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MONTHLY BRIEFING

For the Month Ended: December 2023

Inside this Issue

**PAGE 1: Economy:
Prepare for Landing**

**PAGE 4: Illinois
Economic Indicators**

**PAGE 5: Cannabis
Quarterly – 2nd Quarter
FY 2024**

**PAGE 6: A Closer
Look: Liquor Taxes
and Fees**

**PAGE 10: Revenue:
Reallocations and
Transfers Help Create
Strong Month of
Receipts in December**

**PAGE 13 - 14:
Revenue Tables**



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Economy: Prepare for Landing

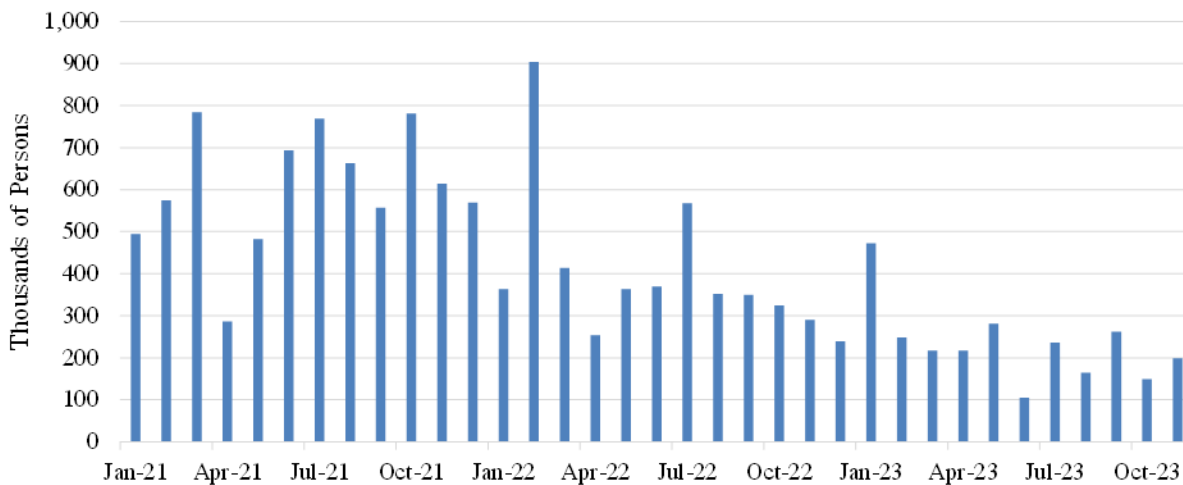
Benjamin L. Varner, Chief Economist

December saw a spate of encouraging economic news. Despite slowing in recent months, U.S. employment growth persists as 2023 comes to an end. Inflation data continues to come in better than had been forecast at the beginning of the year. Consumer demand perseveres as retail sales remain solid. Factors such as these led the Federal Reserve's economic forecasters to raise their short-term projections at their meeting in December. Economic commentators have stated that these updated projections are indicative of the long sought after "soft landing." The "soft landing" would be an economic environment where inflation returns from high levels to around 2.0% with minimal impact on economic activity, especially jobs.

Total U.S. nonfarm payroll employment grew by 199,000 in November. This was the 35th straight month of growth since December of 2020. Monthly increases in employment have steadily slowed over the last eighteen months. Over the last six months, the monthly average has been 186,000 which is more in line with the last expansion coming out of the Great Recession compared to the faster growth seen in 2021 and 2022. Job growth in 2023 has been driven by improved numbers in health care, government, and education, which had lagged other industries during the current expansion. Additionally, the unemployment rate has remained near historic lows. Since the beginning of 2022, the unemployment rate for the U.S. has consistently been below 4%, which (along with 2018-2019) is one of the longest stretches to meet this criterion since the late 1960s. In November, the U.S. unemployment rate stood at 3.7% which was down from 3.9% in October.

MONTHLY CHANGE IN TOTAL U.S. NONFARM PAYROLLS

Seasonally Adjusted



U.S. Bureau of Labor Statistics, FRED

Inflation began to accelerate in the spring of 2021 due to a combination of higher consumer demand (buoyed by healthy household balance sheets which were augmented by government financial support) and a fall in market supply (caused by supply chain issues and supply shocks such as the war in Ukraine). Based on the Consumer Price Index (CPI), inflation peaked during the middle part of 2022 at 9.1% (June), or 6.6% (September) for the Core CPI which removes the more volatile components of food and energy. Since then, inflation has steadily fallen. In November of 2023, the 12-month change in CPI for the U.S. equaled 3.1% which is getting closer to the Fed's inflation target of 2.0%. The Core CPI was a little higher at 4.0%. However, the rate of inflation has slowed even more during the second half of 2023 as the data over the past six months for Core CPI on an annualized basis has averaged just 2.9%. Similarly, the Fed's preferred measure of inflation, the personal consumption expenditures (PCE) price index has fallen as well. In November, the PCE price index stood at 2.6% compared to last November. This was down from a year-over-year high of 7.1% in June of 2022. Core CPI remains a little higher at 3.2%. Current expectations are for inflation to continue to slow as increases in shelter costs continue to abate.

