

Commission on Government Forecasting and Accountability

FY 2024 Economic Forecast and FY 2023 Revenue Estimate Update



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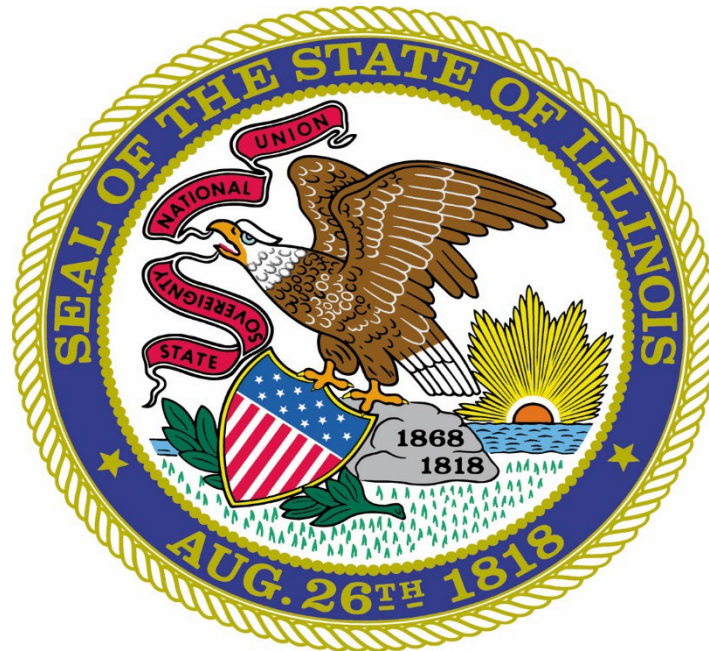
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CGFA Background & Responsibilities

- 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;
- Annually 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;

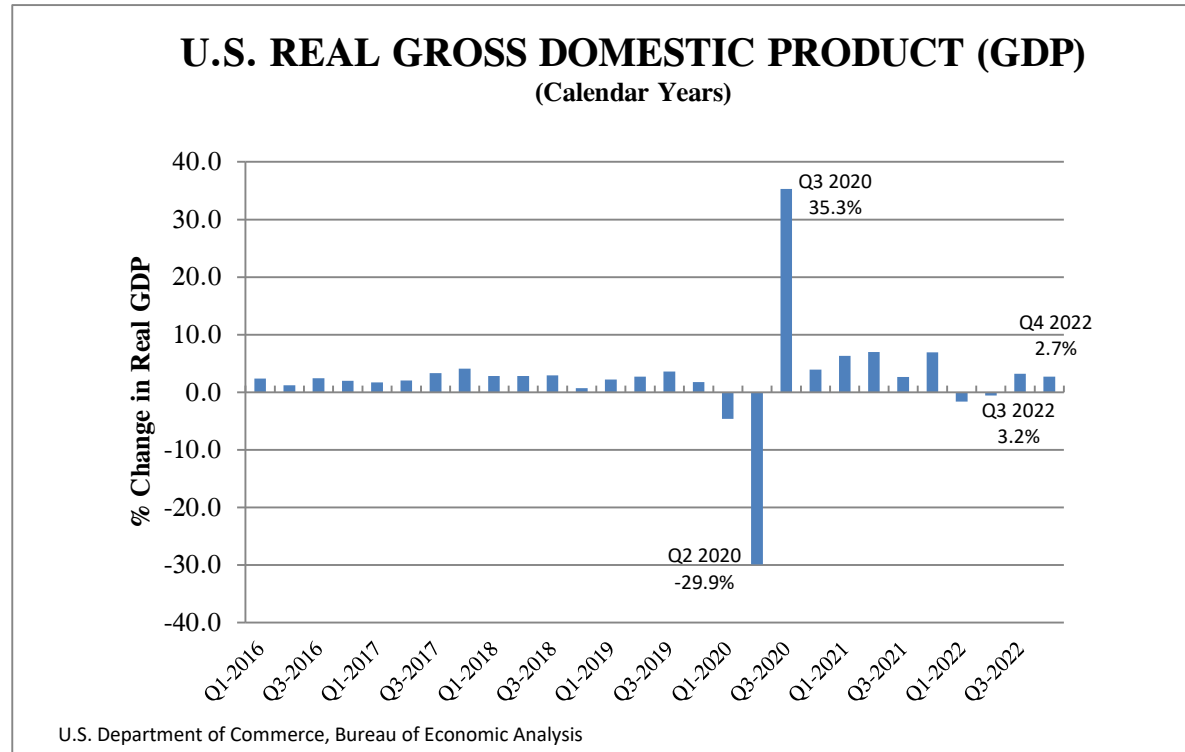
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THE ECONOMY



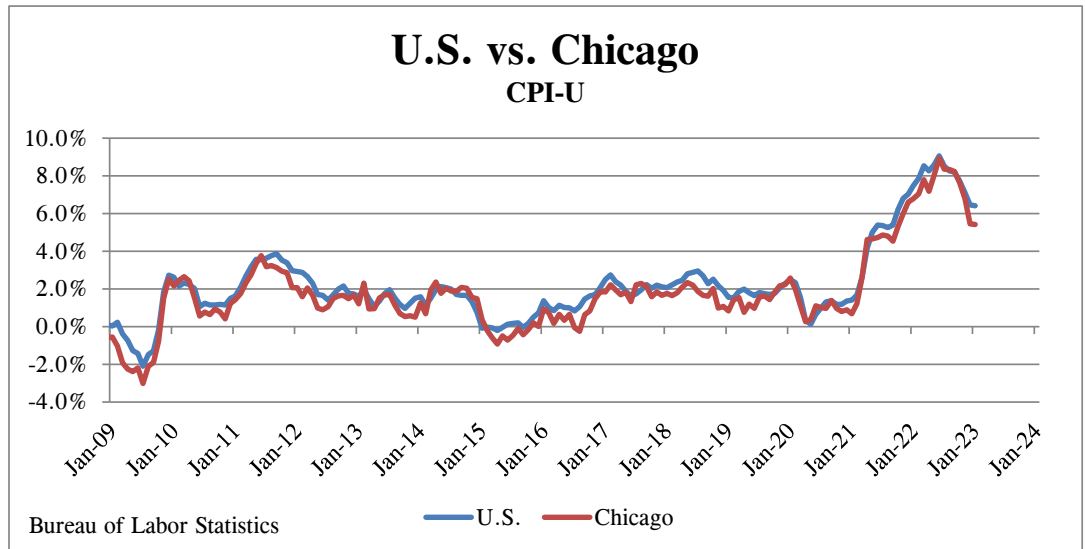
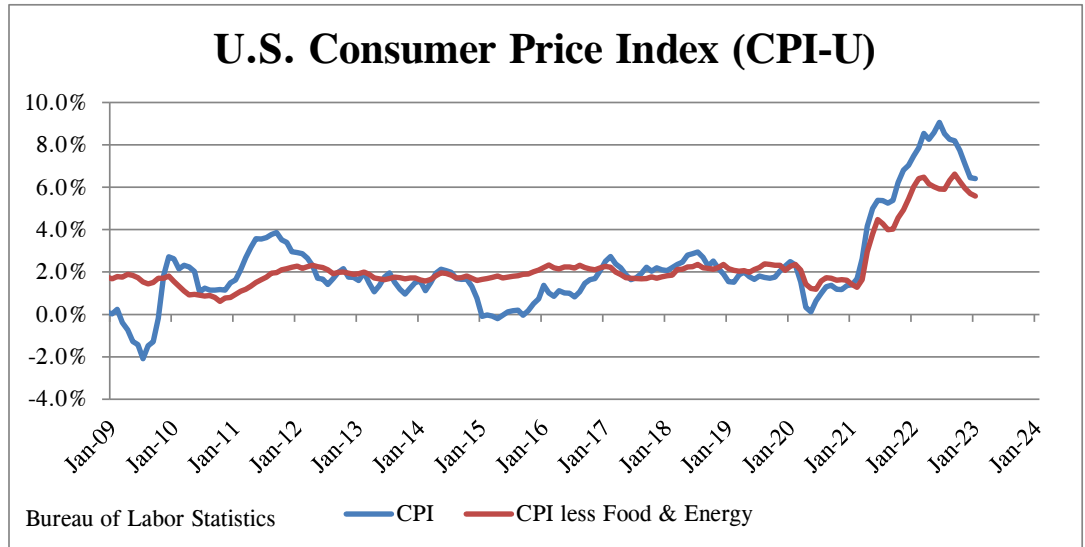
Real Gross Domestic Product (GDP)

- Real GDP is a comprehensive measure of U.S. economic activity that measures the value of the final goods and services produced in the United States adjusted for inflation.
- The spread of COVID-19 led to a historic decline (-29.9%) in the 2nd quarter of 2020, followed by the largest percentage increase (35.3%) ever.
- After strong growth in 2021, the economy contracted in the first two quarters of 2022 falling -1.6% in the first quarter and -0.6% in the second.
- The economy returned to growth of 3.2% (Q3) and 2.7% (Q4) in the second half of 2022.
- An aggregation of economic forecasts in February had a mean estimate for real GDP growth of 0.7% for 2023 and 1.1% for 2024.

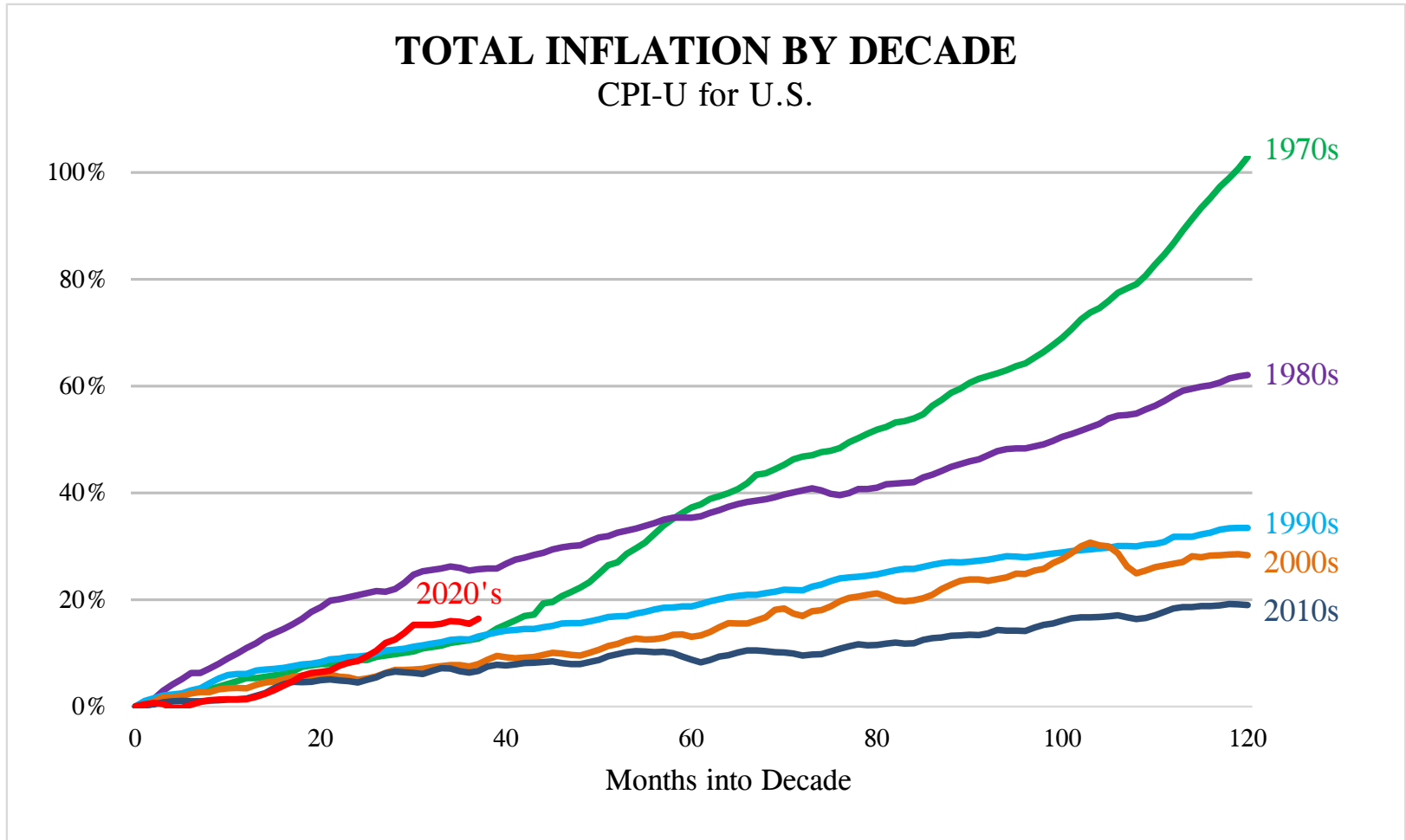


Consumer Price Index (CPI)

- 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.
- Inflation was mostly steady between 1.5% to 2.0% between 2012 and 2019, especially when food and energy were removed.
- In April of 2021, the CPI began to accelerate due to high consumer demand buoyed by healthy household balance sheets augmented by government support. Supply chain issues and supply shocks such as the war in Ukraine also put upward pressure on prices.
- CPI reached a high of 9.1% in June of 2022. Core CPI grew to 6.6% in September of 2022.
- In January, the inflation rates slowed their descent as the headline CPI fell to 6.4%, while Core CPI which excludes Food and Energy was at 5.6%.
- Expectations are for inflation to continue to slow over the coming year.



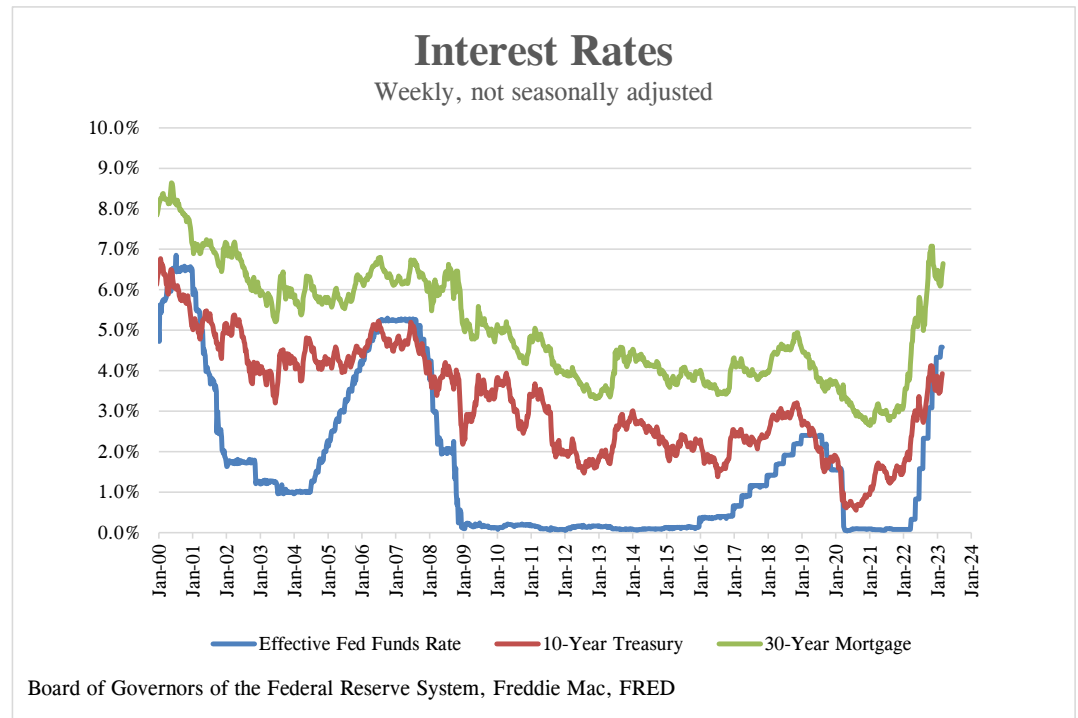
Historical CPI



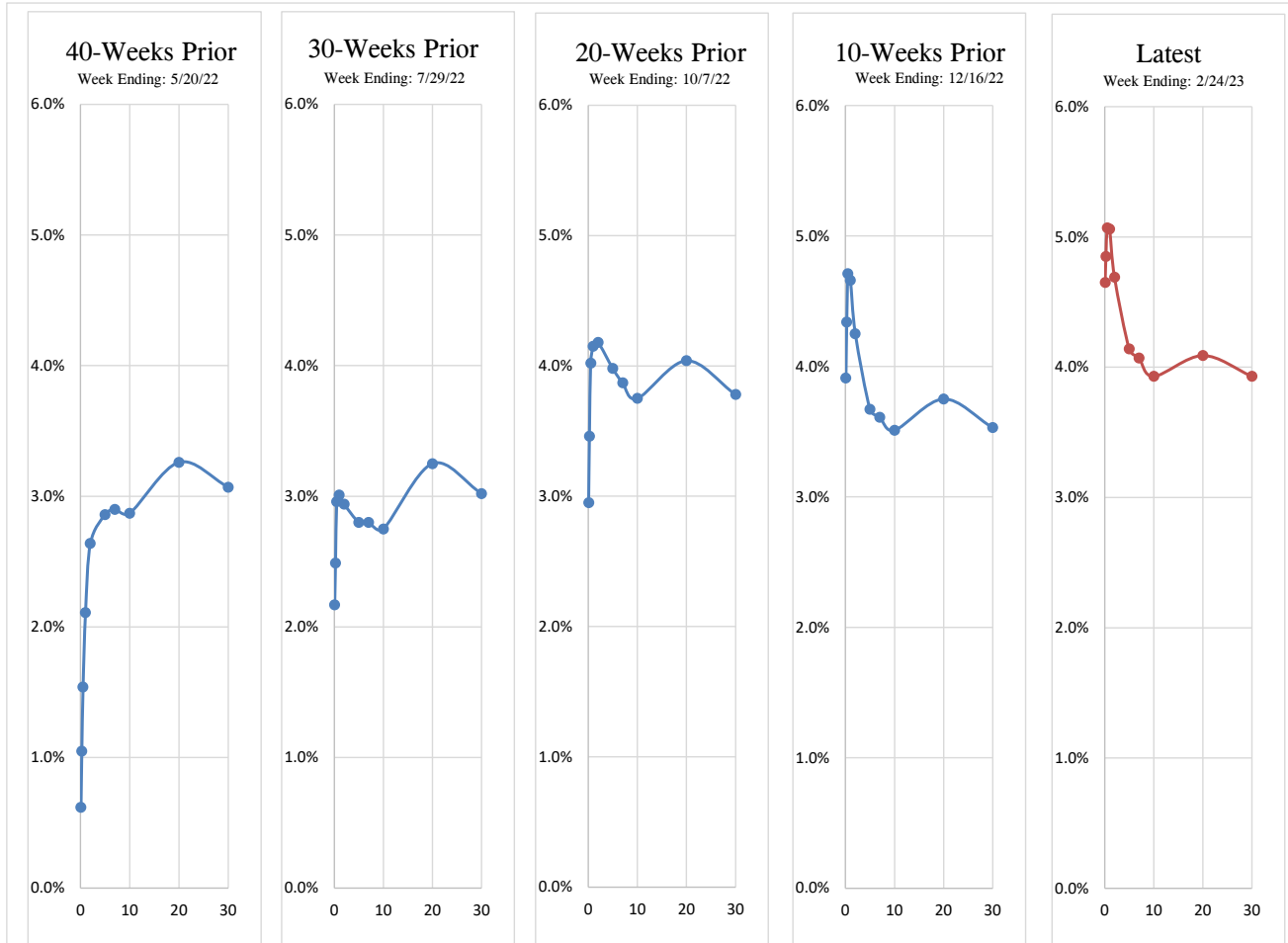
- The chart above shows total inflation since the beginning of each decade as measured by CPI.
- After 37 months, the 2020's have seen the second highest amount of inflation since the 1970s.
- The Federal Reserve's current monetary policy is trying to avoid a situation like that which can be seen in the 1970s, where high levels of inflation were persistent throughout much of the decade.

