

Update on Illinois' Economic and Fiscal Challenges and Responses

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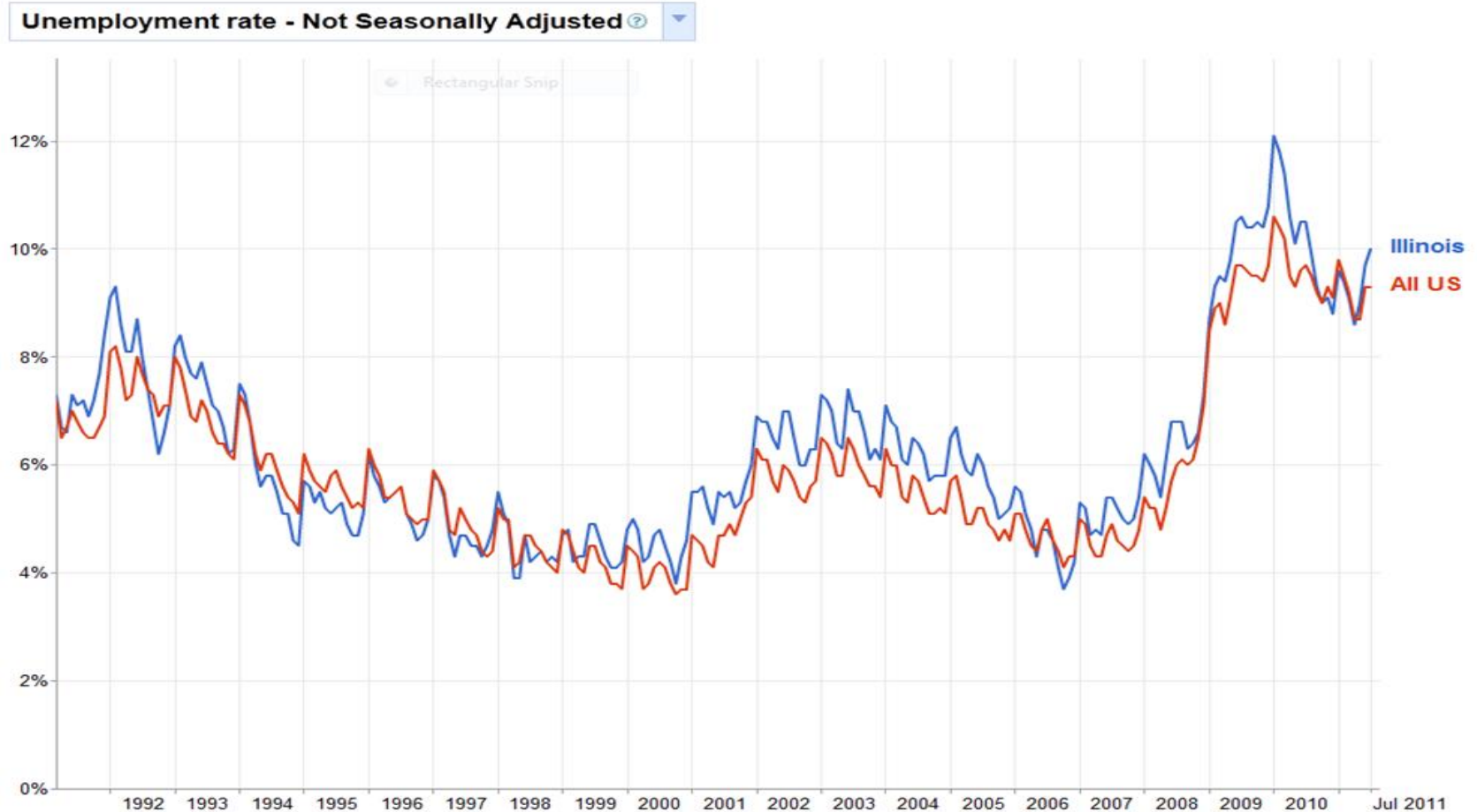
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Update on Illinois' economy and fiscal balance

