



Commission on Government Forecasting and Accountability

703 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: OCTOBER 2017

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ECONOMY: Illinois in Perspective

Edward H. Boss, Jr., Chief Economist

Illinois' economy continues to lag the nation as well as surrounding states even as the current economic recovery, while comparatively long in historical terms, remains the weakest in the post WWII period. From 2010, following the start of the recovery in mid-2009 through 2016, inflation adjusted GDP in the United States averaged 2%. The pace of growth was below that of 2.4% on average in the years from 2001 to 2007, which included 3.8% growth in 2004 and 3.3% in 2005. This in turn was well below the average growth rate of 3.87% from 1992 to 2000, with growth in a range of 4.1% to 4.7% each year from 1997 to 2000.

The latest Illinois forecast by IHS Markit was done in early October and is located at the top of the next page. The table shows Real Gross State Product remaining in the 1.0% area each year from 2015 through 2017, before rising at an average growth rate of 1.7% in the years 2018 – 2020.

One of the more notable aspects of Illinois' economy in recent years has been the recurrent outflow of people from the state. As shown in the table, Illinois' population continues to decline and at best is forecast to hold steady by 2019 and 2020. Total employment in Illinois thus indicates little in the form of growth, rising 1% or less during the forecast years. As a result of such weakness, Illinois' unemployment rate is anticipated to continue higher than in most states as its pace of improvement is projected to lag that of the nation as a whole as well as that of the Midwest.

In September the national unemployment rate was 4.2% with the 12 states comprising the Midwest at the same 4.2% rate. However, unemployment rates differed greatly among the 12 Midwest states. The highest rates in the Midwest in September were Ohio, which had an unemployment rate of 5.3%, followed by Illinois, which had the second highest rate at 5.0%, and Michigan at 4.3%.

ILLINOIS FORECASTS

Calendar Years	2015 Actual	2016 Actual	2017 Actual	2018 Est.	2019 Est.	2020 Est.
Real Gross State Product (BIL. 2009 \$)	686.0	692.4	700.2	713.5	725.3	735.5
% Change	1.0	0.9	1.1	1.9	1.7	1.4
Total Employment (Ths)	5,968.5	6,012.8	6,046.6	6,104.3	6,163.2	6,194.2
% Change	1.5	0.7	0.6	1.0	1.0	0.5
Population (Ths)	12,833.8	12,797.6	12,769.9	12,755.5	12,754.2	12,762.6
% Change	-0.2	-0.3	-0.2	-0.1	0.0	0.1
Personal Income (Bil \$)	646.7	665.9	680.0	706.2	740.5	775.3
% Change	3.5	3.0	2.1	3.9	4.9	4.7
OTHER MEASURES						
Private Housing Starts (Ths)	16.4	21.2	20.2	23.9	25.5	27.6
Unemployment Rate Avg. %	5.9	5.9	5.0	5.2	5.5	5.6

SOURCE: IHS Markit, OCTOBER 2017

The lowest rates in the Midwest were North Dakota and Nebraska with rates of 2.4% and 2.8% respectively. Iowa's rate was 3.2% followed by South Dakota at 3.4%; 3.5% in Wisconsin, 3.7% in Minnesota, and 3.8% in Missouri, Indiana, and Kansas.

What Illinois needs to break out from the recent pattern of shrinking population and slow job growth is an influx of new and higher paying jobs. However, September's nonfarm payroll jobs fell by 10,800 from the previous month and are only 3,700 more than a year earlier. Even while key manufacturing jobs rose by 1,100 last month, they are 2,600 below the level of a year earlier, reversing gains seen from a low in 2011 through 2016. And, while manufacturing in the State is some-what less of an overall factor than others in the Midwest, once considered the Rust Belt, several have benefited from the surge in

new drilling technologies and the move toward energy independence.

Many states are seeking new job opportunities and are competing vigorously for companies to locate within their borders. Recent attention centers on Amazon that is looking to build a second headquarters site with prospects for the creation of 50,000 high-paying jobs. Chicago and Illinois have submitted several proposals, as have others. The determination may well depend on the benefits offered as well as the perception of being in a business-friendly environment.

