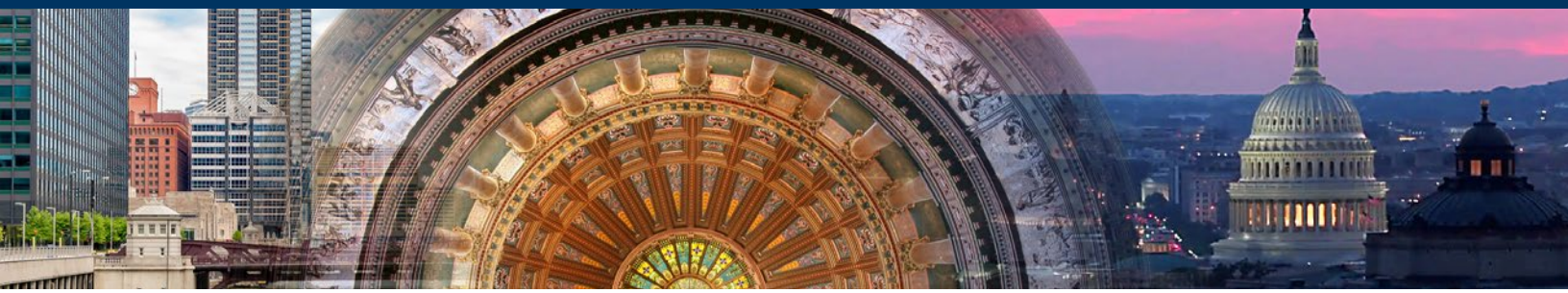

POLICY SPOTLIGHT | MARCH 15, 2023

Recovering from a COVID (Spending) Fever

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INTRODUCTION

When the state of Illinois' 2022 fiscal year ended on June 30, 2022, the state and the nation had endured more than 27 months of the COVID-19 pandemic. Despite a plethora of health, societal, and economic challenges, Illinois emerged from this period in its strongest fiscal position in more than two decades. This fortuitous result was in part due to the exceptional generosity of federal aid but also was attributable to surges in economic activity and own source tax revenue. State spending also rose but much more slowly than revenue. The net result was the first substantially positive fiscal balance since 1998. While this good news may be cause to celebrate, we caution that Illinois' fiscal situation remains tenuous and is likely to require diligence and restraint to remain healthy in the coming years.

We base our findings on data and methodology from the IGPA Fiscal Futures Project which uses detailed revenue and expenditure figures from the Illinois Office of Comptroller (IOC). The Comptroller's data covers all state spending and revenue, appropriated and non-appropriated within general and special funds. We use an "All Funds" basis of fiscal categories rather than focusing narrowly on Illinois' general funds. We aggregate the IOC data into a meaningful and consistent set of revenue and expenditure categories focusing on the *function* of spending rather than fund names or departments.

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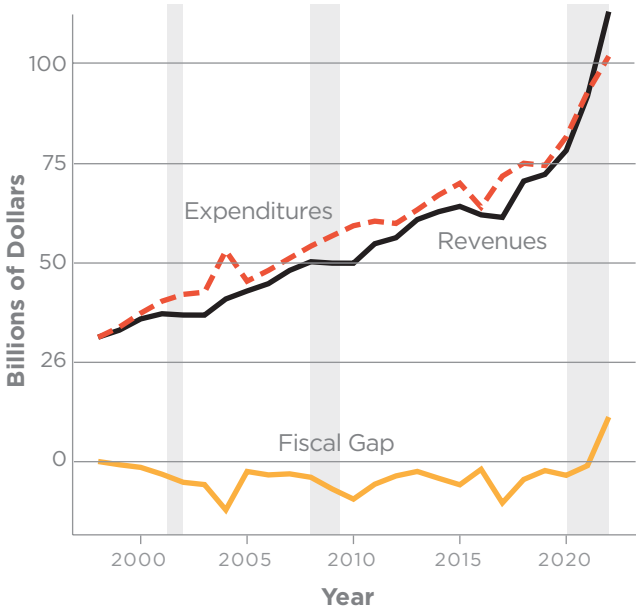
For example, the Fiscal Futures expenditure category "Central Management" refers to the state government's central management function, not necessarily the Department of Central Management Services. This spending category refers to central management functions regardless of the unit that performs them. This approach allows for a consistent time series even when government functions move between departments.[1]

Figure 1 shows the big picture from our calculations. Illinois total (or aggregate) state expenditures, represented by the **dashed red line**, has had an upward trend in most recent years and this continued during FY22. Revenue, represented by the **solid black line**, accelerated even more rapidly than spending, especially during FY22. For the first time since Fiscal Futures started tracking this data, revenue substantially exceeded expenditures in FY22 so that the "fiscal gap" (revenue minus expenditures) was positive. However, that statement is nuanced and must be considered with additional context. In FY22 Illinois' revenue was $11 billion greater than its $102 billion expenditures but a substantial amount of that additional revenue came from the American Rescue Plan Act (ARPA), a one-time revenue source that will be spent over multiple years.

While increases in revenue and expenditures are to be expected as prices and wages rise, recent experience has been unusual. From FY21 onward, both expenditures and revenue increased dramatically following the onset of the COVID-19 pandemic. Part of the explanation for this unusual situation has been the extraordinarily rapid and forceful federal government fiscal response to the pandemic. When including all revenue committed to the State government and departments, cities, counties, transit districts, universities, healthcare providers, and other local governments, COVID relief committed to Illinois totaled around $52 billion. If additional federal aid in the form of stimulus checks and unemployment insurance assistance for individuals and Paycheck Protection Programs for small businesses are also included, the total federal aid for Illinois approaches $150 billion.[2]

