

Update on Illinois' Economic and Fiscal Challenges and Responses

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Update on Illinois' economy and fiscal balance

- Recent legislative fiscal actions (as of May 31, 2011)
- Cyclical factors in Illinois and regional economy
- Update on fiscal balance in Illinois

Recent legislative actions

(As of May 31, 2011)

■ Revenue

- Major gaming expansion
 - Could bring in as much as **\$1.5 billion** in one-time monies and
 - **Perhaps \$0.5 billion** on an annual basis
 - *Unclear whether Governor Quinn will sign this*
- No additional borrowing
- No major tax changes (since January 2011)

Recent legislative actions

(As of May 31, 2011)

- Spending
 - January 2011 legislation capped General Fund (GF) spending at \$36.8 billion for FY2012.
 - General assembly approved GF spending of **\$33.2 billion**.
 - Despite almost constant GF spending, significant cuts in specific programs are planned—including social safety net programs.

Cyclical Factors in the Illinois and Regional Economy

- Midwest is leading other U.S. regions in the recovery
- Economic conditions not better but pace of improvement quicker
- Regional economy pulled along by agriculture and manufacturing
- Also labor market improvement in Chicago and other service-oriented metropolitan areas

Source: Federal Reserve Bank of Chicago **What's Behind the Seventh District Resurgence?**
May 19, 2011 http://midwest.chicagofedblogs.org/archives/2011/05/seventh_distric_3.html

Cyclical Factors in the Illinois and Regional Economy

- What's ahead? Much, but not all, of the resurgence is from transitory causes
 - Rebound lifted inventory building of durable goods...as inventories return to normal, growth in demand will ease off.
 - Robust world economic growth is expected to continue, but not accelerate. Manufacturing export growth may be more subdued.

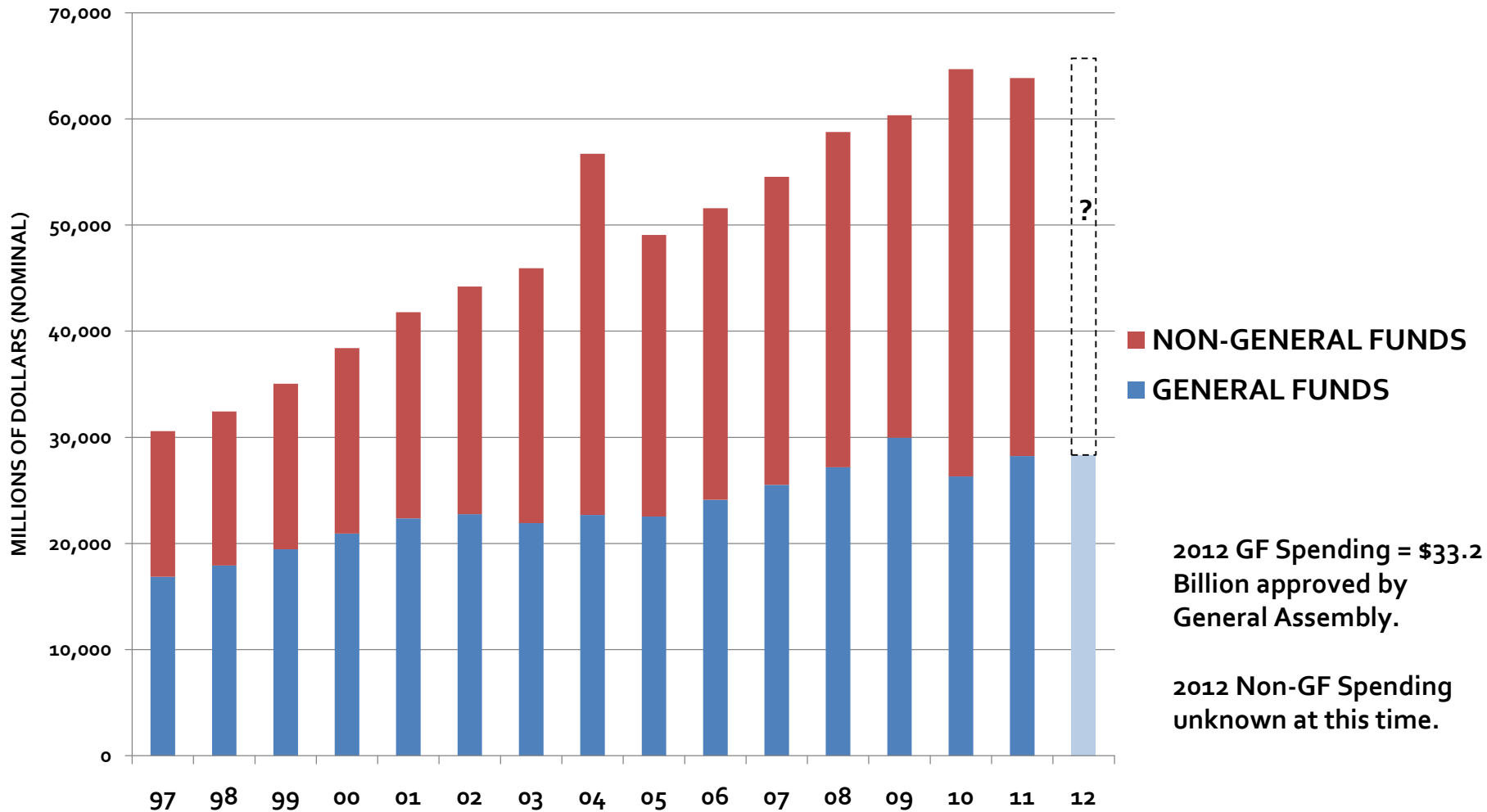
Source: Federal Reserve Bank of Chicago **What's Behind the Seventh District Resurgence?**
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Update on Fiscal Balance in Illinois

