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ECONOMY: Illinois Employment

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Most analysts would agree that the number one concern in the economy is the lack of jobs. And, to that end, most attention has centered on the unemployment rate, both in the press and from the Administration. This number is compared to past economic times and its level, as well as its movement up or down, is used as a measure of economic progress or decline as well as establishing a trend. The monthly release of the national unemployment rate on the first Friday of each month thus is widely anticipated as a guide to how well the economy is doing. Moreover, later in the month when the states release their numbers, one can see the regional differences that appear and where the strengths and weaknesses occur.

Illinois' unemployment rate dipped to 9.8% at year-end from 10% in November, its lowest reading since July. Even so, it was still higher than a year earlier when it was at 9.4% and compares to a current national rate of 8.5%. The December dip in the States' rate came about from a 13,100 decrease in the number of unemployed while the labor force, as measured by the Household Survey, dropped by 3,000. Thus, the unemployment rate is determined not only by the number of unemployed reported, but also by the number of people in the labor force. In other words it excludes those who may be discouraged and not looking for work. Indeed, the labor force has shrunk by some 42,100 since the end of 2010 offsetting some of the negative effects of a 33,900 increase in the number of unemployed. (The data in the Household Survey used to determine the rate is derived from a sample of 60,000 households including the self-employed, unpaid family workers, agricultural workers and private household workers. All of these categories are excluded in the more comprehensive employment measure, the payroll or Establishment Survey.)

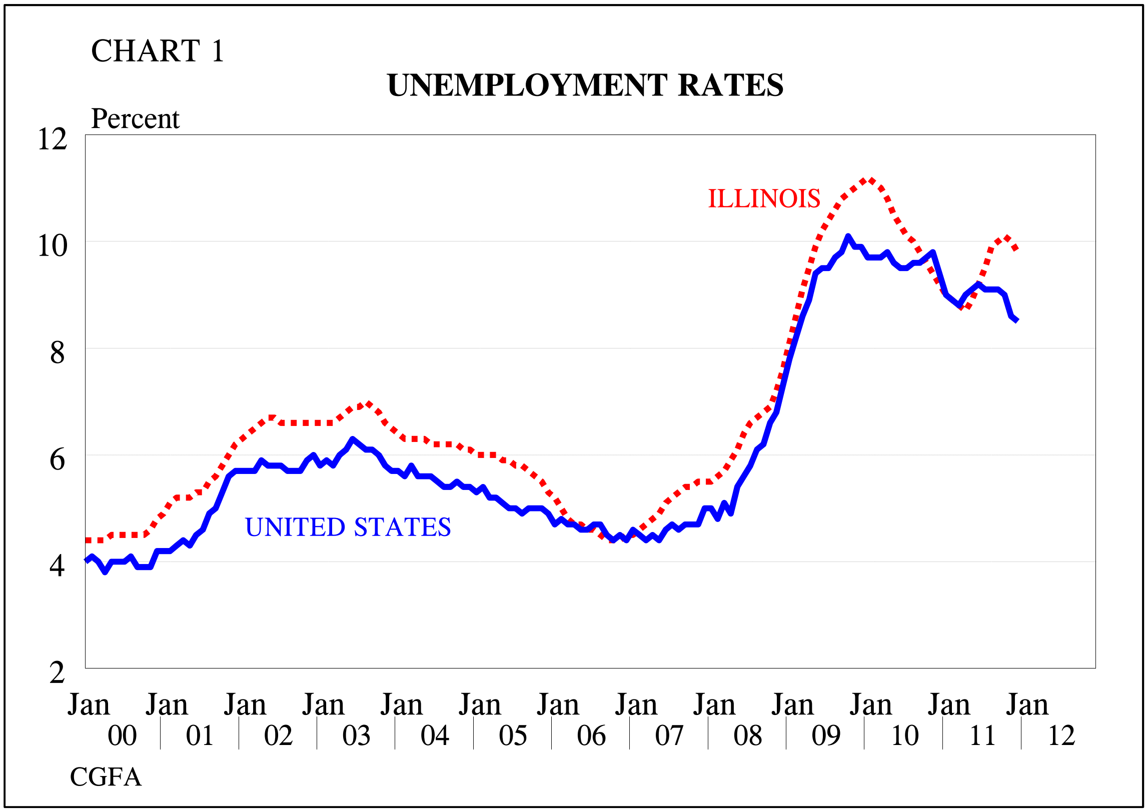
CHART 1
UNEMPLOYMENT RATES
Percent
12
10
8
6
4
2
ILLINOIS
UNITED STATES
Jan 00
Jan 01
Jan 02
Jan 03
Jan 04
Jan 05
Jan 06
Jan 07
Jan 08
Jan 09
Jan 10
Jan 11
Jan 12
CGFA

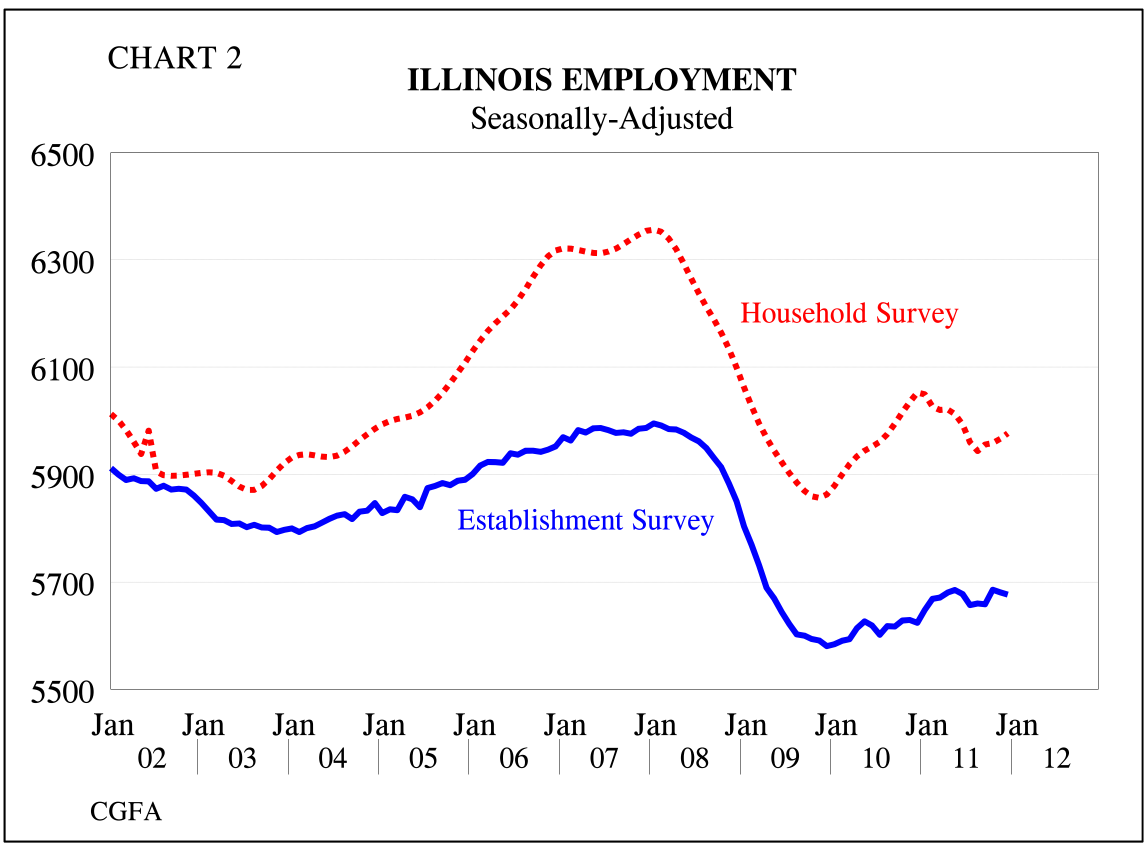
CHART 2
ILLINOIS EMPLOYMENT
Seasonally-Adjusted
6500
6300
6100
5900
5700
5500
Household Survey
Establishment Survey
Jan 02
Jan 03
Jan 04
Jan 05
Jan 06
Jan 07
Jan 08
Jan 09
Jan 10
Jan 11
Jan 12
CGFA

