



Commission on Government Forecasting and Accountability

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MONTHLY BRIEFING FOR THE MONTH ENDED: MARCH 2018

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ILLINOIS EMPLOYMENT AND WAGE UPDATE

Eric Noggle, Senior Revenue Analyst

The Bureau of Labor Statistics recently released their “final” job and wage figures for CY 2017. This dataset includes a wide variety of job-related information, including Statewide employment totals by subsector, as well as each subsector’s average weekly earnings. A summary of these figures for Illinois is shown in the following table.

Illinois averaged 6.063 million jobs in CY 2017, which was a 0.7% increase over the CY 2016 average of 6.019 million jobs. This is the seventh consecutive year of positive growth in Statewide employment following three consecutive years of negative job growth suffered as a result of the Great Recession. But the 0.7% increase in CY 2017 was the lowest rate of change over this seven-year span of positive growth.

In regards to earnings, the data shows that average weekly earnings grew a modest 1.2% in CY 2017. This was the weakest growth rate for earnings in the past several years, and noticeably below the previous six fiscal years growth rate average of 2.2%.

Although Illinois’ job and wage figures have improved over the last several years, the growth may best be classified as disappointing, especially when compared to the job figures of other states across the nation. At the end of CY 2017, Illinois’ growth in total employment ranked the State 34th in the nation for the rate of change in jobs between December 2016 and December 2017. As has been the trend over the last couple of years, exacerbating the situation is the fact that many of the jobs that have been added in Illinois have been comparatively lower paying jobs. To understand this a little better, a closer look at the different subsectors of jobs in Illinois is necessary.

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Average Employment Levels by Subsector in Illinois

Non-Seasonally Adjusted Averages: 2010 to 2017 (in thousands)

	2010 Annual Average	2011 Annual Average	2012 Annual Average	2013 Annual Average	2014 Annual Average	2015 Annual Average	2016 Annual Average	2017 Annual Average
Mining	9.1	9.6	10.2	9.7	9.9	9.3	8.1	7.8
Construction	198.3	195.7	189.1	191.4	201.7	213.6	218.7	220.2
Manufacturing	561.0	573.9	583.0	579.2	580.1	581.7	574.4	576.7
Trade, Transportation, and Utilities	1,125.6	1,143.8	1,156.3	1,164.4	1,179.7	1,201.4	1,211.1	1,213.1
Information	101.8	100.6	100.1	99.0	99.1	100.4	98.2	97.1
Financial Activities	371.6	371.2	374.3	377.5	376.5	380.7	384.6	391.1
Professional and Business Services	793.9	823.5	856.8	883.1	909.4	922.2	932.1	940.2
Education and Health Services	830.8	847.5	862.3	874.4	885.1	899.4	914.2	923.8
Leisure and Hospitality	515.4	522.2	536.1	545.9	558.2	578.3	596.8	609.7
Other Services	249.1	249.7	249.7	249.9	252.2	252.0	251.4	251.8
Government	853.8	837.9	832.4	829.9	827.4	829.1	829.3	831.1
Annual Average Totals	5,610.4	5,675.6	5,750.3	5,804.4	5,879.3	5,968.1	6,018.9	6,062.6
Illinois' Annual % Change	-0.8%	1.2%	1.3%	0.9%	1.3%	1.5%	0.9%	0.7%

Average Weekly Earnings and Employment Change by Subsector in Illinois

Calendar Year Averages: 2010 to 2017

	2010 Annual Average	2011 Annual Average	2012 Annual Average	2013 Annual Average	2014 Annual Average	2015 Annual Average	2016 Annual Average	2017 Annual Average
Mining*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,236	\$1,282	\$1,291	\$1,265	\$1,302	\$1,339	\$1,336	\$1,359
Manufacturing	\$926	\$978	\$982	\$1,000	\$1,022	\$1,042	\$1,042	\$1,029
Trade, Transportation, and Utilities	\$693	\$734	\$766	\$790	\$805	\$807	\$806	\$821
Information	\$1,040	\$1,005	\$1,027	\$1,102	\$1,155	\$1,153	\$1,129	\$1,202
Financial Activities	\$1,036	\$1,054	\$1,131	\$1,116	\$1,184	\$1,244	\$1,330	\$1,393
Professional and Business Services	\$1,024	\$1,007	\$1,027	\$1,025	\$1,038	\$1,049	\$1,073	\$1,087
Education and Health Services	\$724	\$757	\$792	\$814	\$810	\$806	\$808	\$805
Leisure and Hospitality	\$319	\$322	\$337	\$323	\$340	\$365	\$377	\$392
Other Services	\$712	\$703	\$728	\$751	\$780	\$834	\$864	\$840
Government*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Illinois' Annual Average Weekly Earnings*	\$799	\$820	\$846	\$856	\$875	\$890	\$901	\$912
% Change in Avg. Weekly Earnings	0.9%	2.7%	3.2%	1.2%	2.2%	1.7%	1.3%	1.2%
Annualized Wage/Employment Comparison	0.1%	3.8%	4.6%	2.1%	3.5%	3.2%	2.2%	2.0%

* Because the Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics, "Statewide Average Weekly Earnings" is calculated by using the weekly earnings of the other nine subsectors. The statewide value was calculated by multiplying each subsector's average jobs by its average earnings and dividing the sum of these figures by the total number of jobs from these nine subsectors.

Source: www.bls.gov

Over the last decade (comparing average employment pre-recession totals of CY 2008 with CY 2017), the biggest improvement in the number of jobs in Illinois has been in "Education and Health Services" (up 15.6%). However, as shown, this subsector is one of the lowest paying in terms of weekly earnings, with an average weekly earnings value of \$805. Illinois' largest employer of jobs is the "Trade, Transportation, and Utilities" subsector, employing over 1.2 million people. This subsector also has one of the lowest average weekly earnings totals in the State (CY 2017 average weekly earnings value of \$821).

Equally troublesome is the fact that those subsectors with the highest weekly earnings were the subsectors that have lost the most jobs over the last decade. For example, the subsector with the highest weekly earnings is "Financial Activities", paying, on average, \$1,393 per week. However, jobs in this subsector are down 2.2% since CY 2008. The next highest paying subsectors are "Construction" (\$1,359 per week) and "Information" (\$1,202 per week), but employment in these categories are down 14.8% and 15.1%, respectively, since CY 2008.