The technology giant Foxconn also had been looking for a major expansion but in the end chose Wisconsin. Toyota and Mazda also were looking for a possible site for a new auto factory with as many as 4,000 jobs. Recently, however, it has been reported that Illinois was informed that it was no longer being looked at as the site for any such plant.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS</u> *	<u>SEPT. 2017</u>	<u>AUG. 2017</u>	<u>SEPT. 2016</u>
Unemployment Rate (Average)	5.0%	5.0%	5.8%
Annual Rate of Inflation (Chicago)	0.4%	0.3%	2.1%
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	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (September)	6,424.2	0.0%	0.0%
Employment (thousands) (September)	6,102.6	0.0%	-0.5%
NonFarm Payroll Employment (September)	6,034,100	-10,800	3,700
New Car & Truck Registration (September)	N/A	N/A	N/A
Single Family Housing Permits (September)	993	-12.9%	-2.0%
Total Exports (\$ mil) (August)	5,611.7	9.4%	15.6%
Chicago Purchasing Managers Index (October)	66.2	1.5%	30.8%

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

November 2017 Bond Sale and Ratings

Lynnae Kapp, Senior Bond Analyst

BOND SALES

Illinois sold \$1.5 billion of competitively-bid November 2017 A-C General Obligation Bonds and \$4.5 billion of negotiated November 2017 D General Obligation Bonds. The “combined cost of borrowing” on the two sales was 3.5%. The competitive sale received 9 bids, while over 100 orders came from institutional investors for the negotiated sale. During the time of the budget stalemate that went into July 2017, spreads on Illinois bonds were as high as 300 basis points (bp) over the AAA benchmark. After the

budget was passed, spreads dropped to around 200 bp, which then again narrowed during the time of the sale of these bonds. Early year maturities of the bonds start at 70bp over AAA, with later maturities (10-year, 11-year and 12-year) garnering spreads between 166 bp - 184 bp. The maximum 12-year maturity eased investors’ minds over the \$6 billion increase in debt that the bond sales represent. *[First chunk of \$6 billion Illinois paper goes down easy, The Bond Buyer, October 17, 2017; Muni market digests Illinois’ \$4.5 billion whopper of a deal, The Bond Buyer, October 25, 2017.]*

BOND SALES								
DATE	BOND SALE TYPE	AMOUNT	TAXABLE v. TAX-EXEMPT	NEGOTIATED v. COMPETITIVE SALE	TRUE INTEREST COST	S&P	FITCH	MOODY'S
FY 2014								
Jun/Jul-13	General Obligation bonds	\$1.3 billion	tax-exempt	negotiated	5.042%	A-	A-	A3
Dec-13	General Obligation bonds	\$350 million	taxable	competitive	5.397%	A-	A-	A3
Feb-14	General Obligation bonds	\$1.025 billion	tax-exempt	negotiated	4.063%	A-	A-	A3
Mar-14	Build IL	\$402 million	taxable	competitive	4.271%	AAA	AA+	A3
Apr-14	General Obligation bonds	\$250 million	tax-exempt	competitive	4.082%	A-	A-	A3
May-14	General Obligation bonds	\$750 million	tax-exempt	negotiated	4.096%	A-	A-	A3
FY 2016								
Jan-16	General Obligation bonds	\$480 million	tax-exempt	competitive	3.999%	A-	BBB+	Baa1
Jun-16	General Obligation bonds	\$550 million	tax-exempt	competitive	3.743%	BBB+	BBB+	Baa2
FY 2017								
Sep-16	Build IL 2016A	\$150 million	tax-exempt	competitive	2.442%	AAA	AA+	Baa2
	Build IL 2016B	\$60 million	taxable					
	Build IL 2016C Refunding	\$152 million	tax-exempt					
	Build IL 2016D Refunding	\$187 million	tax-exempt					
Oct-16	General Obligation Refunding	\$1.3 billion	tax-exempt	negotiated	3.7616% Discount Rate	BBB	BBB+	Baa2
Nov-16	General Obligation bonds	\$480 million	tax-exempt	competitive	4.245%	BBB	BBB+	Baa2
FY 2018								
Nov-17	General Obligation 2017A/B/C	\$1.5 billion	tax-exempt	competitive	combined borrowing cost 3.50%	BBB-	BBB	Baa3
Nov-17	General Obligation 2017D	\$4.5 billion	tax-exempt	negotiated		BBB-	BBB	Baa3

BOND RATINGS

In June 2017, Moody's Investors Service downgraded Illinois' General Obligation Bonds and Build Illinois Bonds one level from Baa2 to Baa3, while Standard & Poor's lowered Illinois General Obligation Bonds to BBB- from BBB with a negative outlook. Throughout June of 2017, all three rating agencies threatened more downgrades if the State didn't pass a budget for FY 2018. The budget-related bills- SB 6, SB 9 and SB 42-did not become law until July 6, 2017, after the General Assembly overrode the Governor's vetoes. By July 20, all three rating agencies had affirmed their current ratings on the State. Moody's and Fitch left the State's outlook as negative, while S&P had changed the

State's outlook to stable. For the sale of the November 2017 \$1.5 billion and \$4.5 billion bonds, the three rating agencies again affirmed these ratings.

Standard & Poor's [October 9, 2017] - "The 'BBB-' GO rating reflects our view of the state's nearly depleted budget reserves and generally weakened financial condition that intensified into liquidity stress during the state's two-year budget impasse, lingering structural budget imbalance even after a permanent increase to the state's individual and corporate income tax rates, backlog of unpaid bills that will remain elevated even following the current bonding plan to refinance the bills, and distressed pension funding levels that will require substantial contribution increases in the coming years...

