ILLINOIS ECONOMIC
and
FISCAL COMMISSION

McCORMICK PLACE EXPANSION
And The Illinois Tourism Industry

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SPRINGFIELD, ILLINOIS 62706

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EXECUTIVE SUMMARY

Although a recession in the economy aggravated by the September 11th, 2001 terrorist attacks put most convention center plans nationwide on hold, the tourism and convention industries have begun to rebound. Convention centers have issued bonds and construction projects have resumed. The first section of this report looks at McCormick Place's standings in the market, its competitors, and the impacts of September 11th. The second part of this report provides information on the Metropolitan Pier and Exposition Authority, McCormick Place and Navy Pier, looking at their funding and history. Also included are sections on Build Illinois, the Illinois Sports Facilities Authority, and the Soldier Field renovation.

- "Travel/tourism is poised to be one of the three key components of the service-led economy of the 21st Century."

- In 1999 tourism comprised approximately 10% of Illinois' Gross State Product adding $40.9 billion in direct and indirect expenditures by visitors ($22.0 billion), vendors and their employees. Illinois tourism employed 670,000 workers in 1999, accounting for 11% of non-agricultural jobs.

- Chicago ranked 4th in top visitor travel destinations and 9th for overseas visitors in 2000.

- In 2001, Chicago was second only to Las Vegas in market share of tradeshows hosted and exhibit space used.

- McCormick Place's 2.2 million square feet of exhibit space makes it the largest convention center in the nation.

- McCormick Place has been at or above the industry standard of 75% occupancy level from 1994 through 2000. Shows were turned down due to the lack of space available for additional shows.

- Due to September 11th, many convention centers placed expansion plans on hold. Thanks to few cancellations, most convention centers were able to continue expansion construction projects.

- A Meeting Professionals International survey found that short-term losses to the convention industry were due to meeting postponements, not cancellations. McCormick Place reported the rescheduling of only two conventions.

- Many convention centers, tourism boards and states created special advertising campaigns including discount programs to promote convention and travel business. McCormick Place and Chicago promoted "Make It

Chicago", "Winter Delights", and "Chicago: We're Glad You're Here" programs.

- Chicago's two biggest competitors are Orlando and Las Vegas. Orlando is expanding to 2.1 million and Las Vegas to 2.0 million square feet. With the planned expansion to approximately 2.8 million square feet, McCormick Place will maintain its lead in the amount of exhibit space available.

- Despite the disadvantages of high labor costs, hotel prices, taxes and weather, Chicago still has a competitive edge with large local hotel capacities; regional access to airports, trains and highways; exciting entertainment, shopping and restaurants; high labor quality; and a large business and industry base for meetings and tradeshows.

- In 1955 the State of Illinois approved the construction of a 360,000 square foot exhibition hall named McCormick Place and created the Metropolitan Fair and Exposition Authority (MFEA) to operate it. The MFEA was restructured in 1989 into the Metropolitan Pier and Exposition Authority (MPEA) and was given control of Navy Pier.

- The new McCormick Place West expansion is expected to increase local and state tax revenue by $80.0 million and Chicago employment by 21,000 jobs.

- Originally named the Tourism Fund, the Build Illinois Fund serves as an instrument for channeling dedicated tax revenues to Build Illinois-related and tourism spending, including funding for the MPEA. Revenues into and transfers out of the Build Illinois Fund equaled approximately $479 million in FY 2002.

- The Illinois Sports Facilities Authority (ISFA) was created in 1987 to fund and build infrastructure to retain professional sports teams for the purpose of generating economic activity. In a contract with the Chicago White Sox, the Authority agreed to sell $150 million in bonds to build the new Comiskey Park, which was completed in time for the 1991 baseball season.

- The General Assembly increased the bond authorization of the Illinois Sports Facilities Authority for the renovation of Soldier Field. In October of 2001, $399 million in bonds were sold at a true interest cost of 5.4% for 30 years. Renovation is to be completed in September of 2003. Debt service is structured so that payments are lower in the first years. When Comiskey Park bonds are retired in 2010, those funds will be used toward Soldier Field debt service.

McCORMICK PLACE EXPANSION

McCormick Place's 2.2 million square feet of exhibit space makes it the largest convention center in the nation. With the growth of the tradeshow and meeting industry, convention centers across the country are expanding at a quick pace, narrowing McCormick Place's lead. Las Vegas expanded its total exhibit space to 2.0 million square feet in 2002, and Orlando will complete its 2.1 million square foot expansion in 2003. With convention center growth and hotel room growth, major cities, such as Chicago, can increase tourism. Tourism taxes, most notably the hotel tax, are often the funding mechanism for convention centers and their expansions. Tourism dollars spent by convention-goers also benefit local businesses, creates jobs, and increases the tax revenues received by the city and state.

With McCormick Place already at 75%, or "full occupancy", eight months out of the year, the need for its own expansion is relevant. The Chicago Convention and Tourism Board identified 41 shows that McCormick Place could add to its schedule if they could expand exhibit space. "Our largest events would have more flexibility to expand beyond the current 2.2 million square feet...More mid-sized trade shows and meetings could be hosted simultaneously".[1]

The Illinois 92nd General Assembly passed legislation (Public Act 92-208) giving McCormick Place an extension on the use of taxes, from 2029 through 2042, and an increase in the amounts to be deposited into the McCormick Place Expansion Fund. The bill also increased the length of maturity from 35 to 40 years for bonds issued by the Metropolitan Pier and Exposition Authority, and increased authorization by $800 million dollars to $2.107 billion. This bill was seen as necessary to keep McCormick place as one of the premiere convention spots in the United States.

TOP CONVENTION CENTER STATISTICS v. McCORMICK PLACE

The first section is a comparison between McCormick Place in Chicago and the following 7 convention centers considered to be top competitors due to size, market share, and/or attractiveness of location for business travelers and tourists:

- Orange County Convention Center, Orlando, Florida
- Las Vegas Convention Center, Las Vegas, Nevada
- Moscone Center, San Francisco, California
- Los Angeles Convention Center, Los Angeles, California
- Dallas Convention Center, Dallas, Texas
- Ernest N. Morial Convention Center, New Orleans, Louisiana
- Jacob Javits Convention Center, New York City, New York

Impact of Tourism

"Travel and tourism is the third largest employer in the nation after health services and business. In five of the past nine years, the growth in travel-generated payroll in the U.S. exceeded that of the nation's total personal income…Along with telecommunications and information technology, travel and tourism is poised to be one of the three key components of the service-led economy of the 21st Century".[2]

Tourism is a key industry in many states, including Illinois.

