



# Commission on Government Forecasting and Accountability

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## MONTHLY BRIEFING

*For the Month Ended: December 2022*

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COMMISSION ON GOVERNMENT  
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PHONE: 217/782-5320

### COMPOSITION OF THE ILLINOIS ECONOMY

Benjamin L. Varner, Chief Economist

As 2022 came to an end, the Commission assessed the components that make up the underpinnings of the Illinois economy. The Commission used the latest annual gross domestic product (GDP) data for the State (2021) available from the Bureau of Economic Analysis. GDP measures the value of the final goods and services produced in the state. The largest industries in Illinois were identified by share of total GDP. These percentage shares were then compared to GDP values from 1997 to assess how the structure of the Illinois economy has changed over the last 25 years. This analysis showed a trend towards growth in the service sector and away from the manufacturing sector. A similar trend towards service was identified when the analysis used employment sector levels as its measure of economic activity.

As can be seen in the table on the following page, in 2021 the GDP of Illinois was \$945.7 billion. This was the fifth largest economy in the U.S. behind California, Texas, New York, and Florida. Illinois' economy has averaged growth of 3.5% per year since 1997. This is well below the country as a whole's growth of 4.3% per year. Illinois ranked 42nd among the states for economic growth during this time period.

In both 1997 and 2021, Illinois' largest industry category was Finance, Insurance, Real Estate, Rental and Leasing. This sector totaled \$213 billion in 2021, which made up 22.5% of total GDP. This was 1.4 percentage points higher than its share in 1997. About half the growth in this sector can be attributed to the increases seen in Insurance Carriers and related activities, while the banking sector also expanded.

## ILLINOIS REAL GROSS DOMESTIC PRODUCT (GDP)

Millions of current dollars

Description	1997		2021		Change in Share of Total	1997-2021 Average Annual Growth
	GDP	Share of Total	GDP	Share of Total		
<b>All industry total</b>	<b>415,534.8</b>		<b>945,673.8</b>			<b>3.5%</b>
<b>Private industries</b>	<b>374,161.3</b>	<b>90.0%</b>	<b>855,476.6</b>	<b>90.5%</b>	<b>0.4%</b>	<b>3.5%</b>
Agriculture, forestry, fishing and hunting	3,702.0	0.9%	10,277.5	1.1%	0.2%	11.3%
Mining, quarrying, and oil and gas extraction	1,057.3	0.3%	1,227.4	0.1%	-0.1%	1.3%
Utilities	9,351.6	2.3%	17,056.8	1.8%	-0.4%	2.7%
Construction	16,528.2	4.0%	30,627.9	3.2%	-0.7%	2.9%
Manufacturing	70,753.3	17.0%	114,728.9	12.1%	-4.9%	2.2%
Durable goods manufacturing	42,410.9	10.2%	53,359.8	5.6%	-4.6%	1.1%
Nondurable goods manufacturing	28,342.4	6.8%	61,369.2	6.5%	-0.3%	3.6%
Wholesale trade	31,277.8	7.5%	77,196.0	8.2%	0.6%	3.9%
Retail trade	24,714.1	5.9%	52,755.3	5.6%	-0.4%	3.3%
Transportation and warehousing	14,629.2	3.5%	34,683.0	3.7%	0.1%	3.9%
Information	17,248.3	4.2%	34,593.8	3.7%	-0.5%	3.1%
Finance, insurance, real estate, rental, and leasing	88,012.7	21.2%	213,221.0	22.5%	1.4%	3.8%
Professional and business services	44,419.1	10.7%	132,274.7	14.0%	3.3%	4.7%
Educational services, health care, and social assistance	27,359.7	6.6%	81,324.8	8.6%	2.0%	4.7%
Health care and social assistance	23,273.1	5.6%	68,262.1	7.2%	1.6%	
Arts, entertainment, recreation, accommodation, and food services	13,188.1	3.2%	35,375.1	3.7%	0.6%	4.7%
Other services (except government and government enterprises)	11,919.9	2.9%	20,134.2	2.1%	-0.7%	2.3%
<b>Government and government enterprises</b>	<b>41,373.5</b>	<b>10.0%</b>	<b>90,197.2</b>	<b>9.5%</b>	<b>-0.4%</b>	<b>3.3%</b>
Federal civilian	7,865.3	1.9%	13,951.1	1.5%	-0.4%	2.4%
Military	2,090.1	0.5%	4,567.9	0.5%	0.0%	3.5%
State and local	31,418.1	7.6%	71,678.3	7.6%	0.0%	3.5%
<b>Addenda:</b>						
Private goods-producing industries <sup>1</sup>	92,040.7	22.1%	156,861.8	16.6%	-5.6%	2.3%
Private services-providing industries <sup>2</sup>	282,120.6	67.9%	698,614.8	73.9%	6.0%	3.9%

### Bureau of Economic Analysis

1/ The private goods-producing industries consist of agriculture, forestry, fishing, and hunting; mining, quarrying, and oil and gas extraction; construction; and manufacturing.

2/ The private services-producing industries consist of utilities; wholesale trade; retail trade; transportation and warehousing, excluding Postal Service; information; finance and insurance; real estate, rental, and leasing; professional, scientific, and technical services; management of companies; administrative and support and waste management and remediation services; educational services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; and other services (except government and government enterprises).

The second largest sector, Professional and Business Services, was the industry that had the biggest change in share of total GDP. In 2021, Professional and Business Services had output of approximately \$132 billion. This accounted for 14.0% of total GDP. This was up from a share of 10.7% in 1997. While increases were seen throughout this industry, computer design and related services stood out.

