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MONTHLY BRIEFING

For the Month Ended: March 2023

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CGFA

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Overview of the Commission's Recently Released FY 2023 Revenue Estimate Update and FY 2024 Forecast

Eric Noggle, Revenue Manager

In November 2022, the Commission increased its FY 2023 General Funds revenue outlook by $4.9 billion, as compared to the revenues assumed in the Enacted Budget. The significant increase was due to the strength of the primary revenue sources this fiscal year in combination with one-time federal reimbursement dollars and higher-than-anticipated revenues expected from the Income Tax Refund Fund Transfer. In March 2023, with economically-driven revenue sources continuing to perform above expectations, the Commission made an additional upward adjustment of $575 million to a revised FY 2023 total of $51.904 billion.

Despite the impressive revenue performance throughout much of the fiscal year, a slowdown in revenues is anticipated during the final third of FY 2023. The anticipated slowdown in tax receipts is not due to an expected sudden downturn in economic activity (though economic and geopolitical uncertainty remains high), but because the remaining months of FY 2023 tax revenues will be compared to record breaking tax receipts of the final third of FY 2022. The elevated values of FY 2022 were heavily influenced by strong income tax performance (especially in final tax receipts) that was greatly enhanced by above-average growth in employment and wages, corporate profits, and capital gains from Tax Year 2021. Because market conditions were comparably subpar in Tax Year 2022, and without the surge of stimulus payments to add additonal spending into the economy, tax receipts over the last third of FY 2023 are expected to struggle to keep up with last fiscal year's torrid pace (as indicated by March receipt performance discussed on page 5). This anticipated slowdown for

March, and over the remaining months of the fiscal year, was incorporated in the Commission's revised forecast.

The Commission's March revenue forecast has revenues ending the year $834 million above the FY 2022 total of $51.1 billion. Despite the $563 million decline in General Funds receipts in March (see page 5), revenues remain $1.976 billion above last year's pace with just three months remaining in the fiscal year. This means that the Commission could still absorb a $1.142 billion decline in revenues over the last quarter of the fiscal year and still reach this revised estimate, thereby emphasizing the cautious nature of the Commission's updated FY 2023 projection.

In February 2023, the Governor's Office of Management and Budget (GOMB) revised their FY 2023 outlook for General Funds revenues up to $51.359 billion. As shown in the following table, the Commission's March 2023 estimate of $51.904 billion is $545 million higher than GOMB. As summarized below, there are relatively modest differences between the two estimates. The Commission is slightly below GOMB in its outlook for net Corporate Income Taxes [-$15 million], Transfers In [-$8 million], and base Federal Sources [-$263 million], but higher than GOMB in its outlook for net Personal Income Taxes [+$538 million]; net Sales Taxes [+$156 million]; and Other State Sources [+$137 million].

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**

In March 2023, the Commission also released its FY 2024 General Funds revenue projection of $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 is a $1.494 billion decline from the Commission's FY 2023 Revised (March '23) estimate of $51.904 billion. The details of the Commission's FY 2024 estimate by revenue source and how it compares to FY 2023 are shown on the following page. *Further information can be seen on the Commission's website under the publication "FY 2024 Economic Forecast and FY 2023 Revenue Estimate Update".*

The economically-tied revenue sources are expected to moderate considerably in FY 2024 from their robust levels of growth experienced over the past couple of years. While modest gains are still anticipated from some of the revenue sources, any growth that does occur is expected to be more than offset by revenue declines in two primary areas. First, $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. Second, the amount the State receives from the Income Tax Refund Fund Transfer is expected to be well below the $1.481 billion received in FY 2023.

In the FY 2024 Budget Book, the Governor's Office projects a FY 2024 General Funds revenue total of $49.945 billion. As shown below, 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's anticipated effective growth rate from FY 2023 into FY 2024, when excluding Federal Sources, is -2.1%, compared to GOMB's rate of -1.4%. The below table shows that there are relatively small differences between the two estimates, especially when considering the magnitude of the $50 billion projections.

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 24 Estimates vs FY 2023 Budget	**$3,516**	**$3,981**	**$465**

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

General Funds Revenues See First Monthly Decline of FY 2023 as March Receipts Cannot Repeat Last Year's Torrid Pace

Eric Noggle, Revenue Manager

General Funds revenues expereienced its first monthly year-over-year decline of the fiscal year as March receipts fell $563 million when compared to March 2022 totals. This decline was not a surprise, as receipts were not expected to keep up with the record pace of revenues received in March of FY 2022. The March 2022 General Funds total of $4.833 billion was 20% higher than any amount ever collected for this particular month. And while the March 2023 value of $4.270 billion was 11.6% below this mark, it should be noted that this latest figure is still ahead of any other March total for Illinois' General Funds revenues. March 2023 had the same number of receipting days as last year.

As anticipated, most of the revenue declines occurred in the area of income taxes. Personal Income Taxes were $384 million below last year's levels, which is a net decline of $330 million when accounting for non-General Funds distributions. Corporate Income Tax receipts were down $58 million, a decline of $44 million on a net basis. Again, these decreases are not surprising considering the strength of final tax collections a year ago to which these revenues are compared. Exceptional market conditions from Tax Year 2021, combined with above-average growth in employment and wages, resulted in extraordinary levels of tax receipts during the last third of FY 2022 that has, thus far, proven difficult to repeat. (For this same reason, income tax receipts could see additional declines in April).

Sales Tax revenues also slowed in March with growth of only $14 million gross, a drop of $7 million when adjusting for the nongeneral distributions to the Road Fund and to other transportation funds. While the lack of growth here is noteworthy, additional months of subpar sales tax performance would be needed before this would be considered troublesome. Contributing to the overall decline were decreases in several other State sources, including Insurance Taxes [-$26 million]; the Inheritance Tax [-$17 million]; and the Cigarette Tax [-$6 million]. These falloffs were partially offset by continued substantial growth in Interest Income [+$46 million], as well as modest gains from Public Utility Taxes [+$5 million] and Corporate Franchise Taxes [+$2 million].

It was a positive month for Transfers In as these revenue sources combined to grow $18 million. Both Lottery Transfers and Casino Gaming Transfers were $8 million above last year's levels, while miscellaneous transfers grew $4 million. Cannabis Transfers, however, were down $2 million as compared to last March.

The overall mediocre month of revenues was capped off by a $205 million decline in Federal Sources. This continues the underwhelming performance of this category of revenues so far this fiscal year.

