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MONTHLY BRIEFING
For the Month Ended: SEPTEMBER 2024

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Economy: Fed Cuts and Household Income Rebounds

Benjamin L. Varner, Chief Economist

In September, significant economic news emerged as the Federal Reserve's Federal Open Market Committee (FOMC) announced a shift in its monetary policy. For the past two years, the Fed had been implementing a tightening cycle, raising short-term interest rates to combat inflation. However, this period of restrictive monetary policy reversed course in September.

The Federal Reserve's primary mandate is "to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates." The first two objectives—maximum employment and stable prices—are often referred to as the Fed's "Dual Mandate." Since 2021, the focus has been largely on price stability, as rising prices began to emerge when the economy reopened after the COVID-19 pandemic. This inflation was driven by strong consumer demand, fueled by pent-up purchasing power and government support during the pandemic. Additionally, supply constraints, exacerbated by illness and the war in Ukraine, further intensified price pressures.

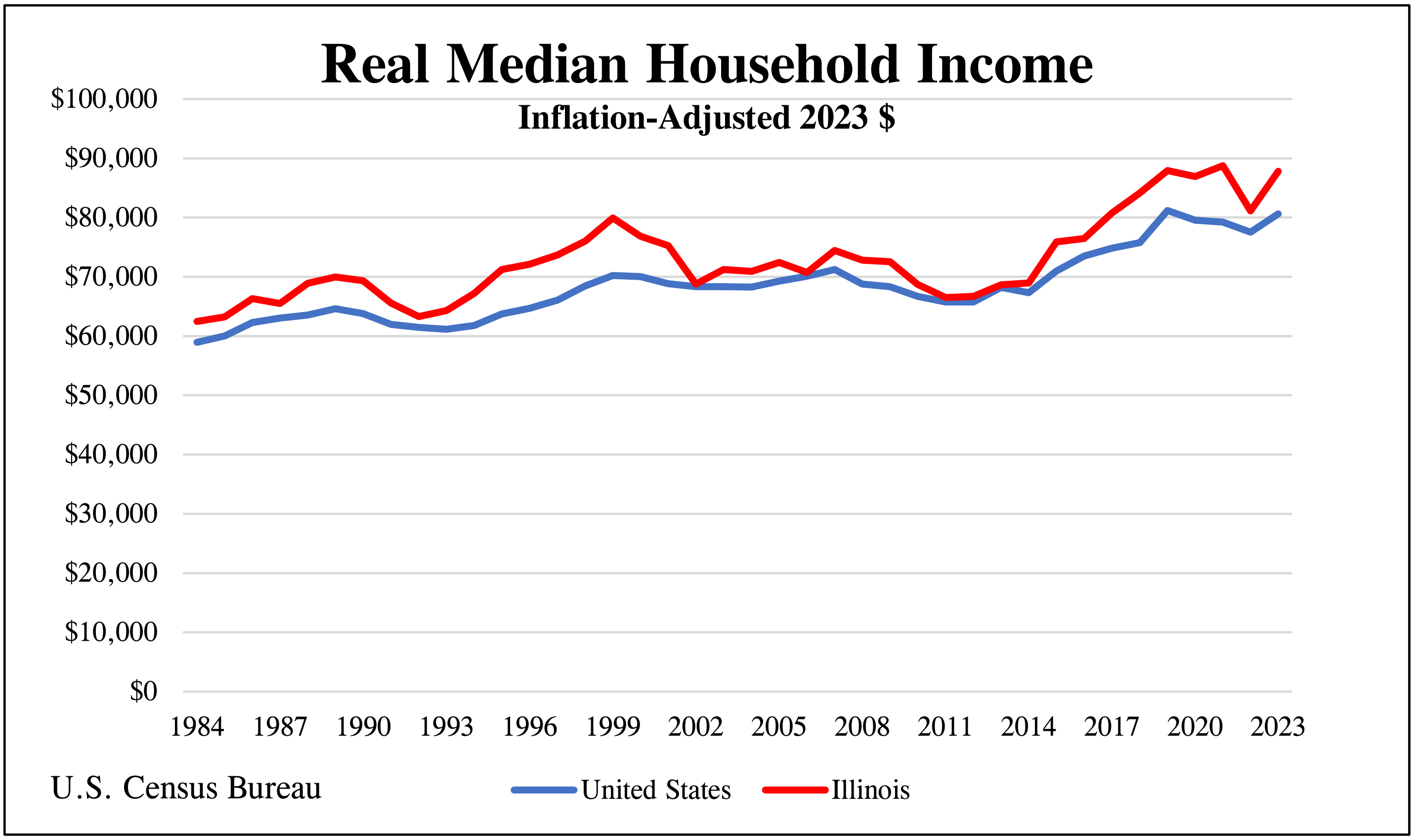
Beginning in March 2022, the Fed initiated a series of interest rate hikes to curb inflation, cool an overheating economy, and better align with a tight labor market. At that time, the target federal funds rate—representing the interest rate at which depository institutions lend to each other overnight—was set between 0% and 0.25%. On March 17, 2022, the Fed raised this target range by 0.25%, marking the first of eleven increases over the subsequent sixteen months. The final hike, on July 27, 2023, brought the target range to between 5.25% and 5.50%, a level it maintained until September 2024.

