# Commission on Government Forecasting and Accountability

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***MONTHLY BRIEFING FOR THE MONTH ENDED: SEPTEMBER 2017***

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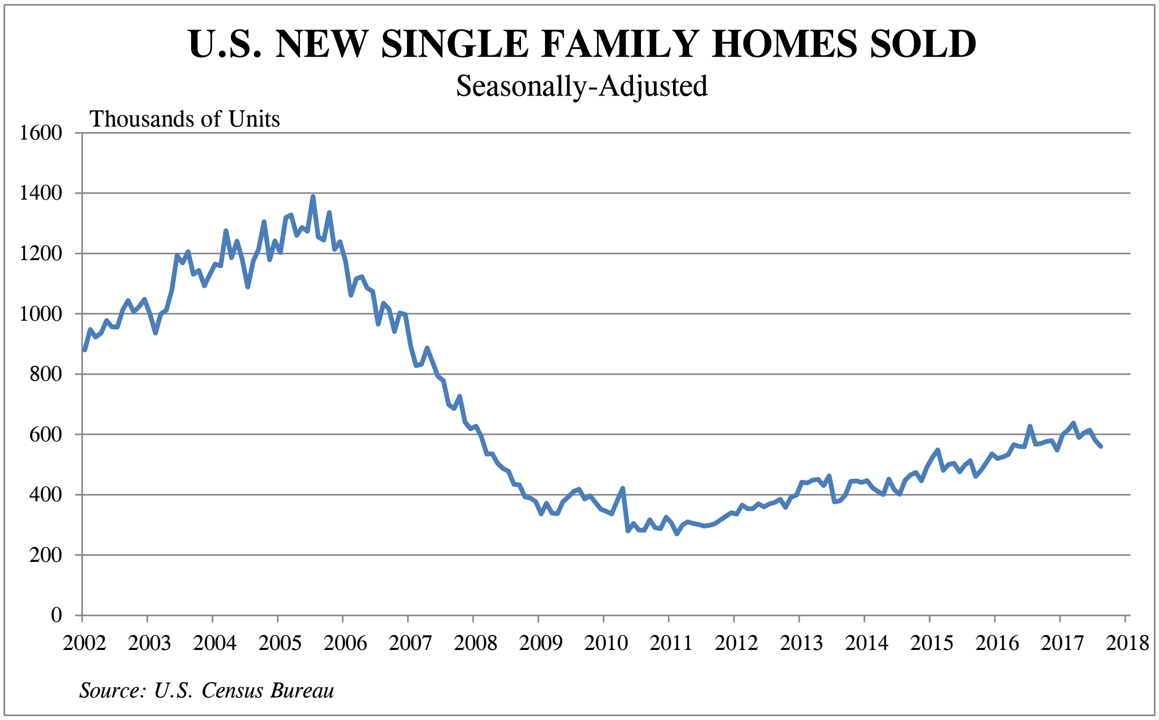
## ECONOMY: Will the Housing Market Recover Again?

Julie Bae, Pension Analyst/Economy Specialist

The Federal Reserve increased its short-term interest target rate (the Federal Funds Rate) from a range of 1.00% to 1.25% in June 2017, following the first 0.25% point hike in March of this year. The target rate remains unchanged as of September, but there appears to be one more rate increase later this year. Also, in October the Fed may start to reduce its $4.5 trillion balance sheet gradually to tighten its monetary policy. The Fed chairman, Janet Yellen, stated that the economy would continue to expand at a moderate rate and be robust enough to bear both the Fed's balance sheet normalization program and a higher interest rate. Mrs. Yellen thinks this year's low inflation rate would likely be temporary and anticipates that inflation will eventually catch up to the 2% level over the next few years while the Fed is closely watching for any significant changes in the direction of inflation.

The most recent nonfarm employment, released by the U.S. Bureau of Labor Statistics in September 2017, supports the Fed's view of the economy, even though the economic growth slowed down slightly in August. The data show that 156,000 jobs were newly added in August and job gains have averaged 176,000 per month this year so far after revisions made for June and July, resulting in a drop in employment growth of a combined 41,000 jobs. The unemployment rate in August moved up 0.1% from the previous month to 4.4%, a decline of 0.5% from a year earlier. Since April of this year, the rate has hovered between 4.3% and 4.4%.

Housing is one of the important factors contributing to the economy. Single-family houses sold are reflective of confidence in the housing market. The higher the sales, the more confidence builders get, and thus the higher supply of new homes. According to data released by the U.S. Census Bureau and the U.S. Department of Housing and Urban




Development, the sale of single-family houses in August surprisingly declined to 560,000 units, the lowest level in eight months and a 3.4% decrease from the revised July reading of 580,000 from an original estimate of 571,000. Although the August data were lower than expected, it possibly reflects the impact of the hurricanes, Harvey and Irma.

The housing market has been gradually recovering for almost a decade. Since the beginning of the Fed's Quantitative Ease (QE) program in December 2008 to restore the stagnant economy, housing sales have reached above 600,000 units five times. It all happened recently: once in 2016 and four times in 2017, including the March reading of 638,000 in 2017, the highest level among the five times. This long-run upward trend even with some volatility provides a positive signal of an improving housing market. Yet, there is much room left to catch up to the highest level reached in the past. Sales went above 1,000,000 units for the first time in 2002 and rose to 1,389,000, the highest level in history, in July 2005. According to IHS Markit's economic analysis, Dr. Patrick Newport, director of U.S. Economics at IHS Markit, says "*why are new home sales still so low by historical standards, when the economy and the housing market, generally appear healthy? The most likely reason is that the real household rate remains low because young adults are living with their parents (or with more roommates than they care to have) for longer periods of time than in the past. The current pause in new home sales is temporary. The numbers should turn soon.*"

Housing has been widely acknowledged as a good investment because historically it has proven that investment in housing almost always ends up paying off due to house price appreciation. The median sales price of new houses sold, not seasonally adjusted, gradually continued to grow hitting a record high at $262,600 in March 2007 prior to the housing market crash, leading to the 2007-2008 financial crisis. The median home price uncharacteristically declined during the housing collapse, but slowly began to recover at a volatile pace. Now it has recovered, exceeding the previous high level, reaching a record high in February 2013, and again peaked at $327,000 in December 2016. This year median new home prices, while volatile, slightly decreased lately. They were $300,200 for August, a 6.2% decrease from July but a 0.4% increase from a year earlier. The May reading of $323,600 is the highest in 2017, just slightly lower than the record high of $327,000. Still, the 8-month average of median house prices for this year exceeds that of last year for the same period of time.