Chart 1, on the previous page, shows both Illinois' and the nation's unemployment rate over the past several years. A couple of quick differences become evident. First the levels of the unemployment rates are very high, particularly given that the recession that began at the end of 2007 officially ended as far back as June 2009. Second, is that over this period, with the exception of several months in late 2006 just prior to the last recession and a few months in late 2010, Illinois' unemployment rate has held above that of the national rate. Third is that the gap between the national unemployment and that of Illinois was particularly large in late 2009 and early 2010 and once again appears to be widening.

While the unemployment rate may be the symbol of the employment picture, it is perhaps even more important to analyze the Establishment Survey, the source of data used to measure non-farm payroll jobs. This survey is more comprehensive than the Household Survey, including 140,000 businesses and government agencies representing 410,000 worksites and includes about one-third of all non-farm payroll employees. Both surveys have some difficulties. In the case of the Establishment Survey, while the data are considered harder, coming directly from the employer records, they often miss new small businesses where most new jobs originate. Eventually these get worked into the survey so that many analysts look to the Household Survey as a foreshadower to trends in the Establishment Survey. Another flaw in measuring the number of jobs in that survey is if a person has more than one place of employment there can be some double counting.

Chart 2 shows the performance of both surveys over the past several years. Two observations become apparent -- both measures show improvement in employment in Illinois from the lows reached in late 2009, but both also remain well below their recent highs reached in early 2008 following the beginning of the national recession at the end of 2007. Moreover, Illinois' current unemployment rate of 9.8% is significantly higher than some nearby states. Even Michigan, which often had the highest rate during the past recession, recorded a lower rate of 9.3% at year-end, Indiana a 9.0% rate, while Ohio had 8.1%, Missouri an 8.0% rate and Wisconsin an unemployment rate of 7.1%. Moreover, when comparing Illinois to the nation, payroll employment for the nation had recovered its pre-recession level following the 2001 recession by early 2005. In contrast, Illinois never did recoup all the jobs lost during that recession before the next recession began, making the gap to reach a new high much more difficult. Thus, Illinois' job picture, while improving, continues to lag that shown for the nation as a whole as well as its surrounding states.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS	DEC. 2011	NOV. 2011	DEC. 2010
Unemployment Rate (Average)	9.8%	10.0%	9.2%
Annual Rate of Inflation (Chicago)	-5.4%	-2.2%	2.1%

	LATEST MONTH	% CHANGE OVER PRIOR MONTH	% CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (December)	6,624	-0%	-0.6%
Employment (thousands) (December)	5,976	0.2%	-1.2%
New Car & Truck Registration (December)	40,589	4.0%	9.6%
Single Family Housing Permits (December)	463	-16.7%	30.4%
Total Exports ($ mil) (November)	5,371	-0.7%	25.0%
Chicago Purchasing Managers Index (January)	60.2	-3.2%	-12.5%

Illinois Employment Data – A Further Look

Eric Noggle, Senior Revenue Analyst

As discussed in the opening section, the establishment survey data from the Bureau of Labor Statistics (BLS) provides a reliable source of information to track and analyze Illinois' non-farm payroll jobs. Not only do these data provide a practical look at overall trends in Illinois employment, but the ability to break down this data by sector allows for a better understanding of which areas of employment are seeing improvement and which are continuing to struggle. In addition, the availability of state-by-state data in this same format enables the Commission to provide a comparison between the job growths of Illinois' employment sectors versus those of other states.

The table on page 2 illustrates that 2011 ended with 5.676 million employees on non-farm payrolls in Illinois according to the Establishment Survey (seasonally adjusted). This represents a 0.9% increase from December 2010 levels. For the year, the average number of employees in Illinois was 5.671 million, a 1.0% increase over the 2010 average of 5.612 million employees. This was the first annual increase in jobs following three consecutive years of declines.

While the 2011 increase is encouraging, employment in Illinois is still significantly below previous levels. For example, the December 2011 figure of 5.676 million jobs remains 5.2% below the 5.986 million employees reached just four years ago in December 2008 and 6.3% below the 6.058 million employees - Illinois' highest level - reached in June 2000. This means that Illinois employment levels, despite the recent uptick, remain 381.2 thousand jobs below its high.

The Commission is often asked what types of jobs have been lost in Illinois and what sectors are now benefitting from the modest job recovery. As a way to illustrate the change in employment over the last several years, the Commission has compiled several employment-related tables comparing various sectors of employment in the State.

The table below displays the average number of jobs by year reported by BLS between CY 1990 and CY 2011 and its year-over-year average percentage change. These data are also broken down by employment sector and provide a good perspective on how Illinois' latest figures compared to those in the past.

