

Illinois Economic and Fiscal Commission

***ILLINOIS NATIONAL RANKINGS IN
STATE GOVERNMENT FINANCING***

2003 Edition



July 2003
703 Stratton Building
Springfield, IL 62706

Illinois Economic and Fiscal Commission

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INTRODUCTION

A common question raised at many IEFC meetings is how Illinois compares nationally in revenue-related areas and in spending. In response, the IEFC has taken a closer look at these rankings to provide a quick guide as to how Illinois stacks up against the other 49 states in many areas of state government financing. The information used comes from the latest issues of *State Rankings 2003: A Statistical View of the 50 United States*.

Illinois ranks high in most total collection lists due to its large population. As of 2002 Illinois ranked 5th in the U.S. in total population with 12.6 million people (See Chart 41). Because of this, in order to get a better picture of how Illinois compares to other states, the provided information is in two formats: in total dollars and on a per-capita basis. The per-capita format is useful for comparing a highly populated state, like Illinois, with states with low populations, such as Wyoming, to account for the population discrepancy.

An example of this can be seen in Charts 1 and 2. In 2000, in the area of “**State Government Own Source Revenue**” (which includes taxes, current charges, and miscellaneous general revenue) Illinois ranks 7th nationally with \$28.5 billion collected. But on a per-capita basis, Illinois only ranks 33rd with \$2,294 per capita, well below number one ranked Alaska which collected \$9,764 per capita. (In the amount collected in this area, Alaska ranks 34th at \$6.1 billion).

Whether it is better for a state to be ranked high or low is open to interpretation. When observing revenue-related rankings on a per-capita basis, some believe that if a state is able to financially survive on tax rates that create relatively low per-capita figures, the better the financial situation for the people of that state. Others, however, would view low per-capita figures as missed opportunities for revenue growth, and subsequent program spending.

A similar argument holds true for the rankings dealing with government spending. Those benefiting from spending in a particular area would likely view the rankings as the higher the better. On the other hand, those who do not benefit would likely view a high ranking negatively, as spending for one source prevents monies from being reallocated to other areas.

In all of the charts provided, the highest ranked state is listed, along with other states in the Great Lakes region, which include Indiana, Michigan, Ohio, and Wisconsin. Listed on the top of each chart ranked in total dollars is the national total amount of revenue for that particular source. For the charts shown on a per-capita basis, the overall national per-capita figure is included. Each chart also includes a history of how Illinois has ranked in a particular area over the past several years. Most of the data are from 2001, unless stated otherwise.

In most categories, Illinois ranks near the middle of the pack with revenue on a per-capita basis. However, there are a few charts that show Illinois at the high end of the rankings, while some show Illinois near the low end of the national rankings. Examples of this contrast are discussed below.

The first chart that shows Illinois near the extreme is in the category of “**Per Capita State Corporate Net Income Tax Revenue in 2001**”, which is shown in Chart 8. Here, Illinois ranks 7th at \$177 per capita. The highest ranked state in this category is Alaska at \$632 per capita, while Alabama ranks 46th at \$39 per capita. (Nevada, Texas, Washington, and Wyoming do not have a corporate income tax). During the 2003 legislative session, the State legislature passed several bills that closed numerous corporate “loopholes” that corporations had enjoyed in the past. These corporate tax incentives were removed to create needed revenue to help balance the State’s budget deficit. Once these corporate loopholes are removed, corporate tax revenue per-capita figures may experience even higher rankings in the near future.

In Chart 14, entitled, “**State Government Tax Revenue as a Percent of Personal Income in 2001**”, Illinois ranks 42nd in the nation with only 5.6% of their personal income going towards state government tax revenue. The highest ranked state is Hawaii at 9.9%. The lowest ranked state is New Hampshire at 4.1%.

In the area of “**Per Capita State Government Motor Vehicle and Operators’ License Tax Revenue in 2001**”, Illinois ranks 3rd at \$108.84 per capita, up from 7th in 2000 and from 10th in 1999. These figures can be seen on Chart 16. The main reason for this increase in the rankings is due to financing related to *Illinois First*, which raised motor vehicle and operators’ license tax rates in FY 2000. The only states ranked higher than Illinois in this category are Oklahoma (\$169.61 per capita) and Iowa (\$119.70 per capita).

The other significant tax increase associated with Illinois First was the rate increase on liquor sold in Illinois. As shown in Chart 19 and Chart 20, Illinois ranked 21st in **State Government Alcoholic Beverage Sales Tax Revenue in 1999** and 43rd on a per-capita basis during that same year. However, after the inception of the new liquor tax rates, Illinois’ total dollars ranking jumped from 21st to 8th in 2001. The State’s per-capita ranking increased from 43rd in 1999 to 27th in 2001 due to its per-capita value of \$11.23. The highest per-capita ranked state in this category is South Carolina at \$33.83 per capita. The national per capita in 2001 was \$14.65.

In FY 2003, Illinois increased the tax rate on cigarettes from 48-cents per pack to 98-cents per pack. Due to the newness of this tax increase, its ramifications are not yet shown in the latest *State Rankings* report. As shown in Chart 18, Illinois ranked 15th in the nation in the category of “**Per Capita State Government Tobacco Sales Tax Revenue in 2001**”, with a per-capita value of \$37.75. This figure will rise once the 2003 data is released. However, Illinois’ ranking of 15th may not change much because

Illinois was one of 20 states that increased their cigarette tax rate in 2002. In fact, 9 of the 14 states ranked higher than Illinois in this category also raised their cigarette tax. Several other states are considering raising their cigarette tax rate in 2003 as a means of generating new tax revenues to help close their respective budget gaps.

Charts 21 and 22 show that in the category of “**State and Local Government Property Tax Revenue in 2000**”, Illinois is one of the highest property-taxing states in the country collecting the 4th highest amount, based on total collections. On a per-capita basis, Illinois collected the 10th highest amount of property taxes in the country at \$1,166 per capita. The highest ranked state on a per-capita basis was New Jersey at \$1,713 per capita. (For more information on Illinois’ high property tax ranking and how it relates to school funding, see the Commission’s October 2002 report entitled, “Education Funding: Fair or Flawed?” which can be found at the IEFEC’s website: http://www.legis.state.il.us/commission/ecfisc/ecfisc_home.html).

A wide range of rankings also holds true in the areas of state government spending. For example, in the area of “**State Government Total Expenditures in 2000**”, Illinois ranks 8th in the nation in total spending with expenditures totaling \$41.2 billion. However, on a per-capita basis, Illinois ranks only 40th with a per-capita value of \$3,310. The national per capita in this category was \$3,841. These figures can be seen on Charts 23 and 24.

One area of spending that has seen a significant change in the rankings over the last several years is in the area of elementary and secondary education. For example, in the category of “**Expenditures for Elementary and Secondary Education as a Percentage of Total Expenditures**”, as shown in Chart 28, Illinois ranked 30th in the nation in 1997. However, in 1999, this ranking rose to 10th. The latest figure shows Illinois ranked 9th in this category in 2000. Much of this increase in the rankings was due to a concerted effort to direct a majority of new revenues towards education.

A similar improvement in elementary and secondary education spending can be seen in Chart 30 in the category of “**Per Capita State and Local Government Expenditures for Elementary and Secondary Education in 2000**”. In 1997, Illinois ranked 33rd in this category. The latest figures show Illinois ranked 13th with a per-capita spending value of \$1,324. This is above the national per capita of \$1,294. Although Illinois has improved in this area, they still remain behind fellow Great Lakes’ states, Michigan (ranked 6th at \$1,516 per capita) and Wisconsin (ranked 8th at \$1,450 per capita). The highest ranked state in this category is Alaska at \$2,127 per capita.