During the September meeting, the FOMC decided to lower interest rates by 0.5%, bringing the new target range to between 4.75% and 5.00%. In their official statement, the committee expressed increased confidence that inflation is sustainably trending toward the 2% target, while noting that the risks to achieving both employment and inflation goals are roughly balanced. Acknowledging the uncertainty in the economic outlook, the committee remains vigilant regarding the potential challenges to its dual mandate. Based on FOMC forecasts and comments from Fed Chairman Jerome Powell, there are expectations of two additional 0.25% cuts in the final meetings of 2024, though these projections may be altered based on new economic data. Current market assessments indicate about a 35% likelihood of another 0.5% rate cut during the November FOMC meeting.

Household Income

September also saw the release of the U.S. Census Bureau 2023 report titled "Income and Poverty in the United States," detailing household income data. Real household income encompasses the pretax cash income of the householder and all individuals aged 15 and older living in the household, regardless of their relationship to the householder. These are adjusted for inflation. In 2023, the real median household income in the U.S. reached $80,610, reflecting a 4.0% increase from the 2022 level of $77,540. In Illinois, the median household income for the same year was $87,820, an 8.7% rise from 2022 and 8.9% above the national median. Illinois ranked 17th in household income in 2023, up from 22nd in 2022. The rebound in growth in 2023 follows a decline of -8.6% in 2022. The falloff in 2022 was likely influenced by the level of government support related to COVID-19 offered in 2021 but no longer available in 2022.

The accompanying chart illustrates changes in real median household income, adjusted to 2023 dollars, dating back to 1984. It reveals consistent growth during the 1980s and 1990s, followed by nearly a decade of decline in real income, which was reversed as the economy emerged from the Great Recession. Income growth accelerated in the late 2010s as the economy strengthened. Income levels were maintained through government support during the early stages of the COVID-19 pandemic. Notably, both the U.S. and Illinois median household incomes remained slightly below their 2019 levels in 2023 as inflation hindered real income growth.



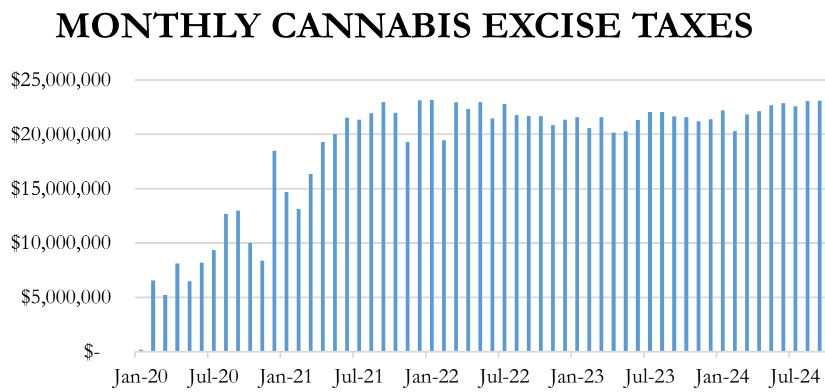
INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (Aug.)	5.3%	5.2%	4.6%
Inflation in Chicago (12-month percent change) (Aug.)	3.8%	3.7%	2.3%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (Aug.)	6,526.7	0.0%	1.2%
Employment (thousands) (Aug.)	6,183.5	-0.1%	0.5%
Nonfarm Payroll Employment (Aug.)	6,154,700	800	36,300
New Car & Truck Registration (Aug.)	44,803	42.8%	21.2%
Single Family Housing Permits (Aug.)	964	2.6%	16.1%
Total Exports ($ mil) (July)	6,529.8	-0.4%	2.6%
Chicago Purchasing Managers Index (Sept.)	46.6	1.1%	5.7%

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

Cannabis Quarterly – 1st Quarter FY 2025



Illinois State Comptroller

CANNABIS REGULATION FUND REVENUE

($ millions)