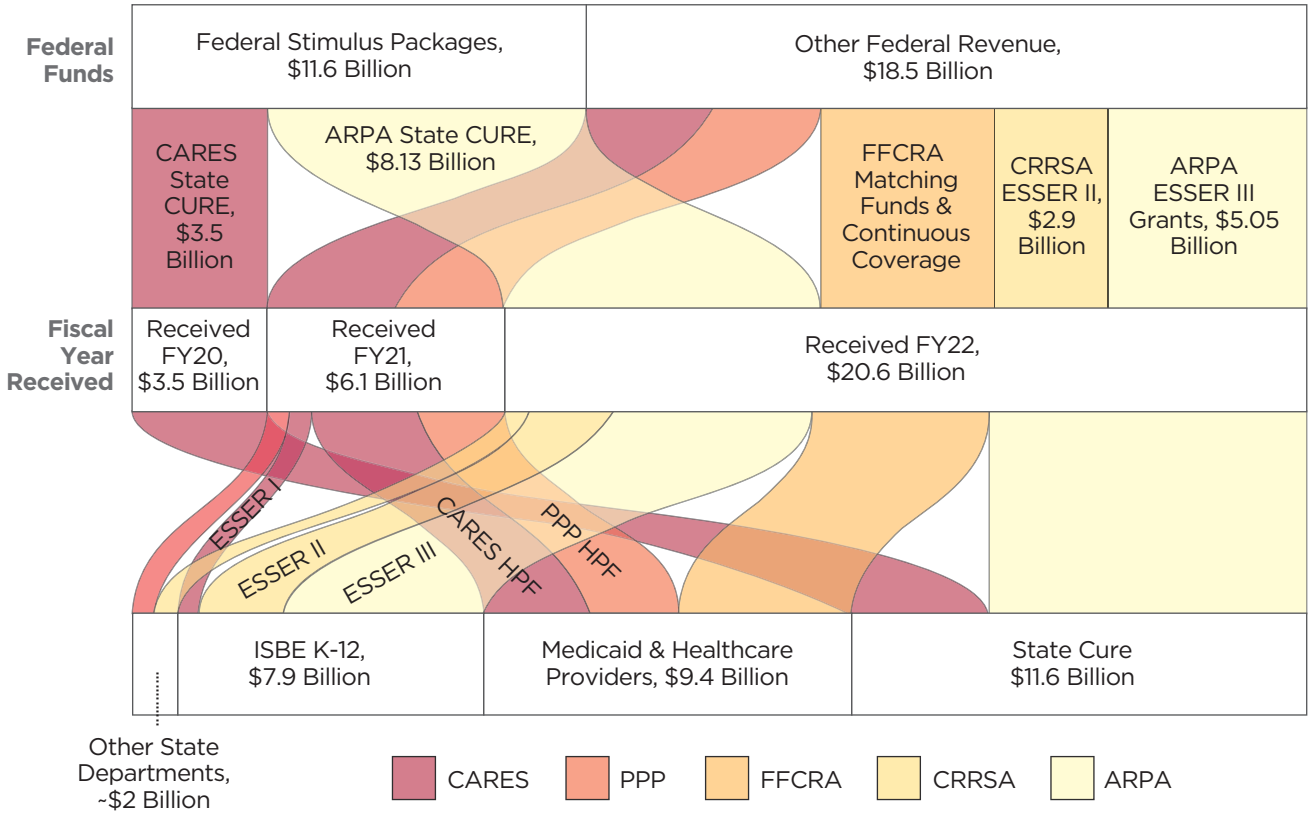
Figure 1. Fiscal Gap. Data for all expenditures and revenue sources FY98 to FY22



Source: Data for all expenditures and revenue sources from the Illinois Office of the Comptroller. Values in nominal Dollars. Note: In FY04, Illinois issued $10 billion in pension obligation bonds. The fiscal gap is large in 2004 as we do not count bond proceeds as revenue but do still count bond pension contributions (funded by the bonds) as expenditures. Light grey columns indicate recessions.

Illinois received more than $8 billion in ARPA State Coronavirus Urgent Remediation (CURE) funds in FY22 alone, however much of the increase in spending that occurred in this fiscal year came from funds associated with legislation enacted in 2020 that allocated federal funds that were received in FY21 and the beginning of FY22 (see **Figure 2** and **Figure 6** for timing of funds received and funds spent).[3] But Illinois' recent fiscal success goes beyond federal aid—its own source tax revenue has also risen dramatically (see **Figure 3** and **Figure 4**). In the following sections we provide a snapshot of Illinois' fiscal situation looking at FY22 revenue, expenditures, and short-term and long-term outlook post federal relief from COVID-19.

Figure 2. Illinois received over $30 billion in COVID-response related federal aid.



Note: Image does not include the $9 billion that went straight to cities, counties, transit centers, and other local governments. See Figure 6 for State CURE expenditures and remaining allocations. Please see Appendix Item 5 for a list of all acronyms used in image.

REVENUE

Total revenue in FY22 was $113 billion, a 23% ($21 billion) increase from the $91.8 billion collected in FY21. This is more than four times the long-term compound annual growth rate and the largest annual growth rate over the 24-year period that Fiscal Futures has been tracking the data. **Table 1** shows the revenue sorted from largest to smallest dollar amount in FY22. The table also displays the one-year change from FY21 and the 24-year compound annual growth rate (CAGR).[4]

Illinois has two fundamental categories of revenue: *own source revenue* which includes income, sales, and other taxes and fees, and *federal aid* including federal matching aid for Medicaid and funds for

Table 1. Yearly Change in Revenue

Revenue Category	FY22 ($ billions)	FY21 ($ billions)	1-Year Change	24-Year CAGR
Individual Income Tax	23.8	21.2	12.6%	5.7%
Federal Other	19.4	9.2	110.5%	7.1%
Federal Medicaid	19.0	17.6	8.5%	7.5%
Sales Tax	15.4	13.9	11.3%	3.2%
Corporate Income Tax	9.7	5.5	76.7%	7.7%
Medical Provider Assessments	3.7	3.8	-2.0%	8.4%
Motor Fuel Taxes	2.5	2.4	6.1%	2.8%
Receipts from Revenue Producing	2.4	2.3	3.0%	5.1%
Licenses, Fees, and Registration	1.9	2.0	-4.6%	7.9%
Federal Transportation	1.8	2.4	-22.9%	3.3%
Other Revenue Categories*	13.3	11.7	13.9%	3.9%
Total**	**113.0**	**91.8**	**23.1%**	**5.5%**

*Other categories include All Other Sources and additional categories that brought in less than $2 billion. For a full list of categories see Appendix Item 1.

