Three-Year Budget Forecast FY 2024 – FY 2026

Commission on Government Forecasting and Accountability

March, 2023

Commission on Government
Forecasting and Accountability

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(FY 2024 – FY 2026)
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INTRODUCTION

As part of Public Act 96-0958, the Commission on Government Forecasting and Accountability has been directed to **"...develop a three-year budget forecast for the State, including opportunities and threats concerning anticipated revenues and expenditures, with an appropriate level of detail."**

This report represents the Commission's mandated three-year budget forecast. It begins with an examination of the State of Illinois' General Funds revenues and expenditures over the last 20 years, and then considers threats and opportunities to Illinois' budget. Finally, it concludes with potential three-year budget results based upon scenario analysis.

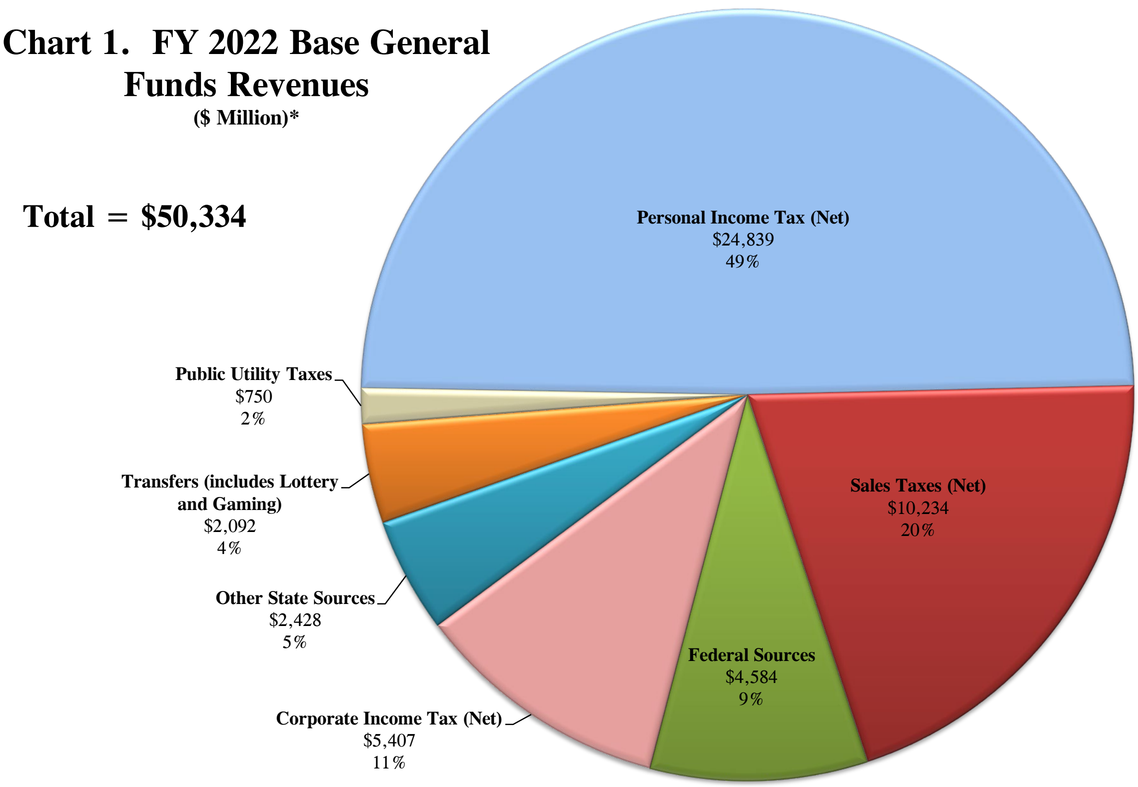
I. Illinois' Budget History

To begin analyzing Illinois' budget, an assessment of historical General Fund revenues and expenditures was conducted. The examined data was from the Illinois State Comptroller's annual report entitled "Traditional Budgetary Financial Report." The composition of base revenues and expenditures was evaluated. In addition, growth rates for both revenues and expenditures were calculated over various time periods. These assessments were then used to assist in the Commission's three-year budget forecast.

Revenues

Base general funds revenue totaled $50.3 billion in FY 2022. This was an increase of $5.5 billion, or over 12% growth, compared to FY 2021's results. The majority of this increase can be attributed to the significant growth in income tax receipts. Net personal income taxes (which is gross personal income tax receipts minus payments into the Income Tax Refund Fund and the Local Government Distributive Fund) were up over $2.3 billion to $24.8 billion. This was an increase of over 10%. Net corporate income taxes grew almost 52% to $5.4 billion. This equaled growth of over $1.8 billion. These growth rates are even more impressive when considering that FY 2021 had two final income tax payment periods due to the filing deadline being extended for tax year 2020 as a result of the COVID-19 pandemic which augmented FY 2021's results.

Chart 1. FY 2022 Base General Funds Revenues
($ Million)*



*Excludes ARPA Reimbursement for Essential Government Services
Source: Illinois State Comptroller

Most of the remaining growth was accounted for by growth in the sales tax and transfers in. Consumer spending was strong throughout FY 2022 which led to robust sales tax revenue. Net sales tax revenue grew over 9% to $10.2 billion. This was an increase of $866 million over FY 2021's results. Transfers in to the general funds from other state funds grew a combined $542 million from $1.6 billion in FY 2021 to $2.1 billion in FY 2022. Most of this growth was due to increases in transfers in from the Capital Projects Fund ($263 million) associated with increases in video gaming taxes, increases in casino gaming revenue ($140 million), and increases in the amount sent in from the Build Illinois Fund ($105 million).

While almost all the main sources of revenue showed significant growth in FY 2022, there were a few revenue sources that were down. The largest decrease in revenue can be seen in money received from federal sources. Federal sources decreased to $4.6 billion in FY 2022 which was $160 million lower than FY 2021. This equaled a decline of 3.4%. Additionally, Corporate franchise taxes and fees were down $106 million, while public utility taxes fell $27 million. Appendix A, at the back of this report, shows historical totals for General Funds revenue from FY 2013 to FY 2022.

As mentioned previously, total base General Funds revenue increased by over 12% in FY 2022. This is significantly above longer-term averages. While the 5-year average is 12.0%, the 10-year average is lower at 4.8% per year. The 15-year and 20-year averages are similar at 4.4% and 4.3%, respectively.

The large increases in revenue over the last five years is related to the increase in income tax rates in 2018 and the exceptional growth coming out of the COVID-19 pandemic which has raised the shorter-term growth rates. Due to the passage of P.A. 100-0022 in 2017, both the personal and corporate income tax rates were increased. As these changes were fully implemented, the growth rates for General Funds revenue increased significantly. Overall, total base General Funds revenue grew over 30% in FY 2018. That year of extraordinary growth was already putting upward pressure on growth rates and has now been joined by FY 2021 and FY 2022 with strong growth after a small falloff in FY 2020. Average growth rates for the individual revenue sources over different time frames can be seen in Table 1.

