



# Commission on Government Forecasting and Accountability

703 Stratton Ofc. Bldg., Springfield, IL 62706

**MONTHLY BRIEFING FOR THE MONTH ENDED: MARCH 2016**

<http://cgfa.ilga.gov>

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## INSIDE THIS ISSUE

PAGE 1 - **ECONOMY:** Direction of Federal Reserve Policy

PAGE 3: Illinois Economic Indicators

PAGE 4: Illinois Employment/Wage Updates

PAGE 10 - **REVENUE:** March Revenues Down On Mixed Results

PAGE 11-12: Revenue Tables

## LATEST PUBLICATIONS

Liabilities of the State Employees' Group Insurance Program FY 2017

March 2016 Financial Condition of the Illinois State Retirement Systems

Three-Year Budget Forecast: FY 2017 - FY 2019

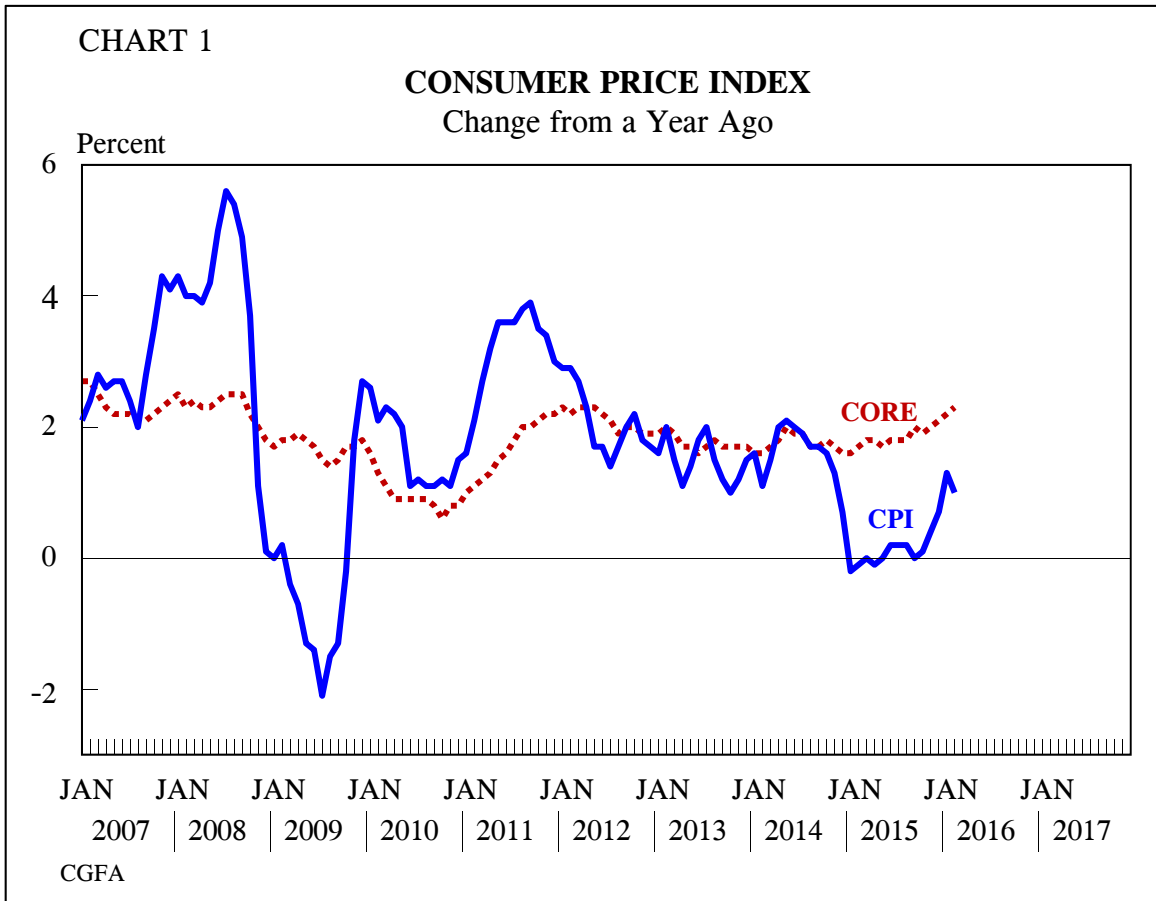
## ECONOMY: Direction of Federal Reserve Policy

Edward H. Boss, Jr., Chief Economist

Several developments have emerged recently casting doubts about the future path of monetary policy in the months ahead. At its latest meeting, held in mid-March, the Federal Open Market Committee (FOMC) held its target range for the federal funds rate unchanged at  $\frac{1}{4}$  to  $\frac{1}{2}$ % with 9 members voting for this policy decision and 1 opposed. Currently there are two vacancies to the Board. (The FOMC consists of 12 members, the President of the New York Bank, the seven members of the Board of Governors of the Federal Reserve System, and four of the remaining 11 Reserve Bank Presidents who serve one-year terms on a rotating basis. Nonvoting Reserve Bank Presidents attend the meetings and participate in the discussions.)

The March decision not to raise the target range of the federal funds rate appears to be a shift in how quickly to normalize interest rates following their near zero stance for a prolonged period prior to the  $\frac{1}{4}$ % rise last December. In March the median projected federal funds rate was 0.9% suggesting two quarter point increases from the 0.4% rate prior to the December increase. This is in contrast to the path projected in December when the median projected federal funds rate was 1.4%, implying four quarter point increases or a full 1% from the 0.4% in September. Thus, in a short period of time the pace of rate normalization slowed to half that implied just a few months earlier.

