

Revised FY 2022 Economic Forecast and Revenue Estimate and Updated FY 2021 Revenue Update



Presented by:

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Commission on Government Forecasting and Accountability

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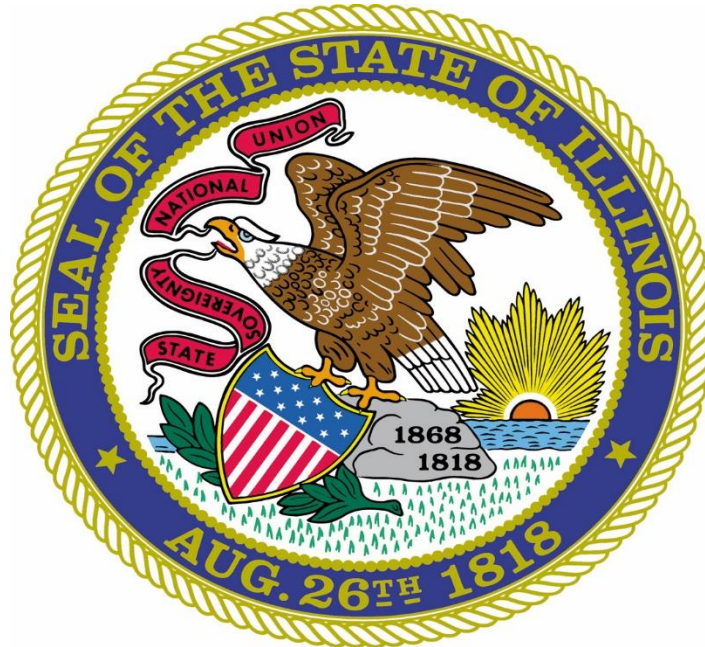
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CGFA Background & Responsibilities

- Bi-Partisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State in addition to providing objective policy research for legislators and legislative staff.
- Prepares annual revenue estimates with periodic updates;
- Reports monthly on the State's financial and economic condition;
- Analyzes of the fiscal impact of revenue bills;
- Prepares State Debt Impact Notes;
- Periodically assesses capital programs;
- Annually estimates the liabilities of the State's group health insurance program and approves contract renewals promulgated by the Department of Central Management Services;
- Implements the provisions of the State Facilities Closure Act;
- Annually estimates public pension funding requirements and prepares pension impact notes;
- Provides non-partisan research for General Assembly Members and legislative staffs.

GENERAL FUNDS REVENUE



Recent Revenue Performance and Updated Economic Outlooks Result in Upward Revisions

On March 9th, the Commission presented its revenue forecast for FY 2022 as well as an update to the FY 2021 outlook. As we have moved through the current fiscal year, significant adjustments have been made to account for actual events and/or incorporate actual receipt experience as well as updated economic trajectories.

- In November 2020, the failed passage of the graduated tax initiative resulted in the removal of \$1.274 billion from the enacted budget picture. In addition, per the Administration's view, \$5 billion of "Federal Stabilization/Municipal Liquidity" and \$150 million of interfund borrowing was also removed from the State's financial plan. A large amount of that downward movement was offset by an increased view of base general funds revenues of \$2.308 billion. As result, the Commission's overall FY 2021 estimate was lowered by \$4.116 billion.
- In early March 2021, after continued positive receipt performance throughout the first two-thirds of year, coupled with a view of an accelerated economic rebound, base general funds revenues were further adjusted up \$2.864 billion. In addition, \$1.998 billion of actual MLF borrowing proceeds served to increase overall available resources. As a result, the Commission's outlook for FY 2021 improved by \$4.712 billion.

Since then, actual receipts for both March and April have been booked, and despite final payment deadlines for personal income tax being slightly delayed, revenues have been interpreted to continue to significantly outpace expectations. **As a result, as discussed in the following revenue update, the Commission is making a revision for FY 2021, as revenues are expected to total \$45.616 billion, or \$2.025 billion above the March projection.**

It is important to note that the majority of those upward revisions will be contained within the FY 2021 estimate and should not be assumed to repeat or be considered "baseable" for FY 2022 due to timing and historical receipt pattern disruptions brought about by the pandemic's impact. That said, there is a measure of base growth that can be expected to be carried forward from the FY 2021 adjustment, particularly as it relates to continuation of underlying improvement of economic conditions as we distance ourselves from the worst of the pandemic's impact. **Therefore, the Commission's revised revenue forecast for FY 2022 improves to \$41.188 billion. The updated outlook reflects \$792 million in total upward adjustments.**

While uncertainty is less heading into upcoming FY 2022 than last year, it still is much higher than normal. The unwinding of the various stimulus programs such as direct stimulus payments, augmented unemployment benefits, rental assistance and other business and consumer focused benefits, will likely create some headwinds related to growth rates. All that without mentioning the specter of the return of the virus in the fall and/or variant strains. –CGFA April Revenue Briefing

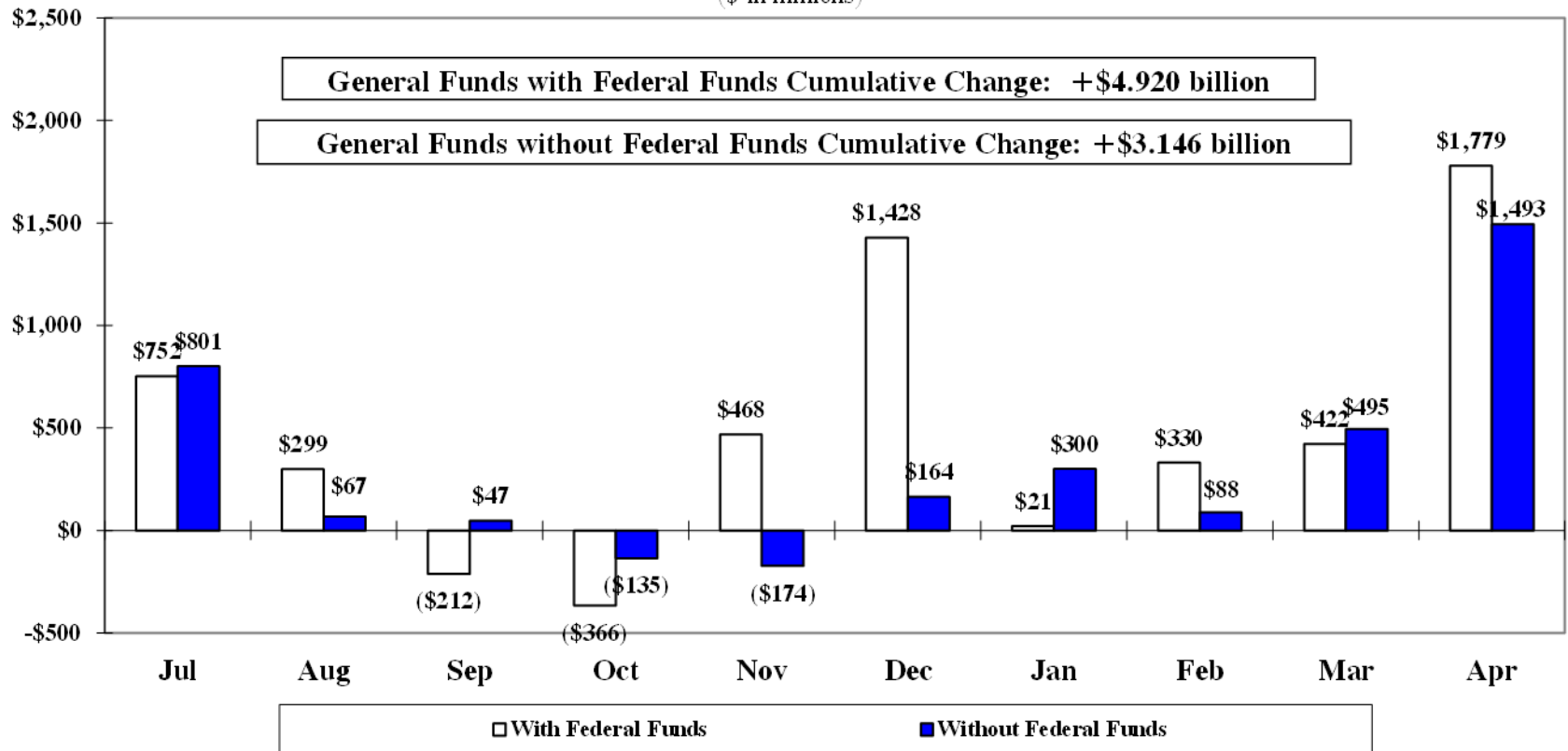
*As the focus of this update is to provide updated revenue estimates, information pertaining to the national and State's economy as well as updated economic forecast information can be found in the Appendices.

FY 2021 General Funds Performance to Date

FY 2021 Monthly General Funds Performance

July thru April as Compared to Same Prior Year Months

(\$ in millions)



* Figures exclude short-term borrowing and Budget Stabilization Fund transfers.

Revenues Year to Date [Thru April]

Excluding borrowing related activity, through the first ten months of the fiscal year, base receipts are up \$4.920 billion. In addition to a surge in federal sources, that growth also reflects the timing of income tax receipts related to last year's [2020] filing deadline extension, as well as the positive trajectory of underlying economic conditions. Through April, combined net income tax receipts are up \$3.406 billion. While approximately \$1.3 billion of those gains continue to be attributed to the shift of FY 2020 final payments into early FY 2021, stronger than previously expected income tax performance continues to impress. Also viewed positively is the continued upward trend of sales tax receipt performance as net receipts are up \$557 million. Only now beginning to compare against those months most impacted by the economic shutdowns of a year ago, sales taxes seem to be reflecting positive consumer reactions to stimulus payments, an improving job picture, and stronger consumer confidence.

Overall transfers are off considerably, down \$833 million, reflecting the lack of riverboat gaming transfers [\$195 million] and significantly lower Income Tax Refund transfer levels [\$336 million] as well as lower other miscellaneous transfers [\$444 million]. Federal sources have experienced an exceptional year of receipting as receipts are up \$1.774 billion.

GENERAL FUNDS RECEIPTS: YEAR TO DATE				
FY 2021 vs. FY 2020				
(\$ million)				
Revenue Sources	FY 2021	FY 2020	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$20,834	\$18,183	\$2,651	14.6%
Corporate Income Tax (regular)	3,491	2,111	1,380	65.4%
Sales Taxes	7,912	7,383	529	7.2%
Public Utility Taxes (regular)	641	716	(75)	-10.5%
Cigarette Tax	234	227	7	3.1%
Liquor Gallonage Taxes	150	149	1	0.7%
Vehicle Use Tax	30	22	8	36.4%
Inheritance Tax	399	226	173	76.5%
Insurance Taxes and Fees	409	326	83	25.5%
Corporate Franchise Tax & Fees	278	192	86	44.8%
Interest on State Funds & Investments	48	122	(74)	-60.7%
Cook County IGT	244	150	94	62.7%
Other Sources	180	467	(287)	-61.5%
Subtotal	\$34,850	\$30,274	\$4,576	15.1%
Transfers				
Lottery	\$631	\$485	\$146	30.1%
Riverboat transfers & receipts	0	195	(195)	-100.0%
Proceeds from Sale of 10th license	6	10	(4)	-40.0%
Refund Fund transfer	281	617	(336)	-54.5%
Other	407	851	(444)	-52.2%
Total State Sources	\$36,175	\$32,432	\$3,743	11.5%
Federal Sources	\$4,327	\$2,553	\$1,774	69.5%
Total Federal & State Sources	\$40,502	\$34,985	\$5,517	15.8%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$1,875)	(\$1,728)	(\$147)	8.5%
Corporate Income Tax	(489)	(301)	(188)	62.5%
LGDF--Direct from PIT	(1,149)	(947)	(202)	21.3%
LGDF--Direct from CIT	(206)	(118)	(88)	74.6%
Downstate Pub/Trans--Direct from Sales	(324)	(352)	28	-8.0%
Subtotal General Funds	\$36,459	\$31,539	\$4,920	15.6%
Treasurer's Investments	\$400	\$400	\$0	0.0%
Interfund Borrowing	\$0	\$462	(\$462)	N/A
Short Term Borrowing	\$1,998	\$0	\$1,998	N/A
Total General Funds	\$38,857	\$32,401	\$6,456	19.9%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				7-May-21

Updated FY 2021 CGFA Revenue Estimate

As shown in the table, the Commission's updated FY 2021 base general funds estimate is \$45.616 billion. The revised estimate represents a \$2.025 billion increase from CGFA's March 2021 projection. The updated revenue outlook reflects continued improvement, both in terms of actual receipts as well as economic conditions. Since the release of the March forecast, another significant round of federal stimulus was passed (including additional direct payments), which should serve to boost consumer activity in the near term, employment levels continue to improve, and most importantly the trajectory of the pandemic is going in the right direction by most metrics. Highlights and discussion of the updated forecast are provided on the next pages.

FY 2021 General Funds Revenue Estimates CGFA March-21 vs Updated CGFA May-21			
(\$ millions)	CGFA Mar-21	Updated CGFA May-21	Difference from March-21
Personal Income Taxes [Net]	\$20,552	\$21,745	\$1,193
Corporate Income Taxes [Net]	\$2,769	\$3,287	\$518
Sales Tax [Net]	\$8,889	\$9,189	\$300
All Other State Sources	\$3,222	\$3,236	\$14
Transfers In	\$1,777	\$1,777	\$0
Federal Sources	\$4,384	\$4,384	\$0
Base General Funds	\$41,593	\$43,618	\$2,025
\$ Change from Previous Estimate		\$2,025	
Interfund Borrowing/Fund Reallocations	\$0	\$0	\$0
Federal Stabilization/Municipal Liquidity Facility	\$1,998	\$1,998	\$0
P.A 101-8 Net Income Taxes [SJRC 1]	\$0	\$0	\$0
Total General Funds Revenues*	\$43,591	\$45,616	\$2,025
\$ Change from Previous Estimate		\$2,025	
*Table excludes \$400m of Treasurer's Investment Borrowing Nov-20 expected to be repaid by end of FY'21			

Updated FY 2021 CGFA Revenue Estimate *(continued)*

Personal Income Taxes- The estimate of personal income tax receipts is being revised up \$1.193 billion on a net basis. The increase represents continued improvement overall, both in terms of absolute receipting experienced in the two months since the last projection, as well as expectations over the remainder of the fiscal year. While the deadline of April's final payments was delayed [as they were last year], the postponement was only until May 17th, meaning that final payments should still fall into FY 2021 as expected. This short delay in final payments means the bulk of tax returns should be processed and receipted by the end of May—whereas last year, approximately \$1 billion of final payments slipped into July/August of FY 2021. To repeat from earlier analyses, the timing of these historic receipt patterns resulted in FY 2021 having two periods of final payments [those that were moved from April 2020 into July 2021] and then again this April/May. The consequence of that timing anomaly manifests in reduced year-over-year comparisons as FY 2022 will revert back to one period of final payments.

