



Commission on Government Forecasting and Accountability

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MONTHLY BRIEFING FOR THE MONTH ENDED: SEPTEMBER 2018

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Illinois Employment and Wage Update

Eric Noggle, Senior Revenue Analyst

At the end of August, the Bureau of Labor Statistics released their “final” job and wage figures for the month of June 2018, thereby providing final end-of-year statistics for FY 2018. This monthly dataset includes a wide variety of job-related information, including Statewide employment totals by subsector, as well as each subsector’s average weekly earnings. A summary of these figures for Illinois is shown in the table on the next page.

From a fiscal year average perspective, Illinois averaged 6.087 million jobs in FY 2018, which was a 0.8% increase over the FY 2017 average of 6.039 million jobs. This is the eighth consecutive year of positive growth in Statewide employment following three consecutive years of negative job growth suffered as a result of the Great Recession. Since FY 2010, employment has increased by approximately 488,000, an increase of 8.7% over this eight-year period.

In regard to earnings, the data shows that average weekly earnings grew 2.3% in FY 2018 from an average weekly earnings value of \$905 to \$926. This is a marked improvement over the 0.9% growth in FY 2017. The 2.3% increase in FY 2018 is the highest rate of annual growth in this category since the 3.3% growth in FY 2012. Since FY 2010, the average weekly earnings value has increased from \$794 to \$926, an increase of 16.6% over this eight-year period.

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Average Employment Levels by Subsector in Illinois Non-Seasonally Adjusted Averages: Fiscal Years 2010 to 2018									
	FY 2010 Average	FY 2011 Average	FY 2012 Average	FY 2013 Average	FY 2014 Average	FY 2015 Average	FY 2016 Average	FY 2017 Average	FY 2018 Average
Mining	9.0	9.4	10.0	10.0	9.8	9.9	8.6	7.9	7.6
Construction	205.1	197.0	192.5	188.8	195.4	208.6	217.6	218.8	222.7
Manufacturing	558.3	568.7	578.4	583.1	578.4	581.9	578.6	572.6	583.7
Trade, Transportation, and Utilities	1,124.4	1,134.3	1,150.4	1,159.9	1,170.9	1,190.7	1,207.6	1,213.0	1,214.9
Information	103.6	100.9	100.5	99.6	98.6	100.0	98.9	98.6	95.0
Financial Activities	373.5	371.2	372.3	376.5	376.8	378.2	382.3	388.2	395.6
Professional and Business Services	777.6	809.4	840.0	868.5	898.6	915.4	928.2	936.6	940.1
Education and Health Services	821.7	840.0	855.4	868.6	879.8	890.9	907.8	919.5	926.3
Leisure and Hospitality	513.5	518.5	529.4	541.3	552.0	566.0	589.3	603.8	613.7
Other Services	254.1	248.5	250.0	249.3	251.4	252.2	251.7	251.5	251.6
Government	858.3	844.2	833.5	832.3	826.3	828.8	828.8	829.0	835.7
Fiscal Year Average Totals	5,599.2	5,642.0	5,712.3	5,777.9	5,837.9	5,922.6	5,999.5	6,039.4	6,086.9
Illinois' Annual % Change	-3.7%	0.8%	1.2%	1.1%	1.0%	1.5%	1.3%	0.7%	0.8%
Average Weekly Earnings and Employment Change by Subsector in Illinois Fiscal Year Averages: 2010 to 2018									
	FY 2010 Average	FY 2011 Average	FY 2012 Average	FY 2013 Average	FY 2014 Average	FY 2015 Average	FY 2016 Average	FY 2017 Average	FY 2018 Average
Mining*	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	\$1,272	\$1,273	\$1,334	\$1,317	\$1,354	\$1,374
Manufacturing	\$891	\$964	\$978	\$988	\$1,010	\$1,034	\$1,052	\$1,019	\$1,057
Trade, Transportation, and Utilities	\$677	\$710	\$754	\$781	\$800	\$803	\$807	\$808	\$838
Information	\$1,046	\$1,023	\$1,007	\$1,060	\$1,141	\$1,151	\$1,140	\$1,149	\$1,263
Financial Activities	\$1,063	\$1,027	\$1,104	\$1,115	\$1,154	\$1,211	\$1,273	\$1,379	\$1,396
Professional and Business Services	\$1,028	\$1,020	\$1,014	\$1,028	\$1,034	\$1,036	\$1,061	\$1,081	\$1,103
Education and Health Services	\$723	\$735	\$779	\$802	\$817	\$802	\$813	\$802	\$803
Leisure and Hospitality	\$321	\$323	\$330	\$327	\$328	\$354	\$371	\$384	\$396
Other Services	\$714	\$704	\$714	\$739	\$763	\$808	\$852	\$857	\$845
Government*	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	\$867	\$880	\$896	\$905	\$926
% Change in Avg. Weekly Earnings	1.3%	1.8%	3.3%	1.9%	2.0%	1.5%	1.8%	0.9%	2.3%
Annualized Wage/Employment Comparison	-2.4%	2.6%	4.6%	3.1%	3.0%	3.0%	3.1%	1.6%	3.1%

