



# Commission on Government Forecasting and Accountability

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## MONTHLY BRIEFING

*For the Month Ended: April 2023*

### Inside this Issue

**PAGE 1:** State Revenues in April See Significant Drop as Final Tax Receipts Fall Well Short of Last Year's Historic Levels

**PAGE 4 - 5:** Revenue Tables

**PAGE 6:** Update on the FY 2023 General Funds Revenue Forecast

**PAGE 8:** Update on the FY 2024 General Funds Revenue Forecast

**PAGE 13:** The Volatility of April Income Tax Receipts Continues into 2023

**PAGE 17:** Economy: U.S. Economy Slows in First Quarter as Expansion Continues

**PAGE 19:** Illinois Economic Indicators

**PAGE 19:** Adult Use Cannabis in Illinois

**PAGE 22:** April 2023 General Obligation Bond Sale



**CGFA**

COMMISSION ON GOVERNMENT  
FORECASTING & ACCOUNTABILITY

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### State Revenues in April See Significant Drop as Final Tax Receipts Fall Well Short of Last Year's Historic Levels

Eric Noggle, Revenue Manager

General Funds revenues took a dramatic turn in April 2023 as receipts fell a stunning \$1.844 billion as compared to the same month the year prior. Despite having the second highest monthly revenue total on record, this month's General Funds total of \$6.193 billion was well short of the historic monthly high of \$8.037 billion received a year ago. Greatly contributing to the decline was April 2023 having one less receipting day than April 2022.

The main contributor to the falloff was Personal Income Taxes, which fell \$1.763 billion below last April's levels, a drop of \$1.507 billion on a net basis. While a substantial decline was anticipated, as final tax payments were expected to struggle to repeat last year's extraordinary performance, the extent of the decline is much steeper than the Commission had projected. Midway through April, revenues were on pace with last year with a month-to-date total of \$1.0 billion. However, this changed drastically over the last ten receipting days of the month as only \$2.7 billion was receipted in the second half of April 2023 compared to the whopping \$4.4 billion that was receipted at the end of April 2022. This discrepancy was greatly enhanced by an extra receipting day in April 2022 where \$553 million in gross personal income taxes were receipted, thereby contributing to a year-over-year 32.4% decline in April revenues. [Further details behind this sharp decline and a history of April receipts are provided on page 13 of this briefing].

Corporate Income Tax receipts were also down in April, but not nearly as severe as personal taxes, with a decline of \$94 million

or down \$66 million on a net basis. Considering the comparatively high levels from a year ago, the extent of the corporate income tax declines here is better than anticipated. Sales Tax revenues slowed again in April with a year-over-year decrease of \$5 million, a drop of \$31 million when adjusting for the nongeneral funds distributions to the Road Fund and to other transportation funds.

Mixed results came from the remaining State Tax sources. Interest on State Funds and Investments again saw strong gains, with growth of \$25 million in April. Insurance Taxes and Fees also added to its FY 2023 gains, increasing another \$20 million. Also contributing modest gains were Other Sources [+\$4 million]; Public Utility Taxes [+\$1 million]; and the Cigarette Tax [+\$1 million]. These increases, however, were effectively offset by lower revenues in April from the Inheritance Tax [-\$46 million]; the Liquor Tax [-\$7 million]; and the Corporate Franchise Tax [-\$2 million].

It was also a mixed month for Transfers In as these revenues sources combined to grow only \$1 million. While Lottery Transfers were \$24 million above last April's levels and Casino Gaming Transfers were \$2 million higher, miscellaneous transfers fell \$24 million and Cannabis Transfers dropped \$1 million. The substantial falloff in April revenues was capped off by a \$237 million year-over-year decline in Federal Sources.

### **Year to Date**

The substantial declines in April erased nearly all of the growth accrued throughout the fiscal year. With only two months remaining in the fiscal year, General Funds receipts in FY 2023 are now only \$132 million above last year's pace. In comparison, at the end of February, FY 2023 receipts were \$2.5 billion higher than FY 2022 year-to-date levels, which shows the extent that revenues have fallen over the last two months. When removing the increase of \$325 million from one-time ARPA reimbursement funds, "base" receipts in FY 2023 are now actually *down* \$193 million through April.

Again, the driver of this sharp decline is Personal Income Tax receipts, which is now \$1.430 billion behind last year's levels on a gross basis [-\$1.241 billion on a net basis]. Year-to-date gains in the majority of the other State sources have helped soften this dramatic falloff. Despite the April declines, Corporate Income Tax receipts remain \$467 million above last year's levels [+\$398 million on a net basis]. Sales tax receipts remain up \$544 million [+\$203 million net] despite its recent slowdowns.

All Other State Sources are up a combined \$269 million through April, with the vast majority of these gains coming from Interest on State Funds and Investments [+\$266 million]. Other State sources with year-to-date growth include Other Sources [+\$82 million]; Insurance Taxes [+\$28 million]; Public Utility Taxes [+\$13 million]; and Corporate Franchise Taxes [+\$10 million]. Joining the personal income tax with cumulative declines are the Inheritance Tax [-\$101 million]; Cigarette Tax [-\$19 million]; and the Liquor Tax [-\$10 million].

State Transfers-In have risen a combined \$1.117 billion so far this fiscal year. As has been discussed throughout the fiscal year, this growth is mostly due to the \$1.239 billion increase in the Income Tax Refund Fund Transfer. This increase, along with the \$20 million rise in Casino Gaming Transfers,

has easily offset the declines in Lottery Transfers [-\$81 million]; Other Transfers [-\$59 million]; and Cannabis Transfers [-\$2 million].

With April's declines, Federal Source base revenues are now \$939 million below last year's levels. Even when incorporating the \$325 million in gains from the one-time ARPA reimbursement federal funds, a combined fiscal year-to-date decline of \$614 million still results.

<i>Summary of Receipts</i>				
<b>GENERAL FUNDS RECEIPTS: YEAR TO DATE</b>				
<i>FY 2022 vs. FY 2023</i>				
<i>(\$ millions)</i>				
<b>Revenue Sources</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
Net Personal Income Tax	\$21,094	\$19,853	(\$1,241)	-5.9%
Net Corporate Income Tax	\$4,325	\$4,723	\$398	9.2%
Net Sales Tax	\$8,440	\$8,643	\$203	2.4%
All Other State Sources	\$2,591	\$2,860	\$269	10.4%
Transfers In	\$1,797	\$2,914	\$1,117	62.2%
Federal Sources [base]	\$4,177	\$3,238	(\$939)	-22.5%
<b>Base General Funds</b>	<b>\$42,424</b>	<b>\$42,231</b>	<b>(\$193)</b>	<b>-0.5%</b>
<i>ARPA Reimb. for Essential Gov't Services</i>	\$439	\$764	\$325	74.0%
<b>Total General Funds</b>	<b>\$42,863</b>	<b>\$42,995</b>	<b>\$132</b>	<b>0.3%</b>
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				2-May-23

**APRIL**  
**FY 2022 vs. FY 2023**  
(\$ millions)

<b>Revenue Sources</b>	<b>April FY 2022</b>	<b>April FY 2023</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$5,440	\$3,677	(\$1,763)	-32.4%
Corporate Income Tax (regular)	1,847	1,753	(94)	-5.1%
Sales Taxes	937	932	(5)	-0.5%
Public Utility Taxes (regular)	57	58	1	1.8%
Cigarette Tax	19	20	1	5.3%
Liquor Gallonage Taxes	17	10	(7)	-41.2%
Inheritance Tax	84	38	(46)	-54.8%
Insurance Taxes and Fees	74	94	20	27.0%
Corporate Franchise Tax & Fees	19	17	(2)	-10.5%
Interest on State Funds & Investments	3	28	25	833.3%
Cook County IGT	0	0	0	N/A
Other Sources	23	27	4	17.4%
<b>Total State Taxes</b>	<b>\$8,520</b>	<b>\$6,654</b>	<b>(\$1,866)</b>	<b>-21.9%</b>
<b>Transfers In</b>				
Lottery	\$76	\$100	\$24	31.6%
Gaming	5	7	2	40.0%
Cannabis	11	10	(1)	-9.1%
Refund Fund	0	0	0	N/A
Other	57	33	(24)	-42.1%
<b>Total Transfers In</b>	<b>\$149</b>	<b>\$150</b>	<b>\$1</b>	<b>0.7%</b>
<b>Total State Sources</b>	<b>\$8,669</b>	<b>\$6,804</b>	<b>(\$1,865)</b>	<b>-21.5%</b>
<b>Federal Sources [base]</b>	<b>\$625</b>	<b>\$388</b>	<b>(\$237)</b>	<b>-37.9%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$9,294</b>	<b>\$7,192</b>	<b>(\$2,102)</b>	<b>-22.6%</b>
<b>Nongeneral Funds Distributions/Direct Receipts:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$503)	(\$340)	\$163	-32.4%
Corporate Income Tax	(278)	(254)	24	-8.6%
<b>Local Government Distributive Fund</b>				
Personal Income Tax	(299)	(206)	93	-31.1%
Corporate Income Tax	(107)	(103)	4	-3.7%
<b>Sales Tax Distributions</b>				
Deposits into Road Fund	(15)	(37)	(22)	146.7%
Distribution to the PTF and DPTF	(55)	(59)	(4)	7.3%
<b>General Funds Subtotal [Base]</b>	<b>\$8,037</b>	<b>\$6,193</b>	<b>(\$1,844)</b>	<b>-22.9%</b>
<b>ARPA Reimb. for Essential Gov't Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Total General Funds</b>	<b>\$8,037</b>	<b>\$6,193</b>	<b>(\$1,844)</b>	<b>-22.9%</b>

