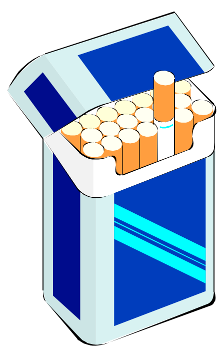
ILLINOIS ECONOMIC
and
FISCAL COMMISSION

Illinois Cigarette Tax And Tobacco Settlement



November 2002
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TABLE OF CONTENTS

ILLINOIS CIGARETTE TAX AND TOBACCO SETTLEMENT

EXECUTIVE SUMMARY

The State's cigarette tax is one of Illinois' significant sources of revenue. In FY 2002, $468.8 million was generated from this tax, $400 million of which was directed to the general funds. In June of 2002, Illinois lawmakers approved a 40-cent per pack increase in the cigarette tax. As a result, even more revenue will be generated from this revenue source in the years to come. By their nature, "sin" taxes have become the easy target for states throughout the country as a source for raising taxes. **Currently, Illinois is one of nineteen states that has raised taxes on cigarettes and tobacco products in 2002 as a means of closing gaps between revenues and expenditures.**

Many feel that the cigarette tax is the ideal taxing source because it not only creates additional revenues, but also improves the health of Americans as cigarette consumption usually declines in response to tax increases. However, there is some concern that high cigarette taxes will cause consumers to look elsewhere for their cigarettes, such as bordering states or the Internet. These relocated purchases result in lost revenue for the State. Others worry about the effect that cigarette tax increases have on low-income people. These and other related issues are discussed in this report.

The report also discusses the national tobacco settlement and the background behind this multi-state agreement. The report gives a summary of the amounts that have been received so far from the tobacco settlement as well the amounts that are estimated to be received in the future. This section also shows where the proceeds have been distributed and where the money has been appropriated in FY 2003. The report closes by discussing tobacco securitization bonds, which some states have turned to as a way to fill budget gaps. Highlights of the report are summarized below.

- In FY 2002, $468.8 million was collected from the State cigarette taxes. Of the total, $399.9 million went to general funds, $64.4 million to the Long-Term Care Provider Fund, $4.3 million to the Statewide Economic Development Fund, and $0.5 million went into the MFEA Reconstruction Fund.

- Beginning July 1, 2002, P.A. 92-0536 increased the State's cigarette tax from 58-cents per pack to 98-cents per pack. It is estimated that the change will increase cigarette tax revenue by approximately $230 million.

- Illinois collected the 5th highest amount of state government tobacco product sales tax revenue in the nation in 2000, based on total collections. On a per-capita basis, Illinois collected the 14th highest amount.

- Illinois is currently one of nineteen states that has raised taxes on cigarettes and tobacco products in 2002. The increases have ranged from 7-cents per pack in Tennessee to 75-cents per pack in Massachusetts.

- Illinois' tax rate of 98-cents per pack is higher than all other states bordering Illinois. Consequently, Illinois may lose a portion of their State revenues to these bordering states, as well as to businesses selling cigarettes over the Internet as consumers search for lower cigarette prices.

- A concern that some have with increasing the tax on cigarettes is that the additional tax burden falls heavily on low-income people. One report shows that 28.8 percent of people with family incomes below $15,000 and 27.2 percent of people with family incomes between $15,000 and $25,000 smoked, as contrasted with 17.2 percent of people with incomes above $50,000.

- The National Conference of State Legislatures reports that twelve states turned to tobacco settlement funds as a way to help resolve general fund shortfalls in FY 2002 budgets. In addition, sixteen states used tobacco settlement funds to reduce FY 2003 budget gaps.

- Illinois was originally projected to receive $9.1 billion from the Master Tobacco Settlement Agreement over the next 25 years. So far, the State has received $349.5 million in FY 2000, $268.0 million in FY 2001, and $312.3 million in FY 2002.

- The FY 2002 tobacco settlement payments were only 81% of what was originally expected. Several factors including cigarette consumption can alter the amounts that Illinois actually receives. If payments continue to come in at less-than-expected levels, the State will receive much less than the $9.1 billion that it was originally expected to receive.

- The Tobacco settlement money has been used to fund programs for the elderly, tobacco prevention control, medical research, venture-tech, and Medicaid drug programs. The funds also have been used to fund the earned-income tax credit.

- P.A. 92-0596 authorized $750 million in General Obligation Tobacco Securitization bonds to be issued in FY 2003. However, thus far, Governor Ryan has decided not to utilize this authority.

- Several states have securitized a portion of their tobacco settlement payments. These states include, Alabama, Alaska, Arkansas, Iowa, Louisiana, Missouri, New Jersey, North Dakota, Rhode Island, South Carolina, and Wisconsin.

__The State Cigarette Tax – Rate and Base__

The State of Illinois imposes a matching pair of taxes on cigarettes: the cigarette tax, and the cigarette use tax. The cigarette tax is imposed on the occupation of selling cigarettes at retail, while the cigarette use tax is imposed on the privilege of using cigarettes in Illinois. The cigarette tax has been collected since 1941. The cigarette use tax was first collected in 1985.

Retailers pay these cigarette taxes to the wholesale distributors. The distributors are responsible for remitting the cigarette tax to the State. A typical retailer recaptures cigarette taxes (paid to the distributor) by keeping the cigarette use tax charged to the consumer. Regardless of the method of taxation, the entire cigarette tax liability ultimately falls on the consumer. Licensed distributors prepay the cigarette tax through the purchase of stamps, which are affixed to each cigarette package.

Taxes on cigarettes were first imposed in 1941 at a rate of 2-cents per pack of 20. Rate changes since its enactment increased the tax to 9-cents per pack in 1967, 20 cents per pack in 1985, 44-cents per pack in 1993, 58 cents per pack in 1997, and to the current level of 98-cents per pack in July of 2002.

Table 1: History of Cigarette Tax Rates (in cents)

Year	Per Cigarette	Per Pack of 20	Year	Per Cigarette	Per Pack of 20
1941	.10	2	1969	.60	12
1947	.15	3	1985	1.0	20
1959	.20	4	1989	1.5	30
1960	.15	3	1993	2.2	44
1961	.20	4	1997	2.9	58
1965	.35	7	**2002**	**4.9**	**98**
1967	.45	9			

The federal government also taxes cigarettes at a rate of 39-cents per pack of 20 cigarettes. In addition, State law authorizes a municipal cigarette tax of 1-cent per package of 20, but it cannot be imposed by municipalities in which the State already collects a municipal home-rule retailers' occupation (sales) tax. Home-rule units can collect their own taxes on cigarettes. Chicago collects 16-cents per pack of 20. In addition, Cook County collects 18-cents, which is collected in both Chicago and the suburbs. With the new State tax increase, Chicago now pays a total of $1.71 in cigarette taxes per pack of 20 cigarettes.

There is a separate tax for tobacco products other than cigarettes at a rate of 18% of wholesale price. This includes products such as cigars, snuff, chewing tobaccos, and other forms of tobacco suitable for chewing or smoking.