Interest Rates

- The federal funds rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight. The effective federal funds rate is essentially determined by the market but is influenced by the Federal Reserve through open market operations to reach the federal funds rate target.
- The 10-year Treasury rate is a key interest rate related to many transactions, particularly home mortgages, and is considered as an indicator of investor sentiment about the U.S. economy.
- The 30-Year Mortgage rate is the average rate for a 30-Year fixed rate mortgage in the United States as reported by Freddie Mac.
- In an attempt to fight inflation and slow an overheated economy, the Fed began increasing short-term interest rates in the spring of 2022.
- In late February, the 10-year Treasury rate was at 3.9% and 30-year mortgage rates were at 6.7% which were both down from recent highs in October of 2022.



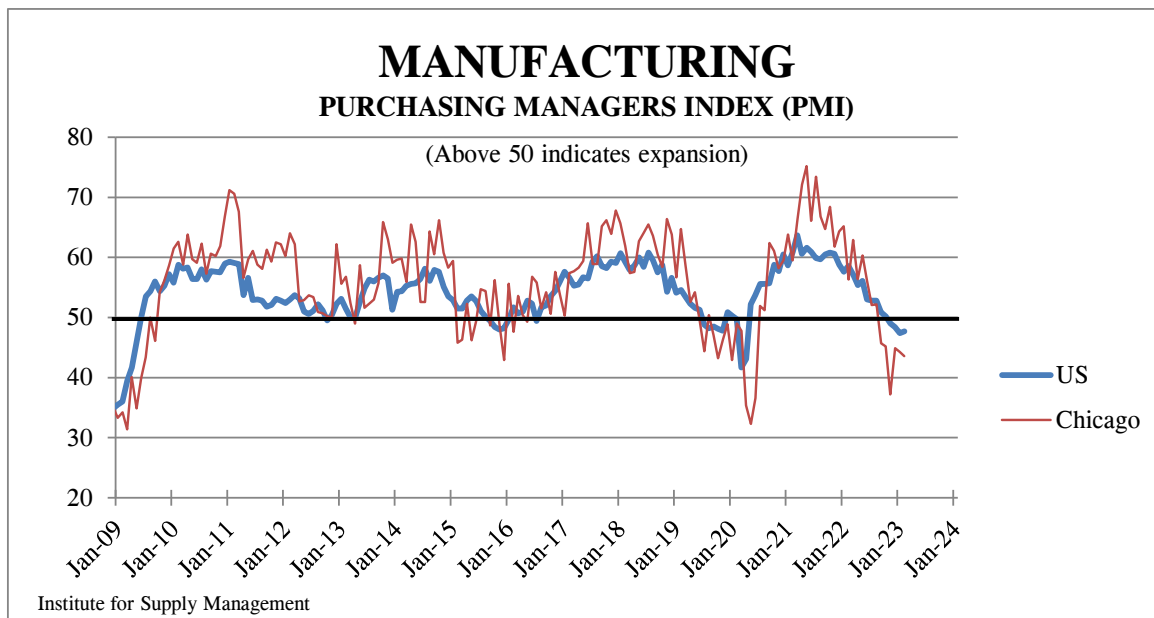
Treasury Yield Curve



- The charts above show the changes in the yield curve of U.S. Treasury Securities over the last forty weeks. The rates shown are the weekly averages for the market yield on constant maturity securities quoted on an investment basis. The securities include 1-month, 3-month, 6-month, 1-year, 2-year, 5-year, 7-year, 10-year, 20-year, and 30-year U.S. Treasury Securities.
- As shown in the chart, the yield curve has risen and compacted. In addition, there is evidence of an **inversion of rates** which means that longer term rates are lower than short-term rates which can be an **indicator of a recession in the near future**.

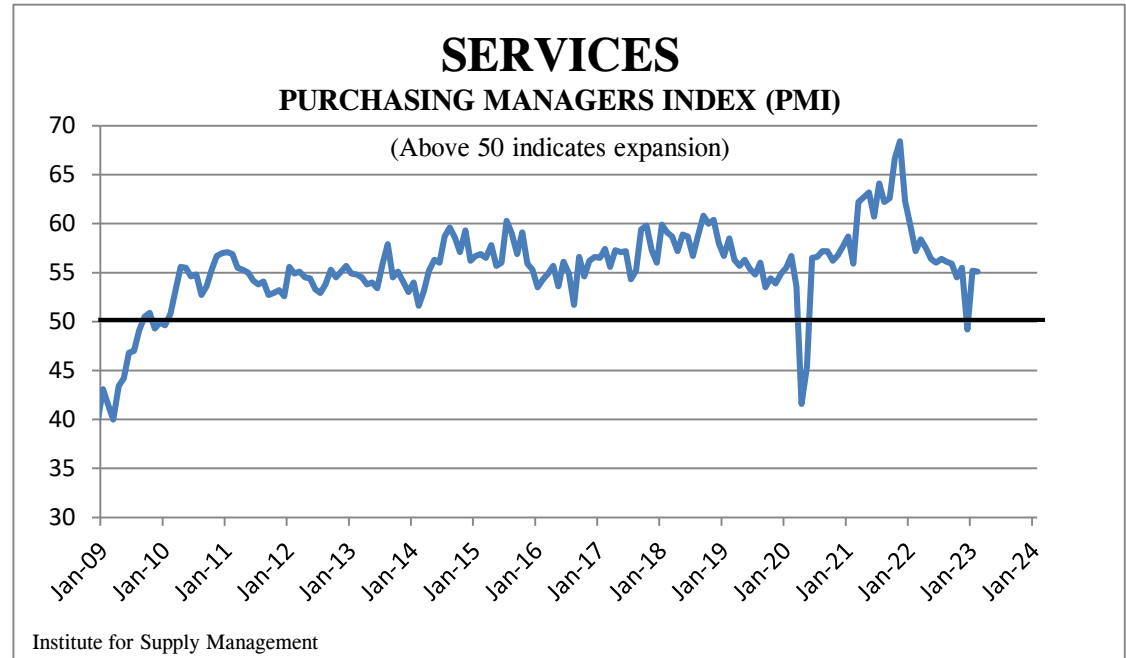
Manufacturing PMI

- This chart shows the Purchasing Managers Index (PMI) for the manufacturing sector. A value of 50 or more indicates expansion and below 50 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.
- From May of 2020 through October of 2022 (29 consecutive months) the index had been indicating expansion. The index had its highest level since the early 1980s at 64.7 in March of 2021.
- However, beginning in November of 2022, the index has been below 50, indicating a period of contraction.
- The Manufacturing PMI for Chicago peaked at an all-time high in May of 2021 but has indicated contraction for the past six months.
- Softening demand in the first half of 2023 is an ongoing concern but some manufacturers are keeping busy working down backlogs of orders.



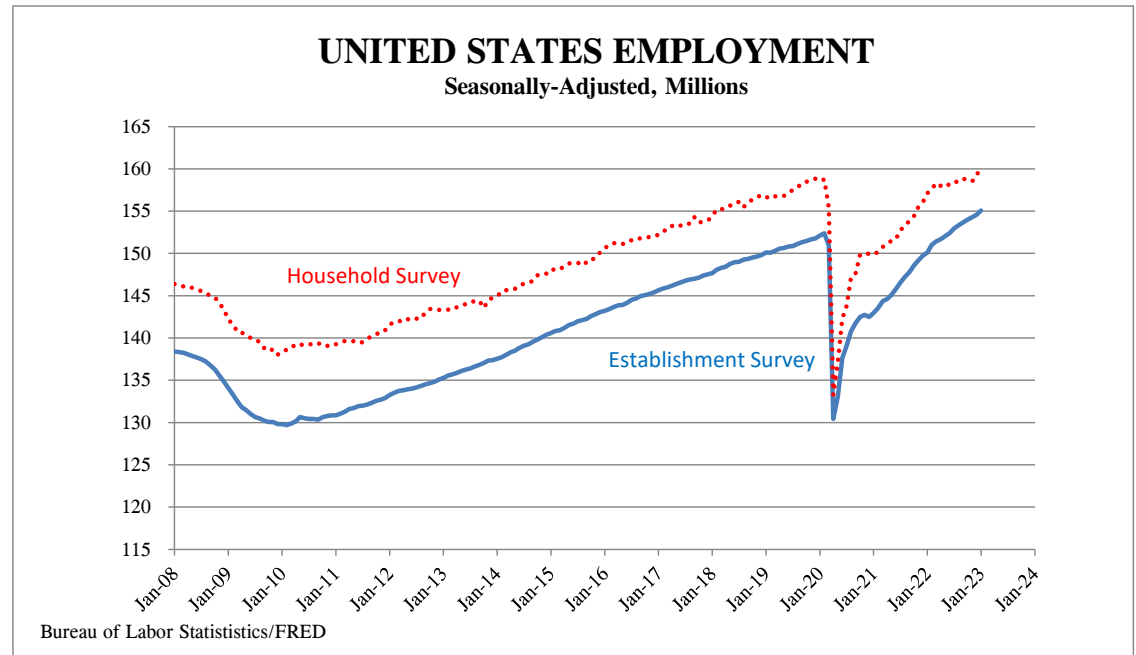
Services PMI

- 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.
- The Services 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 of 2020 due to COVID-19 but rebounded over the summer of 2021.
- An all-time high of 68.4 was registered in November of 2021 but slipped to the mid 50s since the beginning of 2022.
- December of 2022 indicated contraction before bouncing back in January and February.

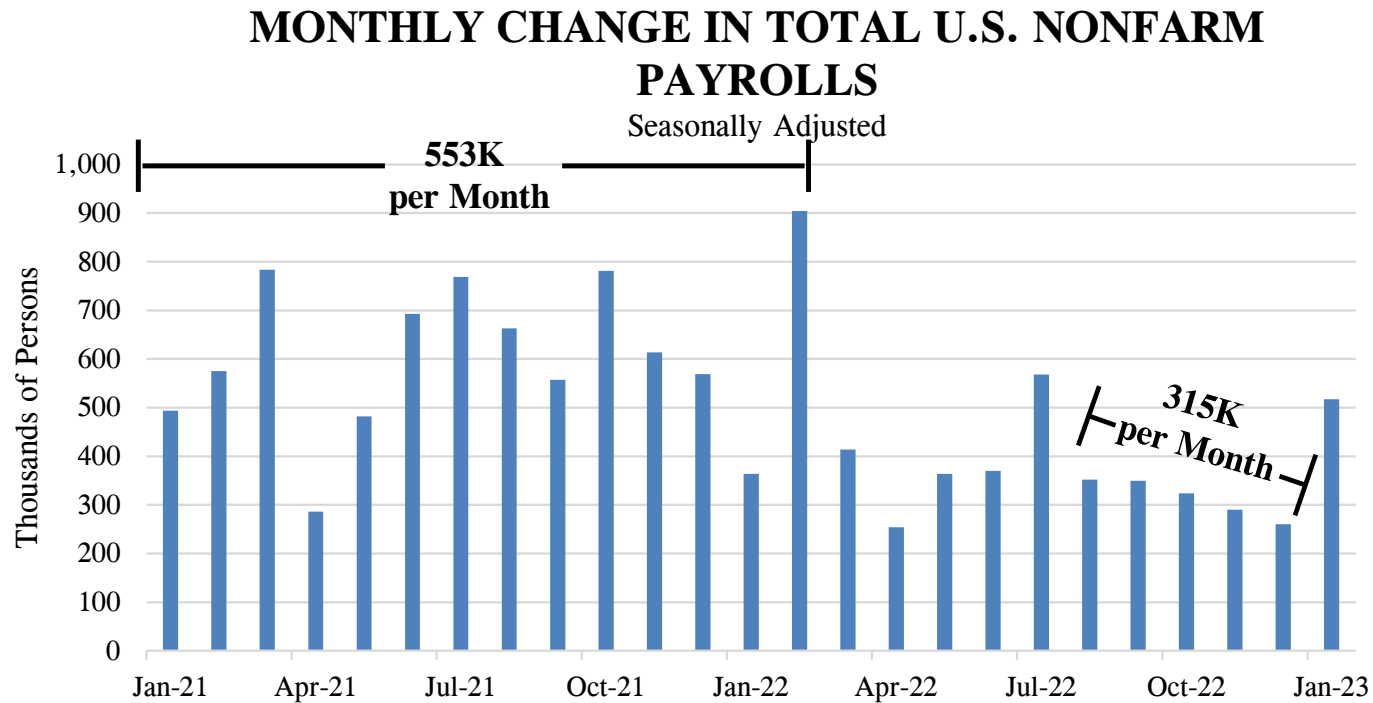


United States Employment

- 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.
- After peaking in February of 2020, U.S. employment lost approximately 22 to 26 million jobs by April 2020 due to social distancing and restrictions on economic activities to contain the spread of COVID-19. These were the largest declines in employment since the Great Depression.
- With the substantial stimulus packages by Congress and Fed's monetary policies, along with the eventual availability of vaccines, U.S. employment improved quickly.
- The rebound in jobs due to the pandemic has been much quicker compared to after the Great Recession. (28 months vs 76 months)



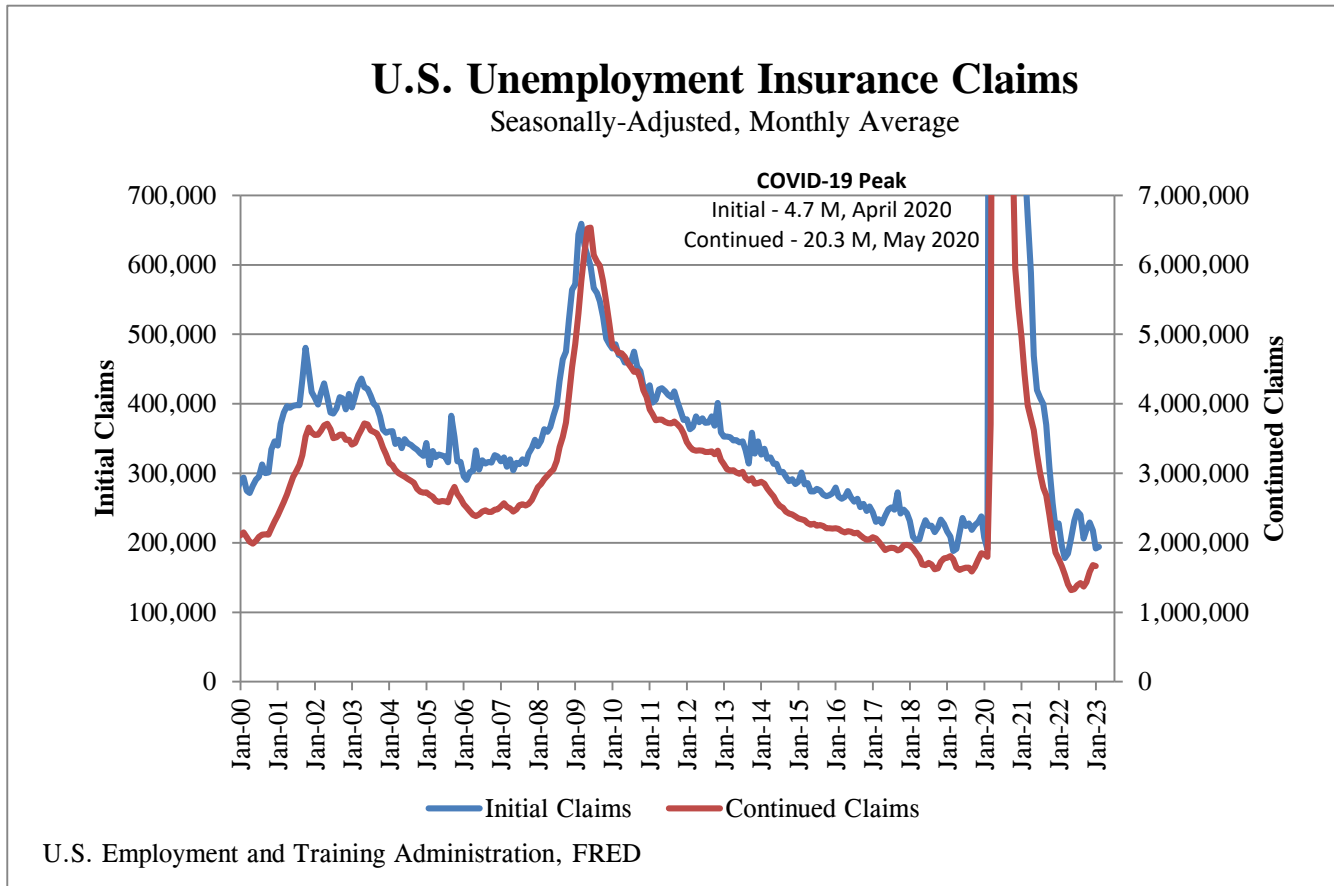
SLOWDOWN IN U.S. JOB GROWTH



U.S. Bureau of Labor Statistics, FRED

- From January of 2021 to February 2022, the U.S. averaged payroll growth of approximately 553,000 per month.
- This rate slowed to around 315,000 over the last five months of 2022.
- Even with this slowdown, this level of growth is still well above the average growth of 194,000 per month seen during the last economic expansion (2011-2019).
- Fed Chairman Powell noted that the country needs approximately 100,000 new jobs per month to keep up with population growth.