**Total includes Federal Stimulus Package (ARPA State CURE).

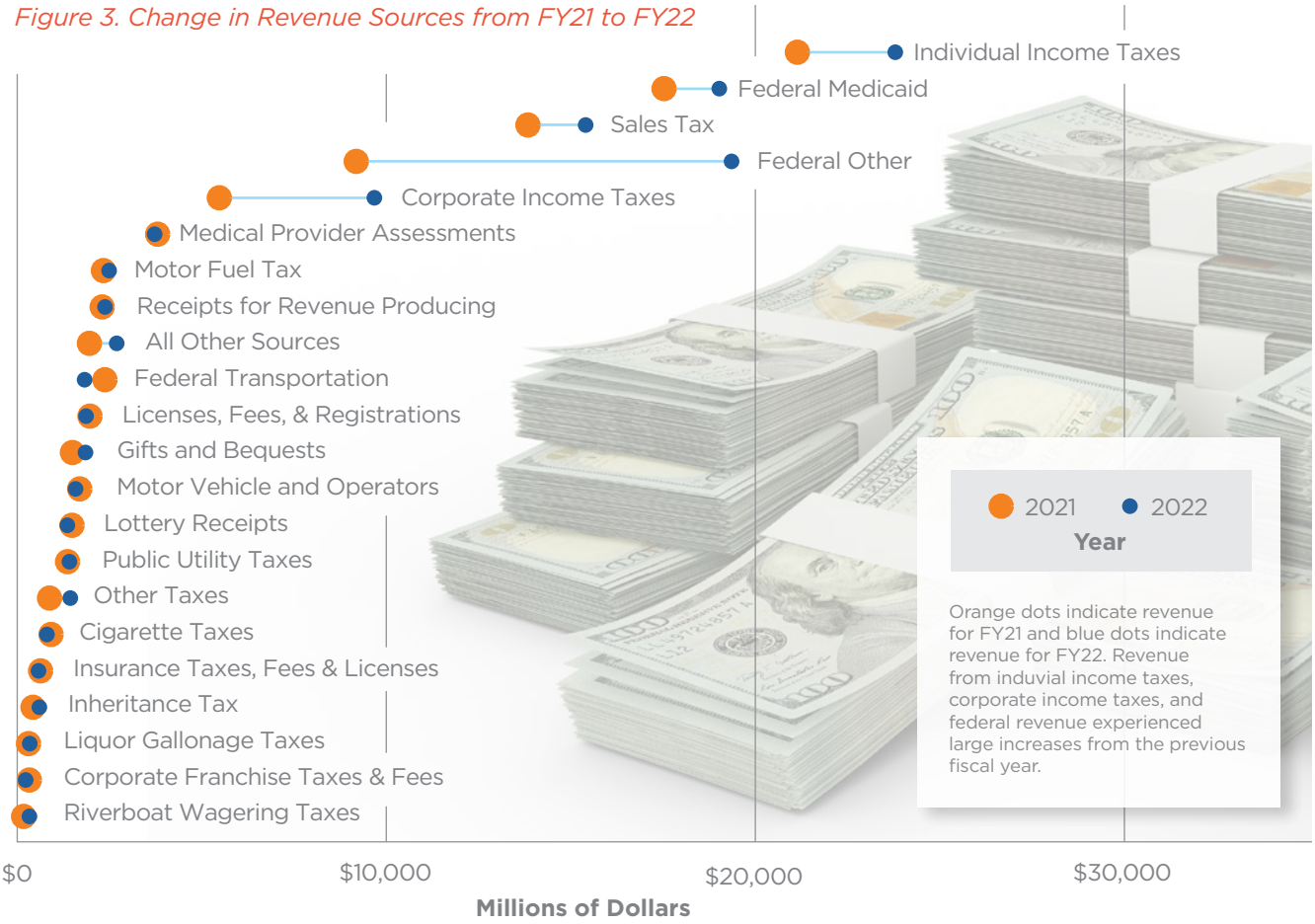
healthcare providers, federal aid for transportation, and other federal assistance. The bulk of non-Medicaid federal assistance from the federal COVID relief packages is included in our "Federal Other" category. Illinois is mostly a passive actor when it comes to all three types of federal aid. The amount of federal aid allocated to Illinois is often determined by a combination of formulas and bargaining among federally elected officials in Washington, D.C. and the state role in the process is limited. Illinois' own source revenue is determined by three fundamental factors: the tax rate; the definition of the tax base; and the underlying level of economic activity that generates tax revenue. Tax rates and the definition of the tax base may be altered at the discretion of government policymakers. However, changes in tax rates and tax base definitions may interact with changes in economic activity so that even own source tax revenue is not completely under the control of state government.

The biggest revenue change from FY21 to FY22 was a $10.2 billion increase in "Federal-Other" revenue (see **Figure 3**). This large increase was equivalent to two-thirds of state revenue from the sales tax and was more than $800 per person in Illinois. The increase was primarily the result of the increased federal assistance to deal with the lingering health and societal effects of the COVID pandemic.[5] This federal revenue surge is designed to be spent over the next several years, so interpreting the fiscal gap for FY22 and change in revenue from FY21 should be done with some caution.

The biggest revenue change in FY22 ... was a $10.2 billion dollar increase in "Federal-Other" revenue ... more than $800 per person in Illinois.

Illinois also received a substantial 8.5% increase in federal Medicaid assistance that comes on top of an almost 27% increase in this category of aid in FY21 and exceeds the very high 24-year CAGR of 7.5%. This increased federal revenue partially compensates for increased state Medicaid expenditures due to the pandemic and changes in federal rules limiting the termination of Medicaid benefits during the federal health emergency.[6] It is important to note that the revenue source "Federal

Figure 3. Change in Revenue Sources from FY21 to FY22

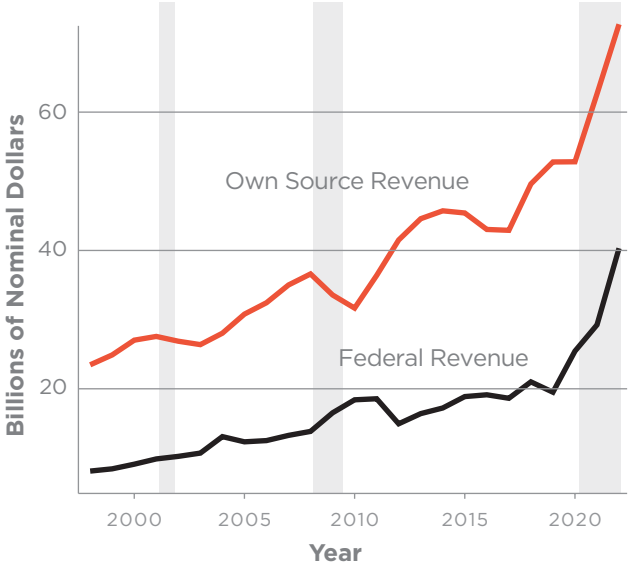


Medicaid" includes matching grants as well as federal assistance to healthcare providers. Although federal aid for transportation actually fell during FY22 compared to its atypically high level in FY21, federal transportation aid remains large compared to historical experience. Overall, the three categories of federal assistance accounted for more than $40 billion dollars of revenue which was an increase of more than $10 billion compared to the already high level of federal assistance in FY21. Since FY19, Federal Revenue has increased by over $20 billion (see **Figure 4**). This level of federal assistance is unlikely to persist in future years.

Illinois' own source revenue also rose rapidly and increased more than $10 billion compared to FY21. Thus, about half of FY22 revenue increases were from increases in federal aid and about half were from increases in own source revenue. The sources of own source revenue increases were diverse. The largest increase of $4.2 billion dollars was from the corporate income tax. This increase appears to be partially due to changes in definitions of the tax base and partially due to changes in the underlying economic activity. It is estimated that $932 million was collected due to tax changes from reducing or eliminating exemptions or credits for businesses or from separating state tax treatment eligibility from some federal government rules introduced in the 2017 federal Tax Cuts and Jobs Act.[7] An additional $2 billion was collected due to increased corporate profits from inflation and shifts in consumer spending.[8] The corporate income tax is known for being a volatile revenue source and a recession would adversely impact the state's revenue.