Distribution

Revenue from the State cigarette taxes are distributed in the following manner:

1. \$9 million per month of the amount resulting from the increase enacted in 1985, to the Common School Fund.
2. All additional revenue from the increase of 14 cents per pack in 1997, to the Common School Fund (\$8.3 million).
3. \$4.8 million per year to the Statewide Economic Development Fund.
4. \$16 million to the General Revenue Fund.
5. Remainder:
    a. Any unpaid amounts required to be paid into the General Revenue Fund for past months;
    b. Beginning on April 1, 2003, from the moneys remaining, \$5 million per month to the School Infrastructure Fund;
    c. Any unpaid amounts required to be paid into the School Infrastructure Fund for past months;
    d. Any unpaid amounts to be paid into the Long-Term Care Provider Fund.

To simplify, the distribution of these cigarette taxes requires a total of \$33.3 million per month, or nearly \$400 million per year to be distributed into the State's general funds. The remainder then goes into the various other non-general funds mentioned previously.

In FY 2002, \$468.8 million were collected from the cigarette taxes. This money was deposited into the following funds:

General Revenue Fund:	\$259.4 million
Common School Fund:	\$140.2 million
Total General Funds:	\$399.6 million
Long-Term Care Provider Fund:	\$64.4 million
Statewide Economic Development Fund:	\$4.3 million
MFEA Reconstruction Fund*:	\$0.5 million
TOTAL:	\$468.8 million

* July 2001 was the last month that the Metropolitan Fair and Exposition Authority Reconstruction Fund received moneys from the cigarette tax. That money is now distributed to the Statewide Economic Development Fund.

Revenue Collections History

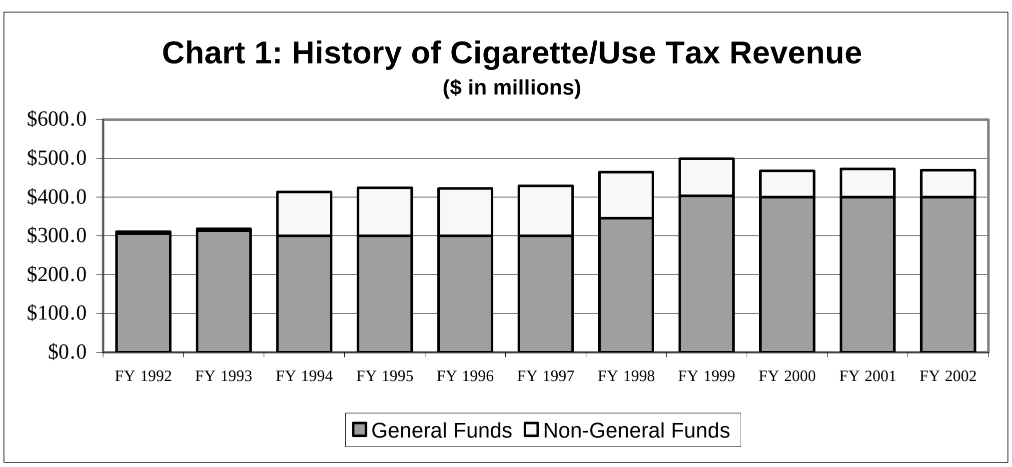
Revenue from the State's cigarette tax has experienced a significant amount of volatility over the last several years. Much of this volatility primarily is due to two separate increases in the tax rate. Between FY 1992 and FY 2002, total revenue from the cigarette tax has ranged from $310 million in FY 1992 to $499 million in FY 1999. Recently, however, cigarette tax revenues have fallen to $469 million in FY 2002. A decline in consumption levels is primarily the reason for this decrease. Due to the recent 40-cent increase in the cigarette tax that took effect on July 1, 2002, an increase of nearly 50% is expected for FY 2003.

Table 2: Cigarette Tax Revenue (All-Appropriated) Annual Percentage Changes

Fiscal Year	Revenue	% Change	Fiscal Year	Revenue	% Change
1992	$310	-2.8%	1998	$464	8.4%
1993	$318	2.6%	1999	$499	7.5%
1994	$417	31.1%	2000	$467	-6.4%
1995	$424	1.7%	2001	$473	1.3%
1996	$422	-0.5%	2002	$469	-0.8%
1997	$428	1.4%			

Source: State Comptroller's Illinois Traditional Budgetary Financial Report 1992-2001, 2002 unofficial Comptroller figures

The amount of cigarette tax revenue deposited into the general funds reached its current monthly level on January 1, 1998, when the amount changed from $25 million to $33.3 million per month, or nearly $400 million per year. The tax increase that took effect on July 1, 2002, does not change this amount. A chart displaying the revenue history of the general and non-general funds of the State's cigarette tax is shown below.



An Overview of P.A. 92-0536

On June 7, 2002, Governor Ryan signed HB 0539 into law creating P.A. 92-0536. The public act amended both the Cigarette Tax Act and the Cigarette Use Tax Act by imposing an additional tax of 2-cents per cigarette sold upon both retailers and users of cigarettes. This is equivalent to a tax increase of 40-cents per pack. The tax increase became effective on July 1, 2002. In addition, beginning April 1, 2003, the public act directed $5 million per month of the additional tax revenue to be distributed to the School Infrastructure Fund, with any additional monies paid into the Long Term Care Provider Fund.

P.A. 92-0536 also provided that distributors were not required to pay the additional 40-cent tax on stamped packages of cigarettes in their possession as of July 1, 2002. It also allowed licensed distributors, for the period June 7 through June 30, 2002, to purchase stamps up to an amount equal to 115% of their average cigarette stamp purchases over the 12 months prior to the Act's effective date of July 1st. In addition, P.A. 92-0536 modified provisions relating to the real estate transfer tax.

It is a somewhat difficult task to determine the fiscal impact that raising the cigarette tax will have on State revenues. This is because a 69% increase in the tax on a pack of cigarettes would likely alter consumption habits. Some people would likely smoke less, and/or would try to buy their cigarettes in bordering states with lower tax rates. However, the extent to which consumption levels would decrease is not certain. The Commission is estimating an approximate 15% decrease in consumption levels during the first year of the tax increase. As a result, the 40-cent tax increase is expected to generate $230 million in additional State revenue.

A complicating factor in estimating the potential increase in cigarette revenues is anticipating the effect that the tax increase will have on the normal purchasing patterns of cigarette retailers. For example, preliminary data suggest that some cigarette sellers may have stockpiled supplies in anticipation of the July 2002 tax increase. According to the economic consulting firm of Orzechowski and Walker, the number of taxed packages of cigarettes in Illinois increased 81% between June 2001 and June 2002 (See Table 3). As a result, approximately 65 million more packs were sold in that month than normal. By purchasing these cigarettes before the 40-cent tax increase took effect, retailers avoided approximately $26 million in State taxes.

Illinois was not the only state to experience a large increase of taxed cigarette packages for the month of June. Louisiana's June purchases went up nearly 102%. Not surprisingly, they are one of nineteen states that have increased their cigarette tax for FY 2003. Michigan, New Jersey, and Rhode Island also experienced at least a 20% increase in June cigarette packs taxed. All three are imposing cigarette tax increases in FY 2003.