* 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

When combining the impact of the employment change with the growth in wages, a FY 2018 annualized wage/employment growth factor of 3.1% results. This is noticeably higher than the 1.6% comparable value that occurred in FY 2017.

The growth in both employment figures and earnings provides some explanation for the solid performance of economically-tied revenue sources in recent months.

State Rankings of Illinois' Employment Subsectors Employment Values, Non-Seasonally Adjusted (in thousands)						
	FY 2018 Average Employment Totals	FY 2018 Sector Ranking by # Employed	FY17 to FY18 Change in Jobs (% Change)	Jobs Ranking by 1-Yr % Change	FY17 to FY18 Change in Jobs (thousands)	Jobs Ranking by 1-Yr Change in Jobs
Mining	7.6	11	-3.8%	11	(0.3)	10
Construction	222.7	9	1.8%	3	3.9	6
Manufacturing	583.7	6	1.9%	1	11.1	1
Trade, Transportation, and Utilities	1,214.9	1	0.2%	8	1.9	8
Information	95.0	10	-3.6%	10	(3.6)	11
Financial Activities	395.6	7	1.9%	2	7.4	3
Professional and Business Services	940.1	2	0.4%	7	3.5	7
Education and Health Services	926.3	3	0.7%	6	6.8	4
Leisure and Hospitality	613.7	5	1.6%	4	9.9	2
Other Services	251.6	8	0.0%	9	0.0	9
Government	835.7	4	0.8%	5	6.7	5

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

A closer look shows that the growth in employment in FY 2018 was in large part due to growth in the manufacturing subsector. As shown in the above table, “Manufacturing” had the largest rate of growth between FY 2017 and FY 2018 for any subsector in the number of jobs created (11,100) and in terms of annual percentage growth (+1.9%). Other subsectors with solid growth

(more than 1%) in FY 2018 were in the areas of “Financial Activities” (+1.9% growth, +7,400 jobs); “Construction” (+1.8% growth, +3,900 jobs); and in “Leisure and Hospitality” (+1.6% growth, +9,900 jobs). The only subsectors in Illinois that saw year-over-year declines in FY 2018 were in “Mining” (-3.8% growth, -300 jobs) and in “Information” (-3.6% growth, -3,600 jobs).