Year to Date

Despite the $563 million falloff in March, overall General Funds receipts remain $1.976 billion above last year's pace with two-thirds of FY 2023 now complete. When removing the one-time revenue increase from the ARPA reimbursement funds, the overall growth of "base" receipts is now at $1.651 billion.

While it was a disappointing month for income tax receipts in March, these revenue sources continue to be the largest contributors of the revenue growth in FY 2023. Corporate Income Taxes remain up $561 million or $464 million net. Personal Income Tax Revenues, while struggling to keep up with last year's torrid pace of receipts, remain up $333 million, or $265 million net.

Sales Taxes slowed in March, but remain up $551 million on a gross basis, an increase that reduces to $235 million on a net basis. Interest Income added to its strong fiscal year of revenues and is now $240 million above last year's levels. Other State sources with year-to-date growth include Other Sources [+$76 million]; Public Utility Taxes [+$12 million]; Corporate Franchise Taxes [+$12 million], and Insurance Taxes [+$8 million]. The only State taxes with cumulative declines are the Inheritance Tax [-$53 million]; Cigarette Tax [-$20 million]; and the Liquor Tax [-$2 million].

State Transfers In have risen a combined $1.115 billion so far this fiscal year. As has been discussed in previous reports, this growth is mostly due to the $1.239 billion increase in the Income Tax Refund Fund Transfer. This increase, along with the $18 million rise in Gaming Transfers, has easily offset the year-to-date declines in Lottery Transfers [-$105 million]; Other Transfers [-$36 million]; and Cannabis Transfers [-$1 million].

Federal Source base revenues are now $701 million below last year's levels through March. A substantial increase in these funds over the last quarter of the fiscal year will be needed to make up for this deficit. Even when incorporating the $325 million in gains from the one-time ARPA reimbursement federal funds, a combined fiscal year-to-date decline of $376 million still results.

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	$16,457	$16,722	$265	1.6%
Net Corporate Income Tax	$2,863	$3,327	$464	16.2%
Net Sales Tax	$7,572	$7,807	$235	3.1%
All Other State Sources	$2,296	$2,569	$273	11.9%
Transfers In	$1,648	$2,763	$1,115	67.7%
Federal Sources [base]	$3,551	$2,850	($701)	-19.7%
Base General Funds	$34,387	$36,038	$1,651	4.8%
ARPA Reimb. for Essential Gov't Services	$439	$764	$325	74.0%
Total General Funds	$34,826	$36,802	$1,976	5.7%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding — 4-Apr-23

MARCH ***FY 2022 vs. FY 2023*** ***($ millions)***				
Revenue Sources	**March FY 2022**	**March FY 2023**	**$ CHANGE**	**% CHANGE**
State Taxes				
Personal Income Tax	$3,147	$2,763	($384)	-12.2%
Corporate Income Tax (regular)	489	431	(58)	-11.9%
Sales Taxes	892	906	14	1.6%
Public Utility Taxes (regular)	70	75	5	7.1%
Cigarette Tax	25	19	(6)	-24.0%
Liquor Gallonage Taxes	12	13	1	8.3%
Inheritance Tax	52	35	(17)	-32.7%
Insurance Taxes and Fees	55	29	(26)	-47.3%
Corporate Franchise Tax & Fees	17	19	2	11.8%
Interest on State Funds & Investments	2	48	46	2,300.0%
Cook County IGT	94	94	0	0.0%
Other Sources	34	34	0	0.0%
Total State Taxes	$4,889	$4,466	($423)	-8.7%
Transfers In				
Lottery	$78	$86	$8	10.3%
Gaming	6	14	8	133.3%
Cannabis	11	9	(2)	-18.2%
Refund Fund	0	0	0	N/A
Other	33	37	4	12.1%
Total Transfers In	$128	$146	$18	14.1%
Total State Sources	$5,017	$4,612	($405)	-8.1%
Federal Sources [base]	$479	$274	($205)	-42.8%
Total Federal & State Sources	$5,496	$4,886	($610)	-11.1%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($291)	($256)	$35	-12.0%
Corporate Income Tax	(73)	(63)	10	-13.7%
Local Government Distributive Fund				
Personal Income Tax	(173)	(154)	19	-11.0%
Corporate Income Tax	(29)	(25)	4	-13.8%
Sales Tax Distributions				
Deposits into Road Fund	(11)	(43)	(32)	290.9%
Distribution to the PTF and DPTF	(86)	(75)	11	-12.8%
General Funds Subtotal [Base]	**$4,833**	**$4,270**	**($563)**	**-11.6%**
ARPA Reimb. for Essential Gov't Services	$0	$0	$0	N/A
Total General Funds	**$4,833**	**$4,270**	**($563)**	**-11.6%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding — 3-Apr-23

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2022 vs. FY 2023

($ millions)

Revenue Sources	**FY 2022**	**FY 2023**	**$ CHANGE**	**% CHANGE**
State Taxes				
Personal Income Tax	$19,304	$19,637	$333	1.7%
Corporate Income Tax (regular)	3,617	4,178	561	15.5%
Sales Taxes	8,100	8,651	551	6.8%
Public Utility Taxes (regular)	565	577	12	2.1%
Cigarette Tax	192	172	(20)	-10.4%
Liquor Gallonage Taxes	140	138	(2)	-1.4%
Inheritance Tax	433	380	(53)	-12.2%
Insurance Taxes and Fees	305	313	8	2.6%
Corporate Franchise Tax & Fees	162	174	12	7.4%
Interest on State Funds & Investments	11	251	240	2,181.8%
Cook County IGT	244	244	0	0.0%
Other Sources	244	320	76	31.1%
Total State Taxes	$33,317	$35,035	$1,718	5.2%
Transfers In				
Lottery	$591	$486	($105)	-17.8%
Gaming	112	130	18	16.1%
Cannabis	84	83	(1)	-1.2%
Refund Fund	242	1,481	1,239	512.0%
Other	619	583	(36)	-5.8%
Total Transfers In	$1,648	$2,763	$1,115	67.7%
Total State Sources	$34,965	$37,798	$2,833	8.1%
Federal Sources [base]	$3,551	$2,850	($701)	-19.7%
Total Federal & State Sources	$38,516	$40,648	$2,132	5.5%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($1,786)	($1,817)	($31)	1.7%
Corporate Income Tax	(543)	(606)	(63)	11.6%
Local Government Distributive Fund				
Personal Income Tax	(1,061)	(1,098)	(37)	3.5%
Corporate Income Tax	(211)	(245)	(34)	16.1%
Sales Tax Distributions				
Deposits into Road Fund	(86)	(372)	(286)	332.6%
Distribution to the PTF and DPTF	(442)	(472)	(30)	6.8%
General Funds Subtotal [Base]	**$34,387**	**$36,038**	**$1,651**	**4.8%**
ARPA Reimb. for Essential Gov't Services	$439	$764	$325	74.0%
Total General Funds	**$34,826**	**$36,802**	**$1,976**	**5.7%**