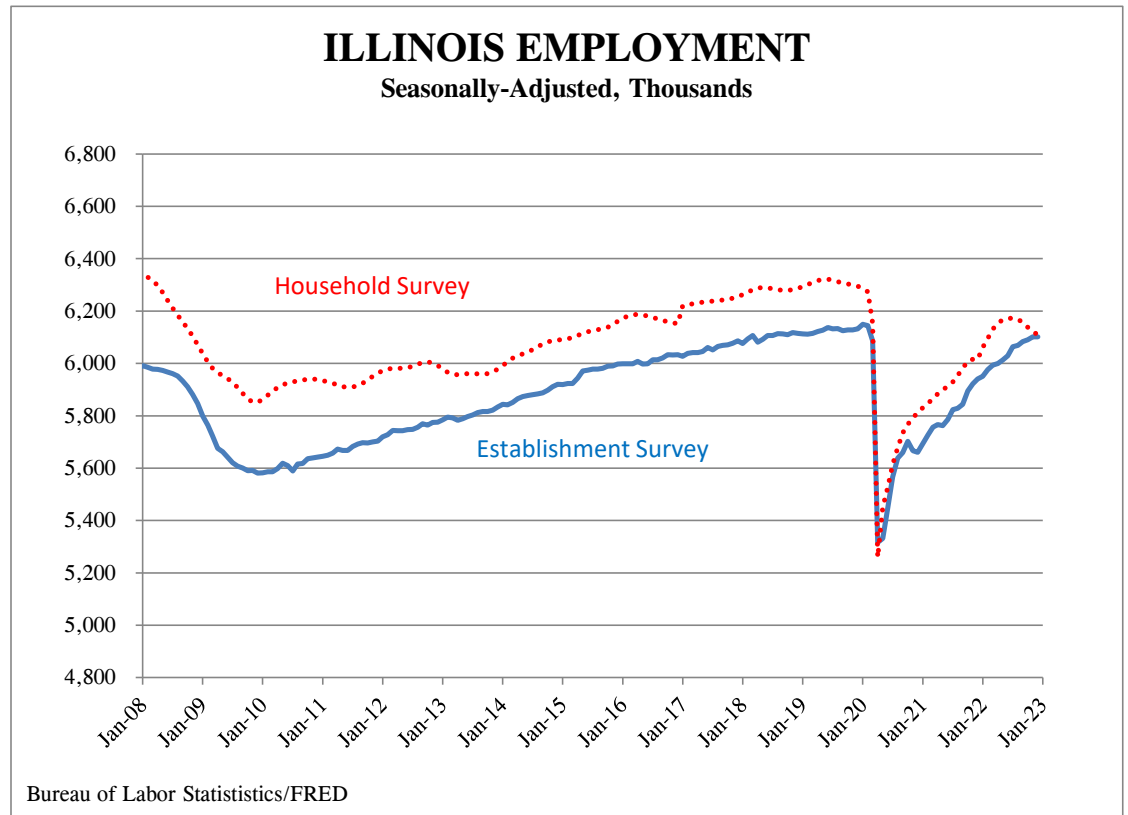
UNEMPLOYMENT INSURANCE CLAIMS



- Unemployment insurance claim data indicates that the job market remains tight.
- Initial Unemployment Claims remain near all-time lows.
- Continuing claims have risen a little since the summer of 2022 but still remain at historically low levels.

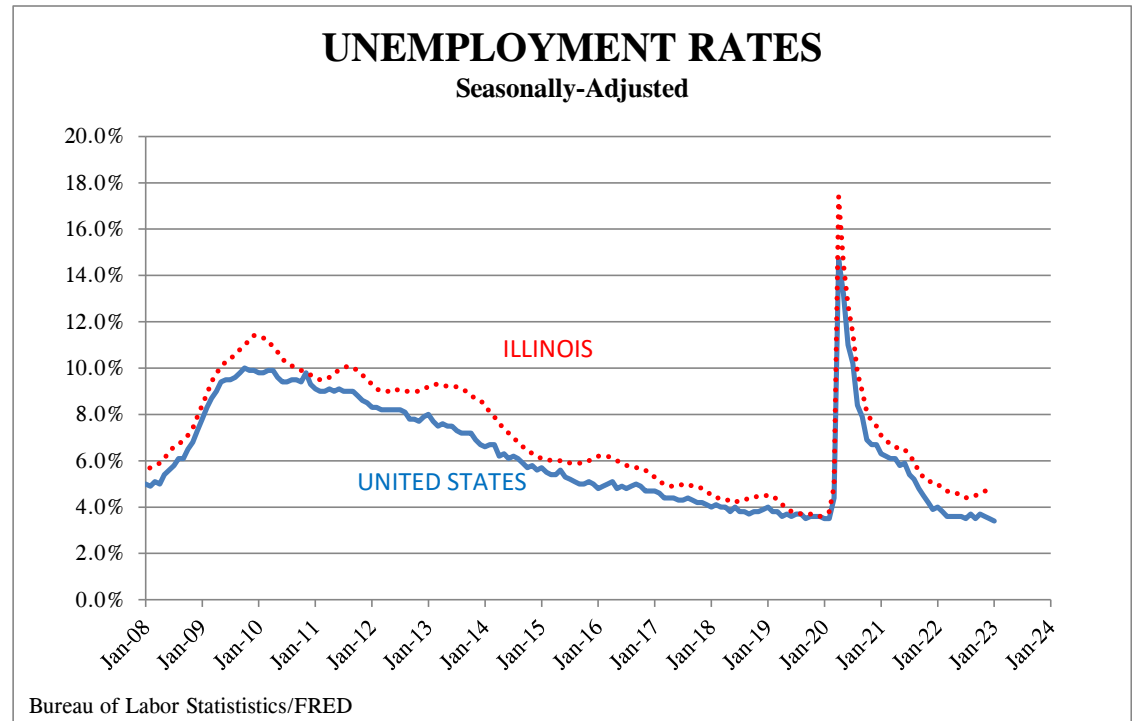
Illinois Employment

- Both surveys showed the job losses that Illinois employment experienced during the 2007-2009 recessions were fully or almost recovered prior to the COVID-19 recession, although the recovery pace of the Household Survey was much slower than that of the Establishment Survey. However, the improvement was completely erased by the effects of COVID-19 in early 2020.
- Illinois employment was hit hardest in April 2020, which coincided with the sharp drop in U.S. employment. The Establishment Survey and the Household Survey showed Illinois jobs declined by 769,000 and 895,000 respectively that month, which were the biggest drops on record.
- Since then, employment has rebounded as the Illinois economy has recovered. While a significant improvement has been seen, the recovery pace is behind that of the nation. Illinois remains about 43,000 to 163,000 jobs below where it was in February of 2020.
- Some weakness has been noted in the Household Survey for Illinois since August of 2022. This weakening is not as evident yet in the Establishment Survey.



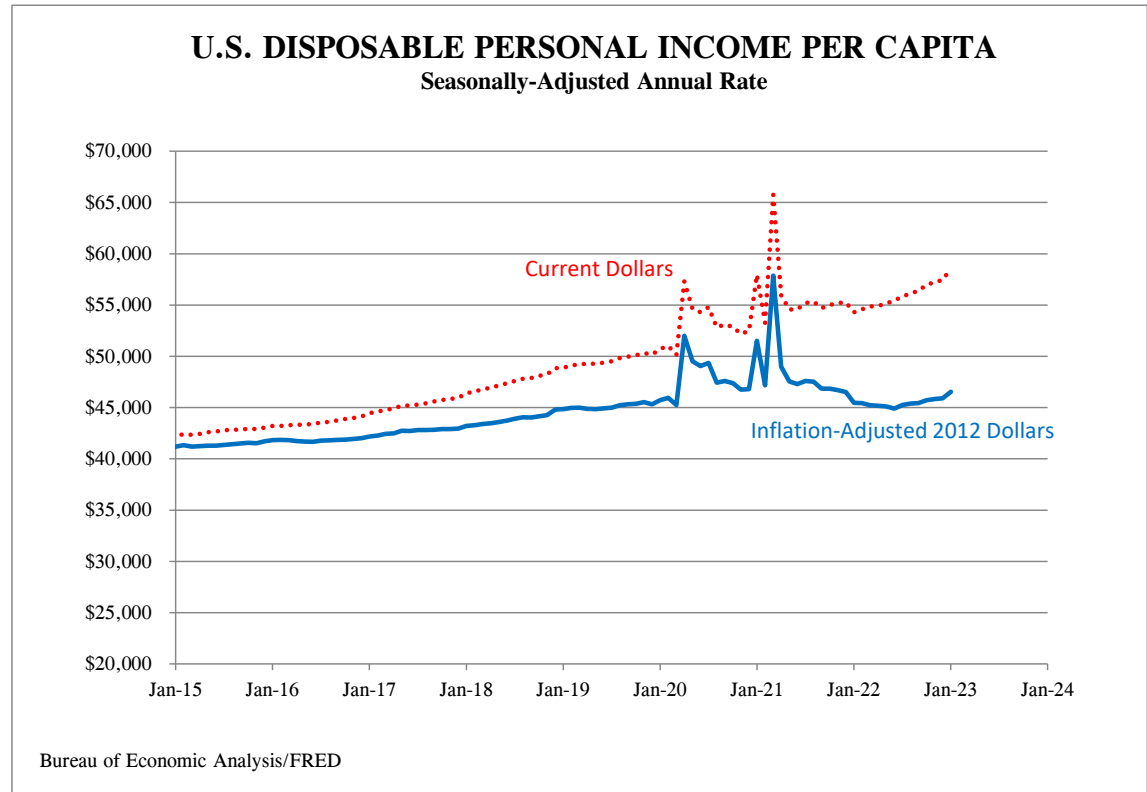
Unemployment Rates

- 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. The U.S. and Illinois had its lowest rate at 3.5% and 3.6%, respectively, prior to the COVID-19 recession.
- However, the COVID-19 outbreak caused severe damage to the economy, both at the national and state levels. In April of 2020, the unemployment rates for the U.S. and the State surged to 14.7% and 17.4% respectively, the highest and largest monthly percentage increase in the history of the data.
- While the gap between U.S. and Illinois unemployment rates that lasted for a decade finally closed just prior to the pandemic, it has reappeared during the recovery. As of December, the U.S. unemployment rate was 3.5%, while Illinois was at 4.7%.
- The U.S. rate fell to 3.4% in January which is the lowest rate since the late 1960s.

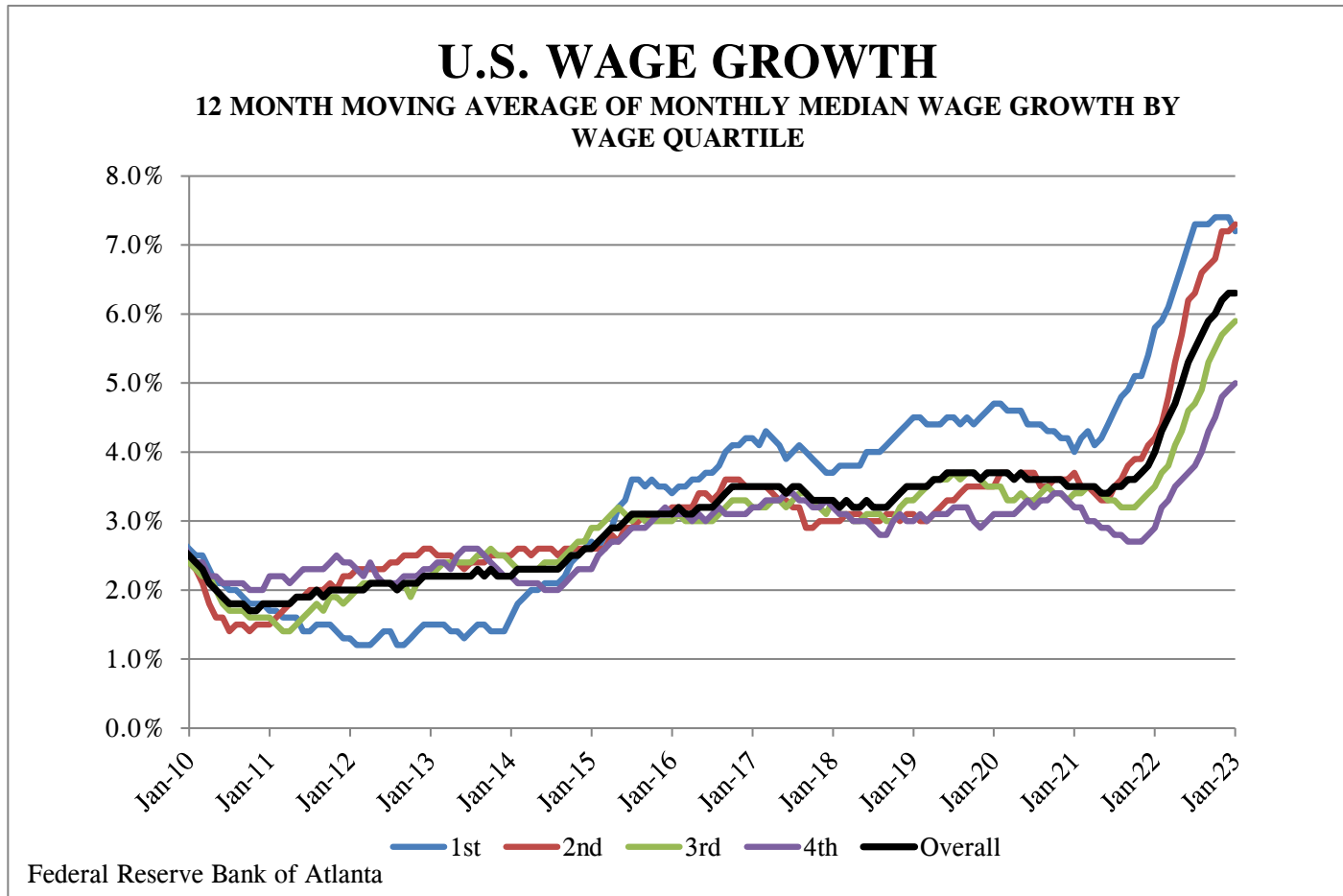


Income

- Disposable personal income is the income available to persons for spending or saving. It is equal to personal income less personal current taxes.
- Disposable income saw vast jumps during the pandemic due to increased government benefits and direct COVID-19 payments.
- While current dollar disposable income returned to a pattern of growth in the beginning of 2022, real disposable income (which adjusts for inflation) declined as inflation increased.
- The decline in real disposable income lasted through June of 2022. Since then, real disposable income has increased slightly as inflation has abated.
- Real disposable income is expected to grow around 2% over the next few years.



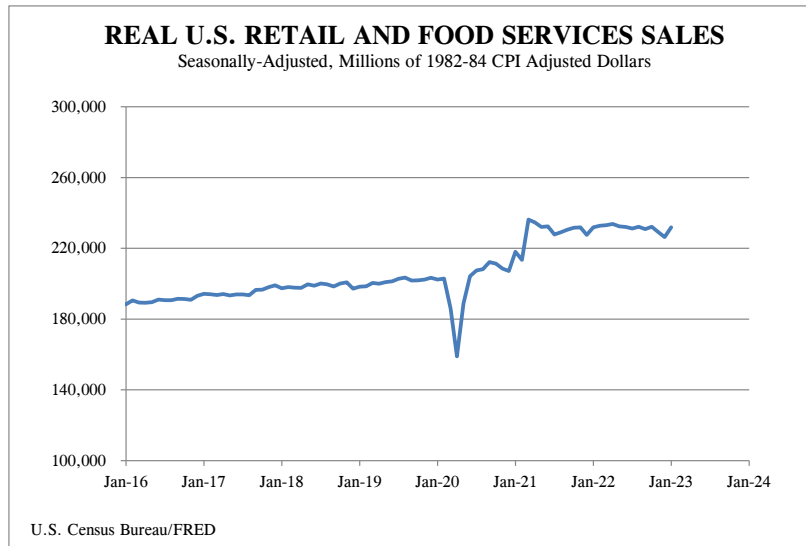
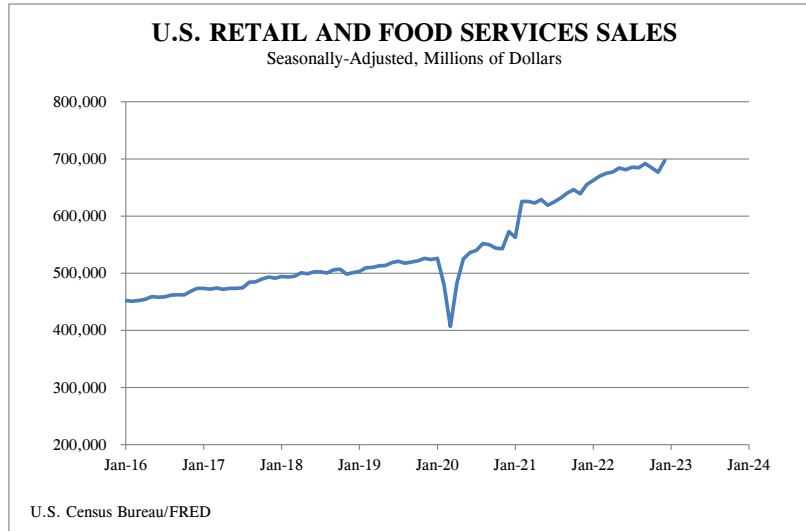
Wages



- The lower quartile wage earners have seen larger growth in wages in recent years. The lowest quartile has been the fastest growing group since the middle of 2015, while the 25%-50% quartile began to accelerate at the beginning of 2022 to match the lowest quartile.
- The higher wage earners also began to accelerate in 2022 but not quite as high as the lower wage earners.

