



Illinois Legislative News

State general revenues top \$50 billion for first time in FY 2022

Pandemic-driven windfalls not expected to last long into current year

By **JERRY NOWICKI**
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State tax revenues grew by \$5.5 billion in the fiscal year that concluded on June 30, exceeding \$50 billion for the first time in Illinois' history, according to a new report from a state budgeting agency.

The 12 percent base revenue growth in Fiscal Year 2022 gave lawmakers near-unprecedented flexibility in the current budget year.

That allowed the General Assembly to approve \$1.8 billion in tax relief, pay \$500 million more to state pensions than statutes require, retire hundreds of millions of dollars in interest-accruing debts early, and drive the state's "rainy day" fund to its highest-ever balance of over \$1 billion.

It also helped the state reach a zero-day accounts payable cycle – meaning it was caught up on its bills – for the first time in decades.

But the report from the Commission on Government Forecasting and Accountability also noted that the pandemic-related drivers of growth, which led to nationwide revenue windfalls for nearly all state governments, are likely to wane in the coming months.

That's something Gov. JB Pritzker told Capitol News Illinois last week that lawmakers planned for in April when they projected Fiscal Year 2023 revenues at \$46.5 billion – an 8 percent decrease from the final FY 2022 numbers.

"We wrote that into the budget, that is a decrease in revenue just in this coming year," Pritzker said in an interview. "So, we understand that there were some temporary nature

of revenues that were coming in."

All told, the FY 2022 base revenues reached \$50.3 billion without including direct federal aid. The number jumps to \$51.1 billion when including a \$736 million direct transfer-in of COVID-19 relief dollars.

The base revenues were nearly \$8 billion beyond the May 2021 projections on which the FY 2022 budget was based. Personal and corporate income tax grew \$6.1 billion beyond what was projected in May 2021, while sales tax revenues were about \$979 million beyond projections.

While the revenue windfalls won't alleviate longstanding budget pressures such as a \$130 billion unfunded pension liability that demands about a quarter of state general revenue funds each year, it's a level of good financial news that Illinoisans are not accustomed to hearing – and a level of progress Pritzker has hung his hat on as he seeks a second term.

"A significant surplus and a zero-day payment cycle mean that our schools are funded, our roads are being rebuilt, and our healthcare providers are paid on time – and Illinois taxpayers are no longer dealing with hundreds of millions of dollars in interest payments because government didn't do its job," Pritzker said in a statement last week. "Illinois' massive bill backlog – eliminated since I came into office – once contained bills past due for as long as 500 days."

The COGFA report noted that even though direct federal aid was not included in the base revenue calculation, the indirect effects of federal stimulus played a major role in the unexpected growth.

So major, in fact, that revenue came in beyond initial projections in 49 states in the fiscal year.

One driving factor, according to the report, was the "continuation of a pandemic-related shift" in consumer spending from

non-taxed service-based sales to taxable goods, which created "strong market conditions" that led to increased tax revenues from corporate profits and capital gains.

Republicans have also attributed the revenue spikes at least partially to an "inflation-induced sugar high," noting that as prices increase so does sales tax revenue.

"The influence of these particular factors is expected to wane as the state enters into FY 2023 resulting in reduced revenue expectations for the upcoming fiscal year," the COGFA report noted.

Still, June's receipts remained strong, growing by \$736 million compared to the previous fiscal year.

As a result, final FY 2022 revenues were \$2.6 billion higher than the April estimate from the Governor's Office of Management and Budget that was used as the basis of this year's budget negotiations.

A GOMB spokesperson said in an email Wednesday that the surplus has not led to any discussion of amending the FY 2023 budget in the first week of the new fiscal year. But it's likely to allow for some flexibility.

"FY 2022 revenues continued to outperform expectations through the last quarter of the fiscal year," GOMB spokesperson Carol Knowles said in an email. "This will allow the state to be better positioned in the coming year as we continue to monitor the national economic outlook."

Knowles noted that the higher-than-expected revenues contributed to the improving fiscal situation which Comptroller Susana Mendoza and Pritzker highlighted in a pair of news releases last week.

Those releases noted Illinois has erased its "bill backlog," ending the fiscal year with a general revenue funds payment cycle of zero days from when vouchers are received by the state comptroller's office.

The \$1.8 billion accounts payable balance was a far cry from the height of the state's two-year budget impasse between Republican Gov. Bruce Rauner and Democrats in the General Assembly, when the bill backlog reached \$16.7 billion.

Pritzker has also touted – and bond ratings agencies have noted – that Illinois focused much of its spending of surplus dollars on relieving interest-accruing debt. Illinois has seen six credit rating upgrades – two each from each of the three major agencies – in the past year.