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

2-May-23

## GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2022 vs. FY 2023

(\$ millions)

<b>Revenue Sources</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$24,744	\$23,314	(\$1,430)	-5.8%
Corporate Income Tax (regular)	5,464	5,931	467	8.5%
Sales Taxes	9,039	9,583	544	6.0%
Public Utility Taxes (regular)	622	635	13	2.1%
Cigarette Tax	211	192	(19)	-9.0%
Liquor Gallonage Taxes	157	147	(10)	-6.4%
Inheritance Tax	518	417	(101)	-19.5%
Insurance Taxes and Fees	379	407	28	7.4%
Corporate Franchise Tax & Fees	181	191	10	5.5%
Interest on State Funds & Investments	13	279	266	2,046.2%
Cook County IGT	244	244	0	0.0%
Other Sources	266	348	82	30.8%
<b>Total State Taxes</b>	<b>\$41,838</b>	<b>\$41,688</b>	<b>(\$150)</b>	<b>-0.4%</b>
<b>Transfers In</b>				
Lottery	\$667	\$586	(\$81)	-12.1%
Gaming	117	137	20	17.1%
Cannabis	95	93	(2)	-2.1%
Refund Fund	242	1,481	1,239	512.0%
Other	676	617	(59)	-8.7%
<b>Total Transfers In</b>	<b>\$1,797</b>	<b>\$2,914</b>	<b>\$1,117</b>	<b>62.2%</b>
<b>Total State Sources</b>	<b>\$43,635</b>	<b>\$44,602</b>	<b>\$967</b>	<b>2.2%</b>
<b>Federal Sources [base]</b>	<b>\$4,177</b>	<b>\$3,238</b>	<b>(\$939)</b>	<b>-22.5%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$47,812</b>	<b>\$47,840</b>	<b>\$28</b>	<b>0.1%</b>
<b>Nongeneral Funds Distributions/Direct Receipts:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$2,289)	(\$2,157)	\$132	-5.8%
Corporate Income Tax	(821)	(860)	(39)	4.8%
<b>Local Government Distributive Fund</b>				
Personal Income Tax	(1,361)	(1,304)	57	-4.2%
Corporate Income Tax	(318)	(348)	(30)	9.4%
<b>Sales Tax Distributions</b>				
Deposits into Road Fund	(102)	(409)	(307)	301.0%
Distribution to the PTF and DPTF	(497)	(531)	(34)	6.8%
<b>General Funds Subtotal [Base]</b>	<b>\$42,424</b>	<b>\$42,231</b>	<b>(\$193)</b>	<b>-0.5%</b>
<b>ARPA Reimb. for Essential Gov't Services</b>	<b>\$439</b>	<b>\$764</b>	<b>\$325</b>	<b>N/A</b>
<b>Total General Funds</b>	<b>\$42,863</b>	<b>\$42,995</b>	<b>\$132</b>	<b>0.3%</b>

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

2-May-23

## UPDATE ON THE FY 2023 GENERAL FUNDS REVENUE FORECAST

When the Commission released its FY 2023 revised estimate and its FY 2024 General Funds revenue projections in March, the State had just completed its ninth consecutive month of growth in its monthly revenue totals. With two-thirds of FY 2023 completed, General Funds receipts were \$2.5 billion [+8.5%] above FY 2022 levels. Despite this positive growth, the Commission cautioned in its presentations that “the biggest ‘unknown’ that remains in FY 2023 is the performance of final income tax receipts during the spring filing period”. This was due to the fact that March and April activity would be compared to the exceptional revenue totals from the year prior. While a sizeable revenue decline was assumed in the Commission’s projections to account for these comparatively high values, the extent of the drop was more severe than anticipated. As a result of these recent declines, General Funds receipts are now only \$132 million above FY 2022 levels with two months remaining in the fiscal year.

**The steeper-than-expected drop in General Funds revenues necessitates that the Commission make a downward adjustment of \$728 million to its forecast, reducing the FY 2023 outlook to approximately \$51.2 billion.** The details of this decline are provided in the table on the following page. Again, the primary reason for this decrease is to account for the lack of personal income tax revenues that were receipted during the final tax payment period, resulting in a net adjustment of -\$840 million. A downward adjustment was also made to Sales Taxes [-\$94 million net] and Federal Sources [-\$50 million] as these sources have trended lower in recent months. However, offsetting a portion of this overall decline is an upward adjustment for Corporate Income net receipts [+ \$135 million], All Other State Sources [+ \$86 million], and Transfers In [+ \$34 million] due to improved revenue expectations for these sources.

<b>General Funds Revenues</b>			
<b>FY 2023 CGFA Estimates</b>			
<b>March '23 Revision vs May '23 Updated</b>			
(\$ millions)			
Revenue Sources	FY 2023 CGFA Revised March-23	FY 2023 CGFA Updated May-23	Difference
Personal Income Taxes [Net]	\$24,418	\$23,578	(\$840)
Corporate Income Taxes [Net]	\$5,708	\$5,843	\$135
Sales Tax [Net]	\$10,546	\$10,452	(\$94)
All Other State Sources	\$3,458	\$3,544	\$86
Transfers In	\$3,260	\$3,294	\$34
Federal Sources [Base]	\$3,750	\$3,700	(\$50)
<b>General Funds Subtotal [Base]</b>	<b>\$51,140</b>	<b>\$50,412</b>	<b>(\$728)</b>
ARPA Reimb. for Essential Gov't Services	\$764	\$764	\$0
<b>Total General Funds Revenues</b>	<b>\$51,904</b>	<b>\$51,176</b>	<b>(\$728)</b>

**General Funds Revenues**  
**FY 2023 CGFA Estimates**  
**March '23 Revision vs May '23 Updated**

(\$ millions)

<u>Revenue Sources</u>	<u>FY 2023 CGFA Revised March-23</u>	<u>FY 2023 CGFA Updated May-23</u>	<u>Difference</u>
<b>State Taxes</b>			
Personal Income Tax	\$28,673	\$27,687	(\$986)
Corporate Income Tax (regular)	\$7,167	\$7,337	\$170
Sales Taxes	\$11,696	\$11,590	(\$106)
Public Utility (regular)	\$735	\$750	\$15
Cigarette Tax	\$235	\$235	\$0
Liquor Gallonage Taxes	\$183	\$183	\$0
Inheritance Tax	\$515	\$500	(\$15)
Insurance Taxes & Fees	\$476	\$481	\$5
Corporate Franchise Tax & Fees	\$215	\$225	\$10
Interest on State Funds & Investments	\$285	\$335	\$50
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$570	\$591	\$21
<b>Total State Taxes</b>	<b>\$50,994</b>	<b>\$50,158</b>	<b>(\$836)</b>
<b>Transfers In</b>			
Lottery	\$725	\$745	\$20
Gaming	\$167	\$167	\$0
Cannabis	\$111	\$111	\$0
Refund Fund	\$1,481	\$1,481	\$0
Other	\$776	\$790	\$14
<b>Total Transfers In</b>	<b>\$3,260</b>	<b>\$3,294</b>	<b>\$34</b>
<b>Total State Sources</b>	<b>\$54,254</b>	<b>\$53,452</b>	<b>(\$802)</b>
<b>Federal Sources [Base]</b>	<b>\$3,750</b>	<b>\$3,700</b>	<b>(\$50)</b>
<b>Total Federal &amp; State Sources</b>	<b>\$58,004</b>	<b>\$57,152</b>	<b>(\$852)</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund</b>			
Personal Income Tax [9.25% '23]	(\$2,652)	(\$2,561)	\$91
Corporate Income Tax [14.5% '23]	(\$1,039)	(\$1,064)	(\$25)
<b>Local Government Distributive Fund</b>			
Personal Income Tax	(\$1,603)	(\$1,548)	\$55
Corporate Income Tax	(\$420)	(\$430)	(\$10)
<b>Sales Tax Distributions</b>			
Sales Tax Deposits into Road Fund	(\$484)	(\$484)	\$0
Sales Tax Distribution to the PTF and DPTF	(\$666)	(\$654)	\$12
<b>General Funds Subtotal [Base]</b>	<b>\$51,140</b>	<b>\$50,412</b>	<b>(\$728)</b>
ARPA Reimb. for Essential Gov't Services	\$764	\$764	\$0
<b>Total General Funds Revenues</b>	<b>\$51,904</b>	<b>\$51,176</b>	<b>(\$728)</b>

