



Commission on Government Forecasting and Accountability

802 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: NOVEMBER 2020

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REVENUE: While November Federal Sources Spike, Most Other Revenues Experience Slowing

Jim Muschinske, Revenue Manager

Base November general funds revenues grew \$468 million overall, primarily on the strength of federal sources. This was due to a combination of resources made available for reimbursable spending as a result of \$400 million of Treasurer’s Investment borrowing, coupled with reimbursement from federal Coronavirus Relief Fund moneys for prior state spending from the general funds. Federal source gains aside, most of the other revenue lines experienced modest declines for the month. November had one less receipting day than the prior year.

For the month, gross corporate income taxes fell \$71 million, or \$57 million on a net basis. [The decline reflects stronger receipts experienced last fiscal year resulting from the tax amnesty program enacted under P.A. 101-0009]. Presumably due to timing, the lack of expected Cook County intergovernmental transfers resulted in a monthly year over year drop of \$56 million. Gross sales taxes had a slight \$23 million decline, or \$10 million on a net basis, while inheritance taxes fell \$13 million. Other sources fell \$11 million in November, interest earnings were down \$10 million, and both liquor taxes and vehicle use tax each dipped \$1 million.

A few state tax sources did manage to post gains for the month, albeit relatively minor ones. Gross personal income taxes rose \$12 million, or \$13 million on a net basis. Corporate franchise taxes

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increased \$4 million, while public utility taxes grew \$2 million. Both cigarette taxes and insurance taxes were able to eke out \$2 million gains, respectively.

Overall November transfers into the general funds declined \$39 million. While Lottery transfers ticked up \$1 million, a continued lack of riverboat transfers resulted in a year over year decline of \$28 million. In addition, all other miscellaneous transfers were down \$12 million.

As mentioned, a large surge in federal source reimbursements made possible due to resources from \$400 million of Treasurer Investment borrowing, as well as prior COVID related spending, resulted in growth of \$642 million. [Of that gain, approximately \$161 million is reportedly due to transfers from the State CURE Fund into GRF for prior COVID related spending].

Year To Date

With the boost from November, through the first five months of the fiscal year, base receipts are up \$940

million. The growth reflects the surge in July income tax receipts related to the filing deadline extension. Through November, combined net income tax receipts are up by \$1.500 billion. While net sales taxes are up only \$45 million, that gain serves to demonstrate the consumer’s continued resiliency in the face of COVID-19 driven economic disruptions.

All of the other revenue sources combined have declined a net \$192 million, principally due to the one-time court settlement proceeds received last fiscal year. Overall transfers are off considerably, down \$748 million, mostly reflecting the significantly lower Income Tax Refund transfer levels as well as other miscellaneous transfers. With the impressive showing in November, federal sources have reversed their earlier down turn, and are now up \$335 million year to date.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY			
<u>INDICATORS*</u>	<u>LATEST MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (Oct.)	6.8%	10.4%	3.7%
Inflation in Chicago (12-month percent change) (Oct.)	1.0%	1.4%	1.8%
	<u>LATEST MONTH</u>	<u>CHANGE OVER PRIOR MONTH</u>	<u>CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (Oct.)	6,237.6	-1.7%	-3.1%
Employment (thousands) (Oct.)	5,811.7	2.2%	-6.3%
Nonfarm Payroll Employment (Oct.)	5,704,500	-1,100	-411,800
New Car & Truck Registration (Oct.)	45,991	2.3%	-23.6%
Single Family Housing Permits (Oct.)	995	-6.6%	10.7%
Total Exports (\$ mil) (Sept.)	4,535.0	9.8%	-8.1%
Chicago Purchasing Managers Index (Nov.)	58.2	-4.7%	25.7%
* Due to monthly fluctuations, trend best shown by % change from a year ago			

NOVEMBER
FY 2021 vs. FY 2020
(\$ million)

Revenue Sources	Nov. FY 2021	Nov. FY 2020	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$1,492	\$1,480	\$12	0.8%
Corporate Income Tax (regular)	58	129	(\$71)	-55.0%
Sales Taxes	757	780	(\$23)	-2.9%
Public Utility Taxes (regular)	61	58	\$3	5.2%
Cigarette Tax	24	22	\$2	9.1%
Liquor Gallonage Taxes	15	16	(\$1)	-6.3%
Vehicle Use Tax	2	3	(\$1)	-33.3%
Inheritance Tax	11	24	(\$13)	-54.2%
Insurance Taxes and Fees	3	1	\$2	200.0%
Corporate Franchise Tax & Fees	25	21	\$4	19.0%
Interest on State Funds & Investments	2	12	(\$10)	-83.3%
Cook County IGT	0	56	(\$56)	N/A
Other Sources	15	26	(\$11)	-42.3%
Subtotal	\$2,465	\$2,628	(\$163)	-6.2%
Transfers				
Lottery	36	35	\$1	2.9%
Riverboat transfers & receipts	0	28	(\$28)	N/A
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Other	28	40	(\$12)	-30.0%
Total State Sources	\$2,529	\$2,731	(\$202)	-7.4%
Federal Sources	\$852	\$210	\$642	305.7%
Total Federal & State Sources	\$3,381	\$2,941	\$440	15.0%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$135)	(\$141)	\$6	-4.3%
Corporate Income Tax	(\$8)	(19)	\$11	-57.9%
LGDF--Direct from PIT	(\$82)	(77)	(\$5)	6.5%
LGDF--Direct from CIT	(\$4)	(7)	\$3	-42.9%
Downstate Pub/Trans--Direct from Sales	(\$18)	(31)	\$13	-41.9%
Subtotal General Funds	\$3,134	\$2,666	\$468	17.6%
Treasurer's Investments	\$400	\$0	\$400	N/A
Interfund Borrowing	\$0	\$0	\$0	N/A
Short Term Borrowing	\$0	\$150	(\$150)	N/A
Total General Funds	\$3,534	\$2,816	\$718	25.5%