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.
- After an initial demand shock at the beginning of the pandemic, consumer goods spending was buoyed by financial support from the federal government.
- Similar to income, nominal retail sales have continued to grow, while inflation-adjusted retail sales have been flat.



Average Employment Levels by Subsector in Illinois

Non-Seasonally Adjusted Averages: FY 2016 to FY 2023 (in thousands)

Subsector	Annual Average								FY22 to FY23	
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 YTD	Change	% Change
Mining and Logging	8.6	7.9	7.7	8.2	7.7	6.5	6.6	6.6	(0.0)	-0.1%
Construction	217.6	219.1	223.4	227.1	223.0	218.4	224.1	244.4	20.3	9.1%
Manufacturing	579.1	572.5	582.5	589.3	571.2	551.6	562.1	578.2	16.1	2.9%
Trade, Transportation, and Utilities	1,204.9	1,210.5	1,212.7	1,207.8	1,177.5	1,172.0	1,203.3	1,238.3	34.9	2.9%
Information	98.9	99.2	95.1	95.0	92.2	86.4	90.9	92.9	2.0	2.2%
Financial Activities	384.2	390.4	398.9	407.7	410.6	406.1	407.5	411.7	4.2	1.0%
Professional and Business Services	927.8	935.6	945.1	949.0	924.3	900.7	948.1	984.9	36.8	3.9%
Education and Health Services	908.8	920.1	928.3	934.7	923.6	896.6	909.8	925.1	15.4	1.7%
Leisure and Hospitality	589.9	604.6	614.1	620.6	553.9	455.7	549.3	595.3	46.0	8.4%
Other Services	251.7	251.9	253.5	255.1	245.4	234.4	243.6	249.1	5.5	2.3%
Government	823.6	820.0	818.9	821.6	809.1	771.5	790.4	793.4	3.0	0.4%
Annual Average Totals	5,995.2	6,031.9	6,080.3	6,116.1	5,938.4	5,700.0	5,935.7	6,119.8	184.1	3.1%
Illinois' Annual % Change	1.2%	0.6%	0.8%	0.6%	-2.9%	-4.0%	4.1%	3.1%		

Source: Bureau of Labor Statistics, CGFA

Average Weekly Earnings by Subsector in Illinois

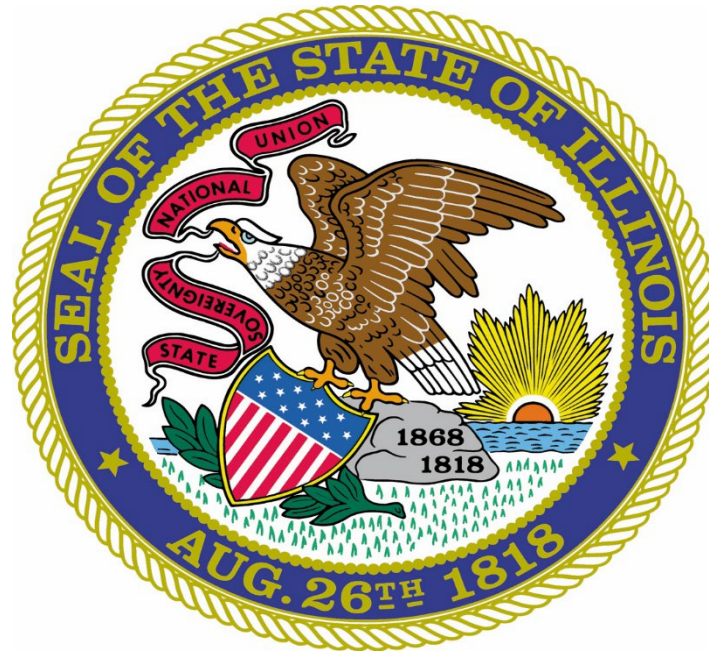
FY 2016 to FY 2023

Subsector	Annual Average								FY22 to FY23	
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 YTD	\$ Change	% Change
Mining*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,383	\$1,383	\$1,386	\$1,471	\$1,467	\$1,456	\$1,576	\$1,670	\$93	5.9%
Manufacturing	\$1,044	\$1,033	\$1,064	\$1,103	\$1,135	\$1,179	\$1,201	\$1,244	\$44	3.6%
Trade, Transportation, and Utilities	\$811	\$811	\$840	\$873	\$883	\$931	\$985	\$984	(\$1)	-0.1%
Information	\$1,140	\$1,149	\$1,265	\$1,392	\$1,482	\$1,517	\$1,447	\$1,514	\$67	4.6%
Financial Activities	\$1,327	\$1,366	\$1,366	\$1,413	\$1,473	\$1,614	\$1,621	\$1,554	(\$67)	-4.1%
Professional and Business Services	\$1,061	\$1,081	\$1,105	\$1,155	\$1,211	\$1,268	\$1,350	\$1,361	\$10	0.8%
Education and Health Services	\$813	\$802	\$805	\$820	\$839	\$871	\$937	\$964	\$27	2.8%
Leisure and Hospitality	\$372	\$383	\$396	\$416	\$432	\$445	\$496	\$532	\$35	7.1%
Other Services	\$852	\$857	\$845	\$884	\$976	\$1,025	\$1,052	\$1,097	\$45	4.3%
Government*	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*	\$903	\$907	\$925	\$963	\$1,001	\$1,059	\$1,103	\$1,118	\$ 15	1.4%
% Change in Avg. Weekly Earnings	1.7%	0.4%	2.0%	4.1%	4.0%	5.8%	4.1%	1.4%		
Annualized Wage and Employment Total	3.0%	1.1%	2.8%	4.7%	1.1%	1.7%	8.3%	4.5%		

* 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: Bureau of Labor Statistics, CGFA

ECONOMIC FORECASTS



Consensus Forecast

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

These include:

- Banks and Econometric Firms (Wells Fargo/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.

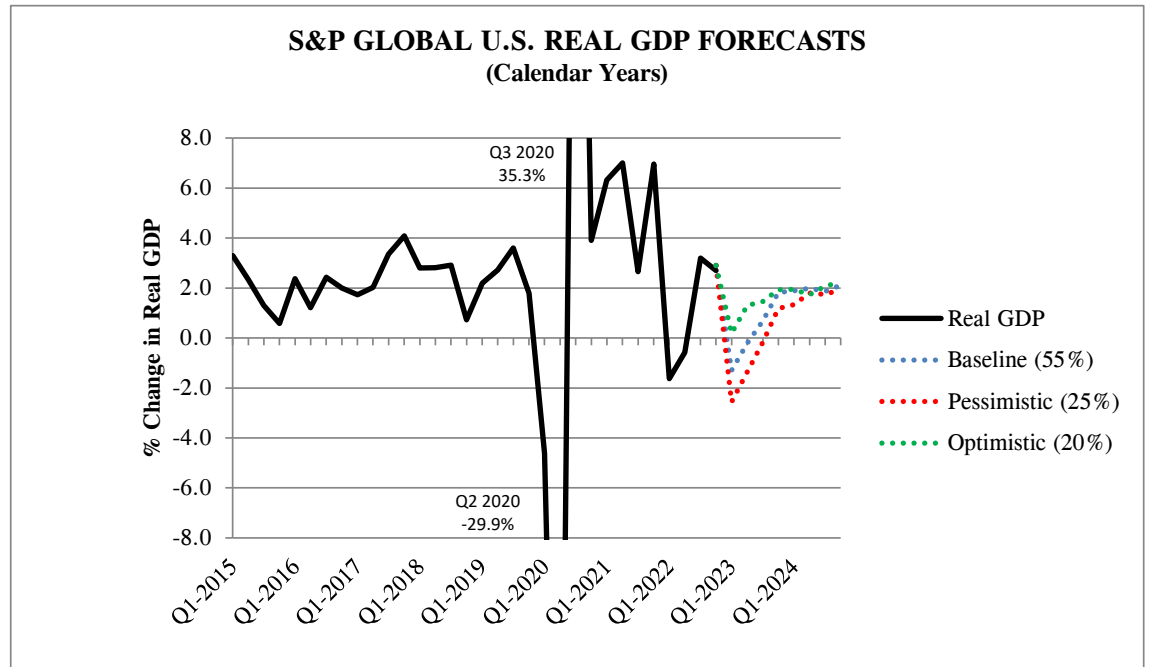
U.S. ECONOMIC FORECASTS					
The forecasts presented are the mean forecast from 27 economic forecasters.					
Economic Indicator	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast
Real GDP*	-2.8%	5.9%	2.1%	0.7%	1.1%
Nominal GDP*	-1.5%	10.7%	9.2%	4.2%	3.5%
Real Disposable Personal Income*	6.2%	1.9%	-6.4%	2.0%	2.2%
Real Personal Consumption*	-3.0%	8.3%	2.8%	1.0%	0.9%
Real Government Consumption and Investment*	2.6%	0.6%	-0.6%	1.6%	0.7%
Real Business Investment*	-4.9%	6.4%	3.6%	0.7%	0.9%
Nominal Pre-tax Profits*	-5.9%	22.6%	6.7% est.	-1.0%	1.3%
Consumer Prices*	1.3%	4.7%	8.0%	3.9%	2.5%
Core PCE Prices (excluding Food/Energy)*	1.3%	3.5%	5.0%	3.7%	2.6%
Producer Prices*	-1.3%	8.9%	13.5%	2.3%	1.3%
Employment Costs*	2.6%	3.3%	4.9%	4.1%	3.5%
Auto & Light Truck Sales (inc. imports) mn	14.5	14.9	13.8	14.5	15.2
Housing Starts, mn units	1.40	1.61	1.56	1.29	1.34
Unemployment Rate (%)	8.1%	5.4%	3.6%	4.1%	4.7%
*average % change over previous calendar year					
Source: Consensus Economics, February 2023					

U.S. Real GDP Forecast Scenarios

The **BASELINE** shows the most likely scenario with a 55% chance of occurrence. The baseline forecast calls for a mild recession starting in the first quarter of 2023. Real GDP is forecast to fall 1.3% in the first quarter and 0.2% in the second quarter. A relatively weak recovery will take hold in the third quarter of the year.

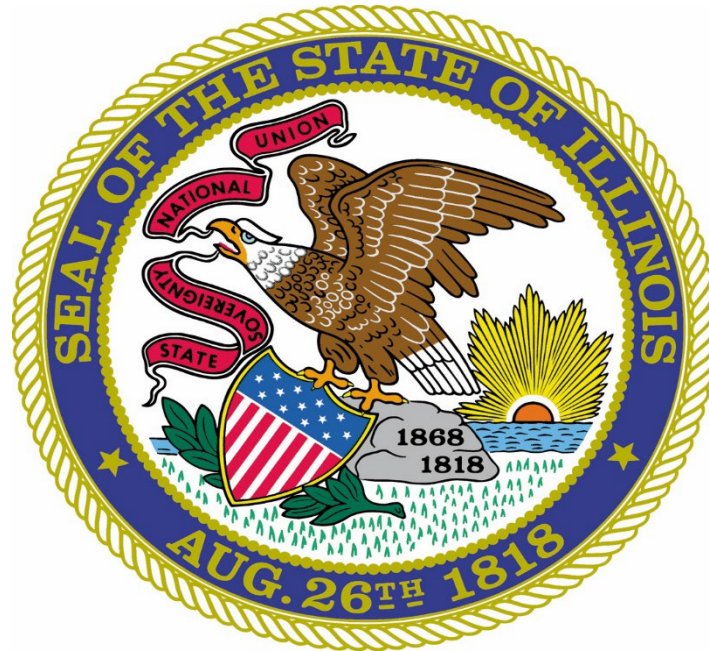
A more **PESSIMISTIC** scenario, with a 25% probability, has the recovery stumbling as weaker consumer spending and an intensification of the war in Ukraine leads to higher energy prices leading to a deeper three-quarter recession. Real GDP averages declines of 1.6% in the first half of 2023 before rebounding in 2024.

A final 20% likely **OPTIMISTIC** scenario is characterized by stronger growth of consumer spending and stronger productivity relative to the baseline. Small but positive growth is seen throughout 2023 and into 2024.



S&P Global – February 2023

GENERAL FUNDS REVENUE



FY 2023 General Funds Revenue Final Budget Assumptions

A general funds revenue total of \$46.429 billion was assumed for the adopted FY 2023 budget, which was enacted in April 2022.

This revenue total did not assume any revenues from the ARPA reimbursement for essential government services, nor any one-time revenues from interfund or short term borrowing.

At the time of the budget's formation, the underpinnings of the forecast utilized a conservative view given uncertain economic and geopolitical conditions.

FY 2023 GENERAL FUNDS REVENUE FINAL BUDGET ASSUMPTIONS	
[Amounts per GOMB and Legislative Staffs] (\$ millions)	
<u>Revenue Sources</u>	FY 2023 Final Budget Assumptions
State Taxes	
Personal Income Tax	\$26,512
Corporate Income Tax (regular)	\$5,786
Sales Taxes	\$10,907
Public Utility (regular)	\$720
Cigarette Tax	\$252
Liquor Gallonage Taxes	\$184
Inheritance Tax	\$409
Insurance Taxes & Fees	\$447
Corporate Franchise Tax & Fees	\$267
Interest on State Funds & Investments	\$35
Cook County Intergovernmental Transfer	\$244
<u>Other Sources</u>	<u>\$593</u>
Total State Taxes	\$46,356
Transfers In	
Lottery	\$665
Gaming	\$157
Cannabis	\$142
Refund Fund	\$200
<u>Other</u>	<u>\$849</u>
Total Transfers In	\$2,013
Total State Sources	\$48,369
Federal Sources [Base]	\$4,000
Total Federal & State Sources	\$52,369
Nongeneral Funds Distribution:	
Refund Fund	
Personal Income Tax [9.25% '23]	(\$2,452)
Corporate Income Tax [14.5% '23]	(\$839)
Local Government Distributive Fund	
Personal Income Tax	(\$1,482)
Corporate Income Tax	(\$339)
Sales Tax Distributions	
Sales Tax Deposits into Road Fund	(\$229)
Sales Tax Distribution to the PTF and DPTF	(\$598)
General Funds Subtotal [Base]	\$46,429
ARPA Reimbursement for Essential Government Services	\$0
Total Revenues General Funds	\$46,429

FY 2023 General Funds Revenue Final Budget Assumptions (continued)

- The assumed revenue total for the FY 2023 budget is \$46.429 billion. The higher-than-expected revenues collected over the last quarter of FY 2022 helped elevate the final total to \$51.070 billion. Therefore, the revenues assumed under the FY 2023 enacted budget are \$4.6 billion lower than FY 2022 actuals.

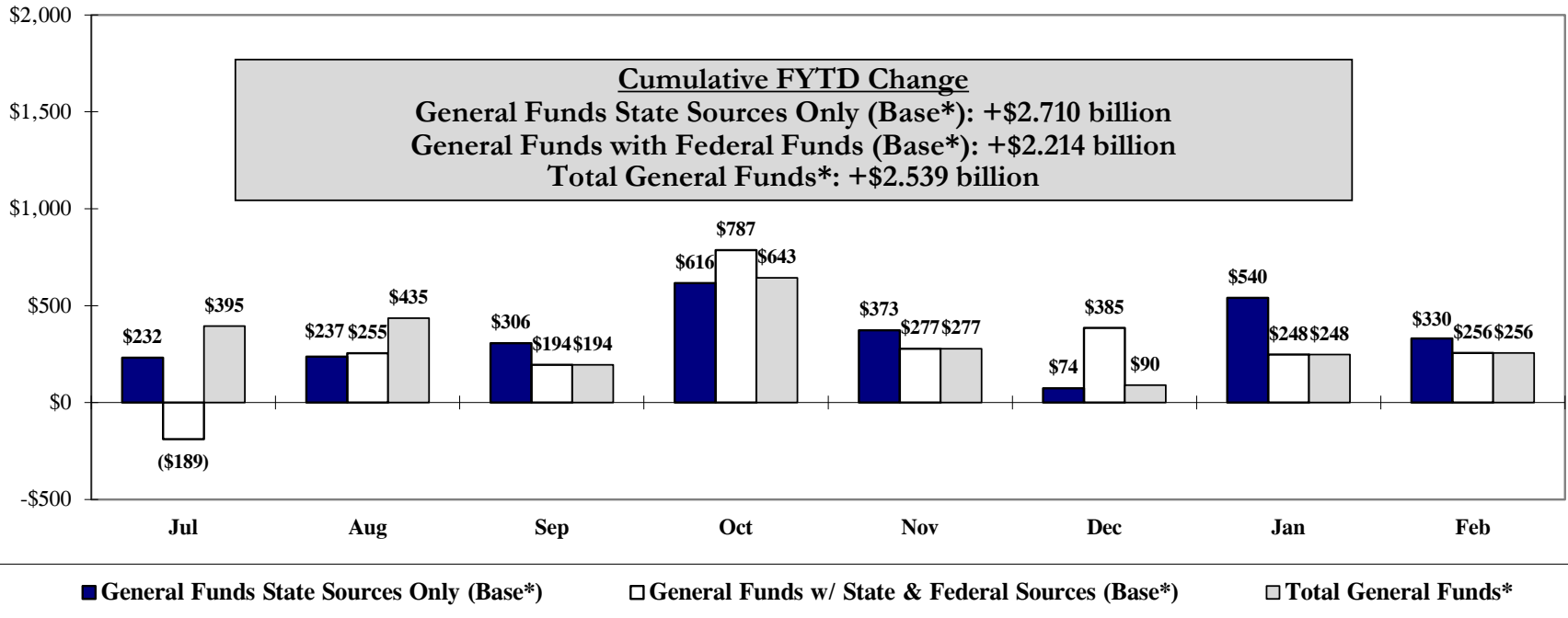
General Funds Revenues			
FY 2022 Actuals vs FY 2023 Final Budget Assumptions			
\$ in millions			
Revenue Sources	FY 2022 Actuals	FY 2023 Enacted Budget Apr-22	Difference
Personal Income Taxes [Net]	\$24,839	\$22,578	(\$2,261)
Corporate Income Taxes [Net]	\$5,407	\$4,608	(\$799)
Sales Tax [Net]	\$10,234	\$10,080	(\$154)
All Other State Sources	\$3,178	\$3,151	(\$27)
Transfers In	\$2,092	\$2,013	(\$79)
Federal Sources [Base]	\$4,584	\$4,000	(\$584)
General Funds Subtotal [Base]	\$50,334	\$46,429	(\$3,905)
ARPA Reimbursement for Essential Gov't Services	\$736	\$0	(\$736)
Total General Funds Revenues	\$51,070	\$46,429	(\$4,641)

FY 2023 General Funds Performance FYTD

FY 2023 Monthly General Funds Performance

July - February as Compared to Same Prior Year Months

(\$ in millions)



*The "Base" figures exclude the impact of federal funds associated with ARPA Reimbursement for Essential Government Services. The "Total General Funds" category accounts for these funds.