Manufacturing was the third largest industry in Illinois in 2021. Manufacturing amounted to nearly \$115 billion. While this accounted for just over 12% of total GDP, this was down from its value in the late 1990's. In 1997, Manufacturing accounted for 17.0% of the economy's value output. While nondurable goods manufacturing has lost a little of its prominence in the economy, durable goods has declined severely. Durable goods manufacturing reduced its share of the economy from 10.2% in 1997 to 5.6% in 2021. The durable manufacturing sub-industries with the largest declines in their share of GDP were machinery manufacturing (-1.2%), fabricated metal product manufacturing (-1.0%), and computer and electronic product manufacturing (-0.8%).

Beyond this change, the overall trend of economic activity moving away from goods to services can be seen in the expanded data set. In looking at private goods-producing industries, which is primarily composed of manufacturing, in addition to, agriculture, forestry, fishing, and hunting; mining, quarrying, and oil and gas extraction, these industries went from just over 22% of the economy to 16.6%. Private services-producing industries (the rest of the industries excluding government) have grown from 67.9% of the economy in 1997 to almost 73.9% in 2021. There is some variance in this comparison in any one given year, but the overall trend has been clear.

One industry that has seen large levels of variance is Agriculture, Forestry, Fishing, and Hunting. While Illinois is one of the biggest agriculture states, having the 6th largest amount of output in the farm sub-sector, its composition of economic activity is relatively small. In 2021, the Agriculture, Forestry, Fishing, and Hunting industry had output of approximately \$10.3 billion with about 95% of this amount coming from the farm sub-sector. This equaled 1.1% of Illinois' total GDP. This is not that different than 1997 when the composition was at 0.9%. However, this industry had, by far, the highest average annual growth rate at 11.3%, though consisting of a large amount of variance. Over the past 25 years, this industry has seen annual growth rates range between -50% to almost 84%. In most years, annual growth rate percentages were in the double digits, both in the positive or negative direction. While this industry has grown faster than other Illinois industries in terms of rate of growth, it remains a relatively small segment of the state's economy.

Examining the economy through the lens of employment showed a similar pattern of the economy trending away from goods-producing industries towards service-oriented industries. The Commission analyzed non-seasonally adjusted employee payroll data from 1997 and 2021. As can be seen in the following table, the Trade, Transportation, and Utilities industry was the largest employer in both 1997 and 2021. In both years, around 1.2 million Illinoisans were employed in this industry though there was a small decline during this period. This industry accounted for just over 20% of the jobs in Illinois' economy.

The next two largest industries were Professional and Business Services and Education and Health Services. Both of these industries employ just over 900,000 people. Both industries account for

<b>Average Employment Levels by Subsector in Illinois</b>						
<b>Non-Seasonally Adjusted Averages (in thousands)</b>						
<b>Subsector</b>	<b>1997 Employment Level</b>	<b>Share of Total</b>	<b>2021 Employment Level</b>	<b>Share of Total</b>	<b>Change in Employment</b>	<b>Change in Share 1997 to 2021</b>
Mining and Logging	11.8	0.2%	6.6	0.1%	(5.3)	-0.1%
Construction	235.4	4.1%	222.3	3.8%	(13.1)	-0.3%
Manufacturing	902.5	15.7%	554.0	9.5%	(348.5)	-6.1%
Trade, Transportation, and Utilities	1,206.9	20.9%	1,182.8	20.3%	(24.1)	-0.6%
Information	143.9	2.5%	88.6	1.5%	(55.3)	-1.0%
Financial Activities	398.1	6.9%	406.9	7.0%	8.8	0.1%
Professional and Business Services	730.3	12.7%	924.5	15.9%	194.2	3.2%
Education and Health Services	637.2	11.1%	905.7	15.6%	268.5	4.5%
Leisure and Hospitality	460.3	8.0%	503.1	8.7%	42.7	0.7%
Other Services	231.1	4.0%	238.4	4.1%	7.2	0.1%
Government	808.3	14.0%	780.3	13.4%	(28.1)	-0.6%
<b>Annual Average Total</b>	<b>5,765.9</b>		<b>5,813.2</b>		<b>47.2</b>	

Source: [www.bls.gov](http://www.bls.gov)

nearly 16% of the jobs in Illinois. During this 25-year period, the Professional and Business Services industry grew by 194,000 jobs, while Education and Health Services grew by almost 269,000. Together, these two service-oriented industries gained approximately eight percentage points in their composition of the economy between 1997 and 2021.