State Rankings of Illinois' Employment Subsectors						
Employment Values, Non-Seasonally Adjusted (in thousands)						
	2017 Average Employment Totals	Sector Ranking by # Employed	CY08 to CY17 Change in Jobs (% Change)	Jobs Ranking by % Change	CY17 Avg Weekly Wage	CY17 Sector Earnings Ranking
Mining	7.8	11	-20.4%	11	N/A	N/A
Construction	220.2	9	-14.8%	9	\$1,359	2
Manufacturing	576.7	6	-12.3%	8	\$1,029	5
Trade, Transportation, and Utilities	1,213.1	1	0.7%	4	\$821	7
Information	97.1	10	-15.1%	10	\$1,202	3
Financial Activities	391.1	7	-2.2%	5	\$1,393	1
Professional and Business Services	940.2	2	10.4%	3	\$1,087	4
Education and Health Services	923.8	3	15.6%	1	\$805	8
Leisure and Hospitality	609.7	5	14.5%	2	\$392	9
Other Services	251.8	8	-4.5%	7	\$840	6
Government	831.1	4	-2.9%	6	N/A	N/A

Note: Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics

With that being said, there have been signs of improvement over the past year. The subsector ranking 3rd in job growth over the past year was the “Professional and Business Services” subsector growing a little over 8,000 jobs or 0.9%. This subsector has the 4th highest average earning ranking with a value of \$1,087 per week. And despite having a decade decline of 2.2%, the highest earning sector, “Financial Activities” improved 1.7% in CY 2017, adding over

6,000 jobs in the past year.

Still, the largest growth from CY 2016 to CY 2017, in terms of jobs added, came from the “Leisure and Hospitality” subsector (adding nearly 13,000 jobs), followed by the “Education and Health Services” subsector (adding nearly 10,000 jobs). Again, these are the lowest paying sectors in Illinois with an average weekly wage of \$392 and \$805, respectively.

State Rankings of Illinois' Employment Subsectors						
Employment Values, Non-Seasonally Adjusted (in thousands)						
	CY16 to CY17 Change in Jobs (% Change)	Jobs Ranking by 1-Yr % Change	CY16 to CY17 Change in Jobs (thousands)	Jobs Ranking by 1-Yr Change in Jobs	CY17 Avg Weekly Wage	CY17 Sector Earnings Ranking
Mining	-3.7%	11	(0.3)	10	N/A	N/A
Construction	0.7%	5	1.5	8	\$1,359	2
Manufacturing	0.4%	6	2.3	5	\$1,029	5
Trade, Transportation, and Utilities	0.2%	8	2.0	6	\$821	7
Information	-1.1%	10	(1.1)	11	\$1,202	3
Financial Activities	1.7%	2	6.5	4	\$1,393	1
Professional and Business Services	0.9%	4	8.1	3	\$1,087	4
Education and Health Services	1.1%	3	9.6	2	\$805	8
Leisure and Hospitality	2.2%	1	12.9	1	\$392	9
Other Services	0.2%	9	0.4	9	\$840	6
Government	0.2%	7	1.8	7	N/A	N/A

Note: Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics

The second highest paying sector, “Construction” jobs, only increased slightly (0.7%) in CY 2017. However, the 220,200 jobs in this sector is a marked improvement over the average of 189,100 jobs in this subsector just five short years ago. But,

while this recent improvement is encouraging, Illinois’ gain in construction jobs is only “average”, as compared to other states. For example, although construction jobs (nonseasonally adjusted) in Illinois grew 16.0% between December 2012 and

December 2017, this rate of growth ranks Illinois 24th in the nation for this rate of improvement for this time period.

Further analysis on how the fluctuations of Illinois' employment sectors compare to the rest of the nation is seen in the following section.

The latest employment totals from the Bureau of Labor Statistics (non-farm, nonseasonally adjusted) show that there were approximately 6.117 million people employed in Illinois at

the end of CY 2017. This figure is up 0.6% over the previous year and ranks Illinois 34th in the nation in terms of a state's employment change between December 2016 and December 2017. Illinois' job totals at the end of CY 2017 are 5.0% higher than they were five years ago (ranking Illinois 33rd); up 1.4% compared to 10 years ago (ranking Illinois 42nd); up 3.4% compared to 15 years ago (ranking Illinois 45th); and up 3.9% compared to 20 years ago (ranking Illinois 47th). These national rankings can be seen below.

