



# Commission on Government Forecasting and Accountability

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**MONTHLY BRIEFING FOR THE MONTH ENDED: NOVEMBER 2015**

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## LATEST PUBLICATIONS

A Report on the Financial Condition of the Illinois Municipal, Chicago, and Cook County Pension Funds of Illinois

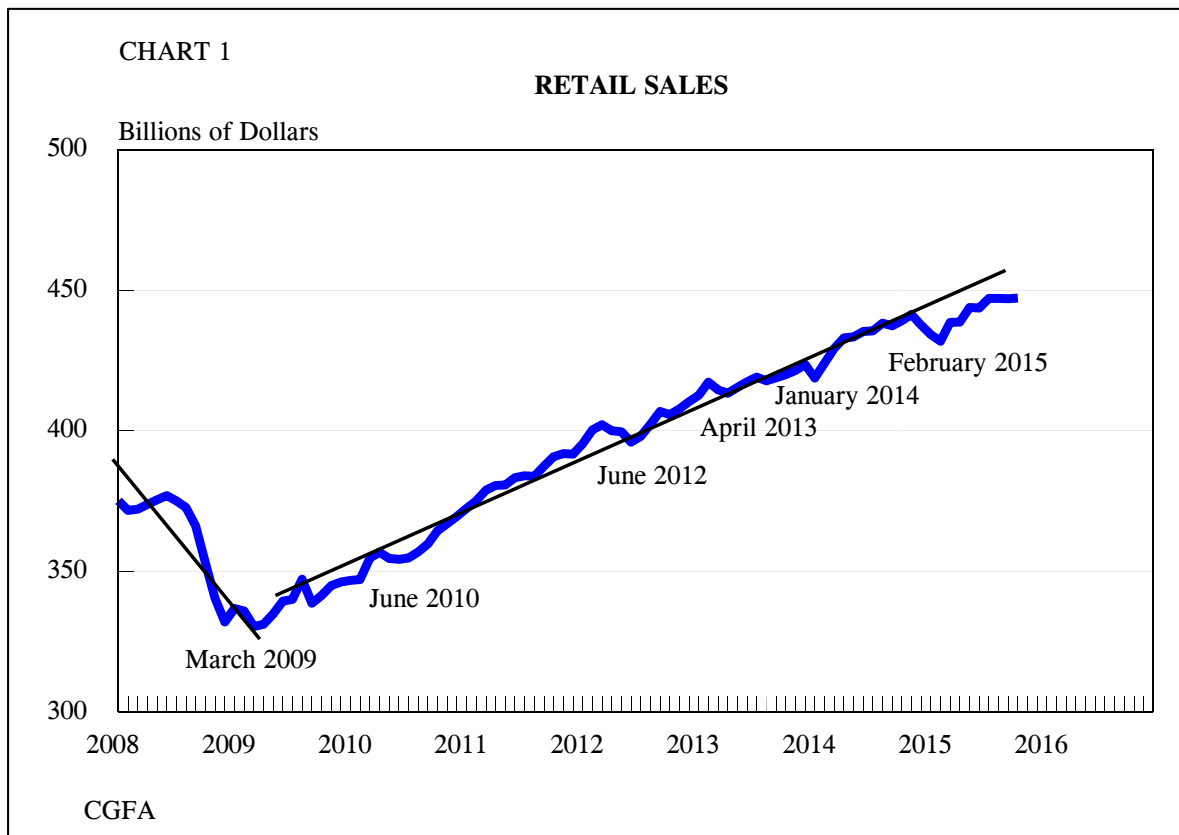
## ECONOMY: Consumer Caution

Edward H. Boss, Jr., Chief Economist

The largest sector of the economy, accounting for two-thirds to 70% of Gross Domestic Product, is the consumer. Because of its importance, a faster rate of spending may be needed to see a pickup in GDP if the economy is to break out of the 2% to 2.5% range it has been stuck at for the past several years. Currently for the first three quarters of this year GDP growth has been at an annual rate of 2.2% with IHS Economics forecasting real GDP growth at 2.4% rate for the final quarter of the year.

Certainly by many measures, the financial position of the consumer sector has improved over the past year as the unemployment rate reached 5% in October, a faster rate of decline than most had projected and the lowest rate since 5% was reached in April 2008. And, even the more encompassing rate which includes those marginally attached to the labor markets and part time for economic reasons, the U6 definition, fell to 9.8% in October. This is the first time the rate fell into single digits since May of 2008 and is down from a high of 17.2% in April 2010, a decline of 43%. At the same time that the employment picture has strengthened, wages also have shown some improvement in recent months, with average weekly earnings in October 2015 up 2.1% from a year earlier compared to a gain of 1.0% measured on the same basis in October 2014.

Despite the improvement in their financial condition, consumers seem to remain cautious. As shown in the Chart on the next page, retail sales through October have been rather lackluster rising 2.1% in the first 10-months of the year compared to the same period last year. However, excluding strong motor vehicle and parts, the rise was only 1.3% and department store sales were 1.4% lower. And, while it is still early, forecasts of holiday sales may be moderating.



