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MONTHLY BRIEFING

For the Month Ended: August 2023

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Economy: FY 2023 Employment and Wage Data Benjamin L. Varner, Chief Economist

In August, the Bureau of Labor Statistics released final employment and wage data for Illinois through June 2023 allowing the Commission to analyze the changes in this data over the last fiscal year. This data is collected as part of the Current Employment Statistics (CES) program. The CES program collects establishment survey data that produces detailed industry estimates of employment, hours, and earnings of workers on nonfarm payrolls. Total employment continued to grow in Illinois during FY 2023 but slower than the extraordinary pace observed in FY 2022. Similarly, wage growth moderated after four years of strong growth.

The following table highlights the changes in average employment levels by industry over the last few fiscal years. Total nonfarm payroll in the state of Illinois averaged just under 6.10 million on a non-seasonally adjusted basis in FY 2023. This was an increase of almost 166,000 jobs compared to FY 2022's average of approximately 5.93 million. This equaled growth of over 2.8% in payroll which was down from the 4.1% growth seen in FY 2022. Illinois payrolls are currently just getting back to the levels seen prior to the COVID-19 outbreak. This rebound in jobs has been a little slower than in other parts of the country though some areas, such as Hawaii, the District of Columbia, Rhode Island, and West Virginia, remain well below pre-pandemic levels.

All employment sectors added workers in FY 2023. The largest employment sector in Illinois remains the Trade, Transportation, and Utilities industry. In FY 2023, an average of just over 1.2 million people were estimated to be employed in this sector. It added over 23,000 jobs during the fiscal year.

Average Employment Levels by Subsector in Illinois

Non-Seasonally Adjusted Averages: FY 2017 to FY 2023 (in thousands)

Subsector	Annual Average							FY22 to FY23	
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Change	% Change
Mining and Logging	7.9	7.7	8.2	7.7	6.5	6.7	7.0	0.3	4.5%
Construction	219.4	223.6	227.3	223.2	218.7	226.3	232.6	6.3	2.8%
Manufacturing	573.4	583.3	590.2	572.3	552.4	561.8	571.1	9.3	1.7%
Trade, Transportation, and Utilities	1,204.1	1,206.6	1,201.9	1,171.1	1,163.9	1,198.8	1,222.0	23.2	1.9%
Information	100.3	96.1	96.0	93.2	87.7	93.1	94.1	1.0	1.1%
Financial Activities	390.6	399.1	407.9	410.8	406.0	402.6	406.6	4.1	1.0%
Professional and Business Services	939.2	948.6	952.3	927.8	904.0	953.6	974.9	21.3	2.2%
Education and Health Services	920.2	928.4	934.8	923.6	897.7	916.5	951.3	34.8	3.8%
Leisure and Hospitality	604.8	614.3	620.8	554.0	456.0	546.0	584.1	38.1	7.0%
Other Services	252.0	253.6	255.2	245.5	234.5	242.7	250.9	8.2	3.4%
Government	820.0	818.9	821.6	809.1	771.1	784.4	803.6	19.2	2.4%
Annual Average Totals	6,031.8	6,080.3	6,116.1	5,938.4	5,698.7	5,932.4	6,098.1	165.7	2.8%
Illinois' Annual % Change	0.6%	0.8%	0.6%	-2.9%	-4.0%	4.1%	2.8%		

Source: Bureau of Labor Statistics, CGFA

For the second year in a row, the largest increase in jobs was seen in the Leisure and Hospitality sector which was hit so hard during the pandemic. In FY 2023, the Leisure and Hospitality sector grew 7.0% from 546,000 to 584,000. This equaled growth of 38,000 jobs. While this growth was significant, the sector remains below where it was in FY 2019 when it had over 620,000 employees. The second largest increase in positions was seen in Education and Health Services. This sector added almost 35,000 employees, increasing 3.8% from just over 916,000 to over 951,000. While the FY 2023 average shows Illinois' employment levels just below the pre-pandemic level of FY 2019, the most recent months data have shown jobs totals above previous highs. This is despite the fact that some sectors such as Leisure and Hospitality, Manufacturing, and Government have not yet reached this point.