Total Nonfarm Employment Year-Over-Year Change (Year over Year Comparisons are Compared to December 2017 Data) (Employment Values in thousands)											
	Current Value (Dec 2017)	Current Value vs. 1-Yr Ago	Rank of Change	Current Value vs. 5-yrs Ago	Rank of Change	Current Value vs. 10-yrs Ago	Rank of Change	Current Value vs. 15-Yrs Ago	Rank of Change	Current Value vs. 20-yrs Ago	Rank of Change
Alabama	2,028.3	0.7%	29	5.3%	30	-0.9%	47	6.1%	39	6.2%	44
Alaska	312.3	-1.2%	51	-3.0%	50	2.5%	36	9.2%	28	20.6%	17
Arizona	2,838.2	2.0%	9	12.1%	10	4.4%	25	22.6%	8	36.9%	5
Arkansas	1,244.9	0.2%	45	5.0%	34	2.5%	35	8.0%	34	10.8%	33
California	17,140.0	2.1%	8	13.6%	8	9.5%	8	16.1%	15	26.5%	12
Colorado	2,704.7	2.2%	6	14.5%	6	14.0%	4	23.1%	7	32.1%	8
Connecticut	1,700.2	0.2%	46	2.0%	46	-1.8%	50	1.3%	50	2.9%	49
Delaware	458.7	0.0%	47	7.3%	18	2.9%	32	9.2%	29	14.8%	30
Dist. Of Columbia	797.1	1.0%	24	7.0%	19	13.6%	5	18.8%	11	28.3%	10
Florida	8,754.5	1.8%	10	15.7%	3	9.0%	9	20.0%	9	32.7%	7
Georgia	4,515.4	1.4%	15	12.6%	9	7.5%	15	14.9%	18	20.3%	19
Hawaii	665.5	1.4%	14	6.9%	20	4.5%	23	16.1%	16	23.4%	14
Idaho	726.9	3.7%	1	15.3%	4	10.5%	7	26.4%	5	41.0%	3
Illinois	6,117.4	0.6%	34	5.0%	33	1.4%	42	3.4%	45	3.9%	47
Indiana	3,133.9	0.6%	33	6.4%	24	3.7%	27	6.6%	35	7.5%	43
Iowa	1,586.0	0.5%	38	3.8%	41	3.1%	30	8.7%	31	10.3%	35
Kansas	1,424.6	0.5%	37	3.6%	42	1.5%	39	6.3%	38	9.4%	38
Kentucky	1,943.1	0.3%	44	5.6%	28	3.5%	28	8.4%	32	12.0%	32
Louisiana	1,982.9	0.3%	43	1.6%	47	1.5%	40	3.9%	43	4.9%	46
Maine	622.1	0.4%	42	3.9%	40	-0.5%	46	2.0%	48	9.7%	37
Maryland	2,726.1	-0.5%	49	4.3%	39	3.2%	29	8.8%	30	17.0%	23
Massachusetts	3,645.6	1.0%	23	8.7%	15	8.9%	10	10.9%	25	14.0%	31
Michigan	4,410.2	0.9%	25	7.8%	16	2.7%	33	-2.6%	51	-2.5%	51
Minnesota	2,941.5	1.0%	21	6.6%	22	5.6%	19	9.7%	26	15.0%	29
Mississippi	1,167.5	1.2%	17	5.1%	31	0.2%	45	3.8%	44	3.1%	48
Missouri	2,894.8	1.1%	20	6.6%	23	2.6%	34	6.4%	37	7.7%	42
Montana	473.5	1.0%	22	6.7%	21	5.9%	18	18.6%	12	27.3%	11
Nebraska	1,024.8	0.4%	41	4.4%	38	5.3%	20	11.7%	24	16.8%	25
Nevada	1,365.9	3.2%	2	17.7%	1	5.0%	21	27.3%	4	49.4%	1
New Hampshire	681.6	0.5%	36	6.1%	25	3.7%	26	9.2%	27	16.3%	26
New Jersey	4,186.1	0.9%	27	6.0%	26	1.5%	41	4.3%	42	10.3%	36
New Mexico	840.9	0.9%	26	3.1%	43	-1.7%	49	8.3%	33	16.2%	27
New York	9,660.9	0.9%	28	7.6%	17	8.5%	12	12.7%	22	16.9%	24
North Carolina	4,484.6	1.7%	11	10.7%	13	6.7%	17	16.7%	14	19.9%	21
North Dakota	427.6	-1.0%	50	-2.6%	49	17.0%	2	27.8%	3	33.0%	6
Ohio	5,560.6	0.5%	39	5.6%	29	1.6%	38	1.4%	49	1.0%	50
Oklahoma	1,691.0	1.6%	12	2.8%	44	4.5%	22	12.8%	21	17.0%	22
Oregon	1,904.0	2.3%	5	14.6%	5	8.7%	11	19.4%	10	21.3%	16
Pennsylvania	6,037.8	1.4%	16	4.4%	37	2.9%	31	6.5%	36	9.3%	39
Rhode Island	499.0	1.1%	18	5.7%	27	1.3%	43	2.4%	47	8.4%	41
South Carolina	2,114.5	1.4%	13	12.0%	11	8.1%	13	17.1%	13	20.4%	18
South Dakota	435.4	0.7%	32	4.8%	36	6.8%	16	15.0%	17	22.5%	15
Tennessee	3,061.3	1.1%	19	10.6%	14	7.9%	14	13.5%	20	15.7%	28
Texas	12,435.6	2.1%	7	11.5%	12	16.8%	3	30.9%	2	40.1%	4
Utah	1,500.4	3.1%	3	16.9%	2	17.1%	1	38.0%	1	46.7%	2
Vermont	319.5	0.0%	47	2.2%	45	1.3%	44	5.1%	41	10.6%	34
Virginia	3,976.6	0.5%	35	5.0%	35	4.5%	24	12.6%	23	20.1%	20
Washington	3,370.3	2.6%	4	14.1%	7	12.0%	6	24.3%	6	29.4%	9
West Virginia	756.7	0.7%	31	-2.0%	48	-1.6%	48	2.6%	46	4.9%	45
Wisconsin	2,957.8	0.4%	40	5.1%	32	2.1%	37	5.7%	40	9.0%	40
Wyoming	280.4	0.7%	30	-3.6%	51	-4.4%	51	13.9%	19	24.7%	13

Source: The Bureau of Labor Statistics at <http://www.bls.gov/sae/>. Data Compiled by CGFA.

Comparisons of how Illinois' latest employment figures, by subsector, compare to other states over the last twenty years can be made by looking at the following table. As shown, most comparisons show Illinois in the middle to bottom half of the nation in job growth when comparing Illinois' job figures with other states across the nation.