Personal income tax receipts increased about $2.6 billion and sales tax receipts increased about $1.5 billion over FY21. Both rates of increase were more than double long-term CAGRs. These increases were partially the result of increases in economic activity but also changes in tax policies. Illinois' own unemployment rate dropped from 6.5% in June 2021 to 4.4% by July 2022 or the end of the fiscal year.[9] This unemployment decrease resulted in substantially increased taxable income. Also, inflation has been relatively high and can generate increases in taxable sales receipts and corporate profits. The inflation rate according to the Bureau of Labor Statistics (CPI) was 5.4% in July 2021 and peaked at 9.1% in June 2022 (end of the state fiscal year).[10] Illinois taxable personal consumption also increased according to the Illinois Department of Revenue due largely to pent-up demand, federal stimulus, and a shift in consumer spending from services to taxable goods.[11]

Figure 4. Own Source Revenue and Federal Revenue



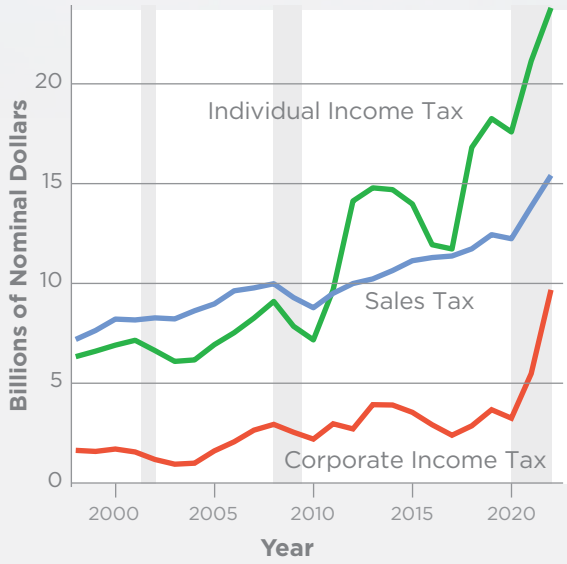
Federal revenue combines the three categories used in the Fiscal Futures project: transportation, Medicaid reimbursements, and all other federal revenue.

Illinois' three biggest own source revenue (individual income, sales, and corporate income taxes) had above trend growth in FY22. **Figure 5** shows a graph of these three revenue sources over time and illustrates their recent trend.

The increases in corporate and personal income tax revenue happened despite changes in the 2020 income tax filing deadline that pushed the collection of some taxes due on calendar 2019 earnings into FY21 (after July 1, 2020) and artificially swelled FY21 tax revenue in FY21. The federal income tax filing deadline for calendar 2021 earnings reverted to the normal filing date of April 15, 2022. The growth in FY22 personal and corporate income tax receipts exceeded both long-term trends and the artificially inflated receipts in the previous year FY21.

Sales tax revenue was not substantially affected by changes in filing deadlines. The surge in sales tax revenue was driven by a variety of changes. Because of the pandemic, consumers' buying behaviors shied away from services which are generally not subject to sales taxes and toward goods which are subject to sales taxes. Also, federal aid payments propped up the economic situation of many who would otherwise have been in economic distress, and this resulted in increased buying. Finally, surprisingly strong economic activity powered by a quick recovery from high unemployment rates and inflation led to a high dollar volume of purchasing activity and very high sales tax revenue.

Figure 5. Top 3 Own Source Revenue



Illinois' top three own source revenue: Individual income tax, Sales Tax, and Corporate Income Tax. Note: Individual Income Tax rate change (calendar year): 2011 5% (from 3%); 2015: 3.75%; July 2017: 4.95%. Corporate Income Tax rate change (calendar year): 2011 7% (from 4.8%); 2015: 5.25%; July 2017: 4.95%

EXPENDITURES

As shown in Figure 1, total expenditures continued to climb in FY22 and reached $102 billion dollars. In this section, we decompose total expenditures and attempt to explain the reasons for growth and future prospects.

What went up and what went down?

Table 2 parallels **Table 1** and shows expenditures sorted from largest to smallest dollar amount in FY22. The table also displays the one-year change from FY21 and the 24-year CAGR.

Medicaid, K-12 education, and local government revenue sharing (revenue collected by the state government and then

Table 2. Yearly Change in Expenditures

Expenditure Category	FY22 ($ billions)	FY21 ($ billions)	1-Year Change	24-Year CAGR
Medicaid	28.9	26.3	10.1%	7.2%
K-12 Education	13.9	12.2	14.5%	4.3%
Local Govt Revenue Sharing	10.4	7.2	44.5%	4.7%
Human Services	7.6	6.6	15.3%	2.8%
State Pension Contribution	6.5	5.6	15.4%	10.8%
Transportation	4.4	5.3	-18.4%	3.4%
State Employee Healthcare	3.0	2.9	4.5%	6.1%
Tollway	2.1	2.0	7.2%	7.5%
Debt Service	2.0	2.0	-0.8%	6.1%
Public Safety	1.8	2.0	-9.7%	6.1%
Community Development	1.4	1.7	-15.2%	4.8%
Central Management	1.2	1.2	2.0%	4.5%
Capital Improvement	0.4	0.5	-6.5%	2.1%
All Other Expenditures *	18.2	17.5	4.1%	3.7%
Total Expenditures	**101.8**	**92.8**	**9.7%**	**5.0%**

* For a full list of expenditure categories see Appendix Item 1.

passed on to local governments) are Illinois' three largest expenditure categories. All three spending categories experienced large increases during the COVID response. Much of the increased spending was funded by grants to state departments from the federal government which mandated how it would be spent. Medicaid expenditures increased by $2.6 billion to $28.9 billion. The increased spending paid for medical services and financial assistance for medical providers and the yearly increase was roughly equal to the yearly increase in federal revenue for healthcare providers and matching grants. Education expenditures increased by $1.7 billion to $13.9 billion. The Illinois State Board of Education (ISBE) received nearly $7.9 billion in additional ESSER federal revenue during FY20 and FY22 and spent $2 billion of the ESSER funds in FY22 ($840 million from ARPA ESSER III funds, over $1 billion from CRRSA ESSER II funds, and $60 million from CARES ESSER I funds).[12] Around $4 billion total had been spent as of 1/1/2023 and nearly all funds have been allocated for use by the end of FY23.[13] Local Government Revenue Sharing increased from $7.2 billion to $10.4 billion. This was largely due to the increased tax revenue collected by the state that is distributed to localities at a set rate.

Much of the federal aid that was distributed in FY21 went toward community and economic development in an attempt to mitigate some of the damage (such as shuttered retail establishments) from the COVID pandemic.

The expenditure categories that decreased were transportation, debt service, public safety, community development, and capital improvement. Transportation funds are known to fluctuate between years as funds are reappropriated for larger capital projects. Debt service varies with the timing of bond issue repayments and does not neatly reflect contemporaneous activity. The drop in public safety reflects the fact that some federal aid in FY21 came through Disaster Response funds that were spent by the Illinois Emergency Management Agency (IEMA) which is included in the Public Safety expenditure category. In FY22 federal aid was largely spent by the Department of Commerce and Economic Opportunity (DCEO) and other agencies besides IEMA. This resulted in a decrease in Public Safety due to a recategorization of pandemic response expenditures. Initially the pandemic response expenditures came from IEMA (within Public Safety) and then shifted toward mostly being spent by the DCEO (within Community Development) later in the response and recovery.

Similarly, much of the federal aid that was distributed in FY21 went toward community and economic development in an attempt to mitigate some of the damage (such as shuttered retail establishments) from the COVID pandemic. In FY22, recovery funds were still spent on economic development but less so compared to the inflated FY21 amount. The decline in capital improvement spending is largely due to project expenses being reappropriated for FY23 and because some projects, such as the Connect Illinois Broadband Project, are categorized as Economic Development instead of Capital Improvement.[14]

Where are federal relief funds being spent?