While employment growth was strong again in FY 2023, employee earnings slowed. During FY 2022, the average weekly earnings in Illinois equaled \$1,103. This rate only increased by \$14 to \$1,117 in FY 2023. This equaled growth of only 1.3%. This was a significant slowdown compared to the previous four years which had considerable growth of over 4.0%. This fiscal year's wage growth is more in line with what was seen in the decade leading out of the Great Recession.

The highest weekly earnings in Illinois during FY 2023 were in the Construction sector at \$1,683. This sector's weekly average earnings increased \$107, or 6.8%. This was the second fastest growing sector only behind Leisure and Hospitality which was up 6.9%. While Leisure and Hospitality wages were growing quickly, it still remains the lowest paying sector at only \$530. The Information sector also saw robust growth, rising 6.4% to \$1,540.

The second-best paying sector, Financial Activities, actually fell 2.3%. In FY 2022, the Financial Activities sector had weekly earnings of \$1,621. This rate fell \$37 per week to \$1,584 in FY 2023. Two other sectors also saw slight declines. Trade, Transportation, and Utilities dropped -0.8% from \$985 to \$976. The Professional and Business Services pay was basically flat with wages reduced by just \$3 per week to \$1,347.

Average Weekly Earnings by Subsector in Illinois

FY 2017 to FY 2023

Subsector	Annual Average							FY22 to FY23	
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	\$ Change	% Change
Mining*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,383	\$1,386	\$1,471	\$1,467	\$1,456	\$1,576	\$1,683	\$107	6.8%
Manufacturing	\$1,033	\$1,064	\$1,103	\$1,135	\$1,179	\$1,201	\$1,240	\$39	3.2%
Trade, Transportation, and Utilities	\$811	\$840	\$873	\$883	\$931	\$985	\$976	(\$8)	-0.8%
Information	\$1,149	\$1,265	\$1,392	\$1,482	\$1,517	\$1,447	\$1,540	\$92	6.4%
Financial Activities	\$1,366	\$1,366	\$1,413	\$1,473	\$1,614	\$1,621	\$1,584	(\$37)	-2.3%
Professional and Business Services	\$1,081	\$1,105	\$1,155	\$1,211	\$1,268	\$1,350	\$1,347	(\$3)	-0.2%
Education and Health Services	\$802	\$805	\$820	\$839	\$871	\$937	\$978	\$41	4.4%
Leisure and Hospitality	\$383	\$396	\$416	\$432	\$445	\$496	\$530	\$34	6.9%
Other Services	\$857	\$845	\$884	\$976	\$1,025	\$1,052	\$1,084	\$32	3.0%
Government*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Illinois' Annual Average Weekly Earnings*	\$907	\$926	\$964	\$1,002	\$1,060	\$1,103	\$1,117	\$ 14	1.3%
% Change in Avg. Weekly Earnings	0.4%	2.0%	4.1%	4.0%	5.8%	4.1%	1.3%		

* 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: Bureau of Labor Statistics, CGFA

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (July)	4.0%	4.0%	4.4%
Inflation in Chicago (12-month percent change) (July)	2.2%	2.1%	8.4%
	<u>LATEST MONTH</u>	<u>CHANGE OVER PRIOR MONTH</u>	<u>CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (July)	6,447.3	-0.2%	-0.3%
Employment (thousands) (July)	6,192.2	-0.2%	0.2%
Nonfarm Payroll Employment (July)	6,153,500	11,200	89,700
New Car & Truck Registration (July)	36,206	1.9%	21.2%
Single Family Housing Permits (July)	803	-4.5%	5.7%
Total Exports (\$ mil) (June)	6,705.9	4.7%	-6.7%
Chicago Purchasing Managers Index (Aug.)	48.7	13.8%	-6.7%

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

A Closer Look: Interest on State Funds and Investments

Benjamin L. Varner, Chief Economist

This article is part of the Commission's on-going A Closer Look series, which is an examination of Illinois' more prominent tax revenue sources. Much of the information included in these synopses is detailed in the Commission's annual publication entitled, Illinois Tax Handbook for Legislators, which can be found on our website using this link:

<https://www.ilga.gov/commission/lru/2023TaxHandbook.pdf>.