- In 1999 it comprised approximately 10% of Illinois' Gross State Product adding $40.9 billion in direct and indirect expenditures by visitors ($22.0 billion), vendors and their employees. Illinois tourism employed 670,000 workers in 1999, accounting for 11% of non-agricultural jobs. "…(T)ourism also contributes in other meaningful ways such as expanding Illinois residents' shopping and entertainment opportunities, shifting a share of the tax burden from residents to visitors and supplementing key economic development efforts".[3]
- The tourism industry is the largest employer and brings in the largest amount of direct spending for the Metro Orlando area and the State of Florida.[4]
- Nevada's gaming industry is the biggest draw for visitors, and accounts for 41% of the state's tax revenue and 234,142 employees.[5]
- Travel and tourism is the fourth largest industry in Los Angeles County,[6] and the third largest employer in California, generating an estimated $75.4 billion in 2001.[7]
- New Orleans claims 61,750 jobs related to tourism and travel expenditures equaling $3.3 billion.[8]
- The total economic impact of tourism in New York City in 2000 was $24.96 billion with over 37.4 million visitors.[9]

Year 2000 in billions	Chicago	Orlando	Las Vegas	San Francisco	Los Angeles	Dallas	New Orleans	New York
Local Economic impact	$14.8	$20.9	$31.5	$7.6	$13.6	unavailable	$3.3	$25.0

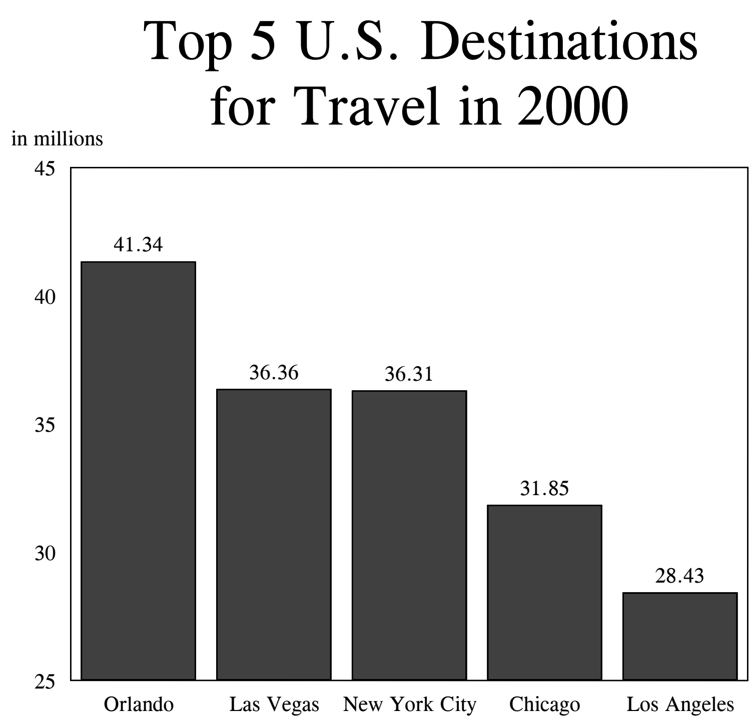
Year 2000 in millions	Chicago	Orlando	Las Vegas	San Francisco	Los Angeles	Dallas	New Orleans	New York
City Tax Revenues	$473.0	$319.2	unavailable	$474.0	$103.0	$175.1	$83.6	$936.0
State Tax Revenues	$1,311.9	$3,113.8	unavailable	$210.5	$648.0	$462.4	$128.3	$882.0

Year 2000	Chicago	Orlando	Las Vegas	San Francisco	Los Angeles	Dallas	New Orleans	New York
tourism jobs	250,260	126,000	197,900	82,000	279,400	89,600	61,750	282,000

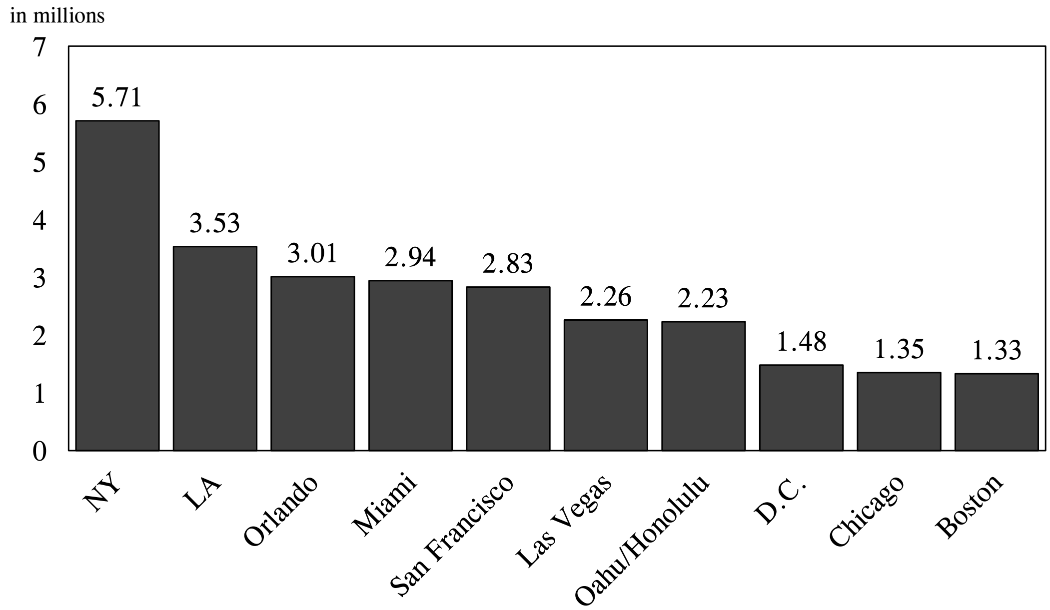
Tourism brought the State of Illinois $1.3 billion dollars in tax revenues, and employs 250,260 people in the city of Chicago alone. The new McCormick Place West expansion is expected to increase local and state tax revenue by $80.0 million and Chicago employment by 21,000 jobs.

In rankings for top visitor travel destinations in the U.S., Chicago ranked 4th with 31.85 million visitors.