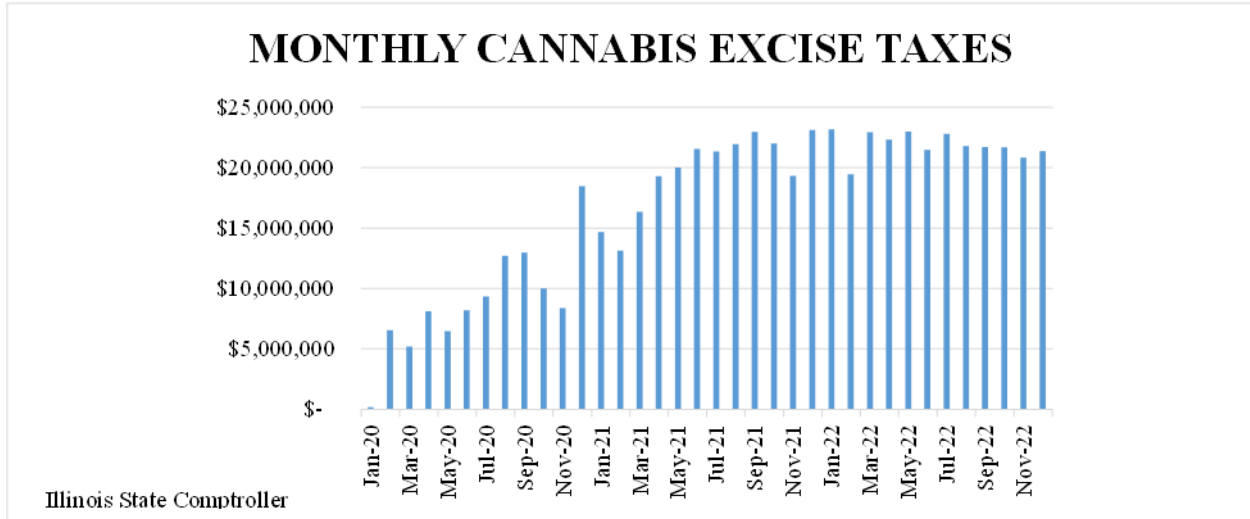
While these service-oriented industries showed growth, the Manufacturing sector declined significantly. In 1997, over 900,000 people in Illinois were employed in manufacturing. This equaled almost 16% of the jobs in the economy. In 2021, this amount was reduced by almost 349,000 jobs to 554,000. Manufacturing's portion of Illinois jobs has reduced from 15.7% to 9.5% over this time period.

Looking at the rest of the industries, the components of the total jobs in the economy were more stable with goods-related industries losing a relatively small share of jobs, while the other service-related industries increased slightly. Jobs in the public sector were down in both total number and share of the total. Government employment fell by approximately 28,000 over the last 25 years to just over 780,000 in 2021. This reduced their share of total jobs slightly from 14.0% to 13.4%.

<b>INDICATORS OF ILLINOIS ECONOMIC ACTIVITY</b>			
<u>INDICATORS*</u>	<u>LATEST MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (Nov.)	4.7%	4.6%	5.1%
Inflation in Chicago (12-month percent change) (Nov.)	6.8%	7.7%	6.0%
	<u>LATEST MONTH</u>	<u>CHANGE OVER PRIOR MONTH</u>	<u>CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands ) (Nov.)	6,423.5	-0.2%	1.3%
Employment (thousands) (Nov.)	6,120.2	-0.3%	1.7%
Nonfarm Payroll Employment (Nov.)	6,107,400	17,500	185,400
New Car & Truck Registration (Oct.)	31,426	-0.7%	-4.1%
Single Family Housing Permits (Nov.)	575	-27.1%	-32.5%
Total Exports (\$ mil) (Oct.)	6,767.0	1.3%	9.4%
Chicago Purchasing Managers Index (Dec.)	44.9	20.7%	-30.2%

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

## Cannabis Quarterly – 2<sup>nd</sup> Quarter FY 2023



CANNABIS REGULATION FUND REVENUE								
(\$ millions)								
Revenue Source	FY22 Q2	FY23 Q2	\$ Change	% Change	FY22 YTD	FY23 YTD	\$ Change	% Change
State Cannabis Excise Taxes	\$64.4	\$63.9	(\$0.6)	-0.9%	\$130.6	\$130.1	(\$0.5)	-0.4%
Licenses and Registration Fees	\$0.2	\$0.9	\$0.6	264.3%	\$1.9	\$2.3	\$0.4	18.5%
Other Revenue	\$0.4	\$0.0	(\$0.3)	-96.5%	\$0.4	\$0.0	(\$0.4)	-94.1%
<b>Total</b>	<b>\$65.0</b>	<b>\$64.7</b>	<b>(\$0.3)</b>	<b>-0.4%</b>	<b>\$132.9</b>	<b>\$132.4</b>	<b>(\$0.5)</b>	<b>-0.4%</b>

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CANNABIS REGULATION FUND EXPENDITURES								
(\$ millions)								
Object of Expenditure	FY22 Q2	FY23 Q2	\$ Change	% Change	FY22 YTD	FY23 YTD	\$ Change	% Change
Transfer - General Revenue Fund	\$22.1	\$20.8	(\$1.3)	-5.8%	\$41.6	\$43.6	\$2.0	4.7%
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	\$15.8	\$14.9	(\$0.9)	-5.8%	\$29.7	\$31.1	\$1.4	4.7%
Transfer - Drug Treatment	\$1.3	\$1.2	(\$0.1)	-5.8%	\$2.4	\$2.5	\$0.1	4.7%
Transfer - DHS Community Services	\$12.6	\$11.9	(\$0.7)	-5.8%	\$23.8	\$24.9	\$1.1	4.7%
Transfer - Local Government Distributive Fund	\$5.0	\$4.8	(\$0.3)	-5.8%	\$9.5	\$10.0	\$0.4	4.7%
Transfer - Budget Stabilization	\$6.3	\$5.9	(\$0.4)	-5.8%	\$11.9	\$12.4	\$0.6	4.7%
Transfer - Cannabis Expungement	\$0.7	\$0.7	\$0.0	0.0%	\$1.4	\$1.4	(\$0.0)	-1.2%
<b>Transfer Total</b>	<b>\$63.8</b>	<b>\$60.2</b>	<b>(\$3.6)</b>	<b>-5.7%</b>	<b>\$120.3</b>	<b>\$125.9</b>	<b>\$5.6</b>	<b>4.7%</b>
Operations - Agriculture	\$0.5	\$1.2	\$0.7	158.8%	\$0.7	\$2.0	\$1.3	202.4%
Operations - Commerce and Econ. Opportunity	\$0.0	\$0.0	\$0.0	n/a	\$0.0	\$0.1	\$0.1	n/a
Operations - Financial Professional Regulation	\$0.9	\$1.3	\$0.3	36.8%	\$1.6	\$2.1	\$0.5	30.8%
Operations - Public Health	\$0.0	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	\$0.0	0.0%
Operations - Revenue	\$1.5	\$0.0	(\$1.5)	n/a	\$1.5	\$1.5	\$0.0	n/a
Operations - State Police	\$0.6	\$0.5	(\$0.0)	-6.6%	\$0.9	\$0.9	(\$0.1)	-6.7%
Operations - Criminal Justice Information Authority	\$0.0	\$0.0	\$0.0	n/a	\$0.0	\$0.0	\$0.0	n/a
<b>Operations Total</b>	<b>\$3.4</b>	<b>\$3.0</b>	<b>(\$0.4)</b>	<b>-12.5%</b>	<b>\$4.7</b>	<b>\$6.6</b>	<b>\$1.9</b>	<b>39.4%</b>
<b>Grand Total</b>	<b>\$67.3</b>	<b>\$63.2</b>	<b>(\$4.1)</b>	<b>-6.0%</b>	<b>\$125.0</b>	<b>\$132.5</b>	<b>\$7.5</b>	<b>6.0%</b>