“The stable outlook reflects that, with passage of its fiscal 2018 budget, the likelihood that Illinois will experience a liquidity crisis in the coming months has fallen markedly and therefore so have the odds of its rating falling to below investment grade. Enactment of the budget is favorable in that key fiscal adjustments are permanent and thus shrink significantly the state's structural deficit. However, some of the savings associated with certain budget provisions are doubtful, in our view, while some of the revenue-side provisions are nonrecurring, suggesting that deficit operations will persist. Furthermore, refinancing the state's bill backlog with long-term bonds entails some risk, in our view. If the bonding plan is not paired with additional fiscal adjustments, the state could be left with a higher tax-supported debt burden and--once again--an escalating backlog of unpaid bills. This could undermine the state's prospective capacity to reliably fund its retiree benefits liabilities. As it is, the state's pension systems are at distressed funding levels, in our view. Consequently, through our outlook horizon of one to two years, we believe the state's lingering structural deficit is the most identifiable risk to its credit quality. Additional fiscal deterioration--be it the result of an incomplete fiscal correction or exogenous factors, including economic weakening or curtailed federal aid--would put more immediate downward pressure on the rating.

“Implementation of the bill payment strategy alongside fiscal adjustments that bring about structural budget alignment is the most likely pathway to a higher rating, in our view.”

Moody's Investors Service [October 9, 2017] – Moody’s “has assigned a rating of Baa3 to the State of Illinois' planned issuance of \$6.75 billion of General Obligation Bonds in several series: Series of November 2017A-D and Series of December 2017 A & B...[M]ost of the debt is being issued to help reduce a backlog of bills that has hovered above \$14 billion in recent weeks; the \$750 million December series will finance capital projects. The state's rating factors in outsized net pension liabilities...and other credit challenges, including a long history of imbalanced financial operations and payment deferrals.

“These weaknesses in recent years have increasingly offset the economic and governance strengths...all of which are shared by other US states. As a consequence, Illinois has increasingly become an outlier among the 50 states, most of which carry ratings at the top of Moody's scale (either Aaa or Aa1).

“The \$6 billion backlog financing - the state's largest issuance since a \$10 billion pension bond sale in 2003 - will boost net tax-supported debt by about 12%, net of estimated principal amortization on previously issued GO bonds. Considerations offsetting the debt burden increase include the fact that the state's outstanding late bills accrue interest at elevated rates under state law.

“**RATING OUTLOOK** - The negative outlook is based on expectations of continued pension liability growth and pension funding pressures; the fact that the state's budget remains imbalanced, despite the enactment of substantial tax increases; and the state's heightened

vulnerability to national economic downturns or other external factors.

“FACTORS THAT COULD LEAD TO AN UPGRADE: adoption of a realistic, long-term plan to provide funding for pension obligations; progress in reducing the state's massive payment backlog, and formulation of a legal or policy framework to prevent renewed build-up of late bills; and enactment of recurring fiscal measures that support the expectation of sustainable, structural balance.

“FACTORS THAT COULD LEAD TO A DOWNGRADE: structural imbalance that leads to renewed build-up of unpaid bills following issuance of debt to pay down backlog; efforts to obtain near-term fiscal relief by reducing pension contributions in a way that exacerbates the state's long-term funding burden or indicates a lack of long-term sustainability; and difficulty managing the impacts of adverse exogenous factors, such as a national recession or a reduction in federal Medicaid funding.”

Fitch Ratings [October 11, 2017] – “The 'BBB' rating reflects the state's weak operating performance and fiscal decision making over the course of several years that has led to a credit position well below the level that the state's solid economic base and still substantial independent legal ability to control its budget would support. The passage of a fiscal 2018 budget that incorporates a permanent increase in taxes to more closely align revenues with spending was an important step in stabilizing the state's operations and should significantly reduce the liquidity stress that had threatened its investment-

grade rating. However, the state's financial resilience has been materially weakened by the two-year period in which it spent far in excess of tax revenues while accumulating an extraordinary level of budgetary liabilities, adding to the strain presented by the state's large unfunded retiree benefit liabilities and rising contribution burden.

“The Negative Outlook reflects the uncertainties related to successful implementation of the budget, particularly given the contentious political environment in the state. Some of these risks have been reduced since the budget was enacted, but others remain or are emerging. The proceeds of the November 2017 GO bonds will be applied to the accounts payable backlog, immediately reducing budgetary liabilities and materially improving the state's liquidity environment. In addition, the agreement on a revised school funding formula defused a potential return to gridlock. However, a budget gap has already emerged due to changes in assumptions for both revenues and spending. Key factors contributing to the gap include weaker-than-forecast fiscal 2017 revenues that left the state with a lower revenue base for fiscal 2018 and pension contribution savings assumed in the enacted budget that are not expected to be realized in the current fiscal year.

“ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS- Illinois has demonstrated a repeated inability to address its structural challenges due to an absence of consensus and resistance among key stakeholders. The political environment in the state remains a negative rating consideration.

“RATING SENSITIVITIES- MATERIAL WEAKENING OF FINANCIAL OPERATIONS: The rating will be lowered if the state returns to a pattern of deferring payments for near-term budget balancing and materially increases the accounts payable balance. Specific risks include spending above the level assumed in the budget, a significantly slower growth revenue environment, and re-emergence of

political stalemate that negatively affects fiscal operations.

“ONGOING BUDGETARY BALANCE: Stabilization of the rating is sensitive to the state's ability to maintain budgetary balance over multiple years, indicating more sustainable fiscal management. Upward rating momentum is unlikely until the state more comprehensively addresses its accumulated liabilities.”

ILLINOIS' GENERAL OBLIGATION RATINGS HISTORY

Date of Rating Action	Fitch		S&P		Moody's	
	Rating	up/down	Rating	up/down	Rating	up/down
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	<i>initial rating</i>				
Feb 1995					A1	↓1x
Aug 1992			AA-	↓1x	Aa*	↓1x
Aug-Sep 1991			AA	↓1x	Aa1	↓1x
Mar 1983			AA+	↓1x		
Feb 1979			AAA	<i>initial rating</i>		
1973					AAA	<i>initial rating</i>

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

October Special Transfers for FY 2018

Lynnae Kapp, Sr. Analyst

Public Act 100-0023 (SB 0042 BIMP) allowed for \$1.2 billion in Interfund Borrowing and \$293 million in fund sweeps during FY 2018. The Interfund Borrowing will 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 to the original funds from General Funds with interest within 24 months of the date borrowed. There was interfund borrowing in August and October from the following funds which were placed into the General Revenue Fund, with a cumulative total of \$354 million.

FY 2018 Interfund Borrowing (Public Act 100-0023)				
Fund #	Fund Name	Transfer to GRF		TOTAL
		August 2017	October 2017	
0286	Illinois Affordable Housing Trust		\$11,295,000	\$11,295,000
0299	Open Space Lands Acquisition and Development		\$55,000,000	\$55,000,000
0550	Supplemental Low-Income Energy Assistance		\$15,000,000	\$15,000,000
0568	School Infrastructure Fund		\$101,000,000	\$101,000,000
0836	Illinois Power Agency Renewable Energy Resources	\$150,000,000		\$150,000,000
0922	Insurance Producer Administration		\$10,000,000	\$10,000,000
0962	Parks and Conservations		\$7,000,000	\$7,000,000
0997	Insurance Financial Regulation		\$5,000,000	\$5,000,000
TOTAL		\$150,000,000	\$204,295,000	\$354,295,000

P.A. 100-0023 also allows for **Sweeps** (statutory transfers) of \$293 million from the following list of funds into one of these four state funds: General Revenue Fund, Budget Stabilization Fund, Healthcare Provider Relief Fund or the Health Insurance Reserve Fund. If any of the originator funds have insufficient cash through this time period (FY 2018), then transfers shall be made from GRF only in such amount as is immediately necessary to satisfy

outstanding expenditure obligations on a timely basis, subject to the provisions of the State Prompt Payment Act or if an original transfer would jeopardize federal funding or violate a court order. Transfers back to GRF are allowed when funds are available. Any time there is a retransfer of funds, it will come from GRF. There were transfers from the following funds to GRF in August of \$126 million and October of \$81 million, totaling \$207 million.

Sweeps to GRF in FY 2018 [PA100-23]