Corporate Income Taxes- The estimate of corporate income tax receipts is being increased \$518 million on a net basis. Utilizing monthly component data, it appears that corporate taxpayers underpaid their estimated tax payments during the pandemic's onset early in tax year 2020 (FY 2020). Once 2020 tax year final figures were calculated this spring, businesses had to make up for these underpayments via final payments being receipted in FY 2021. As a result, gross corporate income tax revenues for the month of April 2021 reached a record \$1.130 billion. To the extent corporate receipts were impacted by this reconciliation of underpaid estimated payments, caution must be exercised not to assume future final payments will continue to reflect those higher levels.

Sales Taxes- The estimate of sales taxes has been adjusted upward by \$300 million on a net basis. Strong performance over the past couple of months, fueled in part by the latest stimulus checks combined with the expectation of continued consumer demand as the economy continues to reopen, generates upside pressure on the previous estimate. Growth should continue at significant levels over the remaining months as May/June sales tax receipts will be compared against those much weaker pandemic impacted months of last year.

Updated FY 2021 CGFA Revenue Estimate *(continued)*

All Other Sources- The estimates of all other state sources have been increased by a net \$14 million to \$3.236 billion. While the overall change is very minor, some adjustments are worth mentioning. For example, the estimates of inheritance tax has been increased \$55 million, while corporate franchise taxes is being upped \$43 million, with both adjustments reflecting actual receipt performance. To offset much of those gains is a \$53 million downward revision in “other miscellaneous sources”, \$15 million less in expected interest earnings, and a \$13 million lowered estimate of public utility receipts.

Federal Sources- No adjustments are being made to the estimate of federal sources. However, with very little federal receipts needed over the remaining two months to reach the forecast, it is quite possible the current estimate could be exceeded by several hundred million. Federal sources are largely reliant on reimbursable Medicaid spending, which is governed by appropriation authority, available cash, vouchers processed for payment, and ultimately payment decisions made at the Comptroller’s office. Historically, federal sources during the last couple months of a fiscal year has demonstrated extreme volatility, hence the reluctance to officially adopt a new forecast without official confirmation via updated Administration financial plans. It should be pointed out that should the current estimate be measurably surpassed, that performance would not translate into an improved outlook for next fiscal year. In other words, it would not become “baseable” revenue, as those aforementioned limiting factors would continue to apply.

<i>FY 2021 General Funds Revenue Estimates CGFA March-21 vs Updated CGFA May-21</i> (millions)			
	FY 2021 CGFA Revision March-21	FY 2021 CGFA Revision May-21	Difference from March-21
<u>Revenue Sources</u>			
State Taxes			
Personal Income Tax	\$24,042	\$25,437	\$1,395
Corporate Income Tax (regular)	\$3,457	\$4,103	\$646
Sales Taxes	\$9,318	\$9,623	\$305
Public Utility (regular)	\$767	\$754	(\$13)
Cigarette Tax	\$280	\$275	(\$5)
Liquor Gallonage Taxes	\$178	\$178	\$0
Vehicle Use Tax	\$33	\$35	\$2
Inheritance Tax	\$385	\$440	\$55
Insurance Taxes & Fees	\$469	\$469	\$0
Corporate Franchise Tax & Fees	\$255	\$298	\$43
Interest on State Funds & Investments	\$70	\$55	(\$15)
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	\$541	\$488	(\$53)
Subtotal	\$40,039	\$42,399	\$2,360
Transfers			
Lottery	\$745	\$745	\$0
Riverboat transfers and receipts	\$0	\$0	\$0
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund	\$281	\$281	\$0
<u>Other</u>	\$741	\$741	\$0
Total State Sources	\$41,816	\$44,176	\$2,360
Federal Sources [Base]	\$4,384	\$4,384	\$0
Subtotal Federal & State Sources	\$46,200	\$48,560	\$2,360
<u>Nongeneral Funds Distribution:</u>			
Refund Fund			
Personal Income Tax [9% '21]	(\$2,164)	(\$2,289)	(\$125)
Corporate Income Tax [14% '21]	(\$484)	(\$574)	(\$90)
Local Government Distributive Fund			
Personal Income Tax	(\$1,326)	(\$1,403)	(\$77)
Corporate Income Tax	(\$204)	(\$242)	(\$38)
Sales Tax Distribution to the PTF and DPTF	(\$429)	(\$434)	(\$5)
Base General Funds	\$41,593	\$43,618	\$2,864
Interfund Borrowing/Fund Reallocations	\$0	\$0	\$0
Federal Stabilization/Municipal Liquidity Facility	\$1,998	\$1,998	\$0
P.A. 101-8 Net Income Taxes [SJRCa 1]	\$0	\$0	\$0
Total General Funds Revenues*	\$43,591	\$45,616	\$2,025

*Excludes \$400m of Treasurer's Investment Borrowing Nov-20 expected to be repaid by end of FY'21

Review of Improved FY 2021 Revenue Picture from Enactment to May Revision

The below table illustrates the various changes the FY 2021 revenue picture has undergone over this tumultuous pandemic period. Fortunately, revenues are in a position to finish the fiscal year in far better shape than most would have believed possible one year earlier. To briefly review, the FY 2021 budget was enacted with a general funds revenue outlook totaling \$42.995 billion.

As shown, substantial periodic upward adjustments to base revenues were made throughout the fiscal year. In total, nearly \$7.2 billion of improvement was seen in the base general funds forecast when compared to enacted assumptions. Non-base downward adjustments totaling \$4.576 billion serve to bring the net positive revenue changes down to \$2.621 billion over enacted budget expectations. While fiscal challenges remain, that sizable level of revenue improvement has significantly contributed to a better than initially expected financial picture.

FY 2021 General Funds Revenue Estimates Enacted Budget May-20; CGFA Nov-20; CGFA March-21; CGFA Revision May-21					
(\$ millions)	Enacted May-20	CGFA Nov-20	CGFA Mar-21	CGFA May-21	Difference May-21 vs Enacted
Personal Income Taxes [Net]	\$18,352	\$19,553	\$20,552	\$21,745	\$3,393
Corporate Income Taxes [Net]	\$2,122	\$2,371	\$2,769	\$3,287	\$1,165
Sales Tax [Net]	\$7,453	\$8,183	\$8,889	\$9,189	\$1,736
All Other State Sources	\$3,242	\$3,192	\$3,222	\$3,236	(\$6)
Transfers In	\$1,568	\$1,746	\$1,777	\$1,777	\$209
Federal Sources	\$3,684	\$3,684	\$4,384	\$4,384	\$700
Base General Funds	\$36,421	\$38,729	\$41,593	\$43,618	\$7,197
\$ Change from Previous Estimate		\$2,308	\$2,864	\$2,025	
Interfund Borrowing/Fund Reallocations	\$300	\$150	\$0	\$0	(\$300)
Federal Stabilization/Municipal Liquidity Facility	\$5,000	\$0	\$1,998	\$1,998	(\$3,002)
P.A 101-8 Net Income Taxes [SJRC A 1]	\$1,274	\$0	\$0	\$0	(\$1,274)
Total General Funds Revenues*	\$42,995	\$38,879	\$43,591	\$45,616	\$2,621
\$ Change from Previous Estimate		(\$4,116)	\$4,712	\$2,025	

*Table excludes \$400m of Treasurer's Investment Borrowing Nov-20 expected to be repaid by end of FY'21

Updated CGFA FY 2022 General Funds Forecast [per Current Law]

As shown, the Commission's May revised FY 2022 base general funds estimate of \$41.188 billion reflects an increase of \$792 million from our March forecast. Unsurprisingly, most of the upward revision resides in the larger economically-related sources such as income and sales. It should be noted that the upward revision for the upcoming fiscal year is comparatively much lower than the adjustments undertaken in the revised outlook for FY 2021. While a limited incorporation of the previous year's improved base performance is utilized, the majority of FY 2021 revisions cannot be assumed to repeat or be considered "baseable" for FY 2022. This is in large part due to timing and historical receipt pattern disruptions brought about by the pandemic's impact, as well as year over year growth headwinds likely to result as the various stimulus packages begin to unwind. Highlights and discussion of the updated FY 2022 forecast follow.

Updated FY 2022 General Funds Revenue CGFA Estimates [per Current Law]			
(\$ millions)	March-21	May-21	Difference
Personal Income Taxes [Net]	\$20,106	\$20,753	\$647
Corporate Income Taxes [Net]	\$2,565	\$2,647	\$82
Sales Tax [Net]	\$9,018	\$9,214	\$196
All Other State Sources	\$3,051	\$3,068	\$17
Transfers In	\$1,685	\$1,535	(\$150)
Federal Sources	\$3,971	\$3,971	\$0
Base General Funds	\$40,396	\$41,188	\$792
Interfund Borrowing/Fund Reallocations	\$0	\$0	\$0
Federal Stabilization/Municipal Liquidity Facility	\$0	\$0	\$0
Total General Funds Revenues	\$40,396	\$41,188	\$792

Updated CGFA FY 2022 General Funds Forecast [per Current Law] (continued)

Personal Income Taxes- The FY 2022 estimate of personal income tax receipts is being revised up \$647 million on a net basis. While the updated forecast reflects a measurable improvement from the March estimate due to continued recovery and lessening uncertainty, the gain is proportionately much less than the upward adjustment made to the FY 2021 outlook. As mentioned earlier, receipt timing and deviations from historical receipt patterns are factors. Similar to corporate income tax, some of the current year final payments are considered more of a “catch up” related to weaker estimated payments made during the height of the spring 2020 [FY 2020] COVID-19 crisis. As a result, the higher than expected final payments being made this spring cannot fully be extrapolated into next year’s base forecast. Another reason that FY 2022 is not expected to have the same level of improvement as the current year’s adjustment is due to the current additional \$300/wk unemployment benefits that are scheduled to sunset in early September. While an improved job picture will serve to mitigate the overall effects on income taxes, some downward pressure on overall withholding growth is expected to be felt as the enhanced benefits expire.

Corporate Income Taxes- The FY 2022 estimate of corporate income tax receipts is being increased \$82 million on a net basis, considerably less than the \$667 million upward revision made to the current fiscal year’s forecast. To repeat earlier comments, to the extent final FY 2021 corporate receipts were impacted by a reconciliation of underpaid estimated payments made during the pandemics initial months dating back to the second half of FY 2020, a cautious view is utilized extrapolating that over performance into next year’s tax base.

Sales Taxes- The FY 2022 estimate of sales taxes has been adjusted upward by \$196 million on a net basis. Again, the magnitude of upward adjustment is less than the \$300 million revision being made to the FY 2021 forecast. The proportionately more modest revision stems from the view that as the effects of the various stimulative policies begin to wind down and work through the economy, a moderation in growth will occur as the fiscal year progresses.

Updated CGFA FY 2022 General Funds Forecast [per Current Law] *(continued)*

Transfers In- The FY 2022 estimate of transfers into the general funds has been reduced \$150 million from the previous outlook. The downward revision reflects the elimination of \$150 million of expected transfers in FY 2022 from the Income Tax Refund Fund. As a consequence of the recent federal change in deductibility of \$10k of unemployment benefits made mid-final filing season, increased refund liability from amended returns will likely result. While the net effect of that tax policy decision at the federal level is not precisely known, the IDoR's preliminary estimate was approximately the same magnitude [\$150m].

All Other Sources- The estimates of all other state sources have been increased by a modest net \$17 million. While there are some slight changes to some of the individual revenue lines, little overall change from the earlier outlook is forecasted.

Federal Sources- No adjustments are being made to the FY 2022 estimate of federal sources. As mentioned, appropriation authority, available cash, vouchers processed for payment, and ultimately payment decisions made at the Comptroller's office will determine federal source performance.

Updated FY 2022 General Funds Revenue CGFA Estimates [per Current Law] (millions)			
	FY 2022 CGFA March-21	FY 2022 CGFA May-21	\$ Difference
Revenue Sources			
State Taxes			
Personal Income Tax	\$23,584	\$24,344	\$760
Corporate Income Tax (regular)	\$3,240	\$3,343	\$103
Sales Taxes	\$9,486	\$9,692	\$206
Public Utility (regular)	\$751	\$748	(\$3)
Cigarette Tax	\$272	\$267	(\$5)
Liquor Gallonage Taxes	\$179	\$179	\$0
Vehicle Use Tax	\$30	\$30	\$0
Inheritance Tax	\$325	\$345	\$20
Insurance Taxes & Fees	\$416	\$416	\$0
Corporate Franchise Tax & Fees	\$185	\$205	\$20
Interest on State Funds & Investments	\$70	\$55	(\$15)
Cook County Intergovernmental Transfer	\$244	\$244	\$0
<u>Other Sources</u>	<u>\$579</u>	<u>\$579</u>	<u>\$0</u>
Subtotal	\$39,361	\$40,447	\$1,086
Transfers			
Lottery	\$755	\$755	\$0
Riverboat transfers and receipts	\$98	\$98	\$0
Proceeds from sale of 10th license	\$10	\$10	\$0
Refund Fund	\$150	\$0	(\$150)
<u>Other</u>	<u>\$672</u>	<u>\$672</u>	<u>\$0</u>
Total State Sources	\$41,046	\$41,982	\$936
Federal Sources [Base]	\$3,971	\$3,971	\$0
Subtotal Federal & State Sources	\$45,017	\$45,953	\$936
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9% '21; 9.25% '22]	(\$2,181)	(\$2,252)	(\$71)
Corporate Income Tax [14% '21; 15% '22]	(\$486)	(\$501)	(\$15)
Local Government Distributive Fund			
Personal Income Tax	(\$1,297)	(\$1,339)	(\$42)
Corporate Income Tax	(\$189)	(\$195)	(\$6)
Sales Tax Distribution to the PTF and DPTF	(\$468)	(\$478)	(\$10)
Base General Funds	\$40,396	\$41,188	\$792
Interfund Borrowing/Fund Reallocations	\$0	\$0	\$0
Federal Stabilization/Municipal Liquidity Facility	\$0	\$0	\$0
Total General Funds Revenues	\$40,396	\$41,188	\$792