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## A LOOK BACK AT THE TAX AND FEE CHANGES OF THE 101<sup>ST</sup> GENERAL ASSEMBLY

Lynnae Kapp, Senior Analyst

During the Spring 2019 legislative session of the 101<sup>st</sup> General Assembly multiple bills were passed with various tax and fee changes. Many of these changes were implemented to increase funding for capital projects with recurring revenue streams for the 6-year \$45 billion Rebuild Illinois capital program that began in FY 2020, and for future programs. A major portion of the new revenues are deposited into the Rebuild Illinois Fund and the Capital Projects Fund to finance a variety of different areas including construction, maintenance and repairs for State facilities, PreK-12 education, higher education, the environment, conservation, recreation, housing, health centers, veterans’ homes, and broadband. Other funding is set aside for roads, bridges and mass transportation, and sent to the Road Fund, State Construction Fund, Transportation Renewal Fund, mass transit funds, and to local governments for transportation.

Some of the changes are not directly tied to capital projects, but rather impact current distributions, both directly and indirectly, specifically in the cigarette and gaming areas. While some have yet to take full effect (gaming expansion), most have been generating new revenues for the State and local governments over the last four fiscal years. The following section takes a closer look at these tax and fee changes and the revenues they have produced thus far.

### **CIGARETTE AND TOBACCO PRODUCTS**

- P.A. 101-0031 increased the Cigarette Tax Rate from \$1.98 per pack to \$2.98 per pack beginning in FY 2020, with the additional \$1 tax per pack earmarked for the Capital Projects Fund (CPF). The number of packs of cigarettes declined in FY 2020 over the previous year by 26%, partially due to stockpiling or purchases in neighboring states to temporarily avoid the increase in tax. Similar results have occurred in response to cigarette tax increases of this magnitude in other states. The number of packs increased in FY 2021 over FY 2020 by 5.4%, but then decreased again in FY 2022 by 9.5%. During these time periods, Tobacco Products revenues increased due to a possible switch over of cigarette smokers to tobacco products or electronic cigarettes (in the following section).

Capital Projects Fund (in millions)	FY 2019 pre-tax	FY 2020	FY 2021	FY 2022
Cigarette \$1 tax increase	\$0	\$256	\$287	\$259

It should be noted that while this \$1 tax increase has generated between \$256 million and \$287 million annually for the Capital Projects Fund in the first three years of the higher tax rate, overall cigarette tax revenues exhibit diminishing increases, as shown in the table below. This is due to the continued consumption and sales declines of this revenue source that were likely accelerated by this significant tax increase. This has resulted in a reduction in cigarette tax revenues statutorily required to be distributed to the Healthcare Provider Relief Fund, the Common School Fund, and the General Revenue Fund.

<b>Total Cigarette Tax Revenues (in millions)</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Cigarette tax	\$729	\$794	\$854	\$773

- P.A. 101-0031 imposed a tax on electronic cigarettes, for the first time, at the rate of 15% of the wholesale price of electronic cigarettes sold, beginning in FY 2020. This tax was placed under the Tobacco Products Tax Act. While cigarette purchases and the corresponding tax revenues have declined in recent years, Tobacco Products Tax revenues have experienced modest increases, with annual growth from FY 2014 to FY 2019 in the range of 1% to 3%. However, Tobacco Product Revenues increased by 41% in FY 2020, likely as a result of the new tax on electronic cigarettes. These revenues are divided evenly between the Long-Term Care Provider Fund and the Healthcare Provider Relief Fund. While the precise value is not known, subtracting the baseline 3% increase each year from Tobacco Product Tax revenues, Electronic Cigarette Taxes were approximated to have the impact as shown in the following table:

<b>Long-Term Care Provider Fund (in millions)</b>	<b>FY 2019 pre-tax</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Electronic Cigarette Tax (15%)	\$0	\$7.5	\$10	\$12
<b>Healthcare Provider Relief Fund (in millions)</b>	<b>FY 2019 pre-tax</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Electronic Cigarette Tax (15%)	\$0	\$7.5	\$10	\$12

## **GAMING**

- P.A. 101-0031 increased the Video Gaming Tax rate from 30% to 33% in FY 2020 and to 34% in FY 2021 and each year thereafter. The public act provides that 5/6 of the revenues from the 30% tax continues to go into the Capital Projects Fund and 100% of the additional tax would go into the Capital Projects Fund. The remaining tax revenues (1/6 of the 30% tax rate) would continue to go to local governments.