In the top 10 Destinations for Overseas Visitation, Chicago ranked 9th with 1.35 million visitors.[10]

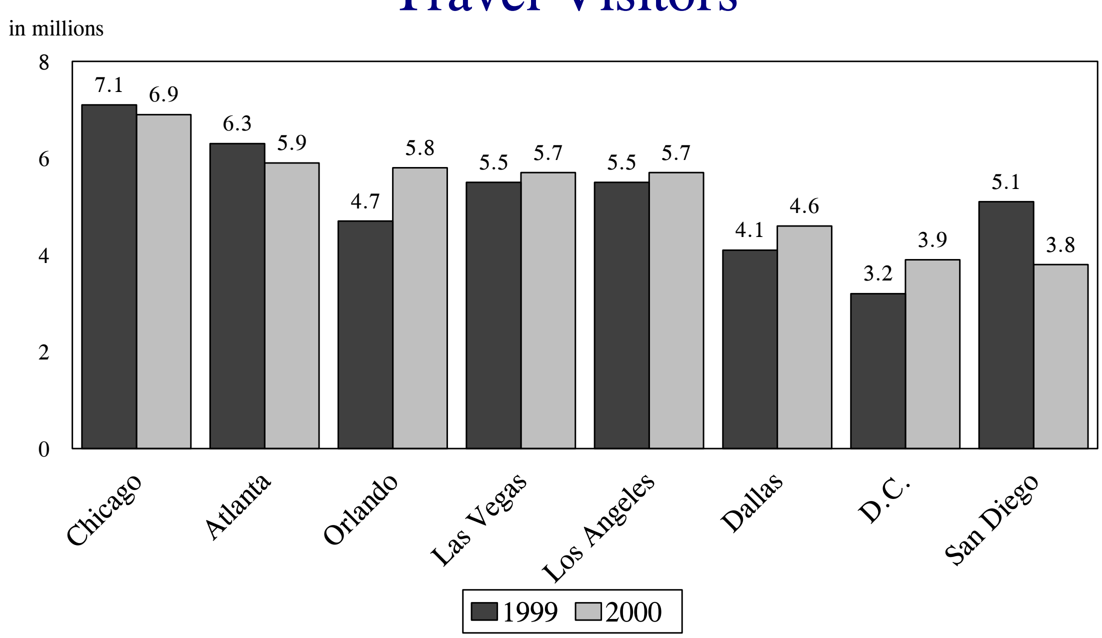


Top 10 Destinations for Overseas Visitors in 2000



Out of total domestic group meeting travel visitors, Chicago is number one for the second year in a row with 7.13 million visitors.[11]

Total Domestic Group Meeting Travel Visitors



Market Share

By share of the top 200 Trade Shows

Las Vegas was recognized as having the biggest share of trade shows for 2001, 40 out of the 200 largest trade shows, giving it 20% of the market share. Chicago came in second with 11% of the market share, 22 of the 200 largest trades shows.[12] Over the past decade, the top Tradeshow week 200 cities were[13]:

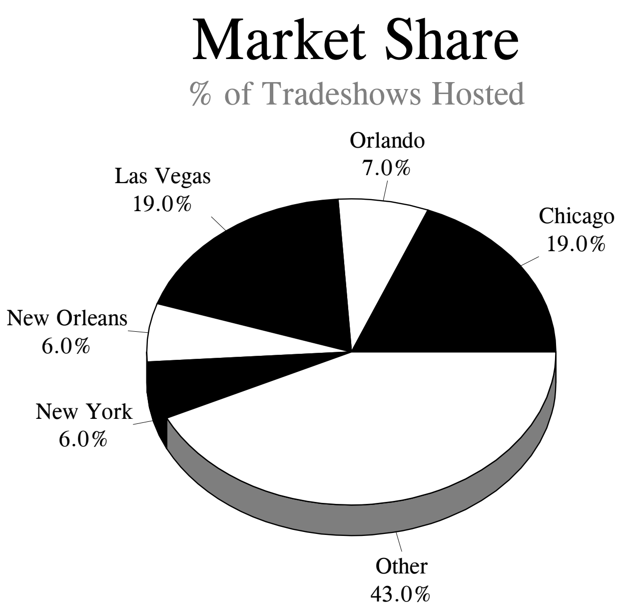
1990-1992	New York
1993	Chicago
1994-2001	Las Vegas

By exhibit space leased

Las Vegas also leased the most exhibit space in 2001, 19 million square feet for 28.4% of the market share, while Chicago again came in second with 8.6 million square feet, 16.4% of the market share.[14]

By share of all trade shows

As the following chart shows, Chicago and Las Vegas both have 19% of the market share of all tradeshows hosted.



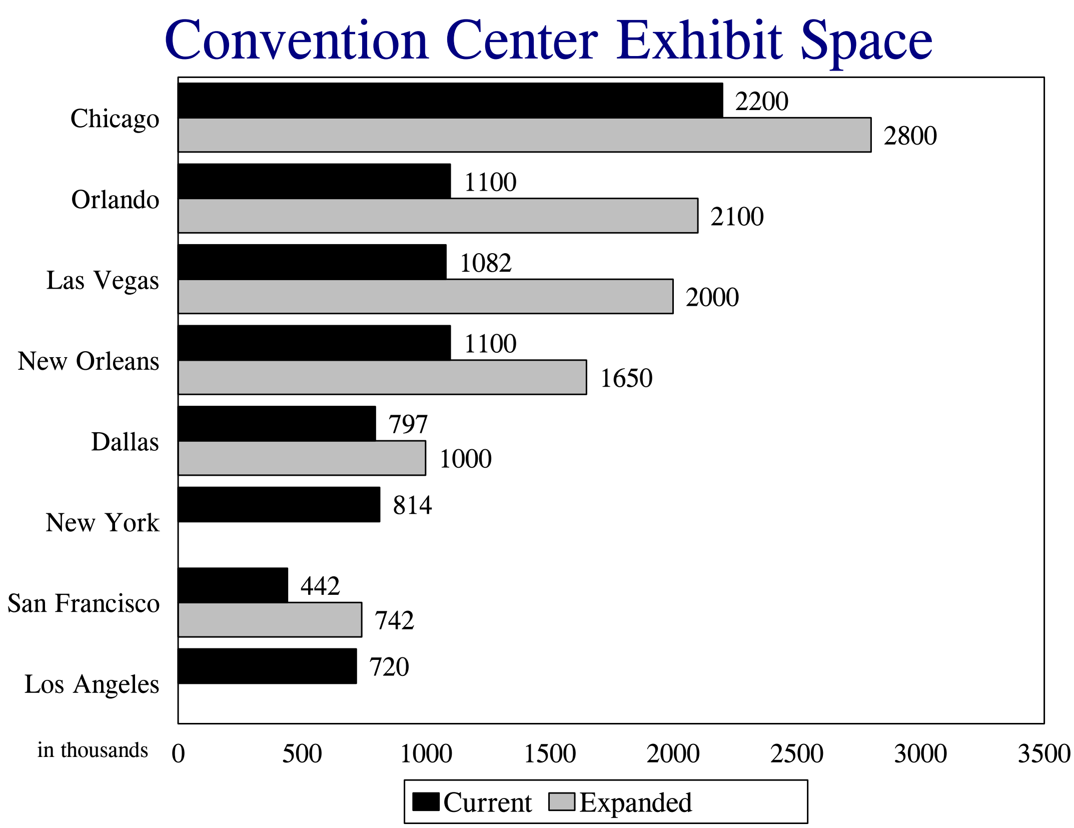
Source: Tradeshow Week, 1999

To increase market share, convention centers must increase their occupancy levels. According to industry standards 70% to 75% is considered “full” occupancy. Once full occupancy is reached, convention centers must expand the amount of space available to hold more shows, of different sizes, simultaneously. From 1990-1999, attendance in the tradeshow industry grew by 45% and the number of firms exhibiting grew by 41%.[15] McCormick Place has been at or above the industry standard of 75%

occupancy level from 1994 through 2000. Shows were turned down due to the lack of space available for additional shows. "The Chicago Convention and Tourism Bureau currently has identified 41 shows that could be approached immediately if there was additional space to sell."[16]

