



The U of I Flash Index

with Implications for the State Economy and State Budget

**University of Illinois
Board of Trustees Meeting
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Outline

- Purpose and history of the Index
- Construction and uses
- Implications
 - for the Illinois economy
 - for the Illinois state budget

Purpose and History of the Index

- Began in 1994 to provide an accessible measure of **current** state economic performance
- The index is a joint effort between the Institute Government and Public Affairs (Giertz) and the UIUC News Bureau (Mark Reutter)
- Both organizations are engaged in public service and outreach
- As much planning and care taken in the dissemination process as in the construction

Example from Champaign News-Gazette

Saturday, July 2, 2005

THE NEWS-GAZETTE

BUSINESS

FLASH INDEX

Illinois economy continues to heat up

By The News-Gazette

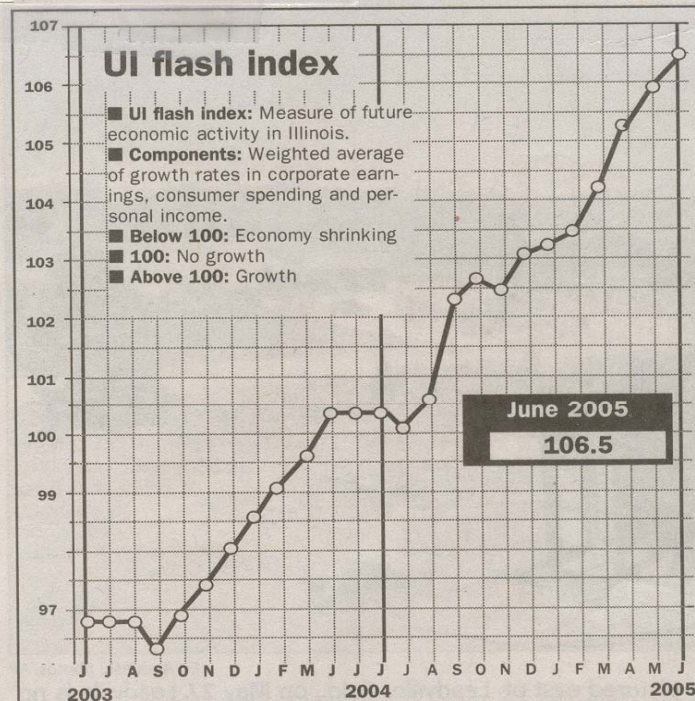
CHAMPAIGN — The Illinois economy is still heating up, according to the University of Illinois flash economic index.

The index climbed from 105.9 in May to 106.5 in June, continuing a yearlong march from the 100.3 reading in June of last year.

The UI flash index measures Illinois growth rates in corporate earnings, consumer spending and personal income.

Corporate tax receipts, which have driven the index's growth over the last year, were up again in June. Individual income tax receipts were up modestly, while sales tax receipts were down marginally.

Illinois came out of the 2001 recession slowly compared



Source: Institute of Government and Public Affairs

The News-Gazette

with the rest of the country, but appears to be catching up, UI economist J. Fred Giertz said in a university news release.

"This catch-up is confirmed by job growth data in Illinois," he said. "For the first time since 1997, employment