Not all areas of education spending have seen improvement in the rankings, however. As seen in Chart 32 in the category of “**Per Capita State and Local Government Expenditures for Higher Education in 2000**”, Illinois ranks 41st in the nation with a per-capita value of \$406. This figure is below the national per capita of \$476, and

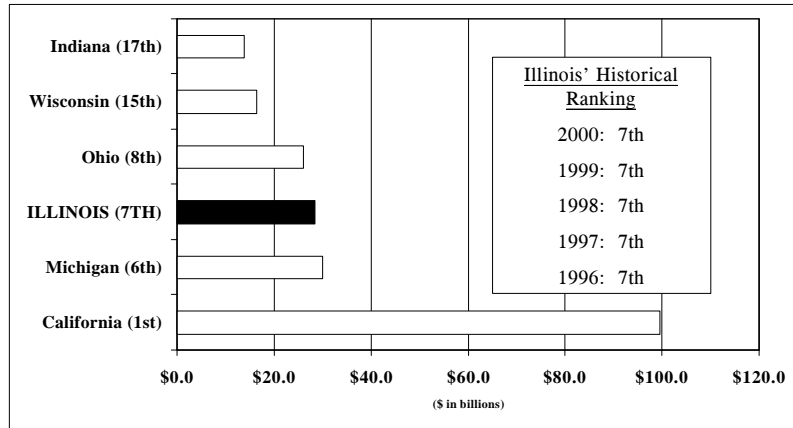
much below the highest ranked state of New Mexico's per-capita value of \$773. Illinois has been at or around the ranking of 41st for the past several years and continues to be the lowest ranked state in the Great Lakes region in this category.

The final category in this report to highlight is shown in Chart 34 in the category of **“Per Capita State and Local Government Expenditures for Police Protection in 2000”**. Illinois' ranking of 6th in this category shows that the State spends more money on police protection than most of the other States in the nation on a per-capita basis. The State's per-capita value of \$245 is significantly higher than the national per capita of \$201. The highest ranked state in this category is New York at \$301 per capita. In comparison, Indiana only spends \$138 per capita and is ranked 42nd in this category.

The pre-mentioned examples highlight only a small portion of the 41 charts that are included in this report. Hopefully, these charts provide a clearer picture of how Illinois ranks nationally in State finance related areas. These charts will be updated, as more information becomes available.

**CHART 1: State Government Own Source Revenue
in 2000**

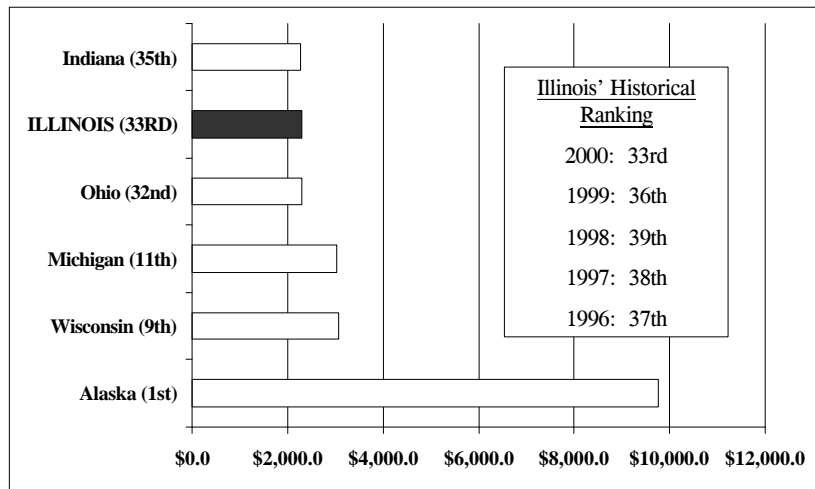
National Total = \$710.4 billion



Own source revenue includes taxes, current charges and miscellaneous general revenue. Excluded are intergovernmental transfers, insurance trust revenue and revenue from government owned utilities and other commercial or auxiliary enterprise.
Source: State Rankings: 2003

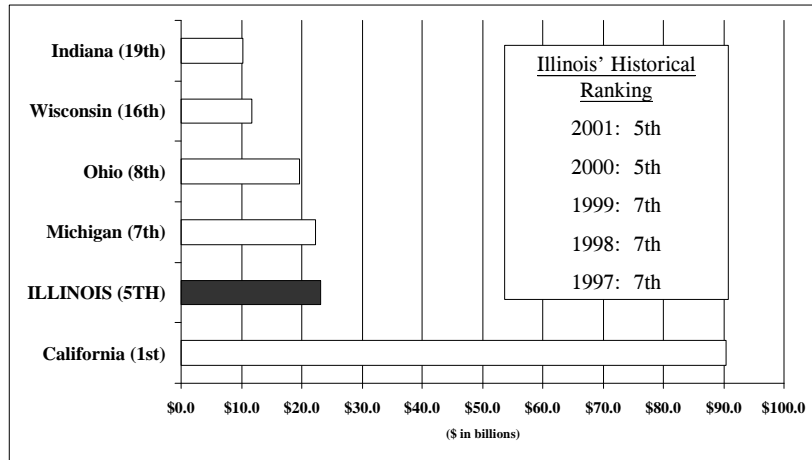
Chart 2: Per Capita State Government Own Source Revenue in 2000

National Per Capita = \$2,517



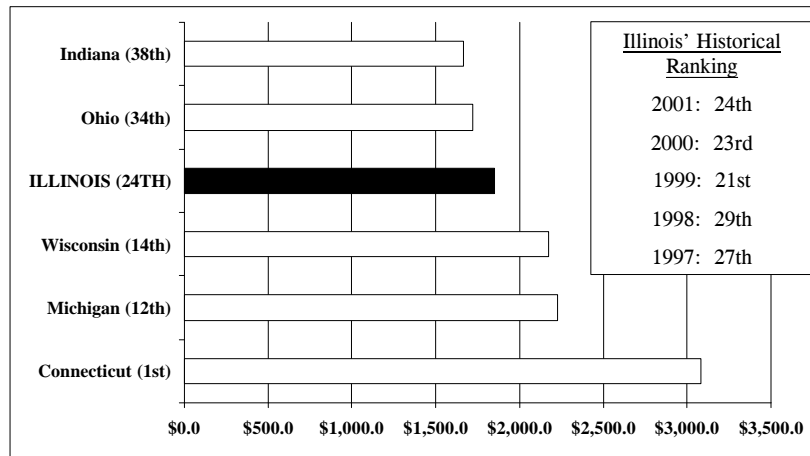
Own source revenue includes taxes, current charges and miscellaneous general revenue. Excluded are intergovernmental transfers, insurance trust revenue and revenue from government owned utilities and other commercial or auxiliary enterprise.
Source: State Rankings: 2003

CHART 3: State Government Tax Revenue in 2001
National Total = \$559.8 billion



Source: State Rankings: 2003

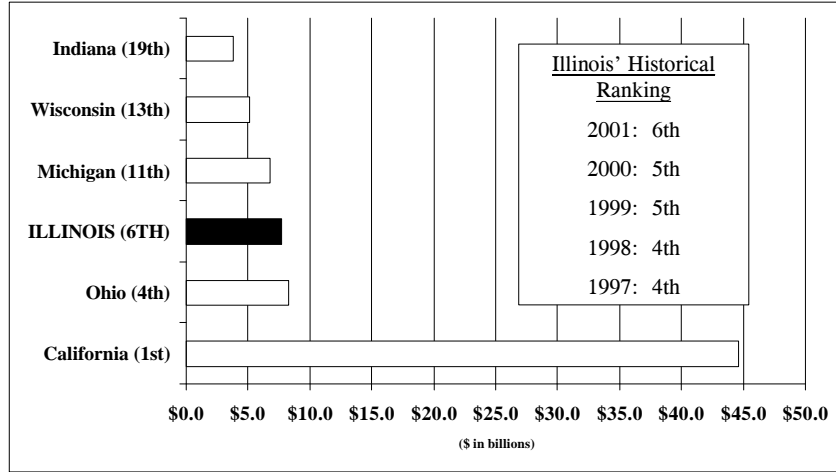
CHART 4: Per Capita State Government Tax Revenue in 2001
National Per Capita = \$1,962