ILLINOIS
Nonfarm Employment by Sector
(In Thousands, Seasonally Adjusted)

Year Average	Total	Construct.	Manufac.	Trade, Trans. &	Inform.	Financial Activities	Profess. & Business	Edu. & Health	Leisure and Hospitality	Other Services	Govt
1990	5,287.2	223.7	914.7	1,146.7	131.2	374.3	573.4	537.6	393.9	226.0	765.9
1991	5,233.0	208.5	875.8	1,125.5	132.9	374.2	563.7	562.8	393.1	226.3	770.3
1992	5,234.7	201.7	855.3	1,113.8	130.6	375.9	579.3	581.0	396.5	226.8	773.8
1993	5,331.0	203.4	860.4	1,138.7	132.7	382.3	602.3	594.6	415.0	227.1	774.6
1994	5,462.9	215.3	877.9	1,168.4	138.5	377.7	633.1	604.0	428.6	233.0	786.4
1995	5,593.0	222.9	893.6	1,188.7	138.2	376.6	666.5	621.0	449.6	237.5	798.5
1996	5,683.7	229.0	898.7	1,198.5	140.4	383.7	691.3	635.6	457.0	240.3	809.2
1997	5,770.7	235.4	902.2	1,208.3	144.0	394.3	732.7	642.7	460.2	242.9	808.1
1998	5,898.2	244.7	905.9	1,216.6	146.1	400.7	785.6	661.4	472.8	248.5	816.1
1999	5,959.1	256.1	882.1	1,230.5	143.5	405.6	817.3	664.9	479.0	254.1	825.9
2000	6,044.8	269.6	870.6	1,247.6	147.5	404.1	842.8	681.1	486.6	255.2	839.7
2001	5,995.1	277.1	815.4	1,231.7	147.2	403.6	820.6	697.1	491.1	261.1	850.2
2002	5,883.4	277.4	754.0	1,197.8	137.1	400.6	791.5	710.6	492.0	261.6	860.7
2003	5,810.7	274.8	714.1	1,183.0	127.6	401.7	777.3	718.1	497.3	263.8	853.0
2004	5,816.9	270.3	697.1	1,180.3	120.9	399.4	798.6	729.9	506.1	269.1	845.1
2005	5,862.2	268.7	688.2	1,186.9	118.2	401.9	826.3	745.1	512.3	268.2	846.3
2006	5,932.8	275.2	683.3	1,198.5	116.2	405.2	854.4	762.2	522.7	269.7	845.5
2007	5,979.5	271.2	675.2	1,212.2	115.9	402.8	870.6	779.8	531.5	271.3	849.1
2008	5,949.3	258.2	657.3	1,204.9	114.4	391.7	860.3	801.3	532.7	273.2	855.3
2009	5,657.9	217.1	576.7	1,139.6	106.4	372.0	788.0	816.5	516.7	267.3	857.6
2010	5,612.1	198.1	559.1	1,125.2	101.7	361.1	799.4	832.5	514.4	263.6	857.0
2011	5,670.6	202.4	569.3	1,139.5	97.6	355.9	820.8	851.1	521.9	265.0	847.4
Dec 2011	5,676.4	194.9	572.6	1,139.1	96.9	354.9	829.9	860.6	522.9	252.3	843.0

Annual % Change

Year Average	Total	Construct.	Manufac.	Trade, Trans. & Utilities	Inform.	Financial Activities	Profess. & Business Services	Edu. & Health Services	Leisure and Hospitality	Other Services	Govt
1990											
1991	-1.0%	-6.8%	-4.3%	-1.9%	1.3%	0.0%	-1.7%	4.7%	-0.2%	0.1%	0.6%
1992	0.0%	-3.3%	-2.3%	-1.0%	-1.7%	0.5%	2.8%	3.2%	0.9%	0.2%	0.5%
1993	1.8%	0.9%	0.6%	2.2%	1.6%	1.7%	4.0%	2.3%	4.7%	0.1%	0.1%
1994	2.5%	5.9%	2.0%	2.6%	4.3%	-1.2%	5.1%	1.6%	3.3%	2.6%	1.5%
1995	2.4%	3.5%	1.8%	1.7%	-0.2%	-0.3%	5.3%	2.8%	4.9%	1.9%	1.5%
1996	1.6%	2.8%	0.6%	0.8%	1.6%	1.9%	3.7%	2.4%	1.6%	1.2%	1.3%
1997	1.5%	2.8%	0.4%	0.8%	2.6%	2.8%	6.0%	1.1%	0.7%	1.1%	-0.1%
1998	2.2%	3.9%	0.4%	0.7%	1.5%	1.6%	7.2%	2.9%	2.7%	2.3%	1.0%
1999	1.0%	4.6%	-2.6%	1.1%	-1.8%	1.2%	4.0%	0.5%	1.3%	2.3%	1.2%
2000	1.4%	5.3%	-1.3%	1.4%	2.8%	-0.4%	3.1%	2.4%	1.6%	0.4%	1.7%
2001	-0.8%	2.8%	-6.3%	-1.3%	-0.2%	-0.1%	-2.6%	2.3%	0.9%	2.3%	1.2%
2002	-1.9%	0.1%	-7.5%	-2.8%	-6.8%	-0.7%	-3.6%	1.9%	0.2%	0.2%	1.2%
2003	-1.2%	-0.9%	-5.3%	-1.2%	-6.9%	0.3%	-1.8%	1.1%	1.1%	0.8%	-0.9%
2004	0.1%	-1.7%	-2.4%	-0.2%	-5.2%	-0.6%	2.7%	1.6%	1.8%	2.0%	-0.9%
2005	0.8%	-0.6%	-1.3%	0.6%	-2.3%	0.6%	3.5%	2.1%	1.2%	-0.3%	0.2%
2006	1.2%	2.4%	-0.7%	1.0%	-1.7%	0.8%	3.4%	2.3%	2.0%	0.5%	-0.1%
2007	0.8%	-1.5%	-1.2%	1.1%	-0.2%	-0.6%	1.9%	2.3%	1.7%	0.6%	0.4%
2008	-0.5%	-4.8%	-2.7%	-0.6%	-1.3%	-2.8%	-1.2%	2.8%	0.2%	0.7%	0.7%
2009	-4.9%	-15.9%	-12.3%	-5.4%	-7.0%	-5.0%	-8.4%	1.9%	-3.0%	-2.2%	0.3%
2010	-0.8%	-8.8%	-3.0%	-1.3%	-4.4%	-2.9%	1.4%	2.0%	-0.4%	-1.4%	-0.1%
2011	1.0%	2.2%	1.8%	1.3%	-4.1%	-1.4%	2.7%	2.2%	1.5%	0.5%	-1.1%

The following table shows the 5.676 million jobs reported by the Bureau of Labor Statistics (BLS) in December 2011, and then breaks the jobs down by sector. The table also identifies how recent data compare to different points in time over the last twenty years. In December 2011, the largest producer of jobs in Illinois was the "Trade, Transportation, and Utilities" subsector, employing 1.139 million people. This was followed by the subsectors of "Education and Health Services", "Government", and "Professional and Business Services".

