



Commission on Government Forecasting and Accountability

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MONTHLY BRIEFING FOR THE MONTH ENDED: JULY 2020

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ILLINOIS UNEMPLOYMENT AND WAGE UPDATE

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For most of FY 2020, jobs in the State of Illinois were at decade high levels. In fact, according to the Bureau of Labor Statistics, Illinois reached a historically low unemployment rate in February 2020 with a seasonally adjusted rate of 3.4%. But things abruptly changed with the onset of the COVID-19 virus. Within two months, Illinois went from a historical low unemployment rate of 3.4% to a historical high rate of 17.2% in April 2020. As shown in the table on the next page, this abrupt contrast between extremes was seen in states all over the country. All but three states reached record high unemployment rate levels in the Spring of 2020.

While unemployment levels have improved somewhat over the last couple of months, the rates remain at historical high levels. The latest figures (June 2020, seasonally adjusted) show Illinois with an unemployment rate of 14.6%. Although Illinois is far from alone in this dramatic change in unemployment, the State's June 2020 rate is notably higher than the U.S. average of 11.1%. Illinois' rate of 14.6%, ranks as the 45th highest rate in the country.

Illinois' dramatic rise in unemployment rates at the end of FY 2020 begs the question, "In what areas did these job losses occur"? This can be answered from a broad perspective by looking at the latest job and wage figures (June 2020) from the Bureau of Labor Statistics, which separates the data into eleven employment subsectors. The table on Page 3

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displays the subsector data for the month of June between 2010 and 2020, as well as displaying the annual percentage change rates for these values during this time frame. As shown, Illinois' job totals

for June 2020 are 9.7% lower than they were in June 2019. In fact, the June 2020 total is the lowest level for that month's activity over the last ten years and the lowest since June 1994.

June 2020 Unemployment Rates (Seasonally Adjusted) for States and Historical Highs/Lows						
NATIONAL RATE = 11.1%						
State	Jun-20 Rate	Rate Ranking	Historical High Date	Historical High Rate	Historical Low Date	Historical Low Rate
Kentucky	4.3	1	Apr. 2020	16.6	Aug. 2000	4.1
Utah	5.1	2	Apr. 2020	10.4	Dec. 2019	2.4
Idaho	5.6	3	Apr. 2020	11.8	Mar. 2020	2.5
North Dakota	6.1	4	May. 2020	9.1	Mar. 2020	2.0
Maine	6.6	5	Apr. 2020	10.4	Sept. 2019	2.9
Oklahoma	6.6	5	Apr. 2020	14.7	Mar. 2020	2.9
Nebraska	6.7	7	Apr. 2020	8.7	Oct. 1990	2.3
Montana	7.1	8	Apr. 2020	11.9	Feb. 2007	2.9
South Dakota	7.2	9	Apr. 2020	10.9	Jul. 2000	2.4
Alabama	7.5	10	Dec. 1982	15.5	Feb. 2020	2.7
Kansas	7.5	10	Apr. 2020	11.9	Mar. 2020	2.8
Georgia	7.6	12	Apr. 2020	12.6	Feb. 2020	3.1
North Carolina	7.6	12	Apr. 2020	12.9	Apr. 1999	3.0
Wyoming	7.6	12	Apr. 2020	9.6	May. 1979	2.5
Missouri	7.9	15	Mar. 1983	10.6	Oct. 2018	3.0
Arkansas	8.0	16	Apr. 2020	10.8	Feb. 2020	3.5
Iowa	8.0	16	Apr. 2020	11.0	Mar. 2000	2.4
Maryland	8.0	16	Apr. 2020	10.1	Mar. 2020	3.3
New Mexico	8.3	19	Apr. 2020	11.9	Sept. 2007	3.7
Virginia	8.4	20	Apr. 2020	11.2	Nov. 2000	2.1
Wisconsin	8.5	21	Apr. 2020	13.6	Dec. 2018	3.0
District of Columbia	8.6	22	Apr. 2020	11.7	Sept. 1989	4.8
Minnesota	8.6	22	May. 2020	9.9	Feb. 1999	2.5
Texas	8.6	22	Apr. 2020	13.5	Jan. 2019	3.4
Mississippi	8.7	25	Apr. 2020	16.3	Aug. 2018	4.7
South Carolina	8.7	25	Apr. 2020	12.8	Jan. 2020	2.4
Vermont	9.4	27	Apr. 2020	16.5	May. 2019	2.3
Louisiana	9.7	28	Apr. 2020	15.1	Oct. 2007	4.1
Tennessee	9.7	28	Apr. 2020	15.5	Mar. 2020	3.3
Connecticut	9.8	30	Jun. 2020	9.8	Oct. 2000	2.2
Washington	9.8	30	Apr. 2020	16.3	Feb. 2020	3.8
Arizona	10.0	32	Apr. 2020	13.4	Jul. 2007	3.6
Florida	10.4	33	Apr. 2020	13.8	Feb. 2020	2.8
West Virginia	10.4	33	Feb. 1983	18.8	Jul. 2008	4.0
Colorado	10.5	35	Apr. 2020	12.2	Feb. 2020	2.5
Ohio	10.9	36	Apr. 2020	17.6	Feb. 2001	3.7
Indiana	11.2	37	Apr. 2020	17.5	Oct. 2000	2.9
Oregon	11.2	37	Apr. 2020	14.9	Feb. 2020	3.3
New Hampshire	11.8	39	Apr. 2020	17.1	Mar. 1988	2.2
Alaska	12.4	40	Apr. 2020	13.5	Mar. 2020	5.2
Rhode Island	12.4	40	Apr. 2020	18.1	Jul. 1988	3.0
Delaware	12.5	42	May. 2020	15.9	Jan. 1988	3.0
Pennsylvania	13.0	43	Apr. 2020	16.1	May. 2000	4.0
Hawaii	13.9	44	Apr. 2020	23.8	Nov. 2017	2.2
Illinois	14.6	45	Apr. 2020	17.2	Feb. 2020	3.4
Michigan	14.8	46	Apr. 2020	24.0	Mar. 2000	3.2
California	14.9	47	May. 2020	16.4	Feb. 2020	3.9
Nevada	15.0	48	Apr. 2020	30.1	Feb. 2020	3.6
New York	15.7	49	Jun. 2020	15.7	Feb. 2020	3.7
New Jersey	16.6	50	Jun. 2020	16.6	Jul. 2019	3.3
Massachusetts	17.4	51	Jun. 2020	17.4	Oct. 2000	2.6