Revenue Source	FY24 Q1	FY25 Q1	$ Change	% Change	FY24 YTD	FY25 YTD	$ Change	% Change
State Cannabis Excise Taxes	$65.7	$68.7	$3.0	4.5%	$65.7	$68.7	$3.0	4.5%
Licenses and Registration Fees	$2.7	$2.9	$0.2	6.3%	$2.7	$2.9	$0.2	6.3%
Other Revenue	$0.0	$0.0	$0.0	11650.0%	$0.0	$0.0	$0.0	11650.0%
Total	**$68.4**	**$71.6**	**$3.2**	**4.6%**	**$68.4**	**$71.6**	**$3.2**	**4.6%**

Illinois State Comptroller, CGFA

CANNABIS REGULATION FUND EXPENDITURES

($ millions)

Object of Expenditure	FY24 Q1	FY25 Q1	$ Change	% Change	FY24 YTD	FY25 YTD	$ Change	% Change
Transfer - General Revenue Fund	$21.4	$21.8	$0.4	2.0%	$21.4	$21.8	$0.4	2.0%
Transfer - Professional Services	$0.0	$0.0	($0.0)	-100.0%	$0.0	$0.0	($0.0)	-100.0%
Transfer - Workers' Compensation Revolving	$0.0	$0.1	$0.0	27.4%	$0.0	$0.1	$0.0	27.4%
Transfer - Criminal Justice Info Projects	$15.3	$15.6	$0.3	2.0%	$15.3	$15.6	$0.3	2.0%
Transfer - Drug Treatment	$1.2	$1.2	$0.0	2.0%	$1.2	$1.2	$0.0	2.0%
Transfer - DHS Community Services	$12.2	$12.4	$0.2	2.0%	$12.2	$12.4	$0.2	2.0%
Transfer - Local Government Distributive Fund	$4.9	$5.0	$0.1	2.0%	$4.9	$5.0	$0.1	2.0%
Transfer - Budget Stabilization	$6.1	$6.2	$0.1	2.0%	$6.1	$6.2	$0.1	2.0%
Transfer - Cannabis Expungement	$0.7	$0.7	$0.0	0.0%	$0.7	$0.7	$0.0	0.0%
Transfer Total	**$61.8**	**$63.0**	**$1.2**	**2.0%**	**$61.8**	**$63.0**	**$1.2**	**2.0%**
Operations - Agriculture	$0.7	$1.3	$0.6	86.4%	$0.7	$1.3	$0.6	86.4%
Operations - Commerce and Econ. Opportunity	$0.1	$0.1	$0.0	11.3%	$0.1	$0.1	$0.0	11.3%
Operations - Financial Professional Regulation	$1.1	$1.1	$0.0	0.6%	$1.1	$1.1	$0.0	0.6%
Operations - Public Health	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Operations - Revenue	$0.0	$1.5	$1.5	n/a	$0.0	$1.5	$1.5	n/a
Operations - State Police	$0.3	$0.5	$0.1	42.0%	$0.3	$0.5	$0.1	42.0%
Operations - Criminal Justice Information Authority	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Operations Total	**$2.2**	**$4.5**	**$2.3**	**101.4%**	**$2.2**	**$4.5**	**$2.3**	**101.4%**
Grand Total	**$64.0**	**$67.5**	**$3.5**	**5.4%**	**$64.0**	**$67.5**	**$3.5**	**5.4%**