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

2-Dec-20

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2021 vs. FY 2020

(\$ million)

Revenue Sources	FY 2021	FY 2020	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$9,501	\$8,084	\$1,417	17.5%
Corporate Income Tax (regular)	1,276	935	\$341	36.5%
Sales Taxes	3,840	3,814	\$26	0.7%
Public Utility Taxes (regular)	283	323	(\$40)	-12.4%
Cigarette Tax	124	107	\$17	15.9%
Liquor Gallonage Taxes	78	78	\$0	0.0%
Vehicle Use Tax	16	13	\$3	23.1%
Inheritance Tax	163	109	\$54	49.5%
Insurance Taxes and Fees	190	111	\$79	71.2%
Corporate Franchise Tax & Fees	141	105	\$36	34.3%
Interest on State Funds & Investments	36	78	(\$42)	-53.8%
Cook County IGT	0	56	(\$56)	N/A
Other Sources	87	330	(\$243)	-73.6%
Subtotal	\$15,735	\$14,143	\$1,592	11.3%
Transfers				
Lottery	286	209	\$77	36.8%
Riverboat transfers & receipts	0	124	(\$124)	-100.0%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	281	617	(\$336)	-54.5%
Other	179	544	(\$365)	-67.1%
Total State Sources	\$16,481	\$15,637	\$844	5.4%
Federal Sources	\$1,658	\$1,323	\$335	25.3%
Total Federal & State Sources	\$18,139	\$16,960	\$1,179	7.0%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$855)	(\$768)	(\$87)	11.3%
Corporate Income Tax	(\$179)	(134)	(\$45)	33.6%
LGDF--Direct from PIT	(\$524)	(421)	(\$103)	24.5%
LGDF--Direct from CIT	(\$75)	(52)	(\$23)	44.2%
Downstate Pub/Trans--Direct from Sales	(\$85)	(104)	\$19	-18.3%
Subtotal General Funds	\$16,421	\$15,481	\$940	6.1%
Treasurer's Investments	\$400	\$400	\$0	N/A
Interfund Borrowing	\$0	\$150	(\$150)	N/A
Short Term Borrowing	\$0	\$0	\$0	N/A
Total General Funds	\$16,821	\$16,031	\$790	4.9%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				2-Dec-20

In mid-November, the Commission released an updated economic as well as FY 2021 revenue outlook. The following section excerpts the Commission’s discussion of its revised revenue estimate as well as the corresponding recent GOMB revision. The full report can be found at <https://cgfa.ilga.gov/Upload/NOVEMBER2020UPDATEDEconomicAndFY2021RevenueOutlook.pdf>

PERFORMANCE TO DATE SUPPORTS CAUTIOUS UPWARD \$2.3b REVISION TO FY 2021 BASE REVENUES—BUT REMOVAL OF \$6.1b IN OTHER REVENUE ASSUMPTIONS CREATES OVERALL \$4.1b FALLOFF FROM ENACTED BUDGET

As shown, taking into account the aforementioned actual revenue performance through October, while still retaining a decidedly conservative view over the remainder of the fiscal year, the Commission’s updated outlook of “base” FY 2021 general funds revenues represents an increase of \$2.308 billion over the enacted budget. However, those gains have been significantly tempered by a corresponding reduction of \$150 million in assumed interfund

borrowing, uncertainty of \$5 billion from Federal Stabilization/MLF actions, and the removal of \$1.274 billion from assumed graduated income tax proceeds per the outcome of SJRCA 1. In total, the updated outlook of \$38.879 billion represents a decline of \$4.116 billion from May 2020 enacted levels. Brief comments on the updated outlook are as follows:

FY 2021 General Funds Revenue Estimates			
Enacted Budget May-20 vs CGFA Update Nov-20			
(\$ millions)	Enacted May-20	CGFA Nov-20	Difference
Income Taxes [Net]	\$20,474	\$21,924	\$1,450
Sales Tax [Net]	\$7,453	\$8,183	\$730
All Other State Sources	\$3,242	\$3,192	(\$50)
Transfers In	\$1,568	\$1,746	\$178
Federal Sources	\$3,684	\$3,684	\$0
Base General Funds	\$36,421	\$38,729	\$2,308
Interfund Borrowing/Fund Reallocations	\$300	\$150	(\$150)
Federal Stabilization/Municipal Liquidity Facility	\$5,000	\$0	(\$5,000)
P.A 101-8 Net Income Taxes [SJRCA 1]	\$1,274	\$0	(\$1,274)
Total General Funds Revenues	\$42,995	\$38,879	(\$4,116)