- Cyclical factors in Illinois and regional economy
 - Recovery slowing
 - Midwest doing well relative to rest of the nation
 - Forecast for job growth is bleak
- Update on fiscal balance in Illinois
- Rating of Illinois' Bond Ratings

Unemployment Rate

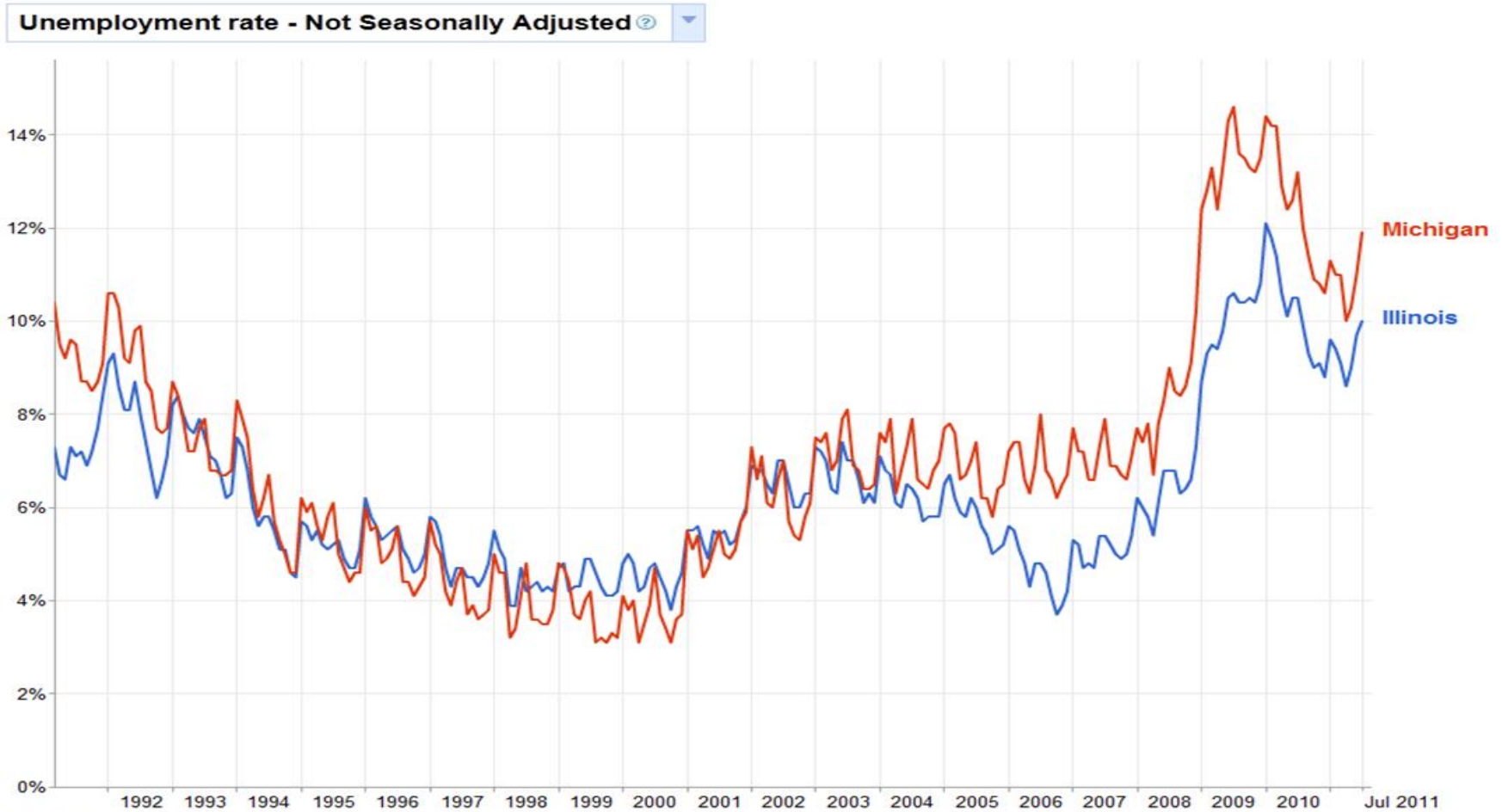
The percent of the labor force that is unemployed, not seasonally adjusted



