Commission on Government Forecasting and Accountability

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MONTHLY BRIEFING FOR THE MONTH ENDED: SEPTEMBER 2019

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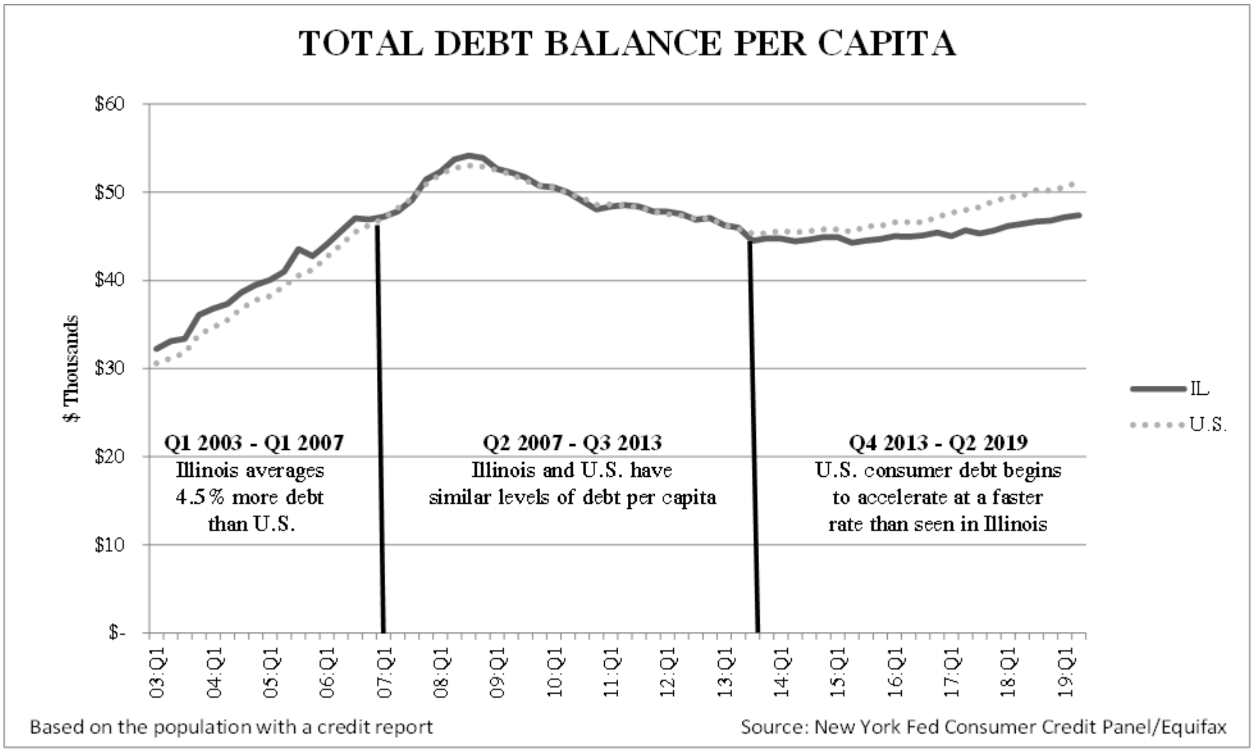
Consumer Debt in Illinois

Benjamin L. Varner, Senior Analyst and Economic Specialist

The New York Federal Reserve recently produced a report that stated household debt balances in the U.S. increased by $192 billion in the second quarter of 2019, a 1.4% increase, and stood at an all-time high of $13.86 trillion. The report noted that balances have been steadily rising for five years and in aggregate are now $1.2 trillion higher, in nominal terms, than the previous peak of $12.68 trillion seen in the third quarter of 2008. Overall household debt was now 24.3% above the most recent trough in the second quarter of 2013.

In light of these developments, the Commission examined the historical make up of consumer debt in Illinois compared to the country as a whole. Household debt data from the New York Federal Reserve Consumer Credit Panel and Equifax was analyzed to see how consumer debt totals and the composition of that debt have changed since 2003. Consumer debt is made up primarily of mortgages, along with home equity revolving loans, auto loans, credit cards, and student loans.

As of the second quarter of 2019, households in Illinois held approximately $47,380 of consumer debt per capita. The data provided by the New York Fed and Equifax base their per capita statistics on the portion of the population that has a credit report. In Illinois, that population has been around 10.5 million people in recent years. The $47,380 figure is $3,800, or 7.4%, less than the national average of $51,180 of consumer debt per capita.



The majority of consumer debt held by Illinois residents is in the form of mortgages. Of the $47,380 in consumer debt per capita in Illinois currently, approximately $31,460, or 66.4%, is due to mortgages. Student loans and auto loans make up approximately 12.5% and 9.0% of the total, respectively. The remaining portion of the debt is from credit cards (6.9%), and other forms of debt (5.2%).