Detailed General Funds Revenue History FY 2013 - FY 2020 and Estimated FY 2021-22 [Current Law May-21]
(\$ millions)

<u>Revenue Sources</u>	<u>Actual Receipts FY 2013</u>	<u>Actual Receipts FY 2014</u>	<u>Actual Receipts FY 2015</u>	<u>Actual Receipts FY 2016</u>	<u>Actual Receipts FY 2017</u>	<u>Actual Receipts FY 2018</u>	<u>Actual Receipts FY 2019</u>	<u>Actual Receipts FY 2020</u>	<u>Estimated Receipts FY 2021</u>	<u>Estimated Receipts FY 2022</u>
State Taxes										
Personal Income Tax	\$18,323	\$18,388	\$17,682	\$15,299	\$15,385	\$20,784	\$22,604	\$21,657	\$25,437	\$24,344
Corporate Income Tax (regular)	3,679	3,640	3,129	2,334	1,610	2,607	3,026	2,596	4,103	3,343
Sales Taxes	7,355	7,676	8,030	8,063	8,043	8,256	8,897	8,691	9,623	9,692
Public Utility Taxes (regular)	1,033	1,013	1,006	926	884	896	863	831	754	748
Cigarette Tax	353	353	353	353	353	344	361	267	275	267
Liquor Gallonage Taxes	165	165	167	170	171	172	172	177	178	179
Vehicle Use Tax	27	29	32	30	30	28	31	26	35	30
Inheritance Tax (Gross)	293	276	333	306	261	358	388	283	440	345
Insurance Taxes and Fees	334	333	353	398	391	432	396	361	469	416
Corporate Franchise Tax & Fees	205	203	211	207	207	207	247	210	298	205
Interest on State Funds & Investments	20	20	24	24	36	79	145	137	55	55
Cook County Intergovernmental Transfer	244	244	244	244	244	244	244	244	244	244
Other Sources	462	585	693	534	685	641	669	725	488	579
Subtotal	\$32,493	\$32,925	\$32,257	\$28,888	\$28,300	\$35,048	\$38,043	\$36,205	\$42,399	\$40,447
Transfers										
Lottery	656	668	679	677	720	719	731	630	745	755
Gaming Fund Transfer [and related]	360	331	302	287	280	282	279	205	10	108
Other	688	1,113	2,012	627	552	1,186	1,035	1,606	1,022	672
Total State Sources	\$34,197	\$35,037	\$35,250	\$30,479	\$29,852	\$37,235	\$40,088	\$38,646	\$44,176	\$41,982
Federal Sources	\$4,154	\$3,903	\$3,330	\$2,665	\$2,483	\$5,238	\$3,600	\$3,551	\$4,384	\$3,971
Total Federal & State Sources	\$38,351	\$38,940	\$38,580	\$33,144	\$32,335	\$42,473	\$43,688	\$42,197	\$48,560	\$45,953
Nongeneral Funds Distribution:										
Refund Funds/Direct Deposits										
Personal Income Tax Refund Fund	(\$1,785)	(\$1,746)	(\$1,769)	(\$1,493)	(\$1,724)	(\$2,037)	(\$2,193)	(\$2,058)	(\$2,289)	(\$2,252)
Corporate Income Tax Refund Fund	(502)	(476)	(439)	(362)	(278)	(457)	(470)	(370)	(574)	(501)
Fund for Advancement of Education	0	0	(242)	(458)	(464)	0	0	0	0	0
Commitment to Human Services Fund	0	0	(242)	(458)	(464)	0	0	0	0	0
LGDF--Direct from PIT	0	0	0	0	0	(1,022)	(1,175)	(1,128)	(1,403)	(1,339)
LGDF--Direct from CIT	0	0	0	0	0	(133)	(167)	(145)	(242)	(195)
Downstate Pub/Trans--Direct from Sales	0	0	0	0	0	(446)	(488)	(436)	(434)	(478)
Subtotal General Funds	\$36,064	\$36,718	\$35,888	\$30,373	\$29,405	\$38,378	\$39,195	\$38,060	\$43,618	\$41,188
Change from Prior Year	\$2,267	\$654	(\$830)	(\$5,515)	(\$968)	\$8,973	\$817	(\$1,135)	\$5,558	(\$2,430)
Percent Change	6.7%	1.8%	-2.3%	-15.4%	-3.2%	30.5%	2.1%	-2.9%	14.6%	-5.6%
Short-Term Borrowing/MLF	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,198	\$1,998	\$0
Treasurer's Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$750	\$400	\$400	\$0
Interfund Borrowing	\$0	\$0	\$454	\$0	\$0	\$533	\$250	\$462	\$0	\$0
Income Tax Bond Fund Transfer	\$0	\$0	\$0	\$0	\$0	\$2,500	\$0	\$0	\$0	\$0
Transfer to Commitment Human Services	\$0	\$0	\$0	\$0	\$0	\$40	\$0	\$0	\$0	\$0
FY'13/14 Backlog Payment Fund Transfer	\$264	\$50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Budget Stabilization Fund Transfer	\$275	\$275	\$275	\$125	\$0	\$0	\$0	\$0	\$0	\$0
Total General Funds	\$36,603	\$37,043	\$36,617	\$30,498	\$29,405	\$41,451	\$40,195	\$40,120	\$46,016	\$41,188
Change from Prior Year	\$2,531	\$440	(\$426)	(\$6,119)	(\$1,093)	\$12,046	(\$1,256)	(\$75)	\$5,896	(\$4,828)
Percent Change	7.4%	1.2%	-1.2%	-16.7%	-3.6%	41.0%	-3.0%	-0.2%	14.7%	-10.5%

Governor's FY 2022 Proposed Revenue Initiatives by Type and by Revenue Source

\$ in millions

By Type		By Revenue Source	
Proposed Tax Expenditure and Loophole Changes		Personal Income Tax Related Changes	
	Tax Credit Limit for Private School Scholarships		\$14
	Rolling Back Federal TCJA 100% Accelerated Depreciation Deduction (PIT)		\$38
	Aligning the tax treatment of foreign-source dividends and GITI to domestic dividends		\$107
	Rolling Back Federal TCJA 100% Accelerated Depreciation Deduction (CIT)		\$177
	Capping the corporate NOL Deduction for next three years at \$100K per year		\$314
	Eliminating the add-on income tax credits for construction job payroll expenditures		\$16
	Removing production related tangible personal property from the MM&E Exemption		\$56
	Cap Retailers' Discount		\$73
	Accelerating the expiration of the remaining exemptions for biodiesel		\$107
	Eliminating the repeal of the corporate franchise tax		\$30
	Subtotal:	Subtotal:	\$181
Redirection of Existing Revenue Streams		Corporate Income Tax Related Changes	
	Impact of Retaining 10% of PIT Revenues earmarked for the LGDF		\$107
	Impact of Retaining 10% of CIT Revenues earmarked for the LGDF		\$177
	Prorating at 90% the sales tax portion to Transportation Funds		\$314
	\$100M increase to the portion of state sales tax sharing that is covered by the Road Fund		\$22
	Delaying the shift of motor fuel related sales taxes to Road Fund		\$16
	Transfer \$50M from the Open Space Lands Acquisition and Develop. Fund to Gen Funds		Subtotal:
	Transfer \$40M from the School Infrastructure Fund to the General Funds by freezing FY22 New School Maintenance grants (\$50K matching funds)		\$635
	Transfer \$100M in cigarette tax revenues from the Capital Projects Fund to the GRF		
	Subtotal:	Sales Tax Related Changes	
	\$565		Removing production related tangible personal property from the MM&E Exemption
			Cap Retailers' Discount
			Accelerating the expiration of the remaining exemptions for biodiesel
			Prorating at 90% the sales tax portion to Transportation Funds
			\$100M increase to the portion of state sales tax sharing that is covered by the Road Fund
			Delaying the shift of motor fuel related sales taxes to Road Fund
			Subtotal:
			\$461
		Corporate Franchise Tax Related Changes	
			Eliminating the repeal of the corporate franchise tax
			Subtotal:
			\$30
		Other Transfer Related Changes	
			Transfer \$50M from the Open Space Lands Acquisition and Develop. Fund to Gen Funds
			Transfer \$40M from the School Infrastructure Fund to the General Funds by freezing FY22 New School Maintenance grants (\$50K matching funds)
			Transfer \$100M in cigarette tax revenues from the Capital Projects Fund to the GRF
			Subtotal:
			\$190
TOTAL IMPACT		TOTAL IMPACT	
\$1,497		\$1,497	

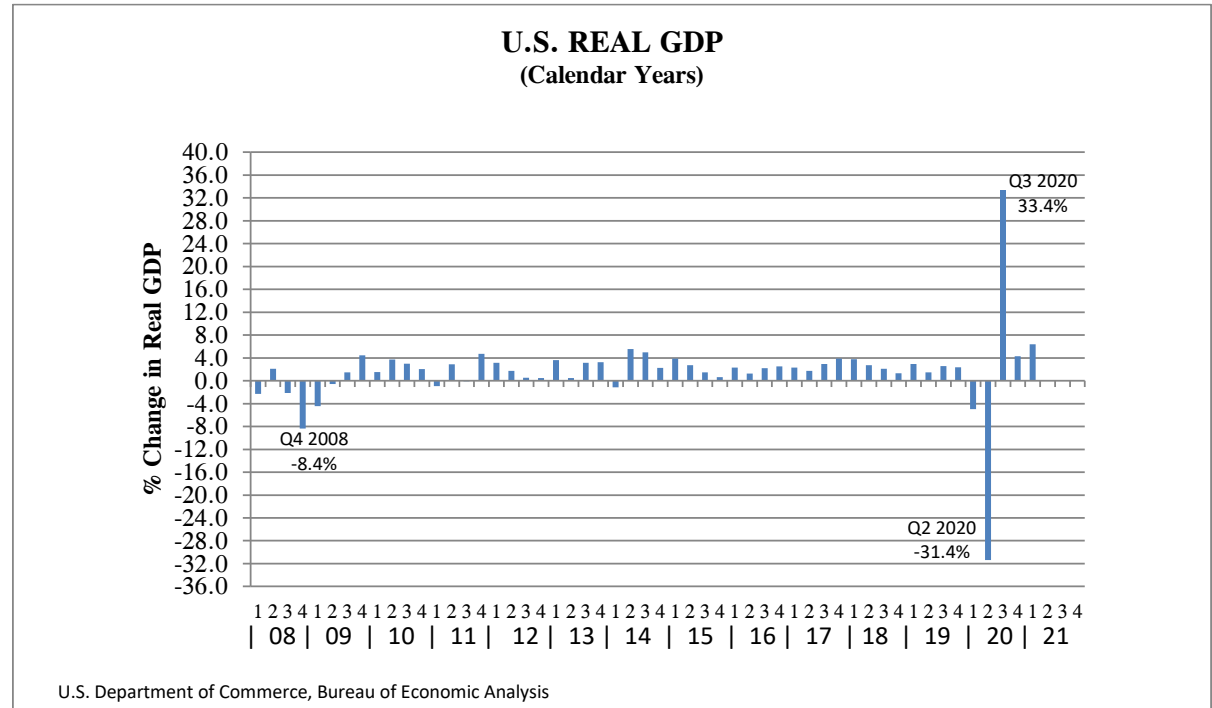
APPENDIX A

THE ECONOMY



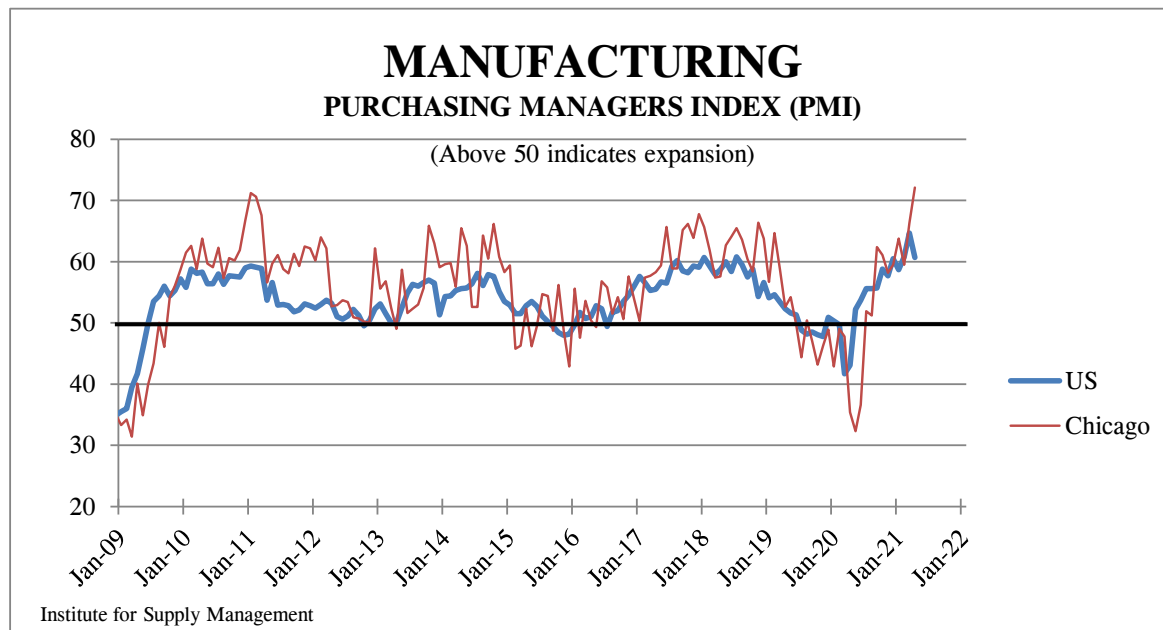
Change in Real GDP

- The economy declined -5.0% in the first quarter of 2020 as the economy began to erode as the COVID-19 pandemic spread.
- The second quarter declined over 31% on an annualized basis, which was the worst quarter for real GDP since tracking began in 1947.
- Third quarter growth of 33.4% reflected a rebound in GDP due to the reopening of the economy and the significantly smaller base established in the 2nd quarter.
- 2020 ended with growth of 4.3% in the fourth quarter.
- Preliminary results for the first quarter of 2021 indicated a strengthening economy with growth of 6.4%.
- An aggregation of economic forecasts has a mean estimate for real GDP growth of 6.2% for 2021 and 4.1% for 2022.