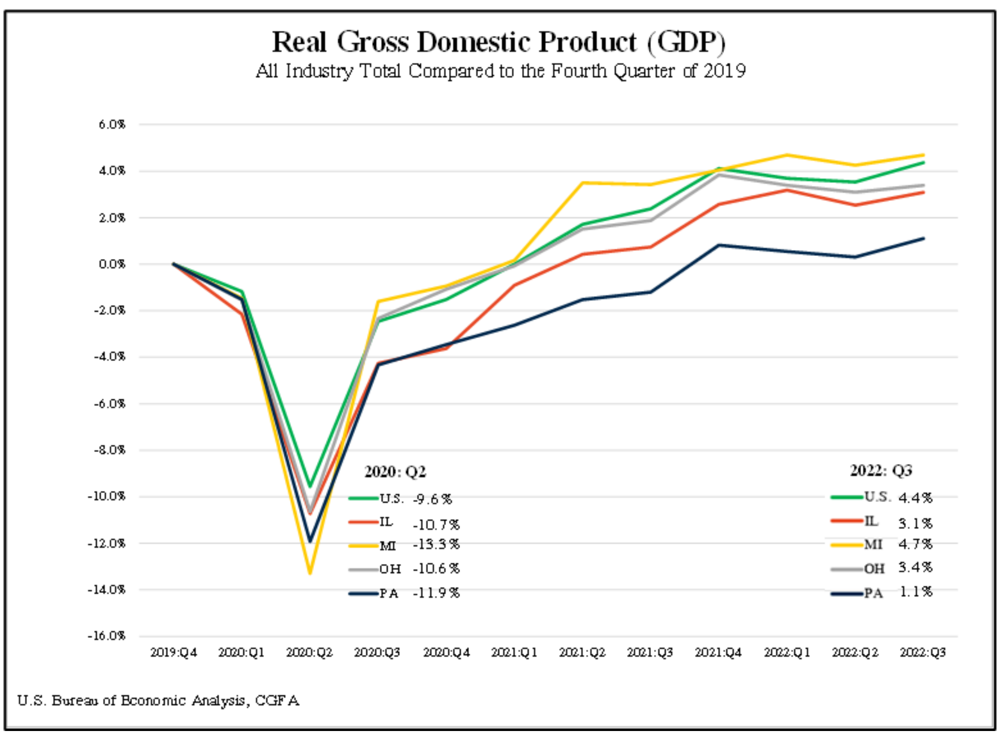
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 4-Apr-23

Economy: Industrial Midwest Comparison
Benjamin L. Varner, Chief Economist

At the beginning of March, the Commission held a hearing to present its updated FY 2023 and its initial FY 2024 revenue estimates. During the hearing, Commission members had questions related to how well Illinois' economy has performed coming out of the pandemic, specifically compared to other similar sized states in the industrial Midwest. In response to these questions, the Commission developed comparisons of various economic indicators between Illinois, Michigan, Ohio, Pennsylvania, and the country as a whole. Overall, the industrial Midwest states grew slower than the rest of the nation with Illinois having mixed results when compared to the other states.

Real GDP

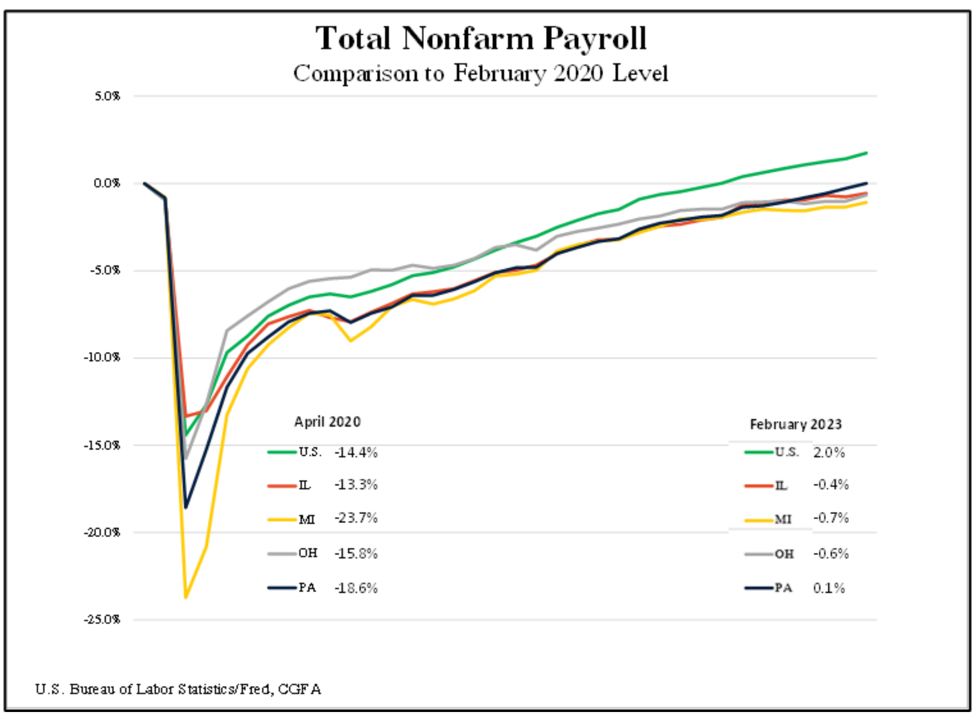
The first indicator examined was real Gross Domestic Product (GDP) which is a comprehensive measure of U.S. economic activity that measures the value of the final goods and services produced in the United States adjusted for inflation. As can be seen in the following chart, Illinois fell into a recession similar to the rest of the country. Real GDP fell between 9.6% to 13.3% in total. A return to growth began in the third quarter of 2020. However, Illinois and Pennsylvania did not bounce back quite as fast as Michigan, Ohio, and the country as a whole. In the first quarter of 2021, Illinois grew 11.8% (on an annualized basis) and separated itself from Pennsylvania. Since then, Illinois has gained ground on the other states and the U.S., but remains slightly behind them overall.