Illinois State Comptroller, CGFA

General Obligation Bonds Issued in September 2024

Lynnae Kapp, Senior Bond and Revenue Analyst

STATE-ISSUED BOND SALES									
DATE	BOND SALE TYPE	AMOUNT	TAXABLE v. TAX-EXEMPT	NEGOTIATED v. COMPETITIVE SALE	TRUE INTEREST COST	S&P	FITCH	MOODY'S	KROLL
FY 2023									
Sep-22	General Obligation October 2022A	$175 million	taxable	competitive	5.78%	BBB+	BBB+	Baa1	
Sep-22	General Obligation October 2022B	$245 million	tax-exempt	competitive	5.01%	BBB+	BBB+	Baa1	
Sep-22	General Obligation October 2022C	$280 million	tax-exempt	competitive	5.44%	BBB+	BBB+	Baa1	
Apr-23	General Obligation May 2023A	$200 million	taxable	negotiated		A-	BBB+	A3	
Apr-23	General Obligation May 2023B	$1.0 billion	tax-exempt	negotiated	4.228%	A-	BBB+	A3	
Apr-23	General Obligation May 2023C	$150 million	tax-exempt	negotiated	aggregated	A-	BBB+	A3	
Apr-23	General Obligation May 2023D refunding	$1.16 billion	tax-exempt	negotiated		A-	BBB+	A3	
FY 2024									
Nov-23	General Obligation December 2023A	$175 million	taxable	competitive	5.47%	A-	A-	A3	
Nov-23	General Obligation December 2023B	$350 million	tax-exempt	competitive	3.90%	A-	A-	A3	
Nov-23	General Obligation December 2023C	$350 million	tax-exempt	competitive	4.69%	A-	A-	A3	
Jan-24	Build Illinois February 2024A	$300 million	tax-exempt	competitive	2.94%	A	A+		AA+
Jan-24	Build Illinois February 2024B	$150 million	tax-exempt	competitive	3.53%	A	A+		AA+
Jan-24	Build Illinois February 2024C	$150 million	tax-exempt	competitive	4.17%	A	A+		AA+
May-24	General Obligation May 2024A	$250 million	taxable	negotiated	4.27%	A-	A-	A3	
May-24	General Obligation May 2024b	$1.550 billion	tax-exempt	negotiated	aggregated	A-	A-	A3	
FY 2025									
Sep-24	General Obligation October 2024 Refunding	$1.088 billion	tax-exempt	negotiated	aggregated 3.47%	A-	A-	A3	
Sep-24	General Obligation October 2024A	$150 million	taxable	competitive	4.386%	A-	A-	A3	
Sep-24	General Obligation October 2024B	$150 million	tax-exempt	competitive	3.329%	A-	A-	A3	
Sep-24	General Obligation October 2024C	$300 million	tax-exempt	competitive	4.039%	A-	A-	A3	

The State conducted multiple General Obligation bond sales in September 2024, with a negotiated refunding sale and competitive bond sales for project funding and the Pension Acceleration buyout program. The GO October 2024 Refunding was sold September 10, 2024 for $1.088 billion with a 15-year maturity and an aggregate true interest cost of 3.47%. The sale had almost $3 billion of attention from 67 investors and gained $115 million in present value savings, according to Paul Chatalas, Illinois Director of Capital Markets in a September 10, 2024 press release. "Spreads on Illinois showed the five-year 53 basis points to AAA yields while the 10-year was 71 to the AAA curve. Illinois last came to market in early May with $1.8 billion of GOs, as spreads for the five-year 60 basis points to AAA yields and the 10-year 66 basis points to the AAA curve." [Mega deals, pre-election push, has Street reassessing issuance expectations for 2024, By Jessica Lerner, The Bond Buyer, September 11, 2024]

On September 17, 2024, Illinois sold three tranches of competitive bonds. The $150 million October 2024A series of taxable bond proceeds will be used mainly for the Accelerated Pension Benefit Payment program ($135 million) with the remaining going to capital projects ($15 million). This A series, maturing from 2025 to 2034, had ten bids and received a true interest cost of 4.386%.

The tax-exempt October 2024B series of $150 million will mature from 2025 to 2036. This series B had thirteen bids and received a true interest cost of 3.329%. The tax-exempt October 2024C series of $300 million will mature from 2037 to 2048. Series C received nine bids and had a true interest cost of 4.039%. All proceeds from Series B and C, and $15 million of Series A will go to projects under the Rebuild Illinois capital program, mainly for transportation projects.

Ratings

All three rating agencies affirmed their ratings for Illinois, all at the A-(A3) level. The agencies discussed how the State's ratings are lower than other states' due to the large pension and post-employment benefit liabilities, and because payments on these liabilities are lower than actuarially required. The rating agencies would like to see the State's "rainy day fund" (Budget Stabilization Fund) equal at least 10% of the State's revenues to prepare for any downturns in the national economy.

FitchRatings affirmed Illinois' rating at A- with a stable outlook. Of the key ratings drivers that Fitch evaluates, the State's revenue framework is at an 'aa' level with a broad revenue base and economy, albeit with slow growth. A positive in this category is Illinois' "unlimited legal ability to raise revenue". The State's expenditure framework has some flexibility, but contains constitutionally-protected long-term liabilities with pension and post-employment benefit obligations. These categories put Illinois into the 'a' level. Despite the fact that Illinois has improved its position by eliminating its bill backlog, putting more money towards reserves and pensions, and increasing revenues for expenditures, its operating performance is not rated higher than an 'a' level because it still does not meet the actuarially required contributions to the pension systems. Fitch would like to see the pension long-term liability decreased "closer to or below 20%" [Fitch Rates Illinois' $1.7B GO Bonds 'A-'; Outlook Stable, FitchRatings, August 29, 2024]