Source: State Rankings: 2003

**CHART 5: State Government Individual Income Tax Revenue
in 2001**

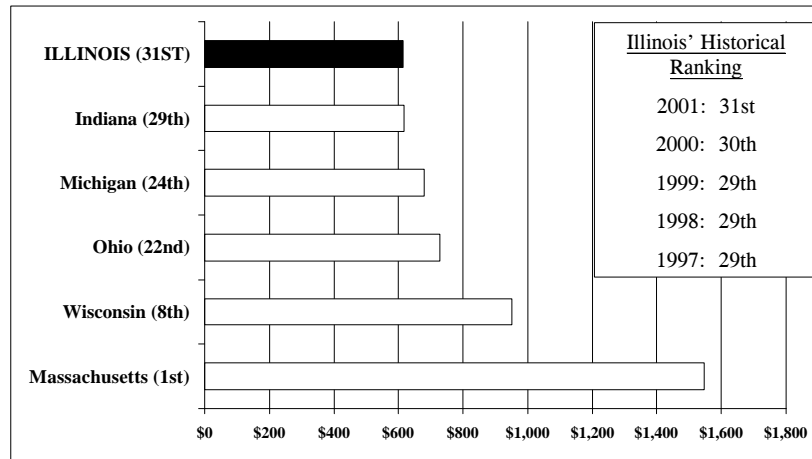
National Total = \$207.6 billion



Source: State Rankings: 2003

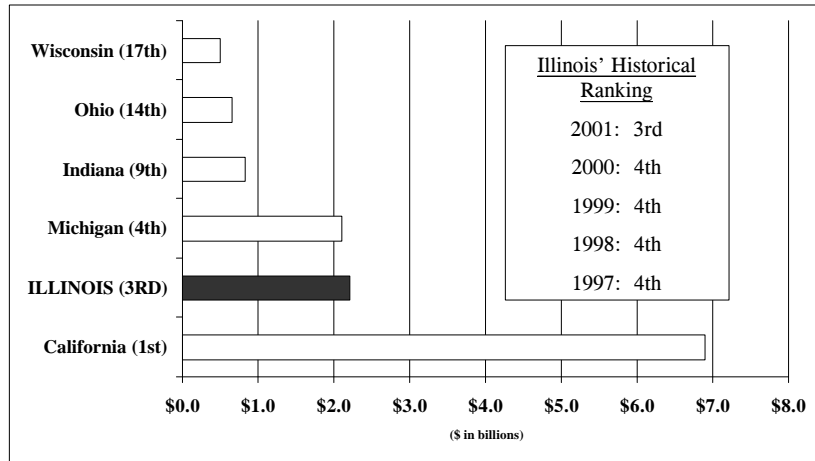
**CHART 6: Per Capita State Government Individual
Income Tax Revenue in 2001**

National Per Capita = \$728



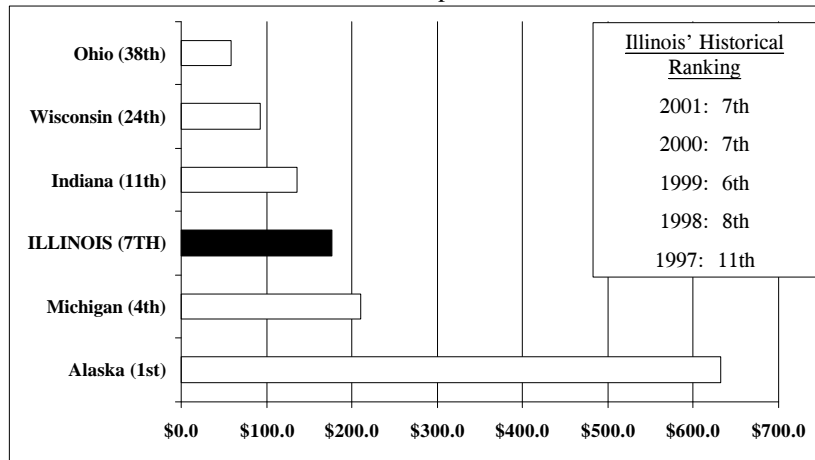
Source: State Rankings: 2003

CHART 7: State Government Corporation Net Income Tax Revenue in 2001
 National Total = \$31.7 billion



Source: State Rankings: 2003

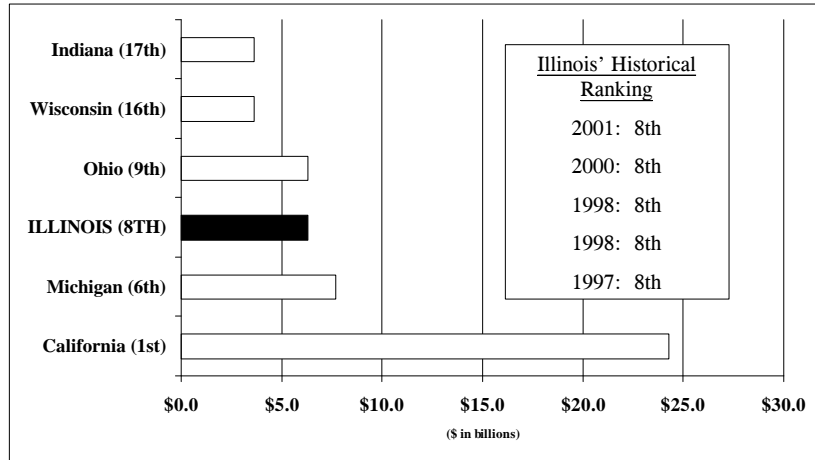
CHART 8: Per Capita State Government Corporation Net Income Tax Revenue in 2001
 National Per Capita = \$111



