



Commission on Government Forecasting and Accountability

802 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: DECEMBER 2020

<http://cgfa.ilga.gov>

SENATE

Heather Steans, Co-Chair
Donald DeWitte
David Koehler
Elgie Sims
Dave Syverson
Jil Tracy

HOUSE

C.D. Davidsmeyer, Co-Chair
Thomas Bennett
Sonya Harper
Elizabeth Hernandez
Anna Moeller
Joe Sosnowski

EXECUTIVE DIRECTOR

Clayton Klenke

DEPUTY DIRECTOR

Laurie Eby

December 2020 Short-Term Borrowing

Lynnae Kapp, Senior Revenue/Bond Analyst

BOND SALES

Illinois borrowed \$2 billion from the Federal Reserve’s Municipal Liquidity Facility (MLF) on December 17, 2020. The borrowing received a 3.42% rate and has a 3-year maturity. The proceeds will be used for the payment of Medicaid-related bills which will generate approximately \$1 billion dollars in federal matching funds. Illinois previously borrowed \$1.2 billion of General Obligation Certificates in June 2020 for a failure of revenues, which also was used for Medicaid-related vouchers awaiting payment at the Comptroller’s Office. This first use of the MLF received a 3.82% interest rate and will be paid off by June 2021.

“The state’s three-year bond was at 1.99%, a 183 basis point spread to the Municipal Market Data’s AAA benchmark earlier this week when terms were set and by Thursday had narrowed to 1.94%, a 178 basis point spread so the 3.42% represents a steep penalty...Despite the high rate, market participants have said the state's decision to use the MLF was a smart move given its market rates fluctuate and its access alone could contribute to improved overall trading levels.” [Illinois pockets \$2B Fed MLF loan, by Yvette Shields, The Bond Buyer, December 18, 2020.]

INSIDE THIS ISSUE

- PAGE 1: December 2020 Short-Term Borrowing
- PAGE 2: Illinois Economic Indicators
- PAGES 3: Recreational Cannabis – Through 2nd Quarter FY 2021
- PAGE 5: REVENUE: \$2B Borrowing Results In Soaring Federal Source Receipts – December Base Revenues Shrug Off Economic Uncertainty to Post Decent Gains
- PAGES 6-7: Revenue Tables

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 2019									
Sep-18	General Obligation Refunding A & B	\$966 million	tax-exempt	negotiated	combined 4.19%	BBB-	BBB	Baa3	
Oct-18	Build IL October 2018 A	\$115 million	tax-exempt	competitive	4.16%	A-	BBB		AA+
Oct-18	Build IL October 2018 A	\$125 million	tax-exempt	competitive	4.27%	A-	BBB		AA+
Oct-18	Build IL October 2018 A	\$10 million	taxable	competitive	4.09%	A-	BBB		AA+
Apr-19	General Obligation Pension Obligation Acceleration Bonds April 2019A	\$300 million	taxable	competitive	5.74%	BBB	BBB-	Baa3	
Apr-19	General Obligation Refunding April 2019B	\$140 million	tax-exempt	competitive	3.33%	BBB	BBB-	Baa3	
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	all in TIC 3.9198%	BBB-	BBB-	Baa4	
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-	Baa4	
Oct-20	General Obligation October 2020 C	\$300 million	tax-exempt	competitive	4.32%	BBB-	BBB-	Baa5	
Oct-20	General Obligation October 2020 D	\$100 million	tax-exempt	competitive	2.15%	BBB-	BBB-	Baa6	
Dec-20	General Obligation Certificates (MLF)	\$2.0 billion	tax-exempt	negotiated	3.42%	BBB-	BBB-	Baa3	