The housing market in Illinois shows a similar positive slope. In addition to the measures mentioned above, home permits are also a great indicator of future activity as they foreshadow housing activity and must be issued before construction (although they are subject to being canceled). The number of new home permits in Illinois has been slowly recovering since the 2008 financial crisis. Prior to the financial crisis, there were 43,020 of new home permits in 2007, but it was almost halved to 22,528 in 2008, and again reduced by more than 50% to 10,859 units in 2009. Since 2009 it has gradually improved and, in 2016, recovered to 22,608, a 15.5% increase over the previous year, or a 108.15% increase over 2009. The data so far this year appear to continue to be on a positive path.

## INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

| INDICATORS * | August 2017 | July 2017 | August 2016 |
|---|---|---|---|
| Unemployment Rate (Average) | 5.0% | 4.8% | 5.8% |
| Annual Rate of Inflation (Chicago) | 0.3% | 0.0% | 2.3% |

| | LATEST MONTH | % CHANGE OVER PRIOR MONTH | % CHANGE OVER A YEAR AGO |
|---|---|---|---|
| Civilian Labor Force (thousands) (August) | 6,425.8 | -0.2% | -1.3% |
| Employment (thousands) (August) | 6,102.7 | -0.4% | -0.5% |
| NonFarm Payroll Employment (August) | 6,043,800 | -3,700 | 23,600 |
| New Car & Truck Registration (August) | N/A | N/A | N/A |
| Single Family Housing Permits (August) | 1,140 | 9.2% | 10.0% |
| Total Exports ($ mil) (July) | 5,130.3 | -11.9% | 7.0% |
| Chicago Purchasing Managers Index (Sept.) | 65.2 | 10.6% | 20.2% |

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

## Illinois Employment and Wage Update (Part 2)

Eric Noggle, Senior Revenue Analyst

The Bureau of Labor Statistics recently released their final state-by-state employment figures for the month of June, the end of Fiscal Year 2017, for Illinois and other states across the country. This new data provides the Commission with a view of Illinois' employment performance through the end of the fiscal year, and provides a quantitative comparison tool to see how Illinois' job totals compare to years past and to other states across the nation.

The latest fiscal year totals (non-farm, seasonally adjusted) show that there were approximately 6.047 million people employed in Illinois at the end of FY 2017. This figure is up 0.9% over the June 2016 total. This rate of change ranks Illinois 40th in the nation in terms of a state's employment change between June 2016 and June 2017. Illinois' job totals at the end of FY 2017 are 5.2% higher than they were five years ago (ranking Illinois 37th); up 1.0% compared to 10 years ago (ranking Illinois 42nd); up 2.7% compared to 15 years ago (ranking Illinois 45th); and up 4.8% compared to 20 years ago (ranking Illinois 48th). These national rankings can be seen below.

**Total Nonfarm Employment Year-Over-Year Change**
**(Year over Year Comparisons are Compared to June 2017 Data)**
**(Employment Values in thousands)**