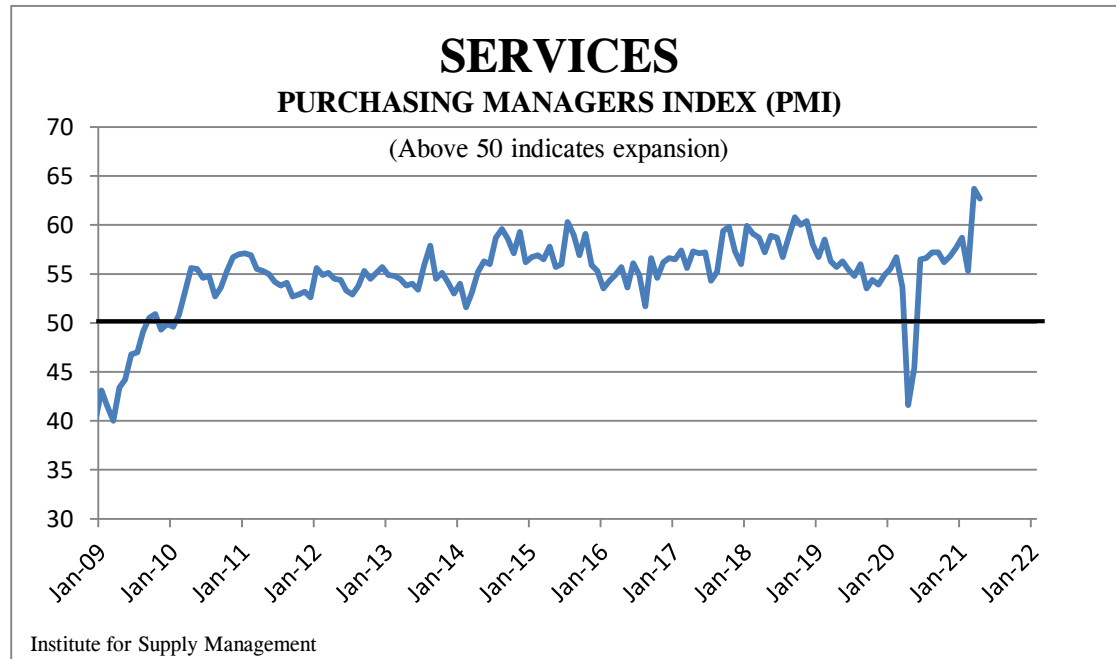
Manufacturing PMI

- This chart shows the Purchasing Managers Index (PMI) for the manufacturing sector. A value of 50 or more meaning expansion and below 50 a contraction.
- The Manufacturing PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.
- Similar to real GDP, the Manufacturing PMI declined precipitously during the spring of 2020 due to COVID-19.
- However, since May of 2020, the index has been indicating expansion. Currently, the Manufacturing PMI stands at 60.7 that is a little below March's 64.7 which was the highest level since the early 1980's.
- Even at these levels, some issues still remain. While demand for manufacturing goods is up, the supply of parts and materials is being hampered by COVID-19 and associated issues within supply chains (extended lead times, wide-scale shortages of basic materials, rising commodity prices, and transportation difficulties).



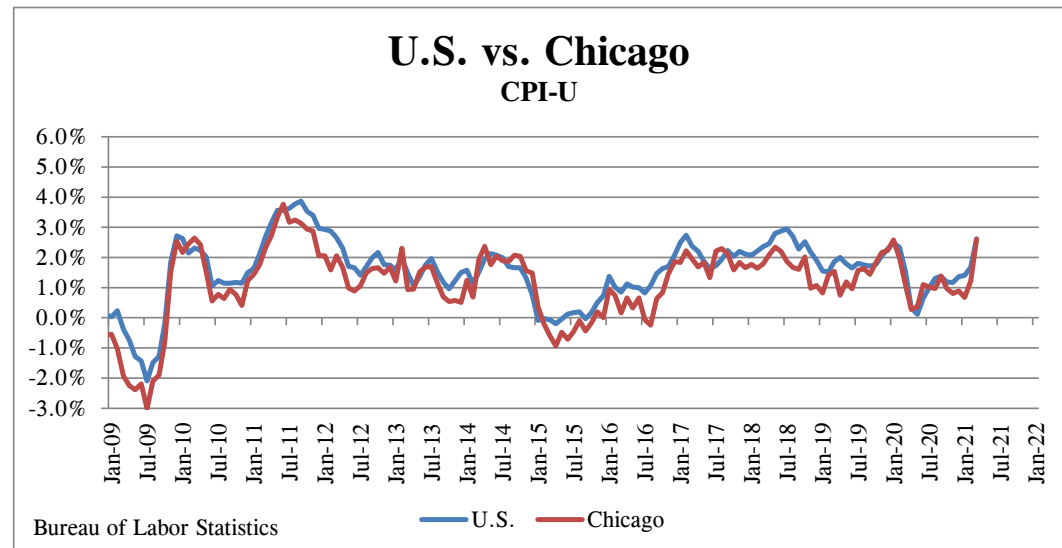
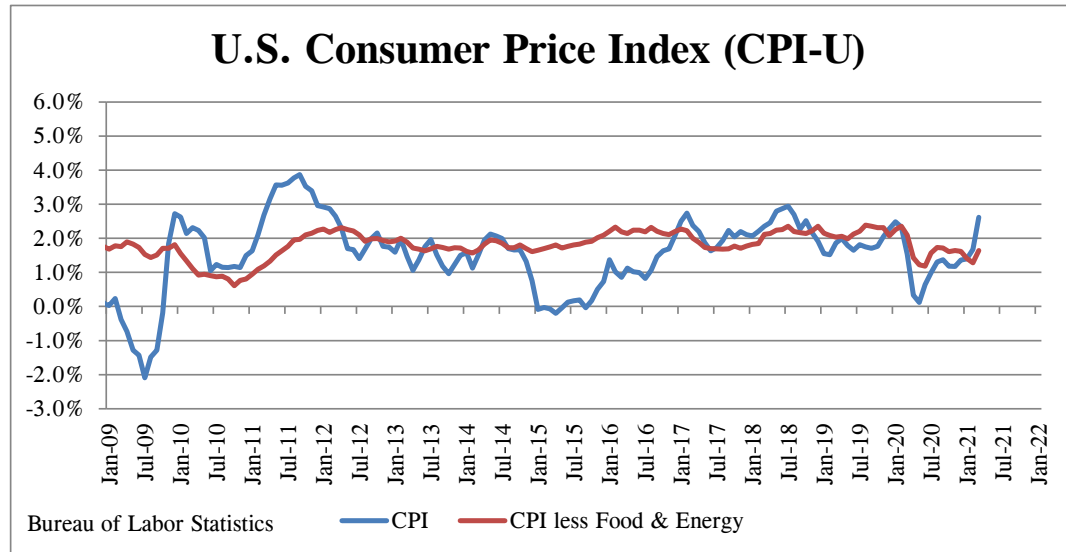
Services PMI

- The Services PMI (previously known as the Non-Manufacturing Index) is a composite index that is calculated as an indicator of the overall economic condition for the non-manufacturing sector, which is far larger than the manufacturing sector (representing over 80% of GDP).
- The Service PMI is a composite index based on the diffusion indexes for four of the indicators with equal weights: business activity, new orders, and employment – all of which are seasonally adjusted – and supplier deliveries.
- Similar to the Manufacturing PMI, the Services PMI saw a large decline during the spring due to COVID-19 but rebounded over the summer.
- The Services PMI currently stands at 62.7 which is just below the all-time high of 63.7 in March.



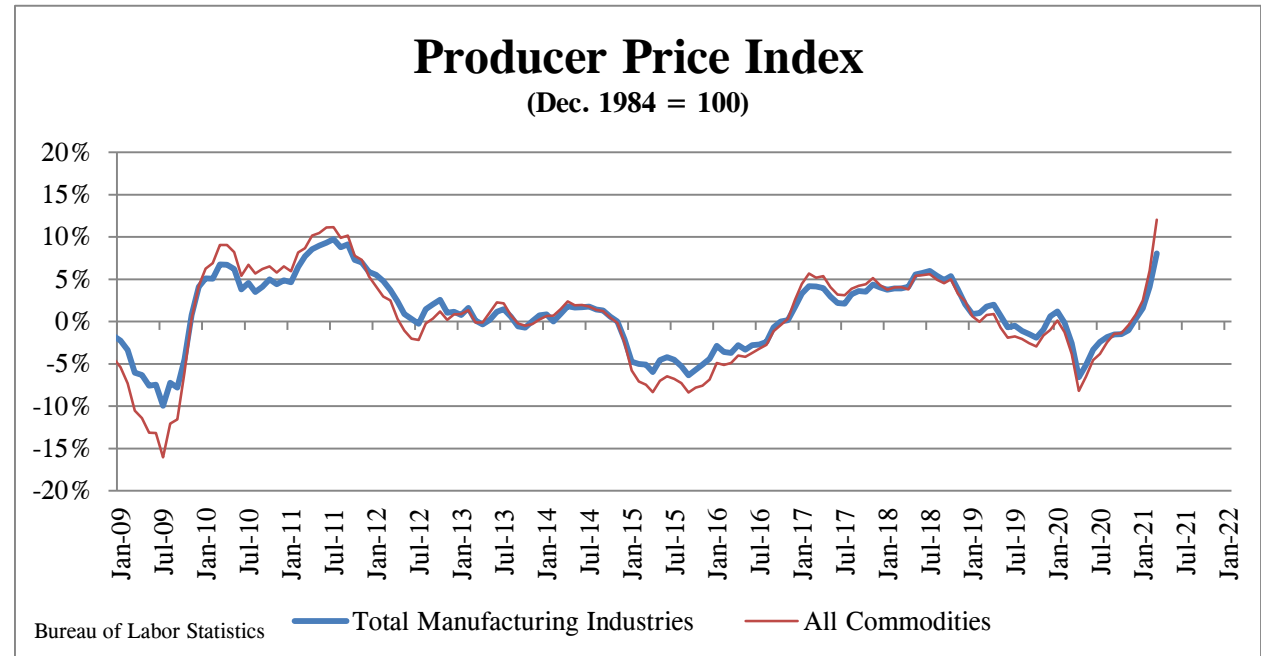
Consumer Price Index (CPI)

- The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.
- The first chart shows the CPI for the U.S. as well as the CPI without food and energy included, which are two of the more volatile components of the index.
- While there was some price volatility around the time of the Great Recession, it was mostly steady between 1.5% to 2.0% between 2012 and 2017, especially when food and energy were removed.
- The growth of consumer prices slowed due to COVID-19 but did not lead to actual price declines in general. Both measures rebounded but had remained below 2.0%.
- In March of 2021, CPI for the U.S. was 2.6% which was the highest level since August of 2018. Core CPI, which excludes food and energy, remained lower at 1.6%.
- Expectations are for inflation to continue to increase in the short-term.



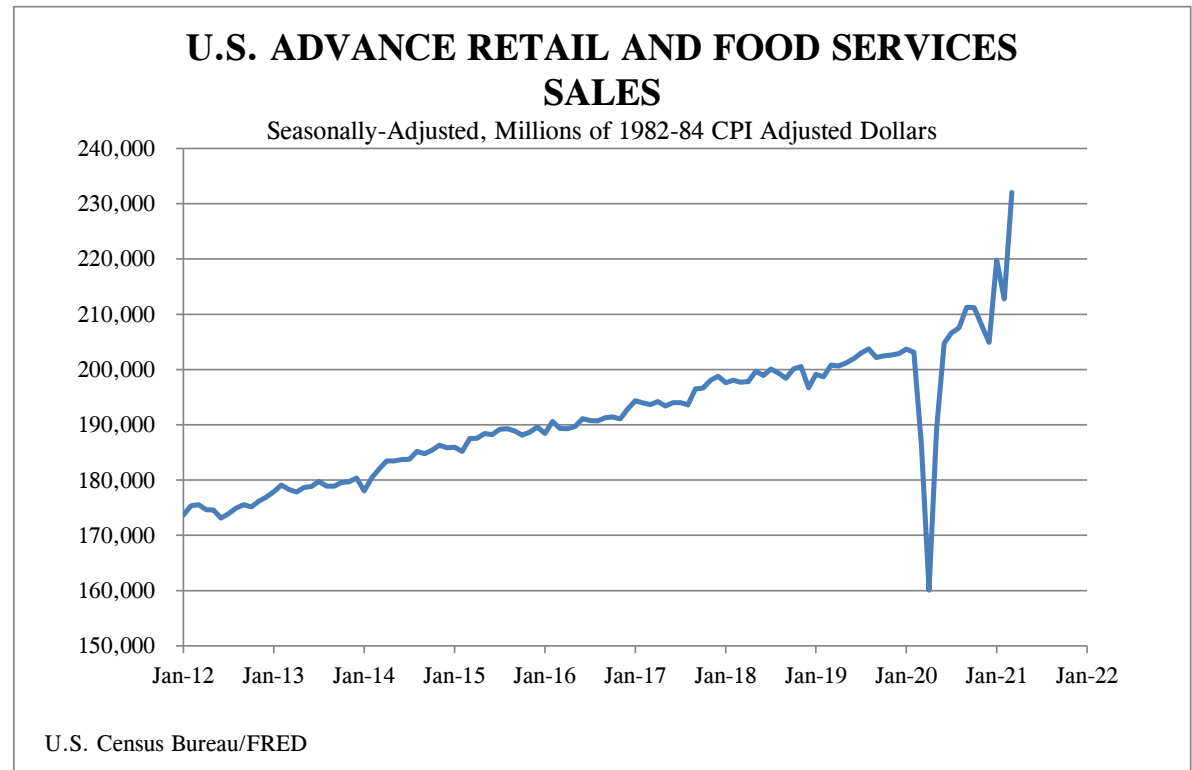
Producer Price Index (PPI)

- The Producer Price Index (PPI) measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.
- Similar to the CPI, the PPI showed some heightened inflation pressure at the wholesale level in the summer of 2018.
- Since that time, the PPI steadily slowed with actual declines in prices beginning in May of 2019.
- A small rebound in producer prices seen in early 2020 was put to an end by the effects of COVID-19.
- After declining in the spring of 2020, producer prices have rebounded in recent months to levels not seen since 2011.