Because of the June stockpiling, cigarette tax revenue in Illinois experienced a 136% annual increase in July 2002. (Receipts lag the sale by approximately one month). Therefore, the July increase was likely due to increased sales, as opposed to the increased tax rate.

The high volume of cigarettes purchased in June is expected to cause July and August purchasing figures to decline considerably. Although consumption data are not yet available for these months, recent tax receipts show that August and September cigarette receipts have slowed dramatically. It likely will be the second quarter of FY 2003 before normal purchasing patterns develop. Once this occurs, normal receipting trends will materialize that will allow the Commission to formalize a more accurate estimation of the effect that the 40-cent increase will have on State revenues, not only in FY 2003 but in future fiscal years as well.

Table 3: ILLINOIS CIGARETTE SALES FY 2001 and FY 2002

FY 2001

	Packages Taxed	Cumulative Total	Annual % Chg.	Cum. % Chg.
July	67,858,000	67,858,000	-7.92%	-7.92%
August	81,722,000	149,580,000	5.13%	-1.22%
September	64,639,000	214,219,000	-16.11%	-6.24%
October	69,796,000	284,015,000	10.16%	-2.68%
November	71,581,000	355,596,000	-3.78%	-2.90%
December	62,183,000	417,779,000	-6.87%	-3.52%
January	68,082,000	485,861,000	9.11%	-1.93%
February	59,110,000	544,971,000	-2.99%	-2.04%
March	66,427,000	611,398,000	-10.59%	-3.05%
April	63,984,000	675,382,000	3.18%	-2.49%
May	80,186,000	755,568,000	9.38%	-1.36%
June	78,333,000	833,901,000	1.73%	-1.07%

FY 2002

	Packages Taxed	Cumulative Total	Annual % Chg.	Cum. % Chg.
July	68,559,000	68,559,000	1.03%	1.03%
August	76,134,000	144,693,000	-6.84%	-3.27%
September	65,134,000	209,827,000	0.77%	-2.05%
October	70,383,000	280,210,000	0.84%	-1.34%
November	63,850,000	344,060,000	-10.80%	-3.24%
December	61,999,000	406,059,000	-0.30%	-2.81%
January	72,852,000	478,911,000	7.01%	-1.43%
February	57,458,000	536,369,000	-2.79%	-1.58%
March	59,276,000	595,645,000	-10.77%	-2.58%
April	68,337,000	663,982,000	6.80%	-1.69%
May	78,732,000	742,714,000	-1.81%	-1.70%
June	**141,660,000**	**884,374,000**	**80.84%**	**6.05%**

Source: Orzechowski and Walker

How Illinois Compares to Other States

Even before Illinois' recent 40-cent tax increase on cigarettes, Illinois was one of the higher tobacco-taxing states in the country. According to *State Rankings 2002*, Illinois collected the 5th highest amount of state government tobacco product sales tax revenue in the nation in 2000, based on total collections. Only California, New York, Michigan, and Texas collected more. On a per-capita basis, Illinois collected the 14th highest amount of tobacco product sales taxes in the country at $37.58 per capita. This is higher than the national per-capita rate of $29.76. The following two charts show how Illinois' ranking in these two categories compared to the top ranked state, as well as other states in the Great Lakes Region.

Chart 2: State Government Tobacco Product Sales Tax Revenue in 2000

National Total = $8.4 billion

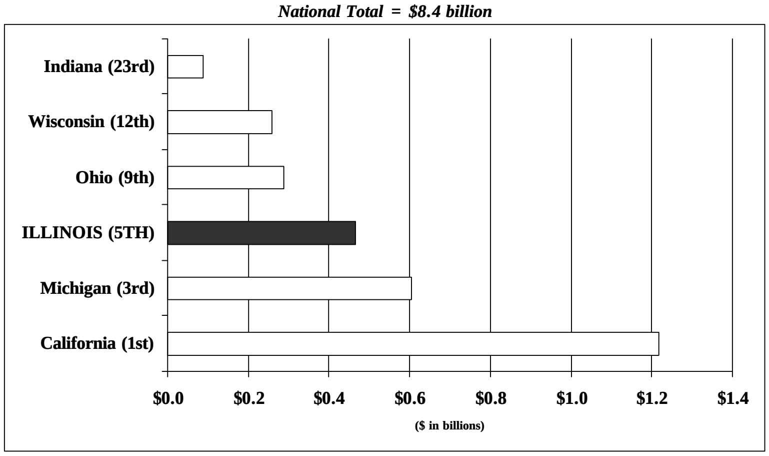
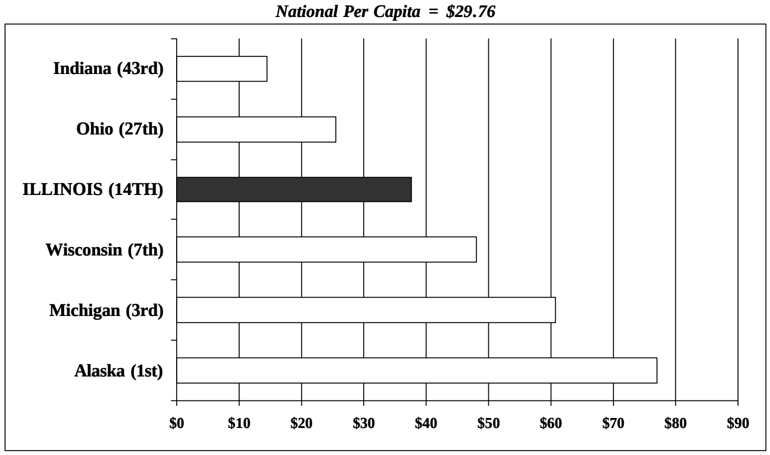


Chart 3: Per Capita State Government Tobacco Sales Tax Revenue in 2000

National Per Capita = $29.76



Source: State Rankings: 2002

In 2002, Illinois was not the only state to raise the cigarette tax to increase revenues. Nineteen states raised taxes on cigarettes and tobacco products for a total of $2.9 billion. Two other states, Arizona and Missouri, are voting on whether to raise their cigarette taxes as well. According to the National Conference of State Legislators (NCSL), the increases have ranged from 7 cents per pack in Tennessee to 75 cents per pack in Massachusetts. A list of the states that have increased their cigarette taxes are provided below. Included in this list is the expected revenue generated from this tax change, the resulting new tax rate, and the dedicated purpose of the new revenues.