| | Current Value (Jun 2017) | Current Value vs. 1-Yr Ago | Rank of Change | Current Value vs. 5-yrs Ago | Rank of Change | Current Value vs. 10-yrs Ago | Rank of Change | Current Value vs. 15-Yrs Ago | Rank of Change | Current Value vs. 20-yrs Ago | Rank of Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Alabama | 2,009.8 | 2.0% | 14 | 6.6% | 29 | 0.3% | 46 | 6.9% | 37 | 7.8% | 45 |
| Alaska | 332.4 | 0.3% | 48 | -0.9% | 49 | 4.5% | 23 | 13.0% | 21 | 23.4% | 16 |
| Arizona | 2,751.1 | 2.0% | 13 | 11.5% | 12 | 2.5% | 36 | 21.2% | 7 | 39.2% | 6 |
| Arkansas | 1,253.7 | 2.4% | 8 | 6.4% | 31 | 4.0% | 27 | 9.0% | 32 | 13.7% | 33 |
| California | 16,701.5 | 1.6% | 22 | 13.0% | 9 | 8.0% | 10 | 14.2% | 18 | 26.6% | 12 |
| Colorado | 2,644.8 | 2.0% | 12 | 14.4% | 5 | 13.4% | 5 | 20.7% | 8 | 33.9% | 8 |
| Connecticut | 1,692.8 | 0.8% | 41 | 3.5% | 42 | -0.5% | 48 | 1.5% | 50 | 5.4% | 47 |
| Delaware | 454.7 | 0.4% | 47 | 8.5% | 17 | 3.1% | 34 | 9.9% | 29 | 17.2% | 29 |
| Dist. Of Columbia | 792.4 | 1.5% | 23 | 7.8% | 21 | 14.8% | 4 | 19.3% | 10 | 28.8% | 11 |
| Florida | 8,601.6 | 2.8% | 3 | 16.3% | 3 | 7.2% | 14 | 20.6% | 9 | 34.5% | 7 |
| Georgia | 4,493.9 | 2.8% | 4 | 13.7% | 7 | 7.9% | 12 | 14.9% | 17 | 23.7% | 13 |
| Hawaii | 654.3 | 1.4% | 30 | 7.9% | 20 | 4.3% | 26 | 16.4% | 13 | 23.0% | 17 |
| Idaho | 708.8 | 2.1% | 11 | 14.1% | 6 | 7.8% | 13 | 24.6% | 5 | 40.4% | 5 |
| **Illinois** | **6,046.9** | **0.9%** | **40** | **5.2%** | **37** | **1.0%** | **42** | **2.7%** | **45** | **4.8%** | **48** |
| Indiana | 3,118.1 | 1.4% | 31 | 7.3% | 24 | 4.0% | 28 | 7.4% | 35 | 9.2% | 43 |
| Iowa | 1,586.7 | 1.3% | 32 | 5.2% | 36 | 4.3% | 25 | 9.5% | 31 | 12.9% | 34 |
| Kansas | 1,399.8 | -0.5% | 50 | 2.9% | 46 | 1.1% | 41 | 4.5% | 42 | 10.2% | 40 |
| Kentucky | 1,936.2 | 1.4% | 27 | 6.7% | 27 | 4.0% | 29 | 8.8% | 33 | 13.7% | 32 |
| Louisiana | 1,988.1 | 1.0% | 39 | 2.9% | 45 | 4.0% | 31 | 4.7% | 41 | 7.9% | 44 |
| Maine | 623.3 | 1.1% | 37 | 4.1% | 40 | 1.0% | 43 | 2.4% | 46 | 12.7% | 36 |
| Maryland | 2,760.7 | 2.2% | 10 | 6.9% | 25 | 5.6% | 21 | 11.1% | 25 | 21.5% | 21 |
| Massachusetts | 3,617.9 | 1.9% | 16 | 9.2% | 15 | 9.3% | 8 | 10.4% | 27 | 16.1% | 31 |
| Michigan | 4,386.1 | 1.5% | 24 | 8.8% | 16 | 2.6% | 35 | -2.4% | 51 | -1.0% | 51 |
| Minnesota | 2,952.1 | 2.3% | 9 | 8.4% | 19 | 6.5% | 19 | 10.9% | 26 | 18.3% | 26 |
| Mississippi | 1,151.3 | 0.8% | 42 | 4.5% | 39 | -0.1% | 47 | 1.7% | 48 | 4.5% | 49 |
| Missouri | 2,889.0 | 1.7% | 17 | 7.7% | 22 | 3.3% | 33 | 6.9% | 36 | 9.4% | 42 |
| Montana | 473.7 | 1.4% | 29 | 7.6% | 23 | 6.8% | 17 | 19.1% | 11 | 29.6% | 10 |
| Nebraska | 1,029.8 | 1.5% | 25 | 6.2% | 32 | 7.1% | 16 | 12.9% | 22 | 20.2% | 23 |
| Nevada | 1,337.4 | 3.4% | 1 | 16.8% | 2 | 3.3% | 32 | 27.4% | 4 | 50.7% | 1 |
| New Hampshire | 676.9 | 1.6% | 21 | 6.8% | 26 | 4.4% | 24 | 9.5% | 30 | 18.8% | 24 |
| New Jersey | 4,122.5 | 1.3% | 33 | 5.8% | 35 | 1.0% | 44 | 3.5% | 44 | 10.9% | 38 |
| New Mexico | 834.3 | 0.7% | 45 | 3.5% | 44 | -1.2% | 49 | 8.7% | 34 | 17.9% | 28 |
| New York | 9,533.2 | 1.6% | 20 | 8.5% | 18 | 9.4% | 7 | 12.8% | 23 | 18.6% | 25 |
| North Carolina | 4,405.6 | 1.6% | 19 | 10.9% | 14 | 6.1% | 20 | 14.9% | 16 | 20.6% | 22 |
| North Dakota | 439.6 | 1.5% | 26 | 1.9% | 48 | 22.7% | 1 | 33.1% | 2 | 40.4% | 4 |
| Ohio | 5,536.5 | 1.2% | 35 | 6.2% | 33 | 1.8% | 39 | 1.7% | 49 | 2.7% | 50 |
| Oklahoma | 1,656.8 | 0.6% | 46 | 2.6% | 47 | 4.0% | 30 | 10.2% | 28 | 17.9% | 27 |
| Oregon | 1,880.2 | 2.8% | 5 | 14.8% | 4 | 8.6% | 9 | 18.5% | 12 | 22.2% | 19 |
| Pennsylvania | 5,924.8 | 1.1% | 38 | 3.5% | 43 | 2.0% | 38 | 4.9% | 39 | 9.8% | 41 |
| Rhode Island | 496.1 | 1.3% | 34 | 6.7% | 28 | 0.4% | 45 | 3.5% | 43 | 10.4% | 39 |
| South Carolina | 2,084.3 | 1.7% | 18 | 11.8% | 11 | 6.7% | 18 | 15.8% | 14 | 21.7% | 20 |
| South Dakota | 435.9 | 0.7% | 44 | 5.1% | 38 | 7.1% | 15 | 15.3% | 15 | 23.6% | 14 |
| Tennessee | 3,016.2 | 1.9% | 15 | 11.0% | 13 | 7.9% | 11 | 13.2% | 19 | 16.5% | 30 |
| Texas | 12,306.7 | 2.7% | 6 | 12.8% | 10 | 18.0% | 2 | 30.2% | 3 | 42.6% | 3 |
| Utah | 1,468.9 | 3.1% | 2 | 17.3% | 1 | 17.0% | 3 | 37.3% | 1 | 48.0% | 2 |
| Vermont | 315.0 | 0.8% | 43 | 3.6% | 41 | 1.7% | 40 | 4.8% | 40 | 12.8% | 35 |
| Virginia | 3,967.6 | 1.4% | 28 | 6.5% | 30 | 5.2% | 22 | 13.2% | 20 | 22.9% | 18 |
| Washington | 3,316.9 | 2.4% | 7 | 13.6% | 8 | 11.7% | 6 | 23.1% | 6 | 30.5% | 9 |
| West Virginia | 746.7 | 0.1% | 49 | -2.1% | 50 | -1.6% | 50 | 2.1% | 47 | 5.6% | 46 |
| Wisconsin | 2,951.1 | 1.2% | 36 | 6.0% | 34 | 2.2% | 37 | 6.2% | 38 | 11.2% | 37 |
| Wyoming | 277.0 | -1.4% | 51 | -4.2% | 51 | -3.9% | 51 | 11.8% | 24 | 23.6% | 15 |

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

Comparisons of how Illinois' latest employment figures, by subsector, compare to other states over the last twenty years can be made by looking at the following table. As shown, most comparisons show Illinois in the middle to bottom half of the nation in job growth when comparing Illinois' job figures with other states across the nation.