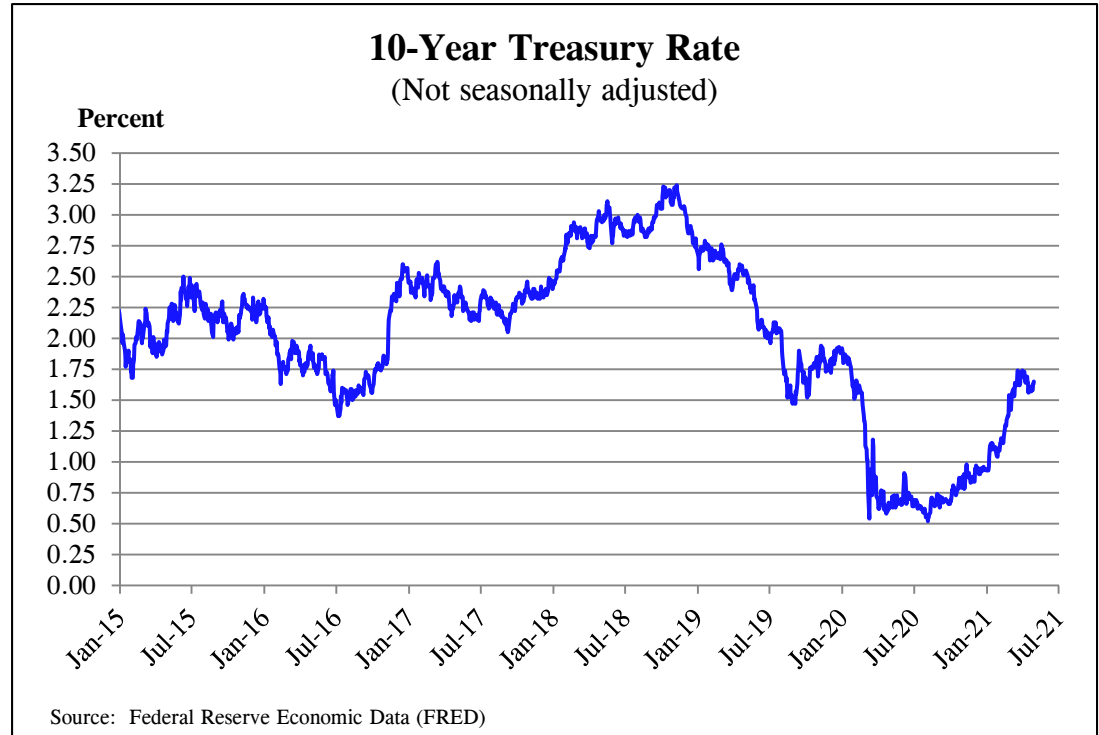
Retail Sales

- The U.S. Census Bureau conducts the Advance Monthly Retail Trade and Food Services Survey to provide an early estimate of monthly sales by kind of business for retail and food service firms.
- Retail sales are sales by businesses that sell goods in small quantities directly to consumers.
- Based on the data, it shows that consumer goods spending had a V-shaped recovery.
- Consumer goods spending was likely buoyed by financial support from the federal government. This support appears likely to continue in the near-term.
- While consumer spending on goods has rebounded, the rebound in services, which is approximately twice as large, has been slower. Estimates from the Bureau of Economic Analysis had consumer spending about 3.1% below pre-pandemic levels.



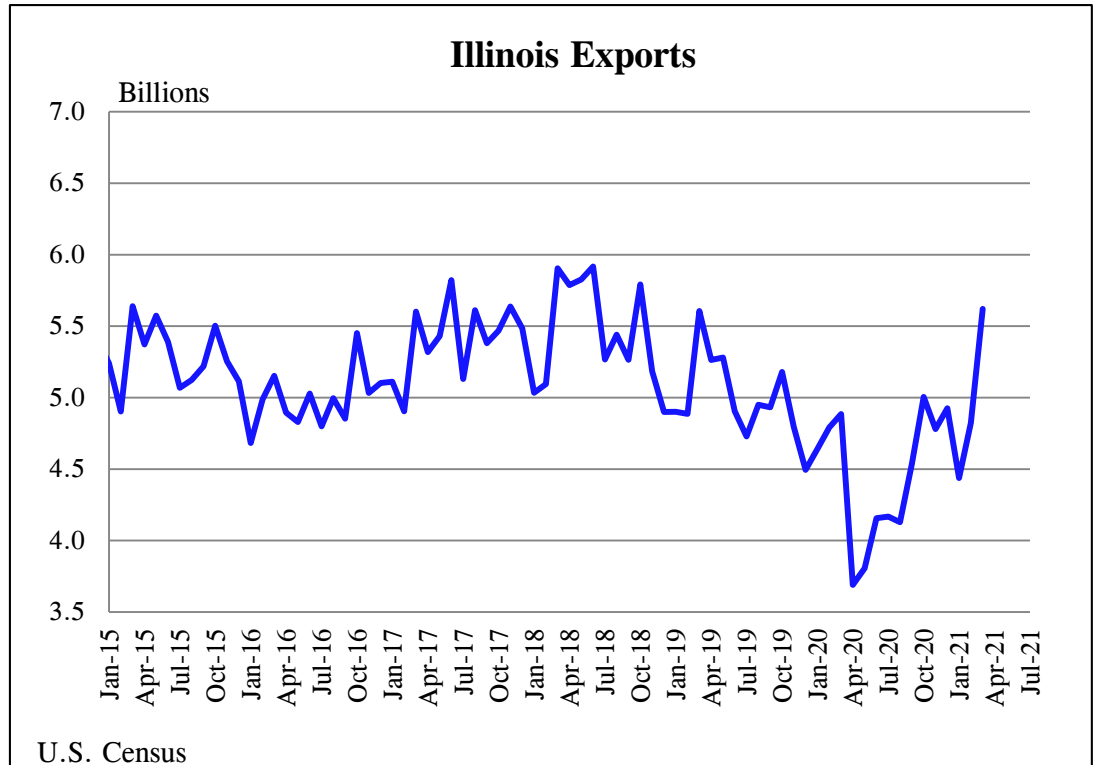
10-Year Treasury Rate

- The 10-year Treasury rate is a key rate tied to many transactions, particularly home mortgages, and is considered as an indicator of investor sentiment about the U.S. economy.
- When the investors' confidence in the economy grows, investors tend to seek higher return investments with higher risks than treasury bonds. Then, the falling demand decreases the prices and increases the yield (rate). It is the opposite when the confidence falls.
- The 10-year treasury rate has been erratic. It went up to 3.25% in 2018 and gradually declined afterward. Prior to the COVID-19 recession that started in March of 2020, it was between 1.5% and 2.0%.
- When the coronavirus pandemic hit the U.S. economy, the rate sharply dropped to nearly as low as 0.5% in March and fluctuated until the fall.
- Since then, the treasury rate has increased as the economy has improved, due in part to the substantial COVID-19 relief packages and improved expectations about the COVID-19 situation. As of end of April, it is now around 1.6%.



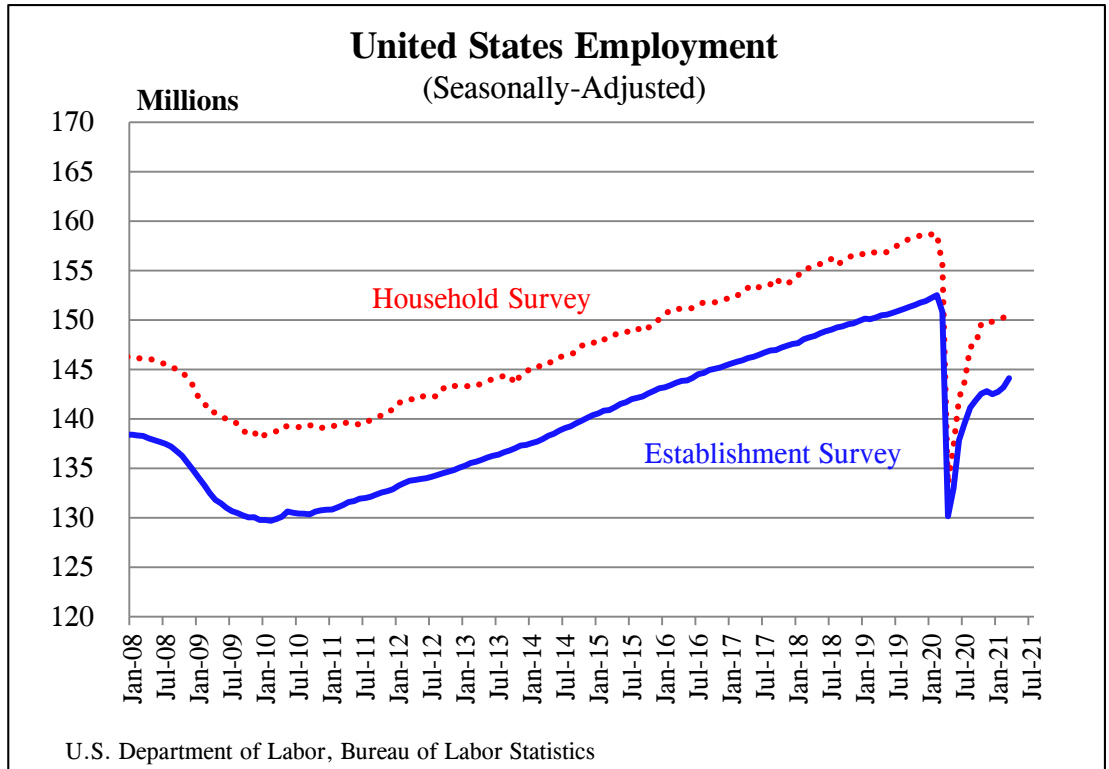
Illinois Exports

- Illinois exports, while erratic, started to reverse its downward slope in early 2016 and began to grow.
- Illinois exports surprisingly reached its highest peak since late 2014 at \$5.92 billion in mid-2018 despite uncertainties such as trade conflicts between the U.S. and other countries. Since then, it declined in a volatile manner and went down further as the COVID-19 outbreak began.
- It fell to its lowest monthly level since early 2010 at \$3.69 billion in April of 2020. This was 24% down from the previous month or a 30% drop compared to a year ago.
- After this steep decline, a rebound was seen due in part to reopening of the economy. Especially, the most recent data for March 2021, shows the strong exports of \$5.62 billion, 16.5% up from the previous month, or 15.0% up from a year earlier.
- While the export demand from Illinois has been damaged during the pandemic, Illinois was able to improve to the 5th largest state in exports from 6th as other states were struggling as well.



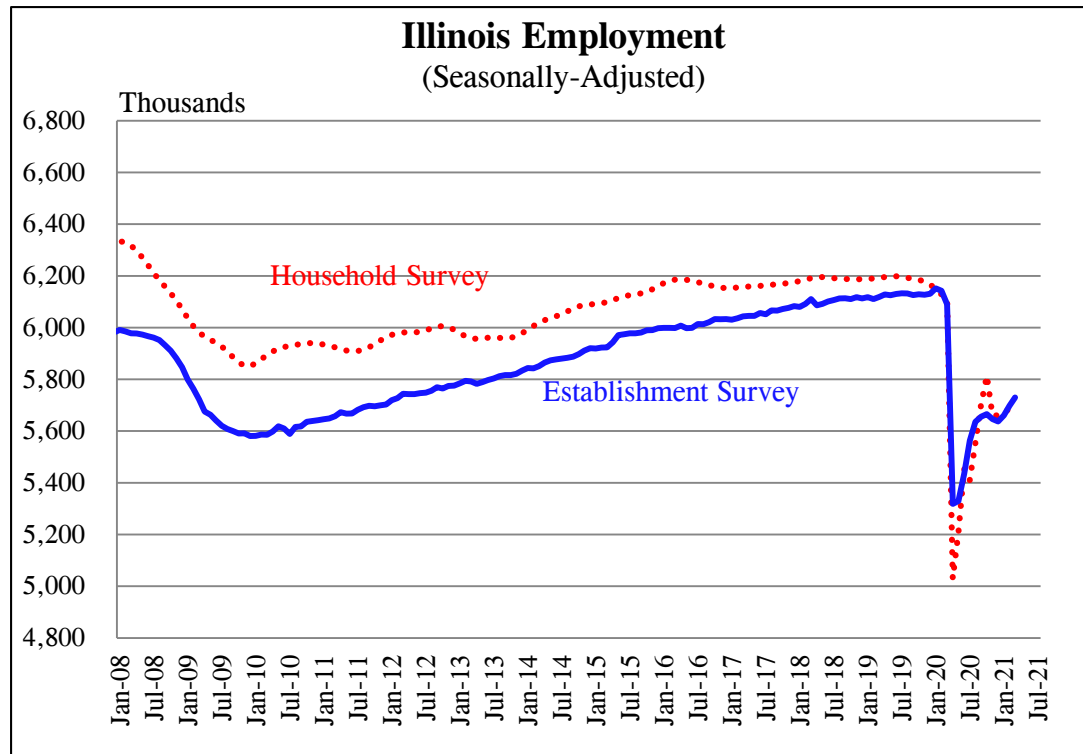
United States Employment

- Since a low reached at the end of 2009, United States employment had continuously increased and finally recouped all the jobs lost during the Great Recession in 5 years and maintained the upward trend until COVID-19 hurt the national economy.
- Due to social distancing and restrictions on economic activities to contain the spread of COVID-19, U.S. employment lost approximately 20 to 22 million jobs in April, the worst month since the Great Depression.
- In the 3rd quarter of 2020, the U.S. economy significantly rebounded, and thus more than half of lost jobs were regained.
- With the substantial stimulus packages by Congress and Fed's monetary policies, along with increasing the availability of vaccinations, U.S. employment has further improved. In March 2021, the U.S. added 916,000 jobs (Establishment Survey), which was significantly higher than expected. However, it is still below the pre-pandemic levels.