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

## UPDATE ON THE FY 2024 GENERAL FUNDS REVENUE FORECAST

In regard to FY 2024, in light of April’s tax performance, the reduced revenue expectations for FY 2023 instantly created downward pressure on the Commission’s FY 2024 revenue projections. **Despite this, the Commission will not be making a significant change in the overall FY 2024 general funds estimate, thereby keeping the estimate at approximately \$50.4 billion.** While the appropriate adjustments to the revenue base have been made in response to April’s revenue falloff, the primary reason that the FY 2024 estimate will not be effectively altered relates to the implementation of future tax disbursement changes by the Department of Revenue.

Last week, the Department reported to the Commission that there will be a notable reallocation in fund distributions in FY 2024, which is expected to have the effect of offsetting much, if not all, of the reduction in the FY 2023 base caused by April’s declines. This reallocation is discussed briefly on the following page.

As shown in the summary table below, while there are notable changes to many of the revenue category projections, these changes have effectively balanced each other out, resulting in an upward adjustment of only \$37 million with the overall FY 2024 projection remaining at approximately \$50.4 billion. The section on the following page provides a brief explanation for each revenue category’s adjustment. The table on page 11 displays the FY 2024 Updated General Funds Revenue Forecast with further detail.

<b>General Funds Revenues</b>			
<b>FY 2024 CGFA Estimates</b>			
<b>March '23 Estimate vs May '23 Updated</b>			
(\$ millions)			
Revenue Sources	FY 2024 CGFA March-23	FY 2024 CGFA Updated May-23	Difference
Personal Income Taxes [Net]	\$24,896	\$25,442	\$546
Corporate Income Taxes [Net]	\$5,473	\$5,176	(\$297)
Sales Tax [Net]	\$10,593	\$10,498	(\$95)
All Other State Sources	\$3,400	\$3,498	\$98
Transfers In	\$2,033	\$2,082	\$49
Federal Sources [Base]	\$4,014	\$3,750	(\$264)
<b>General Funds Subtotal [Base]</b>	<b>\$50,410</b>	<b>\$50,446</b>	<b>\$37</b>
ARPA Reimb. for Essential Gov't Services	\$0	\$0	\$0
<b>Total General Funds Revenues</b>	<b>\$50,410</b>	<b>\$50,446</b>	<b>\$37</b>



## *Explanation for the Adjustments in the FY 2024 General Funds Revenue Projection*

**Personal Income Tax.** As discussed throughout this monthly, while a sharp drop in personal income tax final payments was expected, the April decline was more severe than anticipated, creating significant downward pressure on the FY 2023 estimate. This lower base creates similar downward pressure on the FY 2024 revenue forecast. In addition, to account for a recent slowing of both employment and wages, the Commission is applying more modest growth factors to its figures.

Typically, the previous factors would result in a sizeable downward adjustment to the personal income tax revenue forecast. However, offsetting this downward adjustment is an allocation change that will have a significant impact on FY 2024 Personal Income Tax receipts and subsequent fiscal years. This adjustment is summarized below.

- **Reallocation of Funds.** The Department of Revenue recently indicated that there will be a notable reallocation in fund distributions in FY 2024 as part of their annual statutory reconciliation of business related tax payments. While the explanation is complex and the specifics have not been formerly released, the bottom line is significantly more amounts of revenues will flow through personal income tax disbursements (instead of Personal Property Replacement Tax [PPRT] and Corporate Income Tax [CIT] disbursements) as part of the “true-up” process.

In addition to these “true-up” receipts, the Department has indicated that the percentages used to disburse future business income tax revenues will be updated, resulting in more revenues flowing through personal income tax disbursements in the future (and less through PPRT (non-general fund) and CIT, starting in FY 2024), so that this level of true-up can be avoided in subsequent years. The Department has stated that the need for this level of reallocation “was most likely caused by policy changes, such as the federal government enacting the State and Local Tax (SALT) deduction cap, the State of Illinois creation of the Pass-Through Entity Tax (PTE), and large increases in business income tax receipts”.

Despite the anticipated lower income tax base and the reduced growth factors, when accounting for the above disbursement changes, the Commission is making an upward adjustment of **+\$546 million** to the FY 2024 Personal Income Tax revenue projection.

**Corporate Income Tax.** While individual income tax receipts have struggled in recent months, corporate income tax revenues have, overall, continued to outperform expectations. The Commission’s improved outlook for FY 2023 receipts corresponds to a similar improved outlook for FY 2024. However, offsetting this improvement is a downward adjustment that is needed to account for the reallocation of funds as discussed in the personal income tax section. Although the personal income tax line will greatly benefit from disbursement modifications, the adjustments will have a corresponding negative impact on PPRT and CIT revenues. While the PPRT (and its local government tax distributions) will receive the brunt of the negative consequences of this adjustment,

there is enough negative adjustment to the CIT line that necessitates a **-\$297 million** reduction in the FY 2024 Corporate Income Tax net revenue projection.

**Sales Tax.** Sales tax receipts have moderated in recent months with growth of only 0.4% over the last two months, which translates to a two-month decline of 2.3% on a net basis. This slowing trend prompts the Commission to make a downward adjustment of **-\$95 million** to its FY 2024 net Sales Tax revenue forecast.

**All Other State Sources.** There continues to be indications that interest rates will rise again in upcoming months and will likely continue at elevated rates through much of FY 2024. This is the primary reason for the **+\$98 million** increase in the FY 2024 forecast for the All Other State Sources category of revenues. An improved outlook from public utility taxes, corporate franchise taxes, and miscellaneous sources are contributing to this upward adjustment, helping to offset lowered expectations for the Inheritance Tax.

**Federal Sources.** Because of the underperformance of Federal Sources so far this fiscal year, the Commission has lowered its FY 2023 outlook for Federal Sources down another \$50 million to \$3.7 billion. Although the FY 2024 projection for Federal Sources in the FY 2024 Budget Book (which is primarily based on estimated Medicaid spending and federal matching reimbursents) is just over \$4.0 billion, the Commission has made a downward adjustment to its FY 2024 outlook by **-\$264 million** to \$3.750 billion to mimic FY 2023's lower revenue trends. The Governor's Office has indicated that a similar adjustment to their estimate for Federal Sources in FY 2024 is likely forthcoming. The expiration of the enhanced Medicaid match and a possible drop in Medicaid enrollees is a contributor to this lower estimate.

**REVENUE ESTIMATES IN PERSPECTIVE.** The CGFA FY 2023 updated forecast of \$51.176 billion is now \$183 million below the GOMB February FY 2023 estimate of \$51.359 billion. CGFA's May FY 2024 projection of \$50.446 billion is \$729 million below CGFA's FY 2023 updated forecast.

CGFA's updated FY 2024 forecast is now \$501 million higher than the Governor Office's February FY 2024 estimate of \$49.945 billion. However, it should be noted that the GOMB estimate would not reflect the recent information from the Department of Revenue and the expected modification of income tax disbursements into FY 2024.