According to current estimates, Illinois's real GDP was 3.1% higher in the 3rd quarter of 2022 compared to where it was at in the fourth quarter of 2019 (the quarter before the pandemic). This is behind the 4.4% growth seen by the U.S. as a whole. Of the other states compared, Michigan saw the largest amount of growth at 4.7%. Ohio was similar to Illinois at 3.4%, while Pennsylvania was lowest at 1.1%. Overall, Illinois ranks 30th in growth of total real GDP since the beginning of the pandemic compared to the rest of the states plus the District of Columbia. Michigan ranked 18th, Ohio 29th, and Pennsylvania 40th.

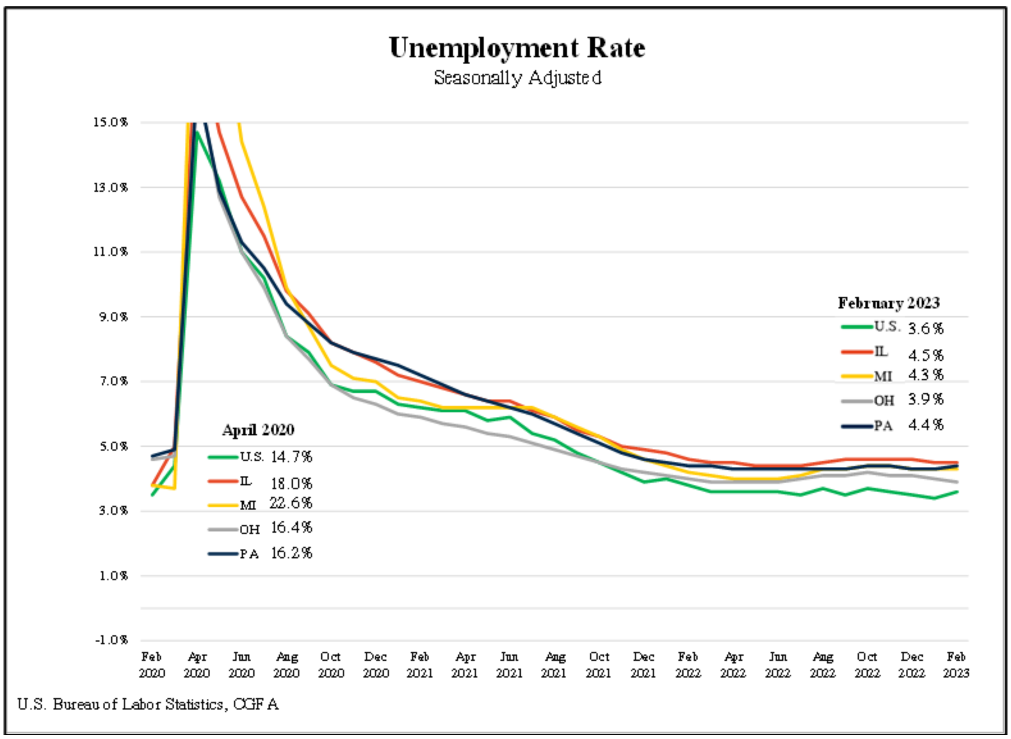
Total Nonfarm Payroll Jobs

The second economic indicator examined was seasonally adjusted total nonfarm payroll jobs compared to February 2020, which was the last month before significant declines in employment occurred. Illinois' total employment had dropped by 13.3% by April of 2020. This decline was not as severe as the nation as a whole and the other states compared. The U.S. lost 14.4% of total jobs, while Ohio (-15.8%), Pennsylvania (-18.6%), and Michigan (-23.7%) had larger declines. Ohio and the U.S. jumped back a little more quickly than the other states. However, Ohio's initial rebound slowed and came in line with the other Midwest states examined. Overall, the U.S. as a whole had 2.0% more jobs in February of 2023 compared to February of 2020. The industrial Midwest states' total nonfarm jobs have not rebounded as much as the rest of the country. Of these states, only Pennsylvania had grown even with where it was prior to the pandemic being up 0.1%. Illinois was 0.4% below its February 2020 level which is equal to approximately 23,000 jobs. Ohio and Michigan trailed Illinois closely, down 0.6% and 0.7% respectively. Pennsylvania's job growth ranked 33rd, while Illinois (38th), Ohio (40th) and Michigan (41st) were lower in the rankings.



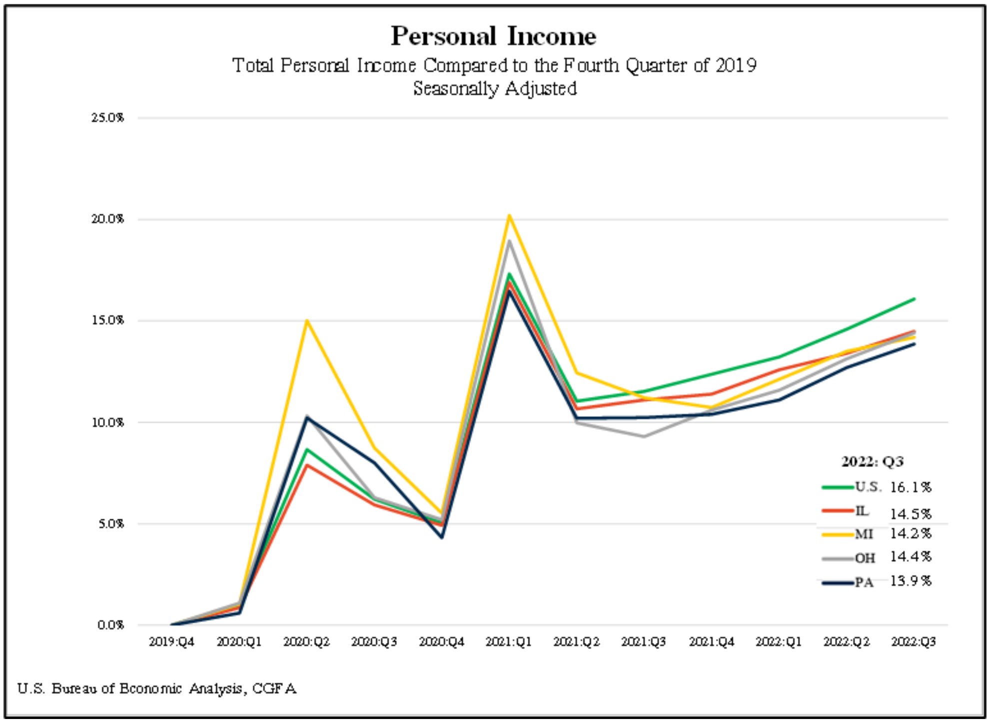
Unemployment Rate

The third economic indicator examined was the unemployment rate. As the pandemic began, unemployment rates skyrocketed. The Illinois unemployment rate jumped to 18.0%, while the country as a whole went up to 14.7%. Ohio and Pennsylvania's rates were at just over 16%, while Michigan went to 22.6%. The unemployment rates quickly dropped back down and trended lower until approximately the spring of 2022. Initially, Ohio's unemployment rate dropped more quickly than its peers but, since the fall of 2021, has come in line with the other states. Overall, the large, industrial Midwest states have had higher unemployment rates than the rest of the country. In February of 2023, the U.S. unemployment rate was 3.6%. Ohio was slightly higher at 3.9%, while Michigan and Pennsylvania were at 4.3% and 4.4% respectively. Illinois was the highest of these states at 4.5%. All of these states ranked 38th or lower in unemployment rate in February. Illinois ranked 46th which was just behind Pennsylvania.