While Illinois currently has less debt per capita than the U.S. as a whole, this has not always been the case. From 2003 to the first quarter of 2007, Illinois averaged 4.5% more total consumer debt than the U.S. average. During the Great Recession and the initial years following the Great Recession, Illinois and the U.S. had comparable levels of debt. However, beginning at the end of 2013, the U.S. debt per capita began accelerating at a faster rate than in Illinois. Since then, the gap between the two has grown to the current level of approximately $3,800.

Looking at the individual components of debt, mortgage debt appears to explain a large part of this change. Since the beginning of 2014, Illinois residents have added approximately $670 in mortgage debt per capita, while the U.S. as a whole has added about $3,100. This was over $2,400 in additional debt for the U.S. consumers compared to Illinois. Illinois residents also took on $200 less in additional auto loans over this time period. Credit card debt and student debt both rose similar amounts between Illinois and the country as a whole. Illinois residents reduced debt in the Other category by over $650, while U.S. consumers reduced by a little over $300.

It is unclear as to exactly why households throughout the country took on more debt than in Illinois. There is likely a combination of inter-related economic and demographic reasons for this difference. Illinois' slow economic recovery from the Great Recession, the fiscal instability of State government in recent years, a lagging housing market, along with an aging and declining population has likely created the impression of a fragile economic environment. These stated reasons, and likely others, may be contributing to Illinois residents being hesitant to take on more debt.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (Aug.)	4.0%	4.2%	4.2%
Inflation in Chicago (12-month percent change) (Aug.)	1.6%	1.6%	1.7%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (Aug.)	6,505.1	0.1%	0.7%
Employment (thousands) (Aug.)	6,242.6	0.3%	0.9%
Nonfarm Payroll Employment (Aug.)	6,186,300	-1,400	65,500
New Car & Truck Registration (Aug.)	62,072	38.0%	9.0%
Single Family Housing Permits (Aug.)	741	-17.2%	-31.6%
Total Exports ($ mil) (July)	4,729.0	-3.6%	-10.2%
Chicago Purchasing Managers Index (Sep.)	47.1	-6.5%	-22.0%

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

FY 2020 Investing to Reduce Illinois' Backlog

Lynnae Kapp, Senior Revenue and Bond Analyst

Public Act 100-1107, effective August 27, 2018, allows the State Treasurer to invest up to $2 billion it has borrowed from State funds into debt held by the State Comptroller. The Treasurer can use this practice to refinance backlogged bill debt during times of portfolio liquidity to help during the State's low revenue months. This allows the State to pay a lower interest rate than the normal 9%-12% on the amount refinanced, while the Treasurer gets interest off of the investment through intergovernmental agreements made for a market-based rate. When the State is projected to have better cash flow, such as during the month of April during tax payments, the State pays off the Treasurer's investment, and the amounts are returned to the funds they were borrowed from with the interest. The Treasurer's Office utilized this investment tool in the amount of $700 million in FY 2019.

For FY 2020, the Treasurer's Office borrowed the following amounts in September:

Road Fund	$100 million
Grade Crossing Protection Fund	$50 million
State Construction Fund	$250 million

The amounts will be paid back in $200 million installments during March and April of 2020.

REVENUE: SEPTEMBER REVENUES UP DUE TO FEDERAL SOURCES, INCOME TAXES, AND TRANSFERS

Jim Muschinske, Revenue Manager

Excluding $400 million in Treasurer's Investments, base September revenues increased by $729 million. Federal sources were the largest contributor to the monthly gain as receipts jumped $330 million, continuing what has been a very uneven receipt pattern for that source. Both personal and corporate income taxes performed quite well, and September's receipts were also bolstered by the timing of certain transfers. There was one extra receipting day as compared to the same month of last fiscal year.

Monthly gross personal income tax increased $195 million, or $170 million net. Gross corporate income taxes grew $55 million, or $51 million on a net basis. Interest earnings posted a $12 million improvement, while corporate franchise taxes experienced a $5 million gain. Inheritance tax receipts managed to eke out a $2 million increase.

Despite an overall positive month for revenues, a number of sources had minor stumbles in September. Insurance taxes and fees decreased $7 million and other sources eased $3 million. Both public utility taxes as well as cigarette taxes each fell $2 million, while vehicle use tax and gross sales tax each dipped $1 million.

Overall transfers increased $174 million in September. A $9 million decline in lottery transfers was offset by an $8 million gain in riverboat transfers. Other transfers jumped $175 million primarily due to transfers from the Capital Projects Fund. Federal sources posted a significant increase of $330 million for the month, although the gain was more due to an extremely poor showing last year.

Year to Date

Excluding proceeds from the Treasurer's Investment program, through September, base general funds receipts have posted gains of $1.211 billion. The increase has been driven by specific transfers [Refund Fund and Capital Projects Fund], stronger federal sources, and good performance from the larger economically related sources.

