



Commission on Government Forecasting and Accountability

MONTHLY BRIEFING

MAY 2009

<http://www.ilga.gov/commission/cgfa2006/home.aspx>

SENATE

Jeffrey M. Schoenberg, Co-Chairman
Bill Brady
Michael Frerichs
Matt Murphy
David Syverson
Donne Trotter

HOUSE

Richard P. Myers, Co-Chairman
Patricia Bellock
Kevin McCarthy
Elaine Nekritz
Raymond Poe
Kathleen Ryg

EXECUTIVE DIRECTOR

Dan R. Long

DEPUTY DIRECTOR

Trevor J. Clatfelter

INSIDE THIS ISSUE

PAGE 1 - **ECONOMY:** Jobs Continue to Erode

PAGE 3: Illinois Economic Indicators

PAGE 3: Short-Term Borrowing

PAGE 5 - **REVENUE:** Federal Stimulus Funds Offset Falloffs in May

PAGE 6-7: Revenue Tables

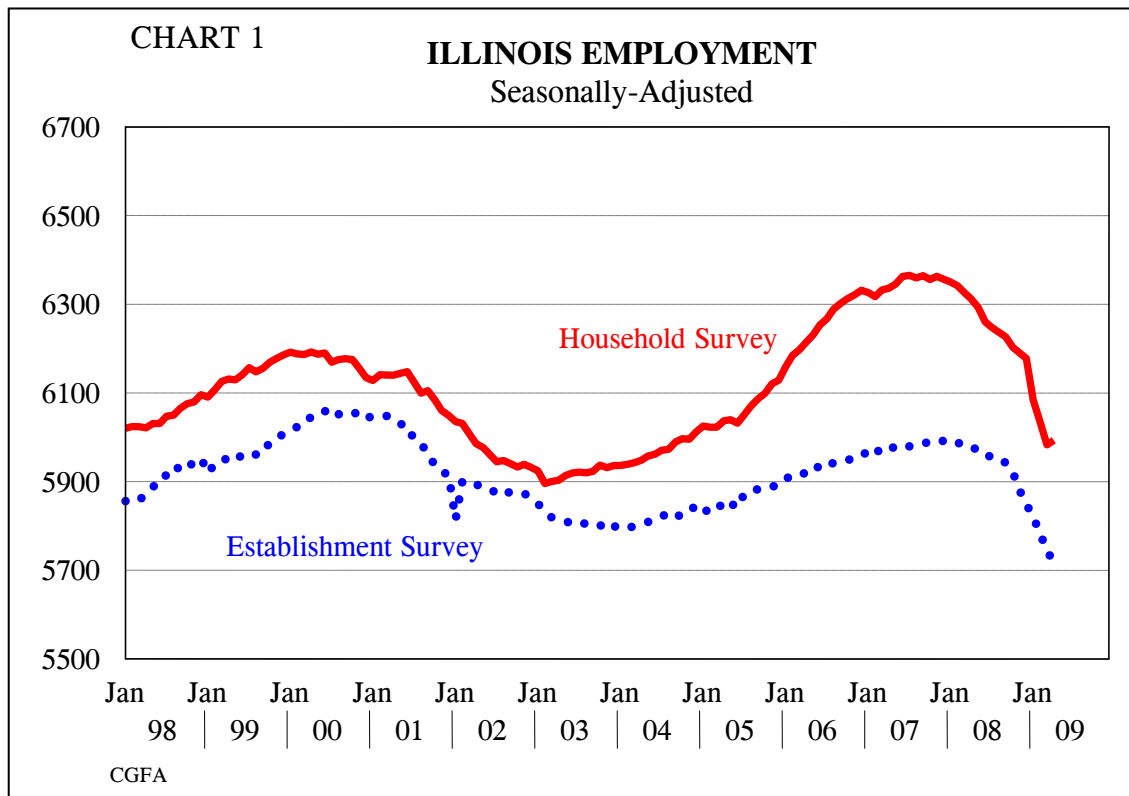
.....
703 Stratton Ofc. Bldg.
Springfield, IL 62706

ECONOMY: Jobs Continue to Erode

Edward H. Boss, Jr., Chief Economist

Optimists continue to see green shoots emerging in the economy from recent economic releases; however, the roots of those sprouts are jobs, which have yet to take hold. Indeed both nationally and in Illinois, jobs continue to be lost and unemployment rates rise. In April, the national unemployment rate reached 8.9%, the highest since 9.2% was recorded in September 1983 and compared to a high in modern times of 10.8% at the end of 1982. Illinois' unemployment rate, which normally lags the national trend, was higher in April, reaching 9.4%, the highest in a quarter century and compared to a modern-time high of 12.9% in February 1983.