- General assembly showed immense restraint with respect to FY12 GF spending.
- Projected GF revenues are equal to approved GF spending and actual GF revenues appear on track to equal projected revenues.
- Major remaining concerns:
 - Gubernatorial response.
 - Billions of dollars of unpaid bills.
 - Unfunded post-employment liabilities including pensions.
 - Non-general fund revenues and spending.

General vs. Non-General Funds Spending

1997-2012 (Nominal)



For more information:
igpa.uillinois.edu



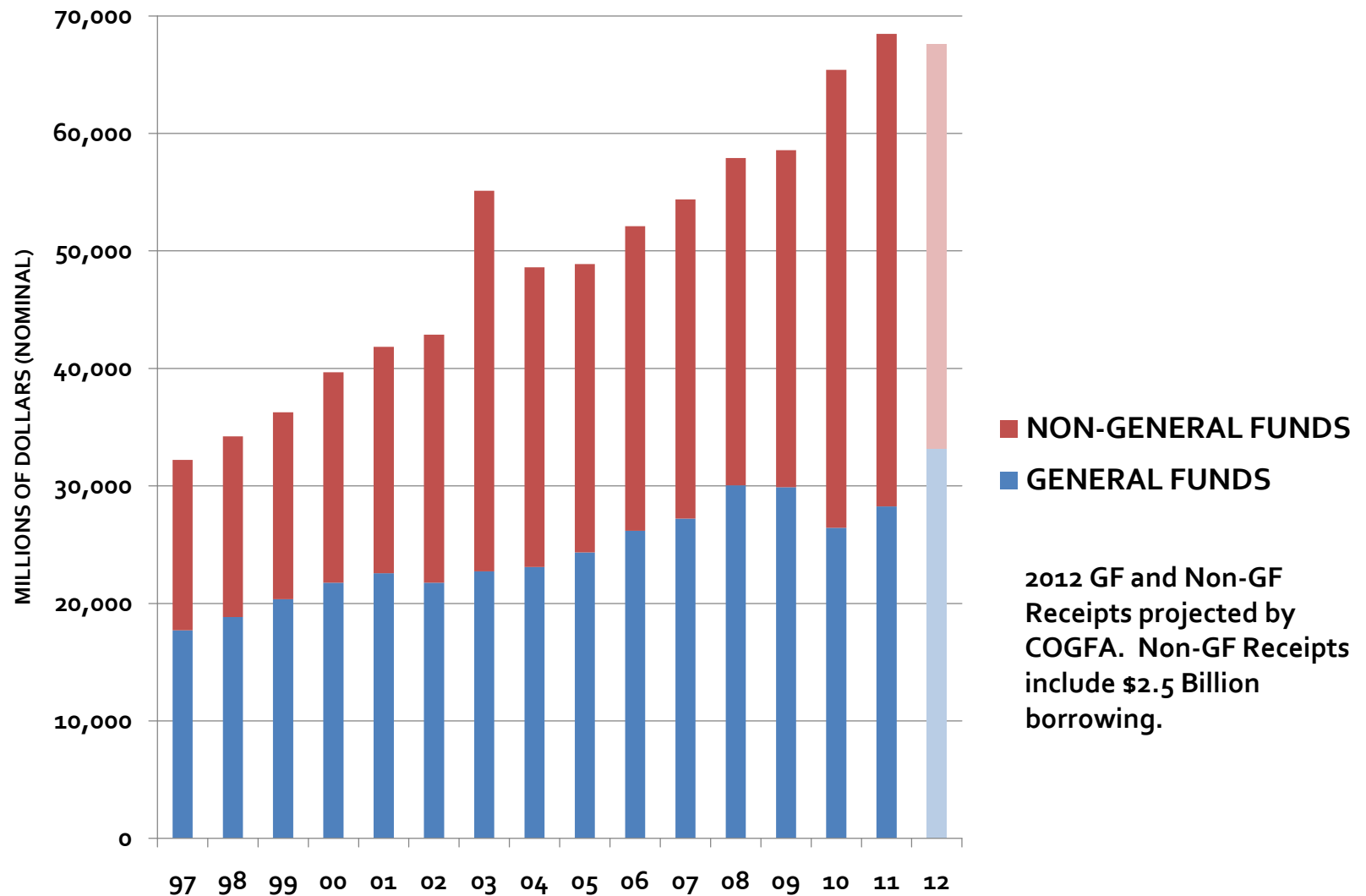
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Additional Slides