For example, as mentioned in the August Monthly, construction jobs (seasonally adjusted) in Illinois grew 0.6% between June 2015 and June 2017. This rate of growth ranks Illinois 46th in the nation for this rate of improvement in this subsector for this time period. Even more disappointing are the results when comparing the number of construction jobs in Illinois today compared to 15 years ago. Construction jobs are down 22.0% in Illinois over this time period, ranking Illinois 50th for this rate of change

**Illinois Employment by Subsector Year-Over-Year Change**
**(Comparisons are by June 2017 vs June of Past Years)**
**(Employment Values in thousands)**

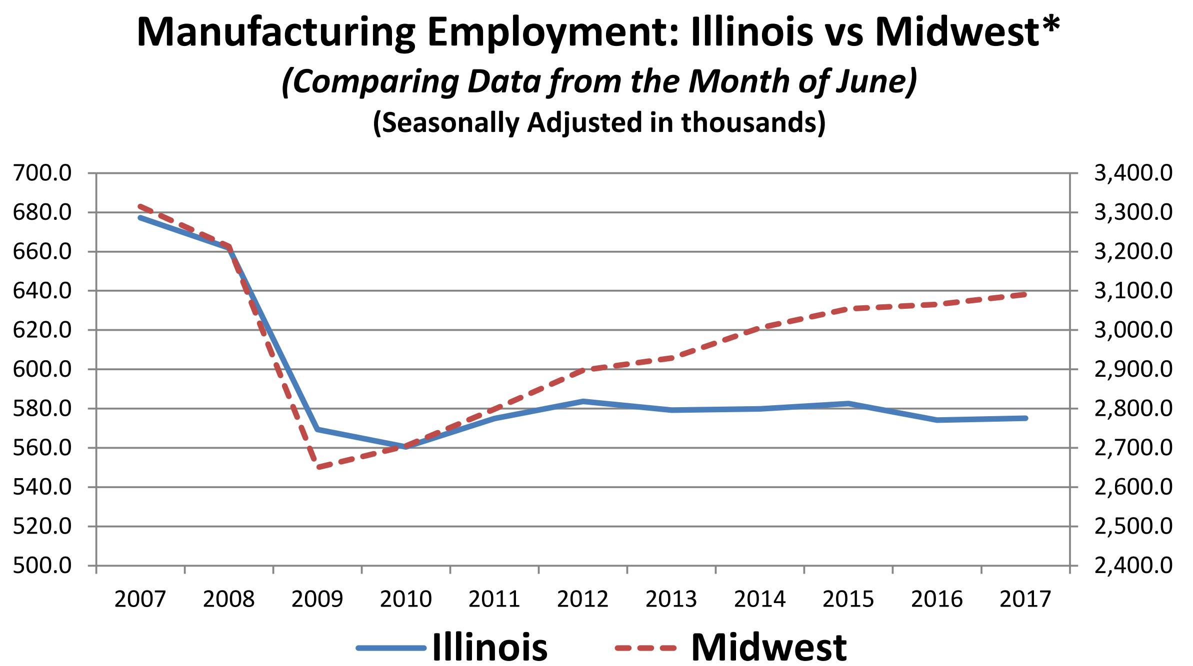
| | Current Value (Jun 2017) | Current Value vs. 1-Yr Ago | Ranking of Change | Current Value vs. 2-Years Ago | Ranking of Change | Current Value vs. 3-Years Ago | Ranking of Change | Current Value vs. 4-Years Ago | Ranking of Change |
|---|---|---|---|---|---|---|---|---|---|
| Mining and Logging | 8.1 | 2.5% | 18 | -14.7% | 31 | -19.0% | 24 | -16.5% | 24 |
| Construction | 215.2 | -1.1% | 45 | 0.6% | 46 | 6.9% | 36 | 13.0% | 29 |
| Manufacturing | 575.1 | 0.2% | 27 | -1.3% | 33 | -0.8% | 33 | -0.7% | 34 |
| Trade, Transp., and Util. | 1,203.9 | -0.3% | 39 | 0.0% | 40 | 2.0% | 34 | 3.5% | 32 |
| Information | 101.2 | 2.6% | 8 | 0.2% | 19 | 1.9% | 13 | 1.8% | 16 |
| Financial Activities | 394.1 | 3.0% | 13 | 3.3% | 29 | 5.0% | 27 | 4.2% | 30 |
| Prof. and Bus. Serv. | 947.0 | 2.1% | 29 | 2.5% | 35 | 3.9% | 37 | 7.4% | 29 |
| Ed. and Health Services | 925.7 | 1.5% | 38 | 2.9% | 41 | 4.7% | 39 | 6.2% | 32 |
| Leisure and Hospitality | 602.7 | 1.7% | 36 | 4.1% | 37 | 8.1% | 23 | 10.5% | 18 |
| Other Services | 250.0 | 0.2% | 42 | -0.9% | 44 | -1.4% | 47 | 0.4% | 37 |
| Government | 823.9 | -0.2% | 35 | -0.8% | 43 | -0.7% | 42 | -1.0% | 43 |
| **Totals** | **6,046.9** | | | | | | | | |