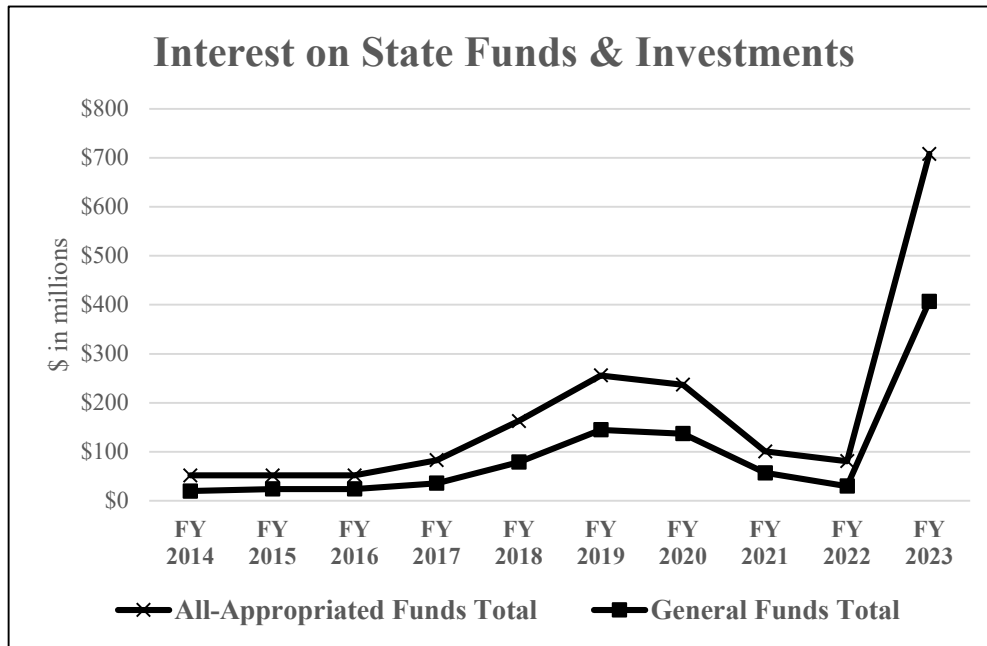
One State revenue source that has experienced noticeable growth over the past fiscal year is Interest on State Funds and Investments. While it remains one of the smaller categories of revenues for Illinois, the \$407 million generated in FY 2023 was significantly higher than what has been collected in recent years. The State of Illinois has almost 900 funds in which money was held. Many of these funds earn income on their cash balances. This money is invested by Illinois' Office of the Treasurer in such financial assets as repurchase agreements, commercial paper, corporate bonds, money market funds, and U.S. treasuries. The income from these investments is deposited into general funds and other specified funds based on each fund's pro-rated share of the total balance of all invested funds, or by specific statutory direction. While this revenue source makes up less than 1% of the State's total revenue, it contributed \$377 million in new growth in FY 2023.

The performance of this revenue source is largely based upon the amount of money available for investment and the rate of return on those investments. Both of these factors have improved significantly in recent years. Illinois' finances have improved as the State has moved beyond the budget stalemate that occurred from 2015 to 2017, as well as benefitted from additional financial resources from the federal government during the COVID-19 pandemic. With this improvement, the amount of money available for investment has increased considerably. In October of 2017, the State's portfolio for investment totaled \$12.5 billion. Since then, the total has grown to \$32.8 billion as of June of 2023. The current total is almost three times as large as in 2017.