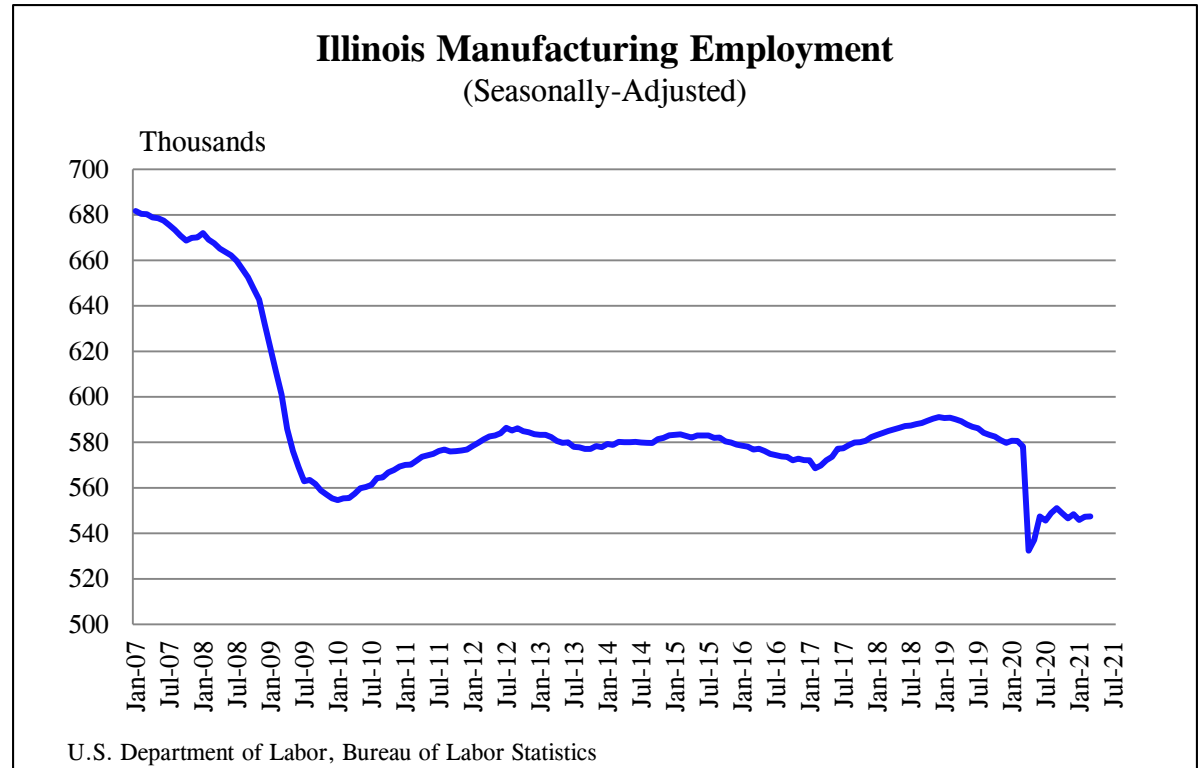
Illinois Employment

- Like the U.S., Illinois employment experienced a severe drop due to the COVID-19 outbreak.
- The Establishment Survey showed the job losses that Illinois employment experienced during the 2007-2009 recessions finally recovered around mid-2015. However, the improvement was completely erased by the effects of COVID-19 in early 2020.
- Illinois employment was hit hardest in April, which synced with the sharp drop in U.S. employment. Establishment Survey and Household Survey showed Illinois jobs declined by 13% and 18%, respectively in April, which were the biggest drops on record.
- Since then, it has rebounded as the Illinois economy slowly reopened. However, it is still significantly below where it was previously.



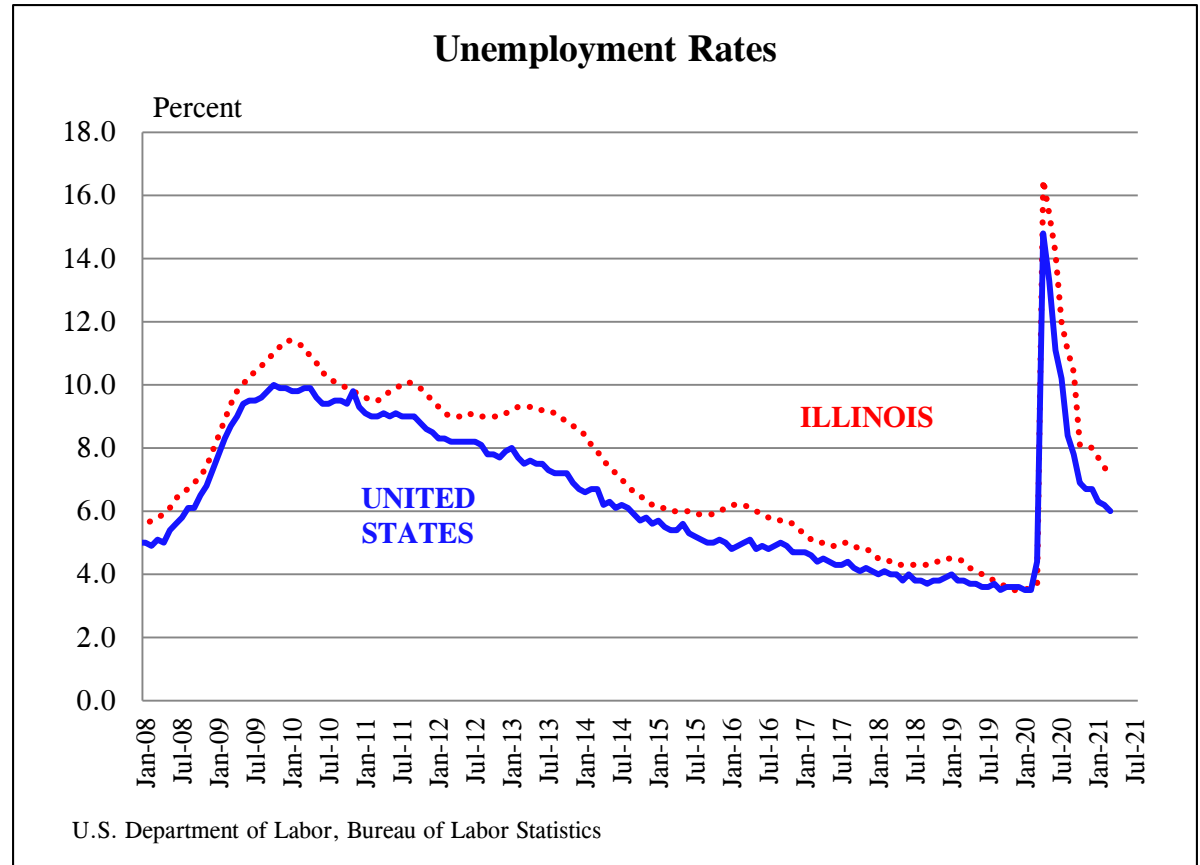
Illinois Manufacturing Employment

- The weakness in Illinois employment has centered in the manufacturing area. After experiencing a severe loss during the Great Recession, Illinois manufacturing employment finally began to improve around 2010. A few years later, however, it leveled out, followed by a decline in early 2019.
- Then, it significantly dropped further after the pandemic hit. In April 2020, the State lost approximately 45,800 manufacturing jobs over the previous month, the largest monthly decline on record.
- Since then, it quickly picked up again but remains well below previous levels.
- IHS Markit projects that the State's manufacturing employment would slowly improve beginning in mid-2021.



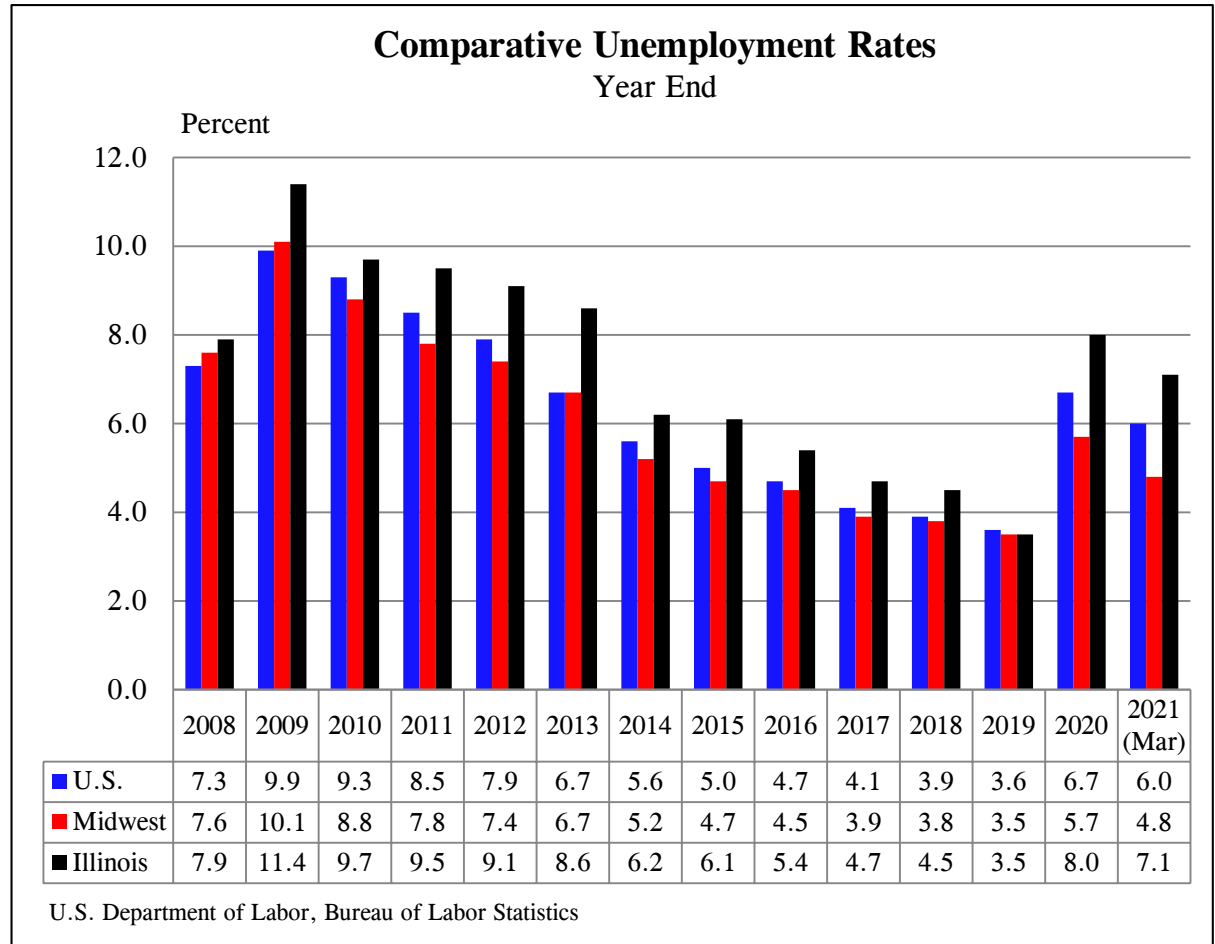
Unemployment Rates

- As shown in the chart, the gap between the nation's unemployment rate and that in Illinois has fluctuated over time, but they usually move in the same direction.
- As the U.S. economy was in its longest expansion, unemployment rates for both had declined as the recovery from the Great Recession got underway.
- However, the COVID-19 outbreak caused severe damage to the economy, both at the national and state levels. In April, the unemployment rates for the U.S. and the State surged to 14.8% and 16.5% respectively, the highest and largest monthly percentage increase in the history of the data.
- As the economic activities picked up, the rates went down as well. In March 2021, the unemployment rates for the U.S. and Illinois stood at 6.0% and 7.1%, respectively.



Comparative Unemployment Rates

- The chart shows comparative unemployment rates for the nation, Midwest, and Illinois.
- In 2008, Midwest and Illinois rates were similar and only slightly higher than the nation. However, beginning in 2009, the difference in the rates between Illinois and the others widened. Since 2010, unemployment in the Midwest fell below or at the national level as resurgence in several “rust belt” states from increased energy production caused an employment spurt.
- More than a decade after trying to catch up with both the nation and Midwest, Illinois finally succeeded to lessen the gap until COVID-19 hit. The rates in April were at least four times higher than where they were prior to the pandemic.
- Since April 2020, the labor market has improved nationwide. The recent data as of March of 2021 had the national and Midwest rate at 6.0% and 4.8%, respectively, and the Illinois rate at 7.1%.



Average Employment Levels by Subsector in Illinois
Non-Seasonally Adjusted Averages: 2010 to 2020 (in thousands)

Subsector	Annual Average										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mining	9.1	9.6	10.2	9.7	9.9	9.3	8.1	7.8	7.9	8.3	6.8
Construction	198.3	195.8	189.1	191.4	201.7	213.6	218.7	220.3	226.1	228.1	216.5
Manufacturing	561.3	574.3	583.4	579.7	580.5	582.1	575.0	575.9	587.2	586.1	554.2
Trade, Transportation, and Utilities	1,123.6	1,141.6	1,153.9	1,162.0	1,177.4	1,198.8	1,208.5	1,210.5	1,211.5	1,205.9	1,157.4
Information	101.9	100.5	100.2	98.9	99.0	100.4	98.5	97.5	94.7	94.8	87.4
Financial Activities	372.7	372.3	375.6	379.0	378.1	382.5	386.6	394.9	402.9	411.4	406.2
Professional and Business Services	794.2	824.1	857.1	883.2	909.4	921.9	931.4	941.6	947.6	948.6	889.7
Education and Health Services	831.6	848.3	863.2	875.3	886.1	900.3	915.2	923.7	932.2	940.0	892.0
Leisure and Hospitality	515.5	522.4	536.5	546.4	558.7	578.9	597.3	610.7	617.6	623.2	460.9
Other Services	249.2	249.7	249.7	249.9	252.2	252.1	251.4	252.8	254.3	255.5	233.5
Government	852.2	839.0	832.2	828.0	825.7	826.5	822.0	819.3	819.8	822.9	785.8
Annual Average Totals	5,609.6	5,677.6	5,751.1	5,803.5	5,878.7	5,966.4	6,012.7	6,055.0	6,101.8	6,124.8	5,690.4
Illinois' Annual % Change	-0.8%	1.2%	1.3%	0.9%	1.3%	1.5%	0.8%	0.7%	0.8%	0.4%	-7.1%

Average Weekly Earnings and Employment Change by Subsector in Illinois
Calendar Year Averages: 2010 to 2020

Subsector	Annual Average										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mining*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,236	\$1,282	\$1,291	\$1,263	\$1,317	\$1,374	\$1,392	\$1,377	\$1,424	\$1,488	\$1,445
Manufacturing	\$923	\$978	\$981	\$993	\$1,016	\$1,033	\$1,043	\$1,045	\$1,086	\$1,117	\$1,153
Trade, Transportation, and Utilities	\$693	\$734	\$766	\$788	\$808	\$813	\$811	\$823	\$860	\$872	\$903
Information	\$1,040	\$1,005	\$1,027	\$1,102	\$1,155	\$1,153	\$1,129	\$1,202	\$1,333	\$1,431	\$1,531
Financial Activities	\$1,036	\$1,054	\$1,131	\$1,140	\$1,230	\$1,314	\$1,349	\$1,368	\$1,400	\$1,425	\$1,544
Professional and Business Services	\$1,024	\$1,007	\$1,027	\$1,025	\$1,038	\$1,049	\$1,073	\$1,087	\$1,130	\$1,183	\$1,236
Education and Health Services	\$724	\$757	\$792	\$814	\$810	\$806	\$808	\$805	\$815	\$824	\$856
Leisure and Hospitality	\$319	\$322	\$343	\$338	\$352	\$368	\$375	\$391	\$405	\$426	\$428
Other Services	\$712	\$703	\$728	\$751	\$780	\$834	\$864	\$840	\$861	\$928	\$1,012
Government*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Illinois' Annual Average Weekly Earnings*	\$799	\$820	\$847	\$859	\$880	\$897	\$906	\$914	\$946	\$976	\$1,032
% Change in Avg. Weekly Earnings	0.9%	2.7%	3.3%	1.4%	2.5%	1.9%	1.0%	0.8%	3.6%	3.1%	5.7%
Annualized Wage/Employment Comparison	0.1%	3.9%	4.6%	2.3%	3.9%	3.4%	1.8%	1.5%	4.4%	3.5%	-1.8%

* Because the Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics, "Statewide Average Weekly Earnings" is calculated by using the weekly earnings of the other nine subsectors. The statewide value was calculated by multiplying each subsector's average jobs by its average earnings and dividing the sum of these figures by the total number of jobs from these nine subsectors.