Note: The June 2020 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/launsth1.htm>

Illinois Nonfarm Employment by Sector											
(Using data from the month of June, in thousands, non-seasonally adjusted)											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mining and Logging	9.3	9.7	10.4	9.9	10.2	9.7	8.2	8.0	8.0	8.4	7.1
Construction	210.9	209.5	199.2	201.3	212.4	225.4	230.8	232.5	240.8	240.8	228.1
Manufacturing	562.8	577.9	587.3	583.5	584.0	587.1	578.4	580.7	590.6	590.1	559.5
Trade, Transp., and Util.	1,126.5	1,143.3	1,153.5	1,164.1	1,181.0	1,204.8	1,207.0	1,209.6	1,214.5	1,209.3	1,146.6
Information	103.0	101.1	100.2	99.9	99.3	101.3	97.0	98.3	94.3	95.3	88.9
Financial Activities	375.0	373.5	378.3	382.6	380.2	386.5	388.3	397.6	405.9	414.8	403.5
Prof. and Bus. Serv.	801.3	829.8	868.4	891.1	920.8	930.7	933.6	952.8	952.4	958.2	872.1
Ed. and Health Services	828.1	844.2	861.1	869.0	881.2	897.0	911.8	918.6	928.6	931.1	872.8
Leisure and Hospitality	538.8	544.1	558.8	571.2	584.2	605.4	622.5	640.0	647.3	651.6	427.8
Other Services	249.9	253.8	254.1	252.4	257.3	255.7	253.6	256.8	257.5	259.0	225.7
Government	855.9	833.4	828.1	823.9	821.5	827.6	826.5	821.7	821.8	825.2	754.4
Total Nonfarm	5,661.5	5,720.3	5,799.4	5,848.9	5,932.1	6,031.2	6,057.7	6,116.6	6,161.7	6,183.8	5,586.5
Annual % Change											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mining and Logging	-4.1%	4.3%	7.2%	-4.8%	3.0%	-4.9%	-15.5%	-2.4%	0.0%	5.0%	-15.5%
Construction	-7.4%	-0.7%	-4.9%	1.1%	5.5%	6.1%	2.4%	0.7%	3.6%	0.0%	-5.3%
Manufacturing	-1.6%	2.7%	1.6%	-0.6%	0.1%	0.5%	-1.5%	0.4%	1.7%	-0.1%	-5.2%
Trade, Transp., and Util.	-1.2%	1.5%	0.9%	0.9%	1.5%	2.0%	0.2%	0.2%	0.4%	-0.4%	-5.2%
Information	-3.5%	-1.8%	-0.9%	-0.3%	-0.6%	2.0%	-4.2%	1.3%	-4.1%	1.1%	-6.7%
Financial Activities	-2.4%	-0.4%	1.3%	1.1%	-0.6%	1.7%	0.5%	2.4%	2.1%	2.2%	-2.7%
Prof. and Bus. Serv.	2.5%	3.6%	4.7%	2.6%	3.3%	1.1%	0.3%	2.1%	0.0%	0.6%	-9.0%
Ed. and Health Services	2.0%	1.9%	2.0%	0.9%	1.4%	1.8%	1.6%	0.7%	1.1%	0.3%	-6.3%
Leisure and Hospitality	-0.5%	1.0%	2.7%	2.2%	2.3%	3.6%	2.8%	2.8%	1.1%	0.7%	-34.3%
Other Services	-4.9%	1.6%	0.1%	-0.7%	1.9%	-0.6%	-0.8%	1.3%	0.3%	0.6%	-12.9%
Government	0.1%	-2.6%	-0.6%	-0.5%	-0.3%	0.7%	-0.1%	-0.6%	0.0%	0.4%	-8.6%
Total Nonfarm	-0.5%	1.0%	1.4%	0.9%	1.4%	1.7%	0.4%	1.0%	0.7%	0.4%	-9.7%