Source: State Rankings: 2003

**CHART 9: State Government General Sales Tax Revenue
in 2001**

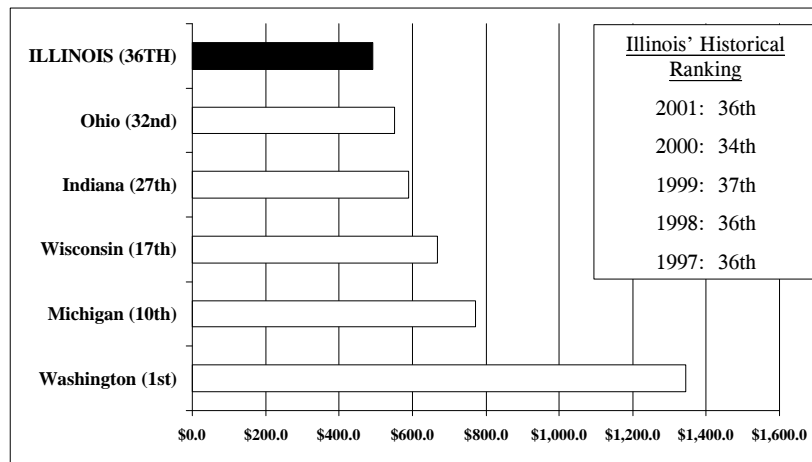
National Total = \$179.4 billion



Source: State Rankings: 2003

**CHART 10: Per Capita State Government General State
Tax Revenue in 2001**

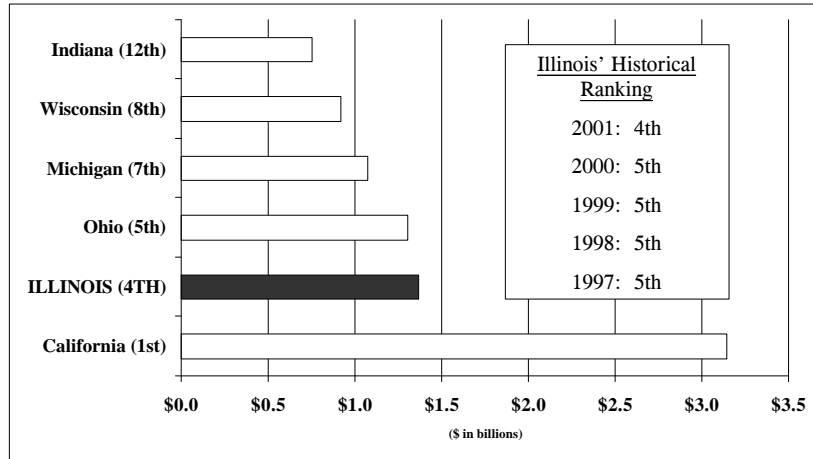
National Per Capita = \$629



Source: State Rankings: 2003

CHART 11: State Government Motor Fuels Sales Tax Revenue in 2001

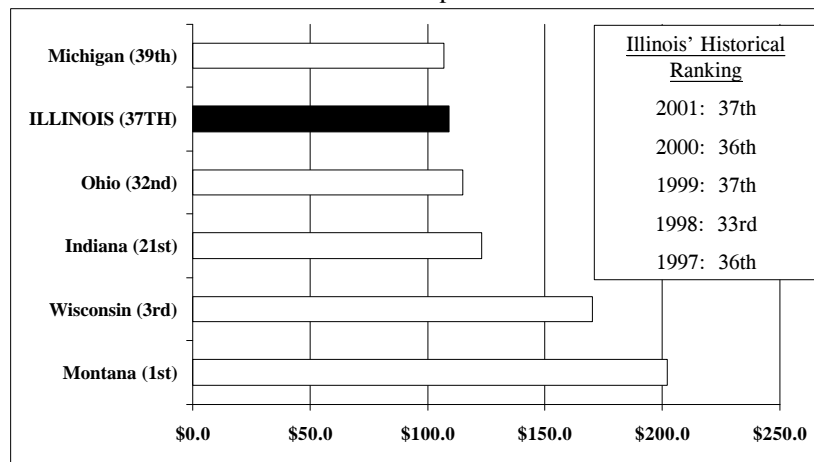
National Total = \$30.3 billion



Source: State Rankings: 2003

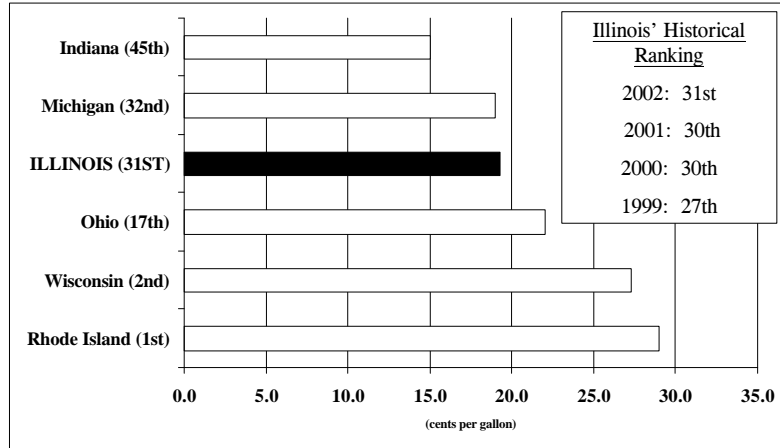
CHART 12: Per Capita State Government Motor Fuel State Tax Revenue in 2001

National Per Capita = \$106



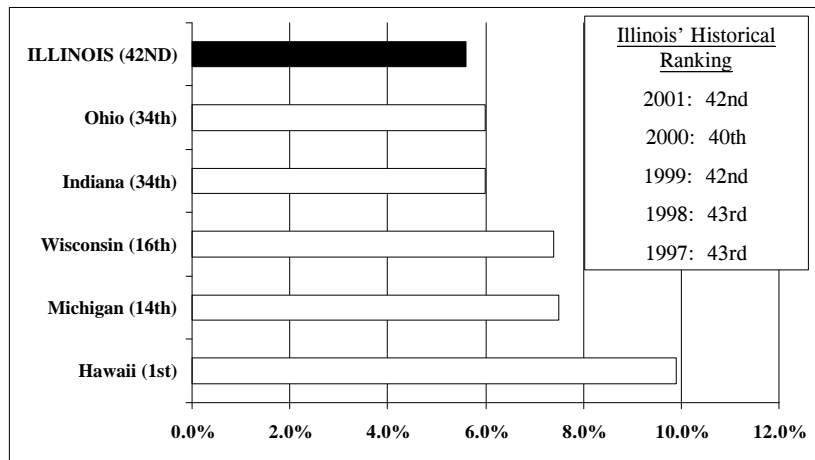
Source: State Rankings: 2003

CHART 13: State Tax Rates on Gasoline in 2002
National Median = 20.00 Cents per Gallon



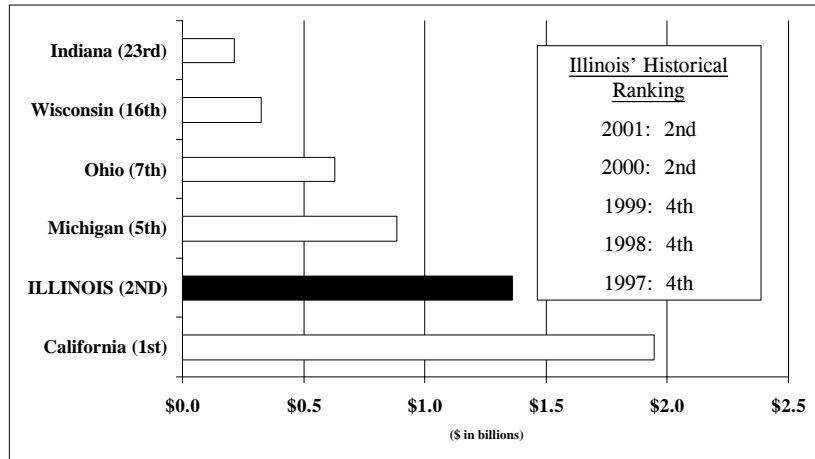
Source: State Rankings: 2003

CHART 14: State Government Tax Revenue as a Percent of Personal Income in 2001
National Percent = 6.5% of Personal Income



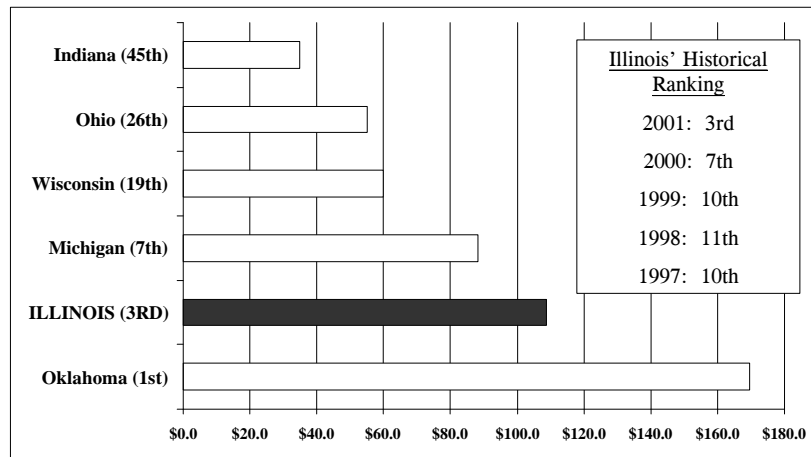
Source: State Rankings: 2003

CHART 15: State Government Motor Vehicle and Operators' License Tax Revenue in 2001
National Total = \$16.5 billion



Source: State Rankings: 2003

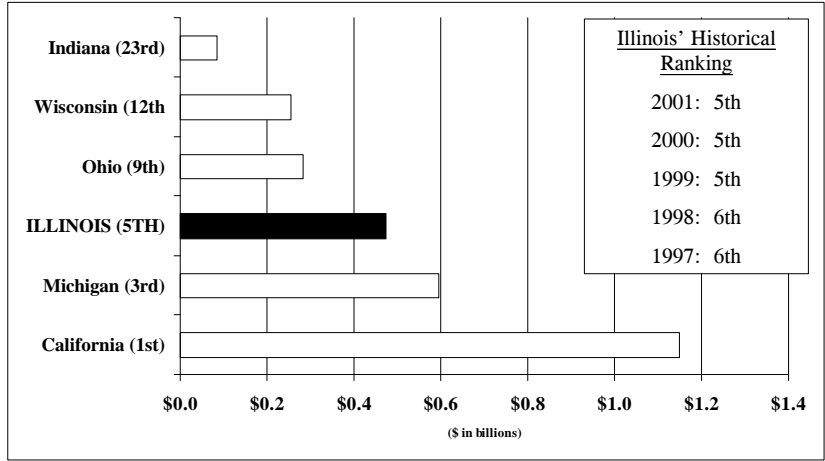
CHART 16: Per Capita State Motor Vehicle and Operators' License Tax Revenue in 2001
National Per Capita = \$57.76



