



# Commission on Government Forecasting and Accountability

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**MONTHLY BRIEFING FOR THE MONTH ENDED: NOVEMBER, 2013**

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## ECONOMY: Happy Holidays?

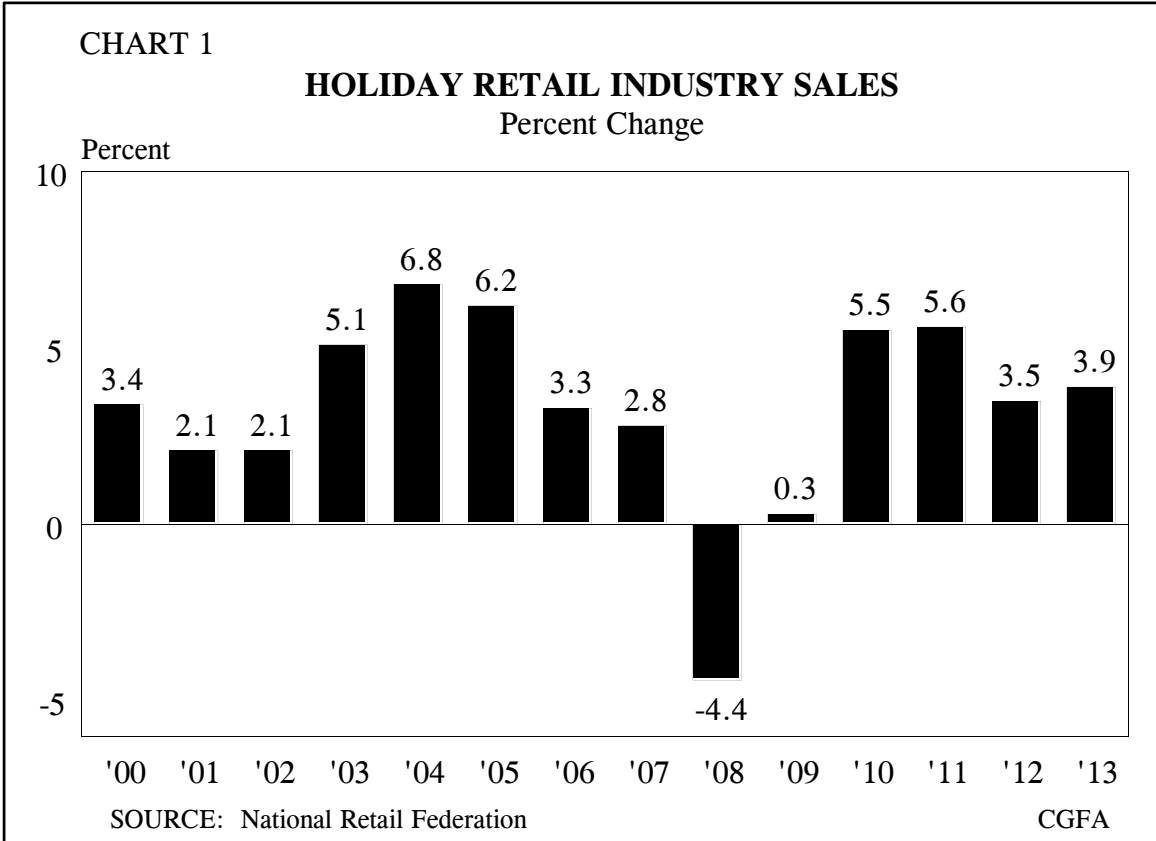
Edward H. Boss, Jr., Chief Economist

Retailers face many challenges this Holiday season. For example Thanksgiving, usually the beginning of the holiday buying frenzy, falls as late as possible this year with six fewer shopping days between Thanksgiving and Christmas. This makes it the shortest holiday buying period in more than a decade. Partly in response, many major stores in an unprecedented act opened their doors on Thanksgiving Day itself. For the first time the National Retail Federation, NRF, asked if people were going to shop on Thanksgiving Day and nearly one quarter, or 33 million shoppers, said they planned to.

At the same time, a myriad of events on the horizon are adding to uncertainty, perhaps putting a damper on shopping spending. For example concerns over congressional action over increasing the debt ceiling, a cutback in spending due to the next implementation of the sequester, not to mention concerns over health care have eroded consumer confidence.

Consumer confidence as measured by the Conference Board in November was at the lowest level since April while the preliminary measure of Consumer Sentiment by the University of Michigan fell to its lowest point since the end of last year. Indeed, a recent Gallup poll points to a decline in planned holiday gift spending. According to the survey, American consumers plan to spend an average of \$704 this holiday compared to \$786 in 2012, with 83% of those surveyed planning either to spend the same or less this year than last year.