Consumer demand has remained solid as this expansion has gone along. During the stellar third quarter of 2023, personal consumption expenditures accounted for a little under half the growth in the economy. Personal consumption expenditures grew at an annualized rate of 3.1%, which was an improvement from the 0.8% rate in the second quarter. This growth was divided almost evenly between goods and services with significant contributions from 1) Recreational goods and vehicles, 2) Housing and utilities, and 3) Food services and accommodations. Looking at more recent data, retail and food service sales, which make up about 1/3 of consumer spending, slowed in October before bouncing back in November. In October, retail and food services totaled \$703.7 billion which

was up 2.2% compared to 2022. In November the advance estimate was \$705.7 billion which equals an increase of 4.1% compared to the same month last year.

Positive economic trends such as those highlighted in the preceding paragraphs led the Federal Reserve to adjust their forecasts. As presented in the table below, the Federal Reserve’s Summary of Economic Projections (SEP) showed improvement in the short run compared to their September forecasts. In September, the median forecast had real gross domestic product (GDP) coming in at 2.1% in 2023. The December forecast increased to 2.6%. Results for 2024 were actually lowered to 1.4% compared to 1.5% previously. Projections for the year-end unemployment rate remained at 3.8% for 2023 and 4.1% for 2024.

Federal Reserve Economic Projections					
Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2023					
Variable	Median Projection ¹				
	2023	2024	2025	2026	Longer Run
Change in real GDP September Projection	2.6%	1.4%	1.8%	1.9%	1.8%
	2.1%	1.5%	1.8%	1.8%	1.8%
Unemployment Rate September Projection	3.8%	4.1%	4.1%	4.1%	4.1%
	3.8%	4.1%	4.1%	4.0%	4.0%
PCE inflation September Projection	2.8%	2.4%	2.1%	2.0%	2.0%
	3.3%	2.5%	2.2%	2.0%	2.0%
Core PCE inflation September Projection	3.2%	2.4%	2.2%	2.0%	n/a
	3.7%	2.6%	2.3%	2.0%	n/a
Projected appropriate policy path					
Federal funds rate September Projection	5.4%	4.6%	3.6%	2.9%	2.5%
	5.6%	5.1%	3.9%	2.9%	2.5%

Note: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant’s projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant’s assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The September projections were made in conjunction with the meeting of the Federal Open Market Committee on September 19–20, 2023.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.

Source: Board of Governors of the Federal Reserve System

Perhaps the most important change was in the thinking of where inflation is currently. In September, Fed estimates projected that personal consumption expenditure (PCE) inflation and core PCE inflation would be at 3.3% and 3.7% at the end of the year, respectively. Now, they forecast that these measures will be at 2.8% (PCE) and 3.2% (Core PCE), indicating that inflation has fallen faster than previously thought. Based on this assessment, changes were made in the projected appropriate policy path related to short-term interest rates. In September, the median forecast had the federal funds rate at 5.6%, which would have indicated one 0.25% increase in short-term interest before the year ended. However, the Fed chose to not raise interest rates in December due to the current economic environment and will end the year at 5.4%. Fed projections now estimate that the federal funds rate will be at 4.6% at the end of 2024. This change in the projections would indicate interest rate cuts equal to approximately 0.75% in 2024.

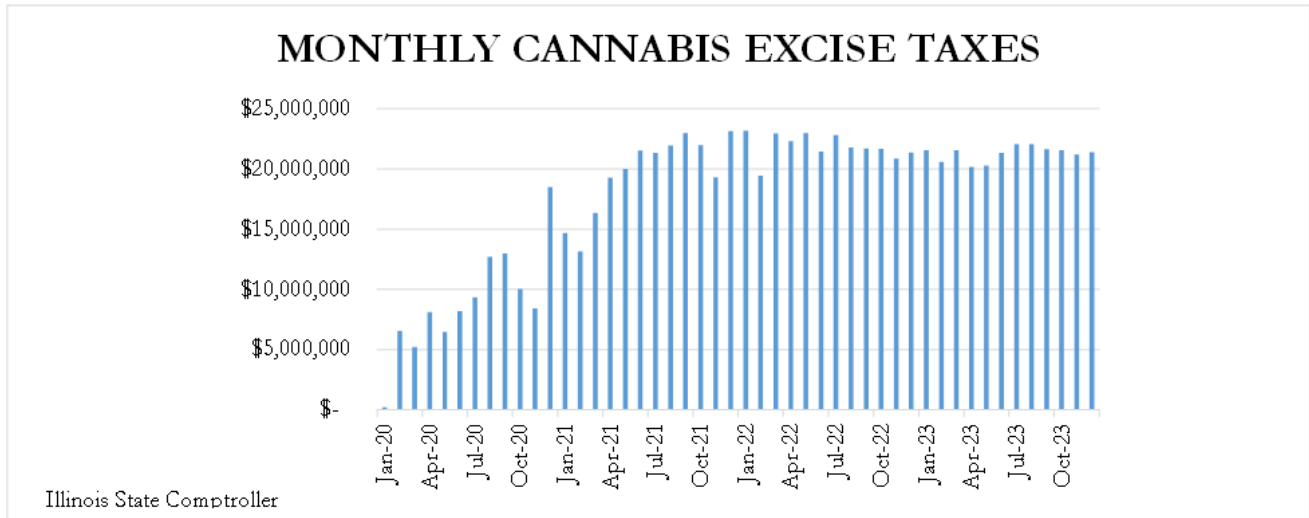
Some economic commentators saw this as a harbinger to looser monetary policy with concerns related to the Fed’s mandate of ensuring full employment coming more in line with the apprehension associated with inflation. Expectations for cuts in interest rates jumped after the Fed’s December meeting. Based on market prices on fed funds futures, there is almost a 2/3 probability of an interest rate cut at the Fed meeting in May of 2024. Investment bank Goldman Sachs stated that “In light of the faster return to target, we now expect the FOMC to cut earlier and faster. We now forecast three consecutive 25bp (basis points) cuts in March, May, and June...”