Table 4: State Cigarette Tax Increases in 2002

2002 STATE CIGARETTE TAX INCREASES				
STATE	**INCREASE (in cents)**	**EXPECTED NEW REVENUE for FY 2003 (in millions)**	**TOTAL TAX (in dollars)**	**DEDICATED PURPOSE (if any)**
Connecticut	61	$ 129.0	$1.10	General Fund
Hawaii *	20	$ 7.0 *	$1.20	Tobacco-use Prevention
Illinois	**40**	**$ 230.0**	**$0.98**	**School Infrastructure, health**
Indiana	40	$ 268.2	$0.55	GF, mental health, pension
Kansas **	46	$ 81.6	$0.70	General Fund
Louisiana	12	$ 27.4	$0.36	Tobacco prevention, health, ag
Maryland	34	$ 81.9	$1.00	Education
Massachusetts	75	$ 190.0	$1.51	General Fund
Michigan	50	$ 291.7	$1.25	General Fund, Health
Nebraska	30	$ 22.8****	$0.64	Capital Construction
New Jersey	70	$ 275.0	$1.50	Health, Tobacco Prevention
New York	39	$ 237.0	$1.50	Health Care Resources Act
Ohio	31	$ 283.2	$0.55	General Fund
Oregon	60	$ 113.9******	$0.60	Health and General Fund
Pennsylvania	69	$ 559.0	$1.00	General Fund*****
Rhode Island ***	31	$ 23.5	$1.31	General Fund
Tennessee	07	$ 32.8	$0.20	General Fund
Utah	18	$ 12.0	$0.695	Tobacco Prevention, Research
Vermont	49	$ 20.6	$0.93	Health
TOTAL		**$2,773.7**		

***Hawaii**'s cigarette tax increases by 20 cents this year. It will go up by 30 cents next June. On June 30, 2004, it again will increase by 40 cents. Hawaii's tax increase goes into effect October 1, 2002. The full year revenue is expected to be $15.5 million

** **Kansas**' cigarette tax increases by 46 cents this year. It goes up by an additional 9 cents next January.

*** **Rhode Island**'s cigarette tax increases by 31 cents this year. It will go up by 19 cents next July. Starting July 2004, the cigarette tax will rise 10 cents every year until 2008.

****Nebraska's cigarette tax increase goes into effect October 1, 2002. Anticipated revenue for a full year, FY2004 is $31.4 million

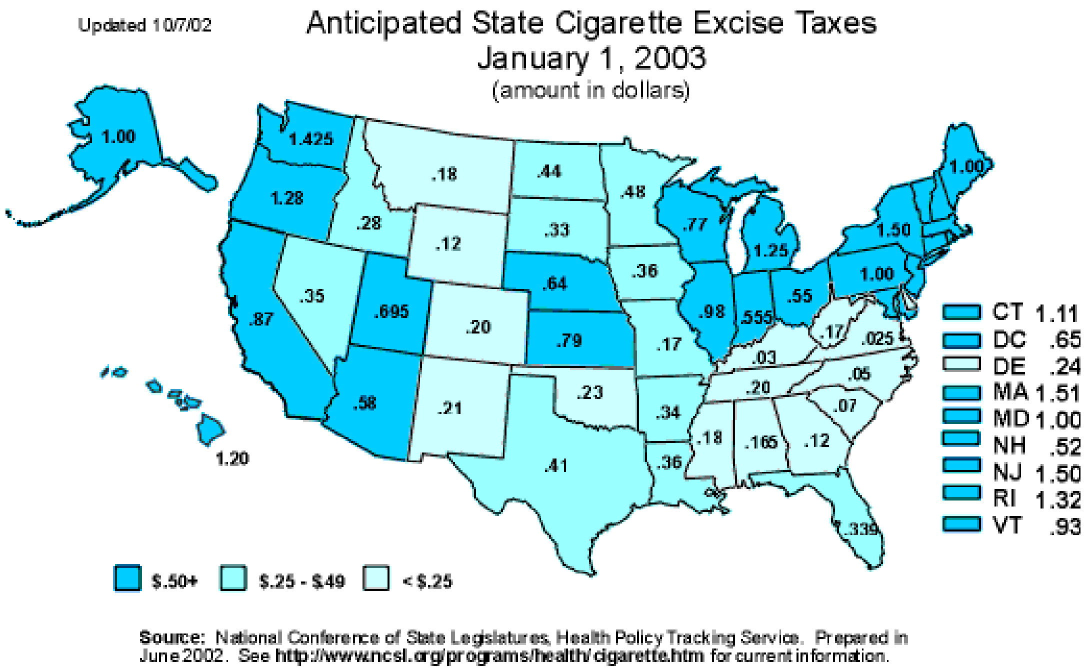
*****Pennsylvania has a set aside of $20.5 million for agricultural research and $30.7 million for child health.

******$65 million is slated for OHP in FY 2003.

SOURCE: Health Policy Tracking Service, National Conference of State Legislatures, September 18, 2002.

These tax increases were used throughout the country as a means of reducing the budget gaps that states are currently experiencing. NCSL reported that, "In April 2002, 43 states reported budget gaps – the total of lower-than-expected revenues plus spending overruns – with the aggregate amount reaching $27.3 billion. By June 30, the end of FY 2002 for 46 states, the gap had grown to $36.1 billion." They also reported that after seven years of net tax cuts, states raised taxes in 2002. They state, "All major tax categories show a net increase in 2002. Cigarette and tobacco tax growth of $2.9 billion accounts for the largest share of the total increase."

As shown previously, Indiana also raised their cigarette tax in 2002 by 40-cents. However, Indiana still remains nearly 43-cents lower than Illinois. In fact, Illinois' new tax rate is higher than all other states bordering Illinois. Only Michigan has a higher rate in the Midwest region. Because Illinois taxes cigarettes at a higher rate than the bordering states, Illinois will risk losing revenue to states on border locations that sell their cigarettes at a much lower rate. Kentucky's cigarette tax is only at 3-cents per pack. States like Kentucky, where most of the tobacco products are produced, tend to have significantly lower cigarette tax rates to provide support for their domestic employer. A map of all states and their anticipated cigarette tax rates on January 1, 2003 is provided below.



Some states not only have to worry about bordering states when competing for cigarette tax revenue, but also from Indian reservations. Indian reservations are known for their cheaper cigarettes because state and federal taxes do not apply to them. Cigarette consumers residing in close proximity to these reservations realize a big savings to them by purchasing their cigarettes in these locations. For example, a carton of 10 packs of cigarettes in the state of Washington purchased at a reservation would save the consumer $14.20 in state taxes alone. To combat this difference, according to a report from *State Legislatures*, Washington passed a law that allows Indian tribes to charge an excise tax and retain the revenue, "but it must be used for essential government services including tribal administration, public facilities, fire, police, public health, environmental and land use."

Although Illinois does not necessarily have to compete with Indian reservations for cigarette revenue, they do have to contend with the Internet. Revenues to the State are being lost due to the lack of an effective way to collect cigarette taxes on purchases made over the Internet. Under current law, it is not required that a seller who does not have a physical presence in a state collect the taxes because it is considered an undue burden on the seller. The taxpayer is required to honestly pay the taxes on what has been purchased by reporting it on his/her tax returns because this tax liability remains whether collected by the seller or not. However, only a small portion of taxpayers file for these taxes on their tax return, which leaves a large portion of these taxes uncollected.

