-largest long-term liability.

“The rating continues to balance the state's current financial progress with underlying challenges that will remain in place for some time. These challenges include heavy long-term liability and fixed cost burdens that constrain the state's financial flexibility and contribute to a weaker financial position compared to other states, despite the recent improvement in fund balance.

“The stable outlook balances the financial progress being made by the state with the uncertainty of the present economic climate. The state's lean financial reserves, and heavy long-term liability and fixed cost burdens make it more vulnerable than other states to a negative shift in the national or global economy, which presently limits the probability of further rating improvement.

“FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS
- Continued improvement in financial performance as indicated by, for example, growing fund balance
- Accelerated economic expansion, especially as compared to other states, that indicates sustained and strong revenue growth
- Moderation of the state's long-term liability and fixed cost burdens
- Maintenance of fiscal management practices that support growth in reserves and stronger pension contributions

“FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS
- Slow revenue growth that intensifies budgetary pressure or weakens fund balance
- Growth in leverage (debt or other unfunded liabilities) or the state's fixed cost burden
- A material drop in available liquidity
- A departure from fiscal management practices that support growth in reserves and stronger pension contributions.” [*Moody's assigns Baa1 to Illinois' GO bonds; outlook stable*, Moody's Investors Service, 16 Sep 2022]

FITCH BBB+; outlook stable

“Illinois' 'BBB+' Issuer Default Rating (IDR) reflects adequate, and materially improved, operating performance with a long record of structural imbalance primarily related to pension underfunding and recent trends toward more sustainable budgeting practices. The 'BBB+' IDR also reflects the state's elevated long-term liability position and resulting spending pressure. Illinois' deep and diverse economy is only slowly growing, but still provides a strong fundamental context for its credit profile.

“Illinois' operating performance has improved but remains weaker than other U.S. states. Steady reduction in accounts payable, retirement of outstanding budgetary liabilities and smoother fiscal decision-making have become sustainable. Sizable gaps in pension funding and limited resilience to future downturns, despite recent additions to reserves, persist.

“Factors that could, individually or collectively, lead to positive rating action/upgrade:
--Sustained progress toward structural balance and improved liability management, primarily through narrowing the wide gap between actual and actuarially determined pension contributions;
--Material improvements in fiscal resilience, primarily through building reserves to, or approaching, $2 billion or roughly 4%-5% of spending.

“Factors that could, individually or collectively, lead to negative rating action/downgrade:
--Reversion to the previous pattern of irresolute and contentious fiscal decision-making, which could include delayed budgets with unsustainable fiscal measures such as deeper pension funding deferrals or sustained increases to accounts payable or other budgetary liabilities.” [*Fitch Rates Illinois' $700M GO Bonds 'BBB+'; Outlook Stable*, FitchRatings, 16 Sep 2022]

ILLINOIS' GENERAL OBLIGIATION BOND RATINGS HISTORY

Date of	*Fitch*		*S&P*		*Moody's*	
Rating Action	***Rating***	***up/down***	***Rating***	***up/down***	***Rating***	***up/down***
Apr-May 2022	*BBB+*	↑2x	*BBB+*	↑1x	*Baa1*	↑1x
Jun-Jul 2021			*BBB*	↑1x	*Baa2*	↑1x
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**

REVENUE: SEPTEMBER REVENUES INCREASE ON STRENGTH OF STATE SOURCES AND TRANSFERS

Eric Noggle, Revenue Manager

Illinois' general funds revenues grew $194 million in September on the strength of the State's primary revenue sources, as well as from State transfers. The growth in these areas offset the comparative losses from the smaller State taxes and from federal sources. September had the same number of receipting days as last year.

For the month, personal income taxes rose another $208 million, or $175 million on a net basis. Corporate income tax receipts continued its stellar pace, up $153 million, or $127 million net. Sales tax revenues slowed somewhat from its recent levels of gains, but still managed to rise $51 million or $25 million net. Other growth from State sources came from interest income [up $11 million]; insurance taxes [up $4 million]; and liquor taxes [up $1 million]. Several State taxes declined in September as compared to the prior year, including the volatile inheritance taxes [down $62 million]; corporate franchise taxes [down $9 million]; and cigarette taxes [down $6 million].

Transfers in combined to grow $40 million in September. Much of this growth is due to a $54 million increase in the amount received from the Income Tax Refund Fund Transfer. In addition, miscellaneous transfers were up $13 million for the month, while gaming transfers increased $3 million. Lottery transfers were $30 million lower than last year, thereby reducing the overall gains for these transfers. The combined growth in transfers and State sources more than offset the $112 million reduction in federal sources.

1st Quarter Observations and Outlook

Through the first quarter of the year, base receipts are up a respectable $260 million, despite the fact that base federal sources are $515 million behind last year's pace. However, once the combined $764 million in one-time ARPA Reimbursement for Essential Government Services funds received in July and August are applied to these totals, the overall gain in State general funds revenues thru September rises from $260 million to $1.024 billion. As will be repeated throughout the fiscal year, these ARPA reimbursements were originally anticipated to be receipted in FY 2022 and were not assumed in the adopted FY 2023 budget. Therefore, the inclusion of the $764 million in ARPA revenues in this fiscal year significantly enhances the FY 2023 revenue outlook.