The change in the pattern of rate increases from 4 in December to 2 by mid-March reflects altered expectations for GDP growth, the unemployment rate, and inflation, key guides to Fed policy actions. In September, the median projected GDP growth rate for 2016 was increased to 2.4% from 2.3%; the unemployment rate was projected to fall to 4.7% from 4.8% with inflation slowing from 1.7% to 1.6%, further away from its 2% target. By mid-March, the reverse was true. GDP, instead of strengthening, now slows, from 2.4% to 2.2%, the unemployment rate instead of declining remains unchanged, and



inflation, instead of falling further, remains unchanged.

Since then, GDP growth improved. During the final quarter of 2015 real GDP rose from an initial estimate of 0.7%, to a revised 1.0%, to a final reading of 1.4%. For all 2015, GDP matched the previous year's growth rate at 2.4%, the highest yearly increase since 2.5% reached in 2010. The employment picture also improved. At 4.9% the unemployment rate in the first two months was the lowest since February 2008 before edging up to 5.0% in March. More importantly, the broader U6 definition which includes those marginally attached and part time for economic reasons has fallen below 10%

for the first time since May 2008 to 9.8% as more workers returned to the labor force.

The one component still disappointing policy is its inability to reach its 2% inflation rate target. However, as shown in the Chart, even here prices have begun to increase. Much of the previous weakness in prices was due to declining energy prices. As the slide in energy prices abated and even firmed slightly, consumer prices have risen somewhat. The improvement in prices is more clearly shown by the core rate which excludes food and energy prices, getting closer to the Fed's target. These developments sparked statements by some Federal Reserve Bank Presidents to

return to a quicker pace of upward rate adjustments with another ¼ % increase in the federal fund rate as soon as April.

In a speech in New York on March 29th, Chairman Yellen took a more dovish tone, citing weaker global economies than existed in December when the federal funds rate was first raised; implying a wait and see attitude toward another rate increase. The Committee under Chairman Yellen has had either unanimous approval of its directives or limited descent. During her Chairmanship, from February 2014 through the end of 2015, she has seen only an average of 0.67 descents per meeting. This could well change with a more divided Committee which in turn would increase business uncertainty.

**M**onetary policy is cumbersome and operates with a significant lag. Far

more effective would be fiscal policy which currently is absent, primarily because the debt-to-GDP ratio has skyrocketed to 104.17 in March, up each year from a ratio of 63.9 in 2006, prior to the great recession. Thus the task of managing growth in the economy has fallen entirely to the Federal Reserve. Their policy of stimulating business and consumer spending by applying zero interest rates for the past several years has had a limited effect. Perhaps because while zero interest rates have helped to stimulate some spending, they have had a negative effect on the interest income received by the holders of bank CDs and government securities. A further negative effect of the zero interest rate regime, which has bearing on the Illinois budget, is the ability of pension funds to generate the income necessary to maintain benefits to preserve the pool of funds used to pay those benefits.

## INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS</u> *	<u>JAN. 2016</u>	<u>DEC. 2015</u>	<u>JAN. 2015</u>
Unemployment Rate (Average)	6.3%	6.1%	6.0%
Annual Rate of Inflation (Chicago) (February)	-2.8%	6.5%	0.7%
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	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (January)	6,574.6	0.5%	1.3%
Employment (thousands) (January)	6,162.0	0.3%	1.0%
NonFarm Payroll Employment (January)	5,975,700	5,974,200	1,500
New Car & Truck Registration (February)	40,193	-14.9%	0.6%
Single Family Housing Permits (February)	558	4.9%	45.6%
Total Exports (\$ mil) (January)	4,682	-8.4%	-10.6%
Chicago Purchasing Managers Index (March)	53.6	12.6%	17.6%

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

## ILLINOIS EMPLOYMENT UPDATES

Eric Noggle, Senior Revenue Analyst

In March 2016, the Bureau of Labor Statistics released their revised state-by-state employment figures with final data thru the end of 2015. This new data provides the Commission with an updated look at Illinois' employment performance and how Illinois' latest job figures compare with the rest of the nation.

The latest figures (non-farm, seasonally adjusted) show that there were approximately 5.974 million people employed in Illinois at the end of 2015. This figure is up 0.9% over the

December 2014 total. This rate of change ranks Illinois 39<sup>th</sup> in the nation in terms of a state's employment change between December 2014 and December 2015. Illinois' job totals at the end of 2015 are 2.4% higher than they were two years ago (ranking Illinois 35<sup>th</sup>); up 5.9% compared to five years ago (ranking Illinois 36<sup>th</sup>); up 1.5% compared to 10 years ago (ranking Illinois 40<sup>th</sup>), down 1.1% compared to 15 years ago (ranking Illinois 49<sup>th</sup>); and up 6.0% compared to 20 years ago (ranking Illinois 48<sup>th</sup>). These national rankings can be seen below.