Total Personal Income

The last data set examined was total personal income compared to the fourth quarter of 2019. Total personal income saw large jumps during this time frame associated with the pandemic payments from the federal government. While not as bad as the unemployment rate, the states analyzed ranked 37th or lower for this indicator. The U.S. as a whole grew total personal income by 16.1% compared to the fourth quarter of 2019. Illinois ranked 37th growing 14.5%. Ohio and Michigan were close behind at 14.4% and 14.2%, respectively. Pennsylvania had the slowest growth of these states with total growth of 13.9%.



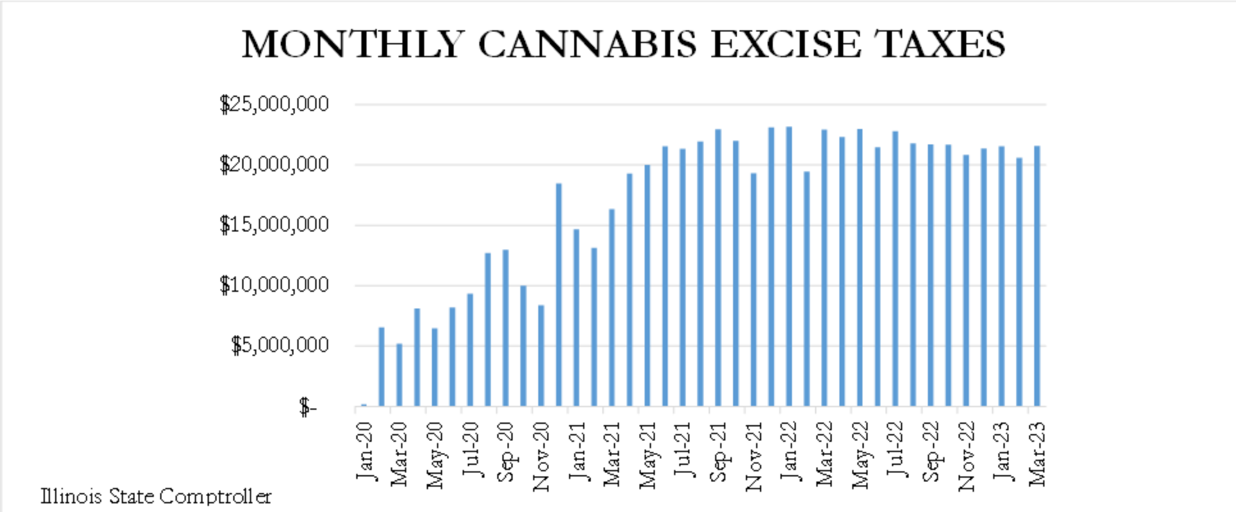
INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (Feb.)	4.5%	4.5%	4.6%
Inflation in Chicago (12-month percent change) (Feb.)	5.0%	5.4%	7.1%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (Feb.)	6,474.5	0.1%	-0.2%
Employment (thousands) (Feb.)	6,184.6	0.1%	0.0%
Nonfarm Payroll Employment (Feb.)	6,114,600	10,700	144,900
New Car & Truck Registration (Feb.)	26,947	-12.9%	1.9%
Single Family Housing Permits (Feb.)	496	34.1%	-20.1%
Total Exports ($ mil) (Jan.)	6,641.5	0.8%	18.3%
Chicago Purchasing Managers Index (Mar.)	43.8	0.5%	-30.4%

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

Cannabis Quarterly – 3rd Quarter FY 2023



CANNABIS REGULATION FUND REVENUE
($ millions)

Revenue Source	FY22 Q3	FY23 Q3	$ Change	% Change	FY22 YTD	FY23 YTD	$ Change	% Change
State Cannabis Excise Taxes	$65.5	$63.7	($1.8)	-2.8%	$196.2	$193.8	($2.4)	-1.2%
Licenses and Registration Fees	$8.4	$3.1	($5.3)	-62.6%	$10.3	$5.4	($4.9)	-47.4%
Other Revenue	$0.0	$0.1	$0.0	33.7%	$0.4	$0.1	($0.4)	-82.0%
Total	**$74.0**	**$66.9**	**($7.1)**	**-9.6%**	**$206.9**	**$199.3**	**($7.6)**	**-3.7%**

Illinois State Comptroller, CGFA

CANNABIS REGULATION FUND EXPENDITURES
($ millions)

Object of Expenditure	FY22 Q3	FY23 Q3	$ Change	% Change	FY22 YTD	FY23 YTD	$ Change	% Change
Transfer - General Revenue Fund	$23.9	$21.1	($2.8)	-11.7%	$65.5	$64.7	($0.8)	-1.3%
Transfer - Professional Services	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Transfer - Workers' Compensation Revolving	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Transfer - Criminal Justice Info Projects	$17.1	$15.1	($2.0)	-11.7%	$46.8	$46.2	($0.6)	-1.3%
Transfer - Drug Treatment	$1.4	$1.2	($0.2)	-11.7%	$3.7	$3.7	($0.0)	-1.3%
Transfer - DHS Community Services	$13.7	$12.1	($1.6)	-11.7%	$37.4	$37.0	($0.5)	-1.3%
Transfer - Local Government Distributive Fund	$5.5	$4.8	($0.6)	-11.7%	$15.0	$14.8	($0.2)	-1.3%
Transfer - Budget Stabilization	$6.8	$6.0	($0.8)	-11.7%	$18.7	$18.5	($0.2)	-1.3%
Transfer - Cannabis Expungement	$0.7	$0.7	$0.0	0.0%	$2.1	$2.1	($0.0)	-0.8%
Transfer Total	**$69.1**	**$61.1**	**($8.0)**	**-11.6%**	**$189.4**	**$187.0**	**($2.4)**	**-1.3%**
Operations - Agriculture	$1.1	$0.7	($0.4)	-35.9%	$1.8	$2.7	$0.9	52.9%
Operations - Commerce and Econ. Opportunity	$0.1	$0.1	$0.0	n/a	$0.1	$0.2	$0.1	227.8%
Operations - Financial Professional Regulation	$0.9	$1.4	$0.5	60.4%	$2.5	$3.5	$1.0	41.1%
Operations - Public Health	$0.0	$0.0	$0.0	0.0%	$0.0	$0.0	$0.0	0.0%
Operations - Revenue	$0.0	$0.0	$0.0	n/a	$1.5	$1.5	$0.0	0.0%
Operations - State Police	$0.7	$0.5	($0.2)	-26.3%	$1.7	$1.4	($0.2)	-15.1%
Operations - Criminal Justice Information Authority	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Operations Total	**$2.7**	**$2.7**	**($0.0)**	**-0.8%**	**$7.5**	**$9.3**	**$1.8**	**24.6%**
Grand Total	**$71.9**	**$63.8**	**($8.0)**	**-11.2%**	**$196.9**	**$196.3**	**($0.5)**	**-0.3%**