| | Current Value (Jun 2017) | Current Value vs. 5-Yrs Ago | Ranking of Change | Current Value vs. 10-Yrs Ago | Ranking of Change | Current Value vs. 15-Yrs Ago | Ranking of Change | Current Value vs. 20-Yrs Ago | Ranking of Change |
|---|---|---|---|---|---|---|---|---|---|
| Mining and Logging | 8.1 | -21.4% | 27 | -22.1% | 30 | -15.6% | 32 | -30.8% | 33 |
| Construction | 215.2 | 15.3% | 31 | -21.4% | 44 | -22.0% | 50 | -9.8% | 48 |
| Manufacturing | 575.1 | -1.5% | 38 | -15.1% | 36 | -23.8% | 34 | -36.2% | 37 |
| Trade, Transp., and Util. | 1,203.9 | 4.4% | 31 | -0.7% | 36 | 0.6% | 39 | -0.7% | 48 |
| Information | 101.2 | 1.5% | 18 | -12.8% | 24 | -27.0% | 31 | -29.7% | 37 |
| Financial Activities | 394.1 | 5.2% | 32 | -4.4% | 37 | -3.1% | 43 | -0.7% | 46 |
| Prof. and Bus. Serv. | 947.0 | 10.2% | 27 | 9.5% | 38 | 20.8% | 38 | 30.7% | 43 |
| Ed. and Health Services | 925.7 | 7.3% | 32 | 19.1% | 30 | 30.3% | 37 | 44.8% | 37 |
| Leisure and Hospitality | 602.7 | 12.7% | 21 | 13.5% | 33 | 22.7% | 33 | 31.8% | 37 |
| Other Services | 250.0 | 0.0% | 36 | -4.4% | 45 | -1.0% | 44 | 8.3% | 45 |
| Government | 823.9 | -0.9% | 40 | -3.0% | 41 | -4.9% | 46 | 1.5% | 47 |
| **Totals** | **6,046.9** | | | | | | | | |

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

Another area of employment that continues to struggle in Illinois is manufacturing. Comparing year-over-year June figures, employment in manufacturing is down 1.3% over the past two years (June 2015 vs June 2017, seasonally adjusted). This rate of change ranked Illinois 33rd in the nation. This rate of decline in manufacturing jobs in Illinois is similar to its five-year rate of change of -1.5%. This ranks Illinois 38th in the nation for percentage change in manufacturing jobs for this five-year time period.

The lack of growth in manufacturing is especially of concern when Illinois' biggest competitors have seen their comparable job totals in this subsector improve at a notably higher rate than Illinois. For example, while Illinois' number of manufacturing jobs has declined 1.5% over the past five years, Indiana has grown 9.0%, ranking them 12th in the nation. Michigan has had growth of 14.2% in manufacturing over the past five years, ranking them 4th in the country. The graph below displays the discrepancy between the growth in manufacturing jobs in Illinois and the rest of the Midwest.



* The Midwest for this excercise includes the states of Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin. Illinois' job totals were not included in these totals.

As shown, the composite manufacturing data from other Midwest states (Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin) show steady improvement in the manufacturing sector since the Great Recession. Illinois, despite showing similar rates of improvement in the first few post-Recession years, has failed to keep up with its neighboring competitors in this sector of jobs. And with manufacturing jobs being one of the higher paying sectors at $1,019 per week, the lack of growth in this area is concerning, especially as it pertains to improving the State's economy.

In terms of unemployment, the latest numbers from the Bureau of Labor Statistics show that Illinois' seasonally adjusted unemployment rate is at 5.0% (August 2017, preliminary). While this figure is a notable improvement from the 5.8% rate from a year ago in August 2016, it remains conspicuously higher than the U.S. rate of 4.4% and most other Midwest states. A list of the unemployment rates of all states is displayed in the following table. As shown, Illinois' rate of 5.0% ranks them 41st in the nation. Midwest states with better unemployment rates than Illinois include Iowa (3.3%, ranked 8th);

Wisconsin (3.4%, ranked 11th); Indiana (3.5%, ranked 12th); Minnesota (3.8%, ranked 15th); Michigan (3.9%, ranked 18th); and Missouri (4.0%, ranked 22nd). The only neighboring state with a higher unemployment rate than Illinois was Kentucky at 5.4%.