For example, as mentioned previously, construction jobs in Illinois grew 16.0%

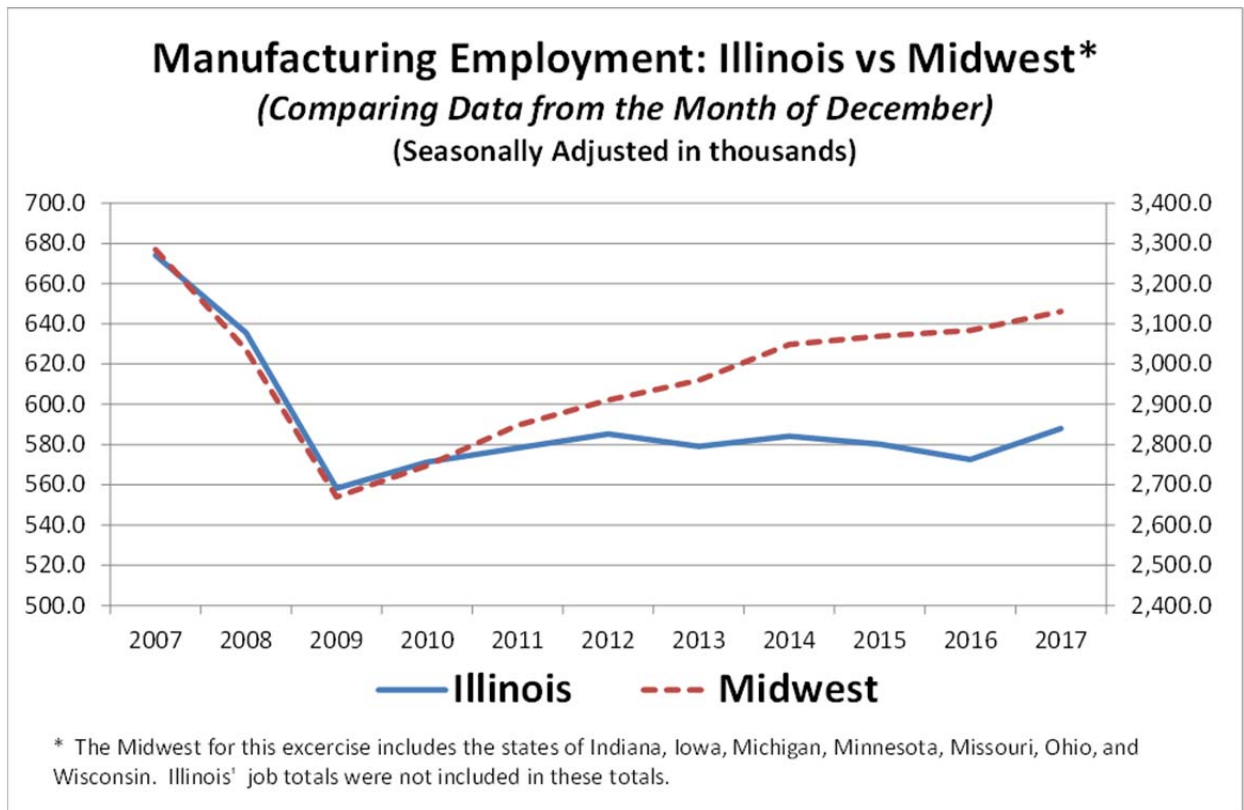
between December 2012 and December 2017. This rate of growth ranks Illinois 24th in the nation for this rate of improvement in this subsector for this time period. More disappointing are the results when comparing the number of construction jobs in Illinois today compared to 15 years ago. Construction jobs are down 22.1% in Illinois over this time period, ranking Illinois 51st (last) for this rate of change.

Illinois Employment by Subsector Year-Over-Year Change									
(Comparisons are by December 2017 vs December of Past Years)									
(Employment Values in thousands)									
	Current Value (Dec 2017)	Current Value vs. 1-Yr Ago	Ranking of Change	Current Value vs. 2-Years Ago	Ranking of Change	Current Value vs. 3-Years Ago	Ranking of Change	Current Value vs. 4-Years Ago	Ranking of Change
Mining and Logging	7.5	-3.8%	41	-12.8%	42	-26.5%	36	-21.9%	36
Construction	215.7	1.9%	33	0.8%	35	5.0%	35	13.6%	27
Manufacturing	588.0	2.7%	11	1.4%	28	0.7%	35	1.6%	35
Trade, Transp., and Util.	1,249.7	-0.4%	33	0.7%	23	2.0%	24	3.6%	21
Information	96.5	-3.2%	36	-4.2%	33	-3.4%	32	-2.1%	20
Financial Activities	391.8	1.0%	28	2.4%	23	3.6%	28	3.7%	29
Prof. and Bus. Serv.	942.5	0.2%	41	0.9%	40	2.3%	38	3.9%	34
Ed. and Health Services	928.8	0.6%	46	1.7%	43	3.3%	46	4.7%	38
Leisure and Hospitality	599.6	2.1%	24	3.2%	28	8.6%	17	11.4%	14
Other Services	251.1	-0.1%	41	-0.4%	40	-0.3%	43	0.3%	36
Government	846.2	-0.1%	32	0.4%	28	0.6%	30	1.1%	23
Totals	6,117.4								
	Current Value (Dec 2017)	Current Value vs. 5-Yrs Ago	Ranking of Change	Current Value vs. 10-Yrs Ago	Ranking of Change	Current Value vs. 15-Yrs Ago	Ranking of Change	Current Value vs. 20-Yrs Ago	Ranking of Change
Mining and Logging	7.5	-25.0%	40	-22.7%	33	-22.7%	38	-35.3%	38
Construction	215.7	16.0%	24	-18.2%	44	-22.1%	51	-8.6%	48
Manufacturing	588.0	0.5%	38	-12.8%	34	-20.6%	36	-35.2%	37
Trade, Transp., and Util.	1,249.7	4.6%	24	-0.4%	29	1.2%	35	-0.8%	43
Information	96.5	-3.5%	22	-16.8%	29	-26.9%	33	-34.1%	43
Financial Activities	391.8	3.9%	33	-3.8%	37	-4.7%	43	-2.6%	46
Prof. and Bus. Serv.	942.5	8.0%	29	8.2%	36	20.9%	39	23.8%	46
Ed. and Health Services	928.8	6.3%	33	17.1%	33	29.0%	37	43.6%	36
Leisure and Hospitality	599.6	12.9%	17	14.3%	25	23.2%	27	30.7%	36
Other Services	251.1	0.7%	33	-4.0%	46	-0.1%	40	7.0%	40
Government	846.2	0.4%	28	-1.4%	33	-3.3%	45	2.7%	44
Totals	6,117.4								

Source: The Bureau of Labor Statistics at <http://www.bls.gov/sae/>. Data Compiled by CGFA.

Another area of employment where Illinois has struggled in recent years is manufacturing. Over the past five years, employment in manufacturing has been stagnant with an increase of only 0.5% (December 2012 vs December 2017, nonseasonally adjusted). This rate of change ranked Illinois 38th in the nation for percentage change in manufacturing jobs for this five-year time period. The lack of growth in manufacturing in recent years has been concerning, especially because Illinois' biggest competitors have seen their

comparable job totals in this subsector improve at a notably higher rate than Illinois. For example, while Illinois' number of manufacturing jobs has increased by a meager 0.5% over the past five years, Indiana has grown 9.9%, ranking them 12th in the nation. Michigan has had growth of 14.7% in manufacturing over the past five years, ranking them 5th in the country. The graph below displays the discrepancy between the growth in manufacturing jobs in Illinois and the rest of the Midwest.



As shown, the composite manufacturing data from other Midwest states (Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin) show steady improvement in the manufacturing sector since the Great Recession. Illinois, despite showing similar rates of improvement in the first few post-Recession years, failed to keep up with its neighboring competitors in this sector of jobs. And with manufacturing jobs being one

of the higher paying sectors at \$1,029 per week, the lack of growth in this area is concerning, especially as it pertains to improving the State's economy.