Local merchants often complain that they are at a disadvantage against their Internet competitors because they have to sell cigarettes at much higher prices. However, because the Internet is an entity that is largely self-regulated, states seldom have the expertise or the will to get involved. Some states, though, are trying different methods of collecting the "lost" tax revenue. California and the state of Washington, according to a msnbc.com report, "are using an obscure law to get cigarettes (Internet) sites to hand over the names and addresses of customers, who are then dunned for excise and use taxes." They also report that Wisconsin has set up sting operations against some retailers, while New York created a law that effectively outlaws Internet sales of cigarettes to individuals. Although there is fear that Internet taxation will cause bootlegging to increase, steps to create equal taxation will help smaller businesses stay competitive, while also creating more revenue for the State.

The Illinois Department of Revenue has indicated that it will step up enforcement of out-of-state cigarette purchases being brought back into Illinois. By law, anyone possessing between 10 and 99 packs of cigarettes that are improperly tax stamped is liable for a penalty of $10 for each such package unless reasonable cause can be established. Those possessing 100 or more improperly tax stamped packs are liable for a penalty of $15 per cigarette package.

Problems Associated with Cigarette Tax Increases

Cigarettes have become the easy target for states throughout the country as a source for raising revenues. The reason state governments are willing to tax cigarettes and not so quick to raise other taxes is because, in general, people do not mind cigarette hikes. The general public views smoking as bad for health and, therefore, finds it reasonable for governments to tax this type of bad behavior. One California legislator was quoted in Governing.com as saying, "Either people quit smoking, which is good for everyone, or their habits help us balance their budget."

The same article in Governing.com summarizes this attitude with the following:

> *There are exactly two arguments for taxing tobacco and alcohol. One is that it brings in lots of money. The other is that it can discourage people from using them. There are times when so-called "sin taxes" are treated mostly as a fiscal proposition, other times when they are portrayed largely in moral terms.*
>
> *Then there are moments, perhaps including the present, when the two arguments seem to converge. In fact, however, the arguments are not entirely compatible. If a government's main goal is to make money off of tobacco and alcohol, it needs to have people drink and smoke more, not less.*

This leads to one concern with using cigarettes as a source to increase revenue. Cigarette consumption has been on a downward trend lately. In fact, the Center on Budget and Policy Priorities (CBPP) reports that the Agriculture Department forecasts "cigarette consumption will decline by between 1.5 percent and 2.5 percent a year between 2001 and 2005." Revenues that do not grow adequately develop what is sometimes known as "structural deficits". The CBPP writes, "If a state has a structural deficit, it cannot support the normal year-to-year growth in its expenditures and thus must either reduce spending or raise tax rates in most years – even when the economy is healthy and not in recession."

If cigarette consumption continues to decline, the new revenues received by a state from a tax increase will likely be at its highest level in the first full year of the new rate, unless future tax hikes are implemented. It is estimated that Illinois could receive an additional $230 million from its 40-cent tax increase on cigarettes. The School Infrastructure Fund will benefit from $5 million per month or $60 million per year from this increase. However, the remaining $170 million in cigarette tax revenue that will be deposited into the Long-Term Care Provider Fund, will likely decrease from year to year as long as consumption continues on its downward trend.

Another concern that some have with increasing the tax on cigarettes is that the additional tax burden falls heavily on low-income people. This is because lower-income segments of the population have a tendency to smoke in greater proportion than higher-income people. The CBPP reports that one study shows that, "28.8 percent of people with family incomes below $15,000 and 27.2 percent of people with family incomes between $15,000 and $25,000 smoked, as contrasted with 17.2 percent of people with incomes above $50,000."

The same article also pointed out that cigarette taxes are regressive, in that they represent a greater proportion of the income of poorer households than they do of wealthier households. The article states, "expenditures on cigarettes amount to 3.2 percent of the income of people in the bottom fourth of the income distribution, but only 0.4 percent of the income of people in the top fourth. Thus, increases in cigarette taxes particularly burden the poor." The article does point out, however, that increases in cigarette tax rates are more likely to cause lower-income people to quit smoking or reduce cigarette consumption than those at higher incomes.

Many feel that because low-income people are particularly affected by a cigarette tax increase, some type of tax relief should be created that targets the poor to help offset some of this tax burden. Some offsetting tax relief recommendations given by the CBPP include instituting or increasing a state Earned Income Tax Credit, a state sales tax credit, or a property tax/rent credit for low income families. When Kansas raised its cigarette tax rate 46-cents effective July 1, 2002, it, at the same time, increased by 50 percent the amount of state Earned Income Tax Credit (EITC) for which its qualified low-income residents are eligible, and also increased the sales tax rebate it gives to residents with incomes up to $25,000. Indiana also enacted a state EITC and increased the deduction available to renters to assist in offsetting the impact that their recent cigarette and sales tax increases will have on their low-income population. (*It should be noted that Illinois' Earned Income Tax Credit is set to sunset at the end of this year*).

Tobacco Settlement Issues

During the close of FY 2002 and start of FY 2003, states throughout the country were looking for ways to cut spending or tapping other funds to augment their general funds. According to the National Conference of State Legislatures (NCSL), ways in which this was accomplished included implementing targeted or across-the-board budget cuts, accessing a variety of state funds, utilizing rainy day funds, and/or the use of tobacco settlement funds.

NCSL reports that twelve states turned to tobacco settlement funds as a way to help resolve general fund shortfalls in their FY 2002 budgets. For example, Alabama tapped its fund for $30 million for Medicaid, while Missouri used $139.2 million to offset its shortfall. In addition, sixteen states used tobacco settlement funds to shorten FY 2003 budget gaps. The states included Pennsylvania, which transferred $198.5 million from the Tobacco Fund to supplant general fund dollars used for medical assistance long-term care, and New Jersey, which securitized its settlement money to generate more than $1 billion. There were discussions that Illinois might utilize their tobacco settlement funds to assist in shortening their budget gaps, but thus far other methods have been used.

During the time of Illinois' budget discussions, there were questions on what exactly the State's tobacco settlement funds were earmarked for. Other questions involved the use of Illinois tobacco settlement securitization bonds. The following section provides an overview of the issues surrounding the tobacco settlement and discusses where the settlement money is currently allocated. *For a more detailed description of the Tobacco Settlement, see the Commission's report, "Tobacco Settlement Update," which can be found at www.legis.state.il.us/commission/ecfisc/ecfisc_home.html.*

<u>What is the Tobacco Settlement?</u>

In November of 1998, 46 states, including Illinois, along with the District of Columbia, and six territories entered into an agreement with the four largest cigarette manufacturers to recoup health care costs attributed to smoking-related illnesses. This Master Tobacco Settlement Agreement provided states with settlement payments totaling more than $200 billion over the next 25 years. In exchange, the states agreed to drop their lawsuits against the manufacturers.

The Master Settlement specified certain amounts that would be paid to the states each year. The actual payment amount is adjusted annually and is based on three factors: inflation, the number of cigarettes sold, and the gain in market share by cigarette manufacturers that are not participating in the agreement. Before receiving these payments, states had to achieve State Specific Finality, which occurred when each state court gave final approval to that state's settlement and consent decree.