Source: State Rankings: 2003

CHART 17: State Government Tobacco Product Sales Tax Revenue in 2001

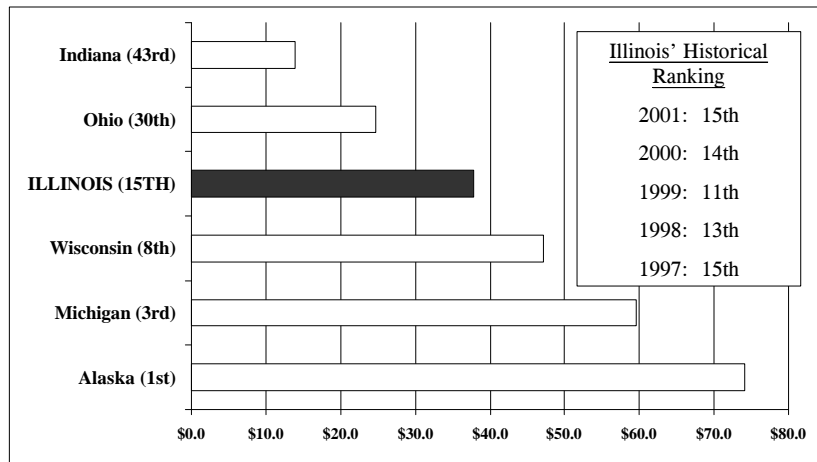
National Total = \$8.7 billion



Source: State Rankings: 2003

CHART 18: Per Capita State Government Tobacco Sales Tax Revenue in 2001

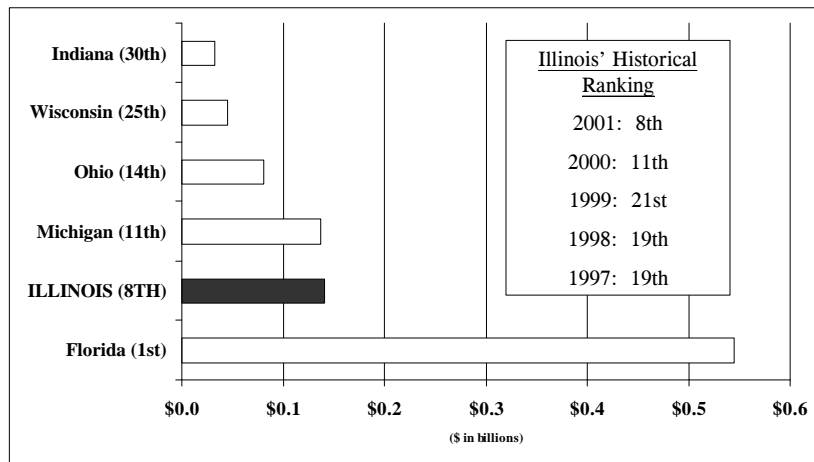
National Per Capita = \$30.32



Source: State Rankings: 2001

CHART 19: State Government Alcoholic Beverage Sales Tax Revenue in 2001

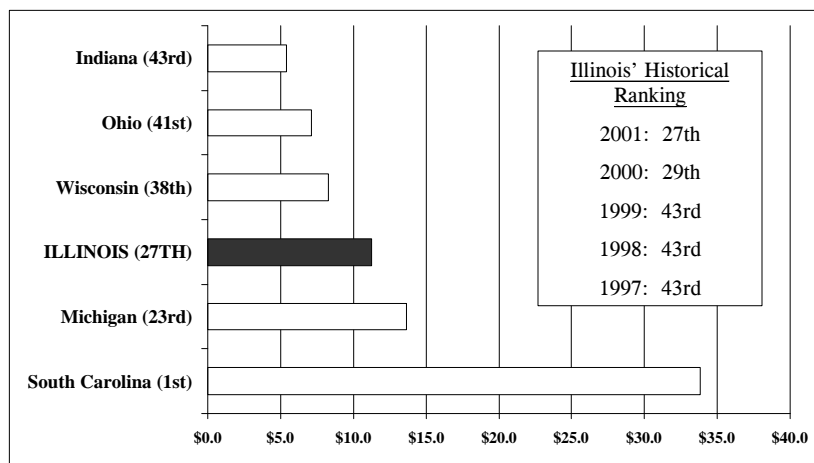
National Total = \$4.2 billion



Source: State Rankings: 2003

CHART 20: Per Capita State Government Alcoholic Beverage Sales Tax Revenue in 2001

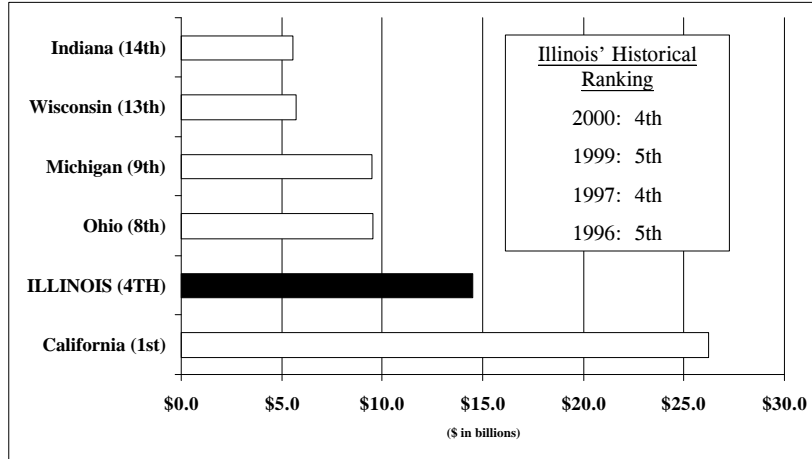
National Per Capita = \$14.65



Source: State Rankings: 2003

CHART 21: State and Local Government Property Tax Revenue in 2000

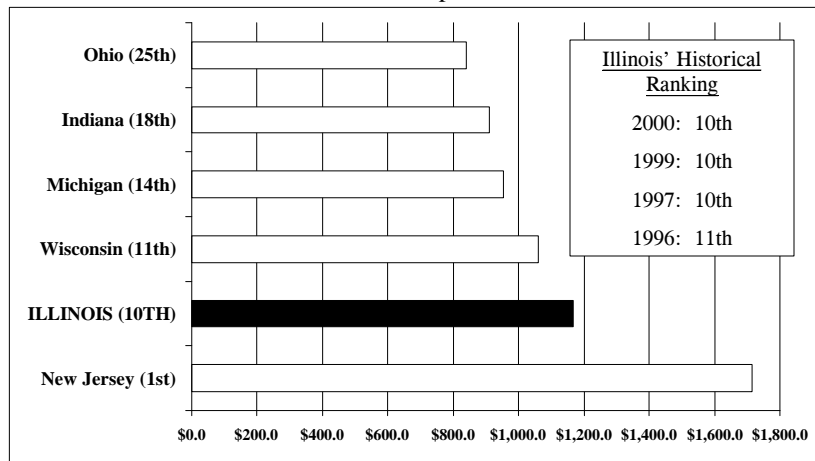
National Total = \$249.2 billion



Source: State Rankings: 2003

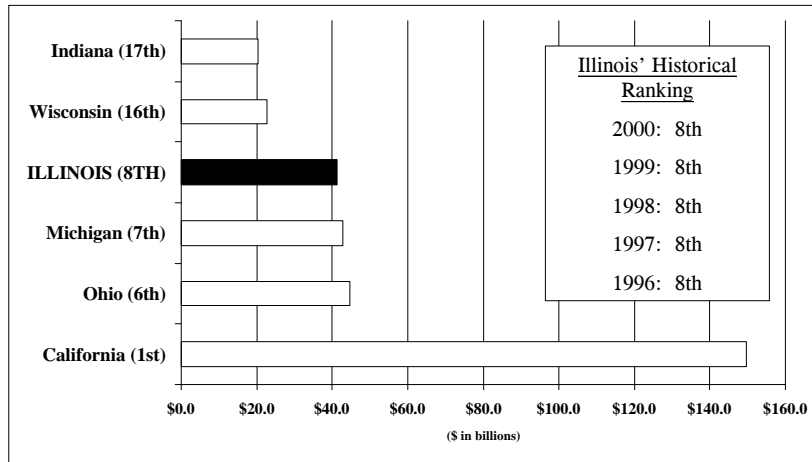
CHART 22: Per Capita State and Local Government Property Tax Revenue in 2000

National Per Capita = \$883



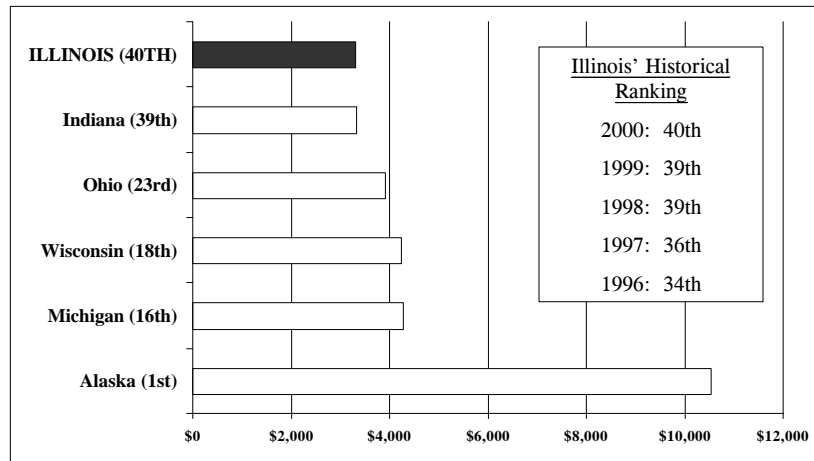
Source: State Rankings: 2003

CHART 23: State Government Total Expenditures in 2000
National Total = \$1,084.1 billion