"The state has been regularly issuing debt, but much of the issuance over the past few years has been refunding debt, (Eric) Kim said (Fitch Ratings senior director and head of U.S. state ratings). Still, Illinois' debt burden ranked 41st out of all the states in a Fitch analysis published last year. The state's pension liability was the worst, ranking 50th. Combined, Illinois ranked 49th among U.S. states." [Illinois will bring up to $1.7 billion of GO bonds by month's end, By Jennifer Shea, The Bond Buyer, September 4, 2024]

Moody's Ratings has assigned the State an A3 rating with a positive outlook to the October 2024 bond series, the same as the Issuer Default Rating. Moody's attributes the rating and positive outlook with "steady improvement in financial metrics…(and) the possibility that continued stability in state revenue and growth in fund balance and reserves will drive an improvement in the credit rating". The ratings could be improved if long-term liabilities were held "below 400% of revenue and fixed costs below 20% of revenue". Another factor for improvement would include the GAAP-basis funding balance, which should be higher than 15% of revenue. [Moody's Ratings assigns A3 to the State of Illinois' general obligation bonds; outlook positive, Moody's Ratings, August 29, 2024]

Standard and Poor's (S&P) affirmed the State's A- rating with a stable outlook. S&P notes Illinois' recent improvements in managing its budgets, financial flexibility, strong economic base and liquidity, and "declining GO debt schedule". But, with the long-term liabilities and slow growth, S&P does not believe there would be a rating increase within the two-year outlook review time, due to pension liabilities and the fact that the State would not "be able to grow its BSF (Budget Stabilization Fund) balance enough to meaningfully enhance flexibility beyond current levels within the outlook period". [Illinois 2024 GO Bonds Assigned 'A-' Rating; Other Ratings Affirmed, S&P Global Ratings, August 28, 2024]

ILLINOIS' GENERAL OBLIGIATION BOND RATINGS HISTORY						
Date of Rating Action	*Fitch*		*S&P*		*Moody's*	
	Rating	*up/down*	*Rating*	*up/down*	*Rating*	*up/down*
November 2023	*A-*	↑1x				
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**

Significant Reallocation of Business-Related Tax Revenues Will Reoccur in FY 2025

Eric Noggle, Revenue Manager

In April 2024, the Department of Revenue announced that another significant reallocation of tax distributions would take place in FY 2025 as part of their annual statutory reconciliation of business-related tax payments. As part of this "true-up" adjustment, a total of $1.289 billion in business tax receipts will be reallocated through Personal Income Tax disbursements throughout FY 2025, with a corresponding negative adjustment to both Corporate Income Tax receipts [-$268 million] and Personal Property Replacement Tax receipts [-$1.022 billion]. These amounts are similar to the reallocations that took place in FY 2024 in which $1.077 billion was reallocated to the Personal Income Tax, while $259 million was adjusted out of Corporate Income Tax disbursements and $818 million out of Personal Property Replacement Tax distributions.

Similar to last year, the FY 2025 adjustments are expected to be completed in five equal installments, the first of which took place in September. Each installment this fiscal year will result in a positive monthly adjustment of approximately $258 million to the Personal Income Tax and a negative adjustment of -$54 million from the Corporate Income Tax and -$204 million from the Personal Property Replacement Tax (non-General Funds distribution). The remaining four installments will take place in December, March, April, and June during large business income tax revenue periods.

According to the Department of Revenue, the magnitude of the "true-up" reallocations needed in FY 2024 and FY 2025 "was most likely caused by policy changes, such as the federal government enacting the State and Local Tax (SALT) deduction cap, the State of Illinois creation of the Pass-Through Entity Tax (PTE), and large increases in business income tax receipts" during FY 2022 and FY 2023. So that this level of true-up could be avoided in subsequent years, starting in July 2023, the Department adjusted the percentages used to disburse business income tax revenues. Another adjustment was implemented in July 2024. If these adjustments work as intended, this level of "true-up" will not be necessary in upcoming fiscal years.

From a General Funds fiscal impact perspective, these "true-up" reallocations boosted the State's FY 2024 revenue total by a total of +$818 million (net of Personal and Corporate impacts) while reducing local government distributions by a corresponding -$818 million (as the Personal Property Replacement Tax is a non-General Funds distribution to local governments). Similarly, the reallocations in FY 2025 are expected to increase State General Funds revenues by a net total of approximately +$1.022 billion while lowering the amount to local governments by the same -$1.022 billion. These amounts were anticipated and accounted for in the FY 2025 enacted revenue totals.

Because both FY 2024 and FY 2025 contain a similar boost from these additional "true-up" dollars, there will not be a noticeable year-over-year difference when comparing the revenue lines affected by the adjustments for these particular fiscal years. However, assuming these annual "true-up" adjustments return to a more typical low-key magnitude in subsequent fiscal years, there is a strong possibility that income tax receipts, and thus General Funds receipts, could be notably weaker in FY 2026 without the benefit of these additional dollars. This is something that must be kept in mind as the FY 2026 Budget is constructed next Spring.