<b>Total Nonfarm Employment Year-Over-Year Change</b> (Year over Year Comparisons are Compared to December 2015 Data) (Employment Values in thousands)													
	Current Value (Dec 2015)	Current Value vs. 1-Yr Ago	Rank of Change	Current Value vs. 2-Yrs 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	1,957.5	1.0%	36	2.4%	34	4.5%	44	-0.5%	50	1.4%	44	7.6%	46
Alaska	339.2	0.0%	46	0.6%	48	3.5%	47	9.4%	10	18.8%	6	30.0%	11
Arizona	2,681.6	3.2%	5	5.3%	13	11.9%	11	4.2%	30	17.9%	9	46.2%	5
Arkansas	1,227.0	2.3%	15	4.5%	15	5.2%	38	3.2%	33	6.1%	31	13.5%	37
California	16,274.1	3.1%	6	6.0%	8	13.4%	8	7.0%	19	10.0%	19	29.0%	13
Colorado	2,578.6	2.9%	8	6.8%	3	15.4%	3	14.5%	4	14.6%	14	38.1%	7
Connecticut	1,680.0	0.7%	42	1.9%	41	3.8%	45	0.8%	44	-1.0%	48	7.1%	47
Delaware	456.0	2.6%	13	5.4%	12	9.5%	17	4.2%	31	8.1%	25	23.4%	18
Dist. Of Columbia	768.1	1.0%	38	1.9%	40	7.2%	26	11.8%	6	15.9%	10	20.9%	25
Florida	8,211.5	3.2%	3	6.9%	1	14.0%	5	4.0%	32	14.9%	13	35.4%	8
Georgia	4,330.1	2.8%	9	6.3%	7	11.7%	13	6.3%	22	8.2%	24	24.2%	16
Hawaii	642.0	2.1%	16	2.8%	28	8.9%	18	5.3%	25	15.0%	12	21.2%	24
Idaho	687.4	4.1%	1	6.5%	5	13.6%	6	10.1%	7	21.5%	4	42.8%	6
<b>Illinois</b>	<b>5,974.2</b>	<b>0.9%</b>	<b>39</b>	<b>2.4%</b>	<b>35</b>	<b>5.9%</b>	<b>36</b>	<b>1.5%</b>	<b>40</b>	<b>-1.1%</b>	<b>49</b>	<b>6.0%</b>	<b>48</b>
Indiana	3,059.7	1.6%	21	3.2%	25	8.9%	19	2.9%	35	2.8%	38	9.0%	45
Iowa	1,573.9	1.2%	31	2.4%	36	6.7%	28	5.8%	23	6.6%	29	14.5%	35
Kansas	1,401.7	0.2%	45	1.4%	45	5.1%	39	4.5%	28	3.9%	35	15.4%	33
Kentucky	1,908.4	1.8%	19	3.6%	20	7.6%	25	4.7%	26	5.0%	33	16.0%	32
Louisiana	1,980.0	-1.1%	48	1.0%	47	4.8%	41	9.9%	8	3.1%	37	11.0%	42
Maine	610.9	0.5%	43	1.4%	45	2.9%	49	-0.3%	48	0.5%	46	14.1%	36
Maryland	2,683.3	1.6%	22	3.1%	26	6.0%	35	4.3%	29	8.0%	26	22.3%	23
Massachusetts	3,515.4	1.2%	32	3.7%	19	8.5%	20	8.3%	14	4.0%	34	16.7%	30
Michigan	4,288.6	1.7%	20	3.7%	18	10.1%	15	-2.0%	51	-8.0%	51	-0.7%	51
Minnesota	2,875.7	1.5%	25	2.8%	27	8.3%	22	4.7%	27	6.4%	30	19.0%	28
Mississippi	1,144.7	1.4%	28	2.5%	33	4.6%	43	1.6%	39	-0.2%	47	5.9%	49
Missouri	2,783.3	0.8%	40	2.3%	37	4.6%	42	1.2%	42	1.4%	43	9.4%	44
Montana	461.1	1.3%	30	2.1%	38	7.7%	24	8.3%	13	18.0%	8	29.6%	12
Nebraska	1,013.9	1.5%	24	2.6%	31	7.0%	27	8.1%	16	10.9%	16	22.4%	21
Nevada	1,267.7	2.4%	14	6.6%	4	13.4%	7	1.2%	41	21.1%	5	56.8%	1
New Hampshire	661.1	1.6%	23	2.7%	30	5.6%	37	3.1%	34	5.1%	32	20.6%	26
New Jersey	4,072.8	2.0%	17	3.2%	24	6.0%	34	0.6%	47	1.2%	45	12.9%	39
New Mexico	828.0	0.3%	44	1.8%	42	3.2%	48	1.1%	43	9.8%	20	20.4%	27
New York	9,298.4	1.4%	29	3.3%	22	8.3%	21	8.7%	11	7.1%	28	17.9%	29
North Carolina	4,275.0	2.0%	18	4.4%	16	9.8%	16	8.2%	15	9.1%	23	22.3%	22
North Dakota	444.7	-5.0%	51	-1.0%	49	15.7%	2	28.0%	1	35.5%	1	46.5%	4
Ohio	5,475.4	1.5%	27	3.3%	21	8.1%	23	0.7%	45	-2.5%	50	4.1%	50
Oklahoma	1,663.1	-0.6%	47	1.4%	46	6.2%	32	7.4%	18	9.6%	21	23.3%	19
Oregon	1,803.7	3.2%	4	6.4%	6	12.1%	10	7.4%	17	10.6%	17	23.8%	17
Pennsylvania	5,868.1	0.8%	41	2.1%	39	3.7%	46	2.6%	36	2.7%	40	11.3%	40
Rhode Island	488.5	1.2%	33	3.3%	23	6.6%	29	-0.4%	49	1.4%	42	11.3%	41
South Carolina	2,035.2	2.8%	10	5.8%	10	11.7%	14	8.7%	12	10.0%	18	23.2%	20
South Dakota	431.2	1.2%	34	2.5%	32	6.5%	30	9.5%	9	14.2%	15	24.8%	15
Tennessee	2,941.2	3.0%	7	5.5%	11	11.9%	12	6.5%	20	7.7%	27	16.1%	31
Texas	11,931.1	1.5%	26	5.3%	14	14.3%	4	20.7%	2	25.1%	3	46.5%	3
Utah	1,398.1	3.6%	2	6.8%	2	17.3%	1	19.3%	3	28.7%	2	50.0%	2
Vermont	313.5	1.0%	37	1.7%	43	5.0%	40	2.2%	37	3.8%	36	15.0%	34
Virginia	3,902.1	2.7%	12	3.7%	17	6.4%	31	5.5%	24	9.5%	22	26.2%	14
Washington	3,195.3	2.8%	11	5.8%	9	12.1%	9	11.8%	5	15.4%	11	34.2%	9
West Virginia	761.5	-1.3%	49	-1.1%	51	0.9%	51	0.7%	46	2.8%	39	9.6%	43
Wisconsin	2,904.1	1.2%	35	2.7%	29	6.7%	33	1.9%	38	2.6%	41	13.0%	38
Wyoming	286.6	-2.7%	50	-1.1%	50	1.4%	50	6.5%	21	18.6%	7	30.1%	10

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

The monthly employment data from the Bureau of Labor Statistics includes a wide variety of job-related data, including State-

wide employment totals by subsector, as well as each subsector's average weekly earnings. A summary of these figures are shown in the table below.