Between the six federal legislative acts, Illinois received over $30 billion in additional federal aid over two calendar years.[15] The CURES Act Coronavirus Relief Fund (CRF) and the ARPA Act Coronavirus State and Local Fiscal Recovery Fund (SLFRF) differed from other types of federal pandemic spending in part because of the flexibility they allowed for state decision-making. The CRF supported immediate relief and other costs due to the public health emergency between March 1, 2020, and Dec. 31, 2021. The SLFRF provided additional funding for economic recovery with both a longer timeline for use and greater flexibility for states in how they could spend the money.[16] It has allocated $8.127 billion to Illinois which must be fully spent by December 31, 2026.

Illinois' Governor's Office of Management and Budget (GOMB) documents the allocations and expenditures from federal COVID funds through FY22 and beyond.[17] According to GOMB's most recent report, in FY22 Illinois expenditures from federal funds totaled $4.9 billion. IOC expenditures totaled $5.2 billion when including expenditures that occurred during the lapse period. $1.5 billion was allocated on government services as part of the "revenue replacement" allowed under ARPA and $3.4 billion fell under 3 specific categories used to track ARPA spending: $223 million for Public Health, $3 billion for Negative Economic Impact ($2.7 billion of which was for the Unemployment Insurance Trust Fund deficit) and $185 million for Public Sector Capacity. Totals calculated from the IOC expenditure data varied slightly from the GOMB report due to reappropriations and timing of Lost Revenue transfers. Public Health projects include one-time costs such as COVID-19 testing but also newly established mental health service programs. Negative economic impact projects include a one-time Unemployment Insurance Trust Fund repayment ($2.7 billion) and DCEO grants, as well as educational programs and art/music therapy programs. Public sector capacity projects include work done by the Illinois Department of Innovation and Technology (DoIT) to assist information and technology and telecom for remote workers.

According to the GOMB's FY22 budget allocations, over $700 million from the ARPA State CURE fund was supposed to be spent on capital projects (e.g. Build Illinois Bond Fund Deposit, Broadband, Water, Sewer, Drainage Infrastructure) between FY22 and FY23. Capital projects frequently take multiple years to complete and result in reappropriated funds until they can be spent. Illinois' public budget documents suggest that the portion of the $1 billion for FY22 will be spent in FY23. While federal aid will fund these projects initially, Illinois will require a stream of funding to maintain the projects in the future. The enacted FY23 budget has essentially fully allocated Illinois State Fiscal Recovery funds (SFRF) with the expectation that the funds will be expended over multiple years.

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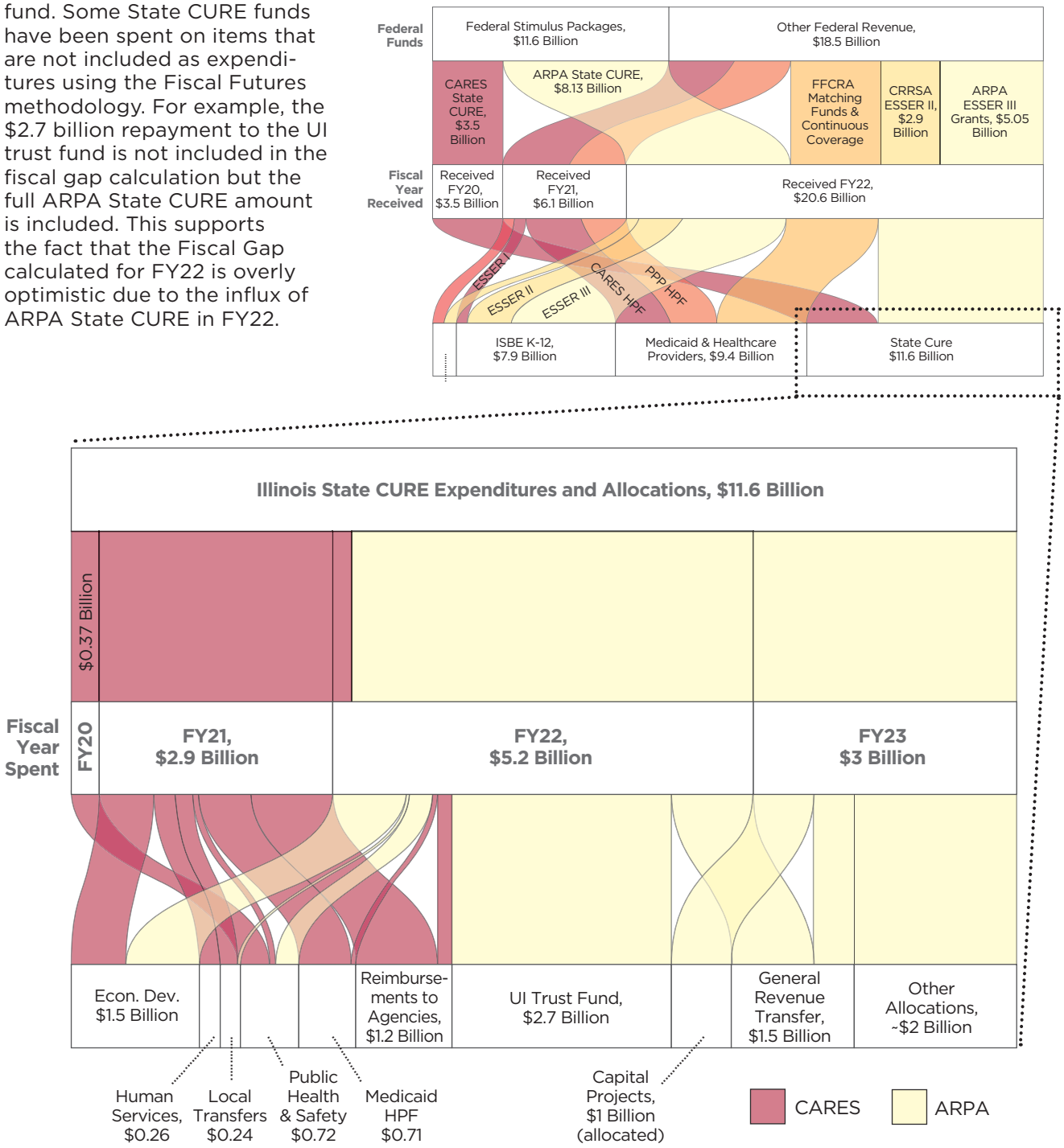
GOMB states that a majority of the federal dollars received are for one-time expenditures in affordable housing, long term care facilities, and other forms of economic assistance.[18] While that does apply to the UI Trust Fund repayment, other expenses may be reoccurring in nature. The potential for recurring expenses is especially concerning with respect to the $1.5 billion transfer to the General Revenue Fund for lost revenue and allocations for capital projects that will require maintenance and operating funds in the future. Once the CURE funds designated for "Lost Revenue" are transferred to the Essential Government Services Fund and then transferred again to the General Revenue fund, the funds mix with all other general revenue funds and it cannot be determined if they are spent on one-time expenditures.[19]

Figure 6 is meant to visualize the timeline of receiving and spending the federal COVID response funds. Legislation enacted in calendar year 2020 and 2021 were received in FY21 and FY22 and spent over multiple fiscal years. This image focuses on aid from the CRF and ARPA State Fiscal Recovery Fund received by the state government in the State CURE fund. Some State CURE funds have been spent on items that are not included as expenditures using the Fiscal Futures methodology. For example, the $2.7 billion repayment to the UI trust fund is not included in the fiscal gap calculation but the full ARPA State CURE amount is included. This supports the fact that the Fiscal Gap calculated for FY22 is overly optimistic due to the influx of ARPA State CURE in FY22.