Fund #	Fund Name	Up to Amount	Total YTD	Remainder
0021	Financial Institution Fund	\$328,200	\$328,200	\$0
0022	General Professions Dedicated Fund	\$612,700	\$612,700	\$0
0023	Economic Research and Information Fund	\$11,000	\$11,000	\$0
0040	State Parks Fund	\$662,000	\$662,000	\$0
0047	Fire Prevention Fund	\$10,000,000	\$5,000,000	\$5,000,000
0050	Mental Health Fund	\$1,101,300	\$1,101,300	\$0
0057	Illinois State Pharmacy Disciplinary Fund	\$2,000,000	\$1,500,000	\$500,000
0067	Radiation Protection Fund	\$4,500,000	\$4,500,000	\$0
0068	Hospital Licensure Fund	\$1,000,000	\$1,000,000	\$0
0075	Compassionate Use of Medical Cannabis Fund	\$2,500,000	\$2,500,000	\$0
0076	Illinois National Guard Billeting Fund	\$100,000	\$100,000	\$0
0078	Solid Waste Management Fund	\$13,900,000	\$13,900,000	\$0
0082	Distance Learning Fund	\$180,000	\$0	\$180,000
0085	Illinois Gaming Law Enforcement Fund	\$62,000	\$62,000	\$0
0089	Subtitle D Management Fund	\$1,000,000	\$1,000,000	\$0
0091	Clean Air Act Permit Fund	\$911,600	\$0	\$911,600
0093	Illinois State Medical Disciplinary Fund	\$5,000,000	\$5,000,000	\$0
0113	Community Health Center Care Fund	\$800,000	\$0	\$800,000
0115	Safe Bottled Water Fund	\$150,000	\$0	\$150,000
0119	Foreclosure Prevention Program Graduated Fund	\$2,500,000	\$2,500,000	\$0
0137	Plugging and Restoration Fund	\$1,200,000	\$1,200,000	\$0
0145	Explosives Regulatory Fund	\$280,000	\$280,000	\$0
0146	Aggregate Operations Regulatory Fund	\$500,000	\$500,000	\$0
0148	Mental Health Reporting Fund	\$624,100	\$0	\$624,100
0150	Rental Housing Support Program Fund	\$760,000	\$0	\$760,000
0151	Registered Certified Public Accountants' Admin and Disciplinary Fund	\$1,500,000	\$1,500,000	\$0
0152	State Crime Laboratory Fund	\$150,500	\$0	\$150,500
0156	Motor Vehicle Theft Prevention Trust Fund	\$6,000,000	\$6,000,000	\$0
0163	Weights and Measures Fund	\$256,100	\$256,100	\$0
0166	State Police Merit Board Public Safety Fund	\$58,200	\$58,200	\$0
0199	Illinois Fisheries Management Fund	\$2,000,000	\$0	\$2,000,000
0209	State Police Firearm Services Fund	\$7,200,000	\$0	\$7,200,000
0211	DHS Technology Initiative Fund	\$2,250,000	\$2,250,000	\$0
0218	Professions Indirect Cost Fund	\$1,409,500	\$1,409,500	\$0
0222	State Police DUI Fund	\$57,100	\$0	\$57,100
0233	Intercity Passenger Rail Fund	\$500,000	\$0	\$500,000
0238	Illinois Health Facilities Planning Fund	\$2,500,000	\$2,500,000	\$0
0241	TOMA Consumer Protection Fund	\$200,000	\$200,000	\$0
0243	Credit Union Fund	\$176,200	\$176,200	\$0
0244	Residential Finance Regulatory Fund	\$127,000	\$127,000	\$0
0258	Nursing Dedicated and Professional Fund	\$5,000,000	\$5,000,000	\$0
0261	Underground Resources Conservation Enforcement Fund	\$700,000	\$0	\$700,000
0265	State Rail Freight Loan Repayment Fund	\$6,000,000	\$0	\$6,000,000
0276	Drunk and Drugged Driving Prevention Fund	\$90,000	\$0	\$90,000
0277	Pollution Control Board Fund	\$300,000	\$0	\$300,000
0286	Illinois Affordable Housing Trust Fund	\$5,000,000	\$5,000,000	\$0
0290	Fertilizer Control Fund	\$4,100,000	\$0	\$4,100,000
0291	Regulatory Fund	\$330,000	\$0	\$330,000