Composition of Employment Subsectors			
FY 2008 vs FY 2018			
	FY 2008	FY 2018	Difference
Mining	0.2%	0.1%	-0.04%
Construction	4.5%	3.7%	-0.79%
Manufacturing	11.2%	9.6%	-1.59%
Trade, Transportation, and Utilities	20.3%	20.0%	-0.34%
Information	1.9%	1.6%	-0.38%
Financial Activities	6.8%	6.5%	-0.28%
Professional and Business Services	14.4%	15.4%	1.00%
Education and Health Services	13.2%	15.2%	2.05%
Leisure and Hospitality	8.9%	10.1%	1.16%
Other Services	4.4%	4.1%	-0.26%
Government	14.3%	13.7%	-0.53%
Fiscal Year Average Totals	100.0%	100.0%	

While the recent improvement in employment and wage statistics in Illinois is encouraging, the long-term trends are still concerning. Over the last decade (comparing average employment pre-recession totals of FY 2008 with FY 2018), the biggest improvement in the number of jobs in Illinois has been in “Education and Health

Services” (decade growth of +17.6%). As shown in the above table, this subsector’s overall composition in Illinois has increased from 13.2% of jobs to 15.2%. However, as shown in the table below, this subsector is among the lowest paying subsectors in terms of weekly earnings (average weekly earnings value of \$805).

State Rankings of Illinois' Employment Subsectors						
Employment Values, Non-Seasonally Adjusted (in thousands)						
	FY 2018 Average Employment Totals	FY 2018 Sector Ranking by # Employed	FY08 to FY18 Change in Jobs (% Change)	Jobs Ranking by % Change	FY18 Avg Weekly Wage	FY18 Sector Earnings Ranking
Mining	7.6	11	-22.4%	11	N/A	N/A
Construction	222.7	9	-16.4%	9	\$1,374	2
Manufacturing	583.7	6	-12.7%	8	\$1,057	5
Trade, Transportation, and Utilities	1,214.9	1	0.1%	4	\$838	7
Information	95.0	10	-18.0%	10	\$1,265	3
Financial Activities	395.6	7	-2.5%	6	\$1,396	1
Professional and Business Services	940.1	2	8.8%	3	\$1,105	4
Education and Health Services	926.3	3	17.6%	1	\$805	8
Leisure and Hospitality	613.7	5	15.0%	2	\$396	9
Other Services	251.6	8	-4.2%	7	\$845	6
Government	835.7	4	-2.0%	5	N/A	N/A

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

A similar argument can be made with the “Leisure and Hospitality” subsector. This employment category had the second largest employment subsector increase in the State since FY 2008 (decade growth of +15.0%, with composition increasing from 8.9% to 10.1%). However, it is the lowest paying subsector in terms of weekly earnings with a value of \$396. Illinois’ largest employer of jobs is the “Trade, Transportation, and Utilities” subsector, employing over 1.2 million people in FY 2018 and making up 20.0% of total jobs. This subsector, however, also has one of the lowest average weekly earnings totals in the State (FY 2018 average weekly earnings value of \$838).

The concern comes from the fact the largest producer of jobs in Illinois, and the areas that have seen the most growth over the last decade, are, on average, lower paying jobs. 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 decade. For example, the subsector with the highest weekly earnings is “Financial Activities”, paying, on average, \$1,396 per week. However, jobs in this subsector are down 2.5% since FY 2008, and now make up 6.5%

of employment totals in Illinois (compared to 6.8% in FY 2018).

The next highest paying subsectors are “Construction” (\$1,374 per week) and “Information” (\$1,265 per week), but employment in these categories are down 16.4% and 18.0%, respectively, since FY 2008. Over the last decade, “Construction” jobs’ composition of total employment in Illinois has decreased from 4.5% of jobs to 3.7%. Similarly, “Information” jobs have decreased from 1.9% of jobs to 1.6% of jobs.