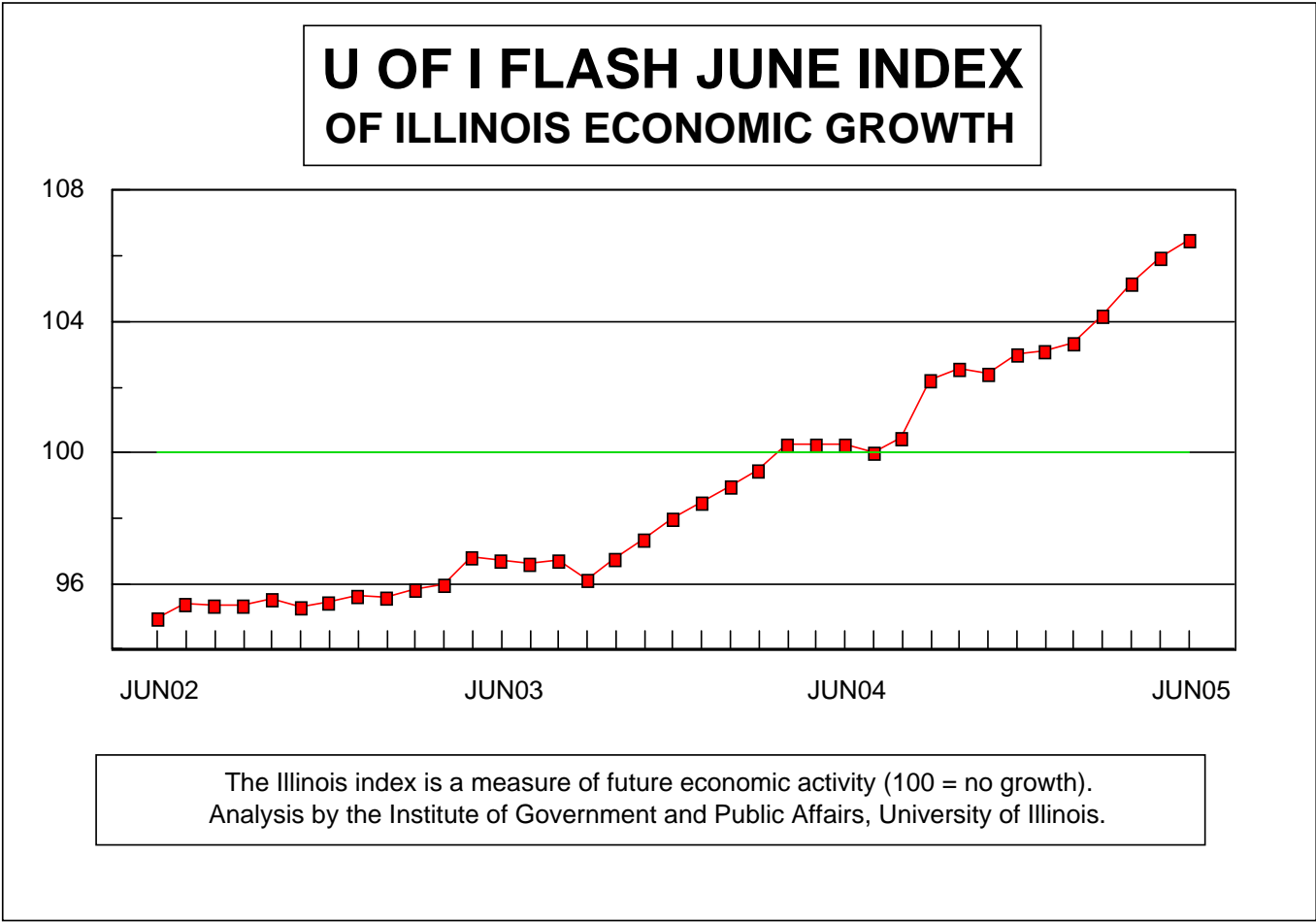
growth in Illinois has exceeded the national rate of growth for three consecutive months."

The state's 5.8 percent unemployment rate in May, however, continued to lag behind the national unemployment rate of 5.1 percent.