<b>Average Employment Levels by Subsector in Illinois</b>								
Non-Seasonally Adjusted Annual Averages: 2008 to 2015 (in thousands)								
	2008	2009	2010	2011	2012	2013	2014	2015
	Average	Average	Average	Average	Average	Average	Average	Average
Mining	9.8	9.3	9.1	9.6	10.2	9.7	9.9	9.5
Construction	258.3	217.2	198.3	195.7	189.1	191.4	201.7	213.0
Manufacturing	657.4	576.7	561.0	573.9	583.0	579.2	580.1	581.4
Trade, Transportation, and Utilities	1,204.8	1,139.5	1,125.6	1,143.8	1,156.3	1,164.4	1,179.7	1,200.5
Information	114.4	106.4	101.8	100.6	100.1	99.0	99.1	100.8
Financial Activities	399.7	380.0	371.6	371.2	374.3	377.5	376.5	379.8
Professional and Business Services	851.9	779.7	793.9	823.5	856.8	883.1	909.5	917.9
Education and Health Services	799.3	814.6	830.8	847.5	862.3	874.4	885.1	898.8
Leisure and Hospitality	532.7	516.6	515.4	522.2	536.1	545.9	558.2	575.8
Other Services	263.6	257.9	249.1	249.7	249.7	249.9	252.2	252.9
Government	855.6	857.6	853.8	837.9	832.4	829.9	827.4	830.3
<b>Totals</b>	<b>5,947.5</b>	<b>5,655.5</b>	<b>5,610.4</b>	<b>5,675.6</b>	<b>5,750.3</b>	<b>5,804.4</b>	<b>5,879.4</b>	<b>5,960.7</b>
<b>Illinois' Annual % Change</b>	<b>-0.5%</b>	<b>-4.9%</b>	<b>-0.8%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>0.9%</b>	<b>1.3%</b>	<b>1.4%</b>

<b>Average Weekly Earnings and Employment Change by Subsector in Illinois</b>								
Annual Averages: 2008 to 2015								
	2008	2009	2010	2011	2012	2013	2014	2015
	Average	Average	Average	Average	Average	Average	Average	Average
Mining*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,137	\$1,212	\$1,236	\$1,278	\$1,284	\$1,262	\$1,299	\$1,336
Manufacturing	\$862	\$877	\$926	\$978	\$982	\$1,000	\$1,022	\$1,042
Trade, Transportation, and Utilities	\$670	\$670	\$693	\$734	\$766	\$790	\$805	\$807
Information	\$977	\$1,039	\$1,040	\$1,005	\$1,027	\$1,102	\$1,155	\$1,153
Financial Activities	\$1,006	\$1,068	\$1,036	\$1,054	\$1,131	\$1,116	\$1,184	\$1,244
Professional and Business Services	\$997	\$1,033	\$1,024	\$1,007	\$1,027	\$1,025	\$1,038	\$1,049
Education and Health Services	\$699	\$720	\$724	\$757	\$792	\$814	\$810	\$806
Leisure and Hospitality	\$310	\$325	\$319	\$322	\$337	\$323	\$340	\$365
Other Services	\$700	\$707	\$712	\$703	\$728	\$751	\$780	\$834
Government*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Statewide Average Weekly Earnings*</b>	<b>\$775</b>	<b>\$792</b>	<b>\$799</b>	<b>\$820</b>	<b>\$846</b>	<b>\$856</b>	<b>\$875</b>	<b>\$890</b>
<b>IL % Change in Avg. Weekly Earnings</b>	<b>-2.3%</b>	<b>2.1%</b>	<b>0.9%</b>	<b>2.6%</b>	<b>3.2%</b>	<b>1.2%</b>	<b>2.2%</b>	<b>1.7%</b>

\* Because the Mining and Government subsectors' weekly earnings for Illinois are not available from the Bureau of Labor Statistics, "Statewide Average Weekly Earnings" is calculated by using the weekly earnings of the other nine subsectors. The statewide value was calculated by multiplying each subsector's average jobs by its average earnings and divided the sum of these figures by the total number of jobs from these nine subsectors.  
Source: www.bls.gov

From an annual average perspective, Illinois averaged 5.961 million jobs in 2015, which was a 1.4% increase over the 2014 average of 5.879 million jobs. This is the fifth consecutive year of positive growth in Statewide employment following three consecutive years of negative job growth suffered as a result of the Great Recession. The 2015 average value of 5.921 million jobs marked the first year that that this average has surpassed pre-recession levels of 2008.

In regards to earnings, the latest data shows that average weekly earnings grew 1.7% in 2015. This follows weekly earnings growth averages in 2013 and 2014 of 1.2% and 2.2%, respectively. The growth rates of employment and earnings have allowed for some modest improvements in income related tax revenues (base growth) over the last couple of fiscal years. The 2015 employment growth of 1.4% and the weekly earnings growth rate of 1.7%

appear to coincide well with the results seen so far in withholding tax receipts (which are tied directly to wages).

While Illinois' job and wage figures have increased over the last couple of years, the growth has been modest at best, especially when compared to other states across the nation. From a national perspective, Illinois has been slow to recover from the Great Recession. In a recent report prepared for the Commission from Moody's Analytics entitled, "State of Illinois Forecast Report", the authors write:

*Illinois' recession was more severe than the nation's, and the state's recovery has been weaker in turn, lagging the region and nation in income, output and employment growth over the last five years. The state's labor market is improving but more slowly than elsewhere.*

Contributing to this slow recovery is the fact that many of the jobs that have been added in Illinois have been comparatively lower paying jobs. To understand this a little better, a closer look at the different subsectors of jobs in Illinois is necessary.