- The overall net increase of income tax receipts for FY 2021 has been revised up \$1.45 billion which reflects an upgraded view of \$1.2 billion from net personal income tax receipts, and \$250 million in net corporate income tax revenue over enacted budget assumptions. While a significant increase over initial enacted budget assumptions, the updated forecast is positioned to accommodate a substantial slowing of income tax receipts.
- Similarly, the improved \$730 million view of sales tax receipts reflects the much better than anticipated performance over the first third of the fiscal year, but still reflects a conservative outlook over the remainder and could accommodate substantial slowing should additional state-wide COVID mitigation efforts be necessary.

REVISIONS TO ESTIMATE (continued)

- The estimates of all other state sources are revised down a net \$50 million from enacted budget assumptions.
- Transfers into the general funds are revised up a net \$178 million, which reflects the unscheduled Income Tax Refund Fund transfer of \$281 million, which is partially offset by the assumed lack of any meaningful gaming transfers in FY 2021 [a value of \$103 million less than the enacted budget assumed].
- Federal sources have underperformed relative to expectations over the first third of the fiscal year. While the estimate is not undergoing adjustment at this time, substantial improvement must be shown over the remainder of the year for the estimate to be met.
- The enacted budget assumed \$300 million from interfund transfers. Early in the fiscal year, the GOMB reduced that expectation to \$150 million. While the Commission will, for now, include \$150 million in its estimate, even that assumption could come under pressure should interfund transfer activity remain absent.
- For now, lack of activity related to Federal Stabilization efforts and/or further MLF borrowing action warrants removal of \$5 billion of related expectations which were assumed at time of budget passage. Of course, actions at the Federal level as well as GOMB initiated borrowing will dictate future updates.
- With the failure of SJRCA 1 to garner enough support, the \$1.274 billion that was included in the budget assumptions must be removed. It is unclear at this time if the Administration will utilize Section 7.6 borrowing as a back-up [Income Tax Proceeds Bonds].

UPDATED FY 2021 REVENUE ESTIMATE COMPARISON – CGFA AND GOMB

The below table summarizes the differences between the Commission’s revised forecast and that of the GOMB that was also released in November. Both agencies have made revisions to their respective earlier forecasts that include actual receipt performance over the first third of the fiscal year, as well as removing assumed revenues related to the outcome of the graduated income tax initiative. As of now, the estimates also remove earlier budgeted

assumptions related to Federal Stabilization and/or MLF borrowing plans. Federal action and/or decisions at the GOMB would dictate further revisions should these items warrant. As shown, after incorporating the revised outlooks, the Commission’s “base” as well as overall revenue estimate for FY 2021 is \$282 million below the updated GOMB forecast.

Revised FY 2021 General Funds Revenue Estimates [Nov-20]			
CGFA vs GOMB			
(\$ millions)	CGFA	GOMB	Difference
Income Taxes [Net]	\$21,924	\$21,866	\$58
Sales Tax [Net]	\$8,183	\$8,210	(\$27)
All Other State Sources	\$3,192	\$3,313	(\$121)
Transfers In	\$1,746	\$1,713	\$33
Federal Sources	\$3,684	\$3,909	(\$225)
Base General Funds	\$38,729	\$39,011	(\$282)
Interfund Borrowing/Fund Reallocations	\$150	\$150	\$0
Federal Stabilization/Municipal Liquidity Facility	\$0	\$0	\$0
P.A 101-8 Net Income Taxes [SJRCA 1]	\$0	\$0	\$0
Total General Funds Revenues	\$38,879	\$39,161	(\$282)

Recent Developments

In the closing days of November, the Governor made known his administration's intent to again utilize the Federal Reserve's Municipal Liquidity Facility. The State is expected to borrow an additional \$2 billion in December, with an expected 3-year maturity. Illinois previously borrowed \$1.2 billion in June 2020. This first use of the MLF received a 3.82% interest rate and is scheduled to be paid off by June 2021.

The Municipal Liquidity Facility was established under Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act introduced in March 2020. The MLF

may buy up to \$500 billion in debt from state and local governments affected by the COVID-19 pandemic. The MLF would allow Illinois to borrow a total of \$9.677 billion, through December 31, 2020, with up to a 3-year maturity, through negotiated or competitive sale. Illinois passed Public Act 101-0630 which created the Coronavirus Urgent Remediation Emergency (CURE) Borrowing Act, allowing the State to borrow from Federal programs related to COVID-19 in an amount up to \$5 billion outstanding at one time, with a 10-year maturity, through negotiated (in FY 2020 & FY 2021) or competitive sale.