

# Illinois' Economy and Fiscal Challenges: Current situation and future prospects

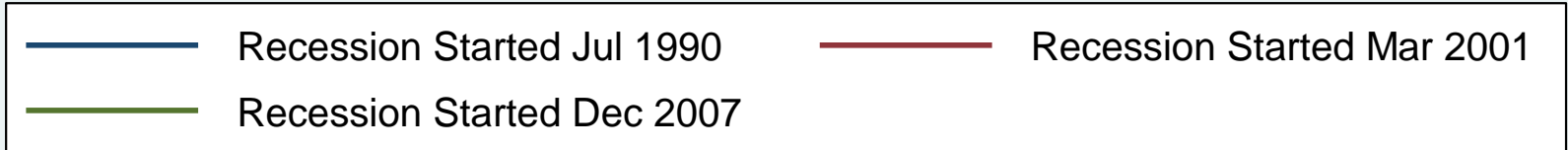
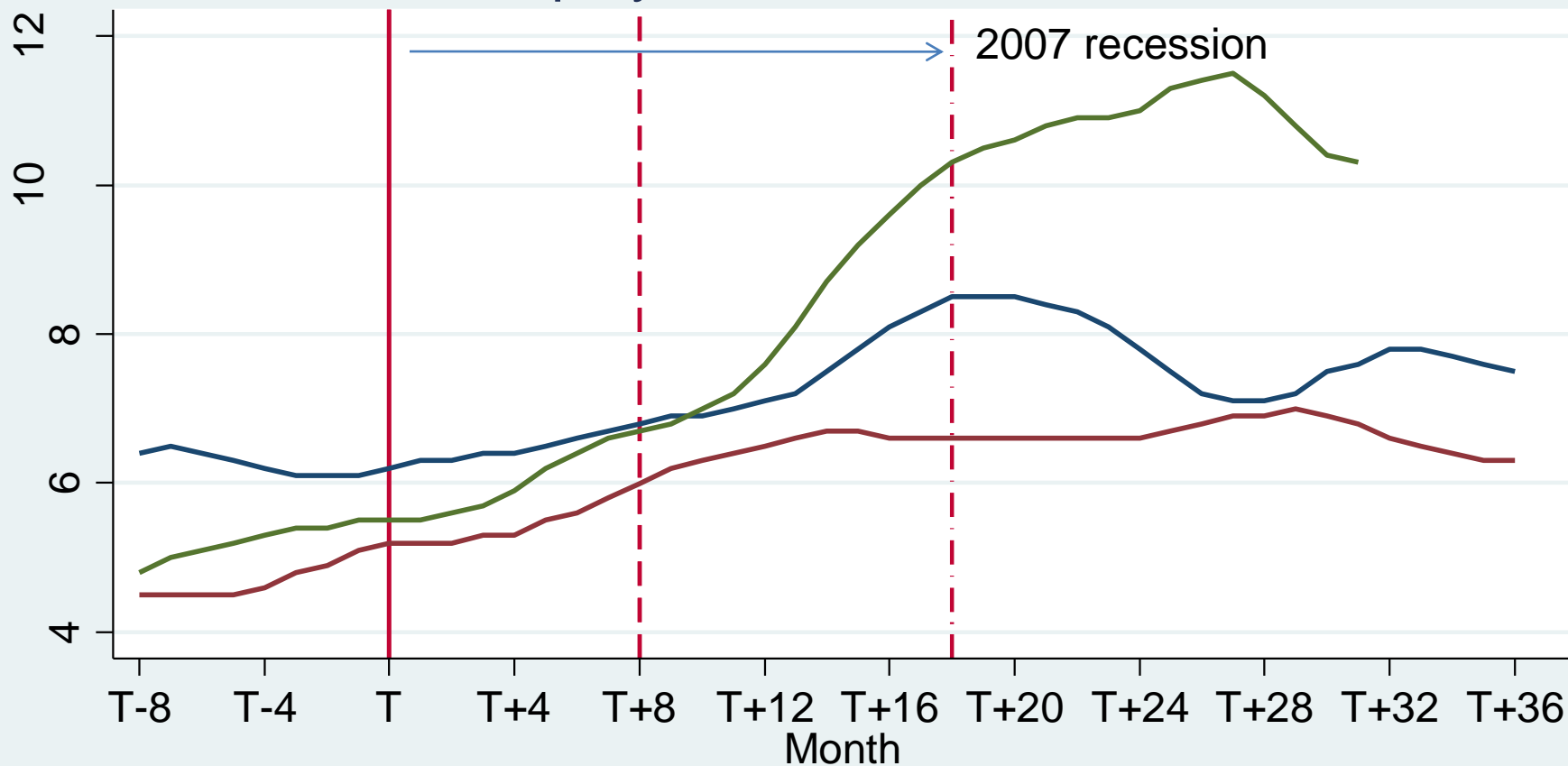
Presentation to the Board of Trustees of the  
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Inst. of Gov't and Public Affairs



Institute of  
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and Public Affairs  
*University of Illinois*

# Illinois' Unemployment Rate in Three Recessions



'T' indicates month recession started. 1990 and 2001 recessions each lasted 8 months.