**August 2017 Unemployment Rates (Seasonally Adjusted) for States and Historical Highs/Lows**

*NATIONAL RATE = 4.4%*

| State | August 2017 Rate | Rate Ranking | Historical High Date | Historical High Rate | Historical Low Date | Historical Low Rate |
|---|---|---|---|---|---|---|
| North Dakota | 2.3 | 1 | Mar. 1983 | 6.2 | Aug. 2017 | 2.3 |
| Colorado | 2.4 | 2 | Oct. 2010 | 8.9 | Jun. 2017 | 2.3 |
| Hawaii | 2.6 | 3 | Jan. 1976 | 10.4 | Dec. 2006 | 2.4 |
| New Hampshire | 2.7 | 4 | Jul. 1992 | 7.4 | Mar. 1988 | 2.2 |
| Nebraska | 2.8 | 5 | Feb. 1983 | 6.3 | Oct. 1990 | 2.3 |
| Idaho | 2.9 | 6 | Dec. 1982 | 10.2 | Aug. 2017 | 2.9 |
| Vermont | 3.0 | 7 | Feb. 1976 | 8.8 | Mar. 2000 | 2.6 |
| Iowa | 3.3 | 8 | Jan. 1983 | 9.1 | Mar. 2000 | 2.4 |
| South Dakota | 3.3 | 8 | Jan. 1983 | 5.9 | Jul. 2000 | 2.4 |
| Tennessee | 3.3 | 8 | Jan. 1983 | 12.9 | Aug. 2017 | 3.3 |
| Wisconsin | 3.4 | 11 | Jan. 1983 | 11.9 | Jul. 1999 | 3.0 |
| Arkansas | 3.5 | 12 | Feb. 1983 | 10.3 | Jul. 2017 | 3.4 |
| Indiana | 3.5 | 12 | Dec. 1982 | 12.6 | Oct. 2000 | 2.9 |
| Utah | 3.5 | 12 | Mar. 1983 | 9.6 | Mar. 2007 | 2.3 |
| Maine | 3.8 | 15 | Jan. 1977 | 9.0 | Apr. 2017 | 3.0 |
| Minnesota | 3.8 | 15 | Jan. 1983 | 8.9 | Mar. 1999 | 2.5 |
| Virginia | 3.8 | 15 | Dec. 1982 | 7.9 | Nov. 2000 | 2.1 |
| Kansas | 3.9 | 18 | Sept. 2009 | 7.3 | Aug. 1978 | 2.9 |
| Maryland | 3.9 | 18 | Mar. 1982 | 8.5 | Dec. 1999 | 3.3 |
| Michigan | 3.9 | 18 | Dec. 1982 | 16.5 | Mar. 2000 | 3.2 |
| Montana | 3.9 | 18 | May. 1983 | 8.8 | Feb. 2007 | 2.9 |
| Florida | 4.0 | 22 | Jan. 2010 | 11.2 | Apr. 2006 | 3.1 |
| Missouri | 4.0 | 22 | Apr. 1983 | 10.6 | Jan. 2000 | 3.1 |
| South Carolina | 4.0 | 22 | Jan. 1983 | 11.8 | Apr. 1998 | 3.5 |
| Wyoming | 4.0 | 22 | Dec. 1986 | 9.4 | May. 1979 | 2.5 |
| North Carolina | 4.1 | 26 | Mar. 2010 | 11.3 | Apr. 1999 | 3.0 |
| Oregon | 4.1 | 26 | May. 2009 | 11.9 | May. 2017 | 3.6 |
| Alabama | 4.2 | 28 | Dec. 1982 | 15.5 | Apr. 2007 | 3.8 |
| Massachusetts | 4.2 | 28 | Jan. 1976 | 10.7 | Oct. 2000 | 2.6 |
| Texas | 4.2 | 28 | Nov. 1986 | 9.2 | Dec. 2000 | 4.0 |
| Rhode Island | 4.3 | 31 | Aug. 2009 | 11.3 | May. 1988 | 2.9 |
| New Jersey | 4.5 | 32 | Jan. 1977 | 10.7 | May. 2000 | 3.5 |
| Oklahoma | 4.5 | 32 | Apr. 1983 | 8.9 | Dec. 2000 | 2.9 |
| Washington | 4.6 | 34 | Nov. 1982 | 12.2 | Jul. 2017 | 4.5 |
| Georgia | 4.7 | 35 | Dec. 2010 | 10.5 | Nov. 2000 | 3.4 |
| Connecticut | 4.8 | 36 | Jan. 1976 | 10.0 | Oct. 2000 | 2.2 |
| New York | 4.8 | 36 | Jan. 1976 | 10.4 | May. 1988 | 4.0 |
| Delaware | 4.9 | 38 | Dec. 1976 | 9.8 | Jun. 1988 | 3.0 |
| Nevada | 4.9 | 38 | Nov. 2010 | 13.7 | Jan. 1999 | 3.7 |
| Pennsylvania | 4.9 | 38 | Feb. 1983 | 12.7 | May. 2000 | 4.0 |
| Arizona | 5.0 | 41 | Dec. 1982 | 11.5 | Jul. 2007 | 3.7 |
| **Illinois** | **5.0** | **41** | **Feb. 1983** | **13.1** | **Feb. 1999** | **4.1** |
| West Virginia | 5.0 | 41 | Feb. 1983 | 18.8 | Aug. 2008 | 4.1 |
| California | 5.1 | 44 | Oct. 2010 | 12.2 | Jun. 2017 | 4.7 |
| Louisiana | 5.2 | 45 | Nov. 1986 | 13.1 | Oct. 2007 | 3.9 |
| Mississippi | 5.3 | 46 | Apr. 1983 | 12.8 | May. 2017 | 4.9 |
| Kentucky | 5.4 | 47 | Feb. 1983 | 12.1 | May. 2000 | 4.0 |
| Ohio | 5.4 | 47 | Jan. 1983 | 14.0 | Apr. 2001 | 3.8 |
| New Mexico | 6.3 | 49 | Mar. 1983 | 10.5 | Aug. 2007 | 3.7 |
| District of Columbia | 6.4 | 50 | Sept. 1983 | 11.3 | Sept. 1989 | 4.8 |
| Alaska | 7.2 | 51 | Aug. 1986 | 11.2 | Jun. 2007 | 6.3 |

Note: The August 2017 figures are preliminary. Rates shown are a percentage of the labor force. Data refer to place of residence. Series begin in January 1976. Historical highs and lows show the most recent month that a rate was recorded in the event of multiple occurrences. Estimates for at least the latest five years are subject to revision early in the following calendar year.
**Source: http://www.bls.gov/web/laus/lauhsthl.htm**

## State Employees Group Insurance Program Status Update

Anthony Bolton, Revenue Analyst

Over the past fiscal year, the lack of an enacted budget has resulted in the State Employee Group Insurance Program (SEGIP) building up a large backlog of unpaid claims. With the passage of a state budget, money has been made available to pay bills in a timelier manner. However, there has not been sufficient funding provided to fully pay down the backlog of invoices accumulated over the course of the budget stalemate. Accordingly, the total of claims held by the State has risen from the last update provided by the Commission. As of the end of September, approximately $5 billion in SEGIP claims were being held by the state from various insurers, organizations, and companies. Of this total, the largest portion was approximately $2.6 billion of HMO/Medicare Advantage claims. The second largest portion, Open Access Plans, totaled $928 million. The third largest portion of the overall claims hold came from CIGNA, which had $670 million in claims currently held by the state. Concurrently, the estimated time for claims to be held was 523-889 days for Managed Care/Medicare Advantage, 587-643 days for Open Access Plans, and 693-770 days for CIGNA. This information (and other pertinent data) is displayed in the chart on the next page. Without additional funding, the ability of the State to pay down the existing backlog is extremely limited. It is possible that current plans in progress by the state to secure a bond to pay down existing state debts could be utilized towards the payment of some of the backlog in the Group Insurance Program, but no details are available at this time as to the extent or timeframe of such payments. As of September 30, 2017, according to CMS, approximately $2.7 billion in Prompt Payment claims and $2.3 billion in Timely Payment claims are being held by the state.

As a result of the State Employees Group Insurance Program (SEGIP) building up a large backlog of unpaid claims from health care vendors, alternative options for payment have been explored. One option that has arisen in recent years is a program called the Vendor Payment Program (VPP), which is organized through the Department of Central Management Services (CMS).

Under the VPP, vendors for the state of Illinois who would otherwise receive prompt payment interest would instead partner with a "qualified purchaser" who would purchase the voucher from them. The vendor would receive approximately 90% of the total invoice owed to them with the other 10% paid to them once the qualified purchaser is paid by the state. The qualified purchaser would keep any interest paid out by the state on the voucher. However, the State has not been able to pay out vouchers without appropriation, so CMS has switched to the Vendor Support Initiative program (VSI), which is procedurally similar to the Vendor Payment Program, but does not require a voucher to receive payment.