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

From a subsector perspective, the June 2020 job levels are lower in every subsector than they were in June 2019. Not surprising, due to COVID-19, the largest level of declines was in “Leisure and Hospitality” with a falloff of 223,800 jobs. This equates to a year-over-year decline of 34.3%. Other notable job declines have been seen in “Professional and Business Services” (-86,100 jobs, -9.0%); “Government” (-70,800 jobs, -8.6%); “Trade, Transportation, and Utilities” (-62,700 jobs, -5.2%);

and in “Education and Health Services” (-58,300 jobs, -6.3%).

The Bureau of Labor Statistics’ release of June data allows the Commission to obtain average employment levels for FY 2020 and compare these results with past fiscal years. A summary of these figures for Illinois by subsector between FY 2010 and FY 2020 is shown in the table below.

Average Employment Levels by Subsector in Illinois											
Non-Seasonally Adjusted Averages: Fiscal Years 2010 to 2020 (in thousands)											
Subsector	Fiscal Year Annual Average										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mining	9.0	9.4	10.0	10.0	9.8	9.9	8.6	7.9	7.7	8.2	7.9
Construction	205.1	197.0	192.6	188.8	195.4	208.7	217.6	219.1	223.4	227.0	221.0
Manufacturing	558.6	569.1	578.8	583.5	578.9	582.2	579.1	572.5	582.5	589.1	569.6
Trade, Transportation, and Utilities	1,122.7	1,132.1	1,148.1	1,157.5	1,168.5	1,188.3	1,204.9	1,210.5	1,212.7	1,208.1	1,181.4
Information	103.6	100.8	100.4	99.7	98.5	99.9	98.9	99.2	95.1	95.1	93.8
Financial Activities	374.7	372.3	373.5	377.9	378.3	379.9	384.2	390.4	398.9	407.5	409.6
Professional and Business Services	777.7	809.9	840.5	868.6	898.7	915.3	927.8	935.6	945.1	948.4	916.6
Education and Health Services	822.4	840.8	856.2	869.5	880.7	891.9	908.8	920.1	928.3	934.1	925.5
Leisure and Hospitality	513.7	518.7	529.6	541.7	552.4	566.6	589.9	604.6	614.1	620.4	550.7
Other Services	254.2	248.6	250.0	249.3	251.4	252.2	251.7	251.9	253.5	255.2	245.2
Government	856.7	843.3	836.0	830.0	825.1	826.9	823.6	820.0	818.9	821.5	815.9
Fiscal Year Average Totals	5,598.2	5,641.9	5,715.7	5,776.4	5,837.6	5,921.7	5,995.2	6,031.9	6,080.3	6,114.7	5,937.3
Illinois' Annual % Change	-3.7%	0.8%	1.3%	1.1%	1.1%	1.4%	1.2%	0.6%	0.8%	0.6%	-2.9%