TABLE 1. GENERAL FUNDS BASE REVENUE GROWTH RATES
FY 2003 - FY 2022*

Revenue Sources	1-Year Growth	5-Year Average	10-Year Average	15-Year Average	20-Year Average
State Taxes					
Personal Income Tax (Net)	10.3%	15.2%	5.8%	8.0%	7.2%
Sales Taxes (Net)	9.2%	5.1%	3.7%	2.6%	2.8%
Other State Sources	3.3%	0.5%	1.8%	0.7%	0.7%
Transfers (includes Lottery and Gaming)	35.0%	10.6%	6.0%	3.1%	4.9%
Corporate Income Tax (Net)	51.8%	36.1%	13.5%	12.1%	13.5%
Public Utility Taxes	-0.3%	-3.2%	-2.7%	-2.6%	-1.8%
Total State Sources	**14.1%**	**11.5%**	**4.8%**	**5.0%**	**4.9%**
Federal Sources	**-3.4%**	**21.7%**	**7.4%**	**4.1%**	**3.8%**
Total, Base Revenues	**12.2%**	**12.0%**	**4.8%**	**4.4%**	**4.3%**

*Excludes short-term borrowing, interfund borrowing, and other one-time revenues
Illinois State Comptroller, CGFA

The income taxes have shown high levels of growth. The personal income tax has averaged growth of 7.2% over the last 20 years, while the corporate income tax grew at 13.5%. However, the growth rates of other sources have been more modest. Transfers, including Lottery and Gaming, have expanded by 4.9%, while federal sources have averaged growth of 3.8% per year. The second largest revenue source, sales tax, has only grown 2.8% per year. Public utility taxes have actually been declining 1.8% per year due to a fall-off in the telecommunications excise tax. All other state sources have grown at less than 1% per year.

Expenditures

According to the Office of the Comptroller's *Traditional Budgetary Financial Report*, base general funds expenditures were $47.6 billion in FY 2022. This was an increase of $5.2 billion, or 12.2%, over FY 2021's base expenditures. The largest amount of expenditures occurred at the State Board of Education where $9.3 billion was spent. This was up $401 million, or 4.5%, over FY 2021. The largest increase in expenditures occurred at Central Management Services. Its spending grew $774 million from $2.1 billion to $2.9 billion. This equaled growth of over 37%. This growth was connected to an increase in group health insurance-related payments associated with the paying down of the backlog of bills.

The Department of Healthcare and Family Services was the second largest spender in FY 2022. It spent $7.8 billion, which was up $262 million from FY 2021. Teachers' Retirement System expenditures grew 10.6% to $5.8 billion, while the Department of Human Services' spending rose $228 million to $4.5 billion. Higher education agencies had one of the highest growth rates at 11.4% as their expenditures grew $427 million from $3.7 billion to $4.2 billion. Transfers out grew 4.2%, or $217 million, to $5.4 billion in FY 2022.

For a more detailed look at expenditures over the last decade, please see Appendix B in the back of this report.

Chart 2. FY 2022 Base General Funds Expenditures
($ Million)*

Total = $47,583

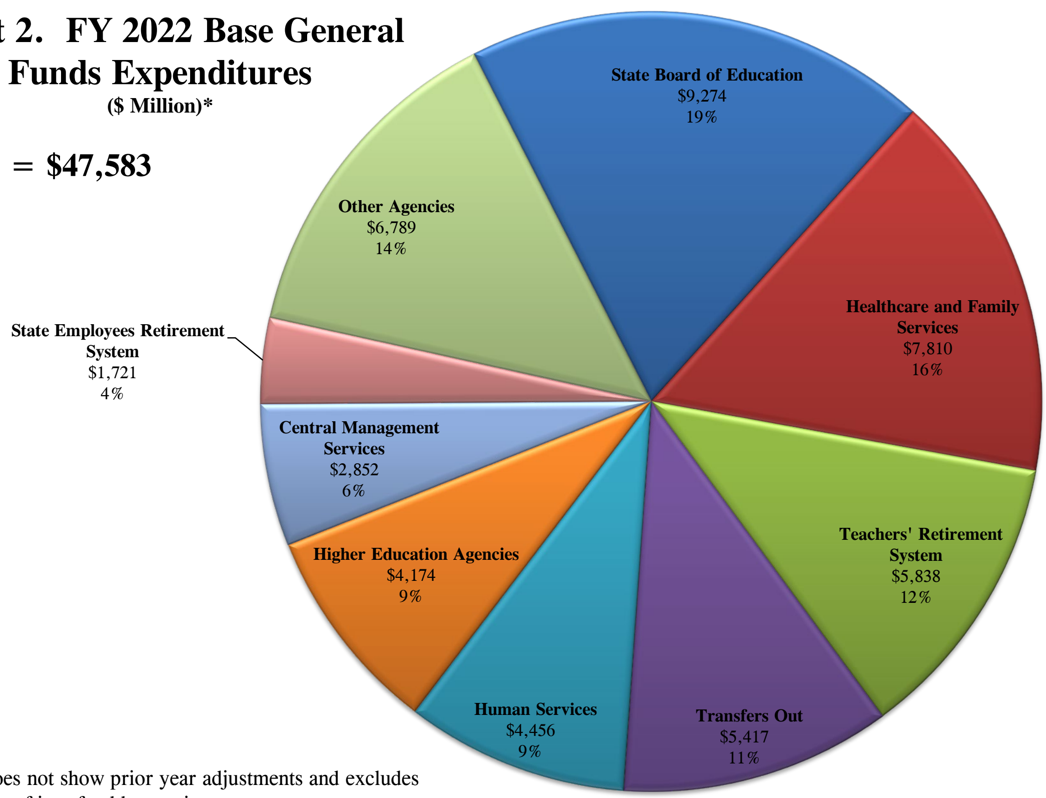


*Chart does not show prior year adjustments and excludes repayment of interfund borrowing
Source: Illinois State Comptroller

Table 2 illustrates the growth of base general funds expenditures over the last 20 years. After two fiscal years (FY 2015 and FY 2016) with declines in total expenditures associated with the budget stalemate, the State increased spending significantly the following two fiscal years as the backlog of bills was reduced. Spending was basically flat in FY 2019 and FY 2020, before rising in FY 2021 as the effects of COVID-19 were felt. Increases in expenditures persisted in FY 2022 as the continued pay down of the backlog of bills was possible with the increase in revenues. The five-year average growth in base general funds expenditures currently stands at 7.1%, while the 10-year rate has grown at 3.8%. The 15-year rate is at 3.7%. The 20-year growth rate is the lowest at 3.5%.

Looking at the individual agencies, the Teachers' Retirement System has a very large annual growth rate but this is due to an outlier fiscal year. In FY 2012, the State returned to funding the Teachers' Retirement System by using General Funds after two years of using mostly revenue from pension notes. This led to an increase of 874% in FY 2012. Trying to account for the years affected by the use of pension notes, expenditures have grown more in the range of 10% to 15% per year, which is still relatively high, but not as high as when including Fiscal Years 2010-2012. Similarly, Central Management Services growth rates are extremely high due to policy changes related to payments of group health insurance and the effects of the budget impasse.