The largest decline in jobs over the last decade, as it pertains to overall composition, comes from the “Manufacturing” subsector. This subsector has seen its composition fall from 11.2% to 9.6% during this time period, equating to a job loss of 85,000 jobs. However, as previously mentioned, the manufacturing subsector had the largest rate of growth between FY 2017 and FY 2018 of any subsector in the State. Time will tell if this recent growth is the beginning of a long-term positive trend or just a temporary blip in an overall disappointing decade of employment activity in Illinois.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS*</u>	<u>LATEST MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (August)	4.1%	4.2%	5.0%
Inflation in Chicago (12-month percent change) (August)	1.7%	1.9%	2.3%
	<u>LATEST MONTH</u>	<u>CHANGE OVER PRIOR MONTH</u>	<u>CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (August)	6,480.5	-0.1%	-0.2%
Employment (thousands) (August)	6,211.7	0.0%	0.7%
Nonfarm Payroll Employment (August)	6,120,000	-5,200	47,500
New Car & Truck Registration (August)	56,921	6.5%	5.1%
Single Family Housing Permits (August)	1083	19.0%	-5.0%
Total Exports (\$ mil) (July)	5,267.1	-11.0%	2.7%
Chicago Purchasing Managers Index (September)	60.4	-5.0%	-7.4%

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

REVENUE: SEPTEMBER REVENUES MIXED—WEAK FEDERAL RECEIPTS SOFTEN GOOD PERFORMANCE OF ECONOMIC SOURCES

Jim Muschinske, Revenue Manager

Excluding \$200 million related to the Treasurer's Investment transfers per P.A. 100-1107, base revenues grew \$193 million in September. A very weak month for federal reimbursements served to undermine what otherwise would have been decent gains in other revenue areas, particularly the performance of income and sales taxes. The month had one less receipting day compared to the prior year.

September's \$200 million was the first month to see activity related to SB 2858 [P.A. 100-1107] which allows the Treasurer's Office to invest in the state's unpaid receivables. The new law allows up to \$2 billion of state funds not immediately needed for current expenses to be utilized to address the state's overdue bill backlog.

As mentioned, the larger economically related revenue sources performed well with gross personal income taxes growing \$218 million, or \$182 million on a net basis. Gross corporate income taxes increased \$75 million, or \$66 million net. Sales taxes rose \$37 million on a gross basis, or \$35 million net of the direct distributions to transportation funds. Interest income earnings generated \$4 million in gains, while corporate franchise taxes grew \$2 million. Both vehicle use tax and insurance taxes eked out \$1 million increases for the month.

Despite the overall monthly gain, a number of revenue lines experienced declines in September. Inheritance taxes dropped by \$14 million, while public utility taxes fell \$9 million. Other sources to

the general funds declined \$3 million, and both cigarette and liquor taxes each dipped \$1 million.

Overall transfers rose by \$33 million in September. Miscellaneous transfers to the general funds increased \$38 million, and riverboat transfers added \$2 million in gains. Lottery transfers partially offset those advances with a \$7 million decline for the month. As mentioned, it was a very weak month for federal sources as reimbursements were off \$103 million.

Year To Date

Excluding \$150 million in interfund borrowing last fiscal year, and the recent \$200 million related to the Treasurer's Investments this fiscal year, the first quarter of FY 2019 shows general funds ahead of last year by \$390 million. Gross personal income tax is up by \$732 million, or \$615 million net. The gain is partially due to timing associated with last year's rate increase which took time to be fully integrated. Similarly, gross corporate income taxes are up by \$135 million, or \$115 million net. Gross sales tax receipts are up by \$82 million, or \$77 million net. All other tax sources combined added \$32 million to the first quarter gain.

Overall transfers increased \$112 million through September. Federal sources are down by \$561 million. On a comparative basis last year was particularly strong.

SEPTEMBER

FY 2019 vs. FY 2018

(\$ million)