FY 2023 General Funds Performance thru February

- Through February, base receipts are up \$2.214 billion. This comparative level of growth rises to \$2.539 billion when accounting for ARPA reimbursement funds.
- Personal income tax receipts have grown \$717 million (4.4%) or \$596 million (+4.3%) on a net basis. Growth in wages coupled with improvement in employment numbers have been the impetus behind this increase.
- Despite volatile market conditions, corporate income tax receipts have continued to perform well, growing \$618 million (+19.8%) or \$508 million (+20.5%) net.
- While sales tax net receipt growth has slowed from last year's stellar pace, it is still up \$537 million (+7.5%) over the first two-thirds of the fiscal year. Even when removing distributions to the road fund and certain transportation funds, the growth is still a respectable \$242 million (+3.6%).
- All other State sources have combined to grow \$268 million (+13.9%), led by a \$195 million increase in interest income due to significantly higher interest rates. This level of increase will likely widen further over the remainder of FY 2023.
- State Transfers-In have risen \$1.096 billion thru February (+72.1%). This growth stems from a \$1.239 billion increase in the amounts received from the Income Tax Refund Fund Transfer.
- Base Federal Sources are \$496 million below last year's levels (-16.1%). However, if the ARPA reimbursement federal funds are included, the federal source deficit improves to a decline of \$171 million.

GENERAL FUNDS RECEIPTS: YEAR TO DATE				
<i>FY 2022 vs. FY 2023</i>				
<i>(\$ millions)</i>				
<u>Revenue Sources</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$16,157	\$16,874	\$717	4.4%
Corporate Income Tax (regular)	3,129	3,747	618	19.8%
Sales Taxes	7,208	7,745	537	7.5%
Public Utility Taxes (regular)	496	502	6	1.2%
Cigarette Tax	167	153	(14)	-8.4%
Liquor Gallonage Taxes	128	125	(3)	-2.3%
Inheritance Tax	381	344	(37)	-9.7%
Insurance Taxes and Fees	250	284	34	13.6%
Corporate Franchise Tax & Fees	145	155	10	6.9%
Interest on State Funds & Investments	9	204	195	2,166.7%
Cook County IGT	150	150	0	0.0%
Other Sources	209	286	77	36.8%
Total State Taxes	\$28,429	\$30,569	\$2,140	7.5%
Transfers In				
Lottery	\$513	\$400	(\$113)	-22.0%
Gaming	107	116	9	8.4%
Cannabis	74	74	0	0.0%
Refund Fund	242	1,481	1,239	512.0%
Other	585	546	(39)	-6.7%
Total Transfers In	\$1,521	\$2,617	\$1,096	72.1%
Total State Sources	\$29,950	\$33,186	\$3,236	10.8%
Federal Sources [base]	\$3,072	\$2,576	(\$496)	-16.1%
Total Federal & State Sources	\$33,022	\$35,762	\$2,740	8.3%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$1,495)	(\$1,561)	(\$66)	4.4%
Corporate Income Tax	(470)	(544)	(74)	15.7%
Local Government Distributive Fund				
Personal Income Tax	(889)	(944)	(55)	6.2%
Corporate Income Tax	(183)	(219)	(36)	19.7%
Sales Tax Distributions				
Deposits into Road Fund	(75)	(329)	(254)	338.7%
Distribution to the PTF and DPTF	(356)	(397)	(41)	11.5%
General Funds Subtotal [Base]	\$29,554	\$31,768	\$2,214	7.5%
ARPA Reimb. for Essential Gov't Services	\$439	\$764	\$325	74.0%
Total General Funds	\$29,993	\$32,532	\$2,539	8.5%

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

2-Mar-23

FY 2023 General Funds Performance thru February (cont.)

Summary of Receipts

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2022 vs. FY 2023

(\$ millions)

Revenue Sources	FY 2022	FY 2023	\$ CHANGE	% CHANGE
Net Personal Income Tax	\$13,773	\$14,369	\$596	4.3%
Net Corporate Income Tax	\$2,476	\$2,984	\$508	20.5%
Net Sales Tax	\$6,777	\$7,019	\$242	3.6%
All Other State Sources	\$1,935	\$2,203	\$268	13.9%
Transfers In	\$1,521	\$2,617	\$1,096	72.1%
Federal Sources [base]	\$3,072	\$2,576	(\$496)	-16.1%
Base General Funds	\$29,554	\$31,768	\$2,214	7.5%
<i>ARPA Reimb. for Essential Gov't Services</i>	\$439	\$764	\$325	74.0%
Total General Funds	\$29,993	\$32,532	\$2,539	8.5%

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

3-Mar-23

Positive Factors for Again Increasing FY 2023's Revenue Outlook

- **As compared to FY 2022 actuals, FY 2023 began the year able to absorb a \$4.6 billion falloff in revenues to reach the Enacted Budget. Given FYTD growth of \$2.5 billion, revenues could fall around \$7.1 billion over the remaining months of FY 2023 and still reach budgetary level. This level of falloff is not likely.**
- While inflation is no doubt a concern for the nation's economy going forward, it has provided short-term benefits in the form of elevated tax revenues from sales taxes (higher prices), income taxes (higher wages), and interest income (higher interest rates). While there are signs of slowing in certain revenue areas, a sudden shift in trends is not expected, leading the Commission to again increase these economically driven revenue source estimates for FY 2023.
- The FYTD growth in "Transfers In" is primarily due to the \$1.239 billion increase in the amounts received from the Income Tax Refund Fund Transfer (from \$242 million to \$1.481 billion FYTD). This unusually high transfer amount is due to an overabundance of funds deposited into the Refund Fund in FY 2022 as a result of stronger than expected income tax performance during that fiscal year. Only \$200 million was conservatively assumed in the budget for this transfer for FY 2023, resulting in budgetary upward adjustment of \$1.281 billion.
- General Funds received \$764 million from ARPA Reimbursement for Essential Gov't Services in FY 2023 that was not anticipated under the Enacted Budget's revenue assumptions. These funds were originally anticipated by GOMB to be received in FY 2022, but were instead received in July/Aug of FY 2023.

FY 2023 General Funds November '22 Estimates CGFA vs GOMB

- In November 2022, the **GOMB** released a revised estimate for FY 2023, increasing its revenue outlook by nearly **\$3.7 billion to \$50.119 billion**.
- **The Commission** also released an updated FY 2023 forecast in November 2022, increasing its General Funds revenue outlook by **\$4.9 billion to \$51.329 billion**.
- The CGFA estimate was \$1.2 billion above GOMB. However, the total was only \$259 million above FY 2022 final levels, reflecting the conservative nature of this estimate.

General Funds Revenues					
FY 2023 CGFA Revised Nov-22 vs GOMB Revised Nov-22					
Revenue Sources	FY 2022 Actuals	FY 2023 Enacted Budget Assumed Revenues	FY 2023 CGFA Revised Nov-22	FY 2023 GOMB Revised Nov-22	FY 2023 CGFA vs GOMB Difference
Personal Income Taxes [Net]	\$24,839	\$22,578	\$24,176	\$23,215	\$961
Corporate Income Taxes [Net]	\$5,407	\$4,608	\$5,241	\$5,262	(\$21)
Sales Tax [Net]	\$10,234	\$10,080	\$10,416	\$10,261	\$155
All Other State Sources	\$3,178	\$3,151	\$3,355	\$3,223	\$132
Transfers In	\$2,092	\$2,013	\$3,377	\$3,294	\$83
Federal Sources [Base]	\$4,584	\$4,000	\$4,000	\$4,100	(\$100)
General Funds Subtotal [Base]	\$50,334	\$46,429	\$50,565	\$49,355	\$1,210
ARPA Reimbursement for Essential Gov't Services	\$736	\$0	\$764	\$764	\$0
Total General Funds Revenues	\$51,070	\$46,429	\$51,329	\$50,119	\$1,210
FY 2023 Estimates vs FY 2022 Actuals		(\$4,641)	\$259	(\$951)	\$1,210
FY 2023 Estimates vs FY 2023 Enacted Budget			\$4,900	\$3,690	\$1,210

FY 2023 CGFA General Funds Revised Estimate (Mar-23)

Initial Thoughts

- In the November 2022 presentation, the Commission stated that it was possible that we would follow-up with an additional increase in March, if any semblance of the then current pace of revenue growth continued. While the pace has slowed somewhat from these prior levels, when incorporating the revenues already received with the expectation of continued growth in many sources, albeit lessened, the numbers indicate that another modest increase in the FY 2023 revenue outlook is warranted.
- The largest “unknown” for the remainder of the fiscal year are final income tax payments, the majority of which will not be receipted until the March/April filing period. This year’s final payments will be compared to the record breaking \$3 billion received in FY 2022, which were likely enhanced by above-average capital gains income due to strong market conditions in Tax Year 2021. Because market conditions were comparably subpar in Tax Year 2022, a decline in capital gains income is anticipated for the final income tax payments in FY 2023. The question remains, however, on how these expected declines will be offset by the final payments connected to the continued growth of wages and personal income throughout Tax Year 2022. This will not be clear until April figures are finalized.

FY 2023 CGFA General Funds Revised Estimate (Mar-23)

- The General Funds revenue estimate is being revised up \$575 million to \$51.904 billion. This figure is \$5.475 billion above the FY 2023 Enacted Budget's assumed revenue figure of \$46.429 billion.
- The Personal Income Tax revenue estimate is increased \$284 million gross or \$242 million on a net basis. This reflects the solid year-to-date performance, but still assumes a decline in receipts over the remainder of FY 2023 due to the expectation of comparatively lower final payments in March/April.
- Due to FYTD growth of +19.8%, the Corporate Income Tax estimate is increased \$586 million, or \$467 million net. Similar to above, a slowdown in receipts is expected the last quarter of the year. Still, the strong FYTD performance necessitates another upward adjustment.
- While sales tax net receipt growth has slowed slightly, it still has outperformed expectations. While this is more likely due to inflated prices than increases in goods sold, higher tax revenues still result. Sales taxes are adjusted up \$213 million or \$130 million net as a result.

General Funds Revenues				
FY 2023 Final Budget Assumptions vs				
CGFA FY 2023 Revised [Nov-22] and CGFA FY 2023 Revised [Mar-23]				
(\$ millions)				
Revenue Sources	FY 2023 Enacted Budget Assumed Revenues	FY 2023 CGFA Revised Nov-22	FY 2023 CGFA Revised Mar-23	FY 2023 Nov'22 vs Mar'23 Difference
Personal Income Taxes [Net]	\$22,578	\$24,176	\$24,418	\$242
Corporate Income Taxes [Net]	\$4,608	\$5,241	\$5,708	\$467
Sales Tax [Net]	\$10,080	\$10,416	\$10,546	\$130
All Other State Sources	\$3,151	\$3,355	\$3,458	\$103
Transfers In	\$2,013	\$3,377	\$3,260	(\$117)
Federal Sources [Base]	\$4,000	\$4,000	\$3,750	(\$250)
General Funds Subtotal [Base]	\$46,429	\$50,565	\$51,140	\$575
ARPA Reimb. for Essential Gov't Services	\$0	\$764	\$764	\$0
Total General Funds Revenues	\$46,429	\$51,329	\$51,904	\$575
FY 23 Estimates vs FY 2023 Budget		\$4,900	\$5,475	\$575

FY 2023 CGFA General Funds Revised Estimate (Mar-23) cont...

- Revenues in the “All Other State Sources” category are being adjusted up a combined \$103 million. This is mainly due to an \$85 million increase in Interest on State Funds & Investments, which continues to benefit from the multiple interest rate hikes since last spring.
- Several other State Taxes have been revised up due to strong year-to-date performance, including the Inheritance Tax [+ \$50 million] and Insurance Taxes and Fees [+ \$16 million].
- A couple other categories have been revised down due to lackluster performance, including Other Sources [-\$23 million], Public Utility Taxes [-\$15 million], and the Corporate Franchise Tax [-\$10 million].
- The revenue estimate for State Transfers-In is being lowered a combined \$117 million, mainly because of \$108 million reduced expectation in the “Other” transfer revenue line. Still, the revised estimate remains well above the amounts assumed in the Enacted Budget due to the sizeable increase in the Income Tax Refund Fund Transfer (accounted for in the Nov '22 revision).
- The Commission typically adopts GOMB’s Federal Sources estimates because they are tied to expenditures. However, because base Federal Sources are well behind pace to reach their FY 2023 figure of \$4 billion, the Commission will assume a more conservative figure of \$3.750 billion, a \$250 million decline.

<i>General Funds Revenues</i>				
<i>FY 2023 Final Budget Assumptions vs</i>				
<i>CGFA FY 2023 Revised [Nov-22] and CGFA FY 2023 Revised [Mar-23]</i>				
(\$ millions)				
Revenue Sources	FY 2023 Enacted Budget Apr-22	FY 2023 CGFA Revised Nov-22	FY 2023 CGFA Revised Mar-23	FY 2023 Nov'22 vs Mar'23 Difference
State Taxes				
Personal Income Tax	\$26,512	\$28,389	\$28,673	\$284
Corporate Income Tax (regular)	\$5,786	\$6,581	\$7,167	\$586
Sales Taxes	\$10,907	\$11,483	\$11,696	\$213
Public Utility (regular)	\$720	\$750	\$735	(\$15)
Cigarette Tax	\$252	\$234	\$235	\$1
Liquor Gallonage Taxes	\$184	\$184	\$183	(\$1)
Inheritance Tax	\$409	\$465	\$515	\$50
Insurance Taxes & Fees	\$447	\$460	\$476	\$16
Corporate Franchise Tax & Fees	\$267	\$225	\$215	(\$10)
Interest on State Funds & Investments	\$35	\$200	\$285	\$85
Cook County Intergovernmental Transfer	\$244	\$244	\$244	\$0
Other Sources	<u>\$593</u>	<u>\$593</u>	<u>\$570</u>	<u>(\$23)</u>
Total State Taxes	\$46,356	\$49,808	\$50,994	\$1,186
Transfers In				
Lottery	\$665	\$711	\$725	\$14
Gaming	\$157	\$167	\$167	\$0
Cannabis	\$142	\$134	\$111	(\$23)
Refund Fund	\$200	\$1,481	\$1,481	\$0
Other	<u>\$849</u>	<u>\$884</u>	<u>\$776</u>	<u>(\$108)</u>
Total Transfers In	\$2,013	\$3,377	\$3,260	(\$117)
Total State Sources	\$48,369	\$53,185	\$54,254	\$1,069
Federal Sources [Base]	<u>\$4,000</u>	<u>\$4,000</u>	<u>\$3,750</u>	<u>(\$250)</u>
Total Federal & State Sources	\$52,369	\$57,185	\$58,004	\$819
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax [9.25% '23]	(\$2,452)	(\$2,626)	(\$2,652)	(\$26)
Corporate Income Tax [14.5% '23]	(\$839)	(\$954)	(\$1,039)	(\$85)
Local Government Distributive Fund				
Personal Income Tax	(\$1,482)	(\$1,587)	(\$1,603)	(\$16)
Corporate Income Tax	(\$339)	(\$386)	(\$420)	(\$34)
Sales Tax Distributions				
Sales Tax Deposits into Road Fund	(\$229)	(\$432)	(\$484)	(\$52)
Sales Tax Distribution to the PTF and DPTF	(\$598)	(\$635)	(\$666)	(\$31)
General Funds Subtotal [Base]	\$46,429	\$50,565	\$51,140	\$575
ARPA Reimb. for Essential Gov't Services	\$0	\$764	\$764	\$0
Total General Funds Revenues	\$46,429	\$51,329	\$51,904	\$575

FY 2023 Revised Estimate Comparison GOMB (Feb-23) vs CGFA (Mar-23)

- In February 2023, the Governor’s Office of Management and Budget (GOMB) released their revised outlook for FY 2023 General Funds in the FY 2024 Budget Book, with a FY 2023 total of **\$51.359 billion**. This figure is \$4.930 billion above the FY 2023 Enacted Budget’s assumed revenue figure of \$46.429 billion and \$1.240 billion above their November 2022 estimate of \$50.119 billion.
- The Commission’s March 2023 estimate of **\$51.904 billion** is **\$545 million above** GOMB’s February 2023 revised forecast for FY 2023. A summary of this differential is shown below. Further details of this differential are shown and discussed on the following page.

General Funds Revenues			
GOMB FY 2023 Revised [Feb'23] vs CGFA FY 2023 Revised [Mar'23]			
(\$ millions)			
Revenue Sources	FY 2023 GOMB Revised Feb-23	FY 2023 CGFA Revised Mar-23	GOMB vs CGFA Difference
Personal Income Taxes [Net]	\$23,880	\$24,418	\$538
Corporate Income Taxes [Net]	\$5,723	\$5,708	(\$15)
Sales Tax [Net]	\$10,390	\$10,546	\$156
All Other State Sources	\$3,321	\$3,458	\$137
Transfers In	\$3,268	\$3,260	(\$8)
Federal Sources [Base]	\$4,013	\$3,750	(\$263)
General Funds Subtotal [Base]	\$50,595	\$51,140	\$545
ARPA Reimb. for Essential Gov't Services	\$764	\$764	\$0
Total General Funds Revenues	\$51,359	\$51,904	\$545
FY 23 Estimates vs FY 2023 Budget	\$4,930	\$5,475	\$545

FY 2023 Detailed Comparison GOMB (Feb-23) vs CGFA (Mar-23)

- As shown, the Commission is higher than GOMB in most of the revenue sources. These higher values can be largely contributed to the strong month of revenues for these sources in recent months, which would not be included in the GOMB figures.
- The Commission is \$631 million higher than GOMB in its estimate for Personal Income Taxes in FY 2023 or \$538 million higher on a net basis. While both agencies assume monthly reductions in revenues over the remainder of the year, CGFA is likely higher due to the ability to account for the recent strong revenue performance [growth of +15.5% in February].
- There is only a slight difference in the Corporate Income Tax estimate, with CGFA slightly lower [-\$19 million gross; -\$15 million net].
- The Commission is \$162 million higher in the Sales Tax projection [+ \$156 million net]. Again, a strong February for receipts [+9%] bolstered the Commission's confidence in reaching this higher total.
- The Commission is a combined \$137 million above GOMB in All Other State Sources [mainly due to higher interest income projections], but slightly below GOMB in combined Transfers In [-\$8 million].
- As noted on a previous page, due to year-to-date performance of Federal Sources, the Commission is assuming a more conservative figure of \$3.750 billion, resulting in the Commission being \$263 million below GOMB for this revenue line.