Illinois Change in Employment by Subsector Since 1990

Employment Values in thousands.	Dec 2011 Value	2000-2010 Lowpoint	2000-2010 Highpoint	Dec 2011 Value vs. Highpoint Difference	Highpoint % Change	2010 Avg. % Change	2008 Avg. % Change	2005 Avg. % Change	2000 Avg. % Change	1995 Avg. % Change	1990 Avg. % Change
Total Nonfarm	**5,676.4**	**5,580.5**	**6,057.6**	**-381.2**	**-6.3%**	**1.1%**	**-4.6%**	**-3.2%**	**-6.1%**	**1.5%**	**7.4%**
Mining and Logging	9.3	8.9	10.6	-9.5	-12.3%	1.9%	-4.9%	-5.6%	-5.9%	-33.3%	-49.7%
Construction	194.9	188.1	281.0	-86.1	-30.6%	-1.6%	-24.5%	-27.5%	-27.7%	-12.5%	-12.9%
Manufacturing	572.6	553.2	877.3	-351.3	-34.7%	2.4%	-12.9%	-16.8%	-34.2%	-35.9%	-37.4%
Trade, Transportation, and Utilities	1,139.1	1,118.8	1,252.5	-113.4	-9.1%	1.2%	-5.5%	-4.0%	-8.7%	-4.2%	-0.7%
Information	96.9	100.4	149.7	-52.8	-35.3%	-4.7%	-15.3%	-18.0%	-34.3%	-29.9%	-26.1%
Financial Activities	354.9	358.0	406.9	-53.2	-12.8%	-1.7%	-9.4%	-11.7%	-12.2%	-5.8%	-5.2%
Professional and Business Services	829.9	771.1	876.0	-46.1	-5.3%	3.8%	-3.5%	0.4%	-1.5%	24.5%	44.7%
Education and Health Services	860.6	676.6	844.6	0	1.9%	3.4%	7.4%	15.5%	26.4%	38.6%	60.1%
Leisure and Hospitality	522.9	483.8	536.3	-13.4	-2.5%	1.7%	-1.8%	2.1%	7.5%	16.3%	32.8%
Other Services	252.3	243.5	265.6	-13.3	-5.0%	-0.9%	-4.2%	-2.4%	2.9%	12.9%	21.6%
Government	843.0	832.1	866.4	-23.4	-2.7%	-1.6%	-1.4%	-0.4%	0.4%	5.6%	10.1%

Source: Bureau of Labor Statistics, Nonfarm Employment, Seasonally Adjusted.

The most telling statistic from the table may be the "Highpoint % Change" column, comparing the December 2011 value with the highpoint that each of these sectors reached over the past two decades. The most note-worthy changes come from three sectors, Construction (down 30.6% from its highpoint), Information (down 35.3%), and Manufacturing (down 34.7%). The Manufacturing sector is particularly noteworthy because it was the second largest producer of jobs, in CY 2000, averaging over 870 thousand jobs. Comparing this figure to the December 2011 level of 573 thousand employees, manufacturing employment has dropped nearly 300 thousand jobs over this time period.

While the previous paragraphs have highlighted how Illinois' employment levels have been slow to recover from the "Great Recession", Illinois is not alone in this occurrence. States across the nation have struggled to return to pre-Recession employment levels. The question by many is how Illinois' recovery compares to that of other states? The table on the following page allows for a broad comparison between the employment changes of Illinois and other states throughout the nation. The figures indicate that Illinois has performed similar to most of the other Midwestern states.

The Percent Change of Employment Levels for Illinois, United States, and Other Midwestern States by Calendar Year Average, Seasonally Adjusted Data											
State	Total	Construct.	Manufac.	Trade, Trans. & Utilities	Inform.	Financial Activities	Profess. & Business Services	Edu. & Health Services	Leisure and Hospitality	Other Services	Govt
2011 versus 2010											
Illinois	**1.0%**	**2.2%**	**1.8%**	**1.3%**	**-4.1%**	**-1.4%**	**2.7%**	**2.2%**	**1.5%**	**0.5%**	**-1.1%**
United States	1.0%	0.0%	1.7%	1.3%	-1.5%	-0.2%	3.0%	2.2%	1.5%	2.7%	-1.8%
Indiana	0.1%	3.9%	1.6%	-0.8%	-2.2%	1.6%	1.8%	1.1%	0.0%	-1.2%	-3.4%
Iowa	0.9%	1.0%	2.4%	1.5%	-3.8%	-1.8%	1.9%	1.4%	3.9%	-2.4%	-1.0%
Kentucky	1.4%	-4.9%	2.5%	0.3%	-0.5%	-2.3%	5.6%	1.8%	5.8%	1.7%	-0.8%
Michigan	1.6%	5.5%	5.1%	0.8%	-1.1%	0.7%	5.2%	2.4%	-1.1%	2.0%	-2.3%
Missouri	0.1%	-1.5%	3.4%	0.6%	-6.2%	-0.4%	0.8%	0.6%	-0.6%	0.1%	-1.4%
Ohio	1.4%	2.4%	1.9%	0.7%	-0.5%	0.5%	2.9%	2.9%	1.9%	2.1%	-1.2%
Wisconsin	0.8%	-6.9%	3.2%	1.0%	1.1%	-2.2%	0.7%	1.8%	1.0%	4.0%	-1.0%
2011 versus 2008 (pre-"Great Recession")											
Illinois	**-4.7%**	**-21.6%**	**-13.4%**	**-5.4%**	**-14.7%**	**-9.1%**	**-4.6%**	**6.2%**	**-2.0%**	**-3.0%**	**-0.9%**
United States	-4.1%	-22.8%	-12.5%	-5.2%	-10.5%	-6.5%	-3.1%	6.1%	-1.6%	-0.7%	-1.9%
Indiana	-5.4%	-17.1%	-13.0%	-7.3%	-12.3%	-2.8%	-1.5%	5.7%	-4.4%	-5.4%	-3.7%
Iowa	-2.7%	-14.7%	-9.9%	-1.6%	-16.7%	-3.2%	0.8%	4.4%	-0.6%	-3.9%	-0.7%
Kentucky	-3.1%	-23.7%	-12.6%	-5.4%	-11.6%	-8.2%	3.7%	4.1%	3.1%	-3.8%	1.8%
Michigan	-5.8%	-16.6%	-13.2%	-7.2%	-9.7%	-7.1%	-3.9%	4.0%	-7.1%	-3.4%	-4.6%
Missouri	-5.0%	-25.9%	-13.3%	-5.2%	-15.1%	-2.1%	-5.8%	3.8%	-4.0%	-3.9%	-0.4%
Ohio	-4.9%	-18.9%	-14.5%	-7.7%	-10.1%	-5.1%	-4.3%	6.4%	-1.6%	-2.0%	-3.0%
Wisconsin	-4.2%	-25.9%	-9.8%	-5.1%	-6.2%	-6.1%	-4.4%	4.6%	-2.2%	2.4%	-1.4%
2011 versus 2001											
Illinois	**-5.4%**	**-27.0%**	**-30.2%**	**-7.5%**	**-33.7%**	**-11.8%**	**0.0%**	**22.1%**	**6.3%**	**1.5%**	**-0.3%**
United States	-0.5%	-19.1%	-28.7%	-4.1%	-26.4%	-2.5%	4.3%	27.8%	9.9%	6.3%	4.5%
Indiana	-4.7%	-19.3%	-26.4%	-10.4%	-22.1%	-7.5%	12.4%	26.7%	1.6%	-2.3%	3.3%
Iowa	1.1%	-3.1%	-14.7%	-2.2%	-26.7%	8.0%	15.7%	16.8%	8.5%	-1.2%	2.4%
Kentucky	-0.7%	-26.5%	-26.6%	-5.1%	-20.9%	2.3%	20.1%	19.2%	15.9%	-0.6%	5.3%
Michigan	-14.0%	-37.9%	-39.4%	-17.0%	-24.6%	-10.2%	-11.2%	22.0%	-6.2%	-4.9%	-9.5%
Missouri	-2.9%	-26.1%	-27.3%	-5.6%	-26.6%	1.4%	2.2%	19.0%	5.2%	-1.3%	3.7%
Ohio	-8.0%	-28.7%	-33.7%	-12.9%	-27.5%	-10.4%	1.8%	24.8%	0.5%	-5.8%	-2.7%
Wisconsin	-2.0%	-30.1%	-20.6%	-6.3%	-11.6%	1.5%	12.8%	21.7%	6.4%	7.9%	0.5%

Source: The Bureau of Labor Statistics at http://www.bls.gov/sae/sm_mrs.htm. Data Compiled by CGFA.