Long-term growth rates at the State Board of Education has hovered around 3%. Healthcare and Family Services has grown 3.2% per year in the long term but had basically been flat over the last ten years until the large jumps in FY 2021 and FY 2022. Human Services had shown little growth over the last two decades but has been increasing in recent years. Department of Aging expenditures are relatively small but growing quickly.

TABLE 2. GENERAL FUNDS BASE EXPENDITURES GROWTH RATES
FY 2003 - FY 2022

WARRANTS ISSUED	1-Year Growth	5-Year Average	10-Year Average	15-Year Average	20-Year Average
BY AGENCY					
State Board of Education	4.5%	5.3%	3.4%	2.6%	3.0%
Healthcare and Family Services	3.5%	6.3%	0.3%	1.0%	3.2%
Teachers' Retirement System*	10.6%	7.4%	9.1%	61.8%	47.2%
Human Services	5.4%	6.3%	2.8%	1.1%	1.1%
Higher Education Agencies	11.4%	4.6%	6.5%	6.2%	3.9%
Central Management Services**	37.2%	204.1%	335.5%	n/a	n/a
State Employees Retirement System	0.9%	5.8%	6.9%	n/a	n/a
Corrections	1.4%	11.3%	5.4%	4.2%	2.6%
Aging	7.3%	15.2%	6.8%	8.5%	n/a
Children and Family Services	12.3%	10.5%	3.8%	2.9%	1.4%
All Other Agencies	27.4%	12.9%	5.3%	3.3%	2.1%
Total Warrants Issued (14 months)	**9.0%**	**8.0%**	**4.2%**	**3.9%**	**3.5%**
Transfers					
Transfers Out	4.2%	11.4%	4.7%	5.6%	9.5%
Total, Base Expenditures	**12.2%**	**7.1%**	**3.8%**	**3.7%**	**3.5%**

* The 15-year and 20-year growth rates for the Teachers' Retirement System (TRS) expenditures are high due to FY 2012 growth of over 874%. This large increase was due to the return of using General Funds revenue to fund the Teachers' Retirement System after mostly using pension notes in FY 2010 and FY 2011.

** The extremely high growth in Central Management Services (CMS) expenditures is related to a policy change under which employee health insurance costs were paid by CMS instead of by individual agencies starting in FY 2013 and issues connected to the budget impasse in FY 2016 - FY 2018.

Illinois State Comptroller, CGFA

II. Threats and Opportunities

The Threats and Opportunities section of this report highlights those issues that pose a threat or create a negative outlook, or on the contrary, provide or offer a positive opportunity, to Illinois' economic or financial condition. Illinois' financial troubles have been a continuing matter of concern and uncertainty over the years, as such several topics in this section are recurring issues from previous year's reports, but for which we have provided updated information. Many of these areas have shown improvement over the last few years.

Threats

- **Recession.** The State of Illinois' fiscal situation has improved considerably in recent years as the country rebounded from the sharp economic downturn associated with the COVID-19 pandemic. This improvement could be threatened if the country or state were to fall into recession. Numerous economic forecasters are calling for some sort of recession in 2023. Various economic indicators (including the manufacturing PMI, an inverted yield curve, and a fall in home sales) are also suggesting that a recession may be near. In addition to this, other variables are putting pressure on the economy. The Federal Reserve continues to implement tightening monetary policy to fight high inflation which will slow the economy. The war in Ukraine continues, thereby increasing geo-political volatility. Recently, the failure of several banks has increased instability in the banking sector. All of these factors could lead to a recession that could significantly affect the economic related revenue sources such as the income taxes and the sales tax. While these factors could be a harbinger of a fall in economic activity, employment, consumer spending, and tax receipts have, so far, remained robust in FY 2023.

- **COVID-19**. In the spring of 2020, COVID-19 sent the country into one of the deepest recessions in history. Health mandates to stop the spread of the virus limited economic activity throughout 2020 and into 2021. Workers out sick limited productivity and created supply chain issues throughout the world. With the introduction of vaccines and other treatments, the effects of COVID-19 have been reduced. However, new variants of the virus could lead to additional economic set-backs and long COVID is affecting numerous people throughout the country.

- **Outstanding Accounts Payable (Bill Backlog)**. The accumulation of accounts payable (a bill backlog) had been a threat to the State of Illinois in the past due to the high cost of either having to borrow from the financial community at higher rates or through incurring late-payment interest penalties. The backlog of bills had grown to a high of approximately \$16.7 billion during the fall of 2017. In November of 2017, the payment cycle had grown to 210 days. Since then, the backlog of unpaid bills has been reduced to \$2.3 billion as of March 20th, 2023. This is down from \$3.3 billion from a similar time last year. The bill backlog has been much less of a concern over the past year as the backlog has stayed below $3 billion to $4 billion which is in line with a normal 30-day payment cycle. Paying bills in a timely fashion avoids the potential financial pitfalls of having to borrow or pay late-payment penalties. This could be a threat to the State once more if the State falls behind paying its bills again.

- **Interest Penalty Payments**. Illinois is mandated to pay interest for late payments to the State's vendors and providers. There are two types of interest paid, depending on the associated bill type. Timely Pay Interest (215 ILCS 5/368a) accrues at 9% annually for self-insured providers of the State Employees' Group Insurance Program. Prompt Payment Interest (30 ILCS 540) accrues at 12% to other State vendors for goods and services purchased by any state official or agency authorized to expend from appropriated state funds. According to the Office of the Comptroller, in calendar year 2018, the Office of the Comptroller released more than $711 million in late payment interest penalties. In 2019, the amount of late payment interest penalties paid by the Comptroller shrank to $236 million. These payments then grew to approximately $306 million in 2020. This amount fell in 2021 to $201 million and shrank to just $27 million in 2022.

  As of February 28, 2023, the aggregate of outstanding accrued and pending late payment interest penalties at agencies and the Office of the Comptroller totaled approximately $60 million. Historically, these payments have been a threat to the State because any money needed to pay late payment penalties is money that cannot be used for other purposes. As mentioned previously, with the backlog of bills being at its current level, the amount of interest penalty payments should be significantly lower compared to previous years.

- **General Obligation Bond Ratings**. Illinois has had one of the lowest credit ratings among the states for years. Illinois' GO Bond ratings had been downgraded fifteen times since 2010. The major consequence of rating downgrades is that debt ratings are one of the factors that are strongly considered when determining the interest rate the State must pay to issue debt (sell bonds). Consequently, declines in the State's rating has led to a corresponding increase in debt service costs for Illinois. Increased debt service costs is a threat to the State. The State's improving financial situation in recent years has led the State to receive multiple ratings upgrade by the various rating agencies.