Weaker Transfers and Federal Sources Creates Sharp Decline in September Revenues Despite Notable Increase in Personal Income Tax Receipts

Eric Noggle, Revenue Manager

Despite a 14.8% increase in Personal Income Tax receipts, revenues deposited into the State's General Funds fell $679 million in September, a decline of -12.4% as compared to September of last year. The sizeable falloff is mainly due to the lack of revenues this month from Transfers In and Federal Sources. While much of these declines are related to timing (and will be offset to some extent in upcoming months), the lack of revenue growth in other areas continues to be concerning. This month had the same number of receipting days as September of last year.

After a subpar receipting month in August, Personal Income Tax receipts rose $386 million in September or up $328 million on a net basis when accounting for distributions to the Income Tax Refund Fund and the Local Government Distribution Fund. The strong 14.8% increase this month appears to be due to several reasons: the timing of receipts (relatively low totals of last month seem to have been counterbalanced by higher-than-normal activity in September); boost in business related tax receipts (revenues from the pass-through entity tax are up over 23% this month as updated default rates are allocating more business related tax receipts to this classification); and the first of five "true-up" adjustments (each installment this fiscal year adds $258 million to the revenue source's monthly total). *Note: These "true-up" adjustments were described in further detail on the previous page.*

Offsetting the Personal Income Tax gains are significant year-over-year declines in Transfers In and Federal Sources this month. In September, Transfers In were $624 million lower than last September while Federal Sources were down $192 million. The primary reason for the considerable falloff in Transfers In is because last September's total included the annual Income Tax Refund Fund Transfer, which totaled $555 million in FY 2024. While this transfer for FY 2025 is still expected to occur in the upcoming months (at an expected lesser value of approximately $256 million), its absence creates this sizeable decrease in September. Contributing to the overall falloff in transfers was a $30 million drop in Lottery Transfers and a $52 million decrease in Other Transfers. These declines were offset somewhat by a $5 million increase in Casino related Gaming Transfers and an additional $8 million coming from the start of transfers from the Sports Wagering Fund to the General Revenue Fund. This new transfer is in response to the recent tax increase on Sports Wagering receipts and a distribution change recently implemented by P.A. 103-0592.

While Personal Income Tax revenues flourished in September, Corporate Income Tax receipts, on the other hand, fell $89 million in September. This was a decline of -$71 million, or -7.6% on a net basis. Part of this decline is due to the aforementioned reallocation of revenues, which lessened this month's total by $54 million. In addition, the Department of Revenue has updated default rates to allocate more business-related tax revenues towards the Personal Income Tax in FY 2025, which results in a corresponding reduction in the amounts allocated to the Corporate Income Tax and Personal Property Replacement Tax (non-general fund). While the revenue declines this month and through the first quarter may be partially attributed to these items, the overall downward trend in receipts in recent months still bears watching.

Sales Tax revenues also experienced a disappointing month with a year-over-year revenue decline of -$45 million or -4.5% in September. On a net basis, when adjusting for distributions to the Road Fund and certain transportation funds, revenues fell $27 million or -2.9%. The decline in September marks the fourth consecutive month of lower tax receipts for this important revenue source, adding more concern with the downward trend that seems to have developed. Whether performance will rebound in response to the Fed's lowering of interest rates remains to be seen.

It was also a down month for All Other Sources. Collectively, these revenue sources fell $93 million in September. The largest decline came from Insurance Taxes [-$73 million], though the falloff here is a bit misleading as receipts from this source have been up big in both July and August. Similarly, another timing element appears to have created the $36 million reduction in revenues from Interest in State Funds & Investments. These receipts were up over 86% in the first two months of the year so the decline this month does not create much concern. With that being said, Interest Income could be slowing in the months to come as interest rates begin to recede. Additional losses this month came from the Estate Tax [-$12 million] and the Liquor Tax [-$1 million]. State taxes with comparatively higher totals in September include Public Utility Taxes [+$15 million]; Other Sources [+$9 million]; the Corporate Franchise Tax [+$4 million]; and the Cigarette Tax [+$1 million].