Ultimately, the Fed appears to be more comfortable with the direction of the economy. Economic growth is expected to come in higher than previously expected in 2023. Job growth, while slowing, still remains expansionary. Consumer demand continues to endure despite elevated prices after a year of high inflation. The market believes that the next adjustment in interest rates will be lower, which will likely give the economy some additional momentum due to lower costs for borrowing. In fact, 30-year mortgage rates have already fallen to 6.6% from their recent high of 7.8% at the end of October.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY			
<u>INDICATORS*</u>	<u>LATEST MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (Nov.)	4.7%	4.6%	4.6%
Inflation in Chicago (12-month percent change) (Nov.)	2.5%	2.4%	6.8%
	<u>LATEST MONTH</u>	<u>CHANGE OVER PRIOR MONTH</u>	<u>CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (Nov.)	6,464.1	0.2%	-0.1%
Employment (thousands) (Nov.)	6,157.9	0.1%	-0.2%
Nonfarm Payroll Employment (Nov.)	6,150,600	6,800	54,200
New Car & Truck Registration (Nov.)	33,952	-5.7%	8.4%
Single Family Housing Permits (Nov.)	845	0.1%	47.0%
Total Exports (\$ mil) (Oct.)	6,297.2	1.0%	-7.3%
Chicago Purchasing Managers Index (Dec.)	46.9	-15.9%	4.5%

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

Cannabis Quarterly – 2nd Quarter FY 2024



CANNABIS REGULATION FUND REVENUE									
(\$ millions)									
Revenue Source	FY23 Q2	FY24 Q2	\$ Change	% Change	FY23 YTD	FY24 YTD	\$ Change	% Change	
State Cannabis Excise Taxes	\$63.9	\$64.1	\$0.3	0.4%	\$130.1	\$129.8	(\$0.3)	-0.2%	
Licenses and Registration Fees	\$0.9	\$1.3	\$0.4	50.6%	\$2.3	\$4.0	\$1.8	76.7%	
Other Revenue	\$0.0	\$0.0	(\$0.0)	-68.0%	\$0.0	\$0.0	(\$0.0)	-82.0%	
Total	\$64.7	\$65.4	\$0.7	1.1%	\$132.4	\$133.9	\$1.4	1.1%	

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CANNABIS REGULATION FUND EXPENDITURES									
(\$ millions)									
Object of Expenditure	FY23 Q2	FY24 Q2	\$ Change	% Change	FY23 YTD	FY24 YTD	\$ Change	% Change	
Transfer - General Revenue Fund	\$20.8	\$20.7	(\$0.1)	-0.5%	\$43.6	\$42.1	(\$1.5)	-3.4%	
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	\$14.9	\$14.8	(\$0.1)	-0.5%	\$31.1	\$30.0	(\$1.1)	-3.4%	
Transfer - Drug Treatment	\$1.2	\$1.2	(\$0.0)	-0.5%	\$2.5	\$2.4	(\$0.1)	-3.4%	
Transfer - DHS Community Services	\$11.9	\$11.8	(\$0.1)	-0.5%	\$24.9	\$24.0	(\$0.9)	-3.4%	
Transfer - Local Government Distributive Fund	\$4.8	\$4.7	(\$0.0)	-0.5%	\$10.0	\$9.6	(\$0.3)	-3.4%	
Transfer - Budget Stabilization	\$5.9	\$5.9	(\$0.0)	-0.5%	\$12.4	\$12.0	(\$0.4)	-3.4%	
Transfer - Cannabis Expungement	\$0.7	\$0.7	\$0.0	0.0%	\$1.4	\$1.4	\$0.0	0.0%	
Transfer Total	\$60.2	\$59.9	(\$0.3)	-0.5%	\$125.9	\$121.7	(\$4.2)	-3.3%	
Operations - Agriculture	\$1.2	\$2.1	\$0.9	74.5%	\$2.0	\$2.7	\$0.7	36.4%	
Operations - Commerce and Econ. Opportunity	\$0.0	\$0.2	\$0.1	309.5%	\$0.1	\$0.3	\$0.2	269.9%	
Operations - Financial Professional Regulation	\$1.3	\$1.5	\$0.3	21.8%	\$2.1	\$2.6	\$0.5	23.2%	
Operations - Public Health	\$0.0	\$0.0	\$0.0	n/a	\$0.0	\$0.0	\$0.0	0.0%	
Operations - Revenue	\$0.0	\$1.5	\$1.5	n/a	\$1.5	\$1.5	\$0.0	0.0%	
Operations - State Police	\$0.5	\$0.7	\$0.2	31.7%	\$0.9	\$1.0	\$0.1	14.6%	
Operations - Criminal Justice Information Authority	\$0.0	\$0.0	\$0.0	n/a	\$0.0	\$0.0	\$0.0	n/a	
Operations Total	\$3.0	\$6.0	\$3.0	98.2%	\$6.6	\$8.2	\$1.6	23.8%	
Grand Total	\$63.2	\$65.9	\$2.7	4.2%	\$132.5	\$129.9	(\$2.6)	-2.0%	