The Act increased Video Gaming terminal limits from 5 to 6 per regular establishments and from 5 to 10 terminals for truck stops that sell at least 50,000 gallons of fuel. Betting limits were also increased from \$2 to \$4. Part of the overall increase in tax revenues is due to continued growth of the video gaming industry and not strictly due to the tax rate changes implemented by P.A. 101-0031. Because of this, the amounts distributed to local governments has also grown in recent years even though its portion of the tax rate (5%) has not changed. It should be noted that revenues were adversely affected during FY 2020 through FY 2021 because establishments with video gaming terminals were closed for multiple months due to the COVID-19 pandemic.

<b>Capital Projects Fund (in millions)</b>	<b>FY 2019 pre-changes (30%)</b>	<b>FY 2020 (33%)</b>	<b>FY 2021 (34%)</b>	<b>FY 2022 (34%)</b>
Video Terminal Tax*	\$395	\$376	\$499	\$762
<b>Local Government Video Gaming Dist.</b>	<b>FY 2019 pre-changes</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Video Terminal Tax*	\$79	\$68	\$86	\$131

*\*The revenues shown above include both base video gaming tax revenues, as well as the impact of the increased tax rate, betting limits and additional terminals implemented by P.A. 101-0031.*

- Sports Wagering was legalized in Illinois under P.A. 101-0031. The law provides that Sports Wagering may be permitted at Illinois riverboat casinos, horse tracks, OTBs, certain sports facilities, lottery locations, and allowed online. Revenues from Sports Wagering come from several different areas, including initial license fees, license renewal fees, and a Sports Wagering tax of 15% of adjusted gross receipts. Revenues from the Sports Wagering tax go to the Capital Projects Fund. Originally, license fees went to the CPF, but beginning with July 2021, they are transferred to the Rebuild Illinois Fund [P.A. 102-0016].

Revenues in FY 2020 were low due to several factors - the normal initial delay for rules, the time needed to set up for a totally new system before licenses could be purchased, but also the closing of sports venues during most of the second half of FY 2020 due to the COVID-19 pandemic. A meager \$12,224 was receipted under the Sports Wagering Tax in June 2020 which grows to approximately \$7 million when including license fees. Since then, revenues have totaled \$113 million in FY 2021 and \$111 million in FY 2022, including tax revenues totaling \$51 million in FY 2021 and \$97 million in FY 2022. These tax revenue totals should continue to grow in future years as more sports wagering parlors are established at sports arenas and new casinos across Illinois.



<b>Sports Wagering Fund (in millions)</b>	<b>FY 2019 pre-changes</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Sports Wagering Licenses	\$0	\$7	\$62	\$14
Sports Wagering Tax (15%)	\$0	\$0	\$51	\$97
<b>Total</b>	<b>\$0</b>	<b>\$7</b>	<b>\$113</b>	<b>\$111</b>
<b>Distributed as follows*</b>				
Capital Projects Fund	\$0	\$7	\$66	\$135
Rebuild Illinois Fund	\$0	\$0	\$0	\$7

*\*There is an assumed lag from when taxes are receipted into the Sports Wagering Fund and when they are ultimately transferred to the Capital Projects Fund and the Rebuild Illinois Fund.*

- P.A. 101-0031 authorized Six Additional Casino Licenses, authorized Casino Gaming at Racetracks, and allowed for additional gaming positions for existing Casinos. The fees associated with these new licenses and positions are deposited in the Rebuild Illinois Fund. These are one-time fees from licenses and additional positions that may or may not be utilized by all potential casino licensees.

<b>Rebuild Illinois Fund (in millions)</b>	<b>FY 2019 pre-changes</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Owners License Boat Gambling	\$0	\$0	\$0	\$0.3
Additional Gaming Positions	\$0	\$0	\$24	\$40
Reconciliation Fee	\$0	\$0	\$0	\$15
Organization Gaming License Fee	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$24</b>	<b>\$55</b>

- Admission Taxes for Racinos of \$3 were added, of which \$1 will go to local governments and \$2 to the Capital Projects Fund [P.A. 101-0031]. At this time, no racinos are active, but Hawthorne and Fairmount have applied for licenses to open racinos.
- One of the six new casino licenses allows for a Chicago Casino with its own tax structure [P.A. 101-0031]. The original rate structure was deemed unworkable, and kept vendors from applying for the request for proposal. The tax structure was changed by P.A. 101-0648 to make it more viable to potential bidders. On May 26, 2022, the Chicago City Council approved a \$1.74 billion contract for a Bally's casino resort. The license is pending, and the casino resort reportedly plans to open in 2026.

- A Modified Casino Tax Structure began in FY 2021 [P.A. 101-0031 and P.A. 101-0648]. The State has initially seen a loss in tax revenues as compared to past years, in part due to a reduction in the graduated tax structure imposed on both existing and new Illinois casinos. However, as new casinos go online, the hope is that the revenues generated by the new casinos will offset the losses that have occurred. While the gaming transfer into the State’s General Funds has fallen from \$269 million in FY 2019 to reduced levels of \$195 million in FY 2020, \$0 in FY 2021, and \$140 million in FY 2022, part of these lower levels was due to the suspension of gaming operations during the pandemic. Therefore, the impact of this reduced tax structure is difficult to quantify.

