Illinois’ Economy and Fiscal Challenges: Current situation and future prospects

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Illinois' Unemployment Rate in Three Recessions

Recession Started Jul 1990
Recession Started Mar 2001
Recession Started Dec 2007

'T' indicates month recession started. 1990 and 2001 recessions each lasted 8 months. 2007 recession lasted 18 months.

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

CASH RECEIPTS, NOMINAL (BILLIONS)

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

- Actual Total Receipts
- Actual Total Expenditure
- Projected Total Receipts
- Projected Total Expenditure

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.