The rise in the rate of return has been even more pronounced. As the country endured the COVID-19 recession, the Federal Reserve took short-term interest rates close to 0%. This caused the returns on many financial assets to be lower as well. From August of 2020 through February of 2022, the State's 30-day effective yield on its portfolio averaged a rate of return of just 0.34%. However, when the Fed began raising interest rates to counteract high inflation, the State's rate of return began to rise too. In June of 2023, the State's 30-day effective yield had risen to over 4.5%. This is growth of over 1,200% compared to rates seen prior to the increase in interest rates.

As one would expect with growth in both the amount of funds available for investment and the rate of return, investment income has shot up over the last year. Investment income into the General Funds grew from just \$30 million in FY 2022 to \$407 million in FY 2023. This is growth of over 1,250% and is the largest amount of investment income ever for the State by a wide margin. The All-Appropriated Funds total did not grow at quite the same rate (774%) but still went from \$81 million to \$708 million. As can be seen in the accompanying chart and table, these totals are

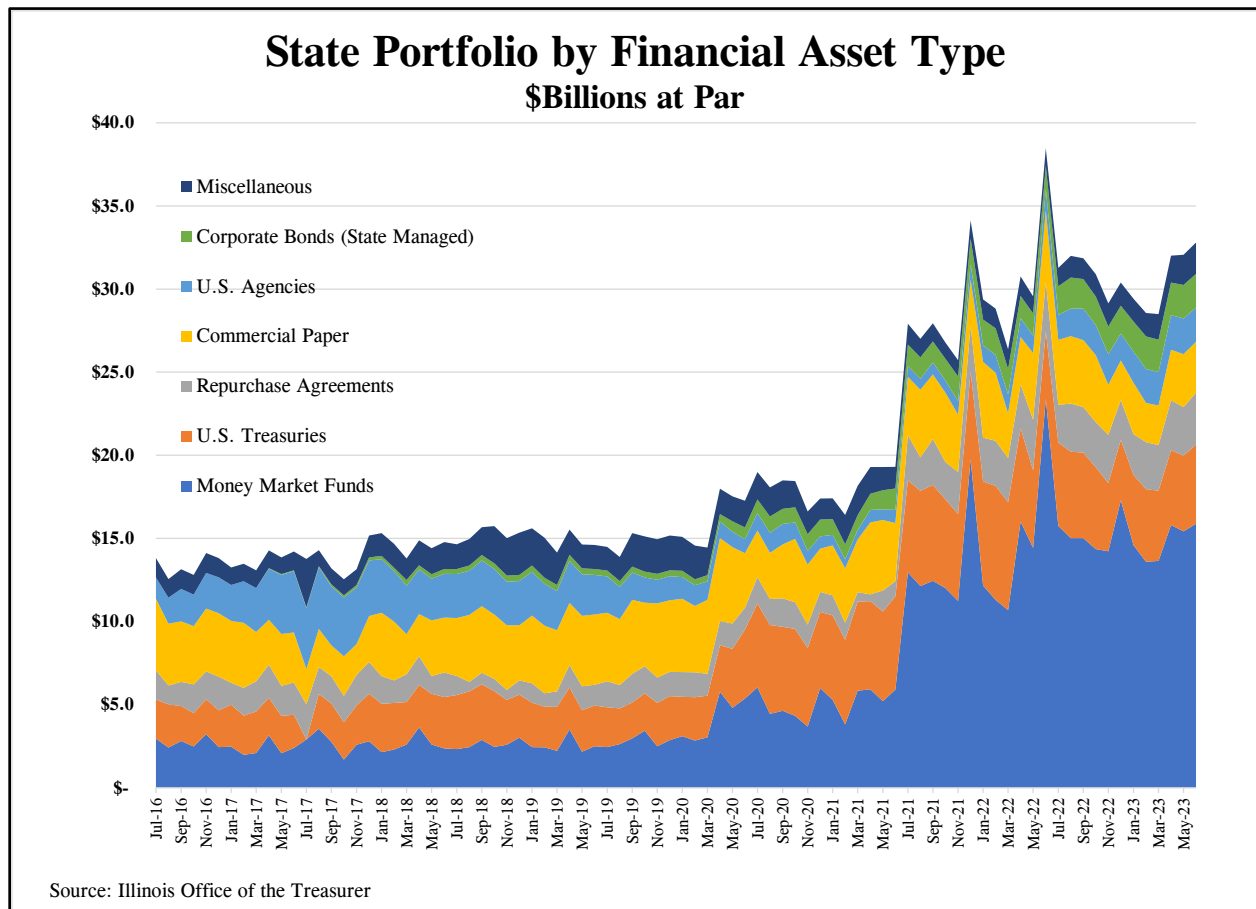
considerably higher than what was seen over the last decade. From FY 2014 to FY 2022, interest income to the State averaged only \$62 million per year into the General Funds and \$120 million per year for the All-Appropriated Funds.