With that being said, over the past year, there are signs of improvement in this area. Manufacturing jobs in Illinois increased 2.7% between December 2016 and December 2017

(nonseasonally adjusted), which ranks Illinois 11th in this metric.

In terms of unemployment, the latest numbers from the Bureau of Labor Statistics show that Illinois' seasonally adjusted unemployment rate is at 4.7% (February 2018, preliminary). While this figure is a notable improvement from the 5.1% rate from a year ago in February 2017, it remains conspicuously higher than the U.S. rate of 4.1%. In fact,

nearly every nearby Midwestern state had better unemployment rates than Illinois for this month, which ranked Illinois 42nd in the nation. This includes Iowa (2.9%, ranked 6th); Wisconsin (2.9%, ranked 6th); Indiana (3.2%, ranked 12th); Minnesota (3.2%, ranked 12th); Missouri (3.7%, ranked 19th); and Kentucky (4.1%, ranked 29th). Michigan (4.8%, ranked 39th) was the only nearby state with an unemployment rate worse than Illinois. A list of the unemployment rates of all states is displayed in the following table.

February 2018 Unemployment Rates (Seasonally Adjusted) for States and Historical Highs/Lows						
NATIONAL RATE = 4.1%						
State	January 2018 Rate	Rate Ranking	Historical High Date	Historical High Rate	Historical Low Date	Historical Low Rate
Hawaii	2.1	1	Mar. 1976	10.2	Feb. 2018	2.1
New Hampshire	2.6	2	Jul. 1992	7.4	Mar. 1988	2.2
North Dakota	2.6	2	Feb. 1983	6.2	Jul. 2017	2.5
Nebraska	2.8	4	Feb. 1983	6.3	Oct. 1990	2.3
Vermont	2.8	4	Apr. 1976	8.7	Mar. 2000	2.6
Iowa	2.9	6	Jan. 1983	9.1	Mar. 2000	2.4
Maine	2.9	6	Jan. 1977	9.0	Feb. 2018	2.9
Wisconsin	2.9	6	Jan. 1983	11.9	Feb. 2018	2.9
Colorado	3.0	9	Dec. 2010	8.9	May. 2017	2.6
Idaho	3.0	9	Dec. 1982	10.2	Jun. 2007	2.9
Utah	3.1	11	Mar. 1983	9.6	Apr. 2007	2.4
Indiana	3.2	12	Dec. 1982	12.6	Oct. 2000	2.9
Minnesota	3.2	12	Jan. 1983	8.9	Feb. 1999	2.5
Kansas	3.4	14	Aug. 2009	7.3	Aug. 1978	2.9
South Dakota	3.4	14	Jan. 1983	5.9	Jul. 2000	2.4
Tennessee	3.4	14	Jan. 1983	12.9	Jan. 2018	3.3
Massachusetts	3.5	17	Mar. 1976	10.3	Oct. 2000	2.6
Virginia	3.5	17	Dec. 1982	7.9	Nov. 2000	2.1
Alabama	3.7	19	Dec. 1982	15.5	Feb. 2018	3.7
Missouri	3.7	19	Mar. 1983	10.6	Jan. 2000	3.1
Arkansas	3.8	21	Feb. 1983	10.3	May. 2017	3.6
Florida	3.9	22	Jan. 2010	11.3	Mar. 2006	3.1
Texas	4.0	23	Nov. 1986	9.2	Nov. 2017	3.9
Wyoming	4.0	23	Dec. 1986	9.4	May. 1979	2.5
Kentucky	4.1	25	Mar. 1983	12.0	Feb. 2018	4.1
Montana	4.1	25	May. 1983	8.8	Feb. 2007	2.9
Oklahoma	4.1	25	Apr. 1983	8.9	Dec. 2000	2.9
Oregon	4.1	25	May. 2009	11.9	Feb. 2018	4.1
Maryland	4.2	29	Mar. 1982	8.5	Jan. 2008	3.3
California	4.3	30	Nov. 2010	12.3	Feb. 2018	4.3
Delaware	4.4	31	Dec. 1976	9.8	Jun. 1988	3.0
South Carolina	4.4	31	Jan. 1983	11.8	Apr. 1998	3.5
Georgia	4.5	33	Dec. 2010	10.6	Dec. 2000	3.4
Louisiana	4.5	33	Nov. 1986	13.1	Oct. 2007	4.1
Mississippi	4.5	33	Apr. 1983	12.8	Feb. 2018	4.5
North Carolina	4.5	33	Mar. 2010	11.4	Apr. 1999	3.0
Ohio	4.5	33	Jan. 1983	14.0	Feb. 2001	3.7
Rhode Island	4.5	33	Aug. 2010	11.3	Jul. 1988	3.0
Connecticut	4.6	39	Mar. 1976	9.8	Oct. 2000	2.2
New Jersey	4.6	39	Jan. 1977	10.7	Jun. 2000	3.6
New York	4.6	39	Feb. 1976	10.3	May. 1988	4.0
Illinois	4.7	42	Feb. 1983	13.1	Feb. 1999	4.1
Washington	4.7	42	Nov. 1982	12.2	Jun. 2007	4.6
Michigan	4.8	44	Dec. 1982	16.5	Mar. 2000	3.2
Pennsylvania	4.8	44	Feb. 1983	12.7	May. 2000	4.0
Arizona	4.9	46	Dec. 1982	11.5	Jul. 2007	3.6
Nevada	4.9	46	Nov. 2010	13.7	Feb. 1999	3.8
West Virginia	5.4	48	Feb. 1983	18.8	Jul. 2008	4.0
District of Columbia	5.7	49	Sept. 1983	11.3	Sept. 1989	4.8
New Mexico	5.8	50	Mar. 1983	10.5	Sept. 2007	3.7
Alaska	7.3	51	Aug. 1986	11.2	Jun. 2007	6.3

Note: The February 2018 figures are preliminary. Rates shown are a percentage of the labor force. Data refer to place of residence. Series begin in January 1976. Historical highs and lows show the most recent month that a rate was recorded in the event of multiple occurrences. Estimates for at least the latest five years are subject to revision early in the following calendar year.