Summary of Receipts
SEPTEMBER
FY 2024 vs. FY 2025
($ millions)

Revenue Sources	**Sep. FY 2024**	**Sep. FY 2025**	**$ CHANGE**	**% CHANGE**
Net Personal Income Tax	$2,213	$2,541	$328	14.8%
Net Corporate Income Tax	$937	$866	($71)	-7.6%
Net Sales Tax	$937	$910	($27)	-2.9%
All Other State Sources	$334	$241	($93)	-27.8%
Transfers In	$744	$120	($624)	-83.9%
Federal Sources [base]	$312	$120	($192)	-61.5%
Base General Funds	$5,477	$4,798	($679)	-12.4%
Non-Base Gen Funds Revenues	$0	$0	$0	N/A
Total General Funds	$5,477	$4,798	($679)	-12.4%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-Oct-24

SEPTEMBER
FY 2024 vs. FY 2025
($ millions)

Revenue Sources	Sep. FY 2024	Sep. FY 2025	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$2,604	$2,990	$386	14.8%
Corporate Income Tax (regular)	1,170	1,081	(89)	-7.6%
Sales Taxes	1,007	962	(45)	-4.5%
Public Utility Taxes (regular)	46	61	15	32.6%
Cigarette Tax	16	17	1	6.3%
Liquor Gallonage Taxes	17	16	(1)	-5.9%
Estate Tax	59	47	(12)	-20.3%
Insurance Taxes and Fees	80	7	(73)	-91.3%
Corporate Franchise Tax & Fees	21	25	4	19.0%
Interest on State Funds & Investments	74	38	(36)	-48.6%
Cook County IGT	0	0	0	N/A
Other Sources	21	30	9	42.9%
Total State Taxes	$5,115	$5,274	$159	3.1%
Transfers In				
Lottery	$80	$50	($30)	-37.5%
Gaming	3	8	5	166.7%
Sports Wagering	0	8	8	N/A
Cannabis	9	9	0	0.0%
Refund Fund	555	0	(555)	-100.0%
Other	97	45	(52)	-53.6%
Total Transfers In	$744	$120	($624)	-83.9%
Total State Sources	$5,859	$5,394	($465)	-7.9%
Federal Sources [base]	$312	$120	($192)	-61.5%
Total Federal & State Sources	$6,171	$5,514	($657)	-10.6%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($238)	($273)	($35)	14.7%
Corporate Income Tax	(164)	($152)	12	-7.3%
Local Government Distributive Fund				
Personal Income Tax	(153)	(176)	(23)	15.0%
Corporate Income Tax	(69)	(63)	6	-8.7%
Sales Tax Distributions				
Deposits into Road Fund	(44)	(51)	(7)	15.9%
Distribution to the PTF and DPTF	(26)	(1)	25	-96.2%
General Funds Subtotal [Base]	**$5,477**	**$4,798**	**($679)**	**-12.4%**
Non-Base Gen Funds Revenues	$0	$0	0	N/A
Total General Funds	**$5,477**	**$4,798**	**($679)**	**-12.4%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-Oct-24

Year to Date

With September's sizeable decline, General Funds receipts through the first quarter of FY 2025 are now down $242 million or -2.0% as compared to the first three months of FY 2024. Just last month, the year-to-date change through August was +6.4%, which shows the volatility of year-to-date comparisons this early in the fiscal year. While much of this sudden change is simply because the annual Income Tax Refund Fund Transfer has yet to occur in FY 2025, there continues to be growing concern with some of the State's primary revenue sources.

After the first three months, Corporate Income Tax receipts are now down $162 million or -10.2%. On a net basis, the decline is -$130 million. While part of this decline is due to the "true-up" that redistributed away a portion of revenues in September, the overall direction of recent numbers is still concerning. Perhaps even more alarming is the performance of Sales Tax receipts in the first quarter of FY 2025. Through September, these revenues are $121 million behind last year's pace for a decline of -4.0% (-$66 million or -2.4% on a net basis). Again, the hope is that the continued lowering of interest rates will spur economic activity to help shift this recent downward trend. However, this desired result in the form of higher tax receipts may take time to materialize.

Fortunately for State coffers, Personal Income Tax receipts continue to flow in. With the help of "true-up" payments in September and modified allocation rates in FY 2025 from business-related tax payments, these revenues are now up $691 million after the first three months of the fiscal year for a cumulative growth rate of +11.0%. On a net basis, the gain is +$588 million. While growth is not expected to continue at this elevated level, additional true-up payments and adjusted allocations throughout the rest of the fiscal year should allow Personal Income Tax receipts to offset the disappointing Corporate Income Tax and Sales Tax numbers.