Tobacco Settlement Receipts

Illinois achieved State Specific Finality on January 26, 1999. On June 30, 1999, SB 1183 was signed into law (P.A. 91-0041), enacting the model statute. After waiting for a requisite number of states to achieve State Specific Finality, payments were made available to the states. Illinois received its first payment of $115.2 million (the 1998 initial payment) in December 1999. Since then, the State has received a total of $349.5 million in FY 2000, $268.0 million in FY 2001, and $312.3 million in FY 2002. A list of these payments is provided in Table 5.

Table 5 also compares scheduled (unadjusted) payments to those actually received by the State of Illinois from the Master Tobacco Settlement. Initial payments are scheduled to arrive January 10 of each year (through 2003); annual payments are expected April 15 of each year through 2025. As mentioned previously, all payments scheduled by the Master Tobacco Settlement Agreement are subject to adjustments that may increase or decrease the payments to each state. Adjustments are applied to each initial and annual payment before a state receives a payment.

Table 5: TOBACCO SETTLEMENT PAYMENTS TO ILLINOIS: ACTUAL

Payment Type	Unadjusted Payment Scheduled	Actual Payment Received	Percentage Received
Initial (12/99)		$115,257,885	
Initial (1/00)		$100,096,102	
Annual (4/00)		$134,149,269	
Other Payments		$11,270	
FY 2000 TOTAL	**$410,120,628**	**$349,514,526**	**85%**
Initial (1/01)		$96,337,238	
Annual (4/01)		$171,299,717	
Other Payments		$360,498	
FY 2001 TOTAL	**$322,244,252**	**$267,997,453**	**83%**
Initial (12/01)		$84,911,588	
Annual (4/02)		$225,249,007	
Other Payments		$2,115,716	
FY 2002 TOTAL	**$386,921,291**	**$312,276,311**	**81%**

The payment amounts listed in the above table are base payment amounts, reduced only by the previously settled states' reduction. Based on Illinois' MTSA payments thus far, the actual proceeds received have been less than what was scheduled. It was originally thought that Illinois might receive higher-than-expected payments. Although this may still occur, it appears more likely that proceeds will continue to come in at lower-than-expected payment levels, largely due to a decrease in cigarette consumption, which is one of the contributing factors in deciding the actual payment sent to the states. As more states impose cigarette tax hikes, consumption levels will likely continue to fall, which may further reduce MTSA payments in the future.

Illinois was originally scheduled to receive over $9.1 billion from the Master Tobacco Settlement Agreement through 2025. If payments continue to come in at less-than-expected levels, the State will receive much less than this amount. The following table provides a list of the payment amounts that the State was originally expected to receive, along with a list of payments that Illinois would receive if it stayed at its current level of 81%.

Table 6: TOBACCO SETTLEMENT PAYMENTS TO ILLINOIS
($ in millions)

YEAR	Original Projected Annual Payment	Estimated Payments at Current Rate of 81%
2000	$410.1*	$349.5 (actual)
2001	$322.2*	$268.0 (actual)
2002	$386.9*	$312.3 (actual)
2003	$390.6*	*$316.4*
2004-2007	$326.0	*$264.1*
2008-2017	$332.5	*$269.3*
2018-2025	$372.5	*$301.7*
TOTAL	**$9,118.5**	***$7,409.5***

Illinois will receive a base annual payment of $372.5 M for perpetuity

*Year 2000 annual payment of $410.1 M includes 1998 initial payment of $111.7 M. 2001-2003 also include initial payments

Under the original agreement, Illinois is set to receive the fifth largest payout from the MTSA, after California, New York, Pennsylvania, and Ohio, respectively. The amounts listed in Table 7 are the estimated annual payments to the ten highest payment totals among the participating states. Again, each state's payments may be reduced or augmented by the aforementioned payment adjustments.

Table 7: Annual Payments to Each State through 2025
10 Highest States

California	$25,006,972,511
New York	25,003,202,243
Pennsylvania	11,259,169,603
Ohio	9,869,422,449
Illinois	**9,118,539,559**
Michigan	8,526,278,034
Massachusetts	7,913,114,213
New Jersey	7,576,167,918
Georgia	4,808,740,669
Tennessee	4,782,168,127

Tobacco Settlement Distribution

After the tobacco settlement money is received, it is then distributed to various departments throughout the State, which in turn, fund a wide range of areas. Programs that have benefited from this funding include the elderly, tobacco prevention/control, medical research, venture-tech, and Medicaid drug programs. The funds have also been used to finance the earned income tax credit. A list of where the tobacco settlement money has been distributed between FY 2000 and FY 2002 is provided in Table 8. A list of the FY 2003 appropriations from the Tobacco Settlement Recovery Fund is provided in Table 9.

Table 8: Tobacco Settlement Receipts and Distribution

$ in millions

	FY 2000	FY 2001	FY 2002
BEGINNING BALANCE	**$0.0**	**$355.1**	**$230.5**
TOTAL RECEIPTS*	**$355.1**	**$276.6**	**$393.8**
DISTRIBUTION			
Aging		$1.6	$1.0
Attorney General		0.4	0.8
Board of Higher Ed		2.5	4.0
Capital Development Board		2.6	17.9
Commerce and Community Affairs		2.4	6.6
Comptroller		0.7	0.0
Court of Claims		0.0	0.0
Human Services		1.1	2.2
Liquor Control Commission		1.1	1.1
Public Health		18.4	53.8
Public Aid		11.8	13.8
Revenue		34.2	136.7
State Board of Education		9.6	0.0
Statutory Transfers		315.0	340.0
ENDING BALANCE	**$355.1**	**$230.5**	**$46.4**

* Total receipts include tobacco settlement proceeds, as well as transfers, investment income, etc.

Table 9: Tobacco Settlement Recovery Fund
FY 2003 Appropriations

Senior Help-Line	$2,000.0
Circuit Breaker/ Pharm. Assistance	$138,500.0
Senior Care (1/2 of funding is federal funds)	$166,000.0
TOTAL PROGRAMS FOR ELDERLY	**$306,500.0**
Local Health Departments	$5,000.0
MSA Enforcement	$800.0
School-based Health Centers	$2,250.0
Smoking Prevention/Enforcement	$1,150.0
Tobacco Use Prevention	$7,000.0
TOTAL TOBACCO PREVENTION/CONTROL	**$16,200.0**
Adademic Excellence	$13,800.0
FQHC Rural Health Centers Expansion	$3,000.0
Peoria Oncology	$0.0
Sicle Cell Research	$1,900.0
U of C - Juvenile Diabetes	$2,200.0
TOTAL MEDICAL RESEARCH	**$20,900.0**
Fermi National Accelerator Lab	$2,500.0
Illinois Technology Enterprise Corporation	$1,500.0
U of I Technology Transfer	$1,000.0
U of I Veterinary Research Grant	$2,000.0
VOCAL VENTURETECH	**$7,000.0**
Medicaid Drugs (1/2 of funding is federal funds)	$54,652.9
TOTAL OTHER	**$54,652.9**
TOTAL APPROPRIATIONS	**$405,252.9**
Transfers	
Earned Income Tax Credit	$35,000.0
TOTAL TRANSFERS	**$35,000.0**

Source: Bureau of the Budget

Securitizing Tobacco Settlement Funds

Due to the struggling economy, state governments throughout the country are experiencing significant budget shortfalls. This has left states searching for ways to augment their general funds. Many states have turned to tobacco settlement securitization as a way of obtaining immediate funds to reduce their budget gaps. Illinois is one of several states that have enacted legislation allowing them to utilize these tobacco settlement payments to improve their state's cash flow. Although Illinois thus far has decided not to use the $750 million in General Obligation Tobacco Securitization Bonds that have been authorized, it statutorily has until the end of FY 2003 to do so.