  Illinois' General Obligation ratings fell from AA territory to single A in 2009, and entered BBB territory in October 2015. By June of 2017, the rating agencies had downgraded Illinois to BBB by Fitch, BBB- by S&P and Baa3 by Moody's. While the budget impasse continued through June, all three ratings agencies threatened more downgrades if the State did not pass a budget for FY 2018. The budget-related bills -- SB 6, SB 9 and SB 42 -- did not become law until July 6, 2017, after the General Assembly overrode the Governor's vetoes. By July 20, 2017, all three rating agencies had affirmed their ratings on the State. In April 2020, near the beginning of the COVID-19 pandemic, Fitch lowered the State's G.O. rating to BBB-.

Due to the State's improving financial condition, the ratings agencies have increased the State's bond rating. 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 February and March of 2023, Moody's upgraded Illinois' G.O and Build Illinois bonds to A3 from Baa1, and Standard and Poor's upgraded 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 GO 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. Despite these upgrades, Illinois has one of the lowest ratings among the states.

- **Unfunded Pension Liabilities**. As with previous years, the unfunded pension liabilities continue to pose an ongoing challenge to the current fiscal outlook. As of June 30, 2022, the unfunded liabilities of the State retirement systems, based on the actuarial value of assets, totaled $140 billion, led by the Teachers' Retirement System (TRS), whose unfunded liability was $81 billion. The combined funded ratio for the retirement systems for FY 2022 was 43.8%. This was down from 46.6% in FY 2021.

  The 2022 Report of the State Actuary, issued in December of 2022, noted that "The Illinois Pension Code (for TRS, SURS, SERS, JRS, and GARS) establishes a method that does not adequately fund the systems. It requires the actuary to calculate the employer contribution as the level percentage of projected payroll that would accumulate assets equal to 90% of the actuarial accrued liability in the year 2045 if all assumptions are met. This methodology does not conform to generally accepted actuarial principles and practices. Generally accepted actuarial funding methods target the accumulation of assets equal to 100% of the actuarial liability, not 90%."[1]

- **Weak Demographics and Fiscal Instability.** Moody's Analytics prepared the State of Illinois Economic Forecast Report for the Commission in February 2023. The report highlighted recent performance among various sectors of Illinois' economy, as well as provided a near-term and long-term outlook, including risks that affect the Illinois forecast. Moody's identified weak demographics and fiscal instability as constraints on future growth. The report stated:

  > "The state will be a step behind the Midwest average and a few steps behind the nation in job and income growth over the long term. Weakening population trends and deep-rooted fiscal problems such as mounting pension obligations and a shrinking tax base represent the biggest hurdles to stronger economic performance. Persistent out-migration will weigh on the strength of employment and income gains. [2]

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[1] State of Illinois Office of the Auditor General. *State Actuary's Report of the Actuarial Assumptions and Valuations of the State-Funded Retirement Systems.* 2022. http://www.auditor.illinois.gov/Audit-Reports/Performance-Special-Multi/State-Actuary-Reports/2022-State-Actuary-Rpt-Full.pdf

[2] Moody's Analytics. *State of Illinois Economic Forecast.* 2023 https://cgfa.ilga.gov/Upload/2023Moody'sEconomicForecast.pdf

Opportunities

This section highlights some ideas for changes that have been introduced or discussed in recent years. **The Commission is not advocating for or against the implementation of these ideas.**

- **Align Expenditures with Revenues.** A fundamental problem causing the financial instability within the State of Illinois is a long-term trend of having expenditures being higher than revenues. This dynamic has led to most of the threats listed in the previous section. The misalignment of revenues to expenditures can be directly linked to the outstanding bill backlog, the interest penalty payments, the State's bond ratings, and the unfunded pension liabilities. An opportunity exists to improve the State's financial situation by better aligning the revenues and expenditures of the State. This can be done by raising revenues, cutting spending, or some combination of both. Since the passage of the income tax increase in 2017, the gap between revenues and expenditures has partially closed but work still remains to be done to have a budgetary system that is more stable in the long-term. The State's financial picture has continued to improve with the current uptick in revenues. Continued fiscal discipline should help stabilize the State's finances but it remains to be seen how well revenues and expenditures will remain aligned during an economic downturn.

- **Reducing Rates for Timely and Prompt Payment Interest.** As discussed earlier in this report, the state is obligated to pay interest on past due bills. This interest is either 9% or 12% annually, depending on the associated bill type. If these interest rates were reduced, the amount of interest penalties the state pays would decrease proportionately. As mentioned previously, as of February 28, 2023, $60 million in estimated late-payment interest payments were due based on vouchers at the Office of the Comptroller and those still held by the agencies. Though the amount of these types of interest payments is likely to continue to decline in the short-term, a recessionary economic environment could lead to a rebound in these type of payments.

  For every $1 billion in late bills, Illinois accrues between $90 million and $120 million per year depending upon the type of bill. If Illinois were to reduce the interest rate it paid for late payments, it could save the State millions of dollars per year. For example, if the late penalty rates were lowered to 7.5%, the total amount would equal $75 million per $1 billion in late bills. This would equal a savings of $15 million to $45 million per year per $1 billion in late penalty payments.

- **Expand Sales Tax Base.** In recent decades, the service sector has become a larger portion of the national economy, as well as the Illinois economy. Based on data from the Bureau of Economic Analysis, private services-providing industries accounted for just over 72% of Illinois' contribution to the Gross Domestic Product (GDP) in recent years.

  Currently, Illinois taxes 17 different kinds of services. This affords the State an opportunity to modernize, broaden, and diversify its tax base. The Illinois sales tax was originally developed in the 1930s when the economy was much more reliant on goods production. By taxing services, the tax system would modernize to more accurately reflect the economy of 2023.

Taxing more services could be used to bring in more revenue to the State. It could also be used to offset a portion of the sales tax on goods and allow for the overall tax rate to be lowered. For more information on this topic, please see the Commission's 2017 service tax report update at: http://cgfa.ilga.gov/Upload/ServiceTaxes2017update.pdf.[3]

- **Maximize Illinois' Economic Advantages.** In previous reports by Moody's Analytics, it noted numerous economic assets that the State of Illinois possesses. These assets included skilled workers, world-class universities, more money for investment, and transportation hubs. In fact, the report stated that

> "Illinois has what it needs to remain a top business center, as long as it can solve the fiscal problems that are eroding its edge in the competition for talent, jobs and capital. Specifically, Illinois has a huge talent pool of highly skilled workers, world-class universities, more money for investment, and better transportation with an airport with direct connections around the globe."[4]

Despite its many challenges, Illinois has the foundation for strong economic growth if the State were able to better maximize these economic advantages. As a step towards taking advantage of this opportunity, in January of 2023, as part of P.A. 102-1115, $400 million was transferred to the Large Business Attraction Fund to be used to attract new business projects to Illinois.

- **Take Advantage of Current Surpluses.** Due to the recent increase in federal support, strong income tax receipts, and robust consumer spending supported by healthy household finances, Illinois finds itself looking at projected surpluses. Illinois has an opportunity to continue its path to creating a firmer financial foundation for the State by paying down debt, investing for future growth, reducing taxes, and/or returning money to taxpayers. Last year, P.A. 102-0696 was signed into law which paid $2.7 billion of the debt in the Unemployment Insurance Trust Fund, made additional payments into the pension systems, and sent money to the College Illinois program. Additionally, P.A. 102-0700 provided tax relief for workers and homeowners in the form of tax rebates. Money has also been allocated to the State's "Rainy-Day Fund", the Budget Stabilization Fund, which has grown to its highest level ever at just under $1.1 billion. Media reports indicate that discussions are currently ongoing to potentially send surplus money to the pension systems, continue to bolster the rainy-day fund, or reduce taxes.