**General Funds Revenues**  
**FY 2024 CGFA Estimates**  
**March '23 Estimate vs May '23 Updated**  
(\$ millions)

<u>Revenue Sources</u>	<u>FY 2024 CGFA March-23</u>	<u>FY 2024 CGFA Updated May-23</u>	<u>Difference</u>
<b>State Taxes</b>			
Personal Income Tax	\$29,235	\$29,876	\$641
Corporate Income Tax (regular)	\$6,832	\$6,461	(\$371)
Sales Taxes	\$11,897	\$11,790	(\$107)
Public Utility (regular)	\$725	\$735	\$10
Cigarette Tax	\$223	\$230	\$7
Liquor Gallonage Taxes	\$185	\$185	\$0
Inheritance Tax	\$450	\$450	\$0
Insurance Taxes & Fees	\$478	\$481	\$3
Corporate Franchise Tax & Fees	\$209	\$215	\$6
Interest on State Funds & Investments	\$293	\$345	\$52
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$593	\$613	\$20
<b>Total State Taxes</b>	<b>\$51,364</b>	<b>\$51,625</b>	<b>\$261</b>
<b>Transfers In</b>			
Lottery	\$775	\$795	\$20
Gaming	\$175	\$175	\$0
Cannabis	\$114	\$114	\$0
Refund Fund	\$223	\$223	\$0
Other	\$746	\$775	\$29
<b>Total Transfers In</b>	<b>\$2,033</b>	<b>\$2,082</b>	<b>\$49</b>
<b>Total State Sources</b>	<b>\$53,397</b>	<b>\$53,707</b>	<b>\$310</b>
<b>Federal Sources [Base]</b>	<b>\$4,014</b>	<b>\$3,750</b>	<b>(\$264)</b>
<b>Total Federal &amp; State Sources</b>	<b>\$57,411</b>	<b>\$57,457</b>	<b>\$46</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund</b>			
Personal Income Tax [9.25% '24]	(\$2,704)	(\$2,764)	(\$59)
Corporate Income Tax [14.0% '24]	(\$956)	(\$905)	\$52
<b>Local Government Distributive Fund</b>			
Personal Income Tax	(\$1,634)	(\$1,670)	(\$36)
Corporate Income Tax	(\$402)	(\$381)	\$22
<b>Sales Tax Distributions</b>			
Sales Tax Deposits into Road Fund	(\$630)	(\$630)	\$0
Sales Tax Distribution to the PTF and DPTF	(\$674)	(\$662)	\$12
<b>General Funds Subtotal [Base]</b>	<b>\$50,410</b>	<b>\$50,446</b>	<b>\$37</b>
ARPA Reimb. for Essential Gov't Services	\$0	\$0	\$0
<b>Total General Funds Revenues</b>	<b>\$50,410</b>	<b>\$50,446</b>	<b>\$37</b>

Note: Some totals may not equal, due to rounding

## General Funds Revenues

### CGFA FY 2023 Updated vs FY 2024 Updated [May'23]

(\$ millions)

Revenue Sources	FY 2023 CGFA Updated May-23	FY 2024 CGFA Updated May-23	FY 2023 vs FY 2024 Difference
<b>State Taxes</b>			
Personal Income Tax	\$27,687	\$29,876	\$2,189
Corporate Income Tax (regular)	\$7,337	\$6,461	(\$876)
Sales Taxes	\$11,590	\$11,790	\$200
Public Utility (regular)	\$750	\$735	(\$15)
Cigarette Tax	\$235	\$230	(\$5)
Liquor Gallonage Taxes	\$183	\$185	\$2
Inheritance Tax	\$500	\$450	(\$50)
Insurance Taxes & Fees	\$481	\$481	\$0
Corporate Franchise Tax & Fees	\$225	\$215	(\$10)
Interest on State Funds & Investments	\$335	\$345	\$10
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$591	\$613	\$22
<b>Total State Taxes</b>	<b>\$50,158</b>	<b>\$51,625</b>	<b>\$1,467</b>
<b>Transfers In</b>			
Lottery	\$745	\$795	\$50
Gaming	\$167	\$175	\$8
Cannabis	\$111	\$114	\$3
Refund Fund	\$1,481	\$223	(\$1,258)
Other	\$790	\$775	(\$15)
<b>Total Transfers In</b>	<b>\$3,294</b>	<b>\$2,082</b>	<b>(\$1,212)</b>
<b>Total State Sources</b>	<b>\$53,452</b>	<b>\$53,707</b>	<b>\$255</b>
<b>Federal Sources [Base]</b>	<b>\$3,700</b>	<b>\$3,750</b>	<b>\$50</b>
<b>Total Federal &amp; State Sources</b>	<b>\$57,152</b>	<b>\$57,457</b>	<b>\$305</b>
<b>Nongeneral Funds Distribution:</b>			
<b>Refund Fund</b>			
Personal Income Tax [9.25% '23; 9.25% '24]	(\$2,561)	(\$2,764)	(\$202)
Corporate Income Tax [14.5% '23; 14.0% '24]	(\$1,064)	(\$905)	\$159
<b>Local Government Distributive Fund</b>			
Personal Income Tax	(\$1,548)	(\$1,670)	(\$122)
Corporate Income Tax	(\$430)	(\$381)	\$49
<b>Sales Tax Distributions</b>			
Sales Tax Deposits into Road Fund	(\$484)	(\$630)	(\$146)
Sales Tax Distribution to the PTF and DPTF	(\$654)	(\$662)	(\$8)
<b>General Funds Subtotal [Base]</b>	<b>\$50,412</b>	<b>\$50,446</b>	<b>\$35</b>
ARPA Reimb. for Essential Gov't Services	\$764	\$0	(\$764)
<b>Total General Funds Revenues</b>	<b>\$51,176</b>	<b>\$50,446</b>	<b>(\$729)</b>

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

## The Volatility of April Income Tax Receipts Continues into 2023

Eric Noggle, Revenue Manager

Historically, the month of April is one of the most important months for Illinois tax revenues, especially for the State's largest revenue source – the Personal Income Tax. Since FY 2010, on average, approximately 14% of personal income taxes are received during this single month, including 19% of receipts in FY 2022. The higher composition for this month is because April contains not only the monthly income tax withholding payments, but also a segment of estimated tax payments and the vast majority of the year's final tax payments. The outcome of April tax collections goes a long way in deciding how the overall revenue performance of a particular fiscal year is judged. While the direction that revenues will land as compared to the prior year is typically relatively easy to predict, the magnitude of the rise or fall of revenues has proven to be extremely challenging. This is because the month of April has been full of complex and changing variables over the past decade that makes the trending and forecasting of income taxes very difficult.

Over the last couple of years, the Commission has included in its Monthly Briefing a discussion of the volatility of April income tax receipts due to the wide swings of revenues that have occurred over the last decade for this particular month. As is highlighted in the revenue portion of the monthly, this volatility has continued in 2023 with personal income tax receipts falling 32.4% below last year's extraordinary levels. This follows the massive 99.4% increase the year prior. In light of this, it seems appropriate to once again revisit the ups and downs of April receipts in recent years and to provide some perspective and details behind the April 2023 decrease.

From the revenue-positive “April surprises” to the pandemic-laden declines of FY 2020, over the last decade or so, April's personal income tax receipts have experienced significant fluctuation. The chart and accompanying table on page 16 illustrate the wide swings in personal income tax revenues since FY 2010, along with a brief explanation of the keys behind that volatility. In essence, the largest contributors to those swings can be attributed to:

- The multiple changes in the State's income tax rates—both increases and decreases—and the multiple year-over-year effects that these changes have had on April receipts.
- Federal tax policy modifications that inspired filing changes in taxpayer behavior and timing of receipts. While those periods may create a positive “April Surprise” of revenues in the initial year, an accompanying significant falloff in revenues in April of the following year can result.
- Pandemic inspired delays in final payment deadlines over the last couple of years have moved revenues that typically are received in April to fall into subsequent months.
  - The tax deadline in 2020 was shifted to July, which caused revenues that would have been received in FY 2020 to fall into FY 2021.
  - The tax deadline for 2021 was also delayed, but back only one month—to May 17<sup>th</sup>. Although this meant that final payments remained in FY 2021 (thereby, effectively giving

FY 2021 two periods of final payments), this one-month delay meant that April receipts in FY 2021 were again “not normal”.