Illinois State Comptroller, CGFA

Moody’s Upgrades Illinois’ General Obligation and Build Illinois Bonds

By Lynnae Kapp, Senior Bond and Revenue Analyst

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

Moody’s General Obligation A3; outlook stable

Moody's upgraded Illinois’ General Obligation and Build Illinois bond ratings to A3 from Baa1, and the Metropolitan Pier & Exposition Authority bonds to Baa2 from Baa3, all with stable outlooks. “The upgrade to A3 reflects continued improvement in several of the state's credit metrics. Like other states, Illinois enjoyed solid tax revenue growth over the past couple years, expanding its capacity to build financial reserves and increase payments towards outstanding liabilities. The state is on track to close fiscal 2023, which ends June 30, with further growth in reserves that are already at their strongest level in over a decade. The state is also increasing payments to its pension plans. These latter two points are evidence of improving governance... The stable outlook balances the financial progress being made by the state with the uncertainty of the present economic climate. The state's lean financial reserves, and heavy long-term liability and fixed cost burdens make it more vulnerable than other states to a negative shift in the national or global economy.

“We consider improving governance to be a key consideration in this action, under our environmental, social and governance (ESG) framework, and we have updated our governance (G) issuer profile score (IPS) for Illinois to 2 from 3. Our assessment of the state's governance considers factors such as institutional structure, policy credibility and effectiveness, and budget management. Illinois' operating flexibility will remain constrained by certain institutional structures, such as the state's constitutional protection of pension benefits. The state is, however, displaying improved management of its budget by making conservative revenue assumptions and applying surplus revenue towards the payment of debt and growth in reserves.

“The rating balances the current trend in these metrics with underlying challenges that will remain in place for some time. These challenges include heavy long-term liability and fixed cost burdens that constrain the state's financial flexibility and contribute to a weak financial position compared to other states, despite the recent improvement in fund balance. On top of this, the Illinois economy has for the past decade expanded at a slower pace than most states and will likely continue to do so given a weak population trend. A slowdown in revenue, caused for example by a moderate national or global recession, could be more challenging in Illinois than in other states given the relative weakness of the state's balance sheet.

“FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS
- Continued improvement in state financial performance as indicated by, for example, growing fund balance
- Accelerated economic expansion, especially as compared to other states, that indicates sustained and strong revenue growth
- Moderation of the state's long-term liability and fixed cost burdens
- Maintenance of fiscal management practices that support growth in reserves and stronger pension contributions

“FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS
- Slow revenue growth that intensifies budgetary pressure or weakens fund balance
- Growth in leverage (debt or other unfunded liabilities) or the state's fixed cost burden
- A material drop in available liquidity
- A departure from fiscal management practices that support growth in reserves and stronger pension contributions.” [Moody's upgrades the State of Illinois to A3; outlook stable, Moody’s Investor Service, March 14, 2023]

Fitch Recent Comments (BBB+; positive outlook)

“The Outlook Revision to Positive from Stable reflects Illinois' strong commitment to making material improvements in its fiscal resilience with significant planned contributions to its formal reserve fund over the next several months. Execution on these commitments, combined with maintenance of recent progress towards structural balance through an uncertain near-term economic outlook, would support an upgrade.

“Illinois' 'BBB+' IDR (Issuer Default Rating) reflects operating performance that is adequate but well below other states, with a long record of structural imbalance primarily related to pension underfunding and recent incremental steps toward more sustainable budgeting practices. The 'BBB+' IDR also reflects the state's elevated long-term liability position and resulting spending pressure. Illinois' deep and diverse economy is only slowly growing, but still provides a strong fundamental context for its credit profile.

“Budget Actions and Proposals Suggest Commitment to Fiscal Progress. In January, the state enacted legislation including an $850 million one-time reserve fund contribution planned for later this fiscal year and a $1.8 billion deposit to the unemployment insurance trust fund to repay an outstanding federal loan and boost the fund's balance. The following month, the governor proposed a fiscal 2024 budget plan that maintains the fiscal momentum with a supplemental pension contribution of $200 million, defeasance of $450 million in outstanding tobacco settlement bonds, and ongoing commitments to add to reserves.

“Collectively, the moves suggest the state's recent fiscal improvements are becoming increasingly embedded in its decision-making. Budget negotiations are ongoing with the legislature with final adoption anticipated by either May 31 (with only a simple legislative majority required), or before the June 30 end of the fiscal year (with a three-fifths legislative majority required).

“The fiscal 2024 revenue forecasts from the governor's office of management and budget (GOMB, included in the executive budget in February) and CGFA (released in March) both prudently reflect deceleration in 2024, as Federal Reserve monetary policy actions slow the economy. Fitch anticipates a mild national recession in the second half of this calendar year.

“While the fiscal outlook continues to improve, structural gaps remain, primarily the underfunding of pension contributions. The 2024 budget fully meets Illinois' statutory obligations, which are based on funding up to the target of 90% funding of the state's pension liabilities by 2045. For fiscal 2024, the legislature's commission on government forecasting and accountability (CGFA) estimates a gap of $4.4 billion (roughly 10% of state sourced general funds revenues) between the statutory state pension contributions of $10.9 billion and the actuarially determined contributions (ADC).