Size and Expansion Plans
From 1990 through 1999, there was an increase of 49% in net square feet of exhibit space used at trade shows.[17] "According to show managers, their largest (1999) show features an average of 183,200 net square feet of exhibit space, compared to 111,800 in 1997."[18]

Many top convention centers are expanding along with McCormick Place. While McCormick Place has the largest amount of exhibit space at 2.2 million square feet, Orlando and Las Vegas are expanding to 2.1 million and 2.0 million square feet, respectively. With the planned expansion to approximately 2.8 million square feet, McCormick Place will maintain its lead in the amount of exhibit space available.[19]



McCormick Place also will expand the number of meeting rooms and overall meeting space. The table below is a comparison of current and expanded meeting space at McCormick Place and other leading convention centers.[20]

Meeting Room Expansion				
Convention Center	Current # of meeting rooms	Current meeting room space	Additional # of meeting rooms	Additional meeting room space
McCormick Place	140	256,592	50	200,000
Orange County CC, Orlando	49	352,740	25	166,050
Las Vegas Convention Center	119	290,000	51	90,000
Moscone CC, San Francisco	59	117,230	38	125,000
Los Angeles CC	64	147,000	N/a	N/a
Dallas Convention Center	105	110,000	Renovated	90,000
Morial CC, New Orleans	140	Not known	80	Not known
Javits CC, New York	100	5,808	N/a	N/a

Funding of Convention Centers

- McCormick Place in Chicago has been funded over the years by both state and local taxes, including the hotel tax (see section on Current MPEA Funding). The current West expansion is expected to cost $800.0 million and to be constructed from 2003 to 2007.[21]

- The Orange County Convention Center's original building and expansion are paid for out of the County's Convention Center Fund. Revenues feeding the fund come from taxes levied by Orange County and fees charged through the Convention Center: a) 1/5th of the 5% Local Option Tourist Development Tax (TDT) on rents, leases, lets or living accommodations contracted for six months or less; and b) 1% Hotel surcharge on gross revenues of three hotels which are located on properties adjacent to the convention center. The expansion is expected to cost $748.0 million and be completed in 2003.[22]

- Local government general obligation bonds were issued to pay for the original Las Vegas Convention Center building and all expansions excluding the most recent one. The recently completed expansion in January 2002 was funded by revenue bonds supported by a 4-5% hotel tax (total hotel tax is 9%) and cost $170.0 million.[23]

- Moscone Center, in San Francisco, used revenue bonds for the initial convention center building and for its expansion. Bonding for the current expansion, to be completed in 2003, was approved in 1996 by San Francisco voters. The $157.5 million in bonds were eventually sold through the San Francisco Redevelopment Authority in November of 2000, to be paid for from a portion of the local hotel tax. The entire expansion will cost approximately $186.0 million.[24]

- Owned and operated by the City of Los Angeles, the LA Convention Center expansions, the last one completed in 1997, were paid for through a portion of the city's 14% hotel tax.[25]

- The Dallas Convention Center's current and 1994 expansions were paid for with city revenue bonds supported by the city's hotel tax. Revenue bonds in the amount of $125.0 million were sold for the current project to be completed in 2002.[26]

- The Ernest N. Morial Convention Center in New Orleans will receive expansion funding from a 1% increase in the local hotel tax (already receiving 2%), and a 0.25% increase in the local restaurant tax from 0.5% to 0.75%. The expansion, which is to be concluded in 2006 at a cost of $455.0 million, also received $100.0 million in funding in 2002 from the State of Louisiana.[27]

SEPTEMBER 11th

The terrorist attacks of September 11th have been charged with pushing an already declining economy into recession. The airport and tourism industry were hit hard, and in turn, states that rely heavily on tourism, such as Florida and Nevada, were minus expected revenues. New York City was hit the hardest, reporting an economic loss of $83-$95 billion, including nearly $3 billion in lost taxes and 83,000 jobs.[28] Many airlines were placed on bond rating agencies "negative watch" lists, and convention centers took a look at their funds and expansion plans, many placing them on hold.

Industry Losses

Meeting Professionals International surveyed meeting and convention planners on the effects of the September 11th terrorist attacks on the meeting industry. Their October 19, 2001 report stated that most of the short-term losses were due to meeting postponements, not cancellations. Of those surveyed, half said they would postpone the meetings but keep the same location, 24% made no meeting cancellations, 20% would use telephone or video conferencing, and 39% suspected a decrease in the remaining quarter of 2001 for meeting expenditures of 20%.[29]

Tradeshow Week reported declines in tradeshow statistics during fourth quarter 2001 and first quarter 2002. Over the previous year, first quarter 2002 showed decreases of 5.5% for net square footage used, 2.4% for exhibitor participation, and 8.1% for show attendance. "Despite these declines, the rate at which shows are shrinking is seemingly slowing when compared with the rate at which shows dropped in the fourth quarter of 2001. This lessening in the rate of decline indicates an improvement in the tradeshow industry."[30]

Convention Center Losses

- McCormick Place reported only the rescheduling of two conventions.[31]
- Orange County Convention Center in Florida had reserve cash and construction funds in a combined total of $316 million. With only two show cancellations, they adopted a wait and see attitude for their planned $220 million expansion bond sale to be backed by tourist tax revenues. Moody's added a negative outlook to the Convention Center's bond sale plans in December of 2001, causing the sale to be put on hold.[32]
- The Las Vegas Convention Center lost three conventions and 240 small meetings for the eight weeks following September 11th, with attendance of approximately 75,000 people.[33]
- In October 2001, the Dallas Convention Center reported that they had lost approximately $150,000 as an after effect of September 11th.[34]
- New Orleans lost four events of approximately 30,000 attendees, within the week following the attack.[35] Plans for the convention center expansion were still on track with the final bonds having been sold in 2000 for the project.[36]
- New York City's Javits Center has notified exhibitors of increases in insurance premiums: 100% for Liability, 300% for Unemployment, and 800% for Property insurance.[37]