[3] Commission on Government Forecasting and Accountability. *Service Taxes 2017 Update.* 2017. http://cgfa.ilga.gov/Upload/ServiceTaxes2017update.pdf

[4] Moody's Analytics/ Economic & Consumer Credit Analytics. *State of Illinois Economic Forecast*. 2022 https://cgfa.ilga.gov/Upload/2022MoodysEconomicForecast.pdf

III. Three-Year Budget Scenarios

The following section highlights the Commission's use of scenario analysis to display various budgetary results based on different spending assumptions. The section begins with a discussion of the Commission's three-year forecast for General Funds revenue. This is followed by an explanation of the Commission's methodology related to spending scenarios that the forecasted revenues are paired with. The section concludes with a presentation of the results from the scenario analysis.

Revenue Forecast

On the following page is the Commission's three-year estimate for General Funds revenues. The following forecasts are based on the Commission's March 2023 estimates presented on March 7, 2023. The Commission forecasts that FY 2023 general funds base revenue will be $51.1 billion, a 1.6% increase over FY 2022. In addition to the base revenue, an additional $764 million in revenue has been receipted for reimbursement for essential government services through the American Rescue Plan Act (ARPA) of 2021. Total General Revenue Funds is estimated to be $51.9 billion. The Commission's revenue outlook reflects current law with a view of continuing strong tax receipts in FY 2023. However, the State faces potentially slowing economic growth in FY 2024 as the country continues to deal with high inflation and elevated risk of a recession.

As shown in the table, the Commission's FY 2024 base general funds forecast, per current law, is $50.4 billion. The projection represents a decline in base revenues of $730 million, or almost $1.5 billion if FY 2023's $764 million in ARPA money is included in the comparison. This expected decline in revenue can be primarily attributed to two factors. First, the State does not expect to receive any more ARPA money in future fiscal years. Secondly, the transfer from the Income Tax refund Fund is expected to return to more normal levels. In FY 2023, the State received almost $1.5 billion from the Income Tax Refund Fund transfer which was unusually high due to strong income tax performance in FY 2022. This transfer is expected to return to a more normal amount around $200 million to $300 million in FY 2024.

Revenues are expected to grow approximately $544 million to $51.0 billion in FY 2025. This growth is forecast to be primarily driven by an increase of almost $750 million in net personal income tax receipts. This increase will be partially offset by declines of $189 million in federal sources and $93 million in interest income. When all revenue sources are accounted for, growth is estimated to be just over 1%.

Revenue growth is expected to accelerate moderately in FY 2026. Base revenues are forecast to rise to $52.2 billion. This would equal growth of 2.5%, or just under $1.3 billion. Most of the expected upswing in revenue is once again associated with the personal income tax. Net personal income tax will contribute an additional $1.0 billion, while net corporate income tax will add $165 million.

TABLE 3. CGFA ESTIMATES FY 2023 - FY 2026 (BASE REVENUES) ($ millions)					
Revenue Sources	**FY 2022 Actuals**	**CGFA Revised FY 2023 Estimate Mar-23**	**CGFA FY 2024 Estimate Mar-23**	**CGFA FY 2025 Estimate Mar-23**	**CGFA FY 2026 Estimate Mar-23**
State Taxes					
Personal Income Tax	$29,137	$28,673	$29,235	$30,112	$31,317
Corporate Income Tax (regular)	$6,831	$7,167	$6,832	$6,900	$7,107
Sales Taxes	$10,984	$11,696	$11,897	$12,136	$12,379
Public Utility (regular)	$750	$735	$725	$715	$705
Cigarette Tax	$254	$235	$223	$219	$214
Liquor Gallonage Taxes	$183	$183	$185	$187	$189
Inheritance Tax	$603	$515	$450	$457	$465
Insurance Taxes & Fees	$455	$476	$478	$481	$485
Corporate Franchise Tax & Fees	$216	$215	$209	$207	$205
Interest on State Funds & Investments	$30	$285	$293	$200	$150
Cook County Intergovernmental Transfer	$244	$244	$244	$244	$244
Other Sources	$443	$570	$593	$574	$585
Total State Taxes	$50,130	$50,994	$51,364	$52,432	$54,045
Transfers In					
Lottery	$820	$725	$775	$800	$830
Gaming	$140	$167	$175	$185	$200
Cannabis	$115	$111	$114	$116	$119
Refund Fund	$242	$1,481	$223	$200	$210
Other	$775	$776	$746	$740	$750
Total Transfers In	$2,092	$3,260	$2,033	$2,041	$2,109
Total State Sources	$52,222	$54,254	$53,397	$54,473	$56,154
Federal Sources [Base]	$4,584	$3,750	$4,014	$3,825	$3,864
Total Federal & State Sources	$56,806	$58,004	$57,411	$58,298	$60,018
Nongeneral Funds Distribution:					
Refund Fund*					
Personal Income Tax	($2,696)	($2,652)	($2,704)	($2,785)	($2,897)
Corporate Income Tax	($1,026)	($1,039)	($956)	($966)	($995)
Local Government Distributive Fund					
Personal Income Tax	($1,602)	($1,603)	($1,634)	($1,683)	($1,751)
Corporate Income Tax	($398)	($420)	($402)	($406)	($419)
Sales Tax Distributions					
Sales Tax Deposits into Road Fund	($132)	($484)	($630)	($820)	($1,010)
Sales Tax Distribution to the PTF and DPTF	($618)	($666)	($674)	($684)	($698)
General Funds Subtotal [Base]	**$50,334**	**$51,140**	**$50,410**	**$50,954**	**$52,248**
Change from Prior Year	$5,482	$806	($730)	$544	$1,293
Percent Change	12.2%	1.6%	-1.4%	1.1%	2.5%
ARPA Reimb. for Essential Gov't Services	$736	$764	$0	$0	$0
Total General Funds Revenues	**$51,070**	**$51,904**	**$50,410**	**$50,954**	**$52,248**
Change from Prior Year	$3,820	$834	($1,494)	$544	$1,293
Percent Change	8.1%	1.6%	-2.9%	1.1%	2.5%

* The FY 2023 estimates were based on statutory refund percentages of 9.25% for PIT and 14.5% for CIT.
The FY 2024-26 estimates were based on refund percentages of 9.25% for PIT and 14.0% for CIT, based on FY 2024 Budget Book values.

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

Budget Scenario Analysis

The Commission utilized these revenue estimates to present budget scenarios using various spending levels as spending will change based upon priorities that will be determined during budget negotiations. Four budget scenarios were analyzed using the Commission's revenue estimates with different growth rates. These scenarios are presented in Table 4 on the following page.