A comparison of the employment data by fiscal year became much more complicated because of the COVID-19 virus. Again, for nearly three-quarters of FY 2020, Illinois was doing quite well from an overall job perspective. But shortly after the pandemic began, job levels quickly fell as many businesses across the state were forced to curtail operations. Between February and April 2020, the total number of jobs in Illinois reported by the Bureau of Labor Statistics fell from 6.018 million to 5.317 million, a decline of 11.7%. While levels crept up slightly at the end of the fiscal year, the reduced levels over the last quarter caused the overall employment average to fall from 6.115 million in FY 2019 to 5.937 million in FY 2020. This is a 2.9% decline compared to FY 2019.

The decline in employment levels in FY 2020 marks the first year that Illinois experienced a year-over-year loss in the average reported number jobs since the State experienced three consecutive years of negative job growth suffered as a result of the Great Recession. Before this latest decline, Illinois had nine consecutive years of positive growth in statewide employment. Between its post-recession low point in January of 2010 and its high in June of 2019, Illinois' employment increased by approximately 721,900 jobs, an increase of 13.2%. These gains all but vanished as a result of the pandemic – at least temporarily.

The inclusion of solid job performance during the majority of the fiscal year causes the FY 2020 average values to appear not as severe as compared to how the fiscal year ended. Still, nine of the ten employment subsectors in Illinois averaged negative growth in FY 2020. Similar to the June over June data, the subsector with the largest percentage decline in jobs between FY 2019 and FY 2020 was the “Leisure and Hospitality” subsector, falling 11.2% over the past fiscal year. This was by far the largest area of job declines in Illinois, which is not surprising due to the impact that the pandemic has had on many businesses that would fall into this category (such as the travel industry, hotels, conventions, etc.).

While the falloffs in other job categories were not as harsh, almost every other subsector in Illinois experienced year-over-year declines in FY 2020, generally between -0% and -4%. The only exception was “Financial Activities” growing a mere +0.5% in FY 2020. In terms of the number of jobs lost, again “Leisure and Hospitality” had the largest decline in FY 2020 with an overall average loss of 69,700 jobs. This was followed by “Professional and Business Services” (-31,800 jobs); “Trade, Transportation and Utilities” (-26,700 jobs); and “Manufacturing” (-19,500 jobs). These values can be seen in the table below.

State Rankings of Illinois' Employment Subsectors - Job Data						
Employment Values, Non-Seasonally Adjusted (in thousands)						
Subsector	FY20 Avg Employment Totals	Sector Ranking	FY19 to FY20 (1-yr Change)			
			Change in Jobs (% Ch)	Sector Ranking	Change in Jobs (thousands)	Sector Ranking
Mining	7.9	11	-3.5%	9	(0.3)	2
Construction	221.0	9	-2.7%	6	(6.1)	5
Manufacturing	569.6	5	-3.3%	7	(19.5)	8
Trade, Transportation, and Utilities	1,181.4	1	-2.2%	5	(26.7)	9
Information	93.8	10	-1.4%	4	(1.3)	3
Financial Activities	409.6	7	0.5%	1	2.1	1
Professional and Business Services	916.6	3	-3.3%	8	(31.8)	10
Education and Health Services	925.5	2	-0.9%	3	(8.6)	6
Leisure and Hospitality	550.7	6	-11.2%	11	(69.7)	11
Other Services	245.2	8	-3.9%	10	(10.0)	7
Government	815.9	4	-0.7%	2	(5.6)	4

Source: www.bls.gov

From an earnings perspective, the impact of the pandemic on average wage levels is not as clear cut. This is further complicated by the fact that the minimum wage was increased from \$8.25 to \$9.25 on January 1, 2020 – the first phase of transitioning to \$15 by January 1, 2025. The latest wage data from the Bureau of Labor Statistics shows that average weekly earnings grew a solid 3.9% in FY 2020 from an average weekly earnings value of \$963

to \$1,001. While this level of growth is slightly lower than the 4.1% increase in FY 2019, it is the second highest year-over-year growth rate for this category in the last decade. Since FY 2010, the average weekly earnings value has increased from \$794 to \$1,001, an increase of 26.1% over this ten-year period. The following table displays each subsector’s fiscal year average earnings since FY 2010.