As shown above, compared to 2010, Illinois' employment increase in 2011 equaled that of the nation with a modest growth rate of 1.0%. While Illinois' rate of change was significantly better than the nation in the Construction sector (2.2% vs. 0.0% growth), the State performed notably worse than the nation in the sectors of Information (-4.1% vs. -1.5%), Financial Activities (-1.4% vs. -0.2%), and Other Services (0.5% vs. 2.7%). In comparison to other Midwestern states, Illinois overall growth of 1.0% was in the middle of the pack. The states of Kentucky (1.4%), Michigan (1.6%), and Ohio (1.4%) had slightly higher growth rates than Illinois for this time period.

In comparing 2011 with the pre-"Great Recession" levels of 2008, Illinois trails the nation as a whole in recouping the level of jobs experienced in the past. Illinois' total average employment levels in 2011 are 4.7% below the average levels in 2008, compared to -4.1% for the United States. The numbers show that the biggest difference in this rate of change between Illinois and the nation is in the sectors of Manufacturing (-13.4% vs. -12.5%), Information (-14.7% vs. -10.5%), Financial Activities (-9.1% vs. -6.5%), Professional & Business Services (-4.6% vs. -3.1%), and in Other Services (-3.0% vs. -0.7%).

A further look shows that the Construction sector in Illinois, despite the 2.2% improvement between 2010 and 2011, remains 21.6% below the average levels of 2008. But the table also indicates that Illinois is not alone in this falloff of construction jobs. For example, three other states in the Midwest (Kentucky at -23.7%, Missouri at -25.9%, and Wisconsin at -25.9%) have a worse rate of change than that of Illinois for this time period. In fact, Illinois is actually better than the national average (-22.8%) for the construction sector for this particular rate of change. Heavy previous overbuilding in states like Florida and Nevada were reflected in the national data.

The lower section of the preceding table shows how employment levels have changed over the last decade (2011 vs. 2001). The difference between Illinois and the nation is more apparent when comparing this time period. The average number of overall jobs in Illinois in 2011 is 5.4% below 2001 levels. In contrast, the rate of change for the nation was -0.5%. But, again, Illinois is not alone in this occurrence. In fact, of the Midwestern states shown in the table, only Iowa beats the national average in this rate-of-change comparison. This reflects the shifting of the nation's population away from the Midwest over the last decade. Michigan was by far the worst state with its 2011 employment levels still 14.0% below that of 2001, followed by Ohio at -8.0%. Indiana was slightly better than Illinois with a percentage change of -4.7%.

In a recently released report prepared for the Commission by Moody's Analytics entitled, "State of Illinois Forecast Report: January 2012", the authors discuss possible reasons for the recent declines in employment in Illinois and the differences between Illinois and the United States. Below is an excerpt from this report:

> *Service-providing industries are the cause of (Illinois') lagging performance...(G)oods industries such as construction and manufacturing made larger cutbacks relative to the size of their workforces during the recession and have been slower to grow their payrolls in the recovery, but trends for construction and manufacturing employment in the state, for example, are similar to those nationally. Goods-producing employment fell by about one-fifth in both Illinois and the nation in 2008 and 2009 and since has recovered only about 10% of those declines.*
>
> *Conversely, private service-providing employment logged a bigger decline in the state relative to the nation during the downturn and has come back slowly. Thus, while private service-providing industries in Illinois slashed*

payrolls by nearly 6% during the downturn, the drop was closer to 5% nationally. More importantly, whereas nationally these industries have recouped 60% of the jobs lost during the recession, in Illinois the share is a much lower 40%.

[For further details regarding Moody's take on the employment picture in Illinois, obtain the report in its entirety on the Commission's website, which is shown on the front page of this report].

A key component to the economy of Illinois and its financial recovery is not only the number of new jobs being created, but also the weekly earnings of those areas of employment. As shown in the following table, the "Education and Health Services" and the "Leisure and Hospitality" sectors have seen the largest improvement in the number of jobs over the last decade but are two of the lowest sectors in terms of weekly earnings. Equally troublesome is the fact that those sectors with the highest weekly earnings were the sectors that have lost the most jobs.

Average Weekly Earnings and Employment Change by Sector in Illinois

	CY '10 Avg. Weekly Earnings	CY '11 Avg. Weekly Earnings	Annual Ch. Weekly Earnings	CY '11 vs CY '01 Difference in Jobs (thous.)	CY '11 vs CY '01 % Change in Jobs
Construction	$1,237	$1,274	3.0%	-74.7	-27.0%
Manufacturing	$924	$979	5.9%	-246.2	-30.2%
Trade, Transportation, and Utilities	$693	$733	5.8%	-92.2	-7.5%
Information	$1,039	$1,004	-3.4%	-49.6	-33.7%
Financial Activities	$1,035	$1,054	1.8%	-47.7	-11.8%
Professional and Business Services	$1,025	$1,008	-1.6%	0.1	0.0%
Education and Health Services	$725	$757	4.5%	154.0	22.1%
Leisure and Hospitality	$319	$322	0.9%	30.8	6.3%

Note: "Mining", "Government", and "Other Services" subsectors' weekly earnings were not available.
Source: Bureau of Labor Statistics

For example, the sector with the highest weekly earnings in CY 2011 was the construction sector, paying, on average, $1,274 per week. However, construction jobs are down 27.0% since CY 2001. The second highest paying sector is the "Financial Activities" sector ($1,054 per week), but employment in this category is down 11.8% over the last 10 years. These statistics suggest that although employment levels are improving in Illinois, the jobs being added appear to be lower paying.

One bright spot appears to be that most sectors of employment saw their weekly earnings increase in 2011 compared to 2010. The Manufacturing industry had the largest increase at 5.9%. This increase follows the 5.5% gain the year prior. In fact, weekly earnings in the Manufacturing sector in Illinois have increased by 13.5% since 2008. Other sectors of employment with notable growth in 2011 over 2010 were the Trade, Transportation, and Utilities sector (+5.8%), Education and Health Services (+4.5%), and Construction (+3.0%). Sectors with declining weekly earnings in 2011 were Information (-3.4%) and the Professional and Business Services sector (-1.6%).