AFTER FEDERAL COVID RECOVERY FUNDS

While Illinois has either expended or allocated the ARPA and CARES funds in ways that are allowed by the legislative acts, an issue that should concern lawmakers is whether such expenditures are one-time costs or recurring expenses. Warnings of a looming "fiscal cliff" across many states have been sounded with the eventual waning of federal funds in the coming years.[20] The concern is

Figure 6. Expenditures and Allocations of State CURE funds



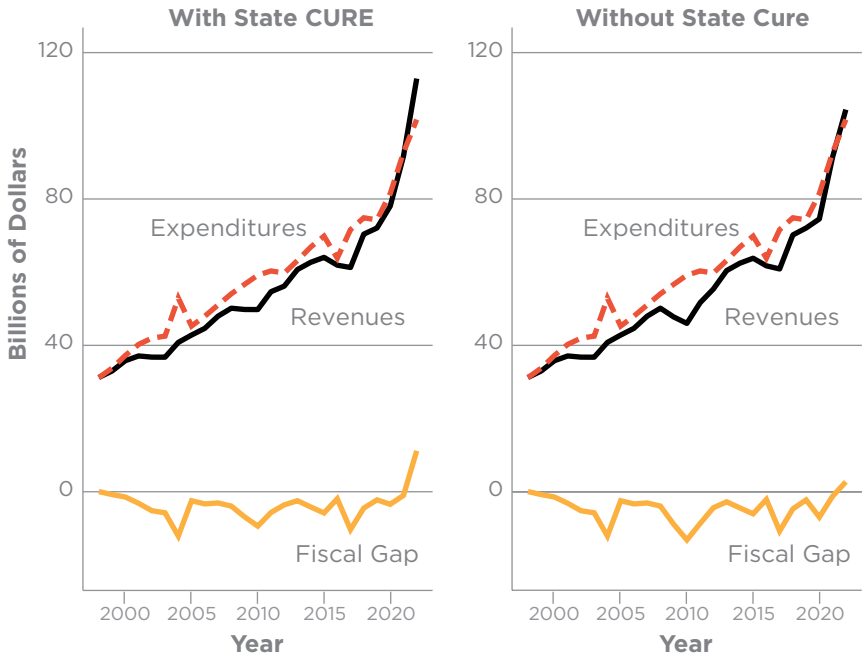
that if federal revenue is used to finance projects that will require recurring expenditures, the expiration of federal funds may impair state governments' finances.

The Fiscal Futures project emphasizes the importance of tracking sustainable revenue sources over time. The level of federal assistance received by Illinois in recent years is not sustainable and is not reoccurring. If we ignore funds received from State and Local CURE revenue sources meant for one-time expenditures, the FY22's fiscal surplus decreases from $11.1 billion to $2.7 billion (see **Figure 7**). However, other federal revenue from COVID-response legislation is still included in these images and that is likely to decrease after FY22.

Illinois' short-term outlook is improved due to the increased federal revenue, but structural challenges remain in the long-term. If federal revenue returns to pre-COVID trends, Illinois' fiscal challenges will persist and may even deepen if the state uses the federal money to pay for programs or services that require continued funding.

The deficit of ***Illinois' unemployment insurance (UI) trust fund*** was about $4.5 billion at the height of the pandemic. The

Figure 7. Comparison of revenue with and without State CURE funds



If we ignore funds received from State and Local CURE revenue meant for one time expenditures, the FY2022's fiscal surplus decreases from $11.1 billion to $2.7 billion.

state did not tap federal funds to address the issue until March 2022, when it dedicated $2.7 billion from its share of ARPA funds to address the large deficit in its UI trust fund. Illinois again deposited money into its UI trust fund in September 2022, when the state reallocated $450 million of program-related revenue to bring the deficits down to $1.36 billion.[21] More recently, on 11/29/22, an agreement was reached regarding the state's third contribution of $1.8 billion from FY23 revenue to repay $1.36 billion to the federal government and deposit $450 million into the UI fund as an interest free loan from the state that will be repaid by business taxes over the next decade.[22] Together these repayments would eliminate the state's current UI trust fund deficits.[23]

Illinois' backlog of unpaid bills was $16.7 billion in fall 2017. By March 2021, the unpaid bills had been reduced to $5.2 billion. More recently as of March 23, 2022, unpaid bills were reduced to $3.3 billion, which represented only about 30 days of unpaid bills—an amount generally considered acceptable by government finance professionals. Additionally, the interest penalty payments associated with the unpaid bill will be reduced if unpaid bills are maintained at current levels.[24]

The state's budget stabilization fund (BSF) reached its highest balance ever at $1.045 billion in FY22. This is equivalent to only one week's worth of operations and much lower than the average (35 day) reserves held by other states.[25] The Illinois governor recommends depositing an

additional $1 billion in FY23 to bring the total BSF balance to approximately 5% of state own source general fund revenue.[26] The enacted FY23 budget also created a small permanent revenue stream for the BSF by depositing an ongoing portion of cannabis revenue (10 percent or approximately $30 million) plus monthly transfers of $3.75 million beginning July 1, 2023.

Paying for ***unfunded public pension liabilities*** continues to be a looming concern for Illinois. As of December 2022, unfunded liabilities have reached nearly $140 billion and the pension funded ratio was 44.1%. This ratio represents the difference between the market value of the funds' assets and the amount needed to pay all pension plan members the full amount of the benefits they are owed. This is not a new situation; Illinois failed to make actuarially adequate pension fund contributions for decades even though it has paid what is required by law.[27] Despite this, Illinois continues to pay its benefits on time and has recently contributed more than the required amount to the pension funds.[28]

So far, it appears that the State has largely used the influx of funds to make up for deficits incurred in past years both before and during the pandemic.

CONCLUSION

In this report we summarize Illinois' fiscal situation, observing revenue and expenditures across key functions over time. While Illinois' short-term outlook has improved with the influx of federal revenue post-COVID, structural challenges remain in the long-term. The concern is not limited to Illinois alone. As the nation continues to grapple with pandemic recovery amid inflation, a potential recession, and global geopolitical challenges, elected officials and policymakers must stay alert in managing limited financial resources for adequate public services.

So far, it appears that the State has largely used the influx of funds to make up for deficits incurred in past years both before and during the pandemic. However, some of Illinois' appropriations are going to programs that will persist and need funding in future years. This includes areas such as trauma, mental and behavioral health, community support organizations, violence prevention and interruption programs, and Illinois State Board of Education enrichment activities and parent mentoring. Continuation of these programs may strain Illinois' fiscal resources unless sustainable funding sources are available.

While the outlook is not as bad as it has been in past Fiscal Futures reports, it must be stressed that the federal revenue coming in will not continue at the rate experienced during the last two years. If the state continues to invest in its communities, schools, social programs, and infrastructure like it has done in FY22 then additional revenue must be collected from other sources in future years. The fiscal gap may have momentarily decreased this fiscal year, but by no means is the state in a position to decrease own source revenue sources.