At the Commission's State Employee Group Insurance Hearing on April 4, 2017, CMS presented a new plan for FY 2018 to change the Group Insurance Program by expanding existing plans into four "metal" tiers: Platinum, Gold, Silver, and Bronze. These tiers would be used by existing HMOs, OAPs, and the

Quality Care Health Plan. The "metal" tiers would range from having the same copayments / deductibles / etc. but (on average) 120% higher premiums for the Platinum plan to the same premiums but higher copayments / deductibles / etc. for the Silver plan. The Bronze plan would have no premiums, but have much higher copayments / deductibles / etc. As a result of these plan changes and increased premiums, CMS anticipated that the State would save approximately $520 million.

This plan has been challenged by state employee unions in state court and is currently blocked from being imposed by the State as of the date of this publication. As a result CMS has indicated that they would keep the existing plan designs and employee contributions until otherwise instructed by the courts. At this time, existing plan designs and employee contribution levels are expected to continue through the 2018 fiscal year.

**Claims Hold Data for SEGIP**
**(as of September 30, 2017)**

| Vendor | Claims Hold | Length of Claims Hold (in days) | Interest Owed (Including Past Due Interest) |
|---|---|---|---|
| CIGNA - PPO (and Member) | $635,307,439 | 693 | $110,065,013 |
| CIGNA - Non-PPO | $34,556,983 | 770 | $6,652,219 |
| Dental Claims Hold – PPO | $93,655,812 | 410 | $9,535,788 |
| Dental - Non-PPO | $50,515,276 | 755 | $9,143,265 |
| Magellan (Mental Health) Claims | $3,399,235 | 181 | $61,419 |
| Coventry HMO | $93,896,456 | 523 | $8,897,064 |
| Health Alliance HMO | $1,289,165,597 | 889 | $160,141,271 |
| HMO Illinois | $716,622,537 | 828 | $84,781,327 |
| Blue Advantage | $124,019,722 | 828 | $12,857,008 |
| HealthLink OAP | $782,519,212 | 643 | $55,931,005 |
| Coventry OAP | $145,582,991 | 587 | $10,495,669 |
| Medco | $26,664,414 | 844 | $21,895,909 |
| CVS/Caremark | $489,876,336 | 760 | $43,845,566 |
| Coventry Medicare Advantage (MA) | $18,210,372 | 767 | $1,893,539 |
| Health Alliance MA | $3,829,383 | 828 | $364,664 |
| Humana Benefit Plan MA | $570,114 | 798 | $74,406 |
| Humana Health Plan MA | $11,692,864 | 798 | $1,489,185 |
| United Healthcare MA | $377,987,160 | 576 | $50,958,360 |
| Fidelity (Vision) | $15,662,478 | 583 | $1,455,521 |
| Minnesota Life | $22,326,587 | 67 | $89,348 |
| Other Fees (ASC/etc.) | $73,328,273 | 615-676 | $9,514,512 |
| **Total** | **$5,009,389,242** | **67-889** | **$600,142,057** |

Source: CMS

## REVENUE

## September Income Tax Gains Reflect Rate Changes, Federal Sources Unable to Maintain Momentum

Jim Muschinske, Revenue Manager

Base general funds revenues increased $305 million in September. As expected, gains were experienced in income taxes, reflecting the recently-enacted higher tax rates. After being boosted by resources made available via last month's fund sweeps and interfund borrowing, reimbursable spending slowed, resulting in a poor month for federal sources. September had one less receipting day as the prior year, and early indications are that some receipts may have slipped into the first day of October.

Gross personal income tax receipts rose $350 million, or $317 million net of refunds and other changes enacted under P.A. 100-23. [See July briefing for further discussion of these changes]. Gross corporate income taxes not only reflected higher tax rates but also seemingly benefited from last year's volatility related to the IDoR ledger accounting conversion. For the month, corporate income taxes were up $127 million, or $82 million net of refunds and other changes. Liquor taxes gained $2 million for the month, while sales taxes managed to grow only $1 million. Although net of distributions to the Downstate Public Transportation Fund, sales tax actually fell $16 million.

A number of sources experienced declines in September, albeit fairly small in absolute terms. Corporate franchise tax fell $8 million, insurance taxes eased $6 million, inheritance taxes were off $4 million, other sources dipped $3 million and cigarette taxes fell a mere $1 million.

Overall transfers were down slightly as the $1 million gain in lottery transfers was more than erased by a $4 million decline in all other transfers. As mentioned, federal sources stumbled for the month, finishing down $55 million.

### Year To Date

Excluding the $150 million from interfund borrowing, base general funds grew $1.354 billion during the first quarter of the fiscal year. Increased income tax receipts stemming from the recently enacted higher tax rates, fund sweeps, as well as an increase in federal sources resulted in this significant gain.

Through three months, gross personal income taxes are up $748 million, or $724 million net of refunds and other changes. Gross corporate income taxes are ahead of last year by $189 million, or $128 million net. Overall sales taxes are up by $28 million; although once direct sales tax receipts diverted to the transportation funds is included, net receipts are actually down $22 million. All the other smaller revenue sources posted a combined increase of $7 million.

Overall transfers, boosted by the $126 million in August fund sweeps, were up by $62 million. Federal sources reflected much higher reimbursable spending earlier in the fiscal year, generating $455 million in growth.