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 enacted 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 had allowed Illinois to borrow up to \$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.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY			
<u>INDICATORS*</u>	<u>LATEST MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (Nov.)	6.9%	7.4%	3.7%
Inflation in Chicago (12-month percent change) (Nov.)	0.8%	1.0%	2.2%
	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (Nov.)	6,138.1	-2.4%	0.0%
Employment (thousands) (Nov.)	5,712.1	-1.9%	-7.8%
Nonfarm Payroll Employment (Nov.)	5,692,600	-20,000	-412,600
New Car & Truck Registration (Nov.)	37,203	-19.1%	-13.3%
Single Family Housing Permits (Nov.)	776	-22.0%	17.8%
Total Exports (\$ mil) (Oct.)	5,004.8	10.4%	-3.4%
Chicago Purchasing Managers Index (Dec.)	59.5	2.2%	21.7%

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

Recreational Cannabis – Through 2nd Quarter FY 2021
 Benjamin L. Varner, Senior Analyst and Economic Specialist

In September’s monthly briefing, the Commission examined revenue flowing into the State from recreational cannabis through the State Cannabis Excise Taxes and the associated license and registration fees. This report updates these amounts through the 2nd quarter of the fiscal year. As shown, just under \$75 million has been received by the Cannabis Regulation

Fund over the first six months. Of this amount, State Cannabis Excise Taxes were \$71.9 million, while License and Registration Fees equaled \$2.9 million. In addition to these amounts, the Cannabis Business Development Fund received an additional \$4.5 million from License and Registration Fees.

REVENUE INTO THE CANNABIS FUNDS			
(\$ millions)			
Cannabis Regulation Fund (912)			
Revenue Source	FY 20	FY 21 thru Dec.	Total
State Cannabis Excise Taxes	\$34.7	\$71.9	\$106.6
Licenses and Registration Fees	\$17.3	\$2.9	\$20.2
Transfers In (Compassionate Use of Medical Cannabis Fund)	\$5.0	\$0.0	\$5.0
Total	\$57.0	\$74.8	\$131.9
Cannabis Business Development Fund (898)			
Revenue Source	FY 20	FY 21 thru Dec.	Total
Transfers In (Compassionate Use of Medical Cannabis Fund)	\$12.0	\$0.0	\$12.0
Cannabis Business Development Fee	\$7.7	\$0.0	\$7.7
Licenses and Registration Fees	\$7.1	\$4.5	\$11.6
Investment Income	\$0.3	\$0.0	\$0.3
Total	\$27.1	\$4.5	\$31.6

Revenue from recreational cannabis is used for many purposes including funding agencies to administer and enforce the Cannabis Regulation and Tax Act. The second table shows expenditures out of the Cannabis Regulation Fund and the Cannabis Business Development Fund. So far in FY 2021, approximately \$61 million in expenditures has occurred out of the Cannabis Regulation Fund. Of this amount, \$5.8 million of this amount has been used to

fund operations at the agency level with the largest amounts seen in the Department of Agriculture (\$2.5 million) and the Department of Revenue (\$1.5 million). The remaining \$55.2 million was transferred out to various funds.

For more detailed information on State revenue from recreational cannabis and its use, please see the Commission’s September 2020 monthly update.

EXPENDITURES OUT OF THE CANNABIS FUNDS			
(\$ millions)			
Cannabis Regulation Fund (912)			
Object of Expenditure	FY 20	FY 21 thru Dec.	Total
Transfer - General Fund	\$13.9	\$18.8	\$32.7
Transfer - Criminal Justice Info Projects	\$9.9	\$13.4	\$23.4
Transfer - DHS Community Services	\$8.0	\$10.7	\$18.7
Transfer - Budget Stabilization	\$4.0	\$5.4	\$9.3
Transfer - Local Government Distributive Fund	\$3.2	\$4.3	\$7.5
Transfer - Cannabis Expungement	\$3.2	\$1.5	\$4.7
Transfer - Professions Indirect Cost	\$2.5	\$0.0	\$2.5
Transfer - Drug Treatment	\$0.8	\$1.1	\$1.9
Transfer Total	\$45.5	\$55.2	\$100.6
Operations - Financial Professional Regulation	\$2.3	\$1.0	\$3.3
Operations - State Police	\$1.4	\$0.8	\$2.2
Operations - Illinois Criminal Justice Information Authority	\$0.7	\$0.3	\$1.0
Operations - Agriculture	\$0.4	\$2.2	\$2.7
Operations - Revenue	\$0.0	\$1.5	\$1.5
Operations Total	\$4.9	\$5.8	\$10.7
Grand Total	\$50.4	\$60.9	\$111.3
Cannabis Business Development Fund (898)			
Object of Expenditure	FY 20	FY 21 thru Dec.	Total
DCEO Awards and Grants	\$0.1	\$0.2	\$0.3
Total	\$0.1	\$0.2	\$0.3