“Inclusive of $500 million in supplemental pension contributions authorized as part of the fiscal 2022 supplemental and fiscal 2023 enacted budgets, and another $200 million recommended by the governor for fiscal 2023, total contributions are still well below the ADC level Fitch considers necessary to fully fund pensions over time.” [Fitch Revises State of Illinois's Rating Outlook to Positive; Rates Illinois' $2.5B GO Bonds 'BBB+', FitchRatings, 29 Mar 2023]

ILLINOIS' GENERAL OBLIGIATION BOND RATINGS HISTORY						
Date of Rating Action	*Fitch*		*S&P*		*Moody's*	
	Rating	*up/down*	*Rating*	*up/down*	*Rating*	*up/down*
Feb-Mar 2023			*A-*	↑1x	*A3*	↑1x
Apr-May 2022	*BBB+*	↑*2x*	*BBB+*	↑1x	*Baa1*	↑1x
Jun-Jul 2021			*BBB*	↑1x	*Baa2*	↑1x
April 2020	*BBB-*	↓1x				
June 2017			*BBB-*	↓1x	*Baa3*	↓1x
February 2017	*BBB*	↓1x				
September 2016			*BBB*	↓1x		
June 2016			*BBB+*	↓1x	*Baa2*	↓1x
October 2015	*BBB+*	↓1x			*Baa1*	↓1x
June 2013	*A-*	↓1x			*A3*	↓1x
Jan 2013			*A-*	↓1x		
Aug 2012			*A*	↓1x		
Jan 2012					*A2*	↓1x
Jun 2010	*A*	↓1x			*A1*	↓1x
Mar-Apr 2010	*A-/A+ recal*	↓1x/↑2x			*Aa3 recal*	↑2x
Dec 2009			*A+*	↓1x	*A2*	↓1x
Mar-Jul 2009	*A*	↓2x	*AA-*	↓1x	*A1*	↓1x
Dec 2008	*AA-*	↓1x				
May 2003	*AA*	↓1x			*Aa3*	↓1x
Jun 2000	*AA+*	↑1x				
Jun 1998					*Aa2*	↑1x
Jul 1997			*AA*	↑1x		
Feb 1997					*Aa3*	↑1x
Sep 1996	*AA*	*initial rating*				
Feb 1995					*A1*	↓1x
Aug 1992			*AA-*	↓1x	*Aa**	↓1x
Aug-Sep 1991			*AA*	↓1x	*Aa1*	↓1x
Mar 1983			*AA+*	↓1x		
Feb 1979			*AAA*	*initial rating*		
1973					*AAA*	*initial rating*

Note: "recal" means recalibration, when Fitch and Moody's revised their ratings on municipal bonds to match global/corporate ratings. These are not considered upgrades.
***Moody's rating of Aa was before that level had modifiers of Aa2 and Aa3, so it was considered one level in between AA1 and A1**

FY 2024 State Employees' Group Insurance Program Update

Anthony Bolton, Senior Revenue Analyst

As in previous years, the Commission recently published its revenue and liability estimates on the FY 2024 State Employees' Group Insurance Program (SEGIP). This report details state estimates of revenues, expenditures, membership, and trends within the program for the 2024 fiscal year. This report also details the status of health insurance bills held by the State of Illinois and historical trends in that area. The full report is available on the Commission's website, but the following presents the major points from the FY 2024 report.

Most existing health insurance contracts are expected to remain in place, though FY 2024 will see the first full fiscal year of a new single Medicare Advantage Preferred Provider Organization (PPO) plan from Aetna instituted for all eligible retirees/dependents. This plan started in January 2023 (due to federal regulations), which required Medicare Advantage members/dependents to switch over at the end of December 2022. One major factor influencing the selection of this new plan is the virtual elimination of premiums by Aetna, saving members and the State of Illinois over $100 million.

Health care usage by SEGIP participants is returning to pre-pandemic utilization, and innovations such as telehealth and other contactless options remain popular. This trend may change depending on a variety of factors, but for now, people are resuming their normal visits to physicians, engaging in health screenings, and pursuing preventative treatments and therapies.

Central Management Services continues to amplify a variety of wellness options under the umbrella of the "Be Well Illinois" program. This initiative incorporates a variety of informative resources in an attempt to encourage improved SEGIP participant health. While the success of this program is difficult to specifically measure (according to testimony by CMS at the FY 2023 COGFA Group Insurance Meeting), improved participant health can translate to more diligent participation in yearly physicals/check-ups, potentially earlier detection of health issues, and an overall healthier cohort of State participants reducing expensive long-term utilization of medical treatments.

Liabilities/Revenues

The Commission utilizes projections from CMS as well as from the Segal Company survey of health insurance companies to formulate the FY 2024 projections for health insurance trends. Various components shape overall liability, including general medical cost inflation and leveraging (lower impact of coinsurance limits, level deductibles, etc.). Also, advances in technological innovation, more use of equipment/services, and the continued "greying" (aging and extended living) of the population have historically contributed to greater health care costs to the State. In addition to these factors, the impact of a gradual shift by employees to HMOs, OAPs, and the Consumer Driven Health Plan (CDHP) from the Quality Care Health Program (QCHP) has resulted in more costly/higher risk employees remaining in the QCHP program, raising the per-member cost of that program. In terms of cost reduction, movement of Medicare-eligible retirees out of the QCHP/CDHP/HMOs/OAPs has reduced overall liability within the group insurance program in the past and continues to be a factor in overall State costs being significantly lower than otherwise.

CMS estimates the FY 2024 liability to be $3.192 billion, which is a 2.9% increase from the FY 2023 anticipated final liability of $3.101 billion. Noting these predictions, and utilizing the factors and trends described previously, the Commission has presumed that liabilities and revenues will follow trends from FY 2023 and previous fiscal years and estimates a total SEGIP liability of $3.227 billion in FY 2024, $34.9 million more than CMS.

FY 2024 GROUP HEALTH INSURANCE LIABILITY ($ in Millions)			
Liability Component	**FY 2023 CMS Estimate**	**FY 2024 CMS Projection**	**FY 2024 CGFA Projection**
QCHP Medical	$377.7	$369.8	$374.7
QCHP Prescriptions	$128.8	$127.0	$126.6
Dental	$132.0	$136.0	$134.0
HMO	$992.6	$1,018.9	$1,024.4
Medicare Advantage HMO/PPO	$74.6	$0.0	$0.0
Open Access Plan	$1,131.7	$1,266.1	$1,284.0
Consumer Driven Health Plan (CDHP)	$18.1	$22.7	$27.1
Teamsters Opt-Out Expense	$109.8	$114.7	$114.7
Vision	$8.4	$8.4	$8.4
Administrative Services	$16.1	$15.5	$15.5
Life	$84.4	$87.1	$88.0
Special Programs (Admin/Int./Other)	$26.7	$26.1	$29.8
TOTAL	**$3,100.9**	**$3,192.3**	**$3,227.2**
% increase over prior year	0.7%	2.9%	4.1%
*Rounding may cause slight differences. FY 2023 and FY 2024 Special Programs line includes Prompt Payment and Timely Payment Interest.			