Average Weekly Earnings and Employment Change by Subsector in Illinois											
Fiscal Year Averages: 2010 to 2020											
Subsector	Fiscal Year Annual Average										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mining*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,231	\$1,249	\$1,285	\$1,269	\$1,282	\$1,349	\$1,383	\$1,383	\$1,386	\$1,471	\$1,467
Manufacturing	\$891	\$964	\$978	\$984	\$1,002	\$1,026	\$1,044	\$1,033	\$1,064	\$1,103	\$1,135
Trade, Transportation, and Utilities	\$677	\$710	\$754	\$778	\$799	\$809	\$811	\$811	\$840	\$873	\$882
Information	\$1,046	\$1,023	\$1,007	\$1,060	\$1,141	\$1,151	\$1,140	\$1,149	\$1,265	\$1,392	\$1,483
Financial Activities	\$1,063	\$1,027	\$1,104	\$1,120	\$1,192	\$1,281	\$1,327	\$1,366	\$1,366	\$1,413	\$1,473
Professional and Business Services	\$1,028	\$1,020	\$1,014	\$1,028	\$1,034	\$1,036	\$1,061	\$1,081	\$1,105	\$1,155	\$1,211
Education and Health Services	\$723	\$735	\$779	\$802	\$817	\$802	\$813	\$802	\$805	\$820	\$839
Leisure and Hospitality	\$321	\$323	\$330	\$341	\$341	\$362	\$372	\$383	\$396	\$416	\$432
Other Services	\$714	\$704	\$714	\$739	\$763	\$808	\$852	\$857	\$845	\$884	\$975
Government*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Illinois' Annual Average Weekly Earnings*	\$794	\$808	\$835	\$851	\$871	\$888	\$903	\$907	\$925	\$963	\$1,001
% Change in Avg. Weekly Earnings	1.3%	1.8%	3.3%	2.0%	2.3%	2.0%	1.7%	0.4%	2.0%	4.1%	3.9%
Annualized Wage/Employment Compar	-2.4%	2.6%	4.6%	3.1%	3.3%	3.4%	3.0%	1.1%	2.8%	4.7%	0.9%

* Because the Mining and Government subsectors' weekly earnings 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

The largest growth in wages between FY 2019 and FY 2020 came from the “Other Services” subsector (average weekly wage increase of \$92 to \$975 or +10.4%). Other notable increases in wages came from “Information” (+\$91 to \$1,483, +6.5%); “Financial Activities” (+\$59 to \$1,473, +4.2%);

and “Professional and Business Services” (+\$56 to \$1,211, +4.9%). The only subsector to see a decline in wages between FY 2019 and FY 2020 was “Construction” (-\$4 to \$1,467, -0.3%). These values are shown in the table below.

State Rankings of Illinois' Employment Subsectors - Wage Data						
Weekly Wages, Non-Seasonally Adjusted (in thousands)						
Subsector	FY20 Avg Weekly Wage	Sector Ranking	FY19 to FY20 (1-yr Change)			
			Change in Wage (% Ch)	Sector Ranking	Change in Wage (\$ Ch)	Sector Ranking
Mining	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,467	3	-0.3%	9	-\$4	9
Manufacturing	\$1,135	5	3.0%	6	\$33	5
Trade, Transportation, and Utilities	\$882	7	1.1%	8	\$10	8
Information	\$1,483	1	6.5%	2	\$91	2
Financial Activities	\$1,473	2	4.2%	4	\$59	3
Professional and Business Services	\$1,211	4	4.9%	3	\$56	4
Education and Health Services	\$839	8	2.3%	7	\$19	6
Leisure and Hospitality	\$432	9	3.8%	5	\$16	7
Other Services	\$975	6	10.4%	1	\$92	1
Government	N/A	N/A	N/A	N/A	N/A	N/A

Source: www.bls.gov. Note: Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics

When combining the impact of the overall employment change with the composite growth in wages, a FY 2020 annualized wage/employment growth factor of 0.9% results (shown on the bottom line of the previous table). While still positive, this is the lowest value for this metric since FY 2010 and significantly lower than the rate of 4.7% that occurred in FY 2019. It must be stressed, however, that the FY 2020 value is significantly impacted by the sharp decline in employment levels over the last quarter of the fiscal year. As such, the value of this metric has been complicated by the abnormalities that are caused by the virus related data.