Currently, only one of the new casino licenses has been opened so far, the Hard Rock Casino in Rockford (temporary facility), generating approximately \$4 million in total tax revenues in FY 2022. Additional casinos are expected to open over the next several years, including a temporary casino in Waukegan in the next couple of months. Only when this gaming expansion is fully implemented will it be clear if the new revenues generated by the new casinos will offset the losses that have and will occur due to the reduced tax structure imposed on casinos in Illinois.

<b>Education Assistance Fund [General Funds] (in millions)</b>	<b>FY 2019 pre-tax</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Transfer from State Gaming Fund*	\$269	\$195	\$0	\$140

*\*This table displays the total amount of tax revenues transferred from the State Gaming Fund to the State’s Education Assistance Fund (General Funds). The notably lower casino amounts are due to both a reduced modified casino tax structure on both existing and newly licensed casinos, as well as the impact of the suspension of gaming operations due to the pandemic.*

### **MOTOR FUEL TAX AND PARKING EXCISE TAX**

- P.A. 101-0032 increased the Motor Fuel Tax from \$0.19 per gallon to \$0.38 per gallon, and the tax on the use of diesel fuel, liquefied natural gas, or propane to equal to the motor fuel tax rate plus an additional 7.5 cents per gallon beginning on July 1, 2019. The Act also created an annual inflation index on motor fuel tax for subsequent years. Revenue from this increased amount is transferred each month into the Transportation Renewal Fund, 80% of which is used for highways, bridges and aviation facilities throughout the State, and 20% goes to rail and mass transit projects throughout the State. It should be noted that under P.A. 102-0700, the annual inflation rate increase on motor fuel was suspended until January 1, 2023, thereby costing the State roughly \$70 million in tax revenues in FY 2023.

<b>Transportation Renewal Fund (in millions)</b>	<b>FY 2019 pre-tax</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Increased Motor Fuel Tax	\$0	\$1,023	\$1,119	\$1,204
<b>Distributed as follows:</b>				
State Construction Fund (48%)	\$0	\$456	\$525	\$576
RTA Capital Improvement (18%)	\$0	\$171	\$197	\$216
Downstate Mass Transit Capital Improvement Fund (2%)	\$0	\$19	\$22	\$24
Shared Revenue Payments to local governments for transportation projects (32%)	\$0	\$347	\$358	\$385

*\*Revenue totals will not match distribution totals due to timing of receipts vs. transfers.*

- The Parking Excise Tax [P.A. 101-0031] is a tax on parking garages and parking spaces of either six percent of the purchase price of a parking space paid for on an hourly, daily, or weekly basis or nine percent of the purchase price for a parking space paid for on a monthly or annual basis. This tax is collected from the purchaser of the parking space by the operator of the parking garage or space in question. This tax also applies to valet services. This tax went into effect on January 1, 2020 with revenues deposited into the Capital Projects Fund.

<b>Capital Projects Fund (in millions)</b>	<b>FY 2019 pre-tax</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Parking Excise Tax	\$0	\$9	\$21	\$35

## **VEHICLE-RELATED FEES**

- Registration fees on electric vehicles were increased from \$35 every two years to \$148 per year beginning on January 1, 2020, plus a \$100 surcharge of which \$99 is distributed to the Road Fund and \$1 to the Secretary of State Special Services Fund [P.A. 101-0032]. This increased registration was changed in P.A 102-0154, beginning with the 2023 registration year, allowing for an electric vehicle owner to register with any qualifying registration under the Illinois Vehicle Code [625 ILCS 5]. The additional \$100 surcharge remained as a means to identify the vehicle as an electric vehicle. The number of electric vehicles went from 18,769 at the end of CY 2019 to 53,317 through October 2022.
- First Division passenger vehicle and Second Division truck (of 8,000 pounds or less) registrations were increased from \$98 annually to \$148 annually. Of the additional fees, \$49 is distributed to the Road Fund and \$1 to the Secretary of State Special Services Fund [P.A. 101-0032].

- Larger truck, bus, farm truck, farm trailer & trailer registrations were increased by \$100, of which \$99 is distributed to the Road Fund and \$1 to the Secretary of State Special Services Fund. [P.A. 101-0032]. Public Act 102-0353 decreased the registration fee for trailers of 3,000 lbs. and less from \$118 to \$36.
- Certificate of Title costs were increased from \$95 to \$150, while Certificates of Title for motor homes, mini motor homes, or van campers were raised from \$95 to \$250. In addition to these changes, the fee for duplicate certificates of title was reduced from \$95 to \$50. Salvage Certificates were increased from \$4 to \$20 and Junking Certificates were increased from \$0 to \$10. All of the proceeds of the additional fees are deposited into the Road Fund. [P.A. 101-0032]. Public Act 102-0353 increased the Certificate of Title fee for most vehicles from \$150 to \$155. This additional amount of \$5 is also to be deposited in the Road Fund.