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A Closer Look: Liquor Taxes and Fees

Anthony Bolton, Senior Revenue Analyst and Sarah Barlow, Senior Research Analyst

As part of this and future monthly briefings, the Commission will include a series of articles providing a closer look at some of Illinois' prominent tax revenue sources. Much of the information included in these synopses is detailed in the Commission's annual publication entitled, "Illinois Tax Handbook for Legislators", which can be found on our website using this link: <https://www.ilga.gov/commission/lru/2023TaxHandbook.pdf>. This series continues with a closer look at Illinois' Liquor Taxes and Fees.

Liquor Taxes and Fees in Illinois refers to the portion of taxes collected by the State of Illinois involving making or distributing alcoholic beverages in Illinois. Depending on the type of alcoholic beverage and the volume produced/distributed, these taxes may vary. Additional liquor fees in Illinois are imposed on liquor manufacturers, distributors, and retail sellers. While the Illinois Liquor Control Commission imposes the aforementioned fees, the collection of these fees and liquor taxes is administered by the Illinois Department of Revenue. The following section provides further information on the components of Illinois Liquor Taxes and Fees.

History and Rates of Liquor Taxes

Illinois first imposed statewide liquor tax rates on a per-gallon basis in 1934 (235 ILCS 5/8-1 ff.). Different rates are utilized for alcohol depending on the alcohol content (by percentage) of the alcoholic product in question. The following chart shows the rates imposed by the State over time. As shown, Illinois' last tax increase on alcoholic beverages was in 2009.

Liquor Tax Rate (per gallon)				
Year	Beer/Cider	Wine (up to 14% alcohol)	Wine (over 14% alcohol)	Distilled Liquor
1934	\$0.02	\$0.10	\$0.25	\$0.50
1941	\$0.04	\$0.15	\$0.40	\$1.00
1959	\$0.06	\$0.23	\$0.60	\$1.52
1969	\$0.07	\$0.23	\$0.60	\$2.00
1999	\$0.185	\$0.73	\$0.73	\$4.50
2009	\$0.231	\$1.39	\$1.39	\$8.55

Liquor Control Commission fees are \$750/year on retail sellers and between \$350-\$5,000 on manufacturers.

10-Year Component Revenue History

Over the last decade, the revenues from the four main lines of liquor tax revenues have fluctuated, with Beer Tax revenue decreasing over the decade while Distilled Liquor and Wine Tax revenues have increased. Beer Tax revenues have ranged from a high of \$61.5 million in FY 2014 to a low of \$53.8 million in FY 2023, averaging a yearly decrease of -1.3% over the past decade and a similar rate of decrease of -1.3% over the past five years. Distilled Liquor Tax revenue has ranged from a low of \$170.5 million in FY 2014 to a high of \$207.6 million in FY 2022, averaging a yearly increase of 2.1% over the past decade and a slightly smaller rate of increase of 1.8% over the past five years. Wine (or liquor) up to 14% alcohol content has ranged from a low of \$43.6 million in FY 2014 to a high of \$50.3 million in FY 2023, averaging a yearly increase of 1.5% over the past decade and a slightly higher rate of increase of 2.0% over the past five years. Wine (or liquor) over 14% alcohol content but less than 20% alcohol content has ranged from a low of \$4.8 million in FY 2014 to a high of \$8.0 million in FY 2022, averaging a yearly increase of 5.2% over the past decade and a smaller rate of increase of 2.8% in the past five years. A historic breakdown of the individual components of Liquor Tax revenue is detailed below.