## *SEPTEMBER*

### *FY 2018 vs. FY 2017*

***($ million)***

| Revenue Sources | Sept. FY 2018 | Sept. FY 2017 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| ***State Taxes*** | | | | |
| Personal Income Tax | $1,607 | $1,257 | $350 | 27.8% |
| Corporate Income Tax (regular) | 432 | 305 | $127 | 41.6% |
| Sales Taxes | 695 | 694 | $1 | 0.1% |
| Public Utility Taxes (regular) | 67 | 67 | $0 | 0.0% |
| Cigarette Tax | 29 | 30 | ($1) | -3.3% |
| Liquor Gallonage Taxes | 16 | 14 | $2 | 14.3% |
| Vehicle Use Tax | 2 | 2 | $0 | 0.0% |
| Inheritance Tax | 35 | 39 | ($4) | -10.3% |
| Insurance Taxes and Fees | 71 | 77 | ($6) | -7.8% |
| Corporate Franchise Tax & Fees | 24 | 32 | ($8) | -25.0% |
| Interest on State Funds & Investments | 3 | 3 | $0 | 0.0% |
| Cook County IGT | 0 | 0 | $0 | N/A |
| Other Sources | 30 | 33 | ($3) | -9.1% |
| ***Subtotal*** | $3,011 | $2,553 | $458 | 17.9% |
| ***Transfers*** | | | | |
| Lottery | 68 | 67 | $1 | 1.5% |
| Riverboat transfers & receipts | 24 | 24 | $0 | 0.0% |
| Proceeds from Sale of 10th license | 0 | 0 | $0 | N/A |
| Refund Fund transfer | 0 | 0 | $0 | N/A |
| Fund sweeps | 0 | 0 | $0 | N/A |
| Other | 37 | 41 | ($4) | -9.8% |
| ***Total State Sources*** | $3,140 | $2,685 | $455 | 16.9% |
| ***Federal Sources*** | $186 | $241 | ($55) | -22.8% |
| ***Total Federal & State Sources*** | $3,326 | $2,926 | $400 | 13.7% |
| ***Nongeneral Funds Distributions/Direct Receipts:*** | | | | |
| ***Refund Fund*** | | | | |
| Personal Income Tax | ($157) | ($141) | ($16) | 11.3% |
| Corporate Income Tax | ($76) | (53) | ($23) | 43.4% |
| ***Fund for Advancement of Education*** | $0 | (31) | $31 | -100.0% |
| ***Commitment to Human Services Fund*** | $0 | (31) | $31 | -100.0% |
| ***LGDF--Direct from PIT*** | ($79) | 0 | ($79) | N/A |
| ***LGDF--Direct from CIT*** | ($22) | 0 | ($22) | N/A |
| ***Downstate Pub/Trans--Direct from Sales*** | ($17) | 0 | ($17) | N/A |
| ***Subtotal General Funds*** | $2,975 | $2,670 | $305 | 11.4% |
| ***Short-Term Borrowing*** | $0 | $0 | $0 | N/A |
| ***Interfund Borrowing*** | $0 | $0 | $0 | N/A |
| ***Budget Stabilization Fund Transfer*** | $0 | $0 | $0 | N/A |
| ***Total General Funds*** | $2,975 | $2,670 | $305 | 11.4% |

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 3-Oct-17

## *GENERAL FUNDS RECEIPTS: YEAR TO DATE*

### *FY 2018 vs. FY 2017*

*($ million)*

| Revenue Sources | FY 2018 | FY 2017 | $ CHANGE | % CHANGE |
|---|---|---|---|---|
| ***State Taxes*** | | | | |
| Personal Income Tax | $3,996 | $3,248 | $748 | 23.0% |
| Corporate Income Tax (regular) | 537 | 348 | $189 | 54.3% |
| Sales Taxes | 2,130 | 2,102 | $28 | 1.3% |
| Public Utility Taxes (regular) | 214 | 208 | $6 | 2.9% |
| Cigarette Tax | 88 | 88 | $0 | 0.0% |
| Liquor Gallonage Taxes | 46 | 44 | $2 | 4.5% |
| Vehicle Use Tax | 8 | 8 | $0 | 0.0% |
| Inheritance Tax | 74 | 79 | ($5) | -6.3% |
| Insurance Taxes and Fees | 113 | 108 | $5 | 4.6% |
| Corporate Franchise Tax & Fees | 52 | 57 | ($5) | -8.8% |
| Interest on State Funds & Investments | 11 | 7 | $4 | 57.1% |
| Cook County IGT | 0 | 0 | $0 | N/A |
| Other Sources | 106 | 106 | $0 | 0.0% |
| ***Subtotal*** | $7,375 | $6,403 | $972 | 15.2% |
| ***Transfers*** | | | | |
| Lottery | 153 | 165 | ($12) | -7.3% |
| Riverboat transfers & receipts | 78 | 77 | $1 | 1.3% |
| Proceeds from Sale of 10th license | 0 | 0 | $0 | N/A |
| Refund Fund transfer | 0 | 0 | $0 | N/A |
| Fund sweeps | 126 | 0 | $126 | N/A |
| Other | 129 | 182 | ($53) | -29.1% |
| ***Total State Sources*** | $7,861 | $6,827 | $1,034 | 15.1% |
| ***Federal Sources*** | $1,179 | $724 | $455 | 62.8% |
| ***Total Federal & State Sources*** | $9,040 | $7,551 | $1,489 | 19.7% |
| ***Nongeneral Funds Distributions/Direct Receipts:*** | | | | |
| ***Refund Fund*** | | | | |
| Personal Income Tax | ($391) | ($354) | ($37) | 10.5% |
| Corporate Income Tax | ($94) | (60) | ($34) | 56.7% |
| ***Fund for Advancement of Education*** | $0 | (105) | $105 | -100.0% |
| ***Commitment to Human Services Fund*** | $0 | (105) | $105 | -100.0% |
| ***LGDF--Direct from PIT*** | ($197) | 0 | ($197) | N/A |
| ***LGDF--Direct from CIT*** | ($27) | 0 | ($27) | N/A |
| ***Downstate Pub/Trans--Direct from Sales*** | ($50) | 0 | ($50) | N/A |
| ***Subtotal General Funds*** | $8,281 | $6,927 | $1,354 | 19.5% |
| ***Short-Term Borrowing*** | $0 | $0 | $0 | N/A |
| ***Interfund Borrowing*** | $150 | $0 | $150 | N/A |
| ***Budget Stabilization Fund Transfer*** | $0 | $0 | $0 | N/A |
| ***Total General Funds*** | $8,431 | $6,927 | $1,504 | 21.7% |

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 3-Oct-17