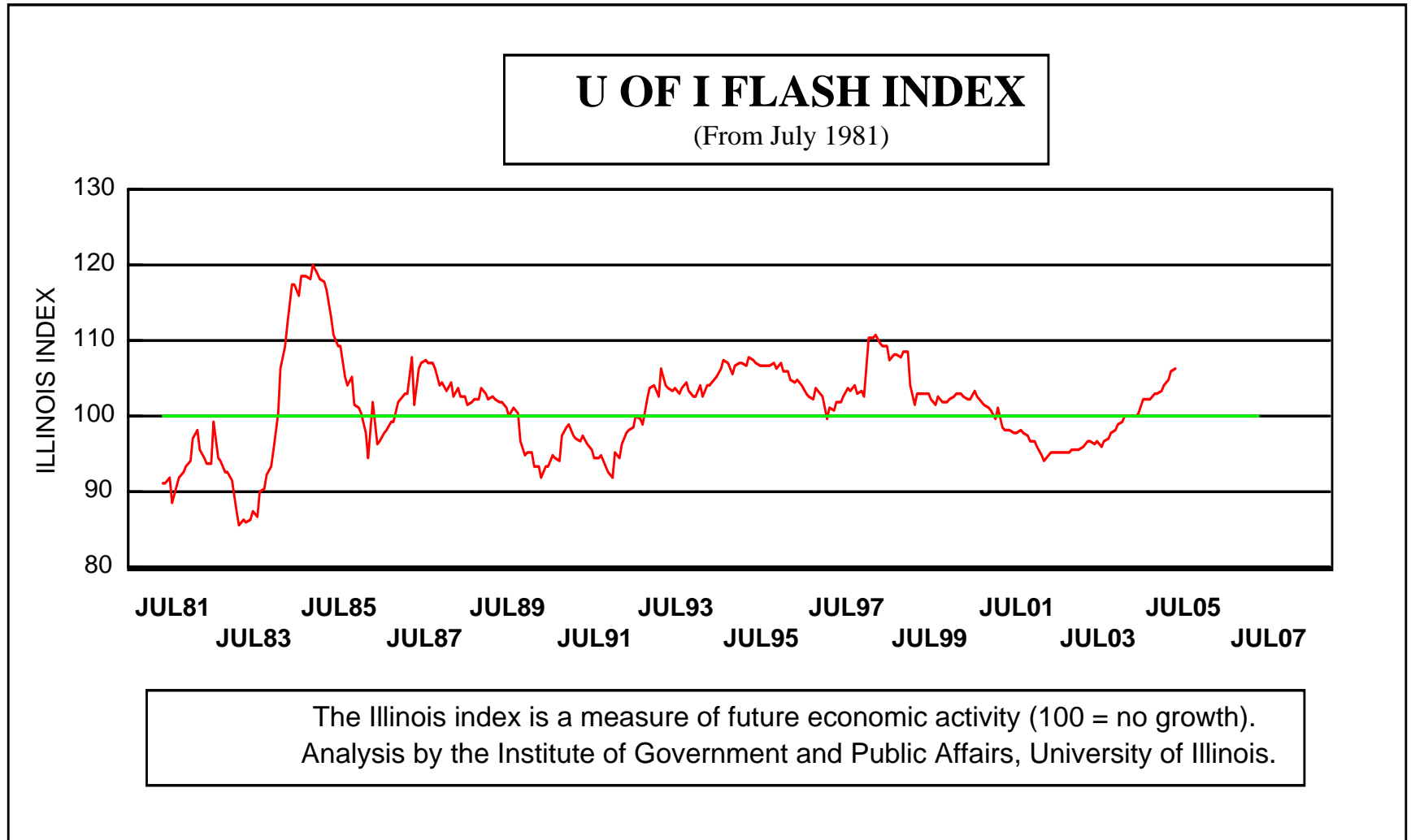
Construction and Uses

- Flash—most current reading of state economic performance (available on first business day of month using previous month's data)
- Compare to state income (often a year or more old), state product (year or more old), unemployment (month or more old)
- Uses state tax data as measure of economic performance
 - Individual income tax receipts for personal income
 - Corporate income tax receipts for business performance
 - Sales tax collections for consumption
- 100 the dividing line between expansion and contraction
- Contemporaneous measure of performance

June 2005 Flash Index



U of I Flash Index since Inception



Implications for Illinois Economy

- The Illinois economy is finally expanding rapidly after an anemic recovery from the 2001 recession
- Rich and prosperous state, but relatively slow growing of late and losing margin of superiority
 - 14th in per capita income
 - 4.3 per cent above national average
- Contrasts in recent recoveries
 - 1980-81
 - 1990
 - 2001

Implications for State Budget

- Magnitude of the problem
 - Impact of recession most severe since 1930s
 - State did not fully adjust to the downturn in revenues
- Structural deficit exists that has still not been addressed
- State has increased spending without a permanent increase in resources to support it
- Economic recovery will not solve the problem

Gov. Rod Blagojevich

April 9, 2003

- “IF THE LEGISLATURE SENDS ME A BUDGET THAT RAISES THE INCOME TAX OR THE SALES TAX I WILL VETO IT.”
- “IF THE LEGISLATURE SENDS ME A BUDGET THAT CUTS K-12 EDUCATION, HEALTHCARE OR PUBLIC SAFETY I WILL VETO THAT TOO.”

The Magnitude of the Problem