Tax Revenues by Beverage Type								
(in Millions)								
	Beer	Change	Distilled Liquor	Change	Wine <14% Alcohol	Change	Wine >14% but <20% Alcohol	Change
FY 2014	\$61.5	1.4%	\$170.5	-1.1%	\$43.6	1.4%	\$4.8	1.4%
FY 2015	\$60.6	-1.5%	\$173.3	1.6%	\$44.2	1.4%	\$5.2	8.3%
FY 2016	\$61.7	1.8%	\$177.2	2.3%	\$45.0	1.8%	\$5.5	5.8%
FY 2017	\$59.2	-4.1%	\$180.7	2.0%	\$44.5	-1.1%	\$5.7	3.6%
FY 2018	\$58.6	-1.0%	\$184.1	1.9%	\$46.1	3.6%	\$6.0	5.3%
FY 2019	\$57.5	-1.9%	\$189.5	2.9%	\$45.7	-0.9%	\$6.4	6.7%
FY 2020	\$57.4	-0.2%	\$190.2	0.4%	\$47.0	2.8%	\$6.8	6.2%
FY 2021	\$56.7	-1.2%	\$204.0	7.3%	\$48.3	2.8%	\$7.7	13.2%
FY 2022	\$55.5	-2.1%	\$207.6	1.8%	\$47.8	-1.0%	\$8.0	3.9%
FY 2023	\$53.8	-3.1%	\$206.7	-0.4%	\$50.3	5.2%	\$7.3	-8.8%

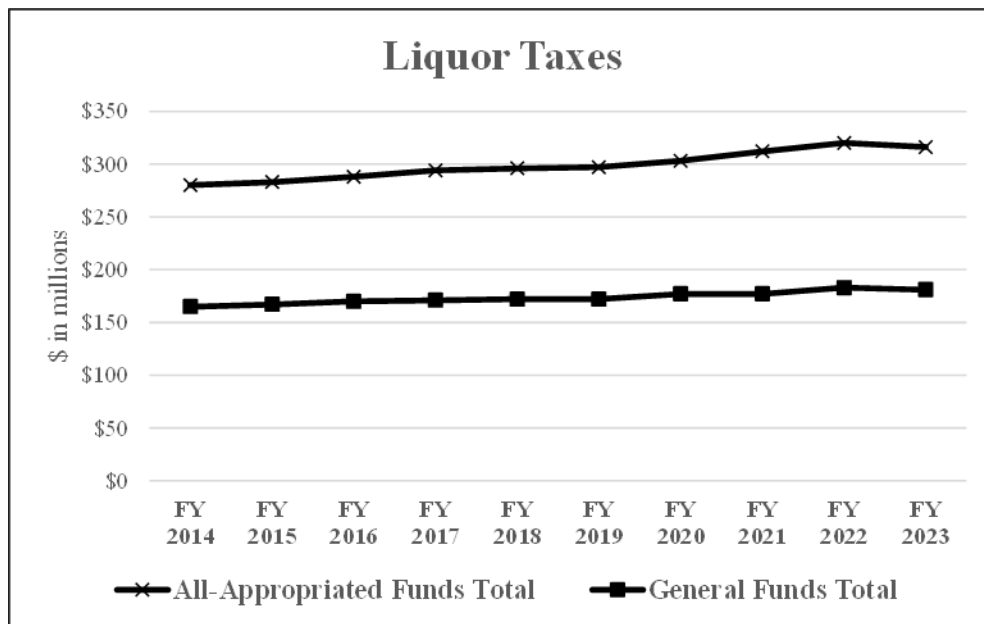
10-Year Total Revenue History

A historic breakdown of Liquor Tax revenue totals is detailed below. While a stable revenue source for the State, liquor taxes generally make up less than 1% of total revenues in a given year. Over the past decade, the revenues deposited into the General Revenue Fund (the largest of the State's General Funds) has ranged from a low of \$165 million in FY 2014 to a high of \$183 million in FY 2022. The All-Appropriated Funds total for this revenue source has similarly ranged from a low of \$280 million in FY 2014 to a high of \$320 million in FY 2022. Although the revenue from this particular source has fluctuated over the past decade, it has been on an upward, albeit modest, trend overall.

In terms of General Funds distributions, Liquor Taxes have averaged an increase of 1.0% over the last ten fiscal years. Over the last five fiscal years, this average has continued at the same rate of 1.0%. In terms of overall revenues (All Appropriated Funds), receipts have grown at slightly higher rates of 1.3% over the past decade and 1.3% over the past five years. The data behind these figures (General Funds and All Appropriated Funds) are illustrated in the following chart and graph.

State Revenue History of the Liquor Taxes <i>\$ in millions</i>				
Fiscal Year	General Funds Total	% Change	All-Appropriated Funds Total	% Change
FY 2014	\$165	0.0%	\$280	0.0%
FY 2015	\$167	1.2%	\$283	1.1%
FY 2016	\$170	1.8%	\$288	1.8%
FY 2017	\$171	0.6%	\$294	2.1%
FY 2018	\$172	0.6%	\$296	0.7%
FY 2019	\$172	0.0%	\$297	0.3%
FY 2020	\$177	2.9%	\$303	2.0%
FY 2021	\$177	0.0%	\$312	3.0%
FY 2022	\$183	3.4%	\$320	2.6%
FY 2023	\$181	-1.1%	\$316	-1.3%

Source: Illinois Comptroller's Traditional Budgetary Financial Report.