<u>Revenue Sources</u>	<u>Sept. FY 2019</u>	<u>Sept. FY 2018</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$1,825	\$1,607	\$218	13.6%
Corporate Income Tax (regular)	507	432	\$75	17.4%
Sales Taxes	732	695	\$37	5.3%
Public Utility Taxes (regular)	58	67	(\$9)	-13.4%
Cigarette Tax	28	29	(\$1)	-3.4%
Liquor Gallonage Taxes	15	16	(\$1)	-6.3%
Vehicle Use Tax	3	2	\$1	50.0%
Inheritance Tax	21	35	(\$14)	-40.0%
Insurance Taxes and Fees	72	71	\$1	1.4%
Corporate Franchise Tax & Fees	26	24	\$2	8.3%
Interest on State Funds & Investments	7	3	\$4	133.3%
Cook County IGT	0	0	\$0	N/A
Other Sources	27	30	(\$3)	-10.0%
Subtotal	\$3,321	\$3,011	\$310	10.3%
Transfers				
Lottery	61	68	(\$7)	-10.3%
Riverboat transfers & receipts	26	24	\$2	8.3%
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	75	37	\$38	102.7%
Total State Sources	\$3,483	\$3,140	\$343	10.9%
Federal Sources	\$83	\$186	(\$103)	-55.4%
Total Federal & State Sources	\$3,566	\$3,326	\$240	7.2%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$177)	(\$157)	(\$20)	12.7%
Corporate Income Tax	(\$79)	(76)	(\$3)	3.9%
LGDF--Direct from PIT	(\$95)	(79)	(\$16)	20.3%
LGDF--Direct from CIT	(\$28)	(22)	(\$6)	27.3%
Downstate Pub/Trans--Direct from Sales	(\$19)	(17)	(\$2)	11.8%
Subtotal General Funds	\$3,168	\$2,975	\$193	6.5%
Treasurer's Investments	\$200	\$0	\$200	N/A
Interfund Borrowing	\$0	\$0	\$0	N/A
Income Tax Bond Fund Transfer	\$0	\$0	\$0	N/A
Transfer to Commitment Human Services	\$0	\$0	\$0	N/A
Total General Funds	\$3,368	\$2,975	\$393	13.2%

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

1-Oct-18

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2019 vs. FY 2018

(\$ million)

Revenue Sources	FY 2019	FY 2018	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$4,728	\$3,996	\$732	18.3%
Corporate Income Tax (regular)	672	537	\$135	25.1%
Sales Taxes	2,212	2,130	\$82	3.8%
Public Utility Taxes (regular)	187	214	(\$27)	-12.6%
Cigarette Tax	93	88	\$5	5.7%
Liquor Gallonage Taxes	46	46	\$0	0.0%
Vehicle Use Tax	8	8	\$0	0.0%
Inheritance Tax	89	74	\$15	20.3%
Insurance Taxes and Fees	107	113	(\$6)	-5.3%
Corporate Franchise Tax & Fees	58	52	\$6	11.5%
Interest on State Funds & Investments	26	11	\$15	136.4%
Cook County IGT	0	0	\$0	N/A
Other Sources	130	106	\$24	22.6%
Subtotal	\$8,356	\$7,375	\$981	13.3%
Transfers				
Lottery	156	153	\$3	2.0%
Riverboat transfers & receipts	74	78	(\$4)	-5.1%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	200	0	\$200	N/A
Fund sweeps	0	126	(\$126)	N/A
Other	168	129	\$39	30.2%
Total State Sources	\$8,954	\$7,861	\$1,093	13.9%
Federal Sources	\$618	\$1,179	(\$561)	-47.6%
Total Federal & State Sources	\$9,572	\$9,040	\$532	5.9%

Nongeneral Funds Distributions/Direct Receipts:

Refund Fund				
Personal Income Tax	(\$459)	(\$391)	(\$68)	17.4%
Corporate Income Tax	(\$104)	(94)	(\$10)	10.6%
LGDF--Direct from PIT	(\$246)	(197)	(\$49)	24.9%
LGDF--Direct from CIT	(\$37)	(27)	(\$10)	37.0%
Downstate Pub/Trans--Direct from Sales	(\$55)	(50)	(\$5)	10.0%

Subtotal General Funds	\$8,671	\$8,281	\$390	4.7%
Treasurer's Investments	\$200	\$0	\$200	N/A
Interfund Borrowing	\$0	\$150	(\$150)	N/A
Income Tax Bond Fund Transfer	\$0	\$0	\$0	N/A
Transfer to Commitment Human Services	\$0	\$0	\$0	N/A
Total General Funds	\$8,871	\$8,431	\$440	5.2%

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

1-Oct-18