Convention Center/Tourism Bureau Action

Many convention centers, local tourism boards, and even states created special advertising campaigns including discount programs to promote convention and travel business. Many cities, like Chicago, New Orleans, and San Francisco began focusing their advertising on areas within driving distance of their destination. The Las Vegas Convention and Visitors Authority sent 1.1 million reminders to past tradeshow goers giving them information about their respective upcoming tradeshow events.[38] Chicago has tried several marketing programs to raise tourism and convention participation: offering hotel, restaurant and entertainment discounts through the "Make It Chicago" program and "Winter Delights". McCormick Place partnered with Coca Cola to continue its "Chicago: We're Glad You're Here" thank you program. This included advertising throughout the area at stores, airports, hotels, and entertainment venues to thank convention registrants.[39]

Recovery

In February 2002, the Chicago Convention and Tourism Bureau released its annual Competitive Analysis Report based on a survey of 79 (out of 106) U.S and Canadian cities. Jim Reilly, President and CEO of the Bureau stated, "Despite the declines in travel in the last few months, a considerable amount of construction projects that were already in progress are moving forward...However, the fast pace of hotel and convention center development plans that we have seen in the recent years is starting to level off".[40]

THE COMPETITION

In a 1990 long-range marketing study, KPMG Peat Marwick compared McCormick Place in Chicago with its competitors in other major cities who were also expanding: Las Vegas Convention Center, Los Angeles Convention Center, New Orleans Convention Center, Atlanta's Georgia World Congress Center, Dallas Convention Center, San Francisco's Moscone Convention Center, and Anaheim Convention Center.[41] The report said of Chicago, "No other city in the United States offers the combination of room to expand within a comfortable campus setting, so close to a supportive downtown environment. Other U.S. cities suffer from an unexciting downtown area, inadequate space for expansion (New York, San Francisco, Anaheim), or a combination of both".[42]

Of McCormick Place's strengths are its client and service-driven professional management, and the strong partnership it has with the city of Chicago and the State of Illinois. Other advantages for McCormick Place include: local hotel capacity; regional access from airports, trains and highways; entertainment, shopping and restaurants; labor quality; and a large business and industry base for meetings and tradeshows. The economic benefits of increasing the size and services of McCormick Place would be a) increased sales and employment benefiting Chicago businesses such as regional hotels, restaurants and entertainment industries, and b) higher city and State tourism tax revenues.[43] The KPMG Peat Marwick report and a 2000 PricewaterhouseCoopers report (See McCormick Place 10-year Plans: 1990 and 2000) both list the high labor costs, high hotel costs and hotel taxes, and weather as being some of the disadvantages of McCormick Place and its location in Chicago. Negotiations have occurred to curtail high labor costs, and McCormick Place is constantly making improvements to services and its facilities. With all of its advantages and its current expansion, Chicago still has a competitive edge.

Although Chicago was not one of the top "Winter 2001 Hot Spots", (Las Vegas, Orlando, Hawaii, and New York City[44]), it was voted 2nd in Tradeshow Week Magazine's top ten meeting cities. These rankings came from a survey of corporate exhibit managers based on the facilities, costs, labor, conditions, access to target audiences and support services available.[45]

Tradeshow Week: Top Ten Cities	
Orlando	44%
Chicago/Rosemont	40%
Las Vegas	27%
Atlanta	24%
San Diego	15%
New Orleans	13%
Anaheim	13%
San Francisco	10%
Dallas	8%
Houston	5%

Chicago's two biggest competitors are Orlando and Las Vegas. As mentioned previously, Chicago runs 2nd to Las Vegas in the market share categories, and 2nd to Orlando as the top meeting city. Although these two cities are also expanding, McCormick Place will remain the largest convention center in the United States.

METROPOLITAN PIER AND EXPOSITION AUTHORITY HISTORY

In 1955 the State of Illinois approved the construction of a 360,000 square foot exhibition hall and created the Metropolitan Fair and Exposition Authority (MFEA) to operate it. Revenue bonds in the amount of $41.8 million were sold and financed by state horseracing and cigarette taxes. Construction of McCormick Place was completed in 1960. After fire destroyed the building in 1967, the State appropriated $15 million dollars and established long-term bond financing for reconstruction of the facility. The new McCormick Place (East Building) opened in 1971 with 552,000 square feet of exhibit space, 20 meeting rooms, 5 theaters and 7 restaurants.

In 1977, in the move for more expansion, the State earmarked a steady stream of $4.8 of cigarette tax money to the MFEA for the conversion of a former R.R. Donnelly & Sons Co. printing plant. McCormick Place acquired the plant in 1986 and added more than 300,000 square feet to the McCormick Place complex. The North Building expansion of 510,000 square feet was approved by the State in 1984 and completed in 1986. This annex cost $252 million in dedicated state tax revenue bonds supported by an increase in the hotel tax and $60 million in bonds backed by the state sales tax.

The MFEA was restructured in 1989 into the Metropolitan Pier and Exposition Authority (MPEA) and was given control of Navy Pier. Another expansion was approved in 1991 costing $987 million dollars. The South Building, as it was called, opened in 1996 adding 2.9 million gross square footage, this included: 840,000 square feet of exhibit hall space; 45 meeting rooms; food service facilities; and a 22,000 square foot Vista Room.

1998 saw two major projects. One was the redesigning of the East Building to meet the needs for small and mid-sized conventions. Renamed the Lakeside Center, it has a unique 50-foot high movable wall that can divide the main 300,000 square foot exhibit hall into areas as small as 150,000 square feet. The renovation also added the 4,249-seat Arie Crown Theater and a new 45,000 square foot ballroom. The second project was the opening of the $108 million, 33-story Hyatt Regency as a part of the McCormick Place complex. The hotel has 800 guestrooms and a 600-car parking garage. The hotel project was funded by a construction loan paid for by the hotel's revenues. [46]

In 1999, a $100 million bond project began construction to build a six-level parking garage, a conference center, a corporate center and a dedicated bus lane downtown. These projects were completed from 2001-2002. In August of 2001, the legislature approved an $800 million dollar expansion of McCormick Place. The bonds to be issued will not use additional taxes, but the law increases the amounts and length of time that McCormick Place receives revenues from the Chicago-based taxes it currently receives*. The expansion will add over 800,000 gross square feet, including: 600,000 square feet of exhibit space; 200,000 square feet of meeting space; and a 60,000 square foot ballroom to be the largest in the city. To be named McCormick Place West, this building will accommodate smaller shows of 500,000 square feet or less which is the size range for 95% of all trade shows.