Sweeps to GRF in FY 2018 [PA100-23]				
Fund #	Fund Name	Up to Amount	Total YTD	Remainder
0293	State Furbearer Fund	\$200,000	\$0	\$200,000
0294	Used Tire Management Fund	\$17,500,000	\$17,500,000	\$0
0298	Natural Areas Acquisition Fund	\$2,000,000	\$2,000,000	\$0
0318	ICJIA Violence Prevention Special Projects Fund	\$100,000	\$0	\$100,000
0335	Criminal Justice Information Projects Fund	\$400,000	\$0	\$400,000
0336	Environmental Laboratory Certification Fund	\$200,000	\$100,000	\$100,000
0341	Provider Inquiry Trust Fund	\$500,000	\$500,000	\$0
0344	Care Provider Fund for Persons with a Developmental Disability	\$1,000,000	\$0	\$1,000,000
0356	Law Enforcement Camera Grant Fund	\$1,500,000	\$1,500,000	\$0
0368	Drug Treatment Fund	\$195,000	\$0	\$195,000
0369	Feed Control Fund	\$6,800,000	\$0	\$6,800,000
0372	Plumbing Licensure and Program Fund	\$89,000	\$89,000	\$0
0384	Tax Compliance and Administration Fund	\$2,800,000	\$2,800,000	\$0
0386	Appraisal Administration Fund	\$400,000	\$400,000	\$0
0387	Small Business Environmental Assistance Fund	\$294,000	\$0	\$294,000
0388	Regulatory Evaluation and Basic Enforcement Fund	\$150,000	\$150,000	\$0
0397	Trauma Center Fund	\$3,000,000	\$3,000,000	\$0
0422	Alternate Fuels Fund	\$1,300,000	\$0	\$1,300,000
0437	Quality of Life Endowment Fund	\$337,500	\$0	\$337,500
0440	Agricultural Master Fund	\$900,000	\$0	\$900,000
0474	Human Services Priority Capital Program Fund	\$3,200	\$0	\$3,200
0502	Early Intervention Services Revolving Fund	\$5,000,000	\$0	\$5,000,000
0514	State Asset Forfeiture Fund	\$185,000	\$185,000	\$0
0523	Department of Corrections Reimbursement and Education Fund	\$180,000	\$0	\$180,000
0524	Health Facility Plan Review Fund	\$78,200	\$78,200	\$0
0534	Illinois Workers' Compensation Commission Operations Fund	\$11,272,900	\$6,272,900	\$5,000,000
0535	Sex Offender Registration Fund	\$100,000	\$0	\$100,000
0536	LEADS Maintenance Fund	\$118,900	\$118,900	\$0
0537	State Offender DNA Identification System Fund	\$98,200	\$0	\$98,200
0539	Death Penalty Abolition Fund	\$309,800	\$0	\$309,800
0546	Public Pension Regulation Fund	\$100,300	\$100,300	\$0
0547	Conservation Police Operations Assistance Fund	\$1,400,000	\$0	\$1,400,000
0552	Workforce, Technology, and Economic Development Fund	\$65,000	\$65,000	\$0
0555	Good Samaritan Energy Trust Fund	\$29,000	\$0	\$29,000
0564	Renewable Energy Resources Trust Fund	\$12,000,000	\$12,000,000	\$0
0569	School Technology Revolving Loan Fund	\$1,500,000	\$750,000	\$750,000
0571	Energy Efficiency Trust Fund	\$7,600,000	\$0	\$7,600,000
0576	Pesticide Control Fund	\$400,000	\$0	\$400,000
0603	Port Development Revolving Loan Fund	\$410,000	\$0	\$410,000
0612	Statewide 9-1-1 Fund	\$5,926,000	\$0	\$5,926,000
0613	Wireless Carrier Reimbursement Fund	\$327,000	\$327,000	\$0
0632	Horse Racing Fund	\$197,900	\$197,900	\$0
0635	Death Certificate Surcharge Fund	\$70,500	\$70,500	\$0
0638	Illinois Adoption Registry and Medical Information Exchange Fund	\$80,000	\$0	\$80,000
0649	Motor Carrier Safety Inspection Fund	\$115,000	\$115,000	\$0
0665	Prescription Pill and Drug Disposal Fund	\$250,000	\$0	\$250,000
0674	State Charter School Commission Fund	\$100,000	\$0	\$100,000
0675	Electronics Recycling Fund	\$450,000	\$450,000	\$0