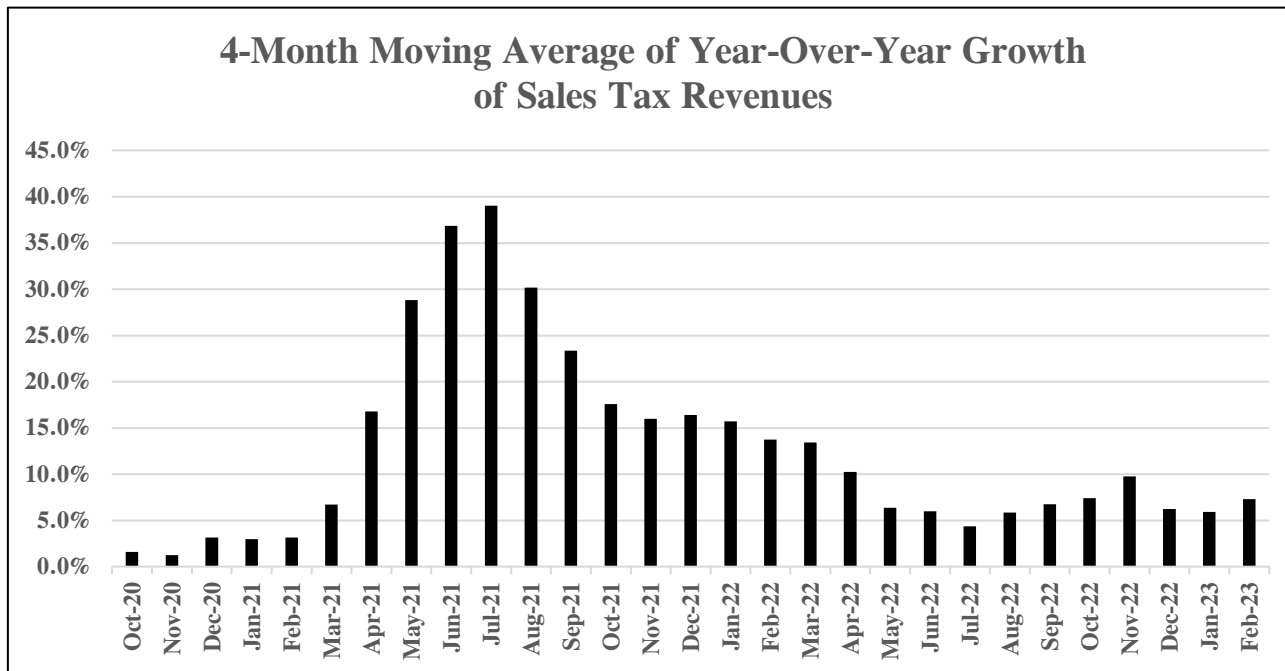
<i>General Funds Revenues</i>			
<i>GOMB FY 2023 Revised [Feb'23] vs CGFA FY 2023 Revised [Mar'23]</i>			
(\$ millions)			
<u>Revenue Sources</u>	<u>FY 2023 GOMB Revised Feb-23</u>	<u>FY 2023 CGFA Revised Mar-23</u>	<u>GOMB vs CGFA Difference</u>
State Taxes			
Personal Income Tax	\$28,042	\$28,673	\$631
Corporate Income Tax (regular)	\$7,186	\$7,167	(\$19)
Sales Taxes	\$11,534	\$11,696	\$162
Public Utility (regular)	\$731	\$735	\$4
Cigarette Tax	\$244	\$235	(\$9)
Liquor Gallonage Taxes	\$181	\$183	\$2
Inheritance Tax	\$475	\$515	\$40
Insurance Taxes & Fees	\$464	\$476	\$12
Corporate Franchise Tax & Fees	\$212	\$215	\$3
Interest on State Funds & Investments	\$205	\$285	\$80
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	<u>\$565</u>	<u>\$570</u>	<u>\$5</u>
Total State Taxes	\$50,083	\$50,994	\$911
Transfers In			
Lottery	\$718	\$725	\$7
Gaming	\$157	\$167	\$10
Cannabis	\$114	\$111	(\$3)
Refund Fund	\$1,481	\$1,481	\$0
Other	<u>\$798</u>	<u>\$776</u>	<u>(\$22)</u>
Total Transfers In	\$3,268	\$3,260	(\$8)
Total State Sources	\$53,351	\$54,254	\$903
Federal Sources [Base]	<u>\$4,013</u>	<u>\$3,750</u>	<u>(\$263)</u>
Total Federal & State Sources	\$57,364	\$58,004	\$640
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.25% '23; 9.25% '24]	(\$2,594)	(\$2,652)	(\$58)
Corporate Income Tax [14.5% '23; 14.0% '24]	(\$1,042)	(\$1,039)	\$3
Local Government Distributive Fund			
Personal Income Tax	(\$1,568)	(\$1,603)	(\$35)
Corporate Income Tax	(\$421)	(\$420)	\$1
Sales Tax Distributions			
Sales Tax Deposits into Road Fund	(\$484)	(\$484)	\$0
Sales Tax Distribution to the PTF and DPTF	(\$660)	(\$666)	(\$6)
General Funds Subtotal [Base]	\$50,595	\$51,140	\$545
ARPA Reimb. for Essential Gov't Services	\$764	\$764	\$0
Total General Funds Revenues	\$51,359	\$51,904	\$545

CGFA FY 2024 Revenue Outlook – Factors Considered

- Despite the continued growth in FY 2023, which followed the strong gains of FY 2022, a conservative outlook in the General Funds revenue outlook for FY 2024 will be assumed at this time. This is because of the following factors:
 - Continuing Possibility of Resurgence of COVID-19 Variants
 - Unstable Geopolitical Environment
 - Ukraine/Russia Conflict
 - Some Economies Around the World are Struggling
 - Inflation Impacts
 - Will Federal Rate Hikes Hurt Illinois' Business Activity?
 - Will it Lead to Job Losses?
 - Will We Enter Into a Recession?
 - S&P Global, even under their baseline estimate (55% chance), projects a mild recession in the near future.
 - Their Pessimistic Scenario (25% chance) projects a stronger recession.
 - When Will These Factors Impact Tax Revenues?

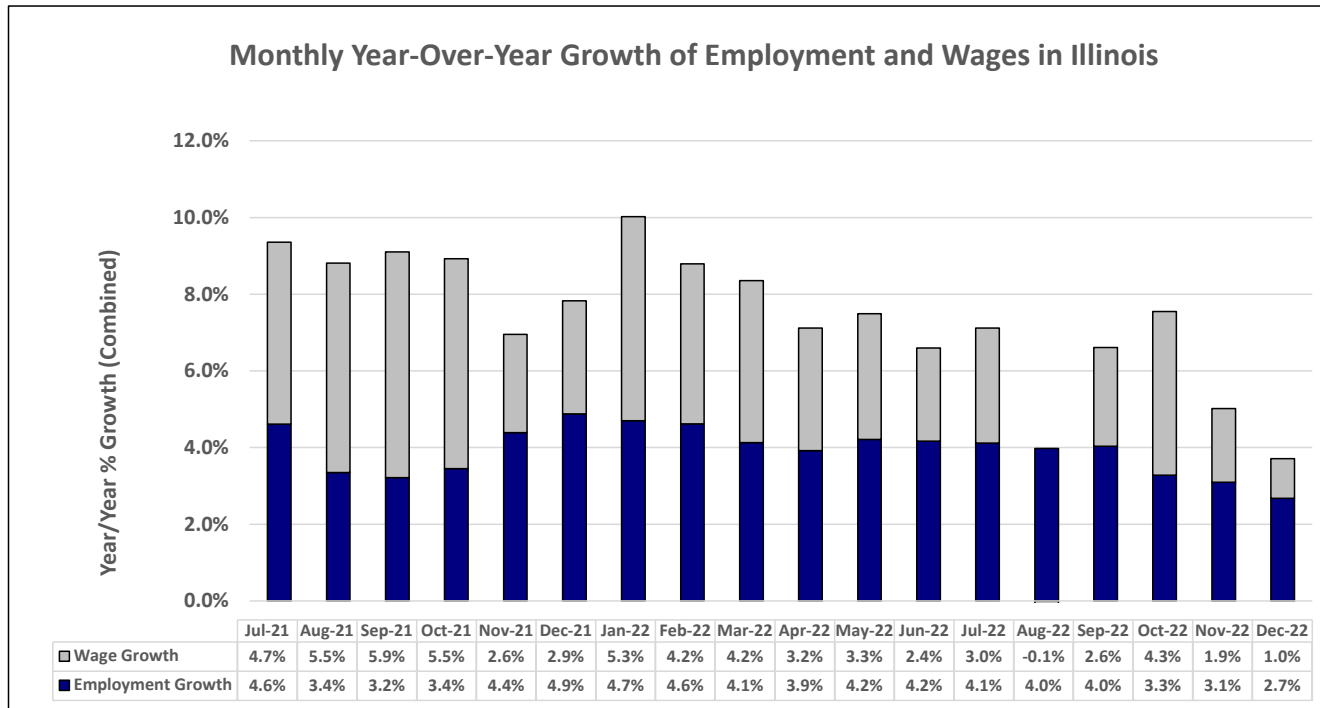
CGFA FY 2024 Revenue Outlook – Factors Considered (cont...)

- Sales Tax performance has weakened from previous levels of growth, but still remains relatively solid.
- Reasons for concerns going forward (and why this graph will be monitored closely):
 - Weaker consumer confidence and purchasing power erosion due to inflation.
 - High motor fuel prices lowering available spending in other areas.
 - Returning trend of shift from taxable goods to non-taxable service sectors.
 - No planned additional federal stimulus to help boost spending.
 - Fewer “big item” purchases due to high interest rates.



CGFA FY 2024 Revenue Outlook – Factors Considered (cont...)

- **Factors that Could Lead to Slowdown in Income Tax Revenues**
 - Fewer goods sold could lead to lower corporate profits and potential job cuts.
 - Impacts of income tax performance brought about by federal stimulus efforts, consumer demand, and record corporate profits are expected to wane.
 - Poor market performance could lead to comparatively lower taxable income from capital gains and corporate profits.
 - While still strong, monthly change in employment and wage levels are already starting to slow from robust levels (see below).



FY 2024 CGFA General Funds Estimate

- The Commission estimates that FY 2024 General Funds revenues will total approximately **\$50.410 billion**. While this figure would be nearly \$4.0 billion above the FY 2023 Enacted Budget’s assumed revenue amount of \$46.429 billion, it would be a **\$1.494 billion decline from the Commission’s FY 2023 Revised (March ‘23) estimate of \$51.904 billion**.
- The nearly \$1.5 billion decline from FY 2023 into FY 2024 is in large part due to two items. Firstly, \$764 million in revenues from the ARPA Reimbursement for Essential Government Services deposited into the State’s General Funds in FY 2023 will not repeat in FY 2024. Secondly, the State received \$1.481 billion from the Income Tax Revenue Fund Transfer in FY 2023 that is expected to be well below this amount in FY 2024.
- As shown below, the revenue sources, by category, show mixed results with the overall theme of a slowing of the economically-tied revenue sources. General Funds revenues from Illinois taxes (excluding Transfers In and Federal Sources] are expected to rise only \$233 million in FY 2024, an effective growth rate of only +0.5%. The details of this total are shown on the following page.
- The Commission is adopting the GOMB forecast for Federal Sources in FY 2024 of \$4.014 billion.

General Funds Revenues			
CGFA FY 2023 Revised vs FY 2024 Estimate [Mar'23]			
(\$ millions)			
Revenue Sources	FY 2023 CGFA Revised Mar-23	FY 2024 CGFA Mar-23	FY 2023 vs FY 2024 Difference
Personal Income Taxes [Net]	\$24,418	\$24,896	\$479
Corporate Income Taxes [Net]	\$5,708	\$5,473	(\$235)
Sales Tax [Net]	\$10,546	\$10,593	\$47
All Other State Sources	\$3,458	\$3,400	(\$58)
Transfers In	\$3,260	\$2,033	(\$1,227)
Federal Sources [Base]	\$3,750	\$4,014	\$264
General Funds Subtotal [Base]	\$51,140	\$50,410	(\$730)
ARPA Reimb. for Essential Gov't Services	\$764	\$0	(\$764)
Total General Funds Revenues	\$51,904	\$50,410	(\$1,494)

FY 2024 CGFA General Funds Estimate

- While personal income taxes are projected to rise \$562 million or \$479 million on a net basis in FY 2024, this is an effective growth rate of only 2.0%, well below recent levels. This reflects a combination of continued moderate growth in wages, but a potential softening in employment.
- Corporate income tax revenues are expected to fall from its impressive performance over the last two fiscal years. The estimate projects a \$335 million reduction, a decline of \$235 million net (-4.1%). Note: CGFA adopted GOMB's reduced refund % of 14.0%.
- Sales tax revenues are anticipated to weaken from the robust levels seen in recent years. Inflation is assumed to stabilize in FY 2024, but the actions of the Federal Reserve are expected to slow the economy, resulting in fewer goods purchased, especially from big-ticket item purchases. While gross gains are expected to be approximately \$201 million [+1.7%], with more sales taxes being diverted to the Road Fund in FY 2024, an overall net increase of only \$47 million results.
- The remaining State sources are projected to decline a combined \$58 million. While interest income is expected to remain high, a falloff in estate tax revenues is expected after seeing record levels in recent years. Other decreases are expected from the cigarette tax [-\$12 million], public utility taxes [-\$10 million], and the corporate franchise tax [-\$6 million], reflecting recent trends.
- As noted on the previous page, Transfers In are expected to see a sizeable decline due to the expectation that the Income Tax Refund Fund will return to more normal levels. The \$1.238 billion decline easily offsets expected increases in Lottery, gaming, and cannabis transfers.

<i>General Funds Revenues</i>			
<i>CGFA FY 2023 Revised vs FY 2024 Estimate [Mar'23]</i>			
(\$ millions)			
<u>Revenue Sources</u>	<u>FY 2023</u> <u>CGFA Revised</u> <u>Mar-23</u>	<u>FY 2024</u> <u>CGFA</u> <u>Mar-23</u>	<u>FY 2023 vs</u> <u>FY 2024</u> <u>Difference</u>
State Taxes			
Personal Income Tax	\$28,673	\$29,235	\$562
Corporate Income Tax (regular)	\$7,167	\$6,832	(\$335)
Sales Taxes	\$11,696	\$11,897	\$201
Public Utility (regular)	\$735	\$725	(\$10)
Cigarette Tax	\$235	\$223	(\$12)
Liquor Gallonage Taxes	\$183	\$185	\$2
Inheritance Tax	\$515	\$450	(\$65)
Insurance Taxes & Fees	\$476	\$478	\$2
Corporate Franchise Tax & Fees	\$215	\$209	(\$6)
Interest on State Funds & Investments	\$285	\$293	\$8
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	\$570	\$593	\$23
Total State Taxes	\$50,994	\$51,364	\$370
Transfers In			
Lottery	\$725	\$775	\$50
Gaming	\$167	\$175	\$8
Cannabis	\$111	\$114	\$3
Refund Fund	\$1,481	\$223	(\$1,258)
Other	\$776	\$746	(\$30)
Total Transfers In	\$3,260	\$2,033	(\$1,227)
Total State Sources	\$54,254	\$53,397	(\$857)
Federal Sources [Base]	\$3,750	\$4,014	\$264
Total Federal & State Sources	\$58,004	\$57,411	(\$593)
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.25% '23; 9.25% '24]	(\$2,652)	(\$2,704)	(\$52)
Corporate Income Tax [14.5% '23; 14.0% '24]	(\$1,039)	(\$956)	\$83
Local Government Distributive Fund			
Personal Income Tax	(\$1,603)	(\$1,634)	(\$31)
Corporate Income Tax	(\$420)	(\$402)	\$17
Sales Tax Distributions			
Sales Tax Deposits into Road Fund	(\$484)	(\$630)	(\$146)
Sales Tax Distribution to the PTF and DPTF	(\$666)	(\$674)	(\$8)
General Funds Subtotal [Base]	\$51,140	\$50,410	(\$730)
ARPA Reimb. for Essential Gov't Services	\$764	\$0	(\$764)
Total General Funds Revenues	\$51,904	\$50,410	(\$1,494)

FY 2024 Revised Estimate Comparison GOMB (Feb-23) vs CGFA (Mar-23)

- In the FY 2024 Budget Book, the Governor’s Office projects a FY 2024 General Funds revenue total of **\$49.945 billion**. This figure is \$3.516 billion above the FY 2023 Enacted Budget’s assumed revenue figure of \$46.429 billion, but \$1.415 billion below their FY 2023 revised estimate of \$51.359 billion. **The Commission’s March 2023 FY 2024 estimate of \$50.410 billion is \$465 million above GOMB’s February 2023 forecast for FY 2024.**
- While the Commission is higher than GOMB in the bottom-line total, this is mainly due to the Commission having a higher FY 2023 base to which it is compared. The Commission is conservatively projecting an effective revenue decline of -2.9% or -2.1% when excluding Federal Sources. GOMB is estimating a revenue decline of -2.8% or -1.4% when excluding Federal Sources.