Illinois lost 255,400 non-farm jobs in the past twelve months; the large loss of jobs is reflected in the rise in the unemployment rate that stood at 6.2% as recently as a year ago. Indeed, of the eleven major categories of non-farm jobs, only three show any gains whatsoever in the past year (mining; education and health care; and government). Moreover, those gains were modest with the largest being a 7,500 increase in the category of education and health services. In sheer numbers, the largest loss of jobs in Illinois in the past year was in professional and business services (71,700) followed closely by manufacturing (71,200). Indeed these two sectors alone account for more than 55% of the decline in non-farm jobs in the last year. Given the fallout from the bursting of the housing bubble, declining home prices and limited credit availability, it should not be a surprise that the next two categories, accounting for more than 30% of lost jobs in the past year, were construction and trade and transportation & utilities. The remaining areas where jobs were lost were: leisure and hospitality, other services, financial activities, and information.



Employment is measured by two different surveys, the first is a survey of individuals from which the Household data and the unemployment rate are determined, and the second is from businesses, from which non-farm payroll employment is derived, known as the Establishment Survey. Chart 1 shows Illinois employment as measured by both surveys in recent years. Most analysts and economists consider the Establishment Survey measuring non-farm employment as the most reliable indicator of employment as it is a more comprehensive survey and less subjective. Even so, it too has its faults, such as, it is slow to incorporate new businesses where most jobs are created and it does not correct for those that may have multiple jobs.

Illinois' non-farm employment, as measured by the Establishment Survey, fell in April to slightly over 5.7 million, the 15th consecutive monthly decline. This was the lowest level of employment in the state since October 1996 and a loss of 347,500 since a high in November 2000. Interestingly, employment

measured by the Household Survey actually rose modestly in April for the first time since November 2007 when the Illinois unemployment rate was substantially lower at 4.7%. Even so, the number unemployed last month rose to a new recession high as those looking for jobs rose, more than offsetting the employment gain.

Shutdowns of auto manufacturers and dealers are likely to raise unemployment claims in the weeks ahead and put further downward pressure on employment totals. As shown in the chart, however, the pace of job erosion has lessened in recent months and the Household Survey, both nationally and in Illinois, showed gains in April. In the past this has led movements in the Establishment Survey. Even so, employment lags in the early stages of an economic recovery, the Establishment Survey generally lags the Household Survey, and Illinois tends to lag the nation, thus further job erosion is likely to continue in Illinois well into the future even as economic activity may begin to strengthen in the second half of the year.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS</u>	<u>April 2009</u>	<u>March 2009</u>	<u>April 2008</u>
Unemployment Rate (Average)	9.4%	9.0%	6.2%
Annual Rate of Inflation (Chicago)	2.4%	0.6%	2.2%
<hr style="border: 2px solid black;"/>			
	<u>LATEST</u> <u>MONTH</u>	<u>% CHANGE</u> <u>OVER PRIOR</u> <u>MONTH</u>	<u>% CHANGE</u> <u>OVER A</u> <u>YEAR AGO</u>
Civilian Labor Force (thousands) (April)	6,612	0.5%	-1.7%
Employment (thousands) (April)	5,992	0.1%	5.0%
New Car & Truck Registration (April)	34,151	13.2%	-35.4%
Single Family Housing Permits (April)	754	32.2%	-50.7%
Total Exports (\$ mil) (March)	3,680	6.5%	-18.4%
Chicago Purchasing Managers Index (May)	34.9	-12.9%	-28.9%

Short-Term Borrowing

Lynnae Kapp, Bond Analyst

On March 27, 2009, the Office of the Governor notified the Legislature and the Secretary of State of a proposed short-term borrowing due to a failure of revenues. The Illinois Constitution (Section 9 (d)) allows State debt to be incurred in an amount not exceeding 15% of the State's appropriations for the current fiscal year to meet deficits caused by emergencies or failures of revenue. The debt must be repaid within one year of the date it is incurred.

The total amount to be issued will equal approximately \$2.25 billion.

The sale is broken up into two issuances. The first \$1 billion was sold in May 2009 and will be paid off in two installments in April and May of 2010. Interest will equal \$28.8 million. The second issuance is expected in June 2009 in the amount of \$1.25 billion, to be paid off within one year (per statute) with approximately \$37.5 million in interest. Proceeds of the G.O. Certificates will be deposited into the General Revenue Fund and used to supplement revenues during FY 2009 and to relieve general cash flow pressures.