Table 4 shows the Commission's methodology which uses the Commission's revenue estimates with spending based on the Governor's Budget Book for the current fiscal year for FY 2023 ($49.991 billion). Various spending growth rates based on historical data are then applied to the spending base over the following three fiscal years to calculate the effect on accounts payable (the backlog of bills) in individual years and in total.

The first scenario shows how much spending could occur while keeping accounts payable at the same level as seen at the end of FY 2022. The second growth rate reflects spending that would have accounts payable equaling $3 billion at the end of the three-year forecast. An accounts payable level near $3 billion is similar to what would be seen under circumstances where the State is paying its bills within thirty days. The third scenario employed the five-year expenditure growth rate of 7.1%. This rate is higher than what has normally been seen in expenditure growth due to the recent influx in revenues that allowed for a significant increase in spending. This increase in spending was associated with expenses related to the COVID-19 pandemic and paying down the backlog of bills built up during the budget stalemate. The final scenario utilizes the twenty-year average for expenditure growth at 3.5%.

In each set of scenarios, accounts payable (backlog of bills) totaling $1.455 billion was assumed at the end of FY 2022 as indicated by the Office of the Comptroller in their *Comptroller's Quarterly* from the fourth quarter of FY 2022. Under all of these scenarios, the accounts payable grows to a surplus of $458 million in FY 2023. This is an unlikely situation as the State always has some bills "in the pipeline" and this would basically indicate that the State is pre-paying a large amount of bills. In this situation, the payment cycle would basically go to zero days as bills are paid as they come in. In situations like this, the surplus money would likely be spent by paying down debt, funding the rainy-day fund, or returning money to taxpayers as has been the case over the last year. However, for purposes of this exercise, it will be maintained to allow for aggregate results over the forecast period.

No debt restructuring was assumed in any of these scenarios.

TABLE 4. THREE-YEAR BUDGET SCENARIOS

($ million)

Scenario 1: Keep Accounts Payable at FY 2022 Level (1.8%)

	Revenues	Spending	General Funds Surplus/Deficit	End of Fiscal Year Accounts Payable (Backlong of Bills)
FY 2023	$51,904	$49,991	$1,913	$458
FY 2024	$50,410	$50,905	($495)	($37)
FY 2025	$50,954	$51,836	($882)	($919)
FY 2026	$52,248	$52,784	($536)	($1,455)

Scenario 2: Maintain Accounts Payable at $3 Billion (2.3%)

	Revenues	Spending	General Funds Surplus/Deficit	End of Fiscal Year Accounts Payable (Backlong of Bills)
FY 2023	$51,904	$49,991	$1,913	$458
FY 2024	$50,410	$51,156	($746)	($288)
FY 2025	$50,954	$52,347	($1,393)	($1,681)
FY 2026	$52,248	$53,567	($1,319)	($3,000)

Scenario 3: 5-Year Average Growth in Spending (7.1%)

	Revenues	Spending	General Funds Surplus/Deficit	End of Fiscal Year Accounts Payable (Backlong of Bills)
FY 2023	$51,904	$49,991	$1,913	$458
FY 2024	$50,410	$53,540	($3,130)	($2,672)
FY 2025	$50,954	$57,342	($6,388)	($9,060)
FY 2026	$52,248	$61,413	($9,165)	($18,225)

Scenario 4: 20-Year Average Growth in Spending (3.5%)

	Revenues	Spending	General Funds Surplus/Deficit	End of Fiscal Year Accounts Payable (Backlong of Bills)
FY 2023	$51,904	$49,991	$1,913	$458
FY 2024	$50,410	$51,741	($1,331)	($873)
FY 2025	$50,954	$53,552	($2,598)	($3,470)
FY 2026	$52,248	$55,426	($3,178)	($6,648)

All scenarios use CGFA revenue estimates, the Governor's FY 2024 State Budget Proposal for FY 2023 spending, and an estimated accounts payable of $1.455 billion at the end of FY 2022.

Governor's Office of Management and Budget, Illinois State Comptroller, CGFA

Scenario Analysis Results

Table 4 contains revenues, spending, operating surplus/deficit, and cumulative backlog of bills for each scenario.

Scenario 1. Keep Accounts Payable at FY 2022 Level

Revenue: CGFA
Spending Base: Governor's Office of Management and Budget (GOMB) FY 2023
Spending Growth: 1.83%

The first scenario analyzed demonstrates the average growth in spending that would be necessary to have the level of accounts payable be the same as what it was at the end of FY 2022. This level of accounts payable would be equal to $1.455 billion. To meet these criteria, spending would need to average growth of 1.83% over the three years forecast. In this scenario and all the other scenarios, there is an estimated $942 million surplus in FY 2023. This leads to the accounts payable being a positive $458 million at the end of FY 2023, as discussed previously. This would necessitate deficit spending to get the accounts payable back to $1.455 billion. This deficit equals $495 million in FY 2024, $882 million in FY 2025, and $536 million in FY 2026. Total spending rises to just under $52.8 billion in this scenario. Revenues grow to $52.2 billion in all scenarios.

Scenario 2. Maintain Accounts Payable at $3 billion

Revenue: CGFA
Spending Base: Governor's Office of Management and Budget (GOMB) FY 2023
Spending Growth: 2.33%

The second scenario analyzed shows the spending that would be necessary to have accounts payable equal to $3.0 billion, which would have the State paying its bills within thirty days, at the end of FY 2026. FY 2024 would see a deficit of $746 million. Deficits over $1.3 billion in each of FY 2025 and FY 2026 lead to an accounts payable level of $3 billion at the end of FY 2026. In this scenario, spending increases to $53.6 billion. This scenario shows what kind of revenue and spending levels would be needed to keep the State paying its bills in a timely manner. While this scenario keeps the payment cycle to under 30-days, it includes three years of deficit spending which would be reverting back to fiscal habits that led the State to its poor financial condition seen in the past.

Scenario 3. Five-Year Average Spending Growth

Revenue: CGFA
Spending Base: GOMB FY 2023
Spending Growth: 7.1%

Scenario 3 assumes spending increases similar to the spending rates seen over the last five years of 7.1% per year on average. This scenario has the highest expenditure growth rate analyzed and leads to the least favorable results for the State. Expenditures grow to just over $61 billion by FY 2026. This scenario reflects deficits in all three years forecast and has the worst outcome when considering the aggregate accounts payable. After a surplus of $1.9 billion in FY 2023, a deficit of $3.1 billion occurs in FY 2024. This deficit grows to almost $6.4 billion in FY 2025 and $9.2 billion in FY 2026. Under this scenario, the accounts payable rises to $18.2 billion. This example shows that spending patterns seen in the past few years cannot continue without a comparable increase in revenues which is not seen in the Commission's current estimates.