Distribution of Liquor Taxes and Fees Revenues

Most Liquor Tax revenue is allocated to the General Revenue Fund, though additional revenues from the 2009 tax rate increases go to the Capital Projects Fund. The distribution of the Liquor Control Commission fees are as follows: \$375 each to the Dram Shop Fund and the General Revenue Fund. All other applicable fees remit to the Dram Shop Fund. The Dram Shop Fund is a special fund intended for administration and liability payouts (as necessary) in the case of alcohol-related injuries.

Taxes Imposed by Cities, Counties, Other States, and the Federal Government

Various Illinois municipalities and counties also collect taxes on liquor. Additionally, home-rule municipalities can levy taxes if desired. For example, the city of Chicago levies taxes ranging from \$0.29/gallon on beer to \$2.68/gallon on alcoholic beverages with 20% or more alcohol content. Regarding counties, Cook County applies tax rates ranging from \$0.09/gallon on beer to \$2.50/gallon on alcoholic beverages with 20% or more alcohol content.

Other states levy taxes on alcoholic beverages, though these taxes and the products they are imposed on vary by state. Additionally, 17 states sell liquor from state-run stores. The following chart details the ranges of taxes applied by states on alcohol sellers.

Tax Rate per gallon - Low to High		
Alcoholic Beverage	Low	High
Beer	\$0.02 - Wyoming	\$1.29 - Tennessee
Wine up to 14% alcohol content	\$0.20 - California	\$2.50 - Alaska
Wine over 14% alcohol content	\$0.28 - Colorado	\$9.16 - Alabama
Distilled Liquor	\$1.50 - Maryland	\$14.27 - Washington

In addition to taxes from municipal, county, and state governments, the federal government also levies a variety of taxes on liquor ranging from \$0.226/gallon for hard cider to \$16.20/gallon for 120-proof distilled liquor. The standard rate of \$13.50/gallon for 100-proof distilled liquor has been in place since 1991. Various rates for wines and other beverages are detailed below.

Federal Liquor Taxes	
Beverage Class	Tax per gallon
Beer	\$0.58
Wine up to 16% alcohol	\$1.07
Wine between 16-21% alcohol	\$1.57
Wine between 21-24% alcohol	\$3.15
Wine - Artificially carbonated	\$3.30
Wine - Sparkling	\$3.40
Wine - Hard cider	\$0.226
Distilled liquor	\$13.50

Reallocations and Transfers Help Create Strong Month of Receipts in December

Eric Noggle, Revenue Manager

Illinois' General Funds receipts rose \$383 million in December as compared to the same month the prior year. While the performances of the individual revenue lines were mixed, growth in personal income tax receipts, with the help of revenue redistributions and a one-time transfer, has capped off an overall positive first half of revenues for FY 2024. This month had one less extra receipting day as compared to last December.

When comparing this month's revenue performance with last December, the largest levels of change occurred in the area of income taxes. The Personal Income Tax line had the largest gain for the month, growing \$344 million on a gross basis or +\$288 million when removing distributions to the Income Tax Refund Fund and the Local Government Distributive Fund. On the other hand, the Corporate Income Tax had the largest decline with a drop of \$224 million (or -\$174 million on a net basis). A significant contributing factor for these contrasting changes is the second of five "true-up" adjustments that occurred in December.

As recently discussed in the September Revenue Briefing, in April 2023, the Department of Revenue announced that a notable reallocation in fund distributions would take place in FY 2024 as part of their annual statutory reconciliation of business-related tax payments. As part of this "true-up" adjustment, a total of \$1.077 billion in business tax receipts is being reallocated through Personal Income Tax disbursements throughout FY 2024, with a corresponding negative adjustment to both Corporate Income Tax receipts [-\$259 million] and Personal Property Replacement Tax receipts [-\$818 million]. Each of the five installments results in a positive monthly adjustment of approximately \$215 million to the Personal Income Tax and a negative adjustment of -\$52 million from the Corporate Income Tax and -\$164 million from the Personal Property Replacement Tax (non-General Funds distribution). The first installment took place in September and the remaining three installments are anticipated to take place in March, April, and June, which are large business income tax revenue periods.

The holiday shopping season brought in additional gains, albeit at modest levels, as Sales Tax gross receipts grew \$17 million or +1.6% in December. On a net basis, when removing distributions to the Road Fund and certain other transportation funds, this Sales Tax growth is adjusted down to +\$12 million. The remaining State sources combined to fall \$22 million for the month. Lower receipts from Insurance Taxes [-\$46 million]; the Corporate Franchise Tax [-\$12 million]; Other Sources [-\$4 million]; the Cigarette Tax [-\$3 million]; and the Liquor Tax [-\$1 million] offset gains from Interest on State Funds & Investments [+\$28 million]; the Inheritance Tax [+\$10 million]; and the Public Utility Tax [+\$6 million].

In the Transfers In category, revenues increased by a combined \$14 million. Lottery Transfers continued its strong fiscal year performance with growth of \$20 million. Casino-related Gaming Transfers were up \$15 million for the month. Other Transfers, however, fell \$21 million, while Cannabis Transfers were effectively flat for the month.