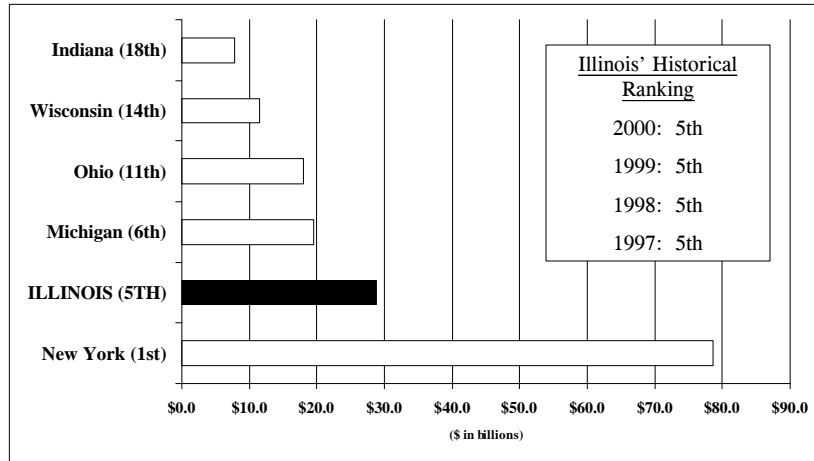
Source: State Rankings: 2003

CHART 24: Per Capita State Government Total Expenditures in 2000
National Per Capita = \$3,841



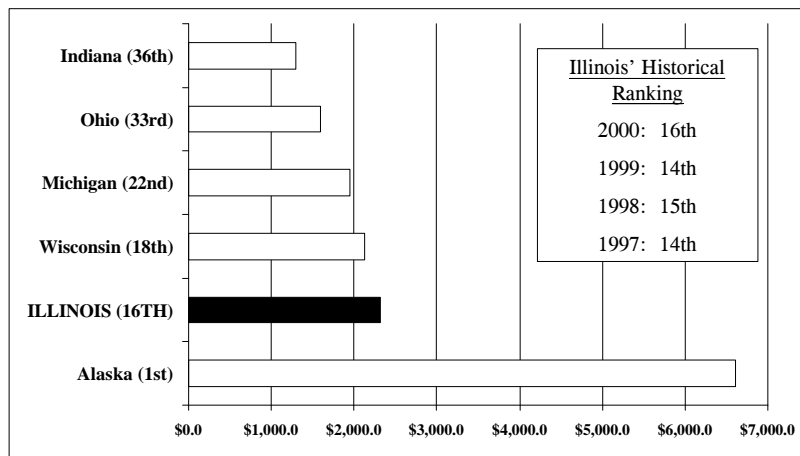
Source: State Rankings: 2003

CHART 25: State Government Debt Outstanding in 2000
National Total = \$547.9 billion



Source: State Rankings: 2003

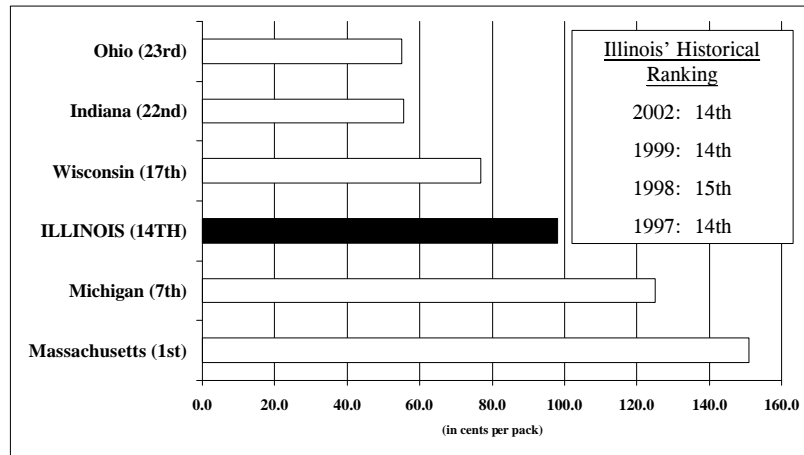
CHART 26: Per Capita State Government Debt Outstanding in 2000
National Per Capita = \$1,941



Source: State Rankings: 2003

CHART 27: State Tax on a Pack of Cigarettes in 2002*

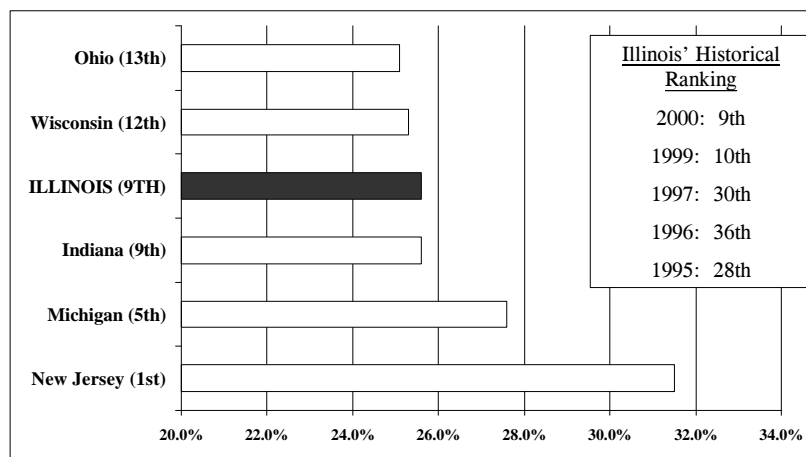
National Median = 48 Cents per Pack



•Tax Rates as of October 1, 2002. On July 1, 2003, two states (Kansas and Vermont) will raise their rates higher Than Illinois. This will change Illinois' ranking to 16th.
 Source: State Rankings: 2003

CHART 28: Expenditures for Elementary and Secondary Education as a Percent of All State and Local Government Expenditures in 2000