Source: <http://www.bls.gov/web/laus/lausthd.htm>

State Employees Group Insurance Program Review
Anthony Bolton, Revenue Analyst

As part of the State Employees Group Insurance Act of 1971, CGFA has various statutory requirements which include estimating the liabilities of the State Employees' Group Health Insurance Program (SEGIP). As part of that statutory requirement, the liability estimate has been expanded to form the annual SEGIP report. Salient information regarding the liability of the program is provided in the discussion below. The full report, Liabilities of the State Employees' Group Insurance Program FY 2019, with a more in-depth discussion and presentation is available on the Commission webpage.

The Department of Central Management Services has again proposed a new system of tiered benefits for State employees, retirees, and dependents based on a metal band structure. This system allocates tiers of premium payments based on plan design benefits, such as higher monthly premiums in exchange for lower costs for services. Accordingly, this has affected the liability estimate for the program. As this proposal is a subject of contention, the Commission also has a liability estimate and subsequent data for a "status quo" situation in which the present plan design and premiums are anticipated to remain the same for the 2019 Fiscal Year. For the purposes of understanding the following information, Scenario 1 refers to a scenario where the State succeeds in its current legal action to enforce the proposed "metal band" plan design. Scenario 2 refers to a "status quo" scenario.

For Scenario 1, the Governor has requested that a total of \$1.451 billion in General Revenue Funds (GRF) be appropriated for

the State Employees' Group Health and Life Insurance program for FY 2019. The total expected revenues for the Group Insurance Program in FY 2019 is \$2.584 billion. The FY 2018 GRF appropriation for the Group Health Insurance Program was \$1.858 billion with a larger than usual total expected revenues of \$6.837 billion, due to approximately \$3.982 billion in proceeds from a bond sale completed by the State to pay down the group insurance bill backlog. CMS estimates the FY 2019 liability for Scenario 1 to be \$2.549 billion, a 17.6% decrease from FY 2018. This is due to assumed projected savings from a plan to have a tiered system and increased contributions from employees. The CGFA FY 2019 estimate of liability for Scenario 1 is \$2.602 billion, \$52.6 million more than CMS. The CGFA FY 2019 estimate is reflective of the figures provided by CMS along with general trends as reported by the Segal company. This is a continuation of the situation since FY 2016, as neither negotiations nor legal confirmation of either the State's position or that taken by the State employee unions have yet been completed as of the end of March 2018.

Using the figures provided by CMS, the FY 2019 Scenario 1 estimated liability for the Quality Care Health Plan (QCHP) is expected to decrease by 14.0% compared to the FY 2018 liability, primarily due to projected employee migration to health plans with lower liability impact. The estimated liabilities for the State's HMO plans are expected to decrease 15.4% compared to the FY 2018 cost. FY 2018 liability for the HMO plans increased 2.4% from FY 2017. CMS projects prescription drug liability to decrease by 12.1% in FY 2019 from \$121.2 million to \$106.6 million. This follows an

increase in FY 2018 of 5.2% (\$6.0 million) from FY 2017.

Despite lower overall projected liability, in Scenario 1, CMS projects an increase in Medicare Advantage costs and continued large interest payments on bills held by the State. Though these interest payments are projected to be lower than in the last two years, interest payments continue to be a subject of concern for the State, as \$97.1 million of Timely and Prompt payment interest is expected to be incurred in FY 19. This is much less than the \$335.0 million in anticipated liability for FY 18. It should be noted that the interest for FY 18 and FY 19 is partly a function of interest pushed past FY 17 into later years. Of additional concern is the growth rate of held bills and corresponding accumulation of interest payments. While the November 2017 bond sale ensured the paying down of group insurance held bills and interest payments (though not completely paying them off), the remaining bills and new bills have continued to accumulate over the past few months. Without adequate funding, this will continue to be a source of budgetary concern.

For scenario 2, the GRF appropriation is projected to be \$2.041 billion for SEGIP. In addition, total expected revenues would also be approximately \$3.027 billion. In the case of Scenario 2, CMS estimates the FY 2019 liability to be \$2.990 billion, a 3.3% decrease from FY 2018. Accordingly, the Commission has presumed that liabilities and revenues will follow trends from FY 2018 and previous fiscal years in this scenario and estimates a liability for Scenario 2 of \$3.025 billion, \$35.0 million more than CMS.

Scenario 2 envisions a slight decrease in liability overall, due in large part to the much lower liability in the Special Programs (Interest) line of the Group Insurance Program (due to bond proceeds being used to pay down the bill backlog). The estimated CMS liability for the QCHP would increase by 4.2% while estimated liabilities for the State's HMO plans would increase by 6.0% over FY 2018. The Special Programs line (Interest, etc.) over FY 2018 would decrease by 53.9% (\$239.4 million) according to the State's estimate, a significant improvement, but indicating a continuing pattern of holding group insurance debts for an extended period of time.

GRF APPROPRIATION/REVENUE AND LIABILITY HISTORY				
FY 2013-2019				
(\$ in Millions)				
Fiscal Year	Appropriation	Revenues	CMS Liability	CGFA Liability
FY 2013	\$1,451.0	\$2,088.6	\$2,566.8	
FY 2014	\$1,446.0	\$2,791.0	\$2,610.5	
FY 2015	\$1,565.4	\$2,674.3	\$2,588.9	
FY 2016*	\$0.0	\$876.9	\$2,499.9	
FY 2017*	\$0.0	\$1,095.0	\$2,797.1	
FY 2018**	\$1,858.0	\$6,837.5	\$3,093.4	
FY 2019(1)**	\$1,450.8	\$2,584.2	\$2,549.0	\$2,601.7
FY 2019(2)**	\$2,040.5	\$3,026.6	\$2,989.0	\$3,025.0

*FY 2016 and FY 2017 had no official appropriation. A small amount was appropriated in FY 2015 but not received until FY 2016. **Estimated for FY 2018 and projected for FY 2019. FY 2018 Revenues include bond revenues intended to pay down held bills. (1) and (2) signify Scenarios 1 and 2.

The following table details the components of the CMS liability estimate. Particularly noteworthy is the significant amount of interest in the Interest Payments liability line, demonstrating a continuing inability to limit the impact of interest payments on overall liability, reducing the amount of funding that could be used to pay for the other

components listed. Also of note is the continued sizable HMO component of overall liability, reflective of continuing trends of active members, retirees, and dependents continuing to migrate to HMO (and similar, in the case of Open Access Plans) plans from the traditional Quality Care Health Plan (QCHP).