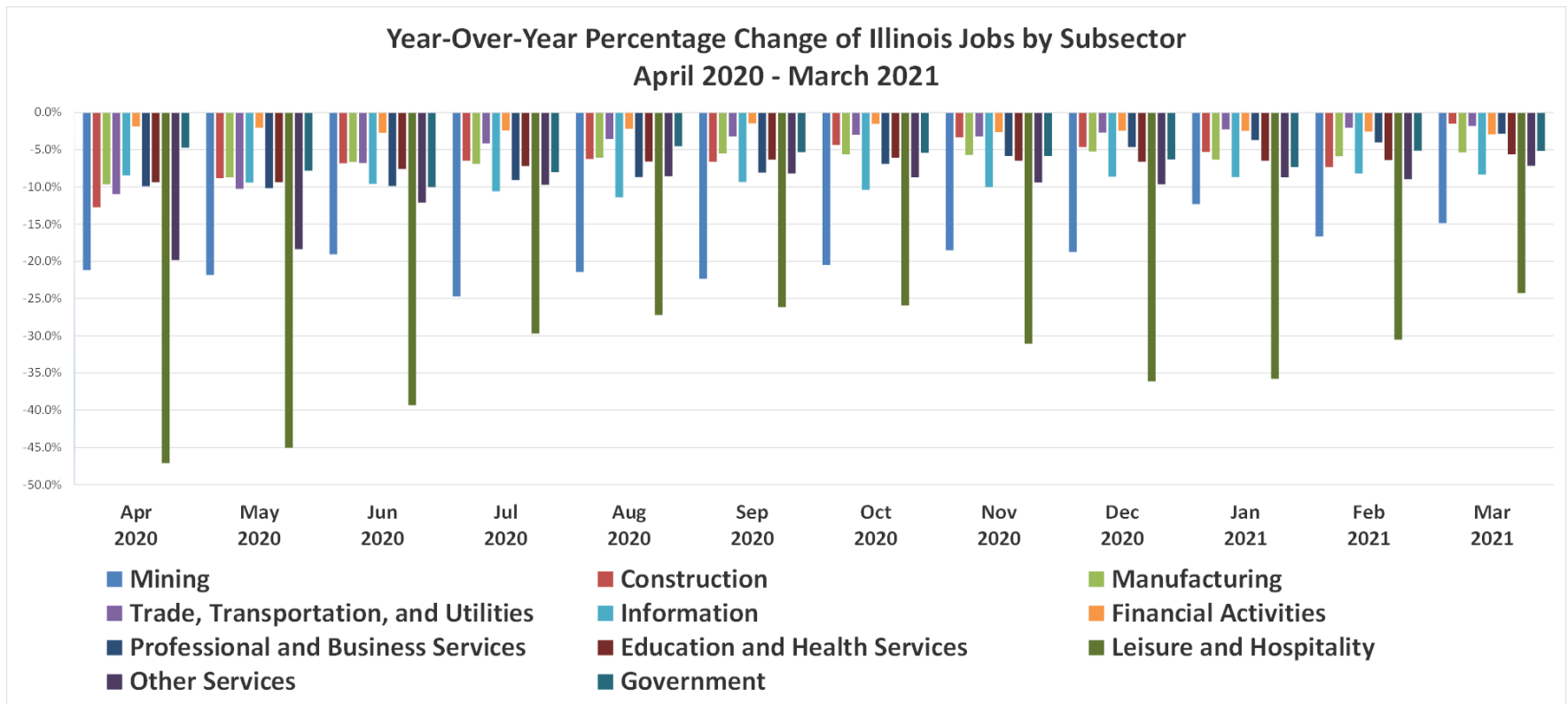
Source: www.bls.gov

Illinois Employment Performance By Subsector

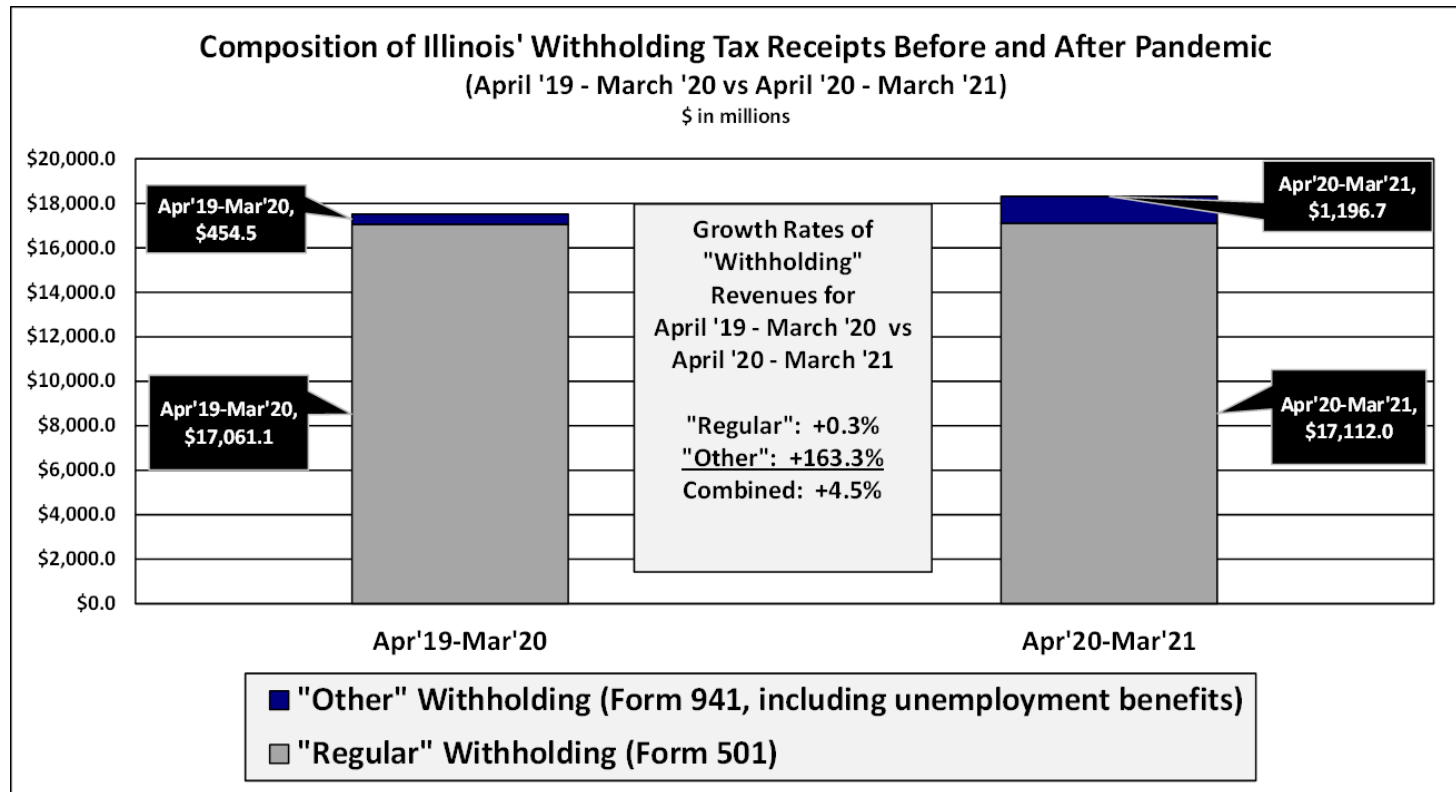
Performance of Illinois' Subsectors of Employment thru March 2021																		
Subsector	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Mar'21 %Ch Rank	20 Avg Wkly Wage	Rank
	<i>vs. Previous Year's Monthly Value</i>																	
Mining	-6.4%	-7.7%	-7.5%	-21.2%	-21.8%	-19.0%	-24.7%	-21.4%	-22.4%	-20.5%	-18.5%	-18.8%	-12.3%	-16.7%	-14.9%	10	N/A	N/A
Construction	1.2%	1.6%	-1.4%	-12.8%	-8.8%	-6.8%	-6.5%	-6.3%	-6.6%	-4.4%	-3.3%	-4.6%	-5.3%	-7.3%	-1.5%	1	\$1,445	3
Manufacturing	-1.5%	-1.7%	-2.0%	-9.6%	-8.7%	-6.7%	-6.9%	-6.1%	-5.5%	-5.6%	-5.7%	-5.2%	-6.3%	-5.9%	-5.4%	6	\$1,153	5
Trade, Transportation, and Utilities	-0.2%	0.1%	-0.3%	-11.0%	-10.3%	-6.8%	-4.2%	-3.6%	-3.2%	-3.0%	-3.2%	-2.7%	-2.3%	-2.0%	-1.8%	2	\$903	7
Information	-1.8%	-1.6%	-2.1%	-8.4%	-9.4%	-9.6%	-10.6%	-11.4%	-9.4%	-10.4%	-10.0%	-8.6%	-8.7%	-8.2%	-8.3%	9	\$1,531	2
Financial Activities	1.8%	1.4%	1.3%	-1.9%	-2.0%	-2.7%	-2.4%	-2.2%	-1.5%	-1.5%	-2.7%	-2.4%	-2.5%	-2.6%	-2.9%	4	\$1,544	1
Professional and Business Services	0.2%	0.1%	-0.9%	-9.9%	-10.2%	-9.9%	-9.1%	-8.7%	-8.1%	-6.9%	-5.8%	-4.6%	-3.7%	-4.0%	-2.8%	3	\$1,236	4
Education and Health Services	1.6%	1.9%	1.0%	-9.4%	-9.4%	-7.6%	-7.2%	-6.6%	-6.3%	-6.1%	-6.5%	-6.6%	-6.5%	-6.4%	-5.6%	7	\$856	8
Leisure and Hospitality	1.4%	1.8%	-3.0%	-47.1%	-45.1%	-39.3%	-29.7%	-27.2%	-26.2%	-25.9%	-31.1%	-36.1%	-35.8%	-30.5%	-24.3%	11	\$428	9
Other Services	0.9%	1.3%	-0.5%	-19.8%	-18.4%	-12.1%	-9.7%	-8.6%	-8.2%	-8.7%	-9.4%	-9.7%	-8.7%	-9.0%	-7.2%	8	\$1,012	6
Government	2.2%	1.1%	0.7%	-4.7%	-7.8%	-10.0%	-8.0%	-4.5%	-5.3%	-5.4%	-5.8%	-6.3%	-7.3%	-5.1%	-5.2%	5	N/A	N/A
Overall	0.7%	0.6%	-0.5%	-13.0%	-13.0%	-11.3%	-9.2%	-8.1%	-7.6%	-7.3%	-7.8%	-8.1%	-8.0%	-7.3%	-6.0%			
Overall Change in Jobs (thousands)	41.1	38.5	(28.4)	(796.6)	(799.3)	(697.1)	(564.6)	(495.1)	(470.7)	(451.3)	(485.3)	(501.8)	(485.4)	(439.1)	(358.8)			

- The latest available employment data from the Bureau of Labor Statistics (March 2021, preliminary) shows that Illinois jobs are down 6.0% (-358,800 jobs) compared to the same month a year prior (March 2021). This level of decline is a marked improvement from the employment declines that took place in April and May of 2020 when the job losses were down as much as 13.0% or nearly 800,000.
- There is a wide variance between subsectors in regard to job losses. In March 2021, the losses ranged from a 24.3% decline in the “Leisure and Hospitality” subsector to a slight decline in jobs (-1.5%) in the “Construction” subsector. While the 24.3% decline in the “Leisure and Hospitality” remains concerning, these job losses are much improved from the levels of job losses that have occurred over the past year.
- Despite the overall declines in employment, the State has not seen a similar decline in income related tax receipts thus far. Part of this is due to the wage level of the subsectors hurt most by the job losses. For example, the hardest hit subsector, “Leisure and Hospitality”, has by far the lowest average weekly wage of the major subsectors in Illinois (\$428/wk). In contrast, the “Financial Activities” subsector has been one of the subsectors hurt the least by the recent employment losses, but is among the highest wage earning subsectors in the State (\$1,544/wk).

Decline In Illinois Jobs



- The graph above displays the immediate impact that the COVID-19 pandemic has had on Illinois jobs, starting in April 2020. It also shows how the falloff slowed from its initial decline, but worsened at the end of the year. State-imposed restrictions on various businesses in response to the virus has contributed to this fluctuation.
- Also shown is the variance in the levels of declines by subsector. Here, the drastic impact on job levels in the lower-paying “Leisure and Hospitality” subsector can clearly be seen. In March 2021, jobs in this subsector made up 7.8% of total Illinois jobs. However, 39.4% of the lost jobs (as compared to a year ago) came from this sector of employment.