Despite the combined -27.8% decline in All Other State Sources in September, these revenues remain up $82 million or +9.4% after the 1st Quarter of FY 2025. This is mostly because Interest on State Funds & Investments are up $43 million through September, even with the $36 million decline this month. Other Sources [+$36 million], Public Utility Taxes [+$14 million], and Insurance Taxes [+$6 million] have also contributed to the year-to-date growth in this category. These gains have outweighed lower year-to-date figures from the Estate Tax [-$12 million]; the Cigarette Tax [-$2 million]; the Corporate Franchise Tax [-$2 million]; and the Liquor Tax [-$1 million].

As mentioned earlier, the absence of the Income Tax Refund Fund Transfer so far this fiscal year is the primary reason that Transfers In are collectively down $609 million through September. A significant portion of this shortfall will eventually be alleviated by the anticipated FY 2025 transfer amount of $256 million later this fiscal year, along with new transfers from the recently implemented Sports Wagering Transfer, which added $8 million in its opening month. Through September, Lottery Transfers are down $25 million, Other Transfers are $35 million lower, while casino-related Gaming Transfers are $3 million below last year's 1st quarter levels. Cannabis Transfers are up a mere $1 million so far this fiscal year.

In regard to Federal Sources, the $192 million decline in September has resulted in revenues being $107 million below the 1st quarter totals of FY 2024. While it is anticipated that "base" Federal Sources should improve as the year goes along, overall Federal Source totals will see a significant decline, beginning next month. In October of FY 2024, the State received a delayed reimbursement from Federal Sources valued at $633 million. This is considered a one-time deposit that will not repeat in FY 2025. Because of this, it would not be surprising to see Illinois' General Funds total with another notable decline when evaluating October's receipts next month.

Summary of Receipts

GENERAL FUNDS RECEIPTS: THROUGH SEPTEMBER

FY 2024 vs. FY 2025

($ millions)

Revenue Sources	**FY 2024**	**FY 2025**	**$ CHANGE**	**% CHANGE**
Net Personal Income Tax	$5,346	$5,933	$587	11.0%
Net Corporate Income Tax	$1,272	$1,142	($130)	-10.2%
Net Sales Tax	$2,782	$2,715	($67)	-2.4%
All Other State Sources	$871	$954	$83	9.5%
Transfers In	$1,030	$421	($609)	-59.1%
Federal Sources [base]	$1,017	$910	($107)	-10.5%
Base General Funds	$12,318	$12,075	($243)	-2.0%
Non-Base Gen Funds Revenues	$0	$0	$0	N/A
Total General Funds	$12,318	$12,075	($243)	-2.0%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-Oct-24

GENERAL FUNDS RECEIPTS: THROUGH SEPTEMBER

FY 2024 vs. FY 2025

($ millions)

Revenue Sources	FY 2024	FY 2025	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$6,292	$6,983	$691	11.0%
Corporate Income Tax (regular)	1,588	1,426	(162)	-10.2%
Sales Taxes	2,990	2,868	(122)	-4.1%
Public Utility Taxes (regular)	154	168	14	9.1%
Cigarette Tax	54	52	(2)	-3.7%
Liquor Gallonage Taxes	49	48	(1)	-2.0%
Estate Tax	157	145	(12)	-7.6%
Insurance Taxes and Fees	144	150	6	4.2%
Corporate Franchise Tax & Fees	60	58	(2)	-3.3%
Interest on State Funds & Investments	162	205	43	26.5%
Cook County IGT	0	0	0	N/A
Other Sources	91	128	37	40.7%
Total State Taxes	$11,741	$12,231	$490	4.2%
Transfers In				
Lottery	$215	$190	($25)	-11.6%
Gaming	31	28	(3)	-9.7%
Sports Wagering	0	8	8	N/A
Cannabis	27	28	1	3.7%
Refund Fund	555	0	(555)	-100.0%
Other	202	167	(35)	-17.3%
Total Transfers In	$1,030	$421	($609)	-59.1%
Total State Sources	$12,771	$12,652	($119)	-0.9%
Federal Sources [base]	$1,017	$910	($107)	-10.5%
Total Federal & State Sources	$13,788	$13,562	($226)	-1.6%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($576)	($639)	($63)	10.9%
Corporate Income Tax	(222)	(200)	22	-9.9%
Local Government Distributive Fund				
Personal Income Tax	(370)	(411)	(41)	11.1%
Corporate Income Tax	(94)	(84)	10	-10.6%
Sales Tax Distributions				
Deposits into Road Fund	(132)	(152)	(20)	15.2%
Distribution to the PTF and DPTF	(76)	(1)	75	-98.7%
General Funds Subtotal [Base]	**$12,318**	**$12,075**	**($243)**	**-2.0%**
Non-Base Gen Funds Revenues	$0	$0	0	N/A
Total General Funds	**$12,318**	**$12,075**	**($243)**	**-2.0%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-Oct-24