<b>Road Fund (in millions)</b>	<b>FY 2019 pre-increase</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
FY20 Registration Increase	\$0	\$28	\$90	\$63
FY20 Reg Increase-Motor Vehicle Division 1 & B Class	\$0	\$142	\$475	\$437
FY20 Title Increases	\$0	\$92	\$138	\$122
FY22 Title Increase (\$5)	\$0	\$0	\$0	\$3
FY20 Title Increases – Motor Home/Camper	\$0	\$0.3	\$1	\$1
FY20 Junking Certificate Increase	\$0	\$0.4	\$0	\$0
FY20 Salvage Certificate Increase	\$0	\$2	\$2	\$2
Trailers	\$0	\$0	\$1	\$1
<b>Road Fund Total</b>	<b>\$0</b>	<b>\$265</b>	<b>\$707</b>	<b>\$630</b>
<b>SOS Spec Services Fund (in millions)</b>	<b>FY 2019 pre-increase</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
FY20 Registration & Weight Tax Increase	\$0	\$3	\$11	\$10

*Note: According to Secretary of State records, there was not a significant increase in registrations in FY 2021 to account for the much higher revenues experienced in FY 2021. It is believed that additional revenues may have been caused by payment extensions made by the State during the pandemic. Due to COVID-19, Secretary of State offices were closed for extended periods of time and vehicle registrations were extended without requirement of payment until November 1, 2020. The delay in payment of registrations in FY 2020 appears to have caused a significant influx of vehicle owners paying for past year registrations during the first half of FY 2021.*

## **REVENUE: WHILE DECEMBER FEDERAL SOURCES SPIKE, MANY OTHER REVENUE SOURCES EXPERIENCE SLOWING**

Eric Noggle, Revenue Manager

Base revenues for the State's General Funds grew \$90 million in December, primarily on the strength of Federal Sources. While experiencing comparatively lower revenues for much of the fiscal year, Federal Sources in December were \$311 million above last year's levels. These gains helped offset the overall decline in revenues from State sources for the month. December had the same number of receipting days as the prior year.

After months of robust levels of growth for much of the fiscal year, two of the major State sources, personal income tax and sales tax receipts, experienced a noticeable slowdown in December. Personal income tax revenues grew a meager \$13 million on a gross basis, or \$9 million after the subtraction of non-general fund distributions. Sales tax gross receipts fell for the first time this fiscal year, falling \$13 million from last December's levels, or \$56 million net. While this weaker performance is noteworthy, it will take a couple more months of data to see whether this is the start of a significant downward trend in these receipts, or if the slowdown is simply due to a timing element related to the reporting of receipts over the last month. Other notable declines in State Taxes for the month came from inheritance taxes [down \$17 million]; public utility taxes [down \$12 million]; and cigarette taxes [down \$6 million].

While many of the State Taxes were sluggish as compared to last December, a few performed quite well. Corporate income tax receipts continued its stellar fiscal year performance growing another \$223 million or \$182 million net. Revenue from interest income continues to benefit from recent upticks in interest rates resulting in growth of \$21 million in December. In addition, corporate franchise tax receipts grew \$7 million, while other miscellaneous State sources rose \$3 million.

Receipts from Transfers-In were collectively down \$56 million for the month. Much of this falloff was due to a \$74 million year-over-year decline in lottery transfers [caused by a higher-than-typical receipting month for last December]. Gaming transfers also fell \$6 million in December. Offsetting a portion of these declines was a \$23 million increase in miscellaneous transfers. Cannabis transfers managed a meager \$1 million gain for the month.

### **Year-to-Date**

While the December growth of \$90 million is notably slower than previous months levels, it continues a streak of positive growth in overall General Funds for every month of FY 2023 thus far. Through the first half of the fiscal year, Illinois' General Funds base receipts are up \$1.709 billion. When including the one-time federal ARPA reimbursements received earlier in the year, the year-over-year increase improves to \$2.034 billion.

As highlighted by the Commission throughout the year, the solid levels of growth over the first half of the year are in large part due to the continued strength of the "big three" revenue sources. Even

with the meager December gains, personal income tax receipts are now \$1.031 billion above last year's levels on a gross basis, or \$868 million net. The strong month of corporate income tax receipts brings its first-half growth to \$603 million, or \$493 million net. And, despite the modest decline in December, sales tax receipts are still up \$395 million, or \$179 million on a net basis.

Aside from the "big three", the remaining State sources have also performed quite well for the first half of FY 2023, collectively growing \$127 million. The primary source of this growth is interest income, which has grown \$108 million so far this fiscal year. Other notable gains have come from miscellaneous State sources [up \$60 million], insurance taxes and fees [up \$22 million], and corporate franchise taxes [up \$4 million]. These increases have offset declines in several other State tax sources, including a \$42 million falloff in inheritance taxes; a \$12 million drop in cigarette tax receipts; a \$10 million decline in public utility taxes; and a \$3 million decrease in liquor tax receipts.

Despite the December declines, Transfers-In receipts are collectively up \$172 million through the first half of the fiscal year. This growth is primarily due to the \$252 million increase in the Income Tax Refund Fund Transfer. Other year-to-date transfer increases from miscellaneous transfers [up \$18], Gaming [up \$8 million], and Cannabis [up \$3 million], have contributed in offsetting the \$109 million year-over-year decline in Lottery transfers.

As mentioned earlier, base revenues from Federal Sources have trailed last year's year-to-date performance by a significant margin for much of the fiscal year. However, the December gains have shortened this gap to \$130 million. If the \$325 million year-to-date growth in the one-time federal funds from ARPA Reimbursement for Essential Government Services are included, the federal source deficit turns into an increase of \$195 million.