In 2022, the tax deadline returned to its typical mid-April date. This meant that the final push of individual tax filings in this year were completed in April, as opposed to May, as was done the year prior. Because of this, it was not surprising that April 2022 receipts were higher than the previous year. However, the near-doubling of revenues indicated that the strong performance was enhanced by other factors, including:

- Significant growth in withholding taxes due to a strong year of improvement in employment and wages;
- A sizeable increase in tax receipts affiliated with pass-through entities (PTEs);
- A substantial rise in taxable non-wage income from capital gains.

Taxable capital gains of higher earners in Illinois were well-above average in Tax Year 2021 as market conditions, aided by stimulus dollars boosting the economy, were exceptionally strong. [As a reference, the S&P 500 rose 26.9% in 2021, the Dow gained 18.7%, and the NASDAQ increased 21.4%]. The combination of significant growth in both wage and non-wage income led to increased levels of final payments for the April 2022 filing period. When these receipts were compared to April 2021 figures that did not contain its full allotment of final payments, extraordinary growth resulted.

While the April 2022 tax receipt performance was a welcomed boost to State coffers, given the circumstances of the variables accompanying these tax revenues, it was widely speculated that this level of tax receipt performance would not be sustained. In last year’s April 2022 monthly, the Commission warned of the potential negative aspect of FY 2022’s robust performance, writing that *“...it would not be surprising to see another swing in April receipts in 2023, this time in the negative direction, especially when considering the extraordinary base to which it will be compared.”*

The latest figures show that this concern has become a reality as personal income tax receipts fell 32.4% in April 2023. While employment and wage growth has been adequate enough to sustain positive tax revenue performance for much of the fiscal year (particularly in withheld taxes), preliminary data from the Department of Revenue shows that final tax receipts in April 2023 were well behind last year’s levels. This occurrence was not surprising, largely because of the anticipated comparative decline in non-wage income from capital gains.

As previously mentioned, market conditions were favorable for elevated capital gains in Tax Year 2021. This was not the case for Tax Year 2022, where market conditions were much weaker [as a reference, the S&P 500 fell 19.4% during 2022, the Dow declined 8.8%, and the NASDAQ dropped 33.1%]. While the specifics of the April receipts will not be released for some time, it is believed that much weaker capital gains revenue has led to sharp declines in final tax payments for FY 2023.

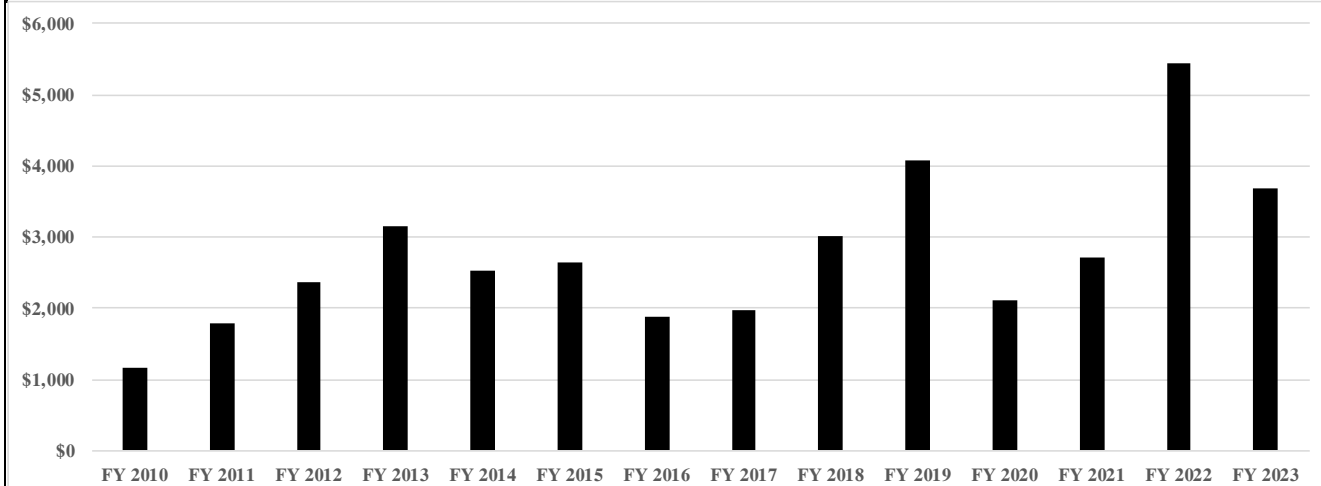
While a decline in personal income tax receipts for April 2023 had been forewarned by the Commission throughout the past year, the extent that revenues would fall has always been in question. The final tax payment totals of Illinois taxpayers have historically been extremely challenging to predict. Despite projecting a sizeable monthly decline, the \$1.763 billion drop in receipts was even steeper than the Commission had anticipated, prompting the downward adjustment to the FY 2023 forecast (see page 6).

While significantly lower than the April 2022 value of \$5.440 billion, the April 2023 personal income tax monthly total of \$3.677 billion, however, must be put into perspective. Despite the sharp falloff in income tax receipts, the April 2023 personal income tax total of \$3.677 billion is the third highest monthly total ever (for any month) for the State of Illinois, only trailing last year's total of \$5.440 billion and the April 2019 "April Surprise" total of \$4.079 billion. Similarly, the General Funds total of \$6.193 billion receipted this month is the second highest ever received by the State in any one month, only trailing last April's extreme total of \$8.037 billion. Still, the volatility of this revenue source and the declines over the last two months has caused the personal income tax line's FY 2023 year-to-date performance to abruptly go from a net gain of \$596 million at the end of February to a net decline of \$1.241 billion by the end of April.

The April 2023 totals will be labeled as involving another wild swing in April tax receipt activity, this time to the negative. However, these monthly collections are the most "normal" received in some time. It contained a typical April tax deadline, it avoided significant federal tax modifications, it did not involve a modified tax rate, and it was mostly in the clear of federal stimulus activity that has likely contributed to elevated receipts in previous years. Therefore, the April 2023 totals should provide a relatively stable base for April 2024 receipts to be compared. But, as history has shown, any significant changes impacting taxpayer behavior would see this volatility return in 2024.

# The Recent Volatility of April Individual Income Tax Receipts (Gross)

\$ in millions



Fiscal Year	April Tax Receipts (Gross) (\$ in mil)	Yr/Yr Difference (\$ in mil)	Total Tax Receipts	April % of Fiscal Year Total	Applicable Final Payment Tax Rate	Applicable Withholding Payment Tax Rate	Reason for Volatility
FY 2010	\$1,169	(\$103)	\$9,430	12.4%	3.00%	3.00%	Last fiscal year with income tax rate at 3%, as State struggles to recover from the Great Recession.
FY 2011	\$1,797	\$628	\$12,301	14.6%	3.00%	5.00%	Tax rate increased from 3% to 5% on January 1, 2011.
FY 2012	\$2,364	\$567	\$17,000	13.9%	5.00%	5.00%	Higher tax rate fully imposed in both final payments and withholding payments.
FY 2013	\$3,145	\$781	\$18,323	17.2%	5.00%	5.00%	"April Surprise" due to taxpayer behavior in anticipation of higher federal taxes in Tax Year 2013.
FY 2014	\$2,538	(\$607)	\$18,388	13.8%	5.00%	5.00%	"Falloff" due to tax receipts being compared to prior year "April Surprise".
FY 2015	\$2,634	\$96	\$17,682	14.9%	5.00%	3.75%	Tax rate lowered from 5% to 3.75% on Jan 1, 2015. However, strong base performance offset effects of lower tax rate.
FY 2016	\$1,872	(\$761)	\$15,299	12.2%	3.75%	3.75%	Lower tax rate fully imposed in both final and withholding payments.
FY 2017	\$1,971	\$99	\$15,385	12.8%	3.75%	3.75%	No major year-over-year tax changes.
FY 2018	\$3,012	\$1,040	\$20,784	14.5%	4.35%	4.95%	Tax rate increased from 3.75% to 4.95% on July 1, 2017. Tax Year 2017 with a blended final payment rate of 4.35%.
FY 2019	\$4,079	\$1,068	\$22,603	18.0%	4.95%	4.95%	Another "April Surprise" due to non-wage income and timing of tax payments as a result of more Federal tax modifications.
FY 2020	\$2,102	(\$1,977)	\$21,657	9.7%	4.95%	4.95%	Due to pandemic, tax deadline was delayed from April 15th to July 15th, thereby lowering April's receipts.
FY 2021	\$2,721	\$618	\$26,349	10.3%	4.95%	4.95%	Tax deadline again delayed from April 15th to May 17th. Fewer filers delaying payment results in yr/yr growth, but monthly totals still below "typical" April.
FY 2022	\$5,440	\$2,719	\$29,136	18.7%	4.95%	4.95%	Tax deadline returns to a more typical mid-April deadline. However, compared to the previous fiscal year when many returns were not filed until May, yr/yr growth is high. Stimulus-aided year of wages & capital gains contributed to this growth.
FY 2023	\$3,677	(\$1,763)	N/A	N/A	4.95%	4.95%	While FY 2023 was a more "normal" year with moderate growth in employment and wages, April receipts could not duplicate FY 2022's stimulus-aided final tax payment totals and strong capital gains revenues, resulting in a sizeable yr/yr decline.