Scenario 4. Twenty-Year Average Spending Growth

Revenue: CGFA
Spending Base: GOMB FY 2023
Spending Growth: 3.5%

This final scenario uses the twenty-year average of 3.5% annual growth in spending. Under this scenario, the accounts payable continually grows as deficit spending occurs in each of the fiscal years. FY 2024 sees a deficit of $1.3 billion. This deficit grows to $2.6 billion in FY 2025 and $3.2 billion in FY 2026. The accounts payable grows to just over $6.6 billion by the end of this period. In this scenario spending rises to $55.4 billion, while revenues only reach $52.2 billion. This scenario demonstrates that a return to longer-term growth rates in spending would cause the backlog of bills to become a problem once again.

Conclusion

The State of Illinois' financial condition has improved considerably in the past few years. After the budget stalemate that occurred from 2015-2017, the State's financial position has been getting better each year. As the effects of the budget stalemate reached their apex, the accounts payable grew to $16.7 billion at the beginning of November 2017. Since then, the State has ended each fiscal year with the backlog being smaller through increased revenue and the conversion of $6 billion of the backlog of bills into long-term bond debt. In fact, the accounts payable has been reduced so much and bills are being paid so promptly, that the accounts payable should not be considered a backlog of bills any longer. The State's fiscal condition and economic environment have improved enough that Illinois has received numerous upgrades from the credit ratings agencies.

Illinois has been able to pay down some of its long-term pension costs which will lead to savings in the future. The State has built up its rainy-day fund to the highest levels ever and returned some of its revenue back to taxpayers. Current forecasts would allow for more of this kind of spending in the short-term. However, longer-term, economic and tax revenue forecasts remain murky as the potential for a recession remains. The State needs to continue to show fiscal discipline and demonstrate that the results of the past few years are not an anomaly.

APPENDIX A. DETAILED GENERAL FUNDS REVENUE HISTORY FY 2013 - FY 2022

($ millions)

Revenue Sources	Actual Receipts FY 2013	Actual Receipts FY 2014	Actual Receipts FY 2015	Actual Receipts FY 2016	Actual Receipts FY 2017	Actual Receipts FY 2018	Actual Receipts FY 2019	Actual Receipts FY 2020	Actual Receipts FY 2021	Actual Receipts FY 2022
State Taxes										
Personal Income Tax	$18,323	$18,388	$17,682	$15,299	$15,385	$20,784	$22,604	$21,657	$26,350	$29,137
Corporate Income Tax (regular)	3,679	3,640	3,129	2,334	1,610	2,607	3,026	2,596	4,450	6,831
Sales Taxes	7,355	7,676	8,030	8,063	8,043	8,256	8,897	8,691	9,799	10,984
Public Utility Taxes (regular)	1,033	1,013	1,006	926	884	896	863	831	752	750
Cigarette Tax	353	353	353	353	353	344	361	267	281	254
Liquor Gallonage Taxes	165	165	167	170	171	172	172	177	177	183
Inheritance Tax (Gross)	293	276	333	306	261	358	388	283	450	603
Insurance Taxes and Fees	334	333	353	398	391	432	396	361	480	455
Corporate Franchise Tax & Fees	205	203	211	207	207	207	247	210	322	216
Interest on State Funds & Investments	20	20	24	24	36	79	145	137	57	30
Cook County Intergovernmental Transfer	244	244	244	244	244	244	244	244	244	244
Other Sources	504	624	735	574	725	679	710	761	339	443
Total State Taxes	**$32,508**	**$32,935**	**$32,267**	**$28,898**	**$28,310**	**$35,058**	**$38,053**	**$36,215**	**$43,701**	**$50,130**
Transfers In										
Lottery	656	668	679	677	720	719	731	630	777	820
Gaming	345	321	292	277	270	272	269	195	0	140
Cannabis	0	0	0	0	0	0	0	18	71	115
Refund Fund	0	397	63	77	4	1	327	617	282	282
Other	688	716	1,949	550	548	1,185	708	971	420	735
Total Transfers In	**$1,689**	**$2,102**	**$2,983**	**$1,581**	**$1,542**	**$2,177**	**$2,035**	**$2,431**	**$1,550**	**$2,092**
Total State Sources	**$34,197**	**$35,037**	**$35,250**	**$30,479**	**$29,852**	**$37,235**	**$40,088**	**$38,646**	**$45,251**	**$52,222**
Federal Sources	**$4,154**	**$3,903**	**$3,330**	**$2,665**	**$2,483**	**$5,238**	**$3,600**	**$3,551**	**$4,744**	**$4,584**
Total Federal & State Sources	**$38,351**	**$38,940**	**$38,580**	**$33,144**	**$32,335**	**$42,473**	**$43,688**	**$42,197**	**$49,995**	**$56,806**
Nongeneral Funds Distribution:										
Refund Fund										
Personal Income Tax	($1,785)	($1,746)	($1,769)	($1,493)	($1,724)	($2,037)	($2,193)	($2,058)	($2,372)	($2,696)
Corporate Income Tax	(502)	(476)	(439)	(362)	(278)	(457)	(470)	(370)	(625)	(1,026)
Direct Deposits										
Fund for Advancement of Education	0	0	(242)	(458)	(464)	0	0	0	0	0
Commitment to Human Services Fund	0	0	(242)	(458)	(464)	0	0	0	0	0
Local Government Distributive Fund										
Personal Income Tax	0	0	0	0	0	(1,022)	(1,175)	(1,128)	(1,453)	(1,602)
Corporate Income Tax	0	0	0	0	0	(133)	(167)	(145)	(262)	(398)
Sales Tax Distributions										
Deposits into Road Fund	0	0	0	0	0	0	0	0	0	(132)
Distribution to the PTF and DPTF	0	0	0	0	0	(446)	(488)	(436)	(431)	(618)
General Funds Subtotal [Base]	**$36,064**	**$36,718**	**$35,888**	**$30,373**	**$29,405**	**$38,378**	**$39,195**	**$38,060**	**$44,852**	**$50,334**
Change from Prior Year	$2,267	$654	($830)	($5,515)	($968)	$8,973	$817	($1,135)	$6,792	$5,482
Percent Change	6.7%	1.8%	-2.3%	-15.4%	-3.2%	30.5%	2.1%	-2.9%	17.8%	12.2%
ARPA Reimb. for Essential Gov't Services	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$736**
Short-Term Borrowing/MLF	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,198**	**$1,998**	**$0**
Treasurer's Investments	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$750**	**$400**	**$400**	**$0**
Interfund Borrowing	**$0**	**$0**	**$454**	**$0**	**$0**	**$533**	**$250**	**$462**	**$0**	**$0**
Income Tax Bond Fund Transfer	**$0**	**$0**	**$0**	**$0**	**$0**	**$2,500**	**$0**	**$0**	**$0**	**$0**
FY'13/14 Backlog Payment Fund Transfer	**$264**	**$50**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Budget Stabilization Fund Transfer	**$275**	**$275**	**$275**	**$125**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Pension Contribution Fund Transfer	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total General Funds	**$36,603**	**$37,043**	**$36,617**	**$30,498**	**$29,405**	**$41,451**	**$40,195**	**$40,120**	**$47,250**	**$51,070**
Change from Prior Year	$2,531	$440	($426)	($6,119)	($1,093)	$12,046	($1,256)	($75)	$7,130	$3,820
Percent Change	7.4%	1.2%	-1.2%	-16.7%	-3.6%	41.0%	-3.0%	-0.2%	17.8%	8.1%