Also greatly contributing to the impressive overall totals through the 1st quarter of FY 2023 is the State's economically driven revenue sources. Through September, personal income tax receipts, on the strength of steady employment levels and higher wages, are up $347 million on a net basis. Corporate income tax revenues have yet to tail off from the torrid pace of FY 2022 and are up $201 million net. Net sales tax receipts, despite the fact that more of its revenues are earmarked for the Road Fund in FY 2023, are still $133 million above last year's pace. The remaining State sources have combined to add an additional $74 million to the 1st quarter gains. While the performance of "transfers in" have been mixed, this category of revenues has combined to provide $20 million towards this overall growth.

It is believed that the current high rates of inflation, unstable market conditions, geopolitical uncertainties, and the assumed absence of additional federal stimulus dollars will create an environment where a slowdown in Illinois' revenues is inevitable. However, it has not happened yet to FY 2023's benefit. The revenue gains from the 1st quarter have no doubt provided significant upward pressure on the FY 2023 revenue outlook. With that being said, three-fourths of the fiscal year still remain with plenty of time for things to turn around. This is something that the Commission will continue to monitor as the State enters into the 2nd quarter of the fiscal year.

SEPTEMBER
FY 2023 vs. FY 2022
($ millions)

Revenue Sources	Sep. FY 2023	Sep. FY 2022	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$2,360	$2,152	$208	9.7%
Corporate Income Tax (regular)	1,276	1,123	153	13.6%
Sales Taxes	963	912	51	5.6%
Public Utility Taxes (regular)	59	59	0	0.0%
Cigarette Tax	21	27	(6)	-22.2%
Liquor Gallonage Taxes	17	16	1	6.3%
Inheritance Tax	33	95	(62)	-65.3%
Insurance Taxes and Fees	72	68	4	5.9%
Corporate Franchise Tax & Fees	20	29	(9)	-31.0%
Interest on State Funds & Investments	12	1	11	1100.0%
Cook County IGT	0	0	0	N/A
Other Sources	27	27	0	0.0%
Total State Taxes	$4,860	$4,509	$351	7.8%
Transfers In				
Lottery	$50	$80	($30)	-37.5%
Gaming	14	11	3	27.3%
Cannabis	9	9	0	0.0%
Refund Fund	296	242	54	22.3%
Other	48	35	13	37.1%
Total Transfers In	$417	$377	$40	10.6%
Total State Sources	$5,277	$4,886	$391	8.0%
Federal Sources [base]	$427	$539	($112)	-20.8%
Total Federal & State Sources	$5,704	$5,425	$279	5.1%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($218)	($199)	($19)	9.5%
Corporate Income Tax	(185)	(169)	(16)	9.5%
Local Government Distributive Fund				
Personal Income Tax	(132)	(118)	(14)	11.9%
Corporate Income Tax	(75)	(65)	(10)	15.4%
Sales Tax Distributions				
Deposits into Road Fund	(32)	(8)	(24)	300.0%
Distribution to the PTF and DPTF	(26)	(24)	(2)	8.3%
General Funds Subtotal [Base]	**$5,036**	**$4,842**	**$194**	**4.0%**
ARPA Reimb. for Essential Gov't Services	$0	$0	$0	N/A
Total General Funds	**$5,036**	**$4,842**	**$194**	**4.0%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 3-Oct-22

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2023 vs. FY 2022

($ millions)

Revenue Sources	FY 2023	FY 2022	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$5,901	$5,488	$413	7.5%
Corporate Income Tax (regular)	1,600	1,355	245	18.1%
Sales Taxes	2,933	2,722	211	7.8%
Public Utility Taxes (regular)	179	176	3	1.7%
Cigarette Tax	63	71	(8)	-11.3%
Liquor Gallonage Taxes	50	51	(1)	-2.0%
Inheritance Tax	118	157	(39)	-24.8%
Insurance Taxes and Fees	132	112	20	17.9%
Corporate Franchise Tax & Fees	57	64	(7)	-10.9%
Interest on State Funds & Investments	57	2	55	2750.0%
Cook County IGT	0	0	0	N/A
Other Sources	123	72	51	70.8%
Total State Taxes	$11,213	$10,270	$943	9.2%
Transfers In				
Lottery	$150	$210	($60)	-28.6%
Gaming	41	33	8	24.2%
Cannabis	29	25	4	16.0%
Refund Fund	296	242	54	22.3%
Other	281	267	14	5.2%
Total Transfers In	$797	$777	$20	2.6%
Total State Sources	$12,010	$11,047	$963	8.7%
Federal Sources [base]	$880	$1,395	($515)	-36.9%
Total Federal & State Sources	$12,890	$12,442	$448	3.6%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($546)	($508)	($38)	7.5%
Corporate Income Tax	(232)	(203)	(29)	14.3%
Local Government Distributive Fund				
Personal Income Tax	(330)	(302)	(28)	9.3%
Corporate Income Tax	(94)	(79)	(15)	19.0%
Sales Tax Distributions				
Deposits into Road Fund	(97)	(23)	(74)	321.7%
Distribution to the PTF and DPTF	(76)	(72)	(4)	5.6%
General Funds Subtotal [Base]	$11,515	$11,255	$260	2.3%
ARPA Reimb. for Essential Gov't Services	$764	$0	$764	N/A
Total General Funds	**$12,279**	**$11,255**	**$1,024**	**9.1%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 3-Oct-22