STATE EMPLOYEES' GROUP HEALTH INSURANCE LIABILITY (CMS ESTIMATE)											
(FY 2010-FY 2019)											
\$ in (millions)											
Liability Component	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 Scenario 1 (Proposed)	2019 Scenario 2 (Status Quo)
QCHP Medical/Rx	\$731	\$730	\$750	\$731	\$597	\$467	\$468	\$479	\$494	\$428	\$517
HMO Medical	\$911	\$1,008	\$853	\$894	\$910	\$917	\$934	\$975	\$999	\$845	\$1,059
Medicare Advantage	\$0	\$0	\$0	\$0	\$62	\$154	\$168	\$183	\$201	\$222	\$222
Dental	\$118	\$129	\$115	\$121	\$120	\$120	\$125	\$128	\$132	\$130	\$137
Open Access Plan	\$252	\$287	\$528	\$582	\$616	\$653	\$617	\$659	\$699	\$593	\$731
QC Mental Health	\$11	\$8	\$7	\$7	\$6	\$5	\$5	\$6	\$6	\$5	\$6
Vision	\$8	\$10	\$11	\$12	\$11	\$11	\$8	\$8	\$8	\$8	\$8
Life Insurance	\$84	\$85	\$83	\$84	\$88	\$95	\$91	\$90	\$91	\$91	\$91
QC ASC	\$30	\$29	\$30	\$30	\$23	\$16	\$15	\$14	\$19	\$14	\$14
Interest Payments	\$32	\$47	\$50	\$92	\$161	\$116	\$16	\$142	\$335	\$97	\$88
Admin/Other	\$12	\$13	\$12	\$14	\$16	\$35	\$55	\$112	\$109	\$116	\$116
Total	\$2,188	\$2,346	\$2,440	\$2,567	\$2,610	\$2,589	\$2,500	\$2,797	\$3,093	\$2,549	\$2,990
% change over py	7.3%	7.2%	4.0%	5.2%	1.7%	-0.8%	-3.4%	11.9%	10.6%	-17.6%	-3.3%

Source: CMS. Rounding causes slight differences in totals.

Following up on liability is a table detailing the proposed funding for the SEGIP for FY 2019. As in previous years, General Revenue funding (GRF) remains the largest component, though it is significantly decreased in the proposed Scenario 1 by over

\$400 million. Scenario 2 envisions a sizable increase in GRF from FY 2018, keeping in line with projected liabilities and reflecting continued pressure to increase revenue year-to-year without increasing employee contributions beyond current rates.

GROUP INSURANCE FUNDING SOURCES

FY 2018 - FY 2019

(\$ in Millions)

	<u>FY 2018</u>	<u>FY 2019</u> <u>Scenario 1</u>	<u>\$ Change</u> <u>from FY18</u>	<u>% Change</u> <u>from FY18</u>	<u>FY 2019</u> <u>Scenario 2</u>	<u>\$ Change</u> <u>from FY18</u>	<u>% Change</u> <u>from FY18</u>
GRF Appropriation	\$1,858.0	\$1,450.8	(\$407.2)	-21.9%	\$2,040.5	\$182.5	9.8%
Bond Revenue	\$3,982.1	\$0.0	(\$3,982.1)	-100.0%	\$0.0	(\$3,982.1)	-100.0%
Road Fund	\$137.6	\$118.0	(\$19.7)	-14.3%	\$118.0	(\$19.7)	-14.3%
University Cont.	\$68.8	\$150.0	\$81.2	118.0%	\$45.0	(\$23.8)	-34.6%
Member Cont.	\$415.0	\$535.6	\$120.5	29.0%	\$416.6	\$1.6	0.4%
Other Funds	\$307.3	\$266.4	(\$40.9)	-13.3%	\$343.1	\$35.8	11.6%
Medicare Part D rebate	\$7.9	\$4.9	(\$2.9)	-37.2%	\$4.9	(\$2.9)	-37.2%
Rebates/Interest/Other.	\$60.7	\$58.5	(\$2.2)	-3.7%	\$58.5	(\$2.2)	-3.7%
TOTAL	\$6,837.4	\$2,584.2	-\$4,253.2	-62.2%	\$3,026.6	-\$3,810.8	-55.7%

Source: CMS

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS*</u>	<u>LATEST</u> <u>MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (Feb.)	4.7%	4.8%	5.1%
Inflation in Chicago (12-month percent change) (Feb.)	1.6%	1.8%	2.2%
	<u>LATEST</u> <u>MONTH</u>	<u>CHANGE OVER</u> <u>PRIOR MONTH</u>	<u>CHANGE OVER</u> <u>A YEAR AGO</u>
Civilian Labor Force (thousands) (Feb.)	6,491.8	0.0%	0.0%
Employment (thousands) (Feb.)	6,186.5	0.1%	0.4%
Nonfarm Payroll Employment (Feb.)	6,095,100	15,200	48,700
New Car & Truck Registration (Feb.)	37,971	-31.0%	-6.7%
Single Family Housing Permits (Feb.)	521	14.0%	-16.9%
Total Exports (\$ mil) (Jan.)	5,034.5	-8.2%	-1.5%
Chicago Purchasing Managers Index (Mar.)	57.4	-7.3%	-0.5%

* Due to monthly fluctuations, trend best shown by % change from a year ago

**REVENUE: MARCH RECEIPTS
MIXED**

Jim Muschinske, Revenue Manager

March receipts grew \$384 million with gains posted by most of the larger revenue sources. As has been the case throughout FY 2018, comparably higher income tax rates are the primary cause of the monthly advance. March also benefited from a strong month for transfers as an escalating backlog in owed transfers from the Capital Projects Fund was partially addressed. Monthly receipting days were one less this March as compared to last fiscal year.

Gross personal income taxes, due to higher tax rates, were up \$334 million, or \$282 million net of refunds and other changes enacted under P.A. 100-23. [See July briefing for further discussion of these changes]. Gross corporate income also reflected higher tax rates, increasing \$74 million, or \$49 million net. Despite sales tax returning an increase of \$41 million in March, due to a disruption in the usual sales tax distribution experienced in March/April of last year, this monthly gain should be viewed as rather disappointing. Interest income continued to perform well, growing \$7 million. Cigarette taxes rose by \$6 million, although the gain was related to a comparatively poor last year. Insurance taxes and fees also generated a \$6 million advance in receipts.