APPENDIX

Appendix Item 1. Yearly Change - All Revenue Categories

Revenue Category	FY22 ($ billions)	FY21 ($ billions)	1-Year Change	24-Year CAGR
Individual Income Taxes	23.8	21.2	12.6	5.7
Federal Other	19.4	9.2	110.4	7.1
Federal Medicaid	19.0	17.6	8.5	7.5
Sales Taxes	15.4	13.9	11.3	3.2
Corporate Income Taxes	9.7	5.5	76.7	7.7
Medical Provider Assessments	3.7	3.8	-2.0	8.4
Motor Fuel Tax	2.5	2.4	6.1	2.8
Receipts From Revenue Producing	2.4	2.3	3.0	5.1
Gifts and Bequests	1.9	1.5	23.8	11.4
Licenses, Fees & Registrations	1.9	2.0	-4.7	7.9
Federal Transportation	1.8	2.4	-23.0	3.3
Motor Vehicle And Operators	1.6	1.7	-5.6	3.2
Lottery Receipts	1.4	1.5	-6.2	2.2
Other Taxes	1.4	0.9	63.9	7.9
Public Utility Taxes	1.4	1.4	3.1	0.7
Cigarette Taxes	0.8	0.9	-8.3	2.5
Inheritance Tax	0.6	0.4	36.0	3.7
Insurance Taxes & Fees & Licenses	0.6	0.6	-3.4	6.6
Liquor Gallonage Taxes	0.3	0.3	2.5	7.5
Riverboat Wagering Taxes	0.3	0.2	80.8	1.8
Corp Franchise Taxes & Fees	0.2	0.3	-32.4	2.6
All Other Sources	2.7	2.0	37.7	4.5
Total	**113.0**	**91.8**	**23.1**	**5.5**

Appendix Item 2: Yearly Change - All Expenditure Categories

Expenditure Category	FY22 ($ billions)	FY21 ($ billions)	1-Year Change	24-Year CAGR
Medicaid	28.9	26.3	10.1	7.3
K-12 Education	13.9	12.2	14.5	4.3
Local Govt Revenue Sharing	10.4	7.2	44.5	4.7
Human Services	7.6	6.6	15.3	2.8
State Pension Contribution	6.5	5.6	15.4	10.8
Other Departments	4.9	4.8	1.9	9.1
Transportation	4.4	5.3	-18.4	3.4
State Employee Healthcare	3.0	2.9	4.5	6.1
University Education	2.3	2.2	4.7	0.4
Tollway	2.1	2.0	7.2	7.5
Debt Service	2.0	2.0	-0.8	6.1
Revenue	1.9	1.7	12.0	6.4
Public Safety	1.8	2.0	-9.7	6.1
Corrections	1.6	1.6	1.5	2.1
Children and Family Services	1.4	1.3	4.0	0.2
Community Development	1.4	1.7	-15.2	4.8
Aging	1.2	1.1	6.4	7.5
Central Management	1.2	1.2	2.1	4.5
Elected Officers	1.0	1.0	7.4	3.9
Public Health	0.9	0.9	-0.2	7.6
Environmental Protect Agency	0.7	0.7	-2.0	3.2
Judicial	0.5	0.5	4.2	3.0
Capital Improvement	0.4	0.5	-6.5	2.2
Healthcare & Family Services Net of Medicaid	0.4	0.4	3.0	5.5
Employment Security	0.3	0.3	-2.8	2.4
Natural Resources	0.3	0.3	3.9	1.8
Other Boards & Commissions	0.3	0.2	3.0	4.2
Bus & Profession Regulation	0.2	0.2	9.5	1.5
Agriculture	0.1	0.1	43.1	1.2
Legislative	0.1	0.1	24.1	3.4
Total	**101.8**	**92.8**	**9.7**	**5.1**

Appendix Item 3. Revenue Comparison: Before and After Revenue from Federal Recovery Funds

Revenue Category (With State CURE Funds)	FY22 ($ billions)	FY21 ($ billions)	1-Year Change	24-Year CAGR
Individual Income Tax	23.8	21.2	12.6%	5.7%
Federal Other	19.4	9.2	110.4%	7.2%
Federal Medicaid	19.0	17.6	8.5%	7.5%
Sales Tax	15.4	13.9	11.3%	3.2%
Corporate Income Tax	9.7	5.5	76.7%	7.7%
Medical Provider Assessments	3.7	3.8	-2.0%	8.4%
Motor Fuel Taxes	2.5	2.4	6.1%	2.8%
Receipts from Revenue Producing	2.4	2.3	3.0%	5.1%
Licenses, Fees, and Registrations	1.9	2.0	-4.6%	7.9%
Federal Transportation	1.8	2.4	-22.9%	3.3%
Other Revenue Categories*	13.3	11.7	13.9%	3.4%
Total**	**112.9**	**91.8**	**23.6%**	**5.5%**

**Totals include ARPA SLFRF Federal Stimulus Package money that was deposited into the State CURE fund.

Revenue Category (Without State CURE Funds)	FY22 ($ billions)	FY21 ($ billions)	1-Year Change	24-Year CAGR
Individual Income Taxes	23.8	21.2	12.6%	5.7%
Federal Medicaid	19.0	17.6	8.5%	7.5%
Sales Taxes	15.4	13.9	11.3%	3.2%
Federal Other	10.9	9.0	21.3%	4.6%
Corporate Income Taxes	9.7	5.5	76.7%	7.7%
Medical Provider Assessments	3.7	3.8	-2.0%	8.4%
Motor Fuel Tax	2.5	2.4	6.1%	2.8%
Receipts from Revenue Producing	2.4	2.3	3.0%	5.1%
Licenses, Fees, and Registrations	1.9	2.0	-4.7%	7.9%
Federal Transportation	1.8	2.4	-22.9%	3.3%
All Other Sources	13.3	11.7	13.9%	4.5%
Total*	**104.5**	**91.6**	**14.2%**	**5.2%**

* Revenue totals do not include ARPA SLFRF Federal Stimulus Package funds.

Appendix Item 4. Fiscal Gap Values

Year	Expenditures	Revenue	Fiscal Gap
1998	31,218	31,265	46
1999	33,805	33,030	(775)
2000	37,283	35,846	(1,437)
2001	40,300	37,148	(3,153)
2002	42,014	36,826	(5,188)
2003	42,567	36,806	(5,761)
2004	52,980	40,856	(12,124)
2005	45,331	42,866	(2,465)
2006	48,028	44,701	(3,328)
2007	51,099	48,033	(3,065)
2008	54,139	50,213	(3,925)
2009	56,721	49,859	(6,862)
2010	59,248	49,839	(9,409)
2011	60,404	54,732	(5,672)
2012	59,831	56,248	(3,583)
2013	63,261	60,804	(2,457)
2014	66,942	62,772	(4,169)
2015	69,921	64,114	(5,807)
2016	63,909	61,986	(1,924)
2017	71,705	61,349	(10,356)
2018	74,943	70,465	(4,477)
2019	74,384	72,153	(2,231)
2020	81,574	78,142	(3,433)
2021	92,807	91,806	(1,001)
2022	**101,829**	**113,022**	**11,192**

Appendix Item 5. Acronyms Used

ARPA - American Rescue Plan Act (March 2021)

CARES - Coronavirus Aid, Relief and Economic Security Act (March 2020)

CRF – Coronavirus Relief Fund. Part of CARES Act; Focused on direct costs related to pandemic.