*Up to 70% of taxes collected by the MPEA are paid by visitors to Chicago.[47]

As a part of the MPEA, Navy Pier underwent a $150 million redevelopment from 1994-1995, including a 1,500-seat outdoor Skyline Stage, shops, restaurants, and exhibition facilities. Also added since 1994 are the following attractions: a ferris wheel, a miniature golf course, crystal gardens, a children's museum, a stained glass museum, a maze of Chicago, and a 3-D time travel ride of Chicago's history. A six-story parking garage was added to the Pier in 1997, and the 525-seat Chicago Shakespeare Theater opened in 1999 with an English pub, a bookstore, a Teacher's Resource Center and an English garden. Attendance for Navy Pier in 1999 reached an all-time high of 8.2 million visitors, and the Pier hosted the Tall Ships festival in 1998 and 2000.

McCormick Place 10 year plans: 1990 and 2000

The 1990 KPMG Peat Marwick long-range marketing study analyzed McCormick Place and made recommendations for improvements. Some of the limitations on McCormick Place were high labor costs, high hotel costs, and bad weather conditions. There was also the lack of money in the Chicago Convention and Tourism Bureau budget to help with the advertisement and recruitment of events. At that time, in the opinion of KPMG Peat Marwick, Chicago itself didn't have technology and aviation industries located there that could have drawn additional events to the McCormick Place schedule.[48] In 1990, McCormick Place and the Rosemont O'Hare Exposition Center together could not meet the demand for exhibit space, and McCormick Place could not provide for an event with over 5,000 people in attendance.[49]

The KPMG Peat Marwick report offered many recommendations to help McCormick place capitalize on its strengths and resolve its weaknesses. **The following recommendations were implemented**:

- Full service business centers in the South building and Lakeside Center.
- Expansion of Lakeside Center loading docks to accommodate larger trucks.
- Off the road dedicated bus lane providing round-trip, non-stop express service from downtown Chicago to McCormick Place in less than eight minutes.
- A 2,500-car enclosed parking garage with sky bridges to McCormick Place and 600 spaces have been added to an adjacent surface lot.
- Development of area around McCormick Place: starting with the 800-room Hyatt Regency Hotel with a 600-car parking garage connected to the South Building.
- Relaxed labor rules: allowing exhibitors with booths of less than 300 square feet to set up and dismantle their own displays, and exhibitors are allowed to hookup computers and video camera operations.

- Lower labor costs: exhibitors who don't required extensive electrical services have a lower cost option for booth setup, and more affordable overtime.
- Increased food services: restaurants and catering available.
- The renovation to Lakeside Center created 44 meeting rooms, and transformed out of date meeting space into administrative offices.
- The South Building and Lakeside Center both include ballrooms or 33,000 square feet and 45,000 square feet, respectively.
- With the completion of the South Building, Lakeside Center and the Conference Center over 1.1 million square feet of exhibit space and approximately 356,000 square feet of meeting space will have been added.

Recommendations that were not addressed from the 1990 ten-year plan included: the construction of a domed multipurpose stadium for large assembly events attached to the McCormick Place campus, and solving traffic congestion caused by Soldier Field and Museum Campus events. In the summer of 2002, the City of Chicago, Illinois Department of Transportation and the Federal Highway Administration began the South Lake Shore Drive Reconstruction Project, which will improve the traffic flow around McCormick Place.

In 2000, PricewaterhouseCoopers submitted a Long Range Strategic Plan for the McCormick Place Convention Complex. Their main finding was for expansion, otherwise McCormick Place would lose its market share, $1.4 billion in sales, $557 million in income and 20,500 jobs. [50] The following is a list of recommendations, from the PricewaterhouseCoopers 2000-2010 year plan, that are being implemented at McCormick Place.

- Exhibition space is being expanded 600,000 square feet, which can be subdivided into three halls.
- Meeting Rooms (including the new Conference Center and the West Building) and a Ballroom will be added at 222,000 square feet and 60,000 feet, respectively, making their combined ratio to exhibit space 22%(currently 15%, recommended 30%).
- Special bus way from hotels to McCormick Place and bus marshalling areas increased.
- Six level parking garage was built by the new Conference Center.
- Chicago and McCormick Place also recruited businesses to relocate to their area. The following organizations are headquartered at McCormick Place: the Professional Convention Management Association, the Trade Show Exhibitors Association, and the Center for Exhibition Industry Research. Boeing World Headquarters relocated to Chicago in September 2001.[51]

In June of 2002, the Metropolitan Pier and Exposition Authority issued $1.096 billion series 2002 McCormick Place expansion bonds. Fitch and Standard & Poor's both rated the bonds "AA-". Even with expected revenue decline, the Authority's pledged tax revenues and reserves, and the State's sales tax pledge are viewed as ample coverage for the bonds. Requests for Proposal from construction companies are being taken during the summer of 2002. The President and CEO for the Center for Exhibition Industry Research, Douglas L. DuCate states, “The expansion of McCormick Place and the outstanding bond rating by Wall Street are further evidence of the long-term confidence both the government and the private sector have in the continuing growth and vitality of the exhibition industry”.[52]

Current MEPA Funding

The MPEA receives money from the following funds:

Metropolitan Fair and Exposition Authority (MFEA) Reconstruction Fund**:**

The MFEA Reconstruction Act was set up to sell bonds up to $40 million for the reconstruction of the "convention hall and exposition building known as McCormick Place". This fund was set up to pay the debt service on bonds issued by the Authority for the reconstruction of McCormick Place in Chicago after the fire in 1967. Once issued, the bonds were to be paid off in 10 years and were funded by the Cigarette Tax and the Horse Racing Tax. The statute allowed for the funds to be used for the corporate purposes of the Metropolitan Pier and Exposition Authority, which they have been since the reconstruction bonds were retired in FY 1976.

Public Act 91-40 removed the Horse Racing Tax as a revenue stream for several funds. The Act replaced it with General Revenue Funds to be paid at the same level that the Horse Racing Tax had paid out to the various funds in calendar year 1998. In 1998 there were $0 in revenues from the Horse Racing Tax to the MFEA Reconstruction Fund. This left the portion of the Cigarette Tax (which had been increased in 1977 to a promised $4.8 million annually) as the only revenue stream for this fund. With Public Act 92-208, these Cigarette Tax revenues will no longer go to this fund, but will be deposited into the newly created Statewide Economic Development Fund. To replace the Cigarette Tax revenue for this fund, a grant of $5.0 million will be given each year from FY 2002 through FY 2007 from the Department of Commerce and Community Affairs’ Tourism Promotion Fund.

Metropolitan Pier and Exposition Authority (MPEA) Trust Fund:

This fund is to pay debt service on all bonds and refunding bonds. Amounts from revenues are transferred to the McCormick Place Expansion Project Fund. Revenues are received from the following Chicago-related taxes:

- The Airport Departure Tax is a tax on ground transportation from a commercial airport for hire:

$2 for taxi or luxury service
$9 for 1-12 passenger van/bus
$18 for 13-24 passenger van/bus
$27 for 24+ passenger van/bus;
$1 per passenger if the Interstate Commerce Commission or the IL Commerce Commission operates the vehicle.