The new reality is that any comparative analyses performed with the inclusion of the COVID-19 impacted data has instantly become much more

complex. Mainly, because the lasting effects of the pandemic on Illinois' job market and related data points remain unclear. There are many unknowns that still remain, such as the duration of the virus, its severity, and its economic impact on Illinois businesses and its residents. Because of this, it is difficult to predict at this time how Illinois will fare from a job perspective in the months to come. There is obviously concern that the virus related impacts will be insurmountable for some businesses to overcome. But the hope is that the virus will soon be controlled and that the recent declines in employment is not the start of a new downward trend for employment/wage activity in Illinois but rather a temporary blip in the otherwise positive trend that has been occurring over the last decade.

Economy: No Interest Hikes for a While

Julie Bae, Pension Analyst/Economic Specialist

Governments across the U.S. placed restrictions to limit residents' movement and recommended to practice social distancing to slow the spread of COVID-19. From late May to June, the restrictions were lifted in most parts of the U.S., which led to a higher volume of economic activities according to the latest Beige Book report by the U.S. Federal Reserve (Fed). As businesses started to reopen, consumer spending rebounded. Retail sales increased, led by gains in vehicle sales and recovery from food and home improvement sectors; hospitality and leisure sectors improved although there was much room left to recover. While the unemployment rate was still high, employment did pick up overall, although payrolls were well below pre-Pandemic level.

Unfortunately, the number of new confirmed cases is surging throughout the U.S., and some states hit their daily records several times over the past few weeks. As a result, the total number of positive cases in the U.S. surpassed 4.4 million as of July 30, 2020, according to the Centers for Disease Control and Prevention (CDC). This trend has prompted a pause in the reopening plans or a return to tighter restrictions again in some states. Overall, the US economy shrank at a 32.9% annual rate in the second

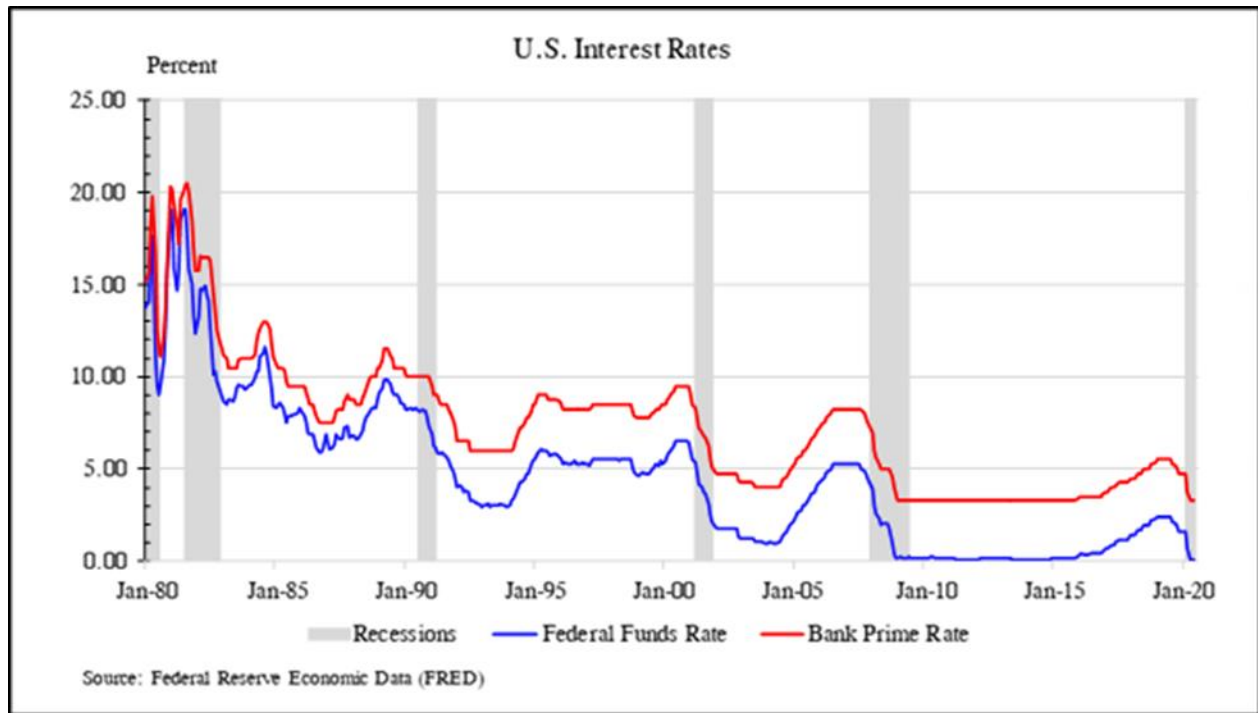
quarter, the worst on record, the U.S. Bureau of Economic Analysis (BEA) reported in late July.