State Revenue History of the Interest on State Funds & Investments \$ in millions				
Fiscal Year	General Funds Total	% Change	All-Appropriated Funds Total	% Change
FY 2014	\$20	0.0%	\$52	40.5%
FY 2015	\$24	20.0%	\$52	0.0%
FY 2016	\$24	0.0%	\$52	0.0%
FY 2017	\$36	50.0%	\$83	59.6%
FY 2018	\$79	119.4%	\$163	96.4%
FY 2019	\$145	83.5%	\$256	57.1%
FY 2020	\$137	-5.5%	\$237	-7.4%
FY 2021	\$57	-58.4%	\$101	-57.4%
FY 2022	\$30	-47.4%	\$81	-19.8%
FY 2023	\$407	1256.7%	\$708	774.1%

Source: Illinois Comptroller's Traditional Budgetary Financial Report.

The components of the State’s investment portfolio in June of 2023, as provided by Illinois’ Office of the Treasurer, can be seen in the following chart. These investments usually have a relatively short time horizon with the portfolios weighted average maturity being around 232 days since FY 2016. However, over the last twelve months, the weighted average maturity has increased to closer to 400 days. Money market funds make up the largest portion of the State’s portfolio at \$15.9 billion. This equals almost half the entire amount of \$32.8 billion. The amount of funds invested in money market funds has increased significantly since the beginning of 2021. This increase coincides with a marked improvement in overall tax revenues and the arrival of pandemic-related federal financial support into the State’s coffers. U.S. treasuries account for a little under 15% of the total amount at \$4.8 billion. Repurchase agreements and commercial paper each represent just under 10% of the portfolio at a little over \$3 billion each. The remainder of the portfolio is made up of three types of assets: U.S. Agency bonds, corporate bonds, and a mix of various other financial assets. Each of these groups contribute about \$2 billion and make up approximately 6% of the total.



General Funds Receipts Fall Slightly in August, but FY 2024 Still Off to Solid Start

Eric Noggle, Revenue Manager

August base revenues deposited into the State's General Funds slowed from July's strong start, with a slight decline of \$34 million. However, when combined with July's base growth of \$396 million, revenues are up a combined \$362 million to start the fiscal year, perhaps indicating a timing element to the first two month's collection activity. The value of the August decline falls to -\$214 million when factoring in last August's \$180 million in ARPA reimbursements. August had the same number of receipting days as last year.

Overall, the value of the increases/decreases in August were relatively modest. Personal Income Tax receipts experienced the largest decrease with a decline of -\$38 million or -\$36 million when accounting for distributions to the Refund Fund and the Local Government Distributive Fund (LGDF). Corporate Income Taxes also slowed from its strong July numbers with a decline of -\$23 million, or -\$17 million on a net basis. Other State tax sources with declines include Other Sources [-\$26 million]; Public Utility Taxes [-\$14 million]; and the Corporate Franchise Tax [-\$5 million].

The August declines were mostly offset by gains in several other State revenue sources. The largest year-over-year improvement came from Interest on State Funds & Investments, which grew \$23 million thanks to comparatively higher interest rates (see page 4). Insurance Taxes bounced back from its low July numbers with a gain of \$20 million. In addition, Inheritance Tax receipts were \$18 million higher. Sales Tax receipts saw modest improvement with growth of \$15 million. But this growth falls to only +\$3 million when accounting for the non-General Funds distributions to the Road Fund and certain other transportation funds.