2007 recession lasted 18 months

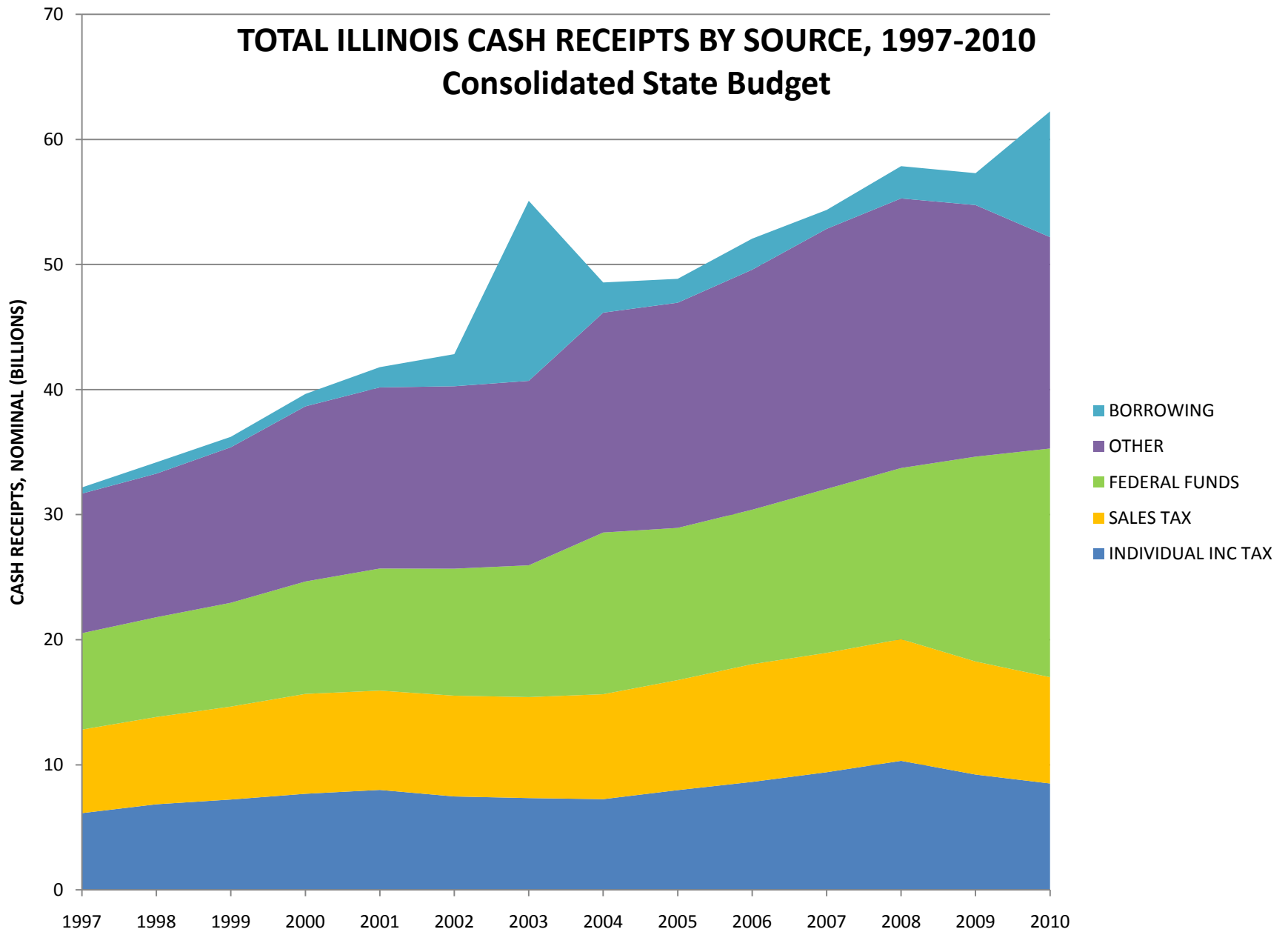
Source: US Bureau of Labor Statistics and IGPA calculations.