A contributing factor to why income tax revenues have continued to perform well, despite the declines in employment, is due to the tax revenues received from unemployment benefits paid in Illinois, which skyrocketed after the pandemic began.

All of the unemployment benefits that a resident receives are subject to taxation (with the exception of the first \$10k of 2020 benefits), and are included on the Department of Revenue's Form 941. As highlighted in the chart, between April 2019 and March 2020, income tax revenues from Form 941 amounted to \$454.5 million. During the virus-impacted months of April 2020 thru March 2021, the amount grew to \$1.197 billion, a 163.3% increase compared to the prior year. Comparatively, "regular" withholding (Form 501) only increased 0.3% during this time frame.

When combined, total withholding receipts are up +4.5% for this time period. The bottom line is that, though unemployment has escalated during the pandemic, the taxation of unemployment benefits has minimized the impact on Illinois' tax revenues, acting like a buoy and keeping withholding tax receipts at levels higher than otherwise would be expected given the jobs picture.

APPENDIX B

ECONOMIC FORECASTS



Consensus Forecast

The Consensus Forecasts – USA report from Consensus Economics summarizes economic outlooks for the United States from twenty-five different economic forecasters monthly.

These include:

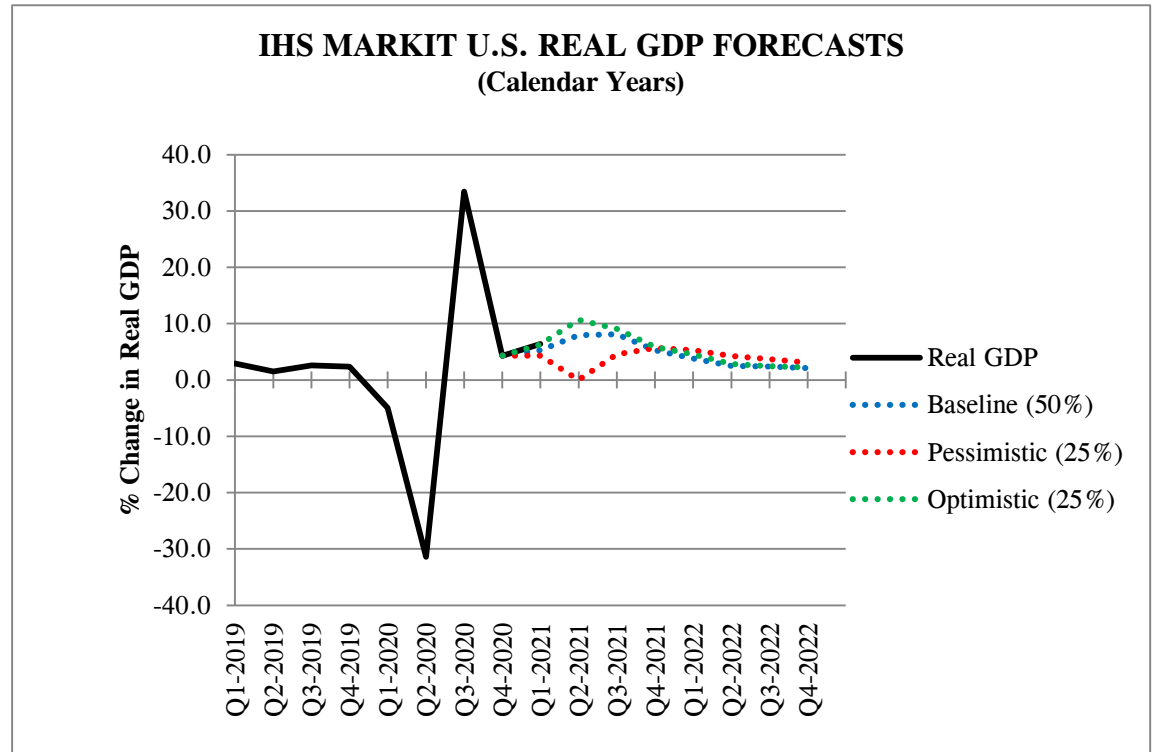
- Econometric Firms (IHS Markit/Moody's Analytics)
- Professional Business Associations (National Association of Home Builders)
- Academic Institutions (Univ. of Maryland/Georgia State Univ.)
- Individual Businesses (Eaton Corporation/Ford Motor Company)

The following table shows the economic forecasts along with historical data for relevant economic indicators.

U.S. ECONOMIC FORECASTS					
The forecasts presented are the mean forecast from 25 different economic forecasters.					
Economic Indicator	2018 Actual	2019 Actual	2020 Actual	2021 Forecast	2022 Forecast
Real GDP*	3.0%	2.2%	-3.5%	6.2%	4.1%
Nominal GDP*	5.5%	4.0%	-2.3%	8.5%	6.5%
Real Disposable Personal Income*	3.6%	2.2%	5.8%	3.0%	-1.2%
Real Personal Consumption*	2.7%	2.4%	-3.9%	7.1%	4.4%
Real Government Consumption and Investment*	1.8%	2.3%	1.1%	1.2%	1.7%
Real Business Investment*	6.9%	2.9%	-4.0%	7.5%	5.9%
Nominal Pre-tax Profits*	6.1%	0.3%	-5.8%	13.4%	5.7%
Consumer Prices*	2.4%	1.8%	1.2%	2.6%	2.3%
Core PCE Prices (excluding Food/Energy)*	2.0%	1.7%	1.4%	1.9%	2.1%
Producer Prices*	3.0%	0.8%	-1.3%	4.1%	2.0%
Employment Costs*	2.8%	2.7%	2.6%	2.7%	2.7%
Auto & Light Truck Sales (inc. imports) mn	17.2	16.9	15.2	16.6	16.8
Housing Starts, mn units	1.25	1.30	1.40	1.54	1.54
Unemployment Rate (%)	3.9%	3.7%	8.1%	5.4%	4.2%
*average % change over previous calendar year					
Source: Consensus Economics, April 2021					

U.S. Real GDP Forecast Scenarios

- The **BASELINE** shows the most likely scenario with a 50% chance of occurrence. Real GDP rebounds 6.6% in 2021 as growth marks a 5.3% annual rate in the first quarter, accelerates to 7.9% in the second, and 8.1% in the third. Prior peak GDP is surpassed in May. Growth slows to 2.7% in 2022 and 2.1% in 2023.
- A more **PESSIMISTIC** scenario with a 25% probability has the recovery stumbling as consumers hunker down amid a fourth wave. Real GDP rises 3.6% in 2021 and only passes the pre-pandemic peak in the fourth quarter. Growth picks up to 4.1% in 2022 and slips back to 3.0% in 2023.
- A final 25% likely **OPTIMISTIC** scenario has the easing of containment measures, accelerating vaccines and still more stimulus driving a faster recovery. Real GDP surges 8.0% in 2021, flying past its previous peak in the second quarter. GDP rises 3.0% in 2022 and 2.3% in 2023.



IHS MARKIT – APRIL 2021

IHS MARKIT U.S. ECONOMIC FORECAST SCENARIOS

APRIL 2021*

	Baseline (50%)	Pessimistic (25%)	Optimistic (25%)
GDP Growth	Real GDP rebounds 6.6% in 2021 as growth marks a 5.3% annual rate in the first quarter and accelerates to 7.9% in the second and 8.1% in the third. Prior peak GDP is surpassed in May. Growth slows to 2.7% in 2022 and 2.1% in 2023.	Real GDP rises 3.6% in 2021 and only passes the pre-pandemic peak in the fourth quarter. Growth picks up to 4.1% in 2022 and slips to 3.0% in 2023.	Real GDP surges 8.0% in 2021, flying past its previous peak in the second quarter. GDP rises 3.0% in 2022 and 2.3% in 2023.
Consumer Spending	Spending jumps 7.2% in 2021 as widespread inoculation enables a summer surge in services spending. Spending growth marks 3.4% in 2022 and 2.7% in 2023.	Spending recovers 4.3% in 2021, rises to 4.5% in 2022 and slips to 3.3% in 2023.	Spending surges 9.0% in 2021, rises 4.2% in 2022, and slips to 3.2% growth in 2023.
Business Fixed Investment	Investment jumps 7.5% in 2021. It remains strong at 5.2% growth in 2022 and 4.4% in 2023.	Investment grows 5.3% in 2021, 5.6% in 2022, and 4.8% in 2023.	Investment rises 8.8% in 2021, 5.7% in 2022, and 4.2% in 2023.
Monetary Policy	Fed keeps the funds rate at the zero bound through mid-2024; current pace of asset purchases maintained through 2021 before tapering over 2022.	Fed keeps the federal funds rate at the zero bound through mid-2027; aggressive “quantitative easing” and liquidity enhancement measures.	Fed keeps the federal funds rate at the zero bound until mid-2022.
Consumer Confidence	Consumer confidence rebounds strongly starting in the second quarter of 2021 and rivals prior highs by the end of 2023.	Consumer confidence remains below the baseline over the entire forecast interval.	Consumer confidence outperforms baseline over the entire forecast interval.
Inflation (PCE)	Core personal consumption (PCE) price inflation rises from 1.4% in 2020 to 1.9% in 2021 and 1.8% in 2022, with the trend surpassing 2.0% (quarterly, annualized) in mid-2023.	Core PCE price inflation is 1.2% this year but slows to 0.6% in 2022 and 1.1% in 2023.	Core PCE price inflation accelerates to 2.2% in 2021, 2.1% in 2022 and 2.3% in 2023.

*Annual percent changes are fourth-quarter over fourth-quarter.

IHS Markit

U.S. FORECASTS -- APRIL 2021

(Percent Change of Real 2012 \$ on Calendar Year Basis, Q4/Q4 for Annual Rates)

	2020	2021			2022		
	Actual	Pessimistic	Baseline	Optimistic	Pessimistic	Baseline	Optimistic
Gross Domestic Product	-2.4%	3.6%	6.6%	8.0%	4.1%	2.7%	3.0%
Personal Consumption	-2.7%	4.3%	7.2%	9.0%	4.5%	3.4%	4.2%
Durable	11.6%	1.5%	3.4%	5.3%	0.1%	0.1%	0.9%
Nondurable	4.1%	4.6%	4.1%	5.4%	0.8%	0.3%	1.4%
Services	-6.8%	4.7%	8.8%	10.8%	6.5%	4.9%	5.6%
Fixed Investment (Nonresidential)	-1.4%	5.3%	7.5%	8.8%	5.6%	5.2%	5.7%
Exports	-10.9%	4.5%	6.7%	7.6%	7.4%	6.6%	6.0%
Imports	-0.6%	7.3%	9.3%	12.8%	2.5%	2.0%	3.0%
Government							
Federal	2.4%	1.6%	1.3%	1.3%	-0.5%	-1.1%	-0.8%
State & Local	-2.3%	4.6%	5.4%	5.4%	0.2%	-0.2%	-0.2%
OTHER MEASURES							
Personal Consumption (Current \$)	-1.5%	5.8%	9.5%	11.6%	4.9%	5.0%	6.1%
Before Tax Profits (Current \$)	4.9%	-6.1%	6.6%	7.1%	8.9%	3.3%	6.1%
Unemployment Rate (Average Q4)	6.7%	5.2%	4.3%	3.9%	4.6%	3.6%	3.4%
IHS Markit							

ILLINOIS FORECASTS -- APRIL 2021

(Calendar Years, Q4/Q4 for Annual Rates)

	2020	2021			2022		
		Pessimistic	Baseline	Optimistic	Pessimistic	Baseline	Optimistic
Real Gross State Product (Billions 2012\$)	757.9	786.8	809.8	819.9	814.3	827.4	839.4
% Change	-2.2%	3.8%	6.8%	8.2%	3.5%	2.2%	2.4%
Total Employment (1,000's)	5,649.9	5,885.4	5,962.1	6,004.2	5,986.5	6,091.6	6,116.1
% Change	-7.8%	4.2%	5.5%	6.3%	1.7%	2.2%	1.9%
Population (1,000's)	12,546.9	12,495.7	12,495.7	12,495.7	12,475.8	12,475.8	12,475.8
% Change	-0.7%	-0.4%	-0.4%	-0.4%	-0.2%	-0.2%	-0.2%
Personal Income (Billions \$)	781.6	789.0	805.5	819.2	819.2	840.4	857.1
% Change	4.2%	0.9%	3.1%	4.8%	3.8%	4.3%	4.6%
Private Housing Starts (1,000's)	17.1	19.9	20.7	22.0	18.1	19.2	20.7
% Change	-8.4%	16.2%	21.1%	28.4%	-8.7%	-7.2%	-5.9%
Unemployment Rate Average % (Q4)	8.1%	5.9%	5.0%	4.6%	5.0%	4.0%	3.7%
IHS Markit							

DEVELOPMENT OF CGFA ESTIMATES

Econometric Firms—The Commission utilizes the services of IHS Markit, Moody's Analytics, and Consensus Economics Inc. They provide a wealth of economic measures and forecasts, both on a national and state specific basis, which are utilized to varying degrees during the estimating process.

Data Sources—The Commission utilizes actual receipt data via the Comptroller's warehouse. Additionally, tax collection data reports prepared by the IDoR, as well as employment and earning reports produced by the Bureau of Labor Statistics and IDES are also utilized, as are other pertinent data that may be necessary and available.

Forecasting models—Depending on the revenue source being forecasted, model complexity can range from the very simple to fairly complex. Several smaller sources with relatively low volatility need nothing more than simple trend analysis to produce accurate forecasts, while the estimates of the larger more economically driven revenue sources such as income and sales benefit from more sophisticated econometric models which utilize regressions and various time series techniques.

Application of Adjustments—Often times a base forecast must be adjusted by factors such as tax changes made at either the federal or state level that will disrupt historical receipt patterns, either by acceleration or delay. A clear example of this was seen during the pandemic as a one-time delay in the tax deadline date resulted in tax receipts shifting to other fiscal years. Also, as has been the case in recent years, impacts related to IDOR accounting procedures must also be included. These are usually one-time phenomena, but must be accounted for by adjusting the estimate. Examples include tax rates, credits, deductions, exemptions, amnesty, etc.

Review Process and Tests of Reasonableness— Before a forecast is presented, it must pass internal review. In other words, the forecast must make sense. Any questionable forecast is re-examined for error. Accuracy of the estimates is reviewed during each forecasting period and, if necessary, appropriate revisions to the models are made in an effort to improve accuracy.