Source: ILLINOIS STATE COMPTROLLER, CGFA

APPENDIX B. GENERAL FUNDS EXPENDITURES HISTORY BY AGENCY FY 2013 - FY 2022
($ million)

WARRANTS ISSUED	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
BY AGENCY										
State Board of Education	$6,539	$6,681	$6,545	$6,507	$7,211	$8,201	$8,376	$8,886	$8,873	$9,274
Healthcare and Family Services	$6,726	$7,292	$6,525	$6,090	$5,972	$7,601	$7,633	$6,743	$7,548	$7,810
Teachers' Retirement System	$2,790	$3,529	$3,479	$3,851	$4,096	$4,210	$4,592	$4,946	$5,278	$5,838
Human Services	$3,448	$3,217	$3,363	$3,153	$3,283	$3,640	$3,740	$4,001	$4,228	$4,456
Higher Education Agencies	$3,234	$3,303	$3,291	$2,039	$3,359	$3,141	$3,226	$3,578	$3,747	$4,174
Central Management Services	$1,481	$1,513	$1,608	$28	$182	$1,960	$2,101	$2,082	$2,078	$2,852
State Employees Retirement System	$1,049	$1,097	$1,149	$1,367	$1,309	$1,319	$1,395	$1,638	$1,705	$1,721
Corrections	$1,172	$1,276	$1,310	$888	$1,076	$1,890	$1,519	$1,490	$1,502	$1,523
Aging	$1,060	$935	$880	$646	$590	$893	$919	$984	$1,055	$1,132
Children and Family Services	$721	$684	$672	$619	$684	$746	$780	$839	$999	$1,122
All Other Agencies	$2,094	$2,012	$1,952	$1,574	$1,662	$1,808	$2,106	$2,193	$2,364	$3,012
Prior Year Adjustments	-$21	-$60	-$11	-$12	-$3	-$28	-$26	-$17	-$50	-$38
Total Warrants Issued	**$30,293**	**$31,479**	**$30,763**	**$26,750**	**$29,421**	**$35,381**	**$36,361**	**$37,363**	**$39,327**	**$42,876**
Transfers										
Transfers Out	$5,350	$5,497	$4,858	$4,576	$4,636	$3,610	$3,906	$2,596	$5,200	$5,417
Total Expenditures	**$35,643**	**$36,976**	**$35,621**	**$31,326**	**$34,057**	**$38,991**	**$40,267**	**$39,959**	**$44,527**	**$48,293**
Change from Prior Year	$1,270	$1,333	($1,355)	($4,295)	$2,731	$4,934	$1,276	($308)	$4,568	$3,766
Percent Change	3.7%	3.7%	-3.7%	-12.1%	8.7%	14.5%	3.3%	-0.8%	11.4%	8.5%
Repayment of Short-Term Borrowing	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,209**	**$0**
Cash Flow Transfers	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Repayment of Interfund Borrowing	**$133**	**$0**	**$0**	**$0**	**$15**	**$128**	**$10**	**$280**	**$127**	**$710**
Budget Stabilization Fund Transfers	**$275**	**$275**	**$275**	**$125**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Treasurer's Investments	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$700**	**$0**	**$800**	**$0**
Treasurer's Investments - Contingency Fund Exchange	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$50**	**$0**	**$0**	**$0**
Total, Base Expenditures	**$35,235**	**$36,701**	**$35,346**	**$31,201**	**$34,042**	**$38,863**	**$39,507**	**$39,679**	**$42,391**	**$47,583**
Change from Prior Year	$1,767	$1,466	($1,355)	($4,145)	$2,841	$4,821	$644	$172	$2,712	$5,192
Percent Change	5.3%	4.2%	-3.7%	-11.7%	9.1%	14.2%	1.7%	0.4%	6.8%	12.2%

Source: ILLINOIS STATE COMPTROLLER, CGFA

COMMISSION OVERVIEW

The Commission on Government Forecasting & Accountability is a bipartisan legislative support service agency responsible for advising the Illinois General Assembly on economic and fiscal policy issues and for providing objective policy research for legislators and legislative staff. The Commission's board is comprised of twelve legislators—split evenly between the House and Senate and between Democrats and Republicans. Effective December 10, 2018, pursuant to P.A. 100-1148 the former Legislative Research Unit was merged into the Commission.

The Commission has three internal units––Revenue, Pensions, and Research, each of which has a staff of analysts and researchers who analyze policy proposals, legislation, state revenues & expenditures, and benefit programs, and who provide research services to members and staff of the General Assembly. The Commission's staff fulfills the statutory obligations set forth in the Commission on Government Forecasting and Accountability Act (25 ILCS 155/), the State Debt Impact Note Act (25 ILCS 65/), the Illinois Pension Code (40 ILCS 5/), the Pension Impact Note Act (25 ILCS 55/), the State Facilities Closure Act (30 ILCS 608/), the State Employees Group Insurance Act of 1971 (5 ILCS 375/), the Public Safety Employee Benefits Act (820 ILCS 320/), the Legislative Commission Reorganization Act of 1984 (25 ILCS 130/), and the Reports to the Commission on Government Forecasting and Accountability Act (25 ILCS 110/).

- The **Revenue Unit** issues an annual revenue estimate, reports monthly on the state's financial and economic condition, and prepares bill analyses and debt impact notes on proposed legislation having a financial impact on the State. The Unit publishes a number of statutorily mandated reports, as well as on-demand reports, including the Monthly Briefing newsletter and annually, the *Budget Summary, Capital Plan Analysis, Illinois Economic Forecast Report, Wagering in Illinois Update,* and *Liabilities of the State Employees' Group Insurance Program,* among others. The Unit's staff also fulfills the agency's obligations set forth in the State Facilities Closure Act.
- The **Pension Unit** prepares pension impact notes on proposed pension legislation and publishes several statutorily mandated reports including the *Financial Condition of the Illinois State Retirement Systems,* the *Financial Condition of Illinois Public Pension Systems and the Fiscal Analysis of the Downstate Police & Fire Pension Funds in Illinois*. The Unit's staff also fulfills the statutory responsibilities set forth in the Public Safety Employee Benefits Act.
- The **Research Unit** primarily performs research and provides information as may be requested by members of the General Assembly or legislative staffs. Additionally, the Unit maintains a research library and, per statute, collects information concerning state government and the general welfare of the state, examines the effects of constitutional provisions and previously enacted statutes, and considers public policy issues and questions of state-wide interest. Additionally, the Unit publishes *First Reading*, a quarterly newsletter which includes abstracts of annual reports or special studies from other state agencies, the *Illinois Tax Handbook for Legislators, Federal Funds to State Agencies*, various reports detailing appointments to State Boards and Commissions, the *1970 Illinois Constitution Annotated for Legislators*, the *Roster of Illinois Legislators*, and numerous special topic publications.

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