# DECEMBER

FY 2022 vs. FY 2023

(\$ millions)

	Dec. FY 2022	Dec. FY 2023	\$ CHANGE	% CHANGE
<b>Revenue Sources</b>				
<b>State Taxes</b>				
Personal Income Tax	\$2,157	\$2,170	\$13	0.6%
Corporate Income Tax (regular)	961	1,184	223	23.2%
Sales Taxes	1,044	1,031	(13)	-1.2%
Public Utility Taxes (regular)	59	47	(12)	-20.3%
Cigarette Tax	26	20	(6)	-23.1%
Liquor Gallonage Taxes	15	15	0	0.0%
Inheritance Tax	61	44	(17)	-27.9%
Insurance Taxes and Fees	75	74	(1)	-1.3%
Corporate Franchise Tax & Fees	20	27	7	35.0%
Interest on State Funds & Investments	1	22	21	2100.0%
Cook County IGT	0	0	0	N/A
Other Sources	25	28	3	12.0%
<b>Total State Taxes</b>	<b>\$4,444</b>	<b>\$4,662</b>	<b>\$218</b>	<b>4.9%</b>
<b>Transfers In</b>				
Lottery	\$124	\$50	(\$74)	-59.7%
Gaming	18	12	(6)	-33.3%
Cannabis	8	9	1	12.5%
Refund Fund	0	0	0	N/A
Other	40	63	23	57.5%
<b>Total Transfers In</b>	<b>\$190</b>	<b>\$134</b>	<b>(\$56)</b>	<b>-29.5%</b>
<b>Total State Sources</b>	<b>\$4,634</b>	<b>\$4,796</b>	<b>\$162</b>	<b>3.5%</b>
<b>Federal Sources [base]</b>	<b>\$82</b>	<b>\$393</b>	<b>\$311</b>	<b>379.3%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$4,716</b>	<b>\$5,189</b>	<b>\$473</b>	<b>10.0%</b>
<b>Nongeneral Funds Distributions/Direct Receipts:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$199)	(\$201)	(\$2)	1.0%
Corporate Income Tax	(144)	(172)	(28)	19.4%
<b>Local Government Distributive Fund</b>				
Personal Income Tax	(119)	(121)	(2)	1.7%
Corporate Income Tax	(56)	(69)	(13)	23.2%
<b>Sales Tax Distributions</b>				
Deposits into Road Fund	(10)	(48)	(38)	380.0%
Distribution to the PTF and DPTF	(62)	(67)	(5)	8.1%
<b>General Funds Subtotal [Base]</b>	<b>\$4,126</b>	<b>\$4,511</b>	<b>\$385</b>	<b>9.3%</b>
ARPA Reimb. for Essential Gov't Services	\$295	\$0	(\$295)	N/A
<b>Total General Funds</b>	<b>\$4,421</b>	<b>\$4,511</b>	<b>\$90</b>	<b>2.0%</b>

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

3-Jan-23

# GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2022 vs. FY 2023

(\$ millions)

<u>Revenue Sources</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>\$</u> <u>CHANGE</u>	<u>%</u> <u>CHANGE</u>
<b>State Taxes</b>				
Personal Income Tax	\$10,982	\$12,013	\$1,031	9.4%
Corporate Income Tax (regular)	2,657	3,260	603	22.7%
Sales Taxes	5,535	5,930	395	7.1%
Public Utility Taxes (regular)	348	338	(10)	-2.9%
Cigarette Tax	136	124	(12)	-8.8%
Liquor Gallonage Taxes	98	95	(3)	-3.1%
Inheritance Tax	309	267	(42)	-13.6%
Insurance Taxes and Fees	188	210	22	11.7%
Corporate Franchise Tax & Fees	112	116	4	3.6%
Interest on State Funds & Investments	6	114	108	1800.0%
Cook County IGT	0	0	0	N/A
Other Sources	141	201	60	42.6%
<b>Total State Taxes</b>	<b>\$20,512</b>	<b>\$22,668</b>	<b>\$2,156</b>	<b>10.5%</b>
<b>Transfers In</b>				
Lottery	\$409	\$300	(\$109)	-26.7%
Gaming	86	94	8	9.3%
Cannabis	53	56	3	5.7%
Refund Fund	242	494	252	104.1%
Other	456	474	18	3.9%
<b>Total Transfers In</b>	<b>\$1,246</b>	<b>\$1,418</b>	<b>\$172</b>	<b>13.8%</b>
<b>Total State Sources</b>	<b>\$21,758</b>	<b>\$24,086</b>	<b>\$2,328</b>	<b>10.7%</b>
<b>Federal Sources [base]</b>	<b>\$2,196</b>	<b>\$2,066</b>	<b>(\$130)</b>	<b>-5.9%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$23,954</b>	<b>\$26,152</b>	<b>\$2,198</b>	<b>9.2%</b>
<b>Nongeneral Funds Distributions/Direct Receipts:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$1,016)	(\$1,111)	(\$95)	9.4%
Corporate Income Tax	(399)	(473)	(74)	18.5%
<b>Local Government Distributive Fund</b>				
Personal Income Tax	(604)	(672)	(68)	11.3%
Corporate Income Tax	(155)	(191)	(36)	23.2%
<b>Sales Tax Distributions</b>				
Deposits into Road Fund	(53)	(243)	(190)	358.5%
Distribution to the PTF and DPTF	(232)	(258)	(26)	11.2%
<b>General Funds Subtotal [Base]</b>	<b>\$21,495</b>	<b>\$23,204</b>	<b>\$1,709</b>	<b>8.0%</b>
ARPA Reimb. for Essential Gov't Services	\$439	\$764	\$325	N/A
<b>Total General Funds</b>	<b>\$21,934</b>	<b>\$23,968</b>	<b>\$2,034</b>	<b>9.3%</b>

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

3-Jan-23