In a news release last week Pritzker contrasted those upgrades with the eight downgrades the state received during the tenure of Rauner, whom Pritzker unseated in 2018.

While the upgrades this year mark the first upward break from a downward trend that began in the Blagojevich administration, Illinois remains in the worst shape of all states as judged by the ratings agencies.

And while Illinois lawmakers dedicated \$1 billion to the rainy day fund, Mendoza said in a news release she'd push for laws mandating greater contributions to budget stabilization funds when Illinois has stronger-than-expected revenue performances in the future.

"The fact that we'll have a billion dollars saved in our rainy day fund to help us during adverse downturns certainly helps, but Illinois must save more when we are able to with stronger-than-expected revenue receipts so that we strengthen our ability to weather through these unexpected crises," she said.

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State Police broaden use of 'clear and present danger' reports

By **PETER HANCOCK**
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The Illinois State Police announced Monday they will start using a broader definition of what constitutes a "clear and present danger" when reviewing a person's Firearm Owners Identification card.

That's a factor ISP considers when deciding whether to grant someone a FOID card or to revoke or suspend a card that has already been issued.

The change is meant to address gaps in the process that were identified in the wake of the July 4 mass shooting in Highland Park. The alleged shooter in that case had been the subject of a clear and present danger investigation, but under standards used at that time, ISP determined there was insufficient evidence to support such a determination.

"These changes will immediately allow ISP to see a fuller picture of an applicant's history and keep the people of Illinois safe from those who should not be in possession of firearms," Gov. JB Pritzker said in a statement.

Under current law, known as the Firearm Owners Identification Card Act, ISP can deny a FOID card application or suspend or revoke an existing card for any person deemed to be a clear and present danger of harming themselves or someone else.

Under that statute, a physician, clinical psychologist or other qualified

examiner can classify someone as a clear and present danger if he or she "communicates a serious threat of physical violence against a reasonably identifiable victim or poses a clear and imminent risk of serious physical injury to himself, herself, or another person."

A person can also be classified as a clear and present danger if they demonstrate "threatening physical or verbal behavior such as violent, suicidal, or assaultive threats, actions or other behavior, as determined by a physician, clinical psychologist, qualified examiner, school administrator, or law enforcement official."

That law requires physicians, clinical psychologists, law enforcement officers and school administrators to promptly report any such behavior to ISP.

In 2013, however, ISP filed administrative rules that provide a stricter, more limiting definition. Those rules defined a clear and present danger as someone who poses "an actual, impending, or imminent threat of substantial bodily harm to themselves or another person that is articulable and significant or who will be likely to act in a manner dangerous to public safety or contrary to the public interest if they were granted access to a weapon."

ISP said the new rules announced Monday will revert to the original, statutory definition, allowing them to consider a broader range of information when determining whether someone poses a clear and present danger.

The 2013 rule also prohibited ISP from maintaining report records of people who are not determined to be a clear and present danger. The new rules would require ISP to maintain those records.

ISP adopted the new definitions through what are known as "emergency rules." That's allowed under state law when an agency determines it needs to take swift action to protect public interest, safety or welfare. But those rules are still subject to review by the General Assembly's Joint Committee on Administrative Rules, or JCAR, whose next scheduled meeting is Aug. 17.

ISP said it also plans to submit the changes to JCAR in the form of permanent rules through the regular rulemaking process as well.

ISP took the rulemaking action in response to the July 4 shooting in Highland Park after authorities announced the local police department had several interactions with the alleged Highland Park gunman that predated his application for a FOID card. ISP did not judge any of those interactions as disqualifying for firearm ownership under the previous administrative rules.

In September 2019, according to ISP, the Highland Park Police Department filed a clear and present danger report regarding the man who is now the suspect in the July 4 mass shooting, Robert Crimo III. The report indicated Crimo had made threats to his family.

When police went to Crimo's house, both he and his mother denied there had been any threat of violence and Crimo told police he did not feel like hurting himself or others. The reviewing officer concluded there was insufficient evidence, under the standards in place, to support a clear and present danger determination.

At the time of that incident, Crimo had not applied for a FOID card. Roughly three months later, however, he did apply for a FOID card and, because he was only 19 at the time, his father sponsored his application.

When his application was reviewed in January 2020, according to ISP, there was insufficient information to deny his application on the basis that he posed a clear and present danger.

In mid-July, state Rep. Mark Batnick, R-Plainfield, filed legislation that would hold parents criminally liable for damages caused by their minor children whenever the parent consents to their child getting a FOID card. As of Monday, it had two cosponsors, one Republican and one Democrat.

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