Over the last seven years (comparing average employment pre-recession totals of 2008 with 2015), the biggest improvement in the number of jobs in Illinois has been in "Education and Health Services" (up 12.4%). However, as shown below, this subsector is one of the lowest paying subsectors in terms of weekly earnings, with an average weekly earnings value of \$806. Illinois' largest employer of jobs is the "Trade, Transportation, and Utilities" subsector, employing over 1.2 million people. But, this subsector has one of the lowest average weekly earnings totals in the State (2015 average weekly earnings value of \$807).

State Rankings of Illinois' Employment Subsectors						
Employment Values, Non-Seasonally Adjusted (in thousands)						
	2015 Avg Employment Totals	2015 Sector Ranking by # Employed	2008 to 2015 % Change in Jobs	Jobs Ranking by 7-Yr Change	2015 Avg Weekly Wage	2015 Sector Earnings Ranking
Mining	9.5	11	-3.1%	6	N/A	N/A
Construction	213.0	9	-17.5%	11	\$1,336	1
Manufacturing	581.4	5	-11.6%	9	\$1,042	5
Trade, Transportation, and Utilities	1,200.5	1	-0.4%	4	\$807	7
Information	100.8	10	-11.9%	10	\$1,153	3
Financial Activities	379.8	7	-5.0%	8	\$1,244	2
Professional and Business Services	917.9	2	7.7%	3	\$1,049	4
Education and Health Services	898.8	3	12.4%	1	\$806	8
Leisure and Hospitality	575.8	6	8.1%	2	\$365	9
Other Services	252.9	8	-4.1%	7	\$834	6
Government	830.3	4	-3.0%	5	N/A	N/A

Note: Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics

Equally troublesome is the fact that those subsectors with the highest weekly earnings were the subsectors that have lost the most jobs over the last seven years. For example, the subsector with the highest weekly earnings is

"Construction", paying, on average, \$1,336 per week. However, construction jobs are down 17.5% over the last seven years in Illinois. The next highest paying subsectors are "Financial Activities" (\$1,244 per week) and "Information"

(\$1,153 per week), but employment in these categories are down 5.0% and 11.9%, respectively, since 2008.

These statistics show that Illinois' slow recovery has been, in part, because jobs have migrated from higher paying subsectors to lower paying subsectors.

However, the most recent figures show that a more encouraging trend may be developing. As shown in the following table, between 2014 and 2015, the subsector with the biggest improvement was "Construction" increasing 5.6%. Construction is the highest paying employment subsector in Illinois.

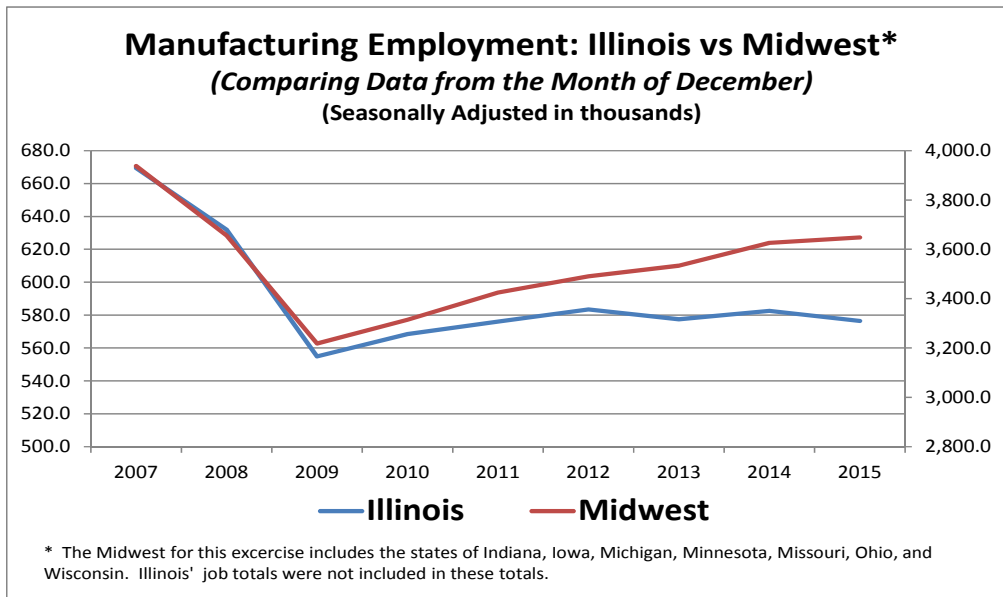
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Employment Values, Non-Seasonally Adjusted (in thousands)						
	2015 Avg Employment Totals	2015 Sector Ranking by # Employed	2014 to 2015 % Change in Jobs	Jobs Ranking by 1-Yr Change	2015 Avg Weekly Wage	2015 Sector Earnings Ranking
Mining	9.5	11	-4.0%	11	N/A	N/A
Construction	213.0	9	5.6%	1	\$1,336	1
Manufacturing	581.4	5	0.2%	10	\$1,042	5
Trade, Transportation, and Utilities	1,200.5	1	1.8%	3	\$807	7
Information	100.8	10	1.7%	4	\$1,153	3
Financial Activities	379.8	7	0.9%	7	\$1,244	2
Professional and Business Services	917.9	2	0.9%	6	\$1,049	4
Education and Health Services	898.8	3	1.5%	5	\$806	8
Leisure and Hospitality	575.8	6	3.2%	2	\$365	9
Other Services	252.9	8	0.3%	9	\$834	6
Government	830.3	4	0.4%	8	N/A	N/A

Note: Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics

Another encouraging sign for construction jobs is that this subsector's levels in December 2015 were up 14.7% from three years ago. This ranks Illinois as having the 20<sup>th</sup> highest rate of improvement over this time period for this type of employment. But despite these recent increases, construction jobs in Illinois remain 19.9% below levels from a decade ago (December 2005), which ranks Illinois as 36<sup>th</sup> in the nation compared to other states in terms of rate of growth for this subsector.