Transfers In for the State's General Funds were mixed with an overall gain of only \$2 million. Lottery Transfers rose \$15 million but this growth was essentially erased by declines in Casino Gaming Transfers [-\$6 million]; Other Transfers [-\$5 million]; and Cannabis Transfers [-\$2 million].

Base revenues received from Federal Sources in August nearly matched last August's strong month of receipts with a slight decline of -\$2 million. However, if the \$180 million in non-base federal dollars receipted in August 2022 from the ARPA Reimbursement for Essential Government Services are included into the equation, Federal Sources were actually down \$182 million for the month.

Year to Date

While many of the General Funds revenue lines showed weaker results in August, the strength of the July numbers has resulted in cumulative base revenue growth of \$362 million [+5.6%] through the first two months of the fiscal year. These revenue gains are led by a \$251 million rise in "base" Federal Sources. It must be noted that when factoring in the \$764 million in one-time revenues received from ARPA reimbursements in July and August of last year, Federal Sources are actually down \$515 million and the overall change in General Funds receipts calculates to a cumulative year-over-year decrease of \$402 million.

Despite weaker August figures, the two-month totals for the State’s income taxes show solid growth. Personal Income Tax receipts are up \$146 million or +\$118 million on a net basis. Corporate Income Tax revenues remain \$95 million higher or +\$78 million net. Sales taxes, however, have basically been flat to start the fiscal year. While this revenue source is up \$14 million on a gross basis, it is \$9 million lower on a net basis due to an increase in the percentage of motor fuel related sales tax receipts distributed to the Road Fund (non-General Fund).

In regard to all other State sources, revenues are collectively \$18 million higher. This modest growth is again led by Interest Income, which is \$44 million above last year’s pace. Other sources with higher revenues through August include the Inheritance Tax [+ \$12 million]; Insurance Taxes [+ \$4 million]; and the Corporate Franchise Tax [+ \$2 million]. Receipts that are lower so far this fiscal year include Other Sources [-\$26 million]; Public Utility Taxes [-\$13 million]; the Cigarette Tax [-\$4 million]; and the Liquor Tax [-\$1 million].

General Funds revenues from Transfers In are a combined \$94 million behind FY 2023 levels through August. The magnitude of this decline is primarily due to a \$129 million reduction in Other Transfers. As highlighted in last month’s briefing, this decrease is mainly caused by a July 2022 (FY 2023) Capital Projects Fund transfer that did not repeat in FY 2024. Lottery Transfers have helped counterbalance this falloff with growth of \$35 million. Gaming and Cannabis Transfers are essentially flat through August.

<i>Summary of Receipts</i>				
GENERAL FUNDS RECEIPTS: YEAR TO DATE				
<i>FY 2023 vs. FY 2024</i>				
<i>(\$ millions)</i>				
Revenue Sources	FY 2023	FY 2024	\$ CHANGE	% CHANGE
Net Personal Income Tax	\$3,015	\$3,133	\$118	3.9%
Net Corporate Income Tax	\$257	\$335	\$78	30.4%
Net Sales Tax	\$1,855	\$1,846	(\$9)	-0.5%
All Other State Sources	\$519	\$537	\$18	3.5%
Transfers In	\$380	\$286	(\$94)	-24.7%
Federal Sources [base]	\$453	\$704	\$251	55.4%
Base General Funds	\$6,479	\$6,841	\$362	5.6%
<i>Non-Base Gen Funds Revenues</i>	\$764	\$0	(\$764)	N/A
Total General Funds	\$7,243	\$6,841	(\$402)	-5.6%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				1-Sep-23

AUGUST
FY 2023 vs. FY 2024
(\$ millions)