So what does the future hold for Illinois employment? While, undoubtedly, there are a wide range of opinions on this matter, the previously-mentioned Moody's report gives the following near-term outlook on employment:

> *Employment in the state is not expected to return to its prior peak until early 2015, about a year later than the nation. The unemployment rate will hold at close to 10% over the next several months before gradually coming down late in the year and falling more quickly throughout 2013. It will take three more years for the jobless rate to return to a long-run value of 5% to 6%.*

Unfortunately for state coffers, a slow jobs recovery means that a dramatic upward trend in income-related tax receipts should not be expected in the near future. Ultimately, the job growth in Illinois and its impact on State revenues will depend on the level of pay that these new jobs garner. The higher wages paid to the employees, the more money that will be collected from the State's income tax (especially at the new higher rate of 5%). And of course, the higher the pay, the more money that could be spent in Illinois to increase sales and other related tax revenues. But if the new jobs tend to be lower paying jobs, the increase in employment may not lead to the corresponding increase in Illinois tax revenues that the State has benefitted from in the past.

The Commission will continue to monitor the progress of jobs in Illinois and will provide further updates as more data becomes available.

$800 million General Obligation Bond Sale

Lynnae Kapp, Bond Analyst

The Governor's Office of Management and Budget closed on an $800 million General Obligation Bond sale in January 2012. The Bonds were sold competitively in two series. Series A was tax-exempt in the amount of $525 million with a True Interest Cost of 3.9125%. Series B was taxable in the amount of $275 million which sold at a True Interest Cost of 5.299%. The 3.9% TIC was the lowest rate received on a G.O. tax-exempt bond sale in at least the last thirty years of Illinois history. This low rate came even after the downgrade received by Moody's the week before (see below). Bond proceeds will be used for projects under the State's multi-year $31 billion capital plan.

With the sale of $800 million in General Obligation Bonds in January 2012, the three rating agencies gave their analysis on where the State stands. Fitch reaffirmed its A rating with a stable outlook, while Standard & Poor's reaffirmed their ratings of an A+ with a negative outlook. Moody's downgraded Illinois' G.O. Bond rating from A1 to A2 and gave the State a stable outlook. They also downgraded the State's Build Illinois Bonds from A1 to A2, the Metropolitan Pier & Exposition Authority's Bonds and State Civic Center Bonds from A2 to A3. Moody's also put the State's public universities on watch for possible downgrades due to their receipt of State funding, payments of which have been consistently late.

ILLINOIS GENERAL OBLIGATION BOND RATINGS										
RATING AGENCIES	July 1997	June 1998	June 2000	May 2003	Dec 2008	Mar-July 2009	Dec 2009	Mar-Apr 2010	June 2010	January 2012
Fitch Ratings	AA	AA	AA+	AA	AA-	A	A	A-/A+*	A	A
Standard & Poor's	AA	AA	AA	AA	AA	AA-	A+	A+	A+	A+
Moody's	Aa3	Aa2	Aa2	Aa3	Aa3	A1	A2	A2/Aa3*	A1	A2

*Fitch and Moody's recalibrated their Municipal Bond ratings to be on a scale with their global ratings, thereby moving Illinois up to A+ and Aa3, respectively. These are NOT considered upgrades.

FITCH

December 2008	**↓ 1x**	**AA-**
July 2009	**↓ 2x**	**A**
March 2010	**↓ 1x**	**A-**
March 2010	**recalibration**	**A+**
June 2010	**↓ 1x**	**A**

Following several years during which the state was unwilling to take action to restructure its budget to achieve balance and increasing reliance on borrowing to close budget gaps, the temporary increases in the personal and corporate income taxes that became effective Jan. 1, 2011 and enacted spending limits closed a significant portion of the structural gap in the state's budget through fiscal 2014. Due to the temporary nature of the enacted tax increases, there is still no sustainable plan to resolve the mismatch between spending and revenues. Further, despite the significant increase in tax revenues, the fiscal 2012 budget is not balanced. The state still has a significant accounts payable backlog, which totaled $5.2 billion at the end of fiscal year 2011, equal to 17% of general fund *resources. Although the balance was reduced during fiscal 2011 as tax revenues increased, it is expected to increase again during the current fiscal year. The state's debt burden is above average and has risen over the past few years with issuance for operational purposes. Further, there is a large unfunded pension liability, despite the issuance of pension obligation bonds. The state passed bipartisan comprehensive pension reform (March 2010) that will lower its future pension liability but will not have a significant near-term effect on financial operations.*

S&P	**March 2009**	**↓ 1x**	**AA-**
	December 2009	**↓ 1x**	**A+**

The negative outlook reflects what we view as the state's large accumulated deficit and improved but still elusive structural budget balance despite significant revenue enhancement for the current financial plan period. The accumulated deficit continues to pressure the state's overall financial condition and liquidity in our view. If Illinois does not make meaningful changes to further align revenue and spending and address its accumulated deficit (accounts payable and general fund liabilities) for fiscal years 2012 and 2013, we could lower the rating this year. The outlook also reflects ongoing weakness in the state's pension funds and the possibility that it might issue a significant amount of additional debt as part of its effort to address the large accumulated budget deficit. A downgrade could also be triggered if pension funding levels continue to deteriorate or debt levels increase significantly, which would pressure the state's near-term financial performance. If pension funding levels stabilize and revenues and expenditures are successfully aligned in the next year, thereby stabilizing Illinois' finances, we could revise the outlook to stable. We do not believe there is upside potential to the rating in the next year given the range of budget and liability challenges the state faces.

MOODY'S	**April 2009**	**↓ 1x**	**A1**
	December 2009	**↓ 1x**	**A2**
	April 2010	**recalibration**	**Aa3**
	June 2010	**↓ 1x**	**A1**
	January 2012	**↓ 1x**	**A2**

The downgrade of the state's long-term debt follows a legislative session in which the state took no steps to implement lasting solutions to its severe pension under-funding or to its chronic bill payment delays. Failure to address these challenges undermines near- to intermediate-term prospects for fiscal recovery. It remains to be seen whether the state has the political willingness to impose durable policies leading to fiscal strength, though in the recent past it has reached consensus on difficult decisions, such as temporary income tax increases enacted last year that stabilized state finances and reduced the state's need for non-recurring budgetary measures. Illinois retains the sovereign revenue and spending powers common to all U.S. state governments. These powers, along with Illinois' legal provisions giving G.O. debt service priority over other state spending, support the move to a stable outlook.

We have also downgraded to A2 from A1 the rated portion of the state's $2.47 billion of outstanding Build Illinois sales tax revenue bonds, and to A3 from A2 $2.48 billion of Metropolitan Pier and Exposition Authority and $73 million of Civic Center Program bonds.