Sweeps to GRF in FY 2018 [PA100-23]				
Fund #	Fund Name	Up to Amount	Total YTD	Remainder
0690	DHS Private Resources Fund	\$1,000,000	\$1,000,000	\$0
0697	Roadside Memorial Fund	\$200,000	\$200,000	\$0
0705	State Police Whistleblower Reward and Protection Fund	\$625,700	\$0	\$625,700
0708	Illinois Standardbred Breeders Fund	\$500,000	\$500,000	\$0
0709	Illinois Thoroughbred Breeders Fund	\$500,000	\$500,000	\$0
0714	Spinal Cord Injury Paralysis Cure Research Trust Fund	\$300,000	\$0	\$300,000
0731	Illinois Clean Water Fund	\$4,400,000	\$0	\$4,400,000
0740	Medicaid Buy-In Program Revolving Fund	\$300,000	\$300,000	\$0
0746	Home Inspector Administration Fund	\$500,000	\$500,000	\$0
0763	Tourism Promotion Fund	\$5,000,000	\$5,000,000	\$0
0770	Digital Divide Elimination Fund	\$1,347,000	\$0	\$1,347,000
0792	Cemetery Oversight Licensing and Disciplinary Fund	\$50,900	\$50,900	\$0
0795	Bank and Trust Company Fund	\$917,400	\$917,400	\$0
0796	Nuclear Safety Emergency Preparedness Fund	\$6,000,000	\$6,000,000	\$0
0797	Department of Human Rights Special Fund	\$100,000	\$100,000	\$0
0816	Money Laundering Asset Recovery Fund	\$63,700	\$63,700	\$0
0817	State Police Operations Assistance Fund	\$1,022,000	\$1,022,000	\$0
0821	Dram Shop Fund	\$365,000	\$365,000	\$0
0823	Illinois State Dental Disciplinary Fund	\$1,500,000	\$1,500,000	\$0
0828	Hazardous Waste Fund	\$431,600	\$431,600	\$0
0831	Natural Resources Restoration Trust Fund	\$2,100,000	\$0	\$2,100,000
0845	Environmental Protection Trust Fund	\$265,000	\$265,000	\$0
0849	Real Estate Research and Education Fund	\$250,000	\$250,000	\$0
0850	Real Estate License Administration Fund	\$3,000,000	\$3,000,000	\$0
0866	Snowmobile Trail Establishment Fund	\$150,000	\$150,000	\$0
0879	Traffic and Criminal Conviction Surcharge Fund	\$638,100	\$638,100	\$0
0891	Foreclosure Prevention Program Fund	\$2,500,000	\$2,500,000	\$0
0892	Abandoned Residential Property Municipality Relief Fund	\$6,600,000	\$6,600,000	\$0
0896	Public Health Special State Projects Fund	\$10,000,000	\$10,000,000	\$0
0905	Illinois Forestry Development Fund	\$264,300	\$264,300	\$0
0906	State Police Services Fund	\$3,500,000	\$3,500,000	\$0
0920	Metabolic Screening and Treatment Fund	\$5,000,000	\$5,000,000	\$0
0921	DHS Recoveries Trust Fund	\$5,515,000	\$1,000,000	\$4,515,000
0922	Insurance Producer Administration Fund	\$15,000,000	\$15,000,000	\$0
0925	Coal Technology Development Assistance Fund	\$9,500,000	\$9,500,000	\$0
0936	Rail Freight Loan Repayment Fund	\$1,000,000	\$1,000,000	\$0
0942	Low-Level Radioactive Waste Facility Development and Operation Fund	\$1,300,000	\$0	\$1,300,000
0944	Environmental Protection Permit and Inspection Fund	\$461,800	\$0	\$461,800
0954	Illinois State Podiatric Disciplinary Fund	\$200,000	\$200,000	\$0
0973	Illinois Capital Revolving Loan Fund	\$1,263,000	\$1,263,000	\$0
0974	Illinois Equity Fund	\$535,000	\$535,000	\$0
0975	Large Business Attraction Fund	\$1,562,000	\$0	\$1,562,000
0984	International and Promotional Fund	\$37,000	\$37,000	\$0
0993	Public Infrastructure Construction Loan Revolving Fund	\$1,500,000	\$1,500,000	\$0
0997	Insurance Financial Regulation Fund	\$10,941,900	\$10,941,900	\$0
	TOTAL	\$292,826,300	\$206,598,800	\$86,227,500

REVENUE

October Receipt Gains Reflect Higher Income Tax Rates, Fund Sweeps, and Fund Transfers

Jim Muschinske, Revenue Manager

Excluding \$204 million of interfund borrowing, base general funds revenues increased \$618 million in October. As expected, gains were experienced in income taxes, reflecting the recently enacted higher tax rates. In addition, corporate income tax growth was affected by last year's receipt disruption brought about by IDoR's ledger accounting system conversion. October receipts reflected \$81 million in funds sweeps, and while not counted in "base" revenues, \$204 million in interfund borrowing also occurred during the month. October had one more receipting day when compared to the prior year.

Gross personal income tax receipts increased \$416 million, or \$391 million net of refunds and other changes enacted under P.A. 100-23. [See July briefing for further discussion of these changes]. Gross corporate income taxes not only reflected higher tax rates but also greatly benefited from last year's volatility related to the IDoR ledger accounting conversion. For the month, corporate income taxes were up \$76 million, or \$59 million net of refunds and other changes. Inheritance tax grew \$6 million, interest earnings increased \$3 million, and corporate franchise taxes managed a \$1 million gain.

A number of sources experienced declines in October, albeit fairly small in absolute terms. Sales tax receipts continue to provide less than impressive results, falling \$7 million, and net of direct distributions to the transportation funds, an even greater loss of \$41 million. Other sources declined \$7 million, while both public utility taxes and liquor taxes each dipped \$2 million. Vehicle use tax and insurance taxes each experienced a minor \$1 million decline.

Overall transfers gained \$204 million on the strength of an additional \$120 million in other transfers, \$81 million in fund sweeps proceeds, a small \$2 million increase in riverboat transfers, and a minor \$1 million gain in lottery transfers. Despite a strong month for general funds revenue growth, reimbursable spending and subsequent federal sources were very weak. While there was \$8 million in growth, overall federal source receipts were unimpressive.

Year To Date

Excluding \$354 million from interfund borrowing, base general funds grew \$1.972 billion during the first four months of the fiscal year. Increased income tax receipts stemming from the recently enacted higher tax rates, fund sweeps, as well as an increase in federal sources resulted in this significant gain.