Despite an overall positive month, a few revenue sources suffered declines in March. Public utility taxes fell \$31 million, although receipt timing likely played a role in the decline. All other miscellaneous sources fell \$14 million, while inheritance tax receipts declined \$6 million.

Overall transfers grew \$126 million in March, primarily due to a catch-up of owed transfers from the Capital Projects Fund. Of the \$117 million increase from all miscellaneous transfers into the general funds, \$100 million was the result of a transfer from that Fund. Lottery transfers grew \$12 million, while riverboat gaming transfers dipped \$3 million. Federal sources experienced a decline of \$61 million due to lower reimbursable spending.

Year To Date

Excluding November's \$2.5 billion bond sale transfer proceeds, as well as \$516 million from interfund borrowing, base general funds grew \$6.961 billion during the first three-fourths of the fiscal year. Increased income tax receipts [stemming from the recently enacted higher tax rates], as well as fund sweeps, and an increase in federal sources resulted in the significant gain.

Through March, gross personal income taxes are up \$3.554 billion, or \$3.288 billion net of refunds and other changes. Gross corporate income taxes are ahead of last year by \$680 million, or \$484 million net. While overall sales taxes are up \$144 million, once direct sales tax receipts diverted to the transportation funds are factored in, net receipts are actually down \$141 million. Smaller revenue sources posted a combined gain of \$74 million.

Overall transfers, boosted by \$251 million in fund sweeps, are up by \$543 million. Federal sources, reflecting significantly higher reimbursable spending made possible by the November bond sale generated \$2.713 billion in growth.

MARCH
FY 2018 vs. FY 2017
(\$ million)

Revenue Sources	March FY 2018	March FY 2017	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$1,969	\$1,635	\$334	20.4%
Corporate Income Tax (regular)	244	170	\$74	43.5%
Sales Taxes	624	583	\$41	7.0%
Public Utility Taxes (regular)	79	110	(\$31)	-28.2%
Cigarette Tax	30	24	\$6	25.0%
Liquor Gallonage Taxes	12	12	\$0	0.0%
Vehicle Use Tax	3	3	\$0	0.0%
Inheritance Tax	17	23	(\$6)	-26.1%
Insurance Taxes and Fees	44	38	\$6	15.8%
Corporate Franchise Tax & Fees	16	16	\$0	0.0%
Interest on State Funds & Investments	11	4	\$7	175.0%
Cook County IGT	0	0	\$0	N/A
Other Sources	24	38	(\$14)	-36.8%
Subtotal	\$3,073	\$2,656	\$417	15.7%
Transfers				
Lottery	83	71	\$12	16.9%
Riverboat transfers & receipts	26	29	(\$3)	-10.3%
Proceeds from Sale of 10th license	10	10	\$0	0.0%
Refund Fund transfer	0	0	\$0	N/A
Fund sweeps	0	0	\$0	N/A
Other	149	32	\$117	365.6%
Total State Sources	\$3,341	\$2,798	\$543	19.4%
Federal Sources	\$229	\$290	(\$61)	-21.0%
Total Federal & State Sources	\$3,570	\$3,088	\$482	15.6%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$193)	(\$182)	(\$11)	6.0%
Corporate Income Tax	(\$43)	(30)	(\$13)	43.3%
Fund for Advancement of Education	\$0	(28)	\$28	-100.0%
Commitment to Human Services Fund	\$0	(28)	\$28	-100.0%
LGDF--Direct from PIT	(\$97)	0	(\$97)	N/A
LGDF--Direct from CIT	(\$12)	0	(\$12)	N/A
Downstate Pub/Trans--Direct from Sales	(\$21)	0	(\$21)	N/A
Subtotal General Funds	\$3,204	\$2,820	\$384	13.6%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$0	\$0	\$0	N/A
Income Tax Bond Fund Transfer	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$3,204	\$2,820	\$384	13.6%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

2-Apr-18

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2018 vs. FY 2017

(\$ million)

Revenue Sources	FY 2018	FY 2017	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$14,477	\$10,923	\$3,554	32.5%
Corporate Income Tax (regular)	1,467	787	\$680	86.4%
Sales Taxes	6,154	6,010	\$144	2.4%
Public Utility Taxes (regular)	677	666	\$11	1.7%
Cigarette Tax	252	256	(\$4)	-1.6%
Liquor Gallonage Taxes	130	130	\$0	0.0%
Vehicle Use Tax	20	22	(\$2)	-9.1%
Inheritance Tax	247	203	\$44	21.7%
Insurance Taxes and Fees	271	256	\$15	5.9%
Corporate Franchise Tax & Fees	161	162	(\$1)	-0.6%
Interest on State Funds & Investments	53	25	\$28	112.0%
Cook County IGT	150	150	\$0	0.0%
Other Sources	407	424	(\$17)	-4.0%
Subtotal	\$24,466	\$20,014	\$4,452	22.2%
Transfers				
Lottery	506	511	(\$5)	-1.0%
Riverboat transfers & receipts	231	228	\$3	1.3%
Proceeds from Sale of 10th license	10	10	\$0	0.0%
Refund Fund transfer	0	4	(\$4)	N/A
Fund sweeps	251	0	\$251	N/A
Other	684	386	\$298	77.2%
Total State Sources	\$26,148	\$21,153	\$4,995	23.6%
Federal Sources	\$4,379	\$1,666	\$2,713	162.8%
Total Federal & State Sources	\$30,527	\$22,819	\$7,708	33.8%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$1,419)	(\$1,223)	(\$196)	16.0%
Corporate Income Tax	(\$257)	(136)	(\$121)	89.0%
Fund for Advancement of Education	\$0	(321)	\$321	-100.0%
Commitment to Human Services Fund	\$0	(321)	\$321	-100.0%
LGDF--Direct from PIT	(\$712)	0	(\$712)	N/A
LGDF--Direct from CIT	(\$75)	0	(\$75)	N/A
Downstate Pub/Trans--Direct from Sales	(\$285)	0	(\$285)	N/A
Subtotal General Funds	\$27,779	\$20,818	\$6,961	33.4%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$516	\$0	\$516	N/A
Income Tax Bond Fund Transfer	\$2,500	\$0	\$2,500	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$30,795	\$20,818	\$9,977	47.9%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

2-Apr-18