While construction jobs have improved, the manufacturing subsector in Illinois has continued to struggle. Manufacturing jobs only grew 0.2%, on average, between 2014 and 2015. The end-of-year totals

show that manufacturing jobs fell 1.1% between December 2014 and December 2015. This rate of change ranked Illinois 39<sup>th</sup> in the nation. Over the past five years, Illinois' manufacturing sector has only increased 1.4%, ranking them 37<sup>th</sup> in the nation. This 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 during this time frame (Indiana ranked 6<sup>th</sup> with a growth rate of +14.6%; Michigan ranked 1<sup>st</sup> with growth rate of +23.6%; Ohio: ranked 17<sup>th</sup> with growth rate of +10.3%). A graph displaying the discrepancy between the growth in manufacturing jobs in Illinois and the rest of the Midwest is shown on the following chart.



Other comparisons of how Illinois' latest employment figures for each subsector compares 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.

<b>Illinois Employment by Subsector Year-Over-Year Change</b> (Comparisons are by December 2015 vs December of Past Years) (Employment Values in thousands)									
	Current Value (Dec 2015)	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	9.2	-9.8%	23	-4.2%	16	-8.0%	22	-6.1%	24
Construction	217.8	4.3%	29	12.6%	14	14.7%	20	12.8%	29
Manufacturing	576.4	-1.1%	39	-0.2%	35	-1.2%	43	0.1%	34
Trade, Transp., and Util.	1,198.7	0.7%	38	2.4%	36	3.3%	38	4.2%	36
Information	99.2	-0.6%	25	0.8%	20	-0.6%	23	-1.1%	19
Financial Activities	379.9	0.7%	36	0.7%	40	1.0%	42	2.2%	36
Prof. and Bus. Serv.	915.7	-0.2%	43	1.5%	46	5.5%	36	9.7%	29
Ed. and Health Services	906.6	1.8%	34	3.1%	38	4.7%	31	5.9%	26
Leisure and Hospitality	583.8	3.5%	22	6.2%	19	7.6%	26	10.9%	21
Other Services	254.3	0.8%	36	1.4%	40	1.9%	36	1.6%	35
Government	832.6	0.3%	28	0.8%	21	0.0%	27	0.1%	26
<b>Totals</b>	<b>5,974.2</b>								
	Current Value (Dec 2015)	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	9.2	-3.2%	31	-10.7%	25	-6.1%	22	-30.8%	33
Construction	217.8	10.6%	33	-19.9%	36	-17.5%	40	-2.9%	41
Manufacturing	576.4	1.4%	37	-15.7%	29	-32.7%	34	-35.6%	35
Trade, Transp., and Util.	1,198.7	5.9%	32	0.6%	32	-4.3%	42	0.4%	47
Information	99.2	-1.9%	18	-15.0%	27	-33.7%	31	-28.0%	38
Financial Activities	379.9	2.0%	34	-7.8%	43	-7.6%	47	0.3%	45
Prof. and Bus. Serv.	915.7	12.7%	28	10.2%	39	9.3%	46	35.1%	45
Ed. and Health Services	906.6	7.9%	26	21.0%	27	32.8%	39	44.9%	39
Leisure and Hospitality	583.8	12.2%	24	13.3%	31	19.5%	33	27.9%	37
Other Services	254.3	2.1%	33	-2.0%	43	3.5%	36	12.4%	42
Government	832.6	-1.1%	33	-1.7%	40	-1.3%	45	3.4%	44
<b>Totals</b>	<b>5,974.2</b>								

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



In terms of unemployment, the latest numbers from the Bureau of Labor Statistics show that Illinois' seasonally adjusted unemployment rate is at 6.4% (Feb 2016). While this figure has improved from the February 2014 rate of 8.0%, the latest rate has climbed above the unemployment rate of a year ago (6.0% in Feb 2015). [Although, it should be pointed out that the recent increase in the unemployment rate could be caused by more Illinois residents looking for work,

which could cause the rate to increase]. Illinois' unemployment rate is also conspicuously higher than the U.S. rate of 4.9% (Feb 2015). A list of the unemployment rates of all states is shown in the following table. As shown, Illinois' rate of 6.4% ranks Illinois tied for 46<sup>th</sup> in the nation when compared to other states. Only Mississippi (6.5%), West Virginia (6.5%), the District of Columbia (6.5%) and Alaska (6.6%) have a higher unemployment rate than Illinois.