Data from: [U.S. Bureau of Labor Statistics](http://www.bls.gov)

Unemployment Rate

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



Data from: [U.S. Bureau of Labor Statistics](#)

Cyclical Factors in the Illinois and Regional Economy

- Midwest is [leading the nation during the recovery in its manufacturing and agricultural sectors.](#)
- As of the end of 2010 its total output was lower than it was in 2005.
- Midwest is making some progress, but ...the recovery looks more like tunneling out of a hole than a vertical ascent.
- Compare this recovery to past rebounds from recession.
 - On average, three years after the start of the previous two recessions, the Midwest had already experienced expansion of over 10.0%.
 - By 2010, three years after the start of the 2007 recession, total GSP for the region is still 2.6% below its 2007 level.

Source: [Traub, Paul](#) “Digging Out of a Hole – A View from Detroit” Federal Reserve Bank of Chicago blog (http://midwest.chicagofedblogs.org/archives/2011/08/paul_traub_on_a.html) August 23, 2011

Cyclical Factors in the Illinois and Regional Economy

EMPLOYMENT FORECAST

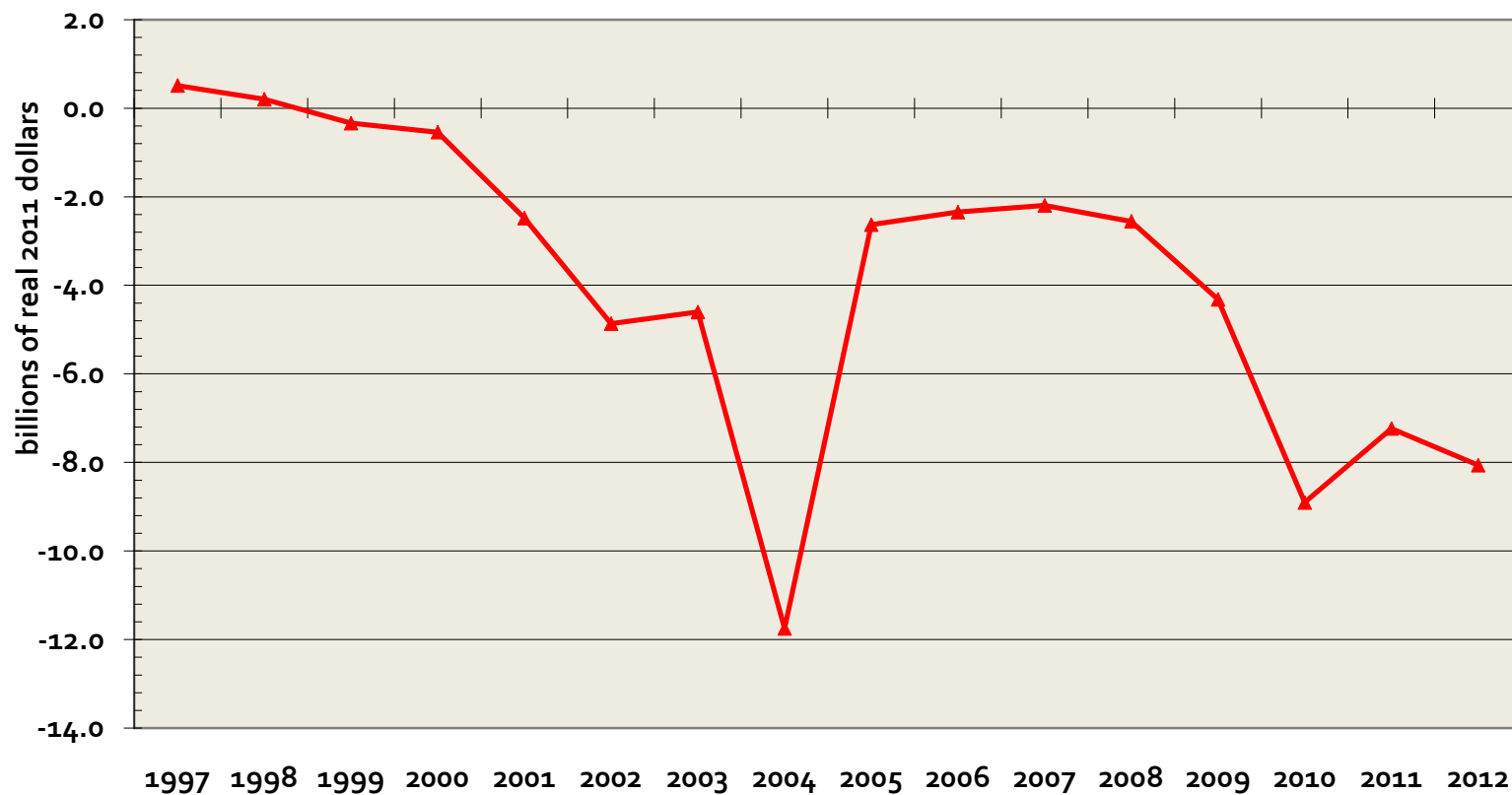
	June 2011	June 2012 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,677,700	5,726,200	48,500 ~ 88,500	0.50%~1.56%
Construction	207,300	204,500	-2,800	-1.35%
Manufacturing	571,200	571,400	200	0.04%
Trade, transportation & utilities	1,143,400	1,157,600	14,200	1.24%
Information	97,200	92,700	-4,500	-4.63%
Financial Activities	355,600	351,000	-4,600	-1.29%
Professional & business services	816,300	831,600	15,300	1.87%
Education & health	845,600	868,800	23,200	2.74%
Leisure & hospitality	523,800	530,100	6,300	1.20%
Other services	256,500	258,500	2,000	0.78%
Government	851,500	859,900	8,400	0.99%