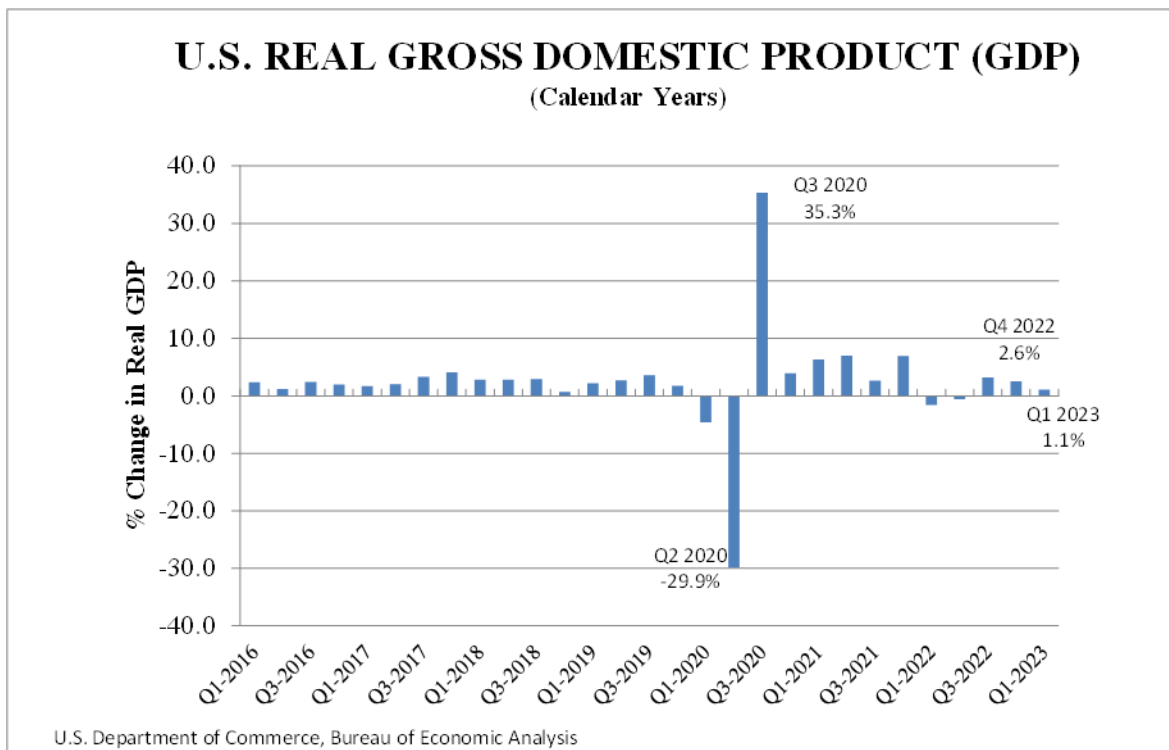


## Economy: U.S. Economy Slows in the First Quarter as Expansion Continues

Benjamin L. Varner, Chief Economist

The Bureau of Economic Analysis released results for the U.S. economy for the first quarter of 2023 last week. Preliminary results showed the economy grew at a 1.1% annualized rate on an inflation adjusted basis. This was down from 2.6% growth in the fourth quarter of 2022. While growth of 1.1% is below the long-term trend, it was better than many economic forecasters were predicting at the end of 2022. Over half the economists in the National Association for Business Economics (NABE) quarterly survey released in December of 2022 were expecting the beginning of a recession during the first quarter of 2023. The preliminary real gross domestic product (GDP) results in conjunction with employment data indicate that it is unlikely that the economy was in a recession during the first quarter. Results of the most recent NABE survey, released in April, showed only 44% of the respondents indicated a more than 50% probability of the economy entering a recession in the next twelve months, while 53% suggested the probability was less than 50%. The 1.1% growth rate is likely close to the level of growth the Federal Reserve is seeking as it tries to slow the economy to fight inflation without forcing the economy into a recession.

Looking at the individual components that make up GDP, consumer spending was the main driver of growth in the first quarter. Overall, personal consumption expenditures increased at a 3.7% annual rate.



This was the fastest growth in consumer spending since the second quarter of 2021. Durable goods spending shot up a resounding 16.9%, while spending on nondurable goods was basically flat at 0.9%. The durable goods spending was powered by outlays on motor vehicles. Spending on services increased 2.3%, which was up from the 1.6% growth in the fourth quarter of 2022, but lower than most of the quarters over the past few years. While consumer spending remained resilient in the first quarter, recent retail sales data and sales tax receipts may indicate softening in consumer demand.