In response to the crisis, the Fed cut its target interest rate, the Federal Funds rate, twice in March to near zero to support the economy. Prior to the Pandemic when the economy was in the longest expansion in U.S. history, the Fed's benchmark interest rate had gradually increased to a range of 2.25% and 2.50%. After the two rate cuts in March, the Fed decided to continue to maintain the rate to a range of 0.00% and 0.25% in July, as widely expected. This is a typical example of how the Fed achieves their goals to promote a strong U.S. economy, which are "maximum sustainable employment, stable prices, and moderate long-term interest rates."

As the Fed adjusts the Federal Funds rate at which banks charge each other for short-term borrowing, it affects other interest rates as well such as the bank prime loan rate (rate at which banks lend to their preferred customers with good credit), credit card rates, saving rates, etc.. During an economic downturn, the Fed lowers the Federal Funds rate to encourage businesses and consumers to invest or spend more by making borrowing more affordable. On the other hand, when the economy is overheated

(i.e. too high inflation), then the Fed seeks price stability by raising its benchmark interest rate. Higher interest rates make savings more attractive and then the demand for goods and services would

decrease, which could cause inflation to fall. The following chart shows how the Fed has adjusted its benchmark interest rate during recessions and how closely the bank prime rate tracks it.



Federal Reserve Chairman Jerome Powell repeated in the July press conference that the Fed is “not even thinking about raising rates again” until they are confident in the economy. “Even with the improved economic news in May and June, overall activity remains well below its level before the pandemic, and the contraction in real GDP in the second quarter will likely be the largest on record ... We have held our policy interest rate near zero since mid-March

and have stated that we will keep it there until we are confident that the economy has weathered recent events and is on track to achieve our maximum employment and price stability goals ... The path of the economy is going to depend to a very high extent on the course of the virus,” he said.

Meanwhile, the Fed’s next meeting will be held in September.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS*</u>	<u>LATEST MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (June)	14.6%	15.3%	4.0%
Inflation in Chicago (12-month percent change) (June)	1.1%	0.4%	1.0%
	<u>LATEST MONTH</u>	<u>CHANGE OVER PRIOR MONTH</u>	<u>CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (June)	6,487.9	2.9%	0.7%
Employment (thousands) (June)	5,541.5	3.8%	-10.4%
Nonfarm Payroll Employment (June)	5,524,700	142,800	-598,300
New Car & Truck Registration (June)	37,944	22.5%	-15.9%
Single Family Housing Permits (June)	967	33.2%	21.3%
Total Exports (\$ mil) (May)	3,806.6	3.2%	-27.9%
Chicago Purchasing Managers Index (July)	51.9	41.8%	16.9%
* Due to monthly fluctuations, trend best shown by % change from a year ago			

REVENUE: DELAYED TAX DAY DEADLINE BOOSTS JULY INCOME TAX RECEIPTS— GAINS PARTIALLY OFFSET BY WEAKER TRANSFERS AND FEDERAL SOURCES

Jim Muschinske, Revenue Manager

Base July general funds revenues grew \$752 million overall. An expected gain of \$1.255 billion from income tax related to the delayed July 15th filing deadline was the primary driver of the surge. Comparatively lower transfers into the general funds, along with a falloff in federal sources, served to offset much of the income tax increase. July had the same number of receipting days as the prior year.