**REVENUE: \$2B Borrowing Results In Soaring Federal Source Receipts – December
Base Revenues Shrug Off Economic Uncertainty to Post Decent Gains**

Jim Muschinske, Revenue Manager

Excluding \$2 billion in short-term borrowing executed mid-December, base general funds revenues grew \$1.428 billion. Of that amount, \$1.264 billion reflected growth in federal sources brought about by a surge in reimbursable spending made possible from proceeds of the short-term borrowing as well as reimbursement from federal Coronavirus Relief Fund moneys for prior state spending from the general funds. Federal source gains aside, the economic related sources such as income and sales taxes continued to demonstrate resiliency by posting decent gains. December had one more receipting day than the prior year.

For the month, gross personal income taxes increased \$144 million, or \$126 million on a net basis. Gross corporate income taxes also fared well, growing \$66 million, or \$53 million net. Gross sales taxes posted \$44 million in gains, or \$54 million on a net basis, while inheritance tax receipts added \$20 million in growth.

A number of sources experienced declines in December, albeit mostly modest. Public utility taxes slipped \$13 million for the month, while both insurance taxes and corporate franchise taxes each declined \$10 million. Other sources were down \$7 million, and interest earnings were off \$3 million. Cigarette taxes, liquor taxes, and vehicle use taxes each dipped \$1 million.

Absent short-term borrowing, overall December transfers into the general funds declined \$43 million. While Lottery transfers were up \$5 million, a continued lack of riverboat transfers resulted in a year

over year decline of \$39 million. In addition, all other miscellaneous transfers were down \$9 million.

A large surge in federal source revenue stemming from reimbursable spending made possible from short-term borrowing caused federal receipts to jump \$1.264 billion. [Of that gain, approximately \$235 million is reportedly due to transfers from the State CURE Fund into GRF for prior COVID related spending].

Year To Date

Excluding borrowing related activity, through the first half of the fiscal year base receipts are up \$2.368 billion. In addition to the recent surge in federal sources, that growth reflects the timing of income tax receipts related to the filing deadline extension. Through December, combined net income tax receipts are up \$1.680 billion. While net sales taxes are up a modest \$99 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 \$218 million, principally due to one-time court settlement proceeds receipted last fiscal year. Overall transfers are down \$711 million, reflecting the significantly lower Income Tax Refund transfer levels as well as other miscellaneous transfers. With the impressive showing in November and December, federal sources have reversed earlier poor performance, and are now up \$1.599 billion year to date.