<b>February 2016 Unemployment Rates (Seasonally Adjusted) for States and Historical Highs/Lows</b>						
<i>NATIONAL RATE = 4.9%</i>						
<b>State</b>	<b>Jan 2016 Rate</b>	<b>Rate Ranking</b>	<b>Historical High Date</b>	<b>Historical High Rate</b>	<b>Historical Low Date</b>	<b>Historical Low Rate</b>
Alabama	6.2	45	Dec. 1982	15.5	Apr. 2007	3.8
Alaska	6.6	51	Aug. 1986	11.2	Jun-07	6.3
Arizona	5.5	36	Dec. 1982	11.5	July 2007	3.7
Arkansas	4.2	14	Feb. 1983	10.3	Feb. 2016	4.2
California	5.5	36	Oct. 2010	12.2	Dec. 2000	4.7
Colorado	3.0	3	Oct. 2010	8.9	Dec. 2000	2.7
Connecticut	5.5	36	Jan. 1976	10.0	Oct. 2000	2.2
Delaware	4.6	21	Dec. 1976	9.8	June 1988	3.0
District of Columbia	6.5	48	Sept. 1983	11.3	Sept. 1989	4.8
Florida	4.9	29	Jan. 2010	11.2	Apr. 2006	3.1
Georgia	5.4	34	Dec. 2010	10.5	Nov. 2000	3.4
Hawaii	3.1	5	Jan. 1976	10.4	Dec. 2006	2.4
Idaho	3.9	11	Dec. 1982	10.2	June 2007	2.9
<b>Illinois</b>	<b>6.4</b>	<b>46</b>	<b>Feb. 1983</b>	<b>13.1</b>	<b>Feb. 1999</b>	<b>4.1</b>
Indiana	4.7	24	Dec. 1982	12.6	Oct. 2000	2.9
Iowa	3.7	9	Jan. 1983	9.1	Mar. 2000	2.4
Kansas	4.0	12	Sept. 2009	7.3	Aug. 1978	2.9
Kentucky	5.8	41	Feb. 1983	12.1	May 2000	4.0
Louisiana	5.9	43	Nov. 1986	13.1	Oct. 2007	3.9
Maine	3.6	8	Jan. 1977	9.0	Dec. 2000	3.2
Maryland	4.7	24	Mar. 1982	8.5	Dec. 1999	3.3
Massachusetts	4.5	20	Jan. 1976	10.7	Oct. 2000	2.6
Michigan	4.8	26	Dec. 1982	16.5	Mar. 2000	3.2
Minnesota	3.7	9	Jan. 1983	8.9	Mar. 1999	2.5
Mississippi	6.5	48	Apr. 1983	12.8	Jan. 2001	5.0
Missouri	4.2	14	Apr. 1983	10.6	Jan. 2000	3.1
Montana	4.2	14	May 1983	8.8	Feb. 2007	2.9
Nebraska	3.0	3	Feb. 1983	6.3	Oct. 1990	2.3
Nevada	5.9	43	Nov. 2010	13.7	Jan. 1999	3.7
New Hampshire	2.7	1	July 1992	7.4	Mar. 1988	2.2
New Jersey	4.3	18	Jan. 1977	10.7	May 2000	3.5
New Mexico	6.4	46	Mar. 1983	10.5	Aug. 2007	3.7
New York	4.8	26	Jan. 1976	10.4	May 1988	4.0
North Carolina	5.5	36	Mar. 2010	11.3	Apr. 1999	3.0
North Dakota	4.9	29	Mar. 1983	6.2	Jan. 1998	2.5
Ohio	4.9	29	Jan. 1983	14.0	Apr. 2001	3.8
Oklahoma	4.2	14	Apr. 1983	8.9	Dec. 2000	2.9
Oregon	4.8	26	May 2009	11.9	Feb. 1995	4.7
Pennsylvania	4.6	21	Feb. 1983	12.7	May 2000	4.0
Rhode Island	5.4	34	Aug. 2009	11.3	May 1988	2.9
South Carolina	5.5	36	Jan. 1983	11.8	Apr. 1998	3.5
South Dakota	2.7	1	Jan. 1983	5.9	July 2000	2.4
Tennessee	4.9	29	Jan. 1983	12.9	Mar. 2000	3.7
Texas	4.4	19	Nov. 1986	9.2	Dec. 2000	4.0
Utah	3.4	6	Mar. 1983	9.6	Mar. 2007	2.3
Vermont	3.4	6	Feb. 1976	8.8	Mar. 2000	2.6
Virginia	4.1	13	Dec. 1982	7.9	Nov. 2000	2.1
Washington	5.8	41	Nov. 1982	12.2	June 2007	4.6
West Virginia	6.5	48	Feb. 1983	18.8	Aug. 2008	4.1
Wisconsin	4.6	21	Jan. 1983	11.9	July 1999	3.0
Wyoming	5.0	33	Dec. 1986	9.4	May 1979	2.5

Note: The February 2016 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/lausthl.htm>

## REVENUE

### March Revenues Down On Mixed Results

Jim Muschinske, Revenue Manager

Overall base revenues fell \$407 million in March. While sales tax posted a modest rebound, that was more than erased by expected lower income taxes as well as continued disappointing federal source receipts. March had one more receipting day as compared to the same month last year.

Gross personal income tax receipts fell \$131 million, or \$116 million net of refunds and distributions to the Advancement of Education Fund and Commitment to Human Services Fund. While we are once again comparing similar tax rates to the prior year, the decline in March was expected since final payments last fiscal year still reflected the higher rate of the temporary tax increase. Gross corporate income tax receipts fell \$129 million, or \$116 million net of refunds. Again, the decline was expected given last year's final payments still reflecting the higher tax rate. Public utility taxes dropped \$39 million, likely due to timing, erasing last month's good performance. Inheritance taxes paused from its good performance falling \$19 million for the month. Cigarette tax receipts dipped \$5 million.

A few revenue sources did experience increases in March. Sales tax receipts finally broke out of its doldrums, growing \$40 million. Insurance taxes continued to do well, jumping \$12 million. Corporate franchise taxes increased by \$3 million, liquor taxes \$1 million, interest income \$1 million, and other sources \$1 million.

Overall transfers fell \$48 million for the month. While lottery transfers managed

to grow \$2 million, that small gain was offset by a \$3 million decline in riverboat transfers as well as a \$47 million falloff in other transfers. Federal sources continued to demonstrate weakness, with receipts falling \$122 million in March.

#### Year To Date

Through three quarters of the fiscal year, base receipts are down \$2.387 billion. The drop reflects comparatively lower income tax rates for the first part of the fiscal year as well as the one-time nature of some pharmaceutical court settlements recovered by the Attorney General's Office last fiscal year.

Gross personal income taxes are down \$1.732 billion, \$1.531 billion net of refunds, or \$2.019 billion when the diversions to the education and human service funds are included. Gross corporate income taxes are behind last year's receipting by \$531 million, or \$472 million net of refunds. Other sources are \$135 million lower, reflecting the aforementioned court settlement proceeds received last fiscal year. Public utility taxes are off \$55 million, and interest earnings are off \$1 million.