# Relationship between job loss and fiscal condition

- Geoffrey Hewings has estimated that each loss of 1000 jobs reduces
  - personal income tax revenue by about \$1.8 million
  - Sales tax revenue by about \$2 million
- About 400,000 jobs were lost in the 2007 recession.
- This job loss reduced Illinois tax revenue by roughly \$1.5 billion.
- Economic downturn explains part but not all of the fiscal crisis.

# TOTAL ILLINOIS CASH RECEIPTS BY SOURCE, 1997-2010

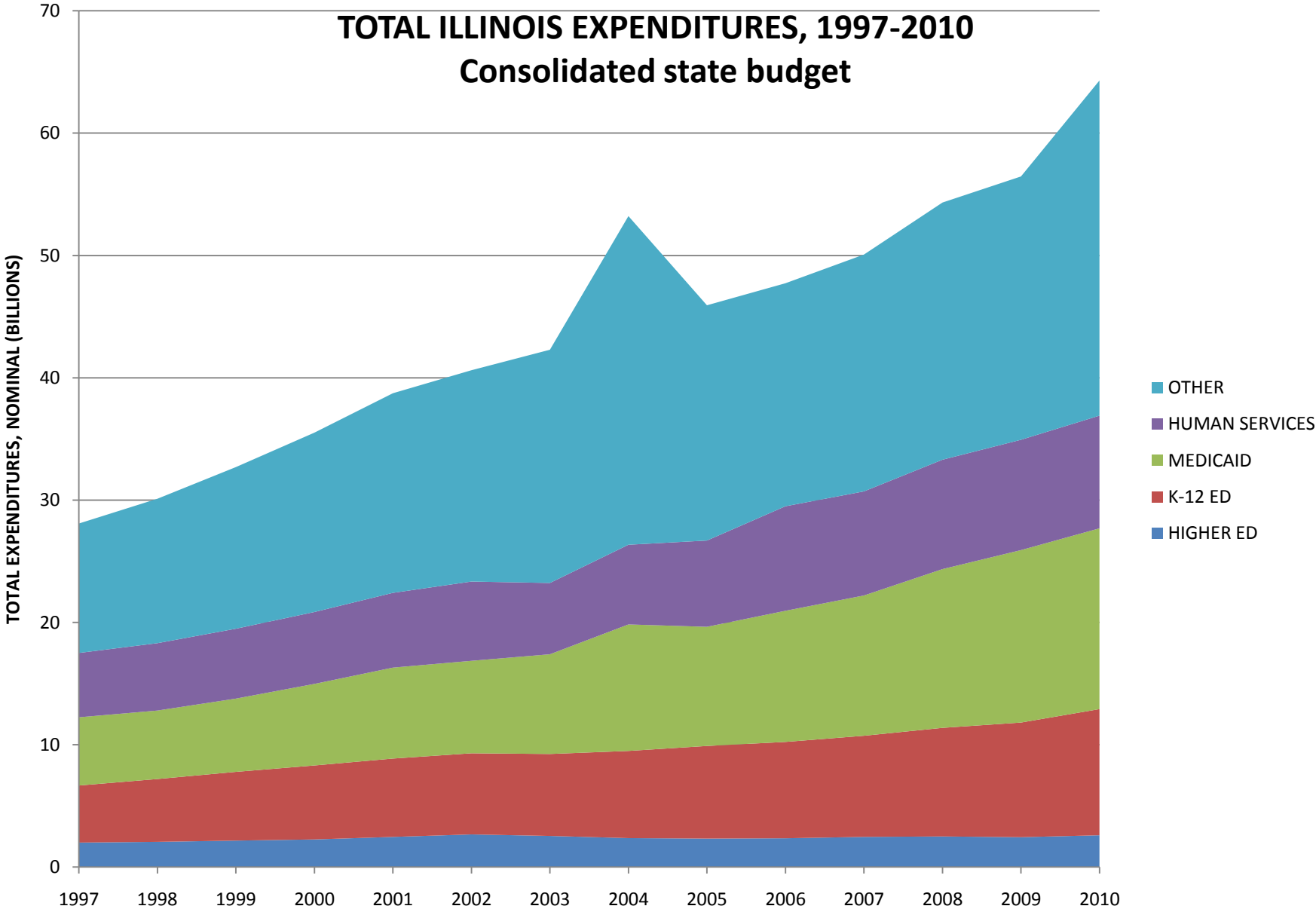
## Consolidated State Budget



Source: Illinois Comptroller and calculations by Fiscal Futures Project, Institute of Gov't and Public Affairs U of I. Figures for 2010 are preliminary