HISTORY OF SHORT TERM BORROWING			
Date Issued	Date Retired	Purpose	Amount (millions)
June-July 1983	May 1984	To maintain adequate cash balances caused by revenue shortfalls	\$200
February 1987	February 1988*	To improve the cash position of the General Funds	\$100
August 1991	June 1992	For cash flow purposes	\$185
February 1992	October 1992*	To pay Medicaid providers through the Medicaid Developmentally Disabled Provider Participation Fee, Medicaid Long-Term Care Provider Participation Fee, and Hospital Services Trust Funds	\$500
August 1992	May 1993	To improve the payment cycle to Medicaid service providers	\$600
October 1992	June 1993	For cash flow purposes	\$300
August 1993	June 1994	For cash flow to pay Medicaid service providers through the Hospital Provider Fund	\$900
August 1994	June 1995	To pay Medicaid service providers through the Long-Term Care and Hospital Provider Funds	\$687
August 1995	June 1996	To GRF for cash flow and payment to Medicaid service providers through the Long-Term Care Provider Fund and Hospital Provider Fund	\$500
July 2002	June 2003	For Cash Flow; payments for medical assistance; to medical providers for long-term care; to pay Income Tax Refunds	\$1,000
May 2003	May 2004*	For Cash Flow; payments for medical assistance; to medical providers for long-term care; for Income Tax Refunds; for State Aid to K-12 school districts	\$1,500
June 2004	October 2004*	For Medicaid service providers and the Children's Health Insurance Program	\$850
March 2005	June 2005	For Cash Flow; for payments to Medicaid Service Providers through the Hospital Provider Fund.	\$765
November 2005	June 2006	For Cash Flow; for payments for Medicaid and the Children's Health Insurance Program.	\$1,000
February 2007	June 2007	For the Hospital Provider Assessment Tax Program; health care related funds; General Revenue Fund liquidity.	\$900
September 2007	November 2007	For the Hospital Provider Assessment Tax Program; health care related funds; General Revenue Fund liquidity.	\$1,200
April 2008	June 2008	For the Hospital Provider Assessment Tax Program; health care related funds; General Revenue Fund liquidity.	\$1,200
December 2008	June 2009	To relieve General Revenue Fund cash flow pressures.	\$1,400
May 2009	May 2010	Failure of Revenues	\$1,000
Source: Office of Management & Budget *Across fiscal year borrowing			

REVENUE
Federal Stimulus Funds Offset
May Falloffs

Jim Muschinske, Revenue Manager

Excluding \$1 billion in short-term borrowing and other cash flow transfers, general funds receipts jumped \$791 million in May. The monthly gain was due to a whopping \$1.167 billion more from federal sources, of which \$832 million was directly related to the Stimulus Package. Also assisting receipts was the continued unexpected boost in corporate income taxes. Unfortunately, continued large losses from personal income taxes, sales taxes, and transfers wiped out a significant portion of the positives. May had one less receipting day than last year.

Gross personal income taxes fell \$260 million, or \$255 million net of refunds. Sales tax receipts continued to disappoint as revenues were off by \$74 million. Public utility revenues dropped \$11 million, while interest on investments fell \$10 million. Inheritance tax, corporate franchise tax, and other sources each suffered a \$5 million decline in May and vehicle use tax eased \$1 million.

As mentioned, gross corporate income tax experienced a surprisingly strong month with receipts growing \$67 million, or \$53 million net of refunds. Insurance taxes grew by \$8 million.

Overall transfers continued to fall, down \$71 million for the month. Other transfers fell \$66 million, while riverboat transfers dipped \$5 million. As mentioned, Federal sources posted a \$1.167 billion gain for the month, with \$832 million of the gain directly associated with the federal stimulus package.

Year to Date

With only one month remaining in the fiscal year, despite \$1.093 billion in direct federal stimulus monies, overall base revenues are down \$806 million. The declines are attributed to the continuing effects of the ongoing recession as the combined economic related sources [income and sales taxes] represent \$1.398 billion in declines. In addition, lower transfers account for \$370 million of the slowing. Federal sources aside, only public utility taxes and insurance taxes demonstrated any growth on a year to date basis, indicating that the recession is not discriminating, and that virtually all sectors of the economy are being impacted negatively.

Gross personal income tax was down \$842 million, or \$963 million on a net of refund basis. Sales tax was down a startling \$393 million, reflecting the bruised consumer who is reluctant to spend amid the worsening employment outlook. Interest income was off \$119 million due to lower rates of return as well as reduced investable balances, while inheritance taxes are down \$89 million. All other remaining tax sources added another net \$141 million in year to date losses.