In addition to these transfers, \$148.4 million was transferred from the Grocery Tax Replacement Fund to the General Revenue Fund in December. This transfer stems from P.A. 102-0700, which suspended the 1% sales tax on groceries during FY 2023. To offset the loss of sales tax revenues to local governments, \$400 million was originally transferred from the General Revenue Fund to the Grocery Tax Replacement Fund at the beginning of FY 2023. The Public Act provided that any excess monies remaining in this fund at the end of FY 2023 shall be transferred back to the General Revenue Fund on December 1, 2023, which is the amount shown above. *Note: Because of the one-time nature of this transfer, the Commission has elected to separate this transaction from other transfers and show it as “below the line” with other “non-base” revenue sources in the provided tables.*

The overall monthly gains were capped off with Federal Sources counterbalancing much of its November losses by growing \$117 million in December.

Year to Date

FY 2024 revenues through December continue to be well ahead of last fiscal year’s pace. Overall, revenues deposited into the State’s General Funds are \$753 million higher than last year’s levels through the first half of the fiscal year. When accounting for “one-time” revenues in both FY 2023 and FY 2024 related to Federal deposits, reimbursements, and this December’s transfer of excess P.A. 102-0700 funding, the “base” growth through the first six months of the fiscal year is a very respectable +\$736 million.

The Personal Income Tax continues to see the largest revenue gains this fiscal year. Through December, these tax receipts are up \$855 million (or +\$704 million on a net basis). Again, part of the reason for the strong performance is because of the inclusion of two “true-up” installments totaling \$431 million. Without these reallocations, year-to-date growth would be reduced, but still at a solid +\$424 million or 3.5% above last year’s pace. Conversely, Corporate Income Tax receipts are \$233 million lower (or -\$171 million net). However, when accounting for the \$104 million in negative reallocation adjustments so far, this fiscal year, the gross declines would be at a more respectable -\$129 million, which is only 4.0% behind last year’s healthy pace. In other words, each of the income tax revenue sources have performed quite well through the first half of FY 2024, especially when considering the economic uncertainty heading into the fiscal year.

While the growth in Sales Tax receipts remains positive, it continues to slow as compared to last year’s levels. Through December, revenues are \$94 million or +1.6% higher than FY 2023. On a net basis, the six-month growth is +\$39 million or +0.7%, which is markedly lower than FY 2023’s pace of +2.1%. A primary factor for this slowdown is falling inflation levels. While inflation evoked many long-term economic concerns, it resulted in creating higher priced goods, which led to corresponding strong levels of Sales Tax revenues in recent years. As inflation rates subside, the growth in Sales Tax receipts has weakened and will likely continue to moderate absent a significant rise in the amount of products sold.

Despite its overall drop in December, a continued bright spot in FY 2024 revenues continues to come from All Other State Sources, which is up a combined \$143 million through the first half of the fiscal year. This growth comes primarily from two areas: Interest on State Funds & Investments [+\$194 million] and the Inheritance Tax [+\$68 million]. The performance of these two revenue sources has easily offset overall declines in Insurance Taxes [-\$35 million]; Public Utility Taxes [-\$30 million]; Other Sources [-\$27 million]; the Cigarette Tax [-\$16 million]; the Corporate Franchise Tax [-\$9 million]; and the Liquor Tax [-\$2 million].

In the category of Transfers In, receipts through December are \$35 million higher than last year. This growth is largely due to the \$120 million increase in Lottery Transfers. The transfer total from the Income Tax Refund Fund is currently \$61 million higher, but this figure will eventually turn into a significant decline once last year's large transfer total is incorporated into the numbers in January. Other Transfers are now \$131 million behind last year's pace; Casino related Gaming Transfers are \$13 million lower; and Cannabis Transfers are down \$2 million. Again, the Commission is not including this month's \$148 million transfer from the Grocery Tax Replacement Fund to the General Revenue Fund in this category's total. This one-time transfer will be separated and shown "below the line" as a non-base revenue source in CGFA tables.

With December's gains, Federal Sources are now down \$145 million, in total, through the first half of FY 2024. If excluding FY 2023's ARPA reimbursement funds [-\$764 million] and October's receipts from prior year Medicaid matching dollars [+\$633 million], "base" Federal Sources are just \$14 million below FY 2023's pace through December.

<i>Summary of Receipts</i>				
GENERAL FUNDS RECEIPTS: THROUGH DECEMBER				
<i>FY 2023 vs. FY 2024</i>				
<i>(\$ millions)</i>				
Revenue Sources	FY 2023	FY 2024	\$ CHANGE	% CHANGE
Net Personal Income Tax	\$10,230	\$10,934	\$704	6.9%
Net Corporate Income Tax	\$2,596	\$2,425	(\$171)	-6.6%
Net Sales Tax	\$5,429	\$5,468	\$39	0.7%
All Other State Sources	\$1,465	\$1,608	\$143	9.8%
Transfers In	\$1,418	\$1,453	\$35	2.5%
Federal Sources [base]	\$2,066	\$2,052	(\$14)	-0.7%
Base General Funds	\$23,204	\$23,940	\$736	3.2%
<i>Non-Base Gen Funds Revenues</i>	\$764	\$781	\$17	2.2%
Total General Funds	\$23,968	\$24,721	\$753	3.1%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				3-Jan-24