CRRSA – Coronavirus Response and Relief Supplemental Appropriations Act, 2021

CURES – Coronavirus Urgent Remediation Emergency Support

ESSER – Elementary and Secondary School Emergency Relief

FFCRA - Families First Coronavirus Response Act

IIJA - Infrastructure Investment and Jobs Act (November 2021)

ISBE - Illinois School Board of Education

PPP - Paycheck Protection Program and Health Care Enhancement Act.

SLFRF – State and Local Fiscal Recovery Fund. Part of ARPA; Meant to maintain services that were interrupted by pandemic and invest in long-term growth of communities.

UI – Unemployment Insurance

ENDNOTES

[1] More detail on the methodology is available at https://perma.cc/KYU4-KX4X. Data files for yearly expenditures and revenue, along with code for cleaning and categorizing observations can be found on the project's Github at https://perma.cc/M86U-QBUE.

[2] Authors' calculations using CovidMoneyTracker.org data published by the Committee for a Responsible Federal Budget.

[3] Barb Rosewicz, Mike Maciag, & Melissa Maynard, "How Far American Rescue Plan Dollars Will Stretch Varies by State," *Pew Charitable Trust* (June 28, 2021), https://perma.cc/Z5F6-YVZ8.

[4] Compound Annual Growth Rate or CAGR =

$$\left(\frac{\text{Final Value}}{\text{Beginning Value}}\right)^{\left(\frac{1}{t_{final} - t_{initial}}\right)}$$

where t is 2022-1998, or 24 years.

[5] For more information on how federal funds were used, see Amanda Kass, Phillip Rocco, & Alexander Hawley, "Replenish, Replace, Repair: How Illinois is Using its ARPA Aid," *Institute of Government and Public Affairs* (July 25, 2023), https://perma.cc/V5EW-YUBN.

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ENDNOTES *(Continued)*

[6] According to Covid Money Tracker, an additional $2.4 billion was received for changes in federal rules limiting the termination of Medicaid benefits during the federal health emergency, and over $2 billion was received to reimburse the state for increase in the Federal Medical Assistance Percentage (FMAP). FMAPs are used in determining the amount of Federal payments to a State for medical services. Funds for both increases are associated with the FFCRA legislation. Source: covidmoneytracker.org, Committee for a Responsible Federal Budget.

[7] "Governor Pritzker Proposes $932 Million in Corporate Tax Changes in FY2022 State Budget," *Civic Fed* (April 9, 2021), https://perma.cc/E4DC-84FC.

[8] Jerry Nowicki, "For the first time in history, Illinois general revenues top $50 billion," *State Journal Register* (July 7, 2022), https://perma.cc/SQ63-G7AY.

[9] "Statewide Unemployment Rate Reaches Lowest Point Since Pandemic's Start, Payroll Jobs Up in June,' IDES Labor Statistics News Release (June 21, 2022), https://perma.cc/8Y82-K4RH.

[10] "12-month percentage change, Consumer Price Index, selected categories," BLS Consumer Price Index (Jan. 2023), https://perma.cc/8WBH-SZRP.

[11] Jerry Nowicki, "Consumer habits, federal unemployment increases helped drive tax revenues upward," *Capitol News Illinois* (February 24, 2022), https://perma.cc/739P-8M6K.

[12] Values calculated by grouping IOC expenditure data for the SBE Federal Department of Education fund by appropriation description and fiscal year.

[13] See the ISBE dashboard for details on ESSER funds, amount of funds remaining, and how funds were spent. https://perma.cc/2CZS-7AN9.

[14] See "State of Illinois Enacts $46.5 Billion FY2023 Capital Budget," *Civic Fed* (September 9, 2022) (report on the capital budget), https://perma.cc/V9J8-UANJ.

[15] In 2020 and 2021, Congress enacted six pieces of legislation to address the impact of COVID-19:

1) Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 – Enacted March 6, 2020
2) Families First Coronavirus Response Act (FFCRA) – Enacted March 18, 2020
3) Coronavirus Aid, Relief, and Economic Security (CARES) Act – Enacted March 27, 2020
4) Paycheck Protection Program and Health Care Enhancement Act (PPP) – Enacted April 24, 2020
5) Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) – Enacted December 27, 2020
6) American Rescue Plan Act of 2021 (ARPA) – Enacted March 11, 2021

[16] Rebecca Thiess & Madalyn Bryant, "Robust Federal Pandemic Aid has Sent Over $800 Billion to States," *Pew Charitable Trusts* (November 3, 2022), https://perma.cc/67GU-SGBU.

[17] Please see the State of Illinois Recovery Plan for a detailed breakdown of where Recovery Funds have been spent and which spending areas have remaining allocations, https://perma.cc/7ZMS-9ZR4.

[18] Illinois Governor's Office of Management and Budget, "Illinois Economic and Fiscal Policy Report" (November 14, 2022), https://perma.cc/8KU3-MB62.

[19] See "Replenish, Replace, Repair: How Illinois is Using its ARPA Aid," *supra* note 5, for more details on the difficulty of tracking how ARPA funds have been spent.

[20] Beverly S. Bunch, "The $195 Billion Challenge: Facing Fiscal Cliffs after Covid-19 Aid Expires," *Volker Alliance* (2022), https://perma.cc/G7M5-PS72.

[21] Peter Hancock, "Lawmakers advance $1.8 billion unemployment fund bailout," *Capitol News Illinois* (December, 1, 2022), https://perma.cc/K4DS-V4UX.

[22] Dan Petrella and Jeremy Gorner, "Illinois Announces $1.4B Plan to Plug Unemployment Fund," *Governing* (Nov. 30, 2022), https://perma.cc/2Z24-A2DB.

[23] "Gov. Governor Pritzker Announces Historic Agreement to Eliminate Pandemic Unemployment Debt, Protect Benefits for Workers," *Illinois.gov* (November 29, 2022) https://perma.cc/P9CB-N7MX.

[24] Illinois Commission on Government Forecasting and Accountability, "Three-Year Budget Forecast FY2023-FY2025" (March 2022), https://perma.cc/EWR9-Z98C.

[25] Yvette Shields, "Push to further boost Illinois rainy-day fund looms this fall," *The Bond Buyer* (September 15, 2022) (quoting Comptroller Susana Mendoza), https://perma.cc/Y5C4-K5XD.

[26] "Illinois Economic and Fiscal Policy Report," *supra* note 18.

[27] See Peter Hancock, "Pension debt grows to $139.7 billion," *NPR Illinois* (November 12, 2022) (recap of pension funding over the years), https://perma.cc/V2ZZ-975V.

[28] "Budget Update and Rating Discussion," GOMB (September 2022), Published September 2022. https://perma.cc/8S5W-RX8P.

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