Total transfers are down \$370 million, reflecting \$209 million in lower other transfers, \$124 million in transfers from riverboat gaming, and \$37 million in reduced lottery transfers. Federal sources, after receipting \$1.093 billion in direct federal stimulus monies in April and May, are now up \$1.233 billion for the year.

GENERAL FUNDS RECEIPTS: MAY

FY 2009 vs. FY 2008

(\$ million)

<u>Revenue Sources</u>	<u>May FY 2009</u>	<u>May FY 2008</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$779	\$1,039	(\$260)	-25.0%
Corporate Income Tax (regular)	172	105	\$67	63.8%
Sales Taxes	522	596	(\$74)	-12.4%
Public Utility Taxes (regular)	86	97	(\$11)	-11.3%
Cigarette Tax	29	29	\$0	0.0%
Liquor Gallonage Taxes	13	13	\$0	0.0%
Vehicle Use Tax	2	3	(\$1)	-33.3%
Inheritance Tax (Gross)	16	21	(\$5)	-23.8%
Insurance Taxes and Fees	19	11	\$8	72.7%
Corporate Franchise Tax & Fees	14	19	(\$5)	-26.3%
Interest on State Funds & Investments	9	19	(\$10)	-52.6%
Cook County IGT	94	94	\$0	0.0%
Other Sources	26	31	(\$5)	-16.1%
Subtotal	\$1,781	\$2,077	(\$296)	-14.3%
Transfers				
Lottery	58	58	\$0	0.0%
Riverboat transfers & receipts	30	35	(\$5)	-14.3%
Other	55	121	(\$66)	-54.5%
Total State Sources	\$1,924	\$2,291	(\$367)	-16.0%
Federal Sources	\$1,693	\$526	\$1,167	221.9%
Total Federal & State Sources	\$3,617	\$2,817	\$800	28.4%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$76)	(\$81)	\$5	N/A
Corporate Income Tax	(\$30)	(16)	(\$14)	N/A
Subtotal General Funds	\$3,511	\$2,720	\$791	29.1%
Short-Term Borrowing	\$1,000	\$0	\$1,000	N/A
Hopital Provider Fund (cash flow transfer)	\$0	\$902	(\$902)	N/A
Budget Stabilization Fund Transfer	\$200	\$0	\$200	N/A
Total General Funds	\$4,711	\$3,622	\$1,089	30.1%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				2-Jun-09

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2009 vs. FY 2008

(\$ million)

Revenue Sources	FY 2009	FY 2008	CHANGE FROM FY 2008	% CHANGE
State Taxes				
Personal Income Tax	\$9,371	\$10,213	(\$842)	-8.2%
Corporate Income Tax (regular)	1,886	1,891	(\$5)	-0.3%
Sales Taxes	6,200	6,593	(\$393)	-6.0%
Public Utility Taxes (regular)	1,091	1,084	\$7	0.6%
Cigarette Tax	321	321	\$0	0.0%
Liquor Gallonage Taxes	144	144	\$0	0.0%
Vehicle Use Tax	25	30	(\$5)	-16.7%
Inheritance Tax (Gross)	254	343	(\$89)	-25.9%
Insurance Taxes and Fees	273	244	\$29	11.9%
Corporate Franchise Tax & Fees	185	210	(\$25)	-11.9%
Interest on State Funds & Investments	71	190	(\$119)	-62.6%
Cook County IGT	253	302	(\$49)	-16.2%
Other Sources	356	376	(\$20)	-5.3%
Subtotal	\$20,430	\$21,941	(\$1,511)	-6.9%
Transfers				
Lottery	559	596	(\$37)	-6.2%
Riverboat transfers & receipts	400	524	(\$124)	-23.7%
Other	353	562	(\$209)	-37.2%
Total State Sources	\$21,742	\$23,623	(\$1,881)	-8.0%
Federal Sources	\$5,732	\$4,499	\$1,233	27.4%
Total Federal & State Sources	\$27,474	\$28,122	(\$648)	-2.3%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$913)	(\$792)	(\$121)	15.3%
Corporate Income Tax	(\$330)	(\$293)	(\$37)	12.6%
Subtotal General Funds	\$26,231	\$27,037	(\$806)	-3.0%
Short-Term Borrowing	\$2,400	\$2,400	\$0	N/A
Hospital Provider Fund (cash flow transfer)	\$0	\$1,202	(\$1,202)	N/A
Budget Stabilization Fund Transfer	\$526	\$276	\$250	90.6%
Total General Funds	\$29,157	\$30,915	(\$1,758)	-5.7%
SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.				
CGFA				2-Jun-09