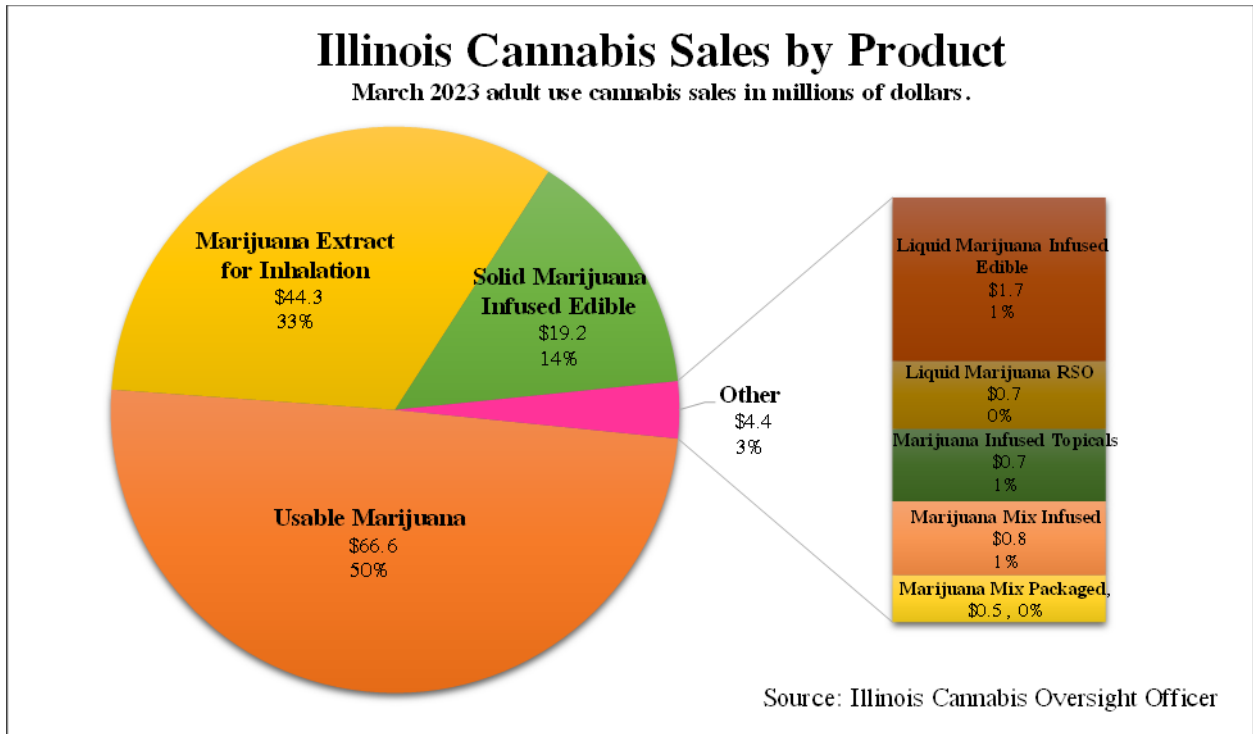
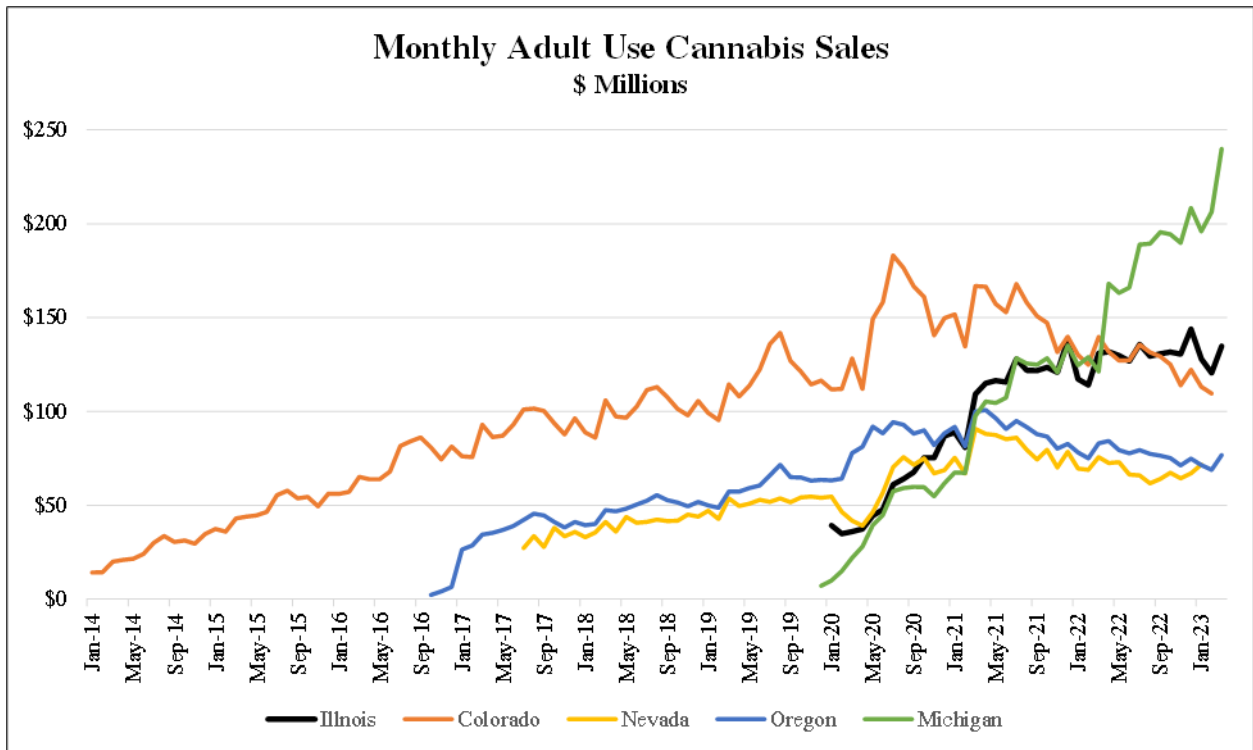
The growth in consumer spending was almost totally offset by the decline in gross private domestic investment. Gross private domestic investment includes fixed investments by businesses (structures, equipment, and intellectual property), fixed investment in residential structures, as well as changes in business inventories. Business investment was up narrowly at 0.7% as strong investment in structures (11.2%) was offset by declines in equipment purchases (-7.3%). One bright spot where there has been a large amount of investment, is the computer/electronic/electrical manufacturing sector. This is likely related to the passage of federal incentives for the manufacture of computer chips, electric vehicles, and EV batteries. While housing investment continued its downward march, as it contracted 4.2% in the first quarter, it may be reaching a turning point as this month's decline was much smaller than the 18%-27% declines seen in the previous three quarters. The big drag on real GDP this quarter was the change in inventories. The growth in inventories was much slower in the first quarter of 2023 compared to the previous quarter. The change in private inventories subtracted over 2% off the total growth rate in real GDP in the first quarter. However, this may lead to growth in the future as inventories will eventually need to be replenished.

Net exports made a modest contribution to economic growth as a 4.8% rise in exports narrowly counteracted a 2.9% increase in imports. Goods exports were up 10.0%, while service exports actually declined 5.5%. This was the first decline in service exports since the COVID-19 pandemic began. The import of goods rose 3.7% which was the first quarter of growth since the first quarter of 2022. Service imports were down marginally at -0.2%.

Total government spending was up a 4.7% which was the highest increase since the beginning of 2021. Federal spending rose at a 7.8% annual rate. This surge was powered by nondefense spending which was up 10.3%. This was the second straight quarter of federal nondefense spending growth over 10%. Federal defense spending rose 5.9%, while state and local government expenditures were up 2.9%

Overall, the economy appears to be slowing but not currently contracting. The last three quarters have shown decreasing levels of growth at 3.2%, 2.6%, and 1.1%. Growth below long-term trends is likely to continue as the Federal Reserve still tries to get inflation under control. The Federal Reserve's preferred measure of inflation, the personal consumption expenditure price index excluding food and energy (Core PCE), rose 0.3% in March and was up 4.6% compared to 2022. Core PCE has been consistently between 4.5% and 5.0% over the last year. The Fed will likely continue to raise interest rates to further tighten monetary policy and bring inflation down towards its goal of 2%.





Out-of-state customers have consistently contributed a large amount of the money spent on cannabis in Illinois. In 2020, out-of-state customers accounted for almost 26% of the cannabis bought in Illinois. This percentage grew to a little under 32% in 2021 but fell slightly to 31% in 2022. In 2022, out-of-state purchasers spent more than \$479 million on cannabis in Illinois. The percentage of sales contributable to customers from outside of Illinois may continue to decrease as more competition develops in the region. Michigan began cannabis sales one month prior to Illinois but has grown to over \$2.0 billion in sales despite having a smaller population than Illinois. Likely the start of cannabis sales in Missouri in February of this year will lead to a decline in sales along the border. In fact, out-of-state resident sales fell to near 25% in the two months since Missouri legalized cannabis use. Currently, 21 states and the District of Colombia have legalized recreational cannabis and this number may continue to grow as legislation to do so has been introduced in other states.

In March of 2023, total adult use cannabis sales totaled a little under \$135 million. Three categories of products made up the vast majority of these sales. Usable Marijuana made up just under 50% of these sales. Marijuana Extract for Inhalation accounted for 33%, while Solid Marijuana Infused Edibles contributed 14% of total sales. These three categories of cannabis products comprised almost 97% of the total adult use cannabis sales in March. The chart above illustrates this breakdown including the products that make up the remaining 3% of sales.

One thing that may be holding the growth of cannabis sales back is the number of retailers offering cannabis. Illinois has had some difficulty expanding the number of dispensaries in the state. The planned rollout of adult use cannabis envisioned an initial amount of early adult use licenses for dispensaries already providing cannabis to medical patients. These early adult use licensees were allowed to expand to a second location resulting in an initial wave of 110 dispensaries selling into the recreational market. These early dispensaries were expected to be followed by two more waves of additional dispensaries. However, due to complications during the licensing process and the resulting court cases, Illinois has not been able to expand the number of market participants as quickly as expected. However, with the resolution of the cannabis-related litigation, almost 200 Conditional Adult Use Dispensing Organization Licenses were awarded over the latter part of 2022. As of the middle of February of 2023, there were 196 holders of the conditional licenses, but only three had received an operational Adult Use Dispensing Organization license. As of the end of March, Illinois had 124 cannabis dispensaries with 55 of those dispensaries serving medical patients listed on the Illinois Cannabis Regulation Oversight Officer website.

Illinois has approximately 10 dispensaries per one million people. On a per capita basis, this number of dispensaries is well below other cannabis states. California and Nevada average about 30 dispensaries per million residents. Washington, Michigan, and Massachusetts have between 60 and 70 cannabis retailers per million people. Oregon and Colorado are much higher at 192 and 114, respectively. If all the conditional adult use licenses holders in February were to become operational, the number of Illinois' dispensaries per million people would increase to about 23 per million residents which would be closer, but still below, the levels seen in other states.