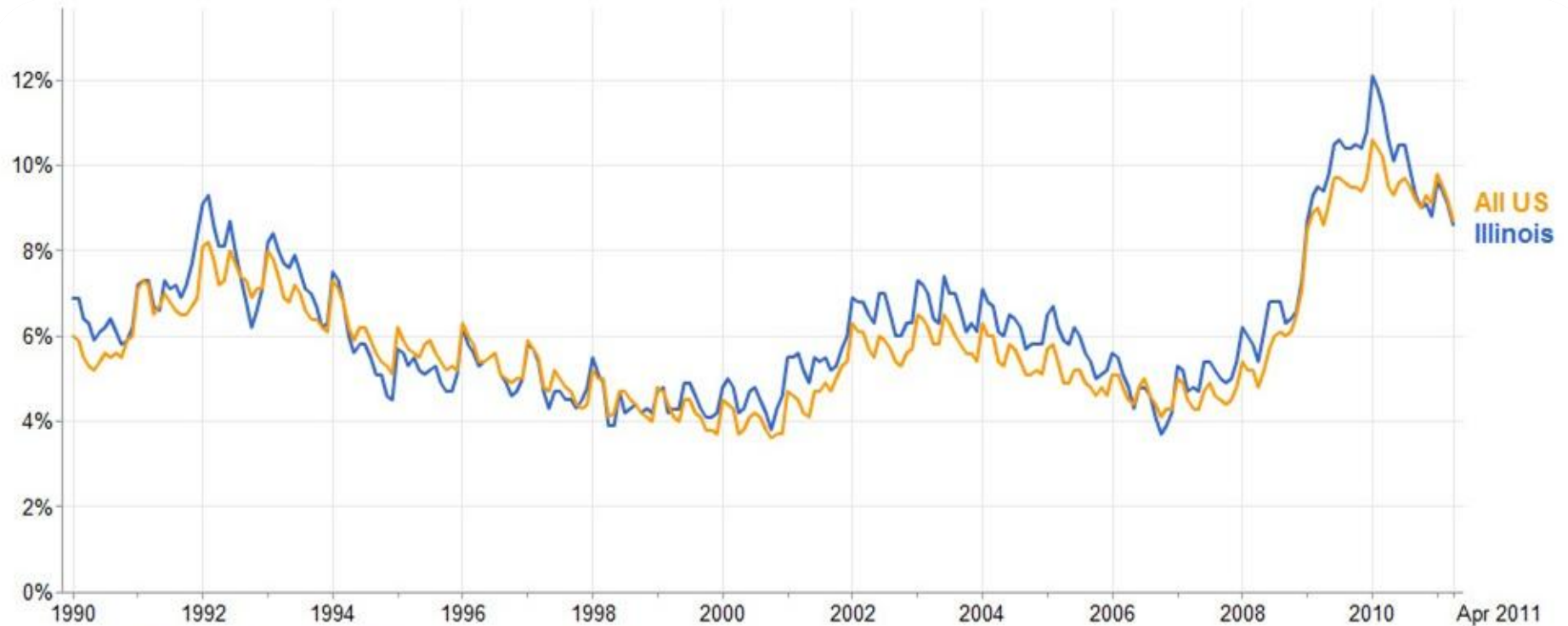
- GF Revenues
- Unemployment
 - Illinois vs US
 - Illinois vs Michigan