Revenue Sources	August FY 2023	August FY 2024	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$1,896	\$1,858	(\$38)	-2.0%
Corporate Income Tax (regular)	117	94	(23)	-19.7%
Sales Taxes	982	997	15	1.5%
Public Utility Taxes (regular)	69	55	(14)	-20.3%
Cigarette Tax	23	23	0	0.0%
Liquor Gallonage Taxes	14	14	0	0.0%
Inheritance Tax	44	62	18	40.9%
Insurance Taxes and Fees	41	61	20	48.8%
Corporate Franchise Tax & Fees	25	20	(5)	-20.0%
Interest on State Funds & Investments	25	48	23	92.0%
Cook County IGT	0	0	0	N/A
Other Sources	72	46	(26)	-36.1%
Total State Taxes	\$3,308	\$3,278	(\$30)	-0.9%
Transfers In				
Lottery	\$50	\$65	\$15	30.0%
Gaming	19	13	(6)	-31.6%
Cannabis	12	10	(2)	-16.7%
Refund Fund	0	0	0	N/A
Other	51	46	(5)	-9.8%
Total Transfers In	\$132	\$134	\$2	1.5%
Total State Sources	\$3,440	\$3,412	(\$28)	-0.8%
Federal Sources [base]	\$392	\$390	(\$2)	-0.5%
Total Federal & State Sources	\$3,832	\$3,802	(\$30)	-0.8%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$175)	(170)	\$5	-2.9%
Corporate Income Tax	(17)	(13)	4	-23.5%
Local Government Distributive Fund				
Personal Income Tax	(106)	(109)	(3)	2.8%
Corporate Income Tax	(7)	(5)	2	-28.6%
Sales Tax Distributions				
Deposits into Road Fund	(32)	(44)	(12)	37.5%
Distribution to the PTF and DPTF	(26)	(26)	0	0.0%
General Funds Subtotal [Base]	\$3,469	\$3,435	(\$34)	-1.0%
ARPA Reimb. for Essential Gov't Services	\$180	\$0	(\$180)	N/A
Total General Funds	\$3,649	\$3,435	(\$214)	-5.9%

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

1-Sep-23

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2023 vs. FY 2024

(\$ millions)

Revenue Sources	FY 2023	FY 2024	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$3,541	\$3,687	\$146	4.1%
Corporate Income Tax (regular)	323	418	95	29.4%
Sales Taxes	1,970	1,984	14	0.7%
Public Utility Taxes (regular)	121	108	(13)	-10.7%
Cigarette Tax	42	38	(4)	-9.5%
Liquor Gallonage Taxes	33	32	(1)	-3.0%
Inheritance Tax	85	97	12	14.1%
Insurance Taxes and Fees	60	64	4	6.7%
Corporate Franchise Tax & Fees	37	39	2	5.4%
Interest on State Funds & Investments	45	89	44	97.8%
Cook County IGT	0	0	0	N/A
Other Sources	96	70	(26)	-27.1%
Total State Taxes	\$6,353	\$6,626	\$273	4.3%
Transfers In				
Lottery	\$100	\$135	\$35	35.0%
Gaming	27	28	1	3.7%
Cannabis	20	19	(1)	-5.0%
Refund Fund	0	0	0	N/A
Other	233	104	(129)	-55.4%
Total Transfers In	\$380	\$286	(\$94)	-24.7%
Total State Sources	\$6,733	\$6,912	\$179	2.7%
Federal Sources [base]	\$453	\$704	\$251	55.4%
Total Federal & State Sources	\$7,186	\$7,616	\$430	6.0%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$328)	(\$338)	(\$10)	3.0%
Corporate Income Tax	(47)	(58)	(11)	23.4%
Local Government Distributive Fund				
Personal Income Tax	(198)	(217)	(19)	9.6%
Corporate Income Tax	(19)	(25)	(6)	31.6%
Sales Tax Distributions				
Deposits into Road Fund	(65)	(88)	(23)	35.4%
Distribution to the PTF and DPTF	(50)	(50)	0	0.0%
General Funds Subtotal [Base]	\$6,479	\$6,841	\$362	5.6%
ARPA Reimb. for Essential Gov't Services	\$764	\$0	(\$764)	N/A
Total General Funds	\$7,243	\$6,841	(\$402)	-5.6%

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

1-Sep-23