The NRF defines "holiday sales" as retail industry sales in the months of November and December; these comprise of



most traditional retail categories but exclude sales at auto dealers, gas stations and restaurants. As shown in the accompanying chart, their forecast is for a gain of 3.9%. This is marginally higher than the 3.5% last year, in line with a ten-year average of 3.3%, but well below those recorded in 2010 and 2011. According to the NRF, “Our forecast is a realistic look at where we are right now in this economy-- balancing continued uncertainty in Washington and an economy that has been teetering on incremental growth for years.” The Economics Group of Wells Fargo forecasts holiday sales on a similar basis as NRF and projects a gain of 3.7% while Global Insight’s outlook for holiday sales is 3.2%.

Other forecasts include Deloitte LLP which estimates a sales increase of 3.5%

to 4%, although this is for the months of November through January and would be below last year’s gain of 5.9% on this basis. Finally, ShopperTrak measures sales of general merchandise, apparel, accessories, furniture and other products during November and December and forecast these sales to rise 2.4%, below last year’s 3% gain.

In summary, most prognosticators project sales slightly above or below last year’s pace and in line with an average of the past decade. Some characteristics of these sales, however, seem to be in place. For example, Hanukkah begins the day before Thanksgiving this year, 11 days earlier than last year and may not affect overall holiday sales as customarily measured. Higher home prices and record stock

market levels, while overall employment remains weak, also suggest that stores selling high-end goods may do relatively better than the discounters.

According to Shop.org, “Online and mobile continue to be a leading area of growth for retailers. In this economy, savvy cost-conscious consumers go to the web to do their research and get the best

bang for the buck.” Moreover, inclement weather in many parts of the country during the start of the holiday buying period increased internet sales further. Thus, while there may be many “deals” this season for the shopping consumer, retail store operators are likely to see their profits under pressure at a time when many hope to turn their profits into the black.

## INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS</u>	<u>OCT. 2013</u>	<u>SEPT. 2013</u>	<u>OCT. 2012</u>
Unemployment Rate (Average)	8.9%	9.1%	8.8%
Annual Rate of Inflation (Chicago)	-3.9%	-1.9%	0.5%
<hr style="border: 2px solid black;"/>			
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (October)	6,519	-0.1%	-1.2%
Employment (thousands) (October)	5,939	0.1%	-1.4%
New Car & Truck Registration (October)	50,122	-0.9%	2.7%
Single Family Housing Permits (October)	1,100	5.9%	35.9%
Total Exports (\$ mil) (September)	5,040	-9.7%	-10.2%
Chicago Purchasing Managers Index (Nov.)	63.0	-4.4%	25.4%

## REVENUE

### November Receipts Experience Slight Drop As Revenue Performance Mixed

Jim Muschinske, Revenue Manager

Overall base revenues dipped \$39 million in November. The performance of the larger economic sources were mixed as both personal and corporate income taxes declined slightly, while sale tax receipts managed to post modest gains. The remaining revenue sources for the most part were also mixed. November had the

same number of receipting days as the same period last year.

Gross personal income tax receipts fell \$56 million, or \$47 million net of refunds. The Cook County IGT was down \$30 million, a drop which could be related to timing. Cigarette tax receipts were off \$7

million due to last year's makeup of the earlier "stockpiling" effect. Public utility receipts dipped \$5 million, other sources \$4 million, corporate franchise taxes \$3 million, interest income \$3 million, and gross corporate income tax \$2 million [\$1 million net of refunds].

Despite the number of negative revenue lines, a few sources still managed to post gains. Inheritance was up \$15 million, while sales tax was able to grow a modest \$14 million. Insurance taxes posted a \$3 million gain for the month.

Overall transfers fell \$18 million for the month. Lottery transfers dropped \$23 million, and riverboat transfers fell \$14 million. Those losses were partially offset by a \$19 million gain in all other transfers. Federal sources managed to post gains of \$47 million, compared to last year's weak November.

### **Year to Date**

Through the first five months of FY 2014, base general funds are up \$584 million as compared to last fiscal year. Much of that growth can be attributed to the one-time

surge in transfers related to the refund fund [\$397 million]. However, despite the pause in October and November, the larger economically-related sources have fared decently. Sales tax continues to do quite well, up \$164 million to date. Gross personal income tax is up \$148 million, or \$149 million net of refunds. Gross corporate income taxes are up \$73 million, or \$69 million net of refunds. Other sources are up \$65 million for the year, although all of that increase can be attributed to September's receipt of one-time court settlement proceeds.

Only a couple of sources suffered year to date declines to begin the fiscal year. The Cook County IGT is off \$30 million, inheritance tax is down \$24 million, public utility tax is down \$12 million, while corporate franchise taxes have dipped \$7 million.

Through November, overall transfers are up \$390 million. All of those gains stem from the one-time \$397 million transfer from the Income Tax Refund Fund. Federal sources are down \$187 million thus far, reflecting lower reimbursable spending.