As a consequence of policy decisions related to COVID-19, the usual April 15th income tax filing deadline was moved back to July 15th, both at the Federal as well as State level. As discussed in the Commission's May 2020 revenue estimate update, it was estimated that as a timing consequence of that filing date change, approximately \$1.3 billion of FY 2020 income tax receipts would instead fall into the first month of FY 2021. While a component breakdown is not yet available, it appears that value estimation has been confirmed as net income tax receipts grew \$1.255 billion in July.

For the month, gross personal income taxes jumped \$1.175 billion, or \$1.007 billion on a net basis. Gross corporate income taxes also leapt, rising \$310 million, or \$248 million net. Again, those gains were entirely related to timing and serve to temporarily mask the underpinning negative effects that COVID-19 is having on the economy.

A number of revenue sources experienced strong gains to begin the fiscal year, although receipt timing may have also played a part in their performances, with future months likely to return to normal patterns. Regardless, insurance tax receipts grew \$57 million, corporate franchise taxes gained \$34 million, and both cigarette taxes and interest income returned \$12 million in advances. Inheritance tax receipts managed to eke out \$2 million in growth.

A few revenue sources experience a weak July. Gross sales tax was down \$12 million, or \$30 million

on a net basis. Public utility taxes fell \$6 million for the month, while other sources dipped \$5 million, and liquor taxes \$4 million.

As mentioned earlier, transfers into the general funds were decidedly weaker this July as compared to last fiscal year, as overall transfers plummeted \$526 million. Of that decline, \$400 million is directly related to the absence of any transfer from the

Income Tax Refund Fund. In FY 2020, \$400 million was transferred from that Fund into the general funds. In addition, this July saw a falloff of \$135 million from all other miscellaneous transfers, as well as a \$18 million decline from riverboat gaming [which just relaunched on July 1st]. Lottery transfers did manage to gain \$27 million to begin the fiscal year. Federal sources began the new fiscal year in an unimpressive fashion, falling \$49 million.

JULY
FY 2021 vs. FY 2020
(\$ million)

Revenue Sources	July FY 2021	July FY 2020	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$2,736	\$1,561	\$1,175	75.3%
Corporate Income Tax (regular)	404	94	\$310	329.8%
Sales Taxes	770	782	(\$12)	-1.5%
Public Utility Taxes (regular)	54	60	(\$6)	-10.0%
Cigarette Tax	28	16	\$12	75.0%
Liquor Gallonage Taxes	15	19	(\$4)	-21.1%
Vehicle Use Tax	3	3	\$0	0.0%
Inheritance Tax	12	10	\$2	20.0%
Insurance Taxes and Fees	72	15	\$57	380.0%
Corporate Franchise Tax & Fees	46	12	\$34	283.3%
Interest on State Funds & Investments	22	10	\$12	120.0%
Cook County IGT	0	0	\$0	N/A
Other Sources	28	33	(\$5)	-15.2%
Subtotal	\$4,190	\$2,615	\$1,575	60.2%
Transfers				
Lottery	60	33	\$27	81.8%
Riverboat transfers & receipts	0	18	(\$18)	N/A
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	400	(\$400)	N/A
Other	39	174	(\$135)	-77.6%
Total State Sources	\$4,289	\$3,240	\$1,049	32.4%
Federal Sources	\$304	\$353	(\$49)	-13.9%
Total Federal & State Sources	\$4,593	\$3,593	\$1,000	27.8%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$246)	(\$148)	(\$98)	66.2%
Corporate Income Tax	(\$57)	(14)	(\$43)	307.1%
LGDF--Direct from PIT	(\$151)	(81)	(\$70)	86.4%
LGDF--Direct from CIT	(\$24)	(5)	(\$19)	380.0%
Downstate Pub/Trans--Direct from Sales	(\$36)	(18)	(\$18)	100.0%
Subtotal General Funds	\$4,079	\$3,327	\$752	22.6%
Treasurer's Investments	\$0	\$0	\$0	N/A
Interfund Borrowing	\$0	\$0	\$0	N/A
Short Term Borrowing	\$0	\$0	\$0	N/A
Total General Funds	\$4,079	\$3,327	\$752	22.6%

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

3-Aug-20