- The MPEA by statute is allowed to administer an Automobile Renting Occupation and Use Tax. This tax is imposed on the renting of automobiles in the Chicago metropolitan area at the rate of 6% of gross receipts (excluding taxis or luxury service).
- The MPEA also administers a Hotel Operator's Occupation Tax in the amount of 2.5% of gross rental receipts of Chicago hotel rooms, excluding permanent residents.
- A Retailer's Occupation Tax (Restaurant) is administered by the MPEA as a 1% tax of gross receipts from the sale of food, soda and alcohol for immediate consumption on or off the premises in the Chicago area.
- Interest on Investment Income.
- Cook County Home Rule Sales Tax is a local tax at 0.75%.

<u>McCormick Place Expansion Project Fund</u>:
This fund is to pay the debt service requirements on all bonds and notes including refunding. This fund receives transfers from the Metropolitan Pier and Exposition Authority Trust Fund. Surplus revenues in the Trust Fund for the previous year shall be paid to the Authority and may be used for debt service; early redemption of bonds and notes; and capital rehabilitation/repairs of the grounds, buildings and facilities of the Expansion Project. Any surpluses in excess of $50 million shall be used solely for the payment of debt service or early redemption of bonds. When the bonds are no longer outstanding, the balance of revenues in the fund may be paid to the Authority and the law imposing the Chicago-related taxes paid to this fund shall be repealed.

<u>Metropolitan Fair and Exposition Authority (MFEA) Improvement Bond Fund</u>:
This fund receives transfers from the Build Illinois Fund for the payment of annual debt service requirements to the Metropolitan Pier and Exposition Authority for the expansion of the existing grounds and facilities of the Authority. Also created is a sub-fund called the MFEA Completion Note Subordinate Fund. All transfers from the McCormick Place Account in the Build Illinois Fund to these two MFEA funds may be appropriated by law to pay debt service including refunding. (See Section on Build Illinois Funds)

Fund revenues from FY 1998 through FY 2002, in $ millions:					
Fund Name	FY 98	FY 99	FY 00	FY 01	FY 02
MFEA Reconstruction Fund (Cigarette Tax)	4.8	4.8	4.8	4.8	0.5
MPEA Trust Fund (Chicago-related taxes)	68.8	82.6	88.3	104.1	83.1
McCormick Place Expansion Project Fund (Transfers from MPEA Trust Fund)	66.5	68.3	74.8	79.8	83.8

The MPEA also receives revenues from McCormick Place and Navy Pier operations, interest on investments, Federal grants and other miscellaneous sources. As shown in the following table (in millions), annual debt service revenues alone may not be able to pay for the annual debt service payments on the Authority's bonds.

In millions	FY 99	FY 00	FY 01
Debt Service Revenues	$100.7	$107.3	$112.3
Debt Service Payments	$114.6	$108.4	$111.6

Following is a list of Debt Service Fund balances (in millions) over the past years. The ability to maintain the surplus in FY 99 came from excess revenues from the 1999 bond issue proceeds. From FY 2000 on, the surpluses in the fund have remained under $20 million.

FY 98	$45.5
FY 99	$48.0
FY 00	$19.8
FY 01	$19.6
FY 02	$19.8

McCormick Place Bond issues as of FY 01(in millions)				
Series	**Project**	**Outstanding**	**Financing**	**Maturity**
1992A	Expansion Project	$344.4	Chicago taxes	2027
1994A-B	Expansion Project	157.7	Chicago taxes	2029
1996A	Expansion Refunding	503.9	Chicago taxes	2027
1998A-B	Expansion Refunding	188.8	Chicago taxes	2029
1999A-D	Expansion Project	443.7	Chicago taxes	2028
subtotal		$1,638.5		
Series	**Advance Refunding**	**Outstanding**	**Financing**	**Maturity**
1994	of Expansion Project	$29.4	Refunded	2027
1996	of Expansion Project	435.8	Refunded	2006
1998	of Expansion Project	29.0	Refunded	2008
1998	of Expansion Project	45.3	Refunded	2009
1999	of Expansion Project	109.7	Refunded	
1999	of Hospitality Facilities Revenue Bonds	127.4	Refunded	
subtotal		$776.6		
Series	**Refunding**	**Outstanding**	**Financing**	**Maturity**
1986A	Refunding	$19.7	State tax revenue	2015
1992	Refunding	140.7	State tax revenue	2010
1995	Refunding	32.3	State tax revenue	2011
1997	Refunding	94.6	State tax revenue	2006
subtotal		287.3		
TOTAL		**$2,702.4**		

The Metropolitan Pier and Exposition Authority issues its own bonds, which are not an obligation of the state. Bond authorization of the Authority was $1.307 billion (70 ILCS 210/13.2). The Illinois 92nd General Assembly passed and the Governor signed Public Act 92-208 increasing the MPEA's bond authorization by $800 million dollars to $2.107 billion, and lengthened the maximum maturity for bonds issued by the Metropolitan Pier and Exposition Authority from 30 to 40 years.

Public Act 92-208 was seen as necessary to keep McCormick place as one of the premiere convention spots in the United States. Although this law did not change the amount of authorization for any type of State-issued or State-supported bond, and, therefore, does not affect the level of State indebtedness, it did change revenue amounts and the revenue stream. This law gave McCormick Place an extension on the use of the following State taxes from 2029 through 2042: the use tax, service use tax, service occupation tax and the retailers' occupation tax. The law increased the maximum amounts of these taxes that may be deposited into the McCormick Place Expansion Fund in fiscal years 2002 until 2013, and provided for additional amounts from fiscal years 2014 to 2042. These revenues may be diverted from the General Revenue Fund (through the Build Illinois Fund) to the McCormick Place Expansion Fund with unused revenues transferred back to the General Revenue Fund on the last day of the month. To the right is a table with the history of these revenues dating back to 1994, and with the newly approved annual amounts to be diverted through FY 2042 (in millions).

According to the MPEA, they saw no rush in selling these bonds. Officials wanted to be able to assess the impact of September 11th on tourism revenues, and be in a position to make a fiscally responsible decision on the bond sale, while still trying to create jobs and increase tourism revenues for the State. The $800 million in bonds were sold in June of 2002 at a 5.7% interest rate with a maturity of 40 years.

