Update on Illinois’ Economic and Fiscal Challenges and Responses

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David Merriman
Professor and Associate Director
Institute of Government and Public Affairs
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 FY 2012.
  - 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

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.

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)

2012 GF Spending = $33.2 Billion approved by General Assembly.

2012 Non-GF Spending unknown at this time.
For more information:
igpa.uillinois.edu
Additional Slides

- GF Revenues
- Unemployment
  - Illinois vs US
  - Illinois vs Michigan
General vs. Non-General Funds Receipts 1997-2012 (Nominal)

2012 GF and Non-GF Receipts projected by COGFA. Non-GF Receipts include $2.5 Billion borrowing.
Unemployment Rate

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