Gross personal income taxes are ahead of last year by $269 million, or $239 million net, while gross sales taxes are up $79 million [the same on a net basis]. Gross corporate income taxes have increased $36 million through the first quarter [the same on a net basis]. The performance of the remaining revenue sources have been mixed, but on balance have experienced a $78 million decline, principally due to losses attributed to other sources, inheritance tax, and cigarette tax.

Overall transfers to the general funds are up $690 million. A $417 million increase from Refund Fund transfers accounts for most of that year-to-date growth. Federal sources, the beneficiary of a strong September, are now up $245 million.

SEPTEMBER

FY 2020 vs. FY 2019

($ million)

Revenue Sources	Sept. FY 2020	Sept. FY 2019	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$2,020	$1,825	$195	10.7%
Corporate Income Tax (regular)	562	507	$55	10.8%
Sales Taxes	731	732	($1)	-0.1%
Public Utility Taxes (regular)	56	58	($2)	-3.4%
Cigarette Tax	26	28	($2)	-7.1%
Liquor Gallonage Taxes	15	15	$0	0.0%
Vehicle Use Tax	2	3	($1)	-33.3%
Inheritance Tax	23	21	$2	9.5%
Insurance Taxes and Fees	65	72	($7)	-9.7%
Corporate Franchise Tax & Fees	31	26	$5	19.2%
Interest on State Funds & Investments	19	7	$12	171.4%
Cook County IGT	0	0	$0	N/A
Other Sources	24	27	($3)	-11.1%
Subtotal	$3,574	$3,321	$253	7.6%
Transfers				
Lottery	52	61	($9)	-14.8%
Riverboat transfers & receipts	34	26	$8	30.8%
Proceeds from Sale of 10th license	0	0	$0	N/A
Refund Fund transfer	0	0	$0	N/A
Other	250	75	$175	233.3%
Total State Sources	$3,910	$3,483	$427	12.3%
Federal Sources	$413	$83	$330	397.6%
Total Federal & State Sources	$4,323	$3,566	$757	21.2%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($192)	($177)	($15)	8.5%
Corporate Income Tax	($80)	(79)	($1)	1.3%
LGDF--Direct from PIT	($105)	(95)	($10)	10.5%
LGDF--Direct from CIT	($31)	(28)	($3)	10.7%
Downstate Pub/Trans--Direct from Sales	($18)	(19)	$1	-5.3%
Subtotal General Funds	$3,897	$3,168	$729	23.0%
Treasurer's Investments	$400	$200	$200	N/A
Interfund Borrowing	$0	$0	$0	N/A
Total General Funds	$4,297	$3,368	$929	27.6%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-Oct-19

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2020 vs. FY 2019

($ million)

Revenue Sources	FY 2020	FY 2019	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$4,997	$4,728	$269	5.7%
Corporate Income Tax (regular)	708	672	$36	5.4%
Sales Taxes	2,291	2,212	$79	3.6%
Public Utility Taxes (regular)	188	187	$1	0.5%
Cigarette Tax	62	93	($31)	-33.3%
Liquor Gallonage Taxes	48	46	$2	4.3%
Vehicle Use Tax	8	8	$0	0.0%
Inheritance Tax	64	89	($25)	-28.1%
Insurance Taxes and Fees	100	107	($7)	-6.5%
Corporate Franchise Tax & Fees	62	58	$4	6.9%
Interest on State Funds & Investments	49	26	$23	88.5%
Cook County IGT	0	0	$0	"N/A
Other Sources	85	130	($45)	-34.6%
Subtotal	$8,662	$8,356	$306	3.7%
Transfers				
Lottery	128	156	($28)	-17.9%
Riverboat transfers & receipts	75	74	$1	1.4%
Proceeds from Sale of 10th license	0	0	$0	N/A
Refund Fund transfer	617	200	$417	208.5%
Other	468	168	$300	178.6%
Total State Sources	$9,950	$8,954	$996	11.1%
Federal Sources	$863	$618	$245	39.6%
Total Federal & State Sources	$10,813	$9,572	$1,241	13.0%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($475)	($459)	($16)	3.5%
Corporate Income Tax	($101)	(104)	$3	-2.9%
LGDF--Direct from PIT	($260)	(246)	($14)	5.7%
LGDF--Direct from CIT	($40)	(37)	($3)	8.1%
Downstate Pub/Trans--Direct from Sales	($55)	(55)	$0	0.0%
Subtotal General Funds	$9,882	$8,671	$1,211	14.0%
Treasurer's Investments	$400	$200	$200	100.0%
Interfund Borrowing	$0	$0	$0	N/A
Total General Funds	$10,282	$8,871	$1,411	15.9%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-Oct-19