Maximum Transfers Allowed from GRF to McCormick Place Expansion Fund
(in millions)

FY	Amount
1993	-------
1994	$53.0
1995	58.0
1996	61.0
1997	64.0
1998	68.0
1999	71.0
2000	75.0
2001	80.0
2002	93.0
2003	99.0
2004	103.0
2005	108.0
2006	113.0
2007	119.0
2008	126.0
2009	132.0
2010	139.0
2011	146.0
2012	153.0
2013	161.0
2014	170.0
2015	179.0
2016	189.0
2017	199.0
2018	210.0
2019	221.0
2020	233.0
2021	246.0
2022	260.0
2023 through 2042	275.0
TOTAL	**$9,429.0**

THE BUILD ILLINOIS FUND

Revenues

Originally named the Tourism Fund, the Build Illinois Fund serves as an instrument for channeling dedicated tax revenues to Build Illinois-related and tourism spending. Three major changes to the revenue stream over the years include: the "pop tax", and the deletion of the Horse Racing and Cigarette tax revenues. In 1986 the "pop tax" was a change in State tax law, which removed the exemption for soft drinks purchased for off-premises consumption, allowing taxes to be collected on these sales. Another change was the elimination of the Horse Racing Privilege Tax from supporting this and other funds. The most recent change was to redirect the Cigarette tax as a revenue stream from Build Illinois to a new Statewide Economic Development Fund.

The revenues pledged to support Build Illinois, tourism and McCormick Place are deposited into a series of accounts in the Build Illinois Fund for transfer to the appropriate funds for debt service and project spending. The Build Illinois Fund is made up of the following revenue:

1) 3.8% of 80% of the 6.25% Sales Tax to retire Build Illinois bonds.
2) 1.75% of 80% of the 6.25% Sales Tax.
3) 40% of the 5% Hotel Operators Tax goes to the Build Illinois Fund.
4) The additional 1% Hotel Operators Tax all goes to the Build Illinois Fund.
5) $5 million dollars of the Vehicle Use Tax.

Funds are also transferred in monthly from the State/Local Sales Tax Reform Fund, equaling $37.8 million a year.

BUILD ILLINOIS FUND RECEIPTS				
TAX REVENUE (in $ millions)	FY 99	FY 00	FY 01	FY 02
3.8% of 80% of Sales Tax	$226.1	$242.9	$240.2	$244.0
1.75% of 80% of Sales Tax	104.1	111.9	110.6	112.4
40% of the 5% Hotel Operators Tax	51.8	52.7	56.4	51.4
1% Hotel Operators Tax	26.0	26.4	28.3	25.8
Vehicle Use Tax	5.0	5.0	5.0	5.0
Horse Racing Privilege Tax	1.7	0.8	N/A	N/A
TRANSFERS IN				
State/Local Sales Tax Reform fund	37.8	37.8	37.8	37.8
TOTALS	**$452.5**	**$477.5**	**$478.3**	**$476.4**

Build Illinois Fund Accounts
The amounts in the Build Illinois Fund are divided among the following accounts in the priority in which they are listed.

- McCormick Place Account
- Build Illinois Bond Account
- (An additional account existed from 1986 through 1993, named the Build Illinois Purposes Account. This account was used for loans, grants and equity investments for small and large business development, and public infrastructure. It received approximately $322.4 million in funds over eight years.)
- Park & Conservation Fund Account
- Tourism & Advertising Promotion Account
- (Another account originally existed called the Convention and Local Tourism Bureau Account, which transferred a portion of the revenues from the Hotel Operator's Occupation Tax to the Local Tourism Fund for grants to Illinois Tourism Bureaus. Now this fund receives approximately 8% of the Hotel Operator's Tax revenues directly without being routed through the Build Illinois Fund.)

McCormick Place Account
This account transfers funds to the Metropolitan Fair and Exposition Authority Improvement Bond Fund in an amount equal to 150% of the certified amount for that fiscal year requested by the Authority. Amounts in surplus in this account may be transferred to the Metropolitan Fair and Exposition Authority Completion Note Subordinate Fund. All transfers from the McCormick Place Account in the Build Illinois Fund to these two MFEA funds may be appropriated by law to pay debt service including refunding.

Build Illinois Bond Account
Each month the Bureau of the Budget allocates from the Build Illinois Fund the greater of either the 3.8% sales tax revenue or 1/8 of the debt service needed for that fiscal year to a Build Illinois Account. This money is then transferred to the Build Illinois Bond Retirement and Interest Fund for Build Illinois debt service. (The 1/8 only applies to the first eight months of the year; the last four months is actually the 3.8% sales tax revenue). Any excess over the needed debt service goes into a general reserve fund. There already exists a debt reserve fund, so the general reserve fund is available as an additional backup, in the case that the Build Illinois Account and the debt reserve fund do not have sufficient funds to pay the Build Illinois Bonds debt service. Debt Service for Build Illinois Bonds in $ millions:

FY 99	$156.1
FY 00	$159.0
FY 01	$165.1
BOB Est. FY 02	$173.3
BOB Est. FY 03	$200.0

Payments on the interest of Build Illinois Bonds are made semiannually in December and June. Payments on the principal of Build Illinois Bonds are made annually in June.

Monies collected in the Build Illinois general reserve fund may be transferred back to the General Fund between June 15-30, at the Governor's discretion. From fiscal years 1997 to 2000, no transfers were made back to the General Fund which created a balance in the general reserve fund. From FY 2001 to FY 2002, the Governor transferred $514 million back to the General Fund, effectively drawing down the balance.

Park & Conservation Account

The Park and Conservation Account of the Build Illinois Fund transfers up to $10 million annually to the Park and Conservation Fund for conservation and park purposes under the Department of Natural Resources. The fund also pays a portion of the debt service requirements by transferring funds to the General Obligation Bond Retirement and Interest Fund, formerly known as the Capital Development Bond Retirement and Interest Fund.

The Park and Conservation Fund also receives transfers from the Metropolitan Exposition Auditorium and Office Building Fund in the amount of $10 million dollars. The Park and Conservation Fund had the following transfers out from FY 1999-2001:

Transfers Out of Park and Conservation Fund
(in $ millions)

	FY 99	FY 00	FY 01	FY 02
General Obligation Bond Retirement and Interest Fund (for Capital Development)	$10.7	$10.7	$10.7	$10.7
Illinois Habitat Endowment Trust	2.0	0	0	0
TOTALS	**$12.7**	**$10.7**	**$10.7**	**$10.7**

General Revenue Fund

All amounts left in the Build Illinois Fund at the end of each month that are not credited to any other account in the fund are to be transferred to the General Revenue Fund. From General Revenue, approximately 8% of the Hotel Operator's tax revenues received are transferred out to the Tourism Advertising and Promotion Account. Appropriations are made from this fund to the Department of Commerce and Community Affairs for awards and grants to local governments and non-profit tourist related organizations.

Transfers Out of GRF
(in $ millions)

	FY 99	FY 00	FY 01	FY 02
Tourism Advertising and Promotion Fund	$31.6	$32.9	$36.4	$36.5