The tobacco settlement bonds that Illinois lawmakers have authorized are not structured the same as other tobacco securitization bond deals entered into by other states. The main difference between the two is that Illinois would not actually be securitizing their tobacco settlement payments and pushing the risk off onto another entity and bond buyers. Instead, Illinois would be using their tobacco settlement payments as a dedicated revenue stream for General Obligation bonds. As a result, Illinois would benefit by receiving the full amount of the bond sale proceeds. However, by relying on these tobacco settlement payments as a source of revenue, Illinois assumes the risk that the tobacco companies may be unable to make these tobacco settlement payments in the future.

As described above, there are different ways that tobacco settlement proceeds can be bonded. The following section provides an overview of Illinois' tobacco settlement "securitization" plan and the securitization methods that other states have used. Each portion will be accompanied by a detailed look at the added costs associated with using these different methods of financing.

Illinois General Obligation Tobacco Securitization Bonds

During the budget process of FY 2002, there were many discussions of Illinois utilizing its tobacco settlement funds to assist in reducing the State's budget gap. In order for this to occur, the State had to create legislation that would allow portions of the tobacco settlement funds to be securitized and/or bonded. This legislation came in the form of Public Act 92-0596, which was enacted in July of 2002.

Public Act 92-0596 authorized $750 million in General Obligation Tobacco Securitization bonds to be issued only during FY 2003 for the making of deposits as follows: 50% to the General Revenue Fund to build the fiscal year ending general funds cash balance and to meet the ordinary and contingent expenses of the State, and 50% to the Budget Stabilization Fund. The public act also authorized the transfers from the Tobacco Settlement Recovery Fund to the General Obligation Bond Retirement and Interest Fund to pay the aggregate of the principal of, interest on, and premium, if any, on the Tobacco Securitization General Obligation bonds.

Although this $750 million has been authorized, Governor George Ryan has thus far decided not to utilize this provision. Even though the State would benefit from immediate funds for Illinois, which could be used in improving the State's cash flow position, the bonding of the tobacco settlement money would be costly to the State over the duration of the debt. The following table gives the potential annual debt service and total debt of these bonds using different maturity lengths and interest rates.

Table 10: The Cost of $750 Million of General Obligation Debt
($ in millions)

Interest Rate	10-Year Annual Debt Service	10-Year Total Debt	15-Year Annual Debt Service	15-Year Total Debt
4.50%	$93.7	$924	$69.1	$1,022
4.75%	$94.8	$934	$70.2	$1,039
5.00%	$95.9	$944	$71.4	$1,055
5.25%	$97.1	$954	$72.5	$1,072
5.50%	$98.2	$965	$73.7	$1,089
5.75%	$99.3	$975	$74.9	$1,106
6.00%	$100.4	$986	$76.1	$1,123
6.25%	$101.6	$996	$77.3	$1,140
6.50%	$102.7	$1,007	$78.5	$1,158

Interest Rate	20-Year Annual Debt Service	20-Year Total Debt	25-Year Annual Debt Service	25-Year Total Debt
4.50%	$57.0	$1,127	$50.0	$1,237
4.75%	$58.3	$1,150	$51.3	$1,268
5.00%	$59.4	$1,173	$52.6	$1,299
5.25%	$60.7	$1,197	$53.9	$1,330
5.50%	$61.9	$1,221	$55.2	$1,362
5.75%	$63.2	$1,246	$56.5	$1,394
6.00%	$64.4	$1,270	$57.8	$1,427
6.25%	$65.7	$1,295	$59.2	$1,459
6.50%	$67.0	$1,320	$60.5	$1,493

As shown, the actual costs of bonding $750 million in tobacco settlement funds depends on several factors including the interest rate and the bond maturity length. For example, an interest rate of 5.00% over a 20-year period would result in an annual debt service of $59.4 million, with a total cost of $1.17 billion. In other words, to obtain $750 million now would cost the State $1.17 billion over the duration of the bond period under the previously mentioned assumptions.

If the $750 million were used toward tobacco securitization bonds, the actual interest rate that these bonds would receive would depend on the bond rating, the structure of the bond deal, the market, and demand. Obviously, the higher the interest rate, the more the State would have to pay in total. Also, longer bond maturity lengths result in higher interest rates, which, subsequently results in higher debt totals. The interest rate is also dependent of whether the bonds are taxable or tax-exempt. Tax-exempt bonds can by used for governmental capital expenses such as roads, buildings, and debt reduction. Taxable bonds can be used for anything (private purpose, reinvesting, etc.), but have a higher interest cost.

Under Public Act 92-0596, amounts for debt service would be transferred from the Tobacco Settlement Recovery Fund to the General Obligation Bond Retirement and Interest Fund. The Tobacco Settlement Recovery Fund receives monies from the national cigarette settlement agreement. If these proceeds were insufficient to pay debt service on the bonds, the State would pay for any deficiency. Therefore, there is a devoted revenue stream backed with the State's general obligation pledge.

As discussed, these "tobacco securitization" bonds would be sold as General Obligation bonds, not structured the same as other tobacco securitization bond deals entered into by other states. These bonds may be taxable given that the proceeds would be used for operating costs and not capital projects. As previously mentioned, the provisions under Public Act 92-0596 are only for FY 2003. Therefore, if these provisions are not utilized for this fiscal year, the State would have to reauthorize the use of tobacco settlement monies for bonding for FY 2004 and thereafter.

Tobacco Settlement Securitization Used in Other States

The way most states have structured tobacco settlement bonds is by setting up a special-purpose entity designed to be bankruptcy proof. The state then transfers all or a portion of settlement payments to the entity. The entity then issues the bonds, pledges a portion of each annual settlement payment for debt service, and assumes all of the risk. Bonding allows the state to receive its long-term income streams now instead of over a long period of time. However, this process is costly as the state loses value on the dollar due to minimizing risk and by paying interest over the years to pay it off.

When issuing the bonds, a state has to give up a percentage of the settlement proceeds to the entity and give a discount to bond buyers. This "discount" rate is determined by a number of market factors. The best discount rate that a state has received from tobacco settlement bonds is the 25% discount that Wisconsin recently received in its tobacco bond sale. In other words, the actual cash receipt from the bond sale would be $0.75 on the dollar.

Wisconsin received this relatively high ratio due to the fact that 90% of the bonds sold by Wisconsin were turbo bonds. Turbo bonds apply all residual tobacco settlement revenues to pay down debt service before the state can use the funds for any other purpose. Wisconsin's annual settlement receipts were at least 1 ½ times the annual debt service payment, and they will be able to redeem these 30 year bonds in 13-18 years.