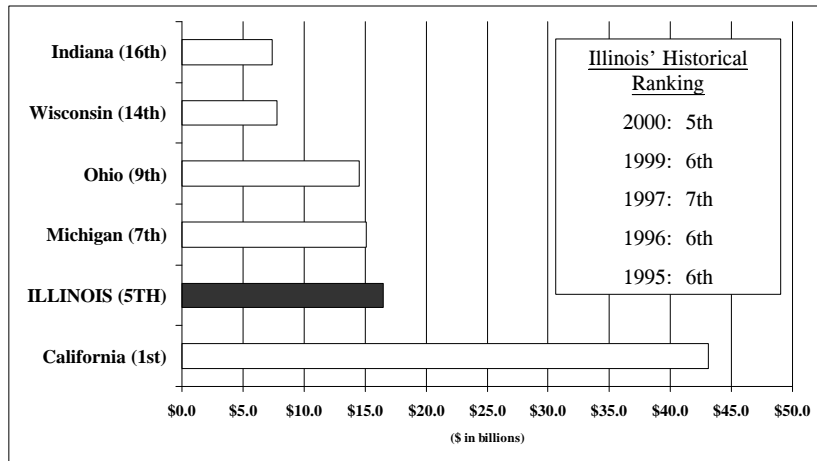
National Percent = 24.3%



Source: State Rankings: 2003

**CHART 29: State and Local Government Expenditures
for Elementary and Secondary Education in 2000**

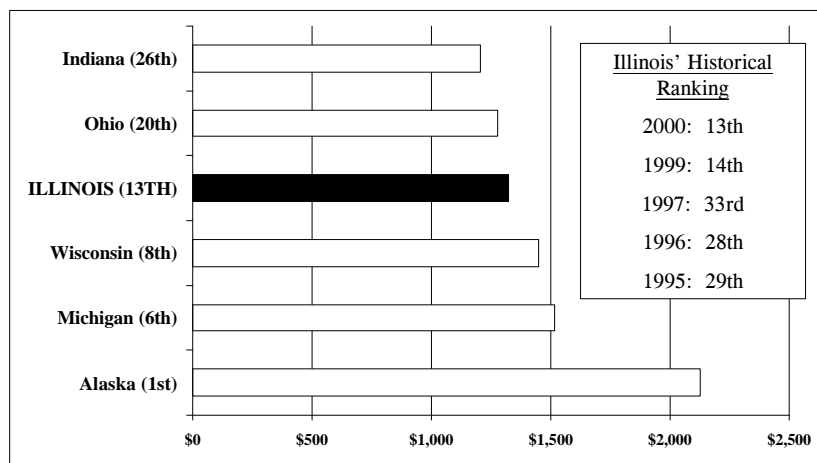
National Total = \$365.2 billion



Source: State Rankings: 2003

**CHART 30: Per Capita State and Local Government Expenditures
for Elementary and Secondary Education in 2000**

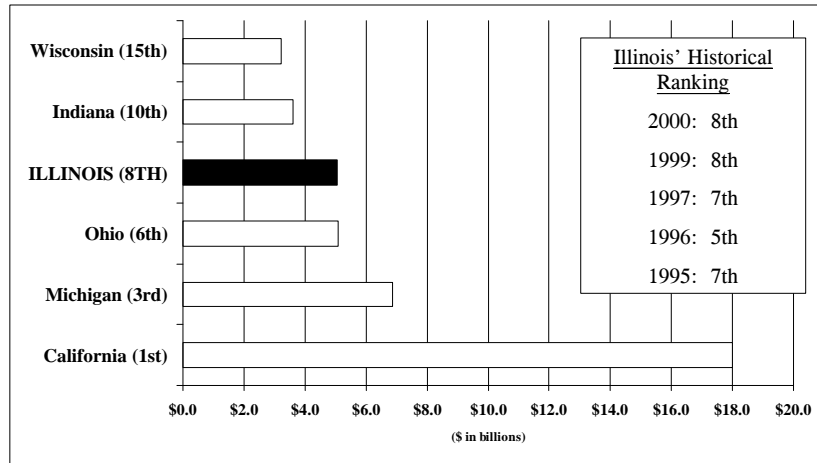
National Per Capita = \$1,294



Source: State Rankings: 2003

CHART 31: Higher Education Expenditures by State and Local Governments in 2000

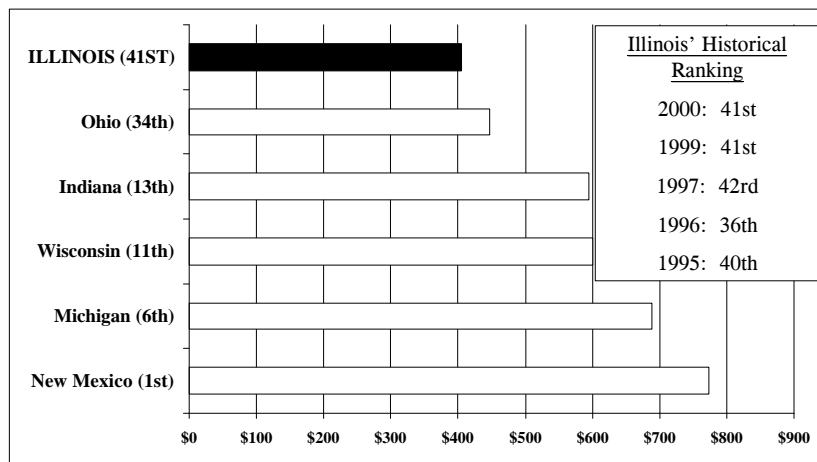
National Total = \$134.4 billion



Source: State Rankings: 2003

CHART 32: Per Capita State and Local Government Expenditures for Higher Education in 2000

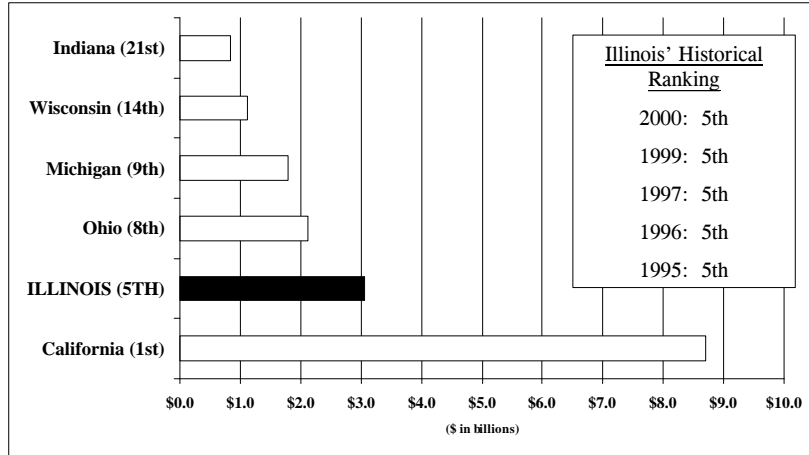
National Per Capita = \$476



Source: State Rankings: 2003

CHART 33: State and Local Government Expenditures for Police Protection in 2000

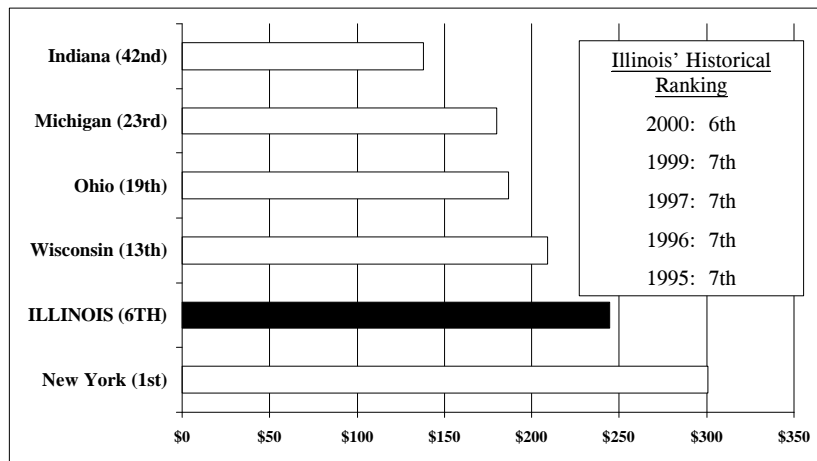
National Total = \$56.8 billion



Source: State Rankings: 2003

CHART 34: Per Capita State and Local Government Expenditures for Police Protection in 2000