A number of sources posted gains as sales tax receipts are up a very modest \$39 million, insurance taxes \$29 million, inheritance tax receipts \$15 million, vehicle use tax \$2 million, cigarette tax \$1 million, and liquor taxes \$1 million.

Overall transfers are higher by \$5 million, and federal sources are ahead of last year's slow pace by \$203 million.

**MARCH**  
**FY 2016 vs. FY 2015**  
(\$ million)

<b>Revenue Sources</b>	<b>March FY 2016</b>	<b>March FY 2015</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$1,256	\$1,387	(\$131)	-9.4%
Corporate Income Tax (regular)	433	562	(\$129)	-23.0%
Sales Taxes	641	601	\$40	6.7%
Public Utility Taxes (regular)	85	124	(\$39)	-31.5%
Cigarette Tax	30	35	(\$5)	-14.3%
Liquor Gallonage Taxes	12	11	\$1	9.1%
Vehicle Use Tax	3	3	\$0	0.0%
Inheritance Tax	17	36	(\$19)	-52.8%
Insurance Taxes and Fees	49	37	\$12	32.4%
Corporate Franchise Tax & Fees	18	15	\$3	20.0%
Interest on State Funds & Investments	3	2	\$1	50.0%
Cook County IGT	0	0	\$0	N/A
Other Sources	34	33	\$1	3.0%
<b>Subtotal</b>	<b>\$2,581</b>	<b>\$2,846</b>	<b>(\$265)</b>	<b>-9.3%</b>
<b>Transfers</b>				
Lottery	70	68	\$2	2.9%
Riverboat transfers & receipts	26	29	(\$3)	-10.3%
Proceeds from Sale of 10th license	10	10	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Fund sweeps	0	0	\$0	N/A
Other	35	82	(\$47)	-57.3%
<b>Total State Sources</b>	<b>\$2,722</b>	<b>\$3,035</b>	<b>(\$313)</b>	<b>-10.3%</b>
<b>Federal Sources</b>	<b>\$211</b>	<b>\$333</b>	<b>(\$122)</b>	<b>-36.6%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$2,933</b>	<b>\$3,368</b>	<b>(\$435)</b>	<b>-12.9%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$122)	(\$139)	\$17	-12.2%
Corporate Income Tax	(\$66)	(79)	\$13	-16.5%
<b>Fund for Advancement of Education</b>	<b>(\$32)</b>	<b>(31)</b>	<b>(\$1)</b>	<b>3.2%</b>
<b>Commitment to Human Services Fund</b>	<b>(\$32)</b>	<b>(31)</b>	<b>(\$1)</b>	<b>3.2%</b>
<b>Subtotal General Funds</b>	<b>\$2,681</b>	<b>\$3,088</b>	<b>(\$407)</b>	<b>-13.2%</b>
<b>Short-Term Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Interfund Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Budget Stabilization Fund Transfer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Total General Funds</b>	<b>\$2,681</b>	<b>\$3,088</b>	<b>(\$407)</b>	<b>-13.2%</b>

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

4-Apr-16

**GENERAL FUNDS RECEIPTS: YEAR TO DATE**  
**FY 2016 vs. FY 2015**

(\$ million)

<b>Revenue Sources</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>CHANGE FROM FY 2015</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$10,918	\$12,650	(\$1,732)	-13.7%
Corporate Income Tax (regular)	1,536	2,067	(\$531)	-25.7%
Sales Taxes	6,016	5,977	\$39	0.7%
Public Utility Taxes (regular)	709	764	(\$55)	-7.2%
Cigarette Tax	265	264	\$1	0.4%
Liquor Gallonage Taxes	127	126	\$1	0.8%
Vehicle Use Tax	25	23	\$2	8.7%
Inheritance Tax	255	240	\$15	6.3%
Insurance Taxes and Fees	249	220	\$29	13.2%
Corporate Franchise Tax & Fees	158	158	\$0	0.0%
Interest on State Funds & Investments	17	18	(\$1)	-5.6%
Cook County IGT	150	150	\$0	0.0%
Other Sources	295	430	(\$135)	-31.4%
<b>Subtotal</b>	<b>\$20,720</b>	<b>\$23,087</b>	<b>(\$2,367)</b>	<b>-10.3%</b>
<b>Transfers</b>				
Lottery	487	478	\$9	1.9%
Riverboat transfers & receipts	237	247	(\$10)	-4.0%
Proceeds from Sale of 10th license	10	10	\$0	N/A
Refund Fund transfer	77	63	\$14	22.2%
Fund sweeps	0	0	\$0	N/A
Other	417	425	(\$8)	-1.9%
<b>Total State Sources</b>	<b>\$21,948</b>	<b>\$24,310</b>	<b>(\$2,362)</b>	<b>-9.7%</b>
<b>Federal Sources</b>	<b>\$2,152</b>	<b>\$1,949</b>	<b>\$203</b>	<b>10.4%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$24,100</b>	<b>\$26,259</b>	<b>(\$2,159)</b>	<b>-8.2%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$1,064)	(\$1,265)	\$201	-15.9%
Corporate Income Tax	(\$233)	(\$292)	\$59	-20.2%
<b>Fund for Advancement of Education</b>	<b>(\$335)</b>	<b>(\$91)</b>	<b>(\$244)</b>	<b>N/A</b>
<b>Commitment to Human Services Fund</b>	<b>(\$335)</b>	<b>(\$91)</b>	<b>(\$244)</b>	<b>N/A</b>
<b>Subtotal General Funds</b>	<b>\$22,133</b>	<b>\$24,520</b>	<b>(\$2,387)</b>	<b>-9.7%</b>
<b>Short-Term Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Interfund Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Budget Stabilization Fund Transfer</b>	<b>\$125</b>	<b>\$275</b>	<b>(\$150)</b>	<b>-54.5%</b>
<b>Total General Funds</b>	<b>\$22,258</b>	<b>\$24,795</b>	<b>(\$2,537)</b>	<b>-10.2%</b>

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

CGFA

4-Apr-16