General Funds Revenues			
GOMB FY 2024 [Feb'23] vs CGFA FY 2024 [Mar'23]			
(\$ millions)			
Revenue Sources	FY 2024 GOMB Feb-23	FY 2024 CGFA Mar-23	GOMB vs CGFA Difference
Personal Income Taxes [Net]	\$24,659	\$24,896	\$237
Corporate Income Taxes [Net]	\$5,548	\$5,473	(\$75)
Sales Tax [Net]	\$10,415	\$10,593	\$178
All Other State Sources	\$3,259	\$3,400	\$141
Transfers In	\$2,050	\$2,033	(\$17)
Federal Sources [Base]	\$4,014	\$4,014	\$0
General Funds Subtotal [Base]	\$49,945	\$50,410	\$465
ARPA Reimb. for Essential Gov't Services	\$0	\$0	\$0
Total General Funds Revenues	\$49,945	\$50,410	\$465

FY 2024 Detailed Comparison GOMB (Feb-23) vs CGFA (Mar-23)

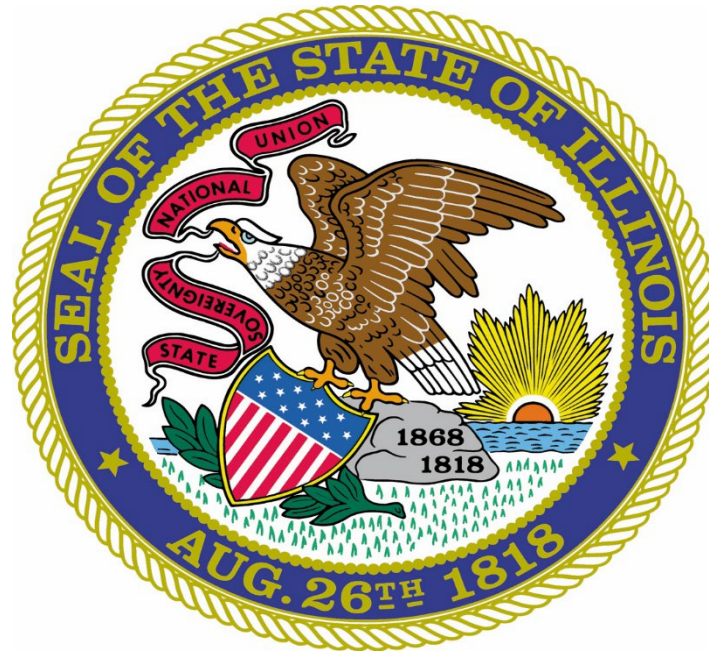
- The Commission is \$279 million higher than GOMB in its gross Personal Income Tax estimate and \$237 million higher on a net basis. In FY 2023, the Commission was \$538 million higher, which shows the conservative nature of the CGFA projection for FY 2024.
- The Corporate Income Tax estimate is \$94 million less than GOMB on a gross basis and \$75 million lower on a net basis.
- The Commission is \$207 million higher in the Sales Tax estimate [+ \$178 net] and \$147 million above GOMB in All Other State Sources. The differential again is mainly due to the Commission having a higher base in FY 2023. Both entities are seeing similar modest levels of growth going into FY 2024.
- For Transfers In, the Commission is projecting similar results, with the Commission only \$17 million below GOMB for all State transfers.
- The Commission is adopting the GOMB estimate of \$4.014 billion for Federal Sources due to the projection's dependence on expenditures. Both agencies assume that there will be no additional revenues from ARPA reimbursements in FY 2024.

<i>General Funds Revenues</i>			
<i>GOMB FY 2024 [Feb'23] vs CGFA FY 2024 [Mar'23]</i>			
(\$ millions)			
	FY 2024 GOMB Feb-23	FY 2024 CGFA Mar-23	GOMB vs CGFA Difference
Revenue Sources			
State Taxes			
Personal Income Tax	\$28,956	\$29,235	\$279
Corporate Income Tax (regular)	\$6,926	\$6,832	(\$94)
Sales Taxes	\$11,690	\$11,897	\$207
Public Utility (regular)	\$721	\$725	\$4
Cigarette Tax	\$237	\$223	(\$14)
Liquor Gallonage Taxes	\$184	\$185	\$1
Inheritance Tax	\$400	\$450	\$50
Insurance Taxes & Fees	\$472	\$478	\$6
Corporate Franchise Tax & Fees	\$208	\$209	\$1
Interest on State Funds & Investments	\$185	\$293	\$108
Cook County Intergovernmental Transfer	\$244	\$244	\$0
Other Sources	<u>\$608</u>	<u>\$593</u>	(\$15)
Total State Taxes	\$50,831	\$51,364	\$533
Transfers In			
Lottery	\$759	\$775	\$16
Gaming	\$175	\$175	\$0
Cannabis	\$116	\$114	(\$2)
Refund Fund	\$200	\$223	\$23
Other	<u>\$800</u>	<u>\$746</u>	(\$54)
Total Transfers In	\$2,050	\$2,033	(\$17)
Total State Sources	\$52,881	\$53,397	\$516
Federal Sources [Base]	<u>\$4,014</u>	<u>\$4,014</u>	<u>\$0</u>
Total Federal & State Sources	\$56,895	\$57,411	\$516
Nongeneral Funds Distribution:			
Refund Fund			
Personal Income Tax [9.25% '24]	(\$2,678)	(\$2,704)	(\$26)
Corporate Income Tax [14.0% '24]	(\$970)	(\$956)	\$14
Local Government Distributive Fund			
Personal Income Tax	(\$1,619)	(\$1,634)	(\$15)
Corporate Income Tax	(\$408)	(\$402)	\$6
Sales Tax Distributions			
Sales Tax Deposits into Road Fund	(\$605)	(\$630)	(\$25)
Sales Tax Distribution to the PTF and DPTF	(\$670)	(\$674)	(\$4)
General Funds Subtotal [Base]	<u>\$49,945</u>	<u>\$50,410</u>	<u>\$465</u>
ARPA Reimb. for Essential Gov't Services	\$0	\$0	\$0
Total General Funds Revenues	<u>\$49,945</u>	<u>\$50,410</u>	<u>\$465</u>

Final Thoughts

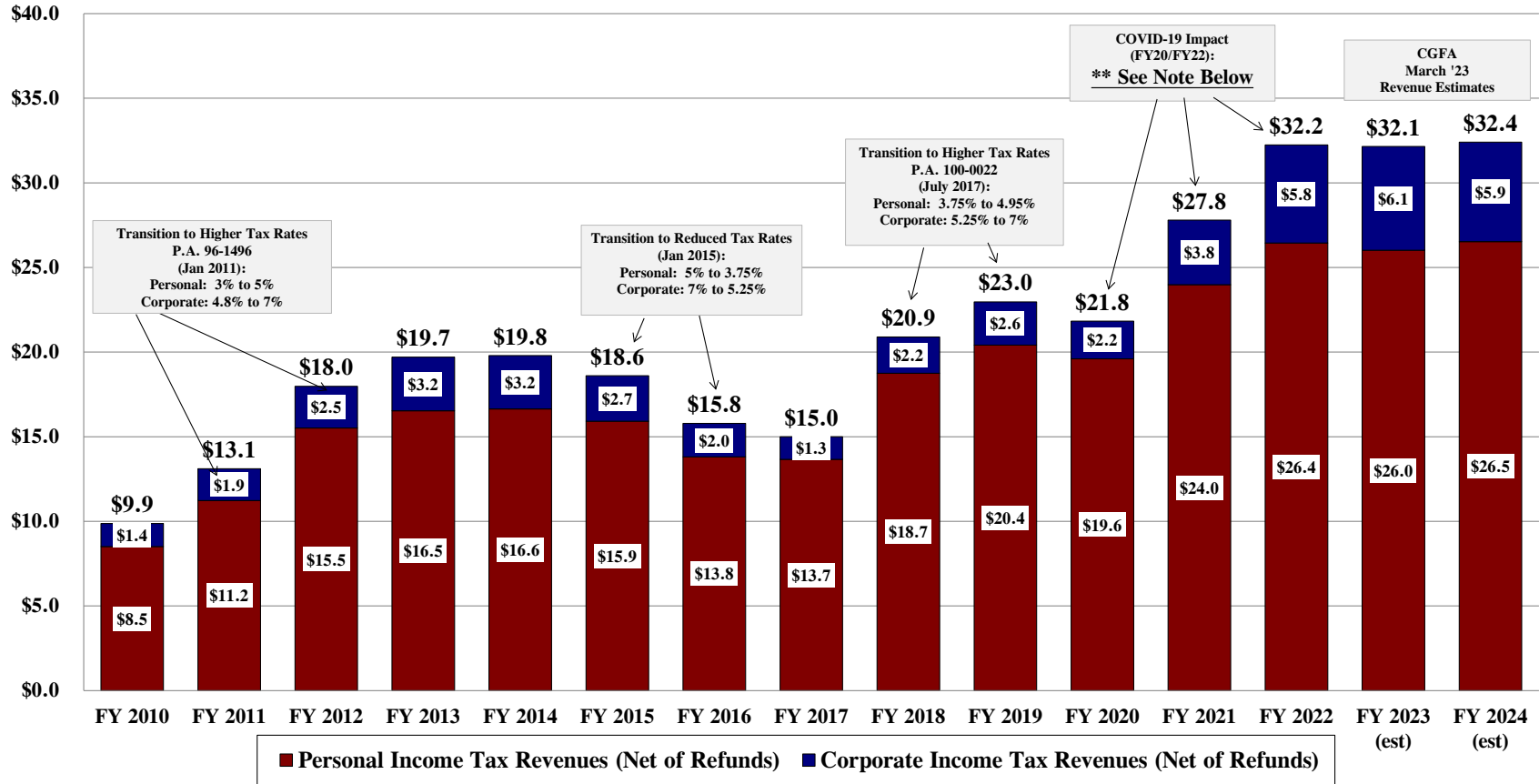
- The revenue outlook for FY 2023 continues to look strong, especially as compared to the numbers assumed in the Enacted Budget. The growth experienced through two-thirds of the fiscal year, coupled with the influx of revenues from the Income Tax Refund Fund Transfer and the ARPA reimbursement, has prompted the Commission to revise its FY 2023 revenue outlook up an additional \$575 million. This estimate is now \$5.475 billion above the FY 2023 Enacted Budget revenue assumptions.
- The Commission's revised revenue estimate for FY 2023 of \$51.904 billion is \$545 million above the latest estimate from GOMB. The differential is in large part due to the Commission's ability to apply February's strong revenue performance into its projections.
- The biggest "unknown" that remains in FY 2023 is the performance of final income tax receipts during the spring filing period. Due to the exceptional performance of these receipts last April, a comparative decrease in final tax receipts is projected for FY 2023. As such, the Commission is very cautious in its remaining month outlook for FY 2023, and the revised estimate accounts for this cautiousness by anticipating declines in revenues over the upcoming months. If final tax receipts outperform these conservative projections, another revision could be made in May.
- As the months have progressed, it appears more and more likely that the brunt of the impact of a potential slowdown/recession in Illinois will fall upon FY 2024 and/or into FY 2025. While recent economic forecasts have trended towards softening the severity of a potential recession, the mere possibility of an economic slowdown has caused the Commission to be conservative in its FY 2024 outlook. This cautious approach, when combined with the removal of one-time Federal funds and an assumed drop in transfers, results in the Commission projecting revenues to be \$50.410 billion, nearly \$1.5 billion lower than FY 2023.
- While the Commission's effective growth rate for FY 2024 is below that of GOMB, CGFA's higher FY 2023 revenue base results in the Commission's FY 2024 estimate being \$465 million higher than the GOMB FY 2024 estimate. This is a relatively small difference considering the magnitude of the \$50 billion estimates.

APPENDIX



Recent History of Income Tax Revenues in Illinois

Composition of Income Tax Net Revenues between FY 2010 and FY 2024 (est.)*
\$ in billions



* Nongeneral fund distribution subtractions to the Fund for Advancement of Education (thru FY17), Commitment to Human Services Fund (thru FY17), and the Local Government Distributive Fund (FY18+) are not applied to these figures.

** Due to the COVID-19 pandemic, the Tax Year 2020 tax deadline was moved from April 2020 to July 2020, thereby causing an estimated \$1.3 billion in net final tax payments typically received in FY 2020 to instead fall into FY 2021 (giving FY 2021 two periods of final payments). In addition, in anticipation of lower tax liability due to the uncertainties of the pandemic, estimated tax payments during Tax Year 2020 were lower than normal. As revenues outpaced expectations, higher than normal final payments were necessary to make up for these shorted estimated payments. The combination of these factors resulted in FY 2021 income tax receipts being abnormally high. FY 2022 revenues again surpassed expectations due to a combination of revenue enhancing factors including an influx of pandemic-related federal stimulus dollars to the nation's economy and strong market conditions as a result of this activity. This created elevated levels of taxable income from corporate profits and capital gains, thereby providing another significant increase in tax revenues.

General Funds Revenue History

DETAILED GENERAL FUNDS REVENUE HISTORY FY 2015 - FY 2024 est.

(\$ millions)

Revenue Sources	Actual Receipts FY 2015	Actual Receipts FY 2016	Actual Receipts FY 2017	Actual Receipts FY 2018	Actual Receipts FY 2019	Actual Receipts FY 2020	Actual Receipts FY 2021	Actual Receipts FY 2022	Mar '23 Estimate FY 2023	Mar '23 Estimate FY 2024
State Taxes										
Personal Income Tax	\$17,682	\$15,299	\$15,385	\$20,784	\$22,604	\$21,657	\$26,350	\$29,137	\$28,673	\$29,235
Corporate Income Tax (regular)	3,129	2,334	1,610	2,607	3,026	2,596	4,450	6,831	7,167	6,832
Sales Taxes	8,030	8,063	8,043	8,256	8,897	8,691	9,799	10,984	11,696	11,897
Public Utility Taxes (regular)	1,006	926	884	896	863	831	752	750	735	725
Cigarette Tax	353	353	353	344	361	267	281	254	235	223
Liquor Gallonage Taxes	167	170	171	172	172	177	177	183	183	185
Inheritance Tax (Gross)	333	306	261	358	388	283	450	603	515	450
Insurance Taxes and Fees	353	398	391	432	396	361	480	455	476	478
Corporate Franchise Tax & Fees	211	207	207	207	247	210	322	216	215	209
Interest on State Funds & Investments	24	24	36	79	145	137	57	30	285	293
Cook County Intergovernmental Transfer	244	244	244	244	244	244	244	244	244	244
Other Sources	735	574	725	679	710	761	339	443	570	593
Total State Taxes	\$32,267	\$28,898	\$28,310	\$35,058	\$38,053	\$36,215	\$43,701	\$50,130	\$50,994	\$51,364
Transfers In										
Lottery	679	677	720	719	731	630	777	820	725	775
Gaming	292	277	270	272	269	195	0	140	167	175
Cannabis	0	0	0	0	0	18	71	115	111	114
Refund Fund	63	77	4	1	327	617	282	282	1,481	223
Other	1,949	550	548	1,185	708	971	420	735	776	746
Total Transfers In	\$2,983	\$1,581	\$1,542	\$2,177	\$2,035	\$2,431	\$1,550	\$2,092	\$3,260	\$2,033
Total State Sources	\$35,250	\$30,479	\$29,852	\$37,235	\$40,088	\$38,646	\$45,251	\$52,222	\$54,254	\$53,397
Federal Sources	\$3,330	\$2,665	\$2,483	\$5,238	\$3,600	\$3,551	\$4,744	\$4,584	\$3,750	\$4,014
Total Federal & State Sources	\$38,580	\$33,144	\$32,335	\$42,473	\$43,688	\$42,197	\$49,995	\$56,806	\$58,004	\$57,411
Nongeneral Funds Distribution:										
Refund Fund										
Personal Income Tax	(\$1,769)	(\$1,493)	(\$1,724)	(\$2,037)	(\$2,193)	(\$2,058)	(\$2,372)	(\$2,696)	(\$2,652)	(\$2,704)
Corporate Income Tax	(439)	(362)	(278)	(457)	(470)	(370)	(625)	(1,026)	(1,039)	(956)
Direct Deposits										
Fund for Advancement of Education	(242)	(458)	(464)	0	0	0	0	0	0	0
Commitment to Human Services Fund	(242)	(458)	(464)	0	0	0	0	0	0	0
Local Government Distributive Fund										
Personal Income Tax	0	0	0	(1,022)	(1,175)	(1,128)	(1,453)	(1,602)	(1,603)	(1,634)
Corporate Income Tax	0	0	0	(133)	(167)	(145)	(262)	(398)	(420)	(402)
Sales Tax Distributions										
Deposits into Road Fund	0	0	0	0	0	0	0	(132)	(484)	(630)
Distribution to the PTF and DPTF	0	0	0	(446)	(488)	(436)	(431)	(618)	(666)	(674)
General Funds Subtotal [Base]	\$35,888	\$30,373	\$29,405	\$38,378	\$39,195	\$38,060	\$44,852	\$50,334	\$51,140	\$50,410
Change from Prior Year	(\$830)	(\$5,515)	(\$968)	\$8,973	\$817	(\$1,135)	\$6,792	\$5,482	\$806	(\$730)
Percent Change	-2.3%	-15.4%	-3.2%	30.5%	2.1%	-2.9%	17.8%	12.2%	1.6%	-1.4%
ARPA Reimb. for Essential Gov't Services	\$0	\$0	\$0	\$0	\$0	\$0	\$736	\$0	\$764	\$0
Short-Term Borrowing/MLF	\$0	\$0	\$0	\$0	\$0	\$1,198	\$1,998	\$0	\$0	\$0
Treasurer's Investments	\$0	\$0	\$0	\$0	\$750	\$400	\$400	\$0	\$0	\$0
Interfund Borrowing	\$454	\$0	\$0	\$533	\$250	\$462	\$0	\$0	\$0	\$0
Income Tax Bond Fund Transfer	\$0	\$0	\$0	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0
Transfer to Commitment Human Services	\$0	\$0	\$0	\$40	\$0	\$0	\$0	\$0	\$0	\$0
Budget Stabilization Fund Transfer	\$275	\$125	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total General Funds	\$36,617	\$30,498	\$29,405	\$41,451	\$40,195	\$40,120	\$47,250	\$51,070	\$51,904	\$50,410
Change from Prior Year	(\$426)	(\$6,119)	(\$1,093)	\$12,046	(\$1,256)	(\$75)	\$7,130	\$3,820	\$834	(\$1,494)
Percent Change	-1.2%	-16.7%	-3.6%	41.0%	-3.0%	-0.2%	17.8%	8.1%	1.6%	-2.9%