## GENERAL FUNDS RECEIPTS: NOVEMBER

FY 2014 vs. FY 2013

(\$ million)

<b>Revenue Sources</b>	<b>Nov. FY 2014</b>	<b>Nov. FY 2013</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$1,118	\$1,174	(\$56)	-4.8%
Corporate Income Tax (regular)	48	50	(\$2)	-4.0%
Sales Taxes	624	610	\$14	2.3%
Public Utility Taxes (regular)	66	71	(\$5)	-7.0%
Cigarette Tax	29	36	(\$7)	-19.4%
Liquor Gallonage Taxes	15	15	\$0	0.0%
Vehicle Use Tax	2	2	\$0	0.0%
Inheritance Tax (Gross)	29	14	\$15	107.1%
Insurance Taxes and Fees	3	0	\$3	N/A
Corporate Franchise Tax & Fees	16	19	(\$3)	-15.8%
Interest on State Funds & Investments	1	4	(\$3)	-75.0%
Cook County IGT	26	56	(\$30)	-53.6%
Other Sources	24	28	(\$4)	-14.3%
<b>Subtotal</b>	<b>\$2,001</b>	<b>\$2,079</b>	<b>(\$78)</b>	<b>-3.8%</b>
<b>Transfers</b>				
Lottery	36	59	(\$23)	-39.0%
Riverboat transfers & receipts	33	47	(\$14)	-29.8%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Other	47	28	\$19	67.9%
<b>Total State Sources</b>	<b>\$2,117</b>	<b>\$2,213</b>	<b>(\$96)</b>	<b>-4.3%</b>
<b>Federal Sources</b>	<b>\$222</b>	<b>\$175</b>	<b>\$47</b>	<b>26.9%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$2,339</b>	<b>\$2,388</b>	<b>(\$49)</b>	<b>-2.1%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$106)	(\$115)	\$9	-7.8%
Corporate Income Tax	(\$6)	(7)	\$1	-14.3%
<b>Subtotal General Funds</b>	<b>\$2,227</b>	<b>\$2,266</b>	<b>(\$39)</b>	<b>-1.7%</b>
<b>Short-Term Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>FY'13/14 Backlog Payment Fund</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>\$2,227</b>	<b>\$2,266</b>	<b>(\$39)</b>	<b>-1.7%</b>
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				3-Dec-13

## GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2014 vs. FY 2013

(\$ million)

<u>Revenue Sources</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>CHANGE FROM FY 2013</u>	<u>% CHANGE</u>
<b>State Taxes</b>				
Personal Income Tax	\$6,386	\$6,238	\$148	2.4%
Corporate Income Tax (regular)	956	883	\$73	8.3%
Sales Taxes	3,203	3,039	\$164	5.4%
Public Utility Taxes (regular)	389	401	(\$12)	-3.0%
Cigarette Tax	147	145	\$2	1.4%
Liquor Gallonage Taxes	71	71	\$0	0.0%
Vehicle Use Tax	13	12	\$1	8.3%
Inheritance Tax (Gross)	111	135	(\$24)	-17.8%
Insurance Taxes and Fees	93	89	\$4	4.5%
Corporate Franchise Tax & Fees	86	93	(\$7)	-7.5%
Interest on State Funds & Investments	7	7	\$0	0.0%
Cook County IGT	26	56	(\$30)	-53.6%
Other Sources	220	155	\$65	41.9%
<b>Subtotal</b>	<b>\$11,708</b>	<b>\$11,324</b>	<b>\$384</b>	<b>3.4%</b>
<b>Transfers</b>				
Lottery	237	245	(\$8)	-3.3%
Riverboat transfers & receipts	165	187	(\$22)	-11.8%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	397	0	\$397	N/A
Other	228	205	\$23	11.2%
<b>Total State Sources</b>	<b>\$12,735</b>	<b>\$11,961</b>	<b>\$774</b>	<b>6.5%</b>
<b>Federal Sources</b>	<b>\$1,208</b>	<b>\$1,395</b>	<b>(\$187)</b>	<b>-13.4%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$13,943</b>	<b>\$13,356</b>	<b>\$587</b>	<b>4.4%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$607)	(\$608)	\$1	-0.2%
Corporate Income Tax	(\$128)	(\$124)	(\$4)	3.2%
<b>Subtotal General Funds</b>	<b>\$13,208</b>	<b>\$12,624</b>	<b>\$584</b>	<b>4.6%</b>
<b>Short-Term Borrowing</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>FY'13/14 Backlog Payment Fund Transfer</b>	<b>\$50</b>	<b>\$264</b>	<b>(\$214)</b>	<b>N/A</b>
<b>Tobacco Liquidation Proceeds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Pension Contribution Fund Transfer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Budget Stabilization Fund Transfer</b>	<b>\$275</b>	<b>\$275</b>	<b>\$0</b>	<b>0.0%</b>
<b>Total General Funds</b>	<b>\$13,533</b>	<b>\$13,163</b>	<b>\$370</b>	<b>2.8%</b>
SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.				
CGFA				3-Dec-13