The CMS liability estimate for FY 2024 is a 3% increase from FY 2023, based primarily on an increase in the Open Access Plan component. This component has grown in recent years, as Quality Care Health Plan (QCHP) liability, once a much larger component of overall liability, has diminished in the wake of employees seeking lower cost options and retirees moving to Medicare Advantage plans. The utility of the Open Access Plan attracts employees who need or want more options for their health care than those provided by traditional HMO plans, but who want to save some costs compared to the QCHP.

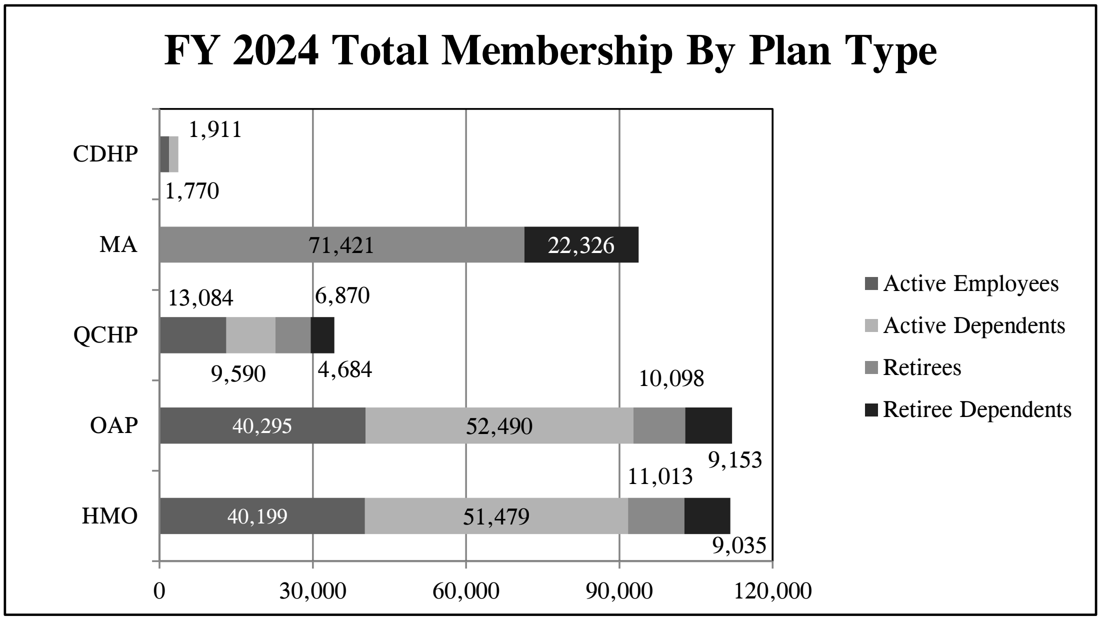
One success story in the overall liability of the SEGIP is the near elimination of interest payments from FY 2023 onward and projected for FY 2024 as well. Once a major component of liability, comprising over $274 million only a few years ago, interest payments are projected to amount to less than $1 million in the current fiscal year. For FY 2024, the payment hold cycle for all SEGIP vouchers for CMS is expected to be below any interest-bearing duration (30-90 days, depending on the type of voucher).

In regard to revenues for FY 2024, the SEGIP is projected to see a modest increase from FY 2023 revenues. Expected revenue for FY 2024 is $3.179 billion (compared to $3.136 billion in FY 2023). Similar GRF (+$5.6 million, $1.837 billion in FY 2024 compared to $1.831 billion in FY 2023) and somewhat higher Road Fund (+$38 million, $148.3 million in FY 2024 compared to $110.3 million in FY 2023) appropriations slightly offset an expected decrease in employee contributions ($16.5 million).

GROUP INSURANCE FUNDING SOURCES FY 2023 - FY 2024 ($ in Millions)				
	FY 2023	FY 2024	$ Change from FY23	% Change from FY23
GRF Appropriation	$1,831.2	$1,836.8	$5.6	0.3%
Prior Year GRF	$15.1	$0.0	($15.1)	0.0%
Road Fund	$110.3	$148.3	$38.0	34.5%
University Cont.	$45.0	$45.0	$0.0	0.0%
Prior Year Univ. Cont.	$0.3	$0.0	($0.3)	-100.0%
Member Cont.	$525.9	$509.4	($16.5)	-3.1%
Other Funds	$430.3	$446.6	$16.3	3.8%
Federal Revenue	$4.5	$4.4	($0.1)	-2.2%
Rebates/Interest/Other.	$172.9	$188.6	$15.7	9.1%
TOTAL	**$3,135.5**	**$3,179.1**	**$43.6**	**1.4%**
Source: CMS				

Membership

For FY 2024, the QCHP is estimated to have 13,084 employees, 9,590 active employee dependents, 4,684 retiree dependents, and 6,870 retirees. The Medicare Advantage PPO plan is expected to have 22,326 dependents and 71,421 retirees. Non-Medicare Advantage HMO Plans are expected to have 40,199 employees, 51,479 active dependent lives, 9,035 retiree dependents, and 11,013 retirees. OAPs are expected to have 40,295 employees, 52,490 active dependents, 9,153 retiree dependents, and 10,098 retirees in FY 2024. The Consumer Driven Health Plan is projected to have 1,911 employees and 1,770 active employee dependents, which are primarily assumed to come from existing HMO plans. Total FY 2024 membership is expected to increase by 340 participants from 355,078 to 355,418.



The following chart depicts the long-term pattern of population shifts within the SEGIP. In FY 2017, active members and their dependents comprised over 216,000 participants while retirees and their dependents comprised 131,000 participants, differing by 85,000 between the two groups. In FY 2024, this split is projected to be smaller, as 210,000 active members and dependents are expected to be covered compared to 144,000 retirees and dependents, differing by 66,000. This shift towards more retirees and their dependents along with the limited contributions by these groups and increased health needs demonstrates the continuing pressure of retiree health costs and the necessity of containing these costs, whether by wellness programs, Medicare Advantage-style health insurance plans, or other options yet to be determined.