Last month's article on Holiday Sales by the National Federation of Realtors, anticipated sales to rise 3.7% in November and December, down from 4.1% in 2014. Wells Fargo Securities Economics Group forecast sales at 3.4% for the same November-December period, however, stressing lower prices rather than lack of demand as a major factor. IHS Economics is forecasting November-December sales to rise 3.5% including both online and traditional sales, the latter predicating \$1 out of every \$7 will occur online.

ShopperTrak, an analytics firm, reports that it saw thinner crowds on both Thanksgiving Day and Black Friday compared to last year. In part this reflects more stores not opening on Thanksgiving, a growing tendency

toward shopping earlier, more discounts advertised prior to those special shopping days, and an earlier Hanukkah. It suspects more buoyant sales in the November data when released next month rather than reflecting sales experienced on Thanksgiving Day and Black Friday.

It estimates that brick-and-mortar stores will see an increase of only 2.4% during the 2015 holiday season. However, it may be Cyber Monday and the increasing use of online purchases, where the National Retail Federation projects almost half of sales will be online with one in 5 using their smart phones, which ultimately may determine holiday sales. Most would agree, however, that in the end, sales probably will be disappointing.

There are many reasons why the consumer may be more cautious in their spending even while their financial position seemingly has improved. Measures of consumer attitudes and sentiment have weakened in recent months. With the New Year many will be faced with the increasing cost of health care, a weakening manufacturing sector which many already feel is in recession, an increase in terrorist

attacks from spreading conflicts in the Middle East and Africa, as well as what effect an increase in interest rates will have on the housing industry. In Illinois, many face the prospects of higher property taxes as well as the prospect that any State budget solution may necessitate higher State income taxes, while in Cook County they will face a sharp increase in sales and a myriad of other taxes.

<b>INDICATORS OF ILLINOIS ECONOMIC ACTIVITY</b>			
<u>INDICATORS *</u>	<u>OCT. 2015</u>	<u>SEPT. 2015</u>	<u>OCT. 2014</u>
Unemployment Rate (Average)	5.4%	5.4%	6.3%
Annual Rate of Inflation (Chicago)	0.0%	-1.2%	-0.2%
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (October)	6,518.9	0.3%	0.1%
Employment (thousands) (October)	6,146.6	0.3%	1.0%
NonFarm Payroll Employment (October)	5,927,200	14,100	40,300
New Car & Truck Registration (October)	55,626	-6.0%	1,1%
Single Family Housing Permits (October)	1,019	-4.1%	-12.0%
Total Exports (\$ mil) (September)	5,218.4	1.8%	-6.1%
Chicago Purchasing Managers Index (NOV.)	48.7	-13.3%	-19.9%

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

## REVENUE

### November Receipts Mixed

Jim Muschinske, Revenue Manager

Overall base revenues fell \$23 million in November. Not surprisingly, comparatively lower personal income tax rates resulted in a drop from that source. However, decent growth in federal sources offset most of that decline. Two extra receipting days in November also aided in avoiding a more substantial fall off.

Due to the lower income tax rates effective January 2015, gross personal income tax receipts fell \$197 million, or \$175 million net of refunds. An additional \$33 million was directed from the general funds to both the Fund for Advancement of Education as well the Commitment to Human Services Fund. As result, net personal income tax receipts were lower by \$241 million. [Gross corporate income tax managed to match last year's levels despite lower tax rates; however, November is a relatively small month for corporate income tax receipts].

A few other sources also suffered declines in November. Public utility taxes were down \$6 million, cigarette taxes fell \$1 million, as did both liquor taxes and other sources.

A few sources managed to record gains for the month. Inheritance taxes continued to fare well growing \$14 million. Corporate franchise taxes increased \$7 million, while sales taxes eked out a \$1 million gain.

Overall transfers grew \$9 million in November. Lottery transfers grew \$13 million, riverboat transfers grew \$3

million. All other transfers dropped \$7 million. As mentioned, federal sources experienced a comparatively strong month, growing \$196 million.

### Year To Date

Through November, base receipts are down \$1.329 billion. The drop reflects comparatively lower income tax rates 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 \$1.194 billion, \$1.062 billion net of refunds, or \$1.418 billion when the diversions to the education and human service funds are included. Gross corporate income taxes are behind last year's receipting by \$176 million, or \$158 million net of refunds. Other sources are \$124 million lower, reflecting the aforementioned court settlement proceeds received last fiscal year. Public utility taxes are off \$30 million, cigarette taxes by \$1 million, and interest income by \$1 million.

A number of sources posted gains as inheritance tax receipts are up \$44 million, insurance taxes are \$5 million ahead of last year's pace as are corporate franchise taxes, liquor tax is up a modest \$1 million, and vehicle use tax has grown \$1 million.

Overall transfers are up by \$76 million, and federal sources are ahead of last year's slow pace by \$251 million.