Current Build Illinois Bond Downgrades

MOODY'S	**October 2009**	**↓ 1x**	**A1**
	December 2009	**↓ 1x**	**A2**
	April 2010	**recalibration**	**Aa3**
	June 2010	**↓ 1x**	**A1**
	January 2012	**↓ 1x**	**A2**

BUILD ILLINOIS BOND RATINGS						
Rating Agencies	Apr/July 2009	Oct 2009	Dec 2009	Mar-Apr 2010*	June 2010	January 2012
Fitch Ratings	AA	AA	AA	AA+	AA+	AA+
Standard & Poor's	AAA	AAA	AAA	AAA	AAA	AAA
Moody's	Aa3	A1	A2	Aa3	A1	A2
*Fitch and Moody's Recalibration.						

REVENUE

January Revenues Post Decent Gains Despite Weak Federal Sources

Jim Muschinske, Revenue Manager

While federal sources again suffered a significant drop, overall base revenues were fairly positive in January, posting gains of $576 million. For the month, virtually all non-federal revenue sources managed to post gains. It should be mentioned that we are now beginning to compare against the post-income tax period of last year. As a result, rates of growth will slow over the remainder of the year. January had the same number of receipt days as last year.

Gross personal income tax grew $708 million, or $646 million net of refunds. Gross corporate income taxes grew $18 million, or $17 million net of refunds. While appearing modest, the monthly gain was actually more impressive given that last January approximately $17 million in net corporate income tax was classified as tax amnesty. Sales taxes also performed well, rising $37 million. [Underlying sales tax growth was even better when approximately $5 million in tax amnesty from last year is excluded].

As expected, inheritance tax receipts jumped as a consequence of tax changes which went into effect January 2011, up $25 million. Public utility taxes managed to post a gain of $6 million, while nearly all of the other sources were either essentially flat or posted minor gains. Only interest earnings actually returned a loss this month, down $1 million.

Overall transfers declined $8 million in January. While lottery transfers gained $1 million, this was offset by a loss of $6 million in riverboat transfers and a $3 million decline in other transfers. Finally, federal sources again dropped significantly, down $150 million.

Year to Date

Through January, absent short-term borrowing, tobacco settlement proceeds and Budget Stabilization Fund transfers, base general funds revenues are up $1.684 billion. The increase has been fueled by comparatively higher income tax receipts stemming from the January 2011 rate increases as well as continued strong sales tax receipts. Those items have been more than enough to overcome a significant falloff in federal sources that resulted from less reimbursable spending as well as a return to a lower federal matching rate [under ARRA, states enjoyed approximately two years of higher reimbursable match which has now ended].

To date, gross personal income taxes are up $3.549 billion, or $3.238 billion net of refunds. Gross corporate income taxes are up $205 million, or $196 million net of refunds. Sales taxes have increased $239 million, while all other revenue sources displayed a decline of $29 million.

Overall transfers are down $174 million, primarily as the result of $354 million of interfund borrowing that took place last fiscal year through January. Other transfers are down $265 million, while regular riverboat transfers are up $14 million [the final payment of $73 million is related to the sale of the 10th license]. Lottery transfers are up a scant $4 million for the year. Federal source receipts suffered a significant drop falling $1.786 billion due to lower reimbursable spending as well as reduced reimbursement rates previously enjoyed under ARRA.

GOMB's Latest FY 2012 Budget Plan

The table on the next page details the State's most recent FY 2012 fiscal plan as presented in the January 2012 Official Statement related to the recent $800 million G.O. Bond sale. As shown since enactment, the State's fiscal year operating deficit has grown slightly, from $453 million to $507 million. However, when the negative budgetary basis to begin the fiscal year is included, the budgetary deficit at the end of FY 2012 is expected to grow from an earlier $5.033 billion to a revised $5.199 billion. [It should be noted that those amounts do not include all of the State's outstanding general funds obligations. In fact, the Comptroller's recent Quarterly newsletter indicated the backlog to be approximately $8.5 billion when outstanding Medicaid, corporate tax refunds, employee health insurance, and interfund borrowing repayments are included].

General Funds Budget Plan --FY 2010 to FY 2012 $ millions	FY 2010	FY 2011	FY 2012		
	FY 2010 Actuals [June 2011]	FY 2011 Unaudited Actuals 11/11	Proposed Feb. 2011 FY 2012	Enacted FY 2012 Aug-11	Adopted FY 2012 Dec-11
Revenues [GOMB]	$27,366 GOMB	$30,487 GOMB	$33,932 GOMB	$33,124 GOMB	$33,140 GOMB
Appropriations*	$26,354	$25,845	$26,733	$24,991	$25,256
less unspent approp	($896)	($338)	($802)	($500)	($904)
Net Approp Spending	$25,458	$25,507	$25,931	$24,491	$24,352
Pension Contributions	$3,466	$3,680	$4,594	$4,230	$4,135
Savings from Pension Stabilization		$0	$0	$0	$0
Statutory Transfers Out					
approx. Legislatively Required Transfers	$1,067	$1,509	$2,317	$2,065	$2,366
Pension Obligation Bond Debt Service	$564	$1,667	$1,559	$1,605	$1,605
Debt Service transfer for Capital Projects	$670	$540	$578	$563	$563
Debt Service on FY10 Medicaid Borrowing	$63	$189	$0	$0	$0
Debt Service on FY'11 Restructuring bonds		$0	$403	$0	$0
Reduced Transfer to LGDF	$0	$0	$0	$0	$0
Tranfers Payable at Year End	$940	$890	$0	$0	$0
Interfund Borrowing Repayments/BSF		$10	$0	$623	$626
Total Transfers Out	$3,304	$4,805	$4,857	$4,856	$5,160
Total Operating Spending and Transfers Out	$32,228	$33,992	$35,382	$33,577	$33,647
Operating Deficit (Surplus)	($4,862)	($3,505)	($1,450)	($453)	($507)
Short-term Borrowing	$1,250	$1,300	$0	$0	$0
Repay of Short-term Borrowing [w/ interest]	($2,276)	($1,322)	$0	$0	$0
Pension Obligation Bonds	$3,466	$3,680	$0	$0	$0
Tobacco Liquidation $1.2b/Interfund borrow $1.0b	$0	$1,250	$0	$0	$0
Interfund Borrowing (per Emergency Budget Act)		$0	$0	$0	$0
Voucher Payment Notes		$0	$0	$0	$0
Proposed FY'11 GO Restucturing Bond		$0	$1,450	$0	$0
Budget Deficit (Surplus)	($2,422)	$1,403	$0	($453)	($507)
Budgetary Basis to Begin Year	($3,673)	($6,095)	($21)	($4,580)	($4,692)
Budget Deficit at End of Year	($6,095)	($4,692)	($21)	($5,033)	($5,199)

* See GOMB's FY 2012 Budget Book and latest Official Statements for detailed explanations.
SOURCES: GOMB February 2012 Budget Book; previous Preliminary Official Statements

Updated FY 2012 Revenue Outlook

The State's latest enacted budget [per the January Official Statement] assumes revenues will be $33.140 billion. Taking into account the latest federal source estimate released by GOMB, which reflects the Administration's updated reimbursable spending plan, CGFA's preliminary review of this year's revenues yields a forecast of $33.417 billion. The following table provides an abbreviated view of the current fiscal year, comparing updated CGFA and GOMB revenue projections. CGFA still maintains that revenues will surpass budgeted assumptions. As shown, while CGFA's overall estimates of State sources and transfers have not meaningfully changed since July 2011, those same estimates of GOMB have been revised up and are now much closer to CGFA's view. Both estimates reflect the Administration's latest reimbursable spending plan and much lower estimate of federal sources.