While Illinois saw large growth in the first two years of cannabis sales, year three saw a slow-down. The industry is hopeful that, with the introduction of new dispensaries into the market place in the coming year, sales will re-accelerate as a greater variety of products and locations stimulate the market. Interest remains high in the industry, as almost 2,700 applications were submitted for the next round of conditional adult use cannabis dispensary licenses that will be made available to 55 applicants who meet the social equity criteria. However, it remains to be seen how much potential growth can be generated versus a potential cannibalization of sales of current market participants, especially in light of the new competition from neighboring Missouri.

### **April 2023 General Obligation Bond Sale**

By Lynnae Kapp, Senior Revenue and Bond Analyst

The State sold \$2.51 billion of General Obligation bonds in April 2023 with an aggregate true interest cost of 4.228%. The bonds had four series, including taxable Series A of Pension Acceleration bonds for \$200 million, Series B of \$1 billion for the Rebuild Illinois Capital program, and Series C of \$150 million for IT projects. Series D was a refunding of \$1.16 billion that brought the State approximately \$102 million in present value savings.

“The state received nearly \$12 billion of orders on the sale from more than 130 investors including retail buyers, which the state attributed to being ‘a direct benefit of stronger ratings in the A category,’ Paul Chatalas, capital markets director, said in a statement...Market participants said the oversubscription came on the long end, which was reflected in the repricing to lower yields there in the final pricing scale. Some earlier maturities struggled and additional concessions were needed, reflecting the market's current appetites and a correction that's hammered the front end...”

“One market analyst said timing is a tough call to make. ‘They definitely had to give concessions, but they also benefitted from the higher ratings. They had done a lot of marketing and if you need the money then you borrow,’ the analyst said. ‘No one has a crystal ball to see what the market will look like in the future.’”

“The state's one-, 10-, and 25-year bonds headed into the pricing at spreads to Refinitiv MMD's AAA benchmark of 55/125/145, respectively, on Monday. The final spreads settled at 90/129/145 although the final bond came with a 4.5% coupon and the MMD scale is set based on a 5%. The 10-year and 25-year bonds both tightened from the state's last primary outing with GOs. State spreads in mid-February began trending down — at 110/163/175 basis points — after rising to 120/173/185 in mid-January. In mid-December spreads were at 100/163/175.” [*Illinois' long bonds draw strong demand*, Yvette Shields, April 20, 2023, The Bond Buyer]

STATE-ISSUED BOND SALES										
DATE	BOND SALE TYPE	AMOUNT	TAXABLE v. TAX-EXEMPT	NEGOTIATED v. COMPETITIVE SALE	TRUE INTEREST COST	S&P	FITCH	MOODY'S	KROLL	
<b>FY 2021</b>										
Oct-20	General Obligation October 2020 A	\$125 million	taxable	competitive	2.83%	BBB-	BBB-	Baa3		
Oct-20	General Obligation October 2020 B	\$325 million	tax-exempt	competitive	3.71%	BBB-	BBB-	Baa3		
Oct-20	General Obligation October 2020 C	\$300 million	tax-exempt	competitive	4.32%	BBB-	BBB-	Baa3		
Oct-20	General Obligation October 2020 D	\$100 million	tax-exempt	competitive	2.15%	BBB-	BBB-	Baa3		
Dec-20	General Obligation Notes (MLF)	\$2.0 billion	tax-exempt	negotiated	3.42%	BBB-	BBB-	Baa3		
Mar-21	General Obligation March 2021A	\$850 million	tax-exempt	negotiated	2.90%	BBB-	BBB-	Baa3		
Mar-21	General Obligation March 2021B	\$150 million	tax-exempt	negotiated		BBB-	BBB-	Baa3		
Mar-21	General Obligation Refunding March 2021C	\$258 million	tax-exempt	negotiated		BBB-	BBB-	Baa3		
<b>FY 2022</b>										
Sep-21	Build Illinois September 2021A	\$130 million	tax-exempt	competitive	1.31%	BBB+	BBB+	Baa2	AA+	
Sep-21	Build Illinois September 2021B	\$220 million	taxable	negotiated	2.72%	BBB+	BBB+	Baa2	AA+	
Sep-21	Build Illinois September 2021C refunding	\$143 million	tax-exempt	negotiated	1.25%	BBB+	BBB+	Baa2	AA+	
Dec-21	General Obligation December 2021A	\$200 million	tax-exempt	competitive	1.30%	BBB	BBB-	Baa2		
Dec-21	General Obligation December 2021B	\$200 million	tax-exempt	competitive	2.50%	BBB	BBB-	Baa2		
May-22	General Obligation June 2022A	\$925 million	tax-exempt	negotiated	4.64%	BBB+	BBB+	Baa1		
May-22	General Obligation June 2022B refunding	\$713 million	tax-exempt	negotiated	aggregated	BBB+	BBB+	Baa1		
<b>FY 2023</b>										
Sep-22	General Obligation October 2022A	\$175 million	taxable	competitive	5.78%	BBB+	BBB+	Baa1		
Sep-22	General Obligation October 2022B	\$245 million	tax-exempt	competitive	5.01%	BBB+	BBB+	Baa1		
Sep-22	General Obligation October 2022C	\$280 million	tax-exempt	competitive	5.44%	BBB+	BBB+	Baa1		
Apr-23	General Obligation May 2023A	\$200 million	taxable	negotiated	4.228%	A-	BBB+	A3		
Apr-23	General Obligation May 2023B	\$1.0 billion	tax-exempt	negotiated		A-	BBB+	A3		
Apr-23	General Obligation May 2023C	\$150 million	tax-exempt	negotiated		aggregated	A-	BBB+	A3	
Apr-23	General Obligation May 2023D refunding	\$1.16 billion	tax-exempt	negotiated		A-	BBB+	A3		

## Illinois Ratings

Illinois' General Obligation ratings left AA territory for single A in 2009, and entered BBB territory in October 2015. By June of 2017, the rating agencies had downgraded Illinois to BBB by Fitch, BBB- by S&P and Baa3 by Moody's. While the budget impasse continued through June 2017, all three ratings agencies threatened more downgrades if the State did not 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, 2017, all three rating agencies had affirmed their ratings for the State. In April 2020, Fitch downgraded the State from BBB to BBB- with a negative outlook.

Now, several years and a pandemic later, Illinois' fiscal condition has improved and the rating agencies have upgraded the State's ratings. In February and March of 2023, Moody's upgraded Illinois' G.O. and Build Illinois bonds to A3 from Baa1, and Standard and Poor's upgraded Illinois' General Obligation Bonds to A- from BBB+, both with stable ratings. This is the third single-level upgrade on Illinois' General Obligation ratings in less than two years, from both Moody's and S&P. Moody's increased the State's G.O. and Build Illinois ratings by single levels twice, in the summer of 2021 and in April 2022. S&P's previous upgrades were in July 2021 and May 2022. In May of 2022, Fitch raised Illinois General Obligation ratings two levels from BBB- to BBB+, and Build Illinois ratings two levels from BBB+ to A, with stable outlooks. In March 2023 Fitch changed the State's outlook to positive, but held the State's G.O. Bond rating at BBB+.

## ILLINOIS' GENERAL OBLIGATION BOND RATINGS HISTORY

Date of Rating Action	Fitch		S&P		Moody's	
	Rating	up/down	Rating	up/down	Rating	up/down
Feb-Mar 2023			A-	↑1x	A3	↑1x
Apr-May 2022	BBB+	↑2x	BBB+	↑1x	Baa1	↑1x
Jun-Jul 2021			BBB	↑1x	Baa2	↑1x
April 2020	BBB-	↓1x				
June 2017			BBB-	↓1x	Baa3	↓1x
February 2017	BBB	↓1x				
September 2016			BBB	↓1x		
June 2016			BBB+	↓1x	Baa2	↓1x
October 2015	BBB+	↓1x			Baa1	↓1x
June 2013	A-	↓1x			A3	↓1x
Jan 2013			A-	↓1x		
Aug 2012			A	↓1x		
Jan 2012					A2	↓1x
Jun 2010	A	↓1x			A1	↓1x
Mar-Apr 2010	A-/A+ recal	↓1x/↑2x			Aa3 recal	↑2x
Dec 2009			A+	↓1x	A2	↓1x
Mar-Jul 2009	A	↓2x	AA-	↓1x	A1	↓1x
Dec 2008	AA-	↓1x				
May 2003	AA	↓1x			Aa3	↓1x
Jun 2000	AA+	↑1x				
Jun 1998					Aa2	↑1x
Jul 1997			AA	↑1x		
Feb 1997					Aa3	↑1x
Sep 1996	AA	<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