General vs. Non-General Funds Receipts 1997-2012 (Nominal)



Unemployment Rate

The percent of the labor force that is unemployed, not seasonally adjusted

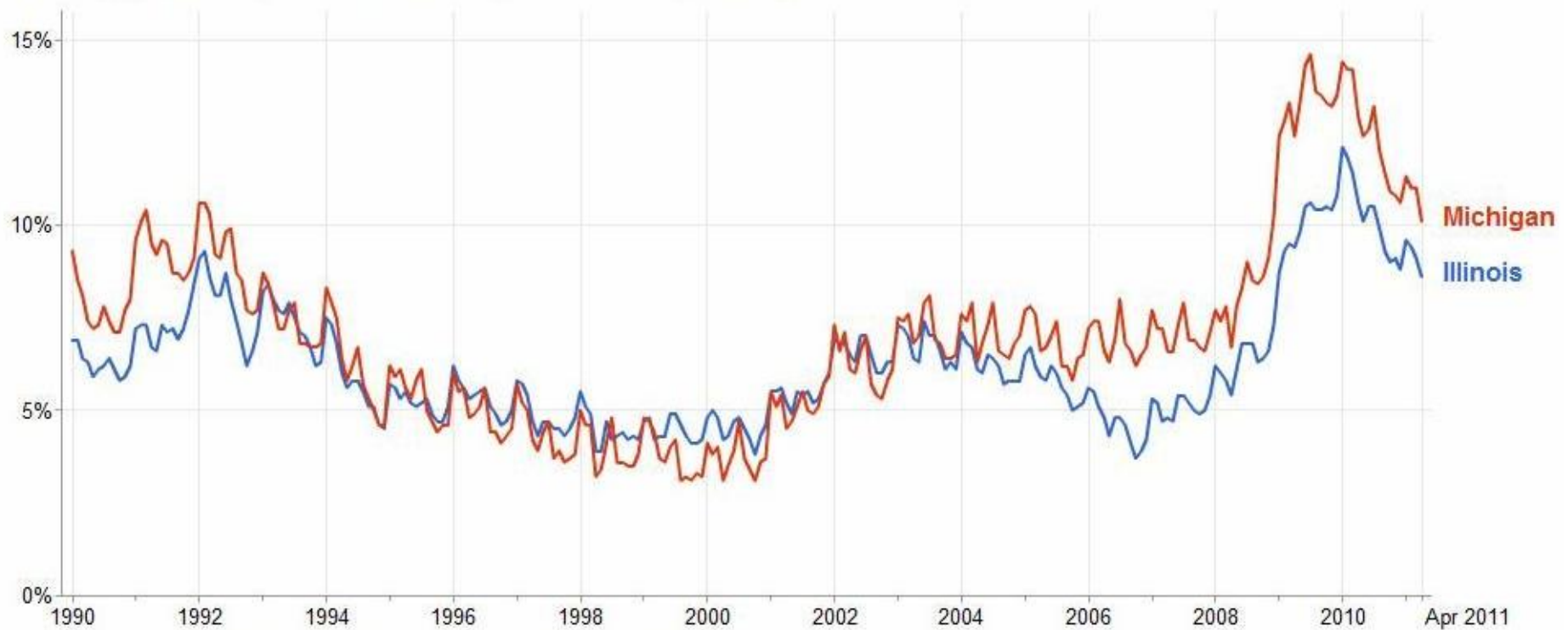


Data source: [U.S. Bureau of Labor Statistics](http://www.bls.gov) - Last updated May 20, 2011

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