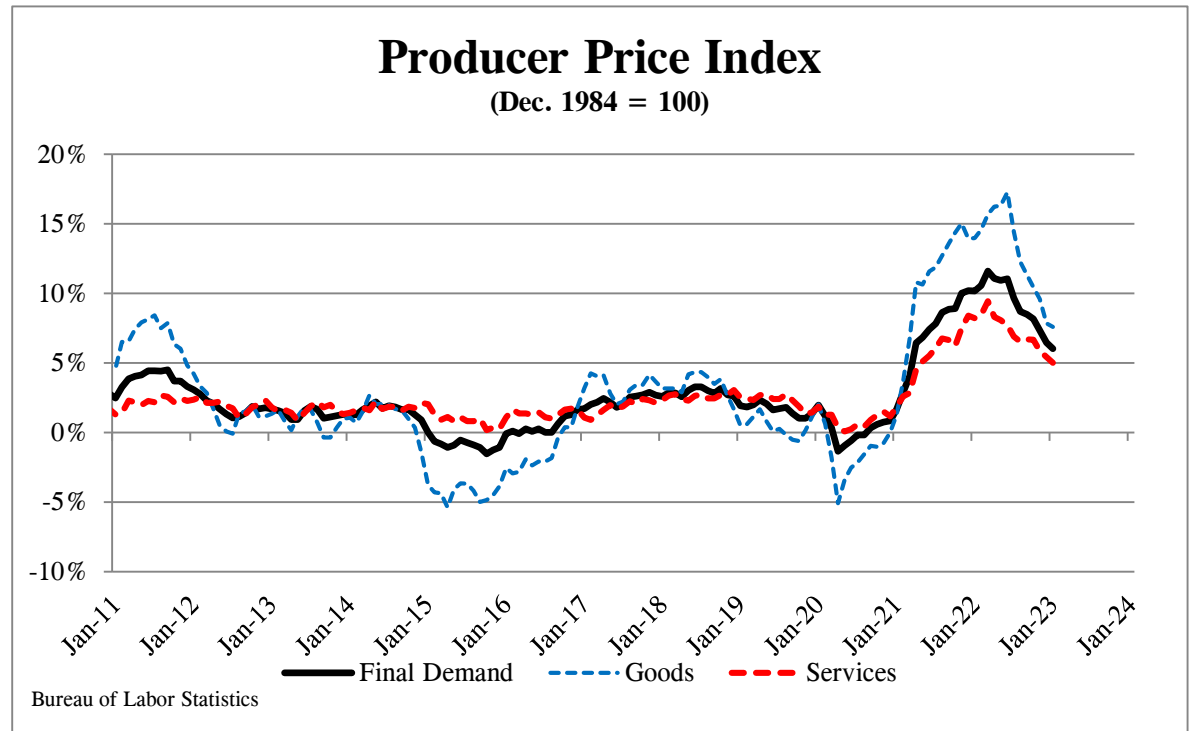
ALL APPROPRIATED FUNDS REVENUE FY 2015 to FY 2022 & ESTIMATED FY 2023 - FY 2024 [Current Law]

(\$ millions)

	ACTUAL RECEIPTS FY 2015	ACTUAL RECEIPTS FY 2016	ACTUAL RECEIPTS FY 2017	ACTUAL RECEIPTS FY 2018	ACTUAL RECEIPTS FY 2019	ACTUAL RECEIPTS FY 2020	ACTUAL RECEIPTS FY 2021	ACTUAL RECEIPTS FY 2022	Current Law Estimate FY 2023	Current Law Estimate FY 2024
REVENUE SOURCES										
State Sources										
CASH RECEIPTS:										
Personal Income Tax (gross)	\$17,682	\$15,301	\$15,385	\$20,785	\$22,604	\$21,658	\$26,352	\$29,137	\$28,673	\$29,235
Corporate Income Tax (gross)	\$3,132	\$2,339	\$1,614	\$2,610	\$3,029	\$2,599	\$4,456	\$6,833	\$7,169	\$6,834
Sales Taxes	\$9,908	\$9,073	\$9,053	\$9,297	\$10,094	\$9,937	\$11,374	\$12,332	\$13,310	\$13,495
Short-Term Borrowing	\$0	\$0	\$0	\$0	\$0	\$1,198	\$0	\$0	\$0	\$0
Fund Transfers	\$2,882	\$460	\$849	\$3,413	\$4,236	\$4,176	\$3,697	\$5,219	\$4,493	\$4,949
State Employees Retirement System	\$0	\$0	\$0	\$2,607	\$2,774	\$0	\$0	\$0	\$0	\$0
Corporate Personal Property Replacement Taxes	\$1,786	\$1,628	\$1,922	\$1,790	\$1,935	\$1,881	\$2,761	\$5,243	\$5,425	\$5,146
Health Care Provider Assessment Fees & Taxes	\$1,961	\$2,080	\$2,238	\$2,343	\$2,496	\$3,590	\$3,918	\$3,834	\$3,851	\$3,863
Public Utility Taxes	\$1,510	\$1,417	\$1,423	\$1,409	\$1,415	\$1,347	\$1,262	\$1,260	\$1,250	\$1,245
Motor Vehicle & Operators Licenses	\$1,539	\$1,552	\$1,585	\$1,483	\$1,599	\$1,458	\$1,691	\$1,596	\$1,627	\$1,659
Lottery Tickets & Licenses	\$1,589	\$1,308	\$1,341	\$1,510	\$1,330	\$1,164	\$1,528	\$1,397	\$1,550	\$1,550
Motor Fuel Tax (gross)	\$1,326	\$1,354	\$1,348	\$1,368	\$1,351	\$2,319	\$2,380	\$2,523	\$2,565	\$2,685
Cigarette Taxes	\$862	\$845	\$782	\$764	\$769	\$851	\$917	\$841	\$783	\$749
Riverboat Gambling Taxes & Fees	\$520	\$494	\$489	\$482	\$469	\$370	\$225	\$411	\$443	\$465
Revolving Funds	\$606	\$242	\$678	\$533	\$666	\$579	\$614	\$821	\$895	\$835
Insurance Tax & Fees	\$466	\$515	\$519	\$552	\$512	\$470	\$625	\$637	\$656	\$660
Inheritance Tax (gross)	\$355	\$325	\$278	\$381	\$413	\$301	\$479	\$642	\$548	\$479
Liquor Gallonage Taxes	\$283	\$288	\$294	\$296	\$297	\$303	\$312	\$320	\$320	\$324
Optional Health Insurance Deductions	\$376	\$352	\$340	\$332	\$340	\$345	\$409	\$429	\$451	\$475
County Intergovernmental Transfers	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244	\$244
Hotel Tax	\$257	\$264	\$273	\$281	\$296	\$251	\$94	\$228	\$296	\$308
Corporate Franchise Tax & Fees	\$219	\$216	\$215	\$216	\$257	\$219	\$332	\$224	\$222	\$219
Tobacco Settlement	\$120	\$84	\$105	\$227	\$138	\$128	\$145	\$663	\$119	\$125
Investment Income	\$52	\$52	\$83	\$163	\$256	\$237	\$101	\$81	\$535	\$550
Recreational Cannabis	\$0	\$0	\$0	\$0	\$0	\$67	\$246	\$348	\$341	\$350
Sports Wagering	\$0	\$0	\$0	\$0	\$0	\$7	\$113	\$111	\$140	\$160
Video Gaming Tax	\$235	\$302	\$356	\$417	\$474	\$444	\$593	\$901	\$970	\$1,000
Other Taxes, Licenses, Fees & Earnings	\$4,186	\$4,275	\$4,583	\$4,757	\$4,322	\$4,535	\$5,604	\$6,191	\$6,794	\$6,930
Total, State Source Cash Receipts	\$52,096	\$45,010	\$45,997	\$58,260	\$62,316	\$60,678	\$70,472	\$82,466	\$83,670	\$84,534
Transfers in from Other State Funds:	\$493	\$249	\$219	\$339	\$456	\$324	\$370	\$284	\$276	\$317
TOTAL, STATE SOURCES	\$52,589	\$45,259	\$46,216	\$58,599	\$62,772	\$61,002	\$70,842	\$82,750	\$83,946	\$84,851
Federal Sources	\$18,722	\$19,033	\$18,523	\$20,940	\$19,468	\$25,410	\$28,731	\$40,723	\$34,505	\$33,821
Sale of Bonds	\$42	\$1,084	\$2,977	\$8,342	\$2,005	\$1,975	\$4,500	\$3,054	\$2,005	\$2,425
TOTAL, REVENUES - APPROPRIATED FUNDS	\$71,353	\$65,376	\$67,716	\$87,881	\$84,245	\$88,387	\$104,073	\$126,527	\$120,456	\$121,097
Short Term Borrowing	\$0	\$0	\$0	\$0	\$0	\$1,198	\$0	\$0	\$0	\$0
TOTAL BASE REVENUE - ALL APPROPRIATED	\$71,353	\$65,376	\$67,716	\$87,881	\$84,245	\$87,189	\$104,073	\$126,527	\$120,456	\$121,097

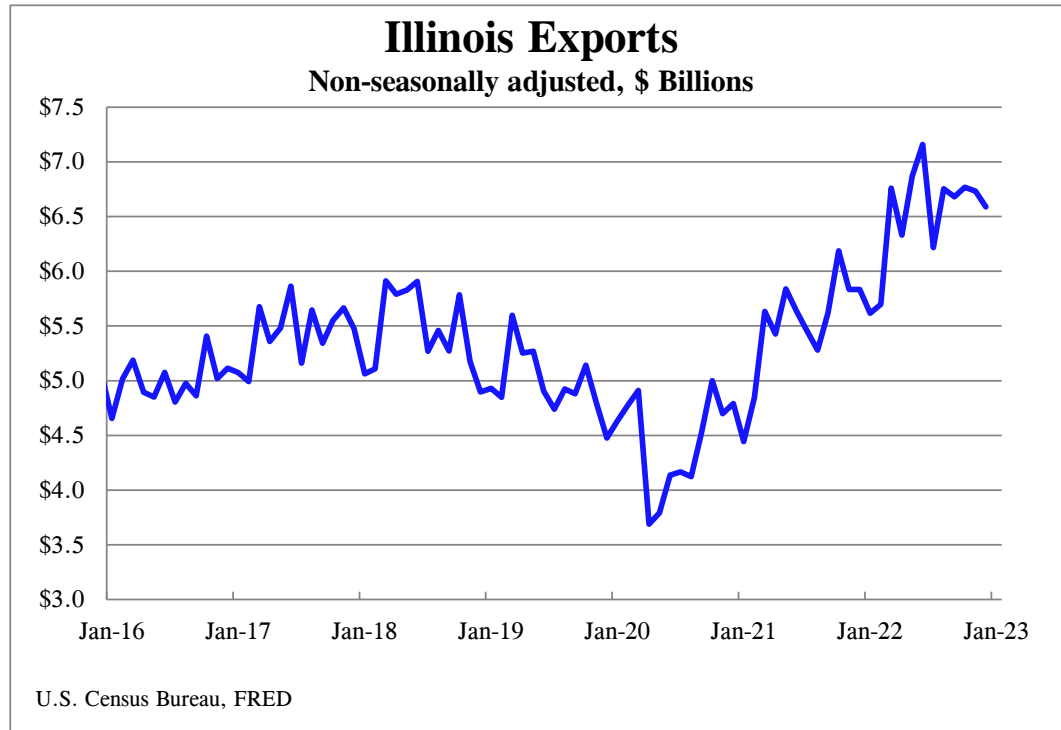
Producer Price Index (PPI)

- 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.
- Unlike CPI, the PPI has swung from growth to actual declines in recent years.
- The PPI declined with the start of the COVID-19 pandemic.
- Since the beginning of 2021, the PPI has increased significantly due to increased demand and supply chain issues.
- Currently, the PPI has been trending down since early summer 2022 after seeing some of the highest rates of growth since the 1980s.
- In January the PPI for Overall Final Demand was 6.0%. The goods portion sits at 7.6%, while the PPI for services was at 5.0%.



Illinois Exports

- Illinois exports, while erratic, started to reverse its downward slope in early 2016 and began to grow. It reached its highest peak since late 2014 at \$5.9 billion in mid-2018 despite uncertainties such as trade conflicts between the U.S. and other countries.
- It then 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 \$3.7 billion in April 2020. This was 24% down from the previous month or a 30% drop compared to a year ago.
- After this steep decline, it began to recover. Illinois exports have improved considerably. The most recent data shows that, in December of 2022, Illinois exports stood at \$6.6 billion. This is down from its recent high of \$7.2 billion but it remains high compared to where it was over the past 3 years.
- S&P Global projects U.S. exports to moderate in 2023 before accelerating again in 2024. This would affect Illinois as it is one of the largest exporting states.



S&P GLOBAL U.S. ECONOMIC FORECAST SCENARIOS

FEBRUARY 2023*

	Baseline (55%)	Pessimistic (25%)	Optimistic (20%)
GDP Growth	Real GDP rises 0.2% in 2023 as the aggressive recovery following the pandemic-induced downturn begins to chill. Growth then ramps up to 2.0% in 2024 and 1.9% in 2025.	Real GDP declines -0.6% in 2023 in response to sustained weakness through the end of 2023 leading into 2024. Growth reaches 1.6% in 2024 and 1.8% in 2025.	Real GDP grows 1.2% in 2023 as the relative strength in consumer spending supports growth. Growth persists at 2.0% in 2024 and 2025.
Consumer Spending	Consumption drops from 1.9% in 2022 to 0.5% in 2023. Growth continues at 1.4% in 2024 and 1.7% in 2025.	Spending falls -0.4% in 2023, before growing 1.2% in 2024 and 1.7% in 2025.	Spending rises 1.5% in 2023, 1.4% in 2024, and 1.7% in 2025.
Business Fixed Investment	Declines -0.5% in 2023 before ramping up to 1.5% in 2024 and 1.7% in 2025.	Contracts -3.6% in 2023 and continues to fall by -1.9% in 2024 and grows 0.2% in 2025.	Rises 1.2% in 2023, jumps to 2.2% in 2024 and 2.3% in 2025.
Monetary Policy	We expect that the upper end of the federal funds rate target to reach 5.09% by late 2023.	The federal funds rates reaches an upper limit of 5.08% in mid-2023 before descending to an upper limit of 0.63% by the end of 2025, where it remains throughout the forecast window.	Similar path to baseline but with a higher long-run federal funds rate over 2023–2026.
Consumer Confidence	Dips through the middle of 2023 before gently escalating.	Remains below the baseline over the entire forecast interval.	Outperforms baseline over the entire forecast interval.
Inflation (PCE)	Core personal consumption (PCE) price inflation falls from 4.7% in 2022 to a more moderate 3.1% in 2023 and 2.3% in 2024.	Core PCE price inflation slows to 3.3% in 2023 and 2.0% in 2024.	Core PCE price inflation falls from 4.7% in 2022 to 3.1% in 2023, before moderating to 2.5% in 2024.

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

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ILLINOIS FORECASTS -- FEBRUARY 2023

(Calendar Years, Q4/Q4 for Annual Rates)

	2022	2023			2024		
	Est.	Pessimistic	Baseline	Optimistic	Pessimistic	Baseline	Optimistic
Real Gross State Product (Billions 2012\$)	802.7	792.7	802.1	810.3	798.6	810.4	818.9
% Change	1.0%	-1.2%	-0.1%	0.9%	-0.5%	1.0%	2.0%
Total Employment (1,000's)	6,097.7	5,958.4	6,068.0	6,090.5	5,878.9	6,035.2	6,058.7
% Change	3.0%	-2.3%	-0.5%	-0.1%	-1.3%	-0.5%	-0.5%
Population (1,000's)	12,537.8	12,464.9	12,464.9	12,464.9	12,412.0	12,412.0	12,412.0
% Change	-0.8%	-0.6%	-0.6%	-0.6%	-0.4%	-0.4%	-0.4%
Personal Income (Billions \$)	871.5	885.1	895.9	903.9	912.6	922.5	942.5
% Change	3.3%	1.6%	2.8%	3.7%	3.1%	3.0%	4.3%
Private Housing Starts (1,000's)	18.3	14.5	15.9	16.3	16.5	18.1	18.6
% Change	-16.6%	-20.7%	-12.7%	-10.8%	14.3%	13.3%	14.1%
Unemployment Rate Average % (Q4)	4.7%	7.7%	5.6%	5.3%	8.2%	5.7%	5.3%

S&P Global

U.S. FORECASTS -- FEBRUARY 2023

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

	2021	2022	2023			2024		
	Actual	Actual	Pessimistic	Baseline	Optimistic	Pessimistic	Baseline	Optimistic
Gross Domestic Product	5.7%	1.0%	-0.6%	0.2%	1.2%	1.6%	2.0%	2.0%
Personal Consumption	7.2%	1.9%	-0.4%	0.5%	1.5%	1.2%	1.4%	1.4%
Durable	7.0%	1.1%	-2.5%	0.1%	1.6%	2.8%	3.9%	4.1%
Nondurable	7.2%	-1.4%	-2.2%	-1.2%	-0.1%	0.6%	0.6%	0.8%
Services	7.2%	3.2%	0.6%	1.1%	2.0%	1.2%	1.2%	1.3%
Fixed Investment (Nonresidential)	5.0%	3.7%	-3.6%	-0.5%	1.2%	-1.9%	1.5%	2.2%
Exports	6.5%	5.3%	1.8%	3.8%	5.6%	5.6%	5.5%	5.0%
Imports	10.1%	1.7%	-3.3%	-1.1%	0.3%	2.7%	4.1%	3.9%
Government	0.5%	0.9%	1.3%	1.4%	1.6%	0.8%	0.9%	0.8%
Federal	0.4%	0.2%	1.2%	1.3%	1.3%	0.5%	0.5%	0.5%
State & Local	0.6%	1.3%	1.3%	1.6%	1.8%	1.3%	1.1%	1.1%
OTHER MEASURES								
Personal Consumption (Current \$)	13.2%	7.6%	3.0%	3.3%	4.3%	3.1%	3.4%	3.8%
Before Tax Profits (Current \$)	22.0%	7.4%	0.2%	-0.5%	1.4%	1.1%	1.2%	1.4%
Unemployment Rate (Average Q4)	4.2%	3.6%	6.1%	4.4%	4.2%	6.6%	4.6%	4.3%

S&P GLOBAL

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.