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

Revenue Sources	Dec. FY 2021	Dec. FY 2020	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$1,893	\$1,749	\$144	8.2%
Corporate Income Tax (regular)	544	478	\$66	13.8%
Sales Taxes	893	849	\$44	5.2%
Public Utility Taxes (regular)	70	83	(\$13)	-15.7%
Cigarette Tax	26	27	(\$1)	-3.7%
Liquor Gallonage Taxes	14	15	(\$1)	-6.7%
Vehicle Use Tax	2	3	(\$1)	-33.3%
Inheritance Tax	47	27	\$20	74.1%
Insurance Taxes and Fees	62	72	(\$10)	-13.9%
Corporate Franchise Tax & Fees	17	27	(\$10)	-37.0%
Interest on State Funds & Investments	6	9	(\$3)	-33.3%
Cook County IGT	0	0	\$0	N/A
Other Sources	16	23	(\$7)	-30.4%
Subtotal	\$3,590	\$3,362	\$228	6.8%
Transfers				
Lottery	75	70	\$5	7.1%
Riverboat transfers & receipts	0	39	(\$39)	N/A
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Other	28	37	(\$9)	-24.3%
Total State Sources	\$3,693	\$3,508	\$185	5.3%
Federal Sources	\$1,325	\$61	\$1,264	2072.1%
Total Federal & State Sources	\$5,018	\$3,569	\$1,449	40.6%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$170)	(\$166)	(\$4)	2.4%
Corporate Income Tax	(\$76)	(68)	(\$8)	11.8%
LGDF--Direct from PIT	(\$105)	(91)	(\$14)	15.4%
LGDF--Direct from CIT	(\$32)	(27)	(\$5)	18.5%
Downstate Pub/Trans--Direct from Sales	(\$41)	(51)	\$10	-19.6%
Subtotal General Funds	\$4,594	\$3,166	\$1,428	45.1%
Treasurer's Investments	\$0	\$0	\$0	N/A
Interfund Borrowing	\$0	\$0	\$0	N/A
Short Term Borrowing	\$1,998	\$0	\$1,998	N/A
Total General Funds	\$6,592	\$3,166	\$3,426	108.2%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				4-Jan-21

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2021 vs. FY 2020

(\$ million)

<u>Revenue Sources</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>\$</u> <u>CHANGE</u>	<u>%</u> <u>CHANGE</u>
State Taxes				
Personal Income Tax	\$11,394	\$9,832	\$1,562	15.9%
Corporate Income Tax (regular)	1,822	1,413	\$409	28.9%
Sales Taxes	4,733	4,663	\$70	1.5%
Public Utility Taxes (regular)	353	406	(\$53)	-13.1%
Cigarette Tax	150	134	\$16	11.9%
Liquor Gallonage Taxes	92	93	(\$1)	-1.1%
Vehicle Use Tax	18	16	\$2	12.5%
Inheritance Tax	211	136	\$75	55.1%
Insurance Taxes and Fees	252	183	\$69	37.7%
Corporate Franchise Tax & Fees	158	132	\$26	19.7%
Interest on State Funds & Investments	41	88	(\$47)	-53.4%
Cook County IGT	0	56	(\$56)	N/A
Other Sources	103	352	(\$249)	-70.7%
Subtotal	<u>\$19,327</u>	<u>\$17,504</u>	<u>\$1,823</u>	<u>10.4%</u>
Transfers				
Lottery	361	280	\$81	28.9%
Riverboat transfers & receipts	0	162	(\$162)	-100.0%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	281	617	(\$336)	-54.5%
Other	207	582	(\$375)	-64.4%
Total State Sources	<u>\$20,176</u>	<u>\$19,145</u>	<u>\$1,031</u>	<u>5.4%</u>
Federal Sources	<u>\$2,983</u>	<u>\$1,384</u>	<u>\$1,599</u>	<u>115.5%</u>
Total Federal & State Sources	<u>\$23,159</u>	<u>\$20,529</u>	<u>\$2,630</u>	<u>12.8%</u>
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$1,026)	(\$934)	(\$92)	9.9%
Corporate Income Tax	(\$256)	(202)	(\$54)	26.7%
LGDF--Direct from PIT	(\$628)	(512)	(\$116)	22.7%
LGDF--Direct from CIT	(\$107)	(78)	(\$29)	37.2%
Downstate Pub/Trans--Direct from Sales	(\$126)	(155)	\$29	-18.7%
Subtotal General Funds	<u>\$21,016</u>	<u>\$18,648</u>	<u>\$2,368</u>	<u>12.7%</u>
Treasurer's Investments	\$400	\$400	\$0	0.0%
Interfund Borrowing	\$0	\$150	(\$150)	N/A
Short Term Borrowing	\$1,998	\$0	\$1,998	N/A
Total General Funds	<u>\$23,414</u>	<u>\$19,198</u>	<u>\$4,216</u>	<u>22.0%</u>
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				4-Jan-21