Preliminary CGFA FY 2012 Update vs. GOMB FY 2012 per Three-Year Budget Report							
General Funds	CGFA Estimates FY'12			GOMB Estimates FY'12			CGFA vs.
$millions	July-11	Feb-12	Change	Aug-11	Jan.-12	Change	GOMB
State Sources	$27,749	$27,755	$6	$26,989	$27,485	$496	$270
Transfers	$1,838	$1,832	($6)	$1,810	$1,826	$16	$6
Federal Sources	$4,350	$3,830	($520)	$4,325	$3,830	($495)	$0
Total	$33,937	$33,417	($520)	$33,124	$33,141	$17	$276

Preliminary View of FY 2013

While the Commission is not scheduled to release its official FY 2013 estimate until a planned CGFA meeting early in March, after the Governor's release of the Three-Year Budget Plan, a number of inquiries indicated a heightened interest in next year's revenue outlook. To address that, we have prepared a preliminary overview of FY 2013 expectations. For comparison purposes, the Governor's Office of Management and Budget's FY 2013 estimate, as presented in the just released Three-Year Budget Projection, also will be displayed.

As shown, a preliminary estimate of FY 2013 estimate yields a figure of approximately $34.3 billion reflecting estimated growth of $900 million. Those figures are quite similar to the GOMB estimates of $33.1 billion and $990 million in growth. Underlying assumptions include continued modest rates of growth in the economic sources as well as recent legislative changes enacted in the fall veto session. The federal source estimate reflects the Administration's planned spending on reimbursable programs per their Three-Year Budget report. Obviously, the federal source number will be affected by final appropriations as well as available resources.

Preliminary CGFA FY 2013 Outlook vs. GOMB FY 2013 per Three-Year Budget Report							
General Funds	CGFA Estimates FY'13			GOMB Estimates FY'13			CGFA vs.
$millions	FY'12	FY'13	Growth	FY'12	FY'13	Growth	GOMB
State Sources	$27,755	$28,286	$531	$27,485	$28,087	$602	$199
Transfers	$1,832	$1,831	($1)	$1,826	$1,844	$18	($13)
Federal Sources	$3,830	$4,200	$370	$3,830	$4,200	$370	$0
Total	$33,417	$34,317	$900	$33,141	$34,131	$990	$186

GENERAL FUNDS RECEIPTS: JANUARY

FY 2012 vs. FY 2011

($ million)

Revenue Sources	Jan. FY 2012	Jan. FY 2011	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$1,864	$1,156	$708	61.2%
Corporate Income Tax (regular)	88	70	$18	25.7%
Sales Taxes	657	620	$37	6.0%
Public Utility Taxes (regular)	97	91	$6	6.6%
Cigarette Tax	29	29	$0	0.0%
Liquor Gallonage Taxes	19	18	$1	5.6%
Vehicle Use Tax	2	1	$1	100.0%
Inheritance Tax (Gross)	29	4	$25	625.0%
Insurance Taxes and Fees	4	4	$0	0.0%
Corporate Franchise Tax & Fees	14	13	$1	7.7%
Interest on State Funds & Investments	2	3	($1)	-33.3%
Cook County IGT	0	0	$0	N/A
Other Sources	50	49	$1	2.0%
Subtotal	$2,855	$2,058	$797	38.7%
Transfers				
Lottery	47	46	$1	2.2%
Riverboat transfers & receipts	27	33	($6)	-18.2%
Proceeds from Sale of 10th license	0	0	$0	N/A
Other	35	38	($3)	-7.9%
Total State Sources	$2,964	$2,175	$789	36.3%
Federal Sources	$318	$468	($150)	-32.1%
Total Federal & State Sources	$3,282	$2,643	$639	24.2%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($163)	($101)	($62)	61.4%
Corporate Income Tax	($15)	(14)	($1)	7.1%
Subtotal General Funds	$3,104	$2,528	$576	22.8%
Short-Term Borrowing	$0	$0	$0	N/A
Tobacco Liquidation Proceeds	$0	$0	$0	N/A
Pension Contribution Fund Transfer	$0	$0	$0	N/A
Budget Stabilization Fund Transfer	$0	$0	$0	N/A
Total General Funds	$3,104	$2,528	$576	22.8%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 2-Feb-12

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2012 vs. FY 2011

($ million)

Revenue Sources	FY 2012	FY 2011	CHANGE FROM FY 2011	% CHANGE
State Taxes				
Personal Income Tax	$9,014	$5,465	$3,549	64.9%
Corporate Income Tax (regular)	1,213	1,008	$205	20.3%
Sales Taxes	4,312	4,073	$239	5.9%
Public Utility Taxes (regular)	601	631	($30)	-4.8%
Cigarette Tax	206	206	$0	0.0%
Liquor Gallonage Taxes	103	100	$3	3.0%
Vehicle Use Tax	16	17	($1)	-5.9%
Inheritance Tax (Gross)	111	116	($5)	-4.3%
Insurance Taxes and Fees	152	149	$3	2.0%
Corporate Franchise Tax & Fees	114	125	($11)	-8.8%
Interest on State Funds & Investments	11	20	($9)	-45.0%
Cook County IGT	56	56	$0	N/A
Other Sources	239	218	$21	9.6%
Subtotal	$16,148	$12,184	$3,964	32.5%
Transfers				
Lottery	347	343	$4	1.2%
Riverboat transfers & receipts	234	220	$14	6.4%
Proceeds from Sale of 10th license	73	0	$73	N/A
Other	506	771	($265)	-34.4%
Total State Sources	$17,308	$13,518	$3,790	28.0%
Federal Sources	$1,647	$3,433	($1,786)	-52.0%
Total Federal & State Sources	$18,955	$16,951	$2,004	11.8%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	($789)	($478)	($311)	65.1%
Corporate Income Tax	($212)	($203)	($9)	4.4%
Subtotal General Funds	$17,954	$16,270	$1,684	10.4%
Short-Term Borrowing	$0	$1,300	($1,300)	-100.0%
Tobacco Liquidation Proceeds	$0	$1,250	($1,250)	N/A
Pension Contribution Fund Transfer	$0	$0	$0	N/A
Budget Stabilization Fund Transfer	$275	$235	$40	N/A
Total General Funds	$18,229	$19,055	($826)	

SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.

CGFA 2-Feb-12