Through October, gross personal income taxes are up \$1.162 billion, or \$1.115 billion net of refunds and other changes. Gross corporate income taxes are ahead of last year by \$266 million, or \$187 million net. Overall sales taxes rose only \$20 million; although once direct sales tax receipts diverted to the transportation funds is included, net receipts are actually down \$63 million. All the other smaller revenue sources posted a combined increase of \$4 million.

Overall transfers, boosted by \$207 million in fund sweeps, are up by \$266 million. Federal sources reflected higher reimbursable spending earlier in the fiscal year, generating \$463 million in growth.

OCTOBER
FY 2018 vs. FY 2017
(\$ million)

Revenue Sources	Oct. FY 2018	Oct. FY 2017	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$1,467	\$1,051	\$416	39.6%
Corporate Income Tax (regular)	80	4	\$76	1900.0%
Sales Taxes	665	672	(\$7)	-1.0%
Public Utility Taxes (regular)	64	66	(\$2)	-3.0%
Cigarette Tax	29	29	\$0	0.0%
Liquor Gallonage Taxes	13	15	(\$2)	-13.3%
Vehicle Use Tax	2	3	(\$1)	-33.3%
Inheritance Tax	28	22	\$6	27.3%
Insurance Taxes and Fees	0	1	(\$1)	-100.0%
Corporate Franchise Tax & Fees	18	17	\$1	5.9%
Interest on State Funds & Investments	5	2	\$3	150.0%
Cook County IGT	0	0	\$0	N/A
Other Sources	29	36	(\$7)	-19.4%
Subtotal	\$2,400	\$1,918	\$482	25.1%
Transfers				
Lottery	63	62	\$1	1.6%
Riverboat transfers & receipts	35	33	\$2	6.1%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Fund sweeps	81	0	\$81	N/A
Other	155	35	\$120	342.9%
Total State Sources	\$2,734	\$2,048	\$686	33.5%
Federal Sources	\$54	\$46	\$8	17.4%
Total Federal & State Sources	\$2,788	\$2,094	\$694	33.1%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$144)	(\$118)	(\$26)	22.0%
Corporate Income Tax	(\$14)	(1)	(\$13)	1300.0%
Fund for Advancement of Education	\$0	(37)	\$37	-100.0%
Commitment to Human Services Fund	\$0	(37)	\$37	-100.0%
LGDF--Direct from PIT	(\$73)	0	(\$73)	N/A
LGDF--Direct from CIT	(\$4)	0	(\$4)	N/A
Downstate Pub/Trans--Direct from Sales	(\$34)	0	(\$34)	N/A
Subtotal General Funds	\$2,519	\$1,901	\$618	32.5%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$204	\$0	\$204	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$2,723	\$1,901	\$822	43.2%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				1-Nov-17

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2018 vs. FY 2017

(\$ million)

<u>Revenue Sources</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$5,462	\$4,300	\$1,162	27.0%
Corporate Income Tax (regular)	617	351	\$266	75.8%
Sales Taxes	2,794	2,774	\$20	0.7%
Public Utility Taxes (regular)	277	274	\$3	1.1%
Cigarette Tax	117	118	(\$1)	-0.8%
Liquor Gallonage Taxes	59	59	\$0	0.0%
Vehicle Use Tax	10	10	\$0	0.0%
Inheritance Tax	102	101	\$1	1.0%
Insurance Taxes and Fees	113	109	\$4	3.7%
Corporate Franchise Tax & Fees	70	73	(\$3)	-4.1%
Interest on State Funds & Investments	17	8	\$9	112.5%
Cook County IGT	0	0	\$0	N/A
Other Sources	135	144	(\$9)	-6.3%
Subtotal	\$9,773	\$8,321	\$1,452	17.4%
Transfers				
Lottery	216	227	(\$11)	-4.8%
Riverboat transfers & receipts	113	109	\$4	3.7%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Fund sweeps	207	0	\$207	N/A
Other	284	218	\$66	30.3%
Total State Sources	\$10,593	\$8,875	\$1,718	19.4%
Federal Sources	\$1,233	\$770	\$463	60.1%
Total Federal & State Sources	\$11,826	\$9,645	\$2,181	22.6%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$535)	(\$473)	(\$62)	13.1%
Corporate Income Tax	(\$108)	(60)	(\$48)	80.0%
Fund for Advancement of Education	\$0	(142)	\$142	-100.0%
Commitment to Human Services Fund	\$0	(142)	\$142	-100.0%
LGDF--Direct from PIT	(\$269)	0	(\$269)	N/A
LGDF--Direct from CIT	(\$31)	0	(\$31)	N/A
Downstate Pub/Trans--Direct from Sales	(\$83)	0	(\$83)	N/A
Subtotal General Funds	\$10,800	\$8,828	\$1,972	22.3%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$354	\$0	\$354	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$11,154	\$8,828	\$2,326	26.3%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				1-Nov-17