Source: IGPA's Illinois Economic Review July 2011
<http://igpa.uillinois.edu/illinois-economic-review>

Update on Fiscal Balance in Illinois

- Consolidated budget deficits
- Real (inflation adjusted) Expenditures
- Breakdown of State Higher Education Expenditures

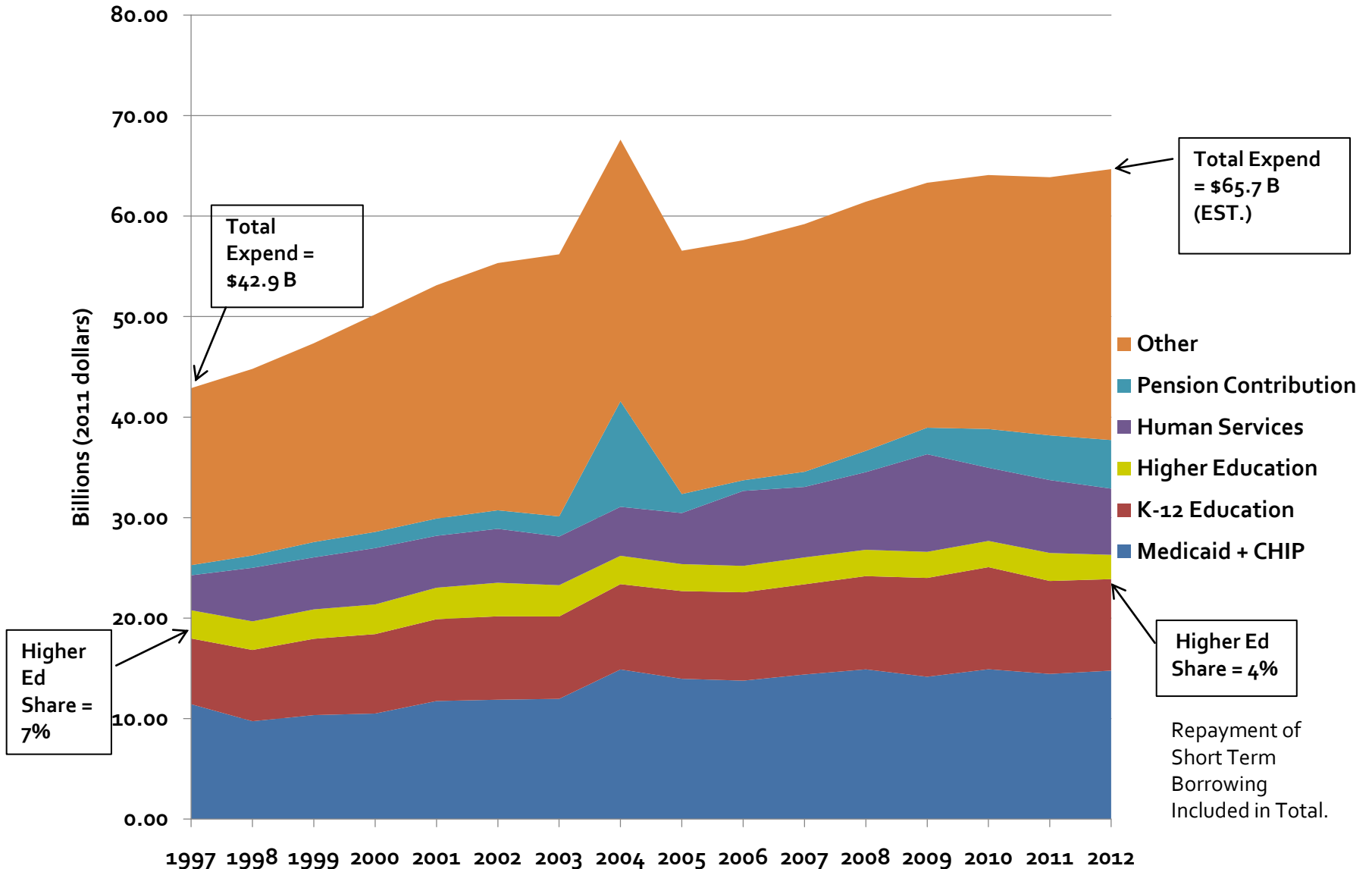
Illinois Consolidated Budget Surplus (+) or Deficit (-) Borrowing Not Treated as a Receipt