To assist in explaining the costs associated with the bond securitization method used in other states, an example is helpful. For a state to net $750 million of bond proceeds after a 25% discount on the sale, $1.0 billion in tobacco securitization bonds would have to be sold. Using the same 5.00% interest and 20 years as the General Obligation example, annual debt service would equal $79.3 million, with total payments equaling $1.6 billion. Therefore, giving up $1.6 billion of future tobacco settlement proceeds would yield a state approximately $750 million today.

In the two examples of showing how a state could receive $750 million in immediate funds from tobacco settlement payments, Illinois' method of bonding would cost the state $430 million less than the securitization method used by other states. However, the savings realized would come at the expense of Illinois assuming the risk that tobacco settlement payments could dry up.

The actual difference between the two methods would, of course, depend on the specifics of the final bond sale. The previous example assumes that a state would be able to obtain a discount rate of 25%. The majority of states, however, have sold bonds at discount rates higher than 25%, which result in smaller amounts of immediate cash. The reason higher discounts have been applied is because there is too much supply and not enough demand for these types of bonds at the present time. To receive a lower discount rate, tobacco deals would have to increase the yield for the buyer and give some attractive bond options, such as the tobacco turbo bonds that Wisconsin used.

<u>Problems with Bonding Tobacco Settlement Proceeds</u>

The problem with using Tobacco Settlement Recovery Funds in either Illinois' structure or the format used in other states is that the tobacco settlement money already may be pledged. For example, in Illinois in FY 2002 and FY 2003, the tobacco settlement proceeds have already been earmarked for areas such as the Circuit Breaker Program, Senior Care Program, and Smoking Prevention Programs, among others. It is argued that these funds are to go to these programs each year even after FY 2003.

If this money is pledged elsewhere, it limits the amount of tobacco settlement funds that could be "securitized". Even if the tobacco settlement funds could be redirected towards securitization, it leaves the previously-mentioned programs without any source of funding. As a result, these programs would have to be funded from some other source. Consequently, the total cost of securitizing the tobacco settlement funds would be the cost of bonding the settlement proceeds plus the cost of funding these resulting unfunded programs.

What Other States Have Done

Several states besides Wisconsin have securitized a portion of their tobacco settlement payments. These states include, Alabama, Alaska, Arkansas, Iowa, Louisiana, New Jersey, North Dakota, Rhode Island, and South Carolina. Another state, Missouri, plans to securitize a portion of their payments in November. Other regions, such as Washington D.C. and Puerto Rico also have securitized their payments. In addition, New York City and some counties in New York and California also have securitized some of their portions of their tobacco settlement payments. The National Center for Tobacco-Free Kids reports that, on average, securitizing New York counties will receive about 40 cents for every dollar of their settlement payments that they securitize.

Several other states have discussed securitization but have rejected the idea, including Oregon, Nevada, Vermont, West Virginia, and Colorado, which has rejected it twice. Other states, like Illinois, have passed legislation to securitize their settlement payments, but have chosen not to use it thus far. However, continuing budget difficulties are forcing some to reconsider securitization as a way to address their budget shortfalls.

Table 11: Tobacco Securitization Bond Sales

State	Date Issued	Amount Sold	Tax-Exempt?	Use(s) of Proceeds
Alabama	9/4/2000; 12/6/2001	$50m; $104m	yes; yes	capital development: economic development; capital development
Alaska	10/11/2000; 8/2/2001	$116m; $126m	yes: yes	capital development: school construction; capital development: school construction
Arkansas	9/6/2001	$60m	yes	capital development: biosciences & public health projects at state universities
Iowa	10/11/2001	$644m	both	for capital projects displacing General revenue to be used to fund a health-care services endowment
Louisiana	10/31/2001	$1.2b	both	education and health endowments
North Dakota	3/8/2000	$32m	yes	capital development: state water devlpment and management program
South Carolina	3/8/2001	$934m	both	capital/working capital/endowment: health care endowment to support senior pharmaceutical assistance (73%), tobacco community trust (15%), economic devlpmnt (10%), Local Govt Fund (2%).
Wisconsin	5/1/2002	$1.59b	yes	working capital/endowment
Rhode Island	6/20/2002	$685.4m	both	$247.9m for 2002 budget shortfalls, $295.3 million to erase state debt, ($0.6m for the Tob Sett Financ Corp, fees of sale $12.6m, $135.9m for first year d/s, reserves and discounts.)
New Jersey	8/2002	$1.5b	yes	capital projects
Missouri	11/2002	$600m	-	(to be determined)

CONCLUSION

Throughout the country, states have had to find ways of reducing the budget gaps that developed over the last couple of years. In 2002, nineteen states including Illinois chose the cigarette tax as a source to raise taxes as a way to increase revenues to reduce these budget gaps. By increasing the State's cigarette tax from 58-cents to 98-cents per pack, Illinois is expecting to generate approximately $230 million in additional revenue for FY 2003.

Although some have welcomed this cigarette tax increase, others are concerned with the effect that it may have on Illinois citizens and on revenues streams. Because lower-income segments of the population have a tendency to smoke in greater proportion than higher-income people, some feel that this tax increase particularly will burden the poor. Others are concerned that relying on the cigarette tax for revenues is not a good idea because the cigarette tax tends to develop what is sometimes known as a "structural deficit". Cigarette tax hikes often cause people to smoke less, and/or look for alternative places to purchase their cigarettes such as bordering states or the Internet. If consumption levels continue to fall, revenue from the cigarette tax likely would decline from year to year unless other tax increases are implemented.

The decline in cigarette consumption levels also may affect the amount of funds that Illinois will receive from the Tobacco Settlement Agreement. Under the original agreement, Illinois was to receive approximately $9.1 million from this settlement over a 25-year period. Although this still may occur, in FY 2002, Illinois received only 81% of the payments that were originally expected. One of the contributing factors for this lower-than-expected payment was the decline in cigarette consumption throughout the nation. The funds from the tobacco settlement are a significant source for funding various programs throughout Illinois, including the Circuit Breaker Program, Senior Care, and the Earned Income Tax Credit.

Many states have turned to tobacco settlement securitization as a way of obtaining immediate funds to reduce their budget gaps. Illinois is one of several states that have enacted legislation allowing them to utilize these tobacco settlement payments to improve their state's cash flow. Under Illinois' plan, the State would use tobacco settlement payments as a dedicated revenue stream for General Obligation bonds. However, thus far the State has decided not to use the $750 million in General Obligation Tobacco Securitization Bonds that have been authorized.

Illinois' securitization plan and the securitization bonds set up by other states have structural differences, however, both methods require states to forfeit a significant amount of money in the future in order to obtain an immediate amount of funds today. As state budgets throughout the country continue to struggle, states will continue to search for ways of closing budget gaps. The cigarette tax increases and the tobacco settlement securitization methods used thus far are just two of the many sources that will be utilized during these difficult budget years.

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