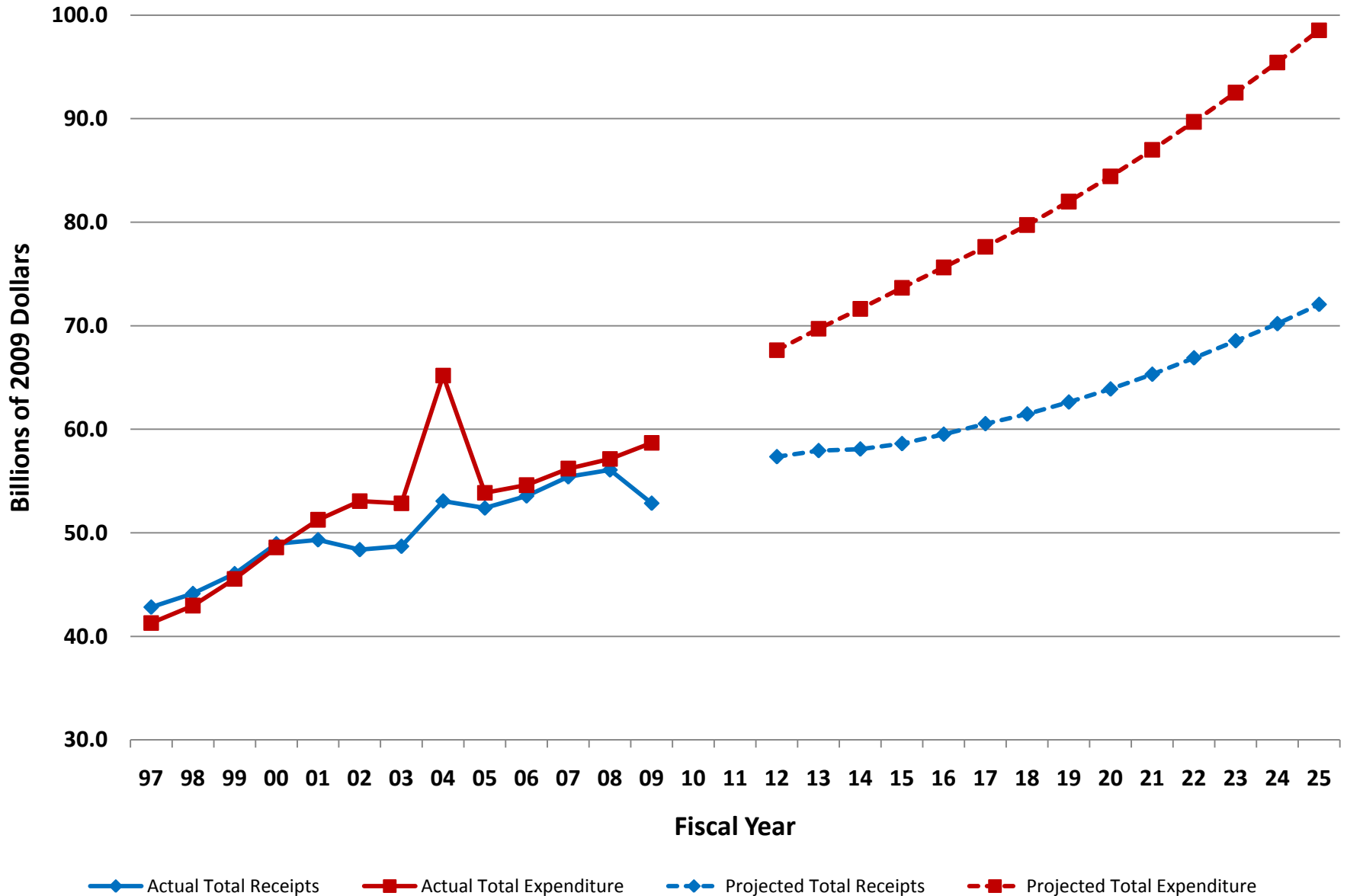
# TOTAL ILLINOIS EXPENDITURES, 1997-2010

## Consolidated state budget



Source: Illinois Comptroller and calculations by Fiscal Futures Project, Institute of Gov't and Public Affairs U of I. Figures for 2010 are preliminary

# Illinois' Structural Deficit



Source: Fiscal Futures Project, Institute of Gov't and Public Affairs U of I see <http://igpa.uillinois.edu/content/fiscal-futures-project>

# Constructive steps

- Commit to long term plan for fiscal sustainability
  - Clarity in reporting revenues and expenditures
  - Rejection of gimmicks
  - These steps will promote credibility and business expansion
- Economic development policies
  - Patience is required.
  - Focus on fundamentals like infrastructure and education.
  - Don't tilt toward particular industries.
- Tax system
  - Broaden the tax base, which promotes economic efficiency and revenue enhancement.
  - Recognize that business taxation is ultimately paid by individuals.