Source: IGPA *Fiscal Futures Model*, September 2011

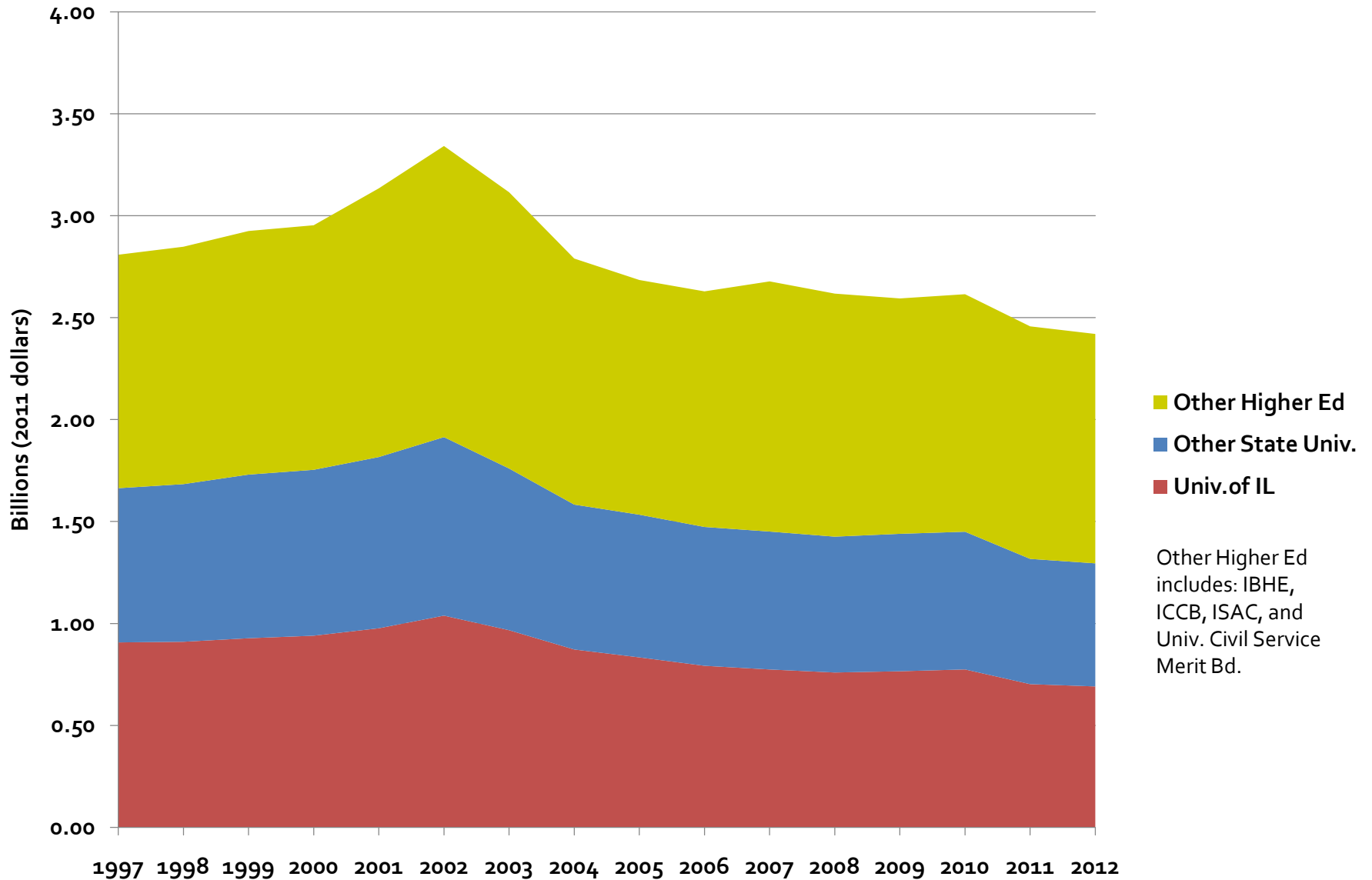
Total Expenditures, FY 1997-2012

(2011 dollars)



Higher Education Expenditures, FY 1997-2012

(2011 dollars)



Source: IGPA Fiscal Futures Model, Sept. 2011

Rating of Illinois' Credit

Illinois Bond Ratings Over Time			
Year	S&P	Moody's	Fitch
1998	AA	Aa2	AA
1999	AA	Aa2	AA
2000	AA	Aa2	AA+
2001	AA	Aa2	AA+
2002	AA	Aa2	AA+
2003	AA	Aa3	AA
2004	AA	Aa3	AA
2005	AA	Aa3	AA
2006	AA	Aa3	AA-
2007	AA	Aa3	AA
2008	AA	Aa3	AA-
2009	A+	A2	A
2010*	A+	A1	A

*NOTE: 1998-2009 Data is as of Fourth Quarter. 2010 data is as of July 2010

Source: United States Census Bureau Statistical Abstracts (see notes tab for additional information)
and the Illinois State Comptroller (2010 Data Only)

KEY TO RATINGS : Ratings for each agency are in descending order of quality (e.g. AAA/Aaa ratings are highest).

S&P: AAA, AA, A, BBB, BB, B, CCC, CC, C, D* (AA through CCC ratings may be modified with (+) or (-) sign to show standing within category). D* indicates default

Moody's: Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C (AA through Caa ratings may be modified with numbers 1, 2, and 3 to show standing within category - 1 is highest, 3 is lowest).

Fitch: AAA, AA, A, BBB, BB, B, CCC, CC, C, D* (AA through B ratings may be modified with (+) or (-) sign to show standing within category).

For more information:
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