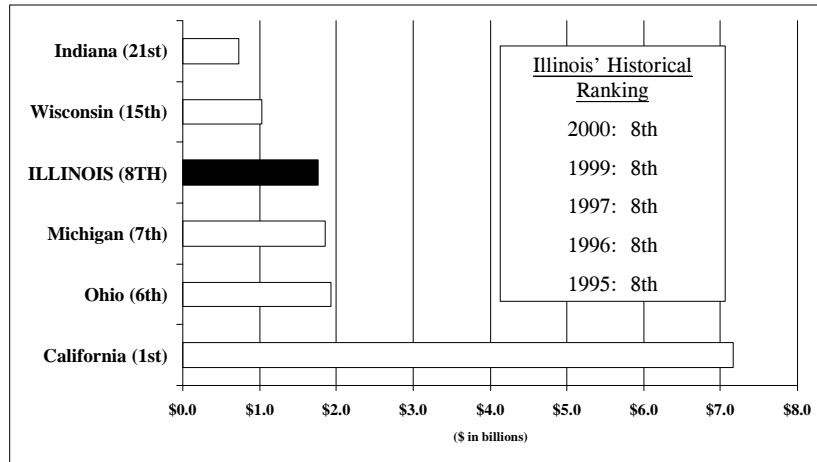
National Per Capita = \$201



Source: State Rankings: 2003

CHART 35: State and Local Government Expenditures for Corrections in 2000

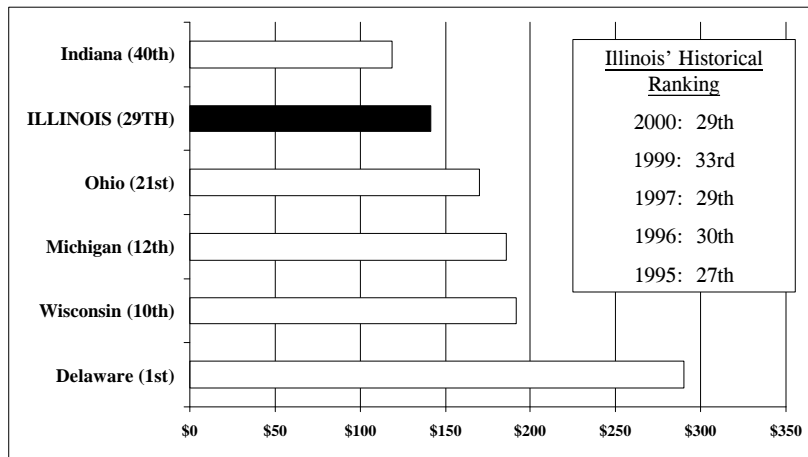
National Total = \$48.8 billion



Source: State Rankings: 2003

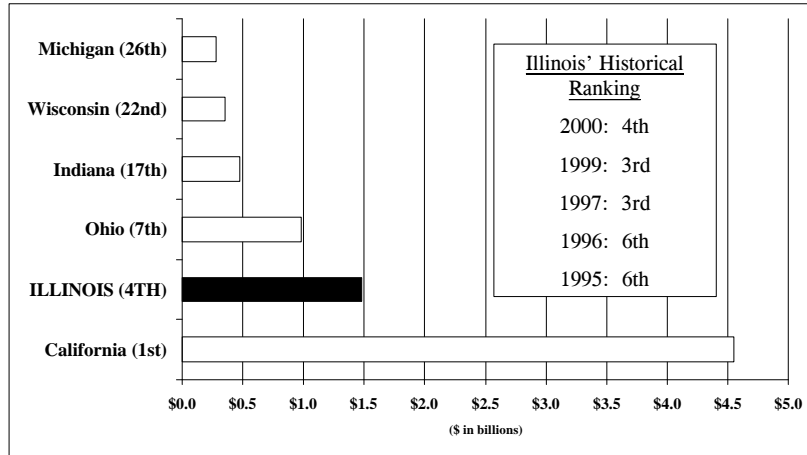
CHART 36: Per Capita State and Local Government Expenditures for Corrections in 2000

National Per Capita = \$173



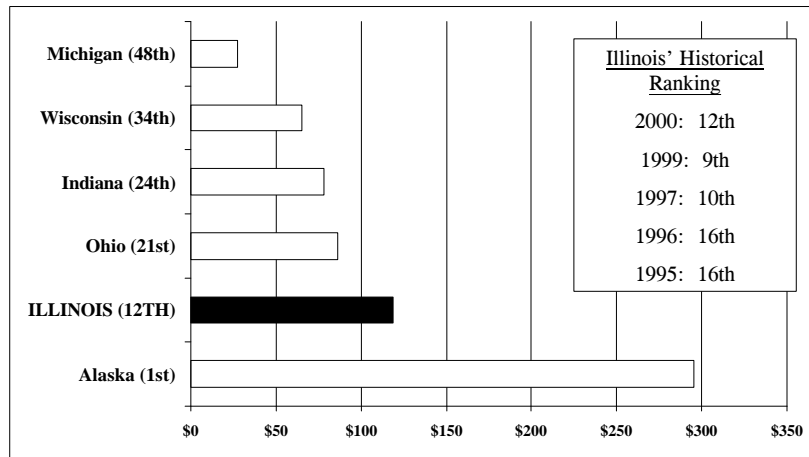
Source: State Rankings: 2003

CHART 37: State and Local Government Expenditures for Housing and Community Development in 2000
National Total = \$26.6 billion



Source: State Rankings: 2003

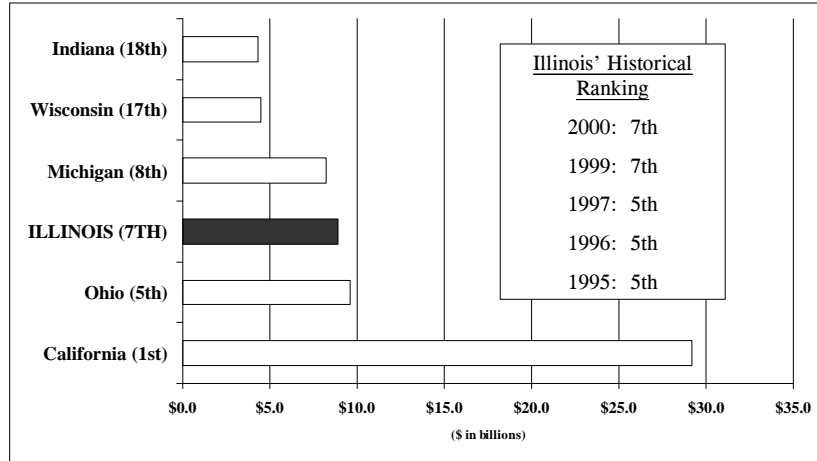
CHART 38: Per Capita State and Local Government Expenditures for Housing and Community Development in 2000
National Per Capita = \$94.21



Source: State Rankings: 2003

**CHART 39: State and Local Government Expenditures
for Public Welfare Programs in 2000**

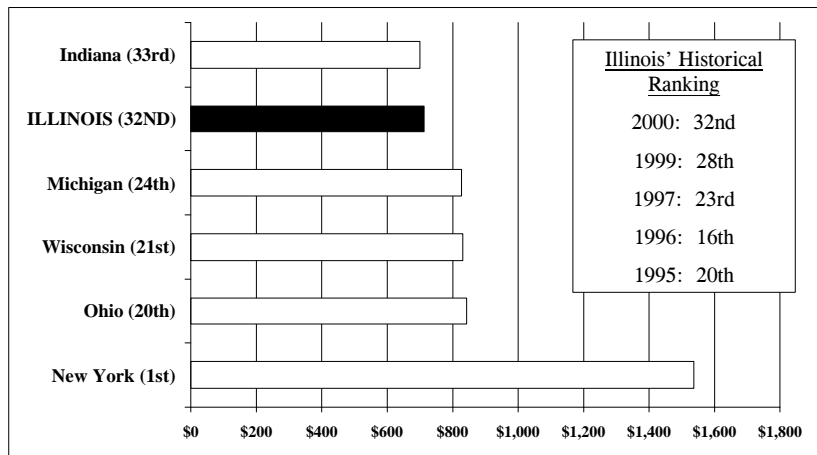
National Total = \$233.4 billion



Source: State Rankings: 2003

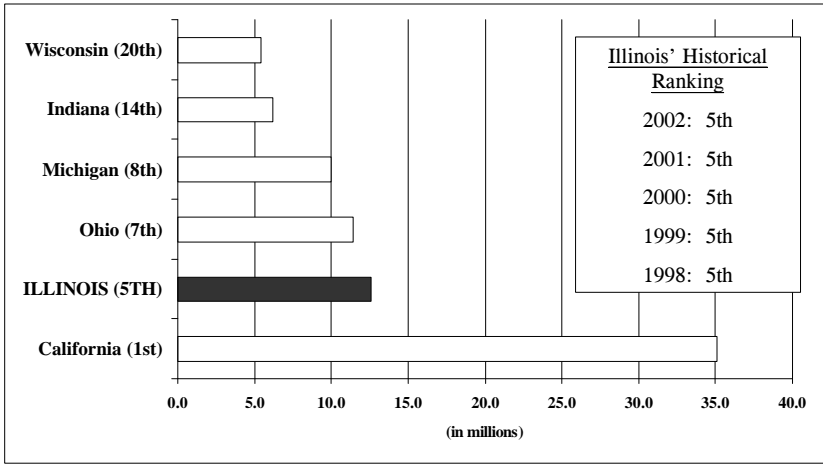
**CHART 40: Per Capita State and Local Government
Expenditures for Public Welfare Programs in 2000**

National Per Capita = \$827



Source: State Rankings: 2003

CHART 41: Population in 2002
 National Total = 288,368,698



Source: State Rankings: 2003

BACKGROUND

The Illinois Economic and Fiscal Commission, a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

- 1) Preparation of annual revenue estimates with periodic updates;
- 2) Analysis of the fiscal impact of revenue bills;
- 3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
- 4) Periodic assessment of capital facility plans; and
- 5) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes two primary reports. The "Revenue Estimate and Economic Outlook" describes and projects economic conditions and their impact on State revenues. "The Illinois Bond Watcher" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The Commission also periodically publishes special topic reports that have or could have an impact on the economic well being of Illinois.

These reports are available from:

Illinois Economic and Fiscal Commission
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

Reports can also be accessed from our Webpage:

http://www.legis.state.il.us/commission/ecfisc/ecfisc_home.html