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

<b>Revenue Sources</b>	<b>Nov. FY 2016</b>	<b>Nov. FY 2015</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
<b>State Taxes</b>				
Personal Income Tax	\$890	\$1,087	(\$197)	-18.1%
Corporate Income Tax (regular)	43	43	\$0	0.0%
Sales Taxes	648	647	\$1	0.2%
Public Utility Taxes (regular)	63	69	(\$6)	-8.7%
Cigarette Tax	28	29	(\$1)	-3.4%
Liquor Gallonage Taxes	14	15	(\$1)	-6.7%
Vehicle Use Tax	2	2	\$0	0.0%
Inheritance Tax	27	13	\$14	107.7%
Insurance Taxes and Fees	2	2	\$0	0.0%
Corporate Franchise Tax & Fees	20	13	\$7	53.8%
Interest on State Funds & Investments	1	1	\$0	0.0%
Cook County IGT	56	56	\$0	0.0%
Other Sources	29	30	(\$1)	-3.3%
<b>Subtotal</b>	<b>\$1,823</b>	<b>\$2,007</b>	<b>(\$184)</b>	<b>-9.2%</b>
<b>Transfers</b>				
Lottery	50	37	\$13	35.1%
Riverboat transfers & receipts	44	41	\$3	7.3%
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	33	40	(\$7)	-17.5%
<b>Total State Sources</b>	<b>\$1,950</b>	<b>\$2,125</b>	<b>(\$175)</b>	<b>-8.2%</b>
<b>Federal Sources</b>	<b>\$359</b>	<b>\$163</b>	<b>\$196</b>	<b>120.2%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$2,309</b>	<b>\$2,288</b>	<b>\$21</b>	<b>0.9%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$87)	(\$109)	\$22	-20.2%
Corporate Income Tax	(\$6)	(6)	\$0	0.0%
<b>Fund for Advancement of Education</b>	<b>(\$33)</b>	<b>0</b>	<b>(\$33)</b>	<b>N/A</b>
<b>Commitment to Human Services Fund</b>	<b>(\$33)</b>	<b>0</b>	<b>(\$33)</b>	<b>N/A</b>
<b>Subtotal General Funds</b>	<b>\$2,150</b>	<b>\$2,173</b>	<b>(\$23)</b>	<b>-1.1%</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>\$2,150</b>	<b>\$2,173</b>	<b>(\$23)</b>	<b>-1.1%</b>

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

1-Dec-15

**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	\$5,361	\$6,555	(\$1,194)	-18.2%
Corporate Income Tax (regular)	652	828	(\$176)	-21.3%
Sales Taxes	3,400	3,380	\$20	0.6%
Public Utility Taxes (regular)	346	376	(\$30)	-8.0%
Cigarette Tax	146	147	(\$1)	-0.7%
Liquor Gallonage Taxes	73	72	\$1	1.4%
Vehicle Use Tax	15	14	\$1	7.1%
Inheritance Tax	163	119	\$44	37.0%
Insurance Taxes and Fees	100	95	\$5	5.3%
Corporate Franchise Tax & Fees	91	86	\$5	5.8%
Interest on State Funds & Investments	8	9	(\$1)	-11.1%
Cook County IGT	56	56	\$0	0.0%
Other Sources	162	286	(\$124)	-43.4%
<b>Subtotal</b>	<b>\$10,573</b>	<b>\$12,023</b>	<b>(\$1,450)</b>	<b>-12.1%</b>
<b>Transfers</b>				
Lottery	258	241	\$17	7.1%
Riverboat transfers & receipts	147	153	(\$6)	-3.9%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	77	63	\$14	22.2%
Fund sweeps	0	0	\$0	N/A
Other	273	222	\$51	23.0%
<b>Total State Sources</b>	<b>\$11,328</b>	<b>\$12,702</b>	<b>(\$1,374)</b>	<b>-10.8%</b>
<b>Federal Sources</b>	<b>\$1,077</b>	<b>\$826</b>	<b>\$251</b>	<b>30.4%</b>
<b>Total Federal &amp; State Sources</b>	<b>\$12,405</b>	<b>\$13,528</b>	<b>(\$1,123)</b>	<b>-8.3%</b>
<b>Nongeneral Funds Distribution:</b>				
<b>Refund Fund</b>				
Personal Income Tax	(\$523)	(\$655)	\$132	-20.2%
Corporate Income Tax	(\$99)	(\$117)	\$18	-15.4%
<b>Fund for Advancement of Education</b>	<b>(\$178)</b>	<b>\$0</b>	<b>(\$178)</b>	<b>N/A</b>
<b>Commitment to Human Services Fund</b>	<b>(\$178)</b>	<b>\$0</b>	<b>(\$178)</b>	<b>N/A</b>
<b>Subtotal General Funds</b>	<b>\$11,427</b>	<b>\$12,756</b>	<b>(\$1,329)</b>	<b>-10.4%</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>\$11,552</b>	<b>\$13,031</b>	<b>(\$1,479)</b>	<b>-11.3%</b>
SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.				
CGFA				
1-Dec-15				