DECEMBER

FY 2023 vs. FY 2024

(\$ millions)

Revenue Sources	Dec. FY 2023	Dec. FY 2024	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$2,170	\$2,514	\$344	15.9%
Corporate Income Tax (regular)	1,184	960	(224)	-18.9%
Sales Taxes	1,031	1,048	17	1.6%
Public Utility Taxes (regular)	47	53	6	12.8%
Cigarette Tax	20	17	(3)	-15.0%
Liquor Gallonage Taxes	15	14	(1)	-6.7%
Inheritance Tax	44	54	10	22.7%
Insurance Taxes and Fees	74	28	(46)	-62.2%
Corporate Franchise Tax & Fees	27	15	(12)	-44.4%
Interest on State Funds & Investments	22	50	28	127.3%
Cook County IGT	0	0	0	N/A
Other Sources	28	24	(4)	-14.3%
Total State Taxes	\$4,662	\$4,777	\$115	2.5%
Transfers In				
Lottery	\$50	\$70	\$20	40.0%
Gaming	12	27	15	125.0%
Cannabis	9	9	0	0.0%
Refund Fund	0	0	0	N/A
Other	63	42	(21)	-33.3%
Total Transfers In	\$134	\$148	\$14	10.4%
Total State Sources	\$4,796	\$4,925	\$129	2.7%
Federal Sources [base]	\$393	\$510	\$117	29.8%
Total Federal & State Sources	\$5,189	\$5,435	\$246	4.7%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$201)	(\$230)	(\$29)	14.4%
Corporate Income Tax	(172)	(134)	38	-22.1%
Local Government Distributive Fund				
Personal Income Tax	(121)	(148)	(27)	22.3%
Corporate Income Tax	(69)	(57)	12	-17.4%
Sales Tax Distributions				
Deposits into Road Fund	(48)	(52)	(4)	8.3%
Distribution to the PTF and DPTF	(67)	(68)	(1)	1.5%
General Funds Subtotal [Base]	\$4,511	\$4,746	\$235	5.2%
Transfer of Excess PA 102-700 Funds to GRF	\$0	\$148	\$148	N/A
Prior Year Federal Matching Funds	\$0	\$0	\$0	N/A
ARPA Reimb. for Essential Gov't Services	\$0	\$0	\$0	N/A
Total General Funds	\$4,511	\$4,894	\$383	8.5%

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

2-Jan-24

GENERAL FUNDS RECEIPTS: THROUGH DECEMBER

FY 2023 vs. FY 2024

(\$ millions)

Revenue Sources	FY 2023	FY 2024	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$12,013	\$12,868	\$855	7.1%
Corporate Income Tax (regular)	3,260	3,027	(233)	-7.1%
Sales Taxes	5,930	6,024	94	1.6%
Public Utility Taxes (regular)	338	308	(30)	-8.9%
Cigarette Tax	124	108	(16)	-12.9%
Liquor Gallonage Taxes	95	93	(2)	-2.1%
Inheritance Tax	267	335	68	25.5%
Insurance Taxes and Fees	210	175	(35)	-16.7%
Corporate Franchise Tax & Fees	116	107	(9)	-7.8%
Interest on State Funds & Investments	114	308	194	170.2%
Cook County IGT	0	0	0	N/A
Other Sources	201	174	(27)	-13.4%
Total State Taxes	\$22,668	\$23,527	\$859	3.8%
Transfers In				
Lottery	\$300	\$420	\$120	40.0%
Gaming	94	81	(13)	-13.8%
Cannabis	56	54	(2)	-3.6%
Refund Fund	494	555	61	12.3%
Other	474	343	(131)	-27.6%
Total Transfers In	\$1,418	\$1,453	\$35	2.5%
Total State Sources	\$24,086	\$24,980	\$894	3.7%
Federal Sources [base]	\$2,066	\$2,052	(\$14)	-0.7%
Total Federal & State Sources	\$26,152	\$27,032	\$880	3.4%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$1,111)	(\$1,178)	(\$67)	6.0%
Corporate Income Tax	(473)	(424)	49	-10.4%
Local Government Distributive Fund				
Personal Income Tax	(672)	(756)	(84)	12.5%
Corporate Income Tax	(191)	(178)	13	-6.8%
Sales Tax Distributions				
Deposits into Road Fund	(243)	(287)	(44)	18.1%
Distribution to the PTF and DPTF	(258)	(269)	(11)	4.3%
General Funds Subtotal [Base]	\$23,204	\$23,940	\$736	3.2%
Transfer of Excess PA 102-700 Funds to GRF	\$0	\$148	\$148	N/A
Prior Year Federal Matching Funds	\$0	\$633	\$633	N/A
ARPA Reimb. for Essential Gov't Services	\$764	\$0	(\$764)	-100.0%
Total General Funds	\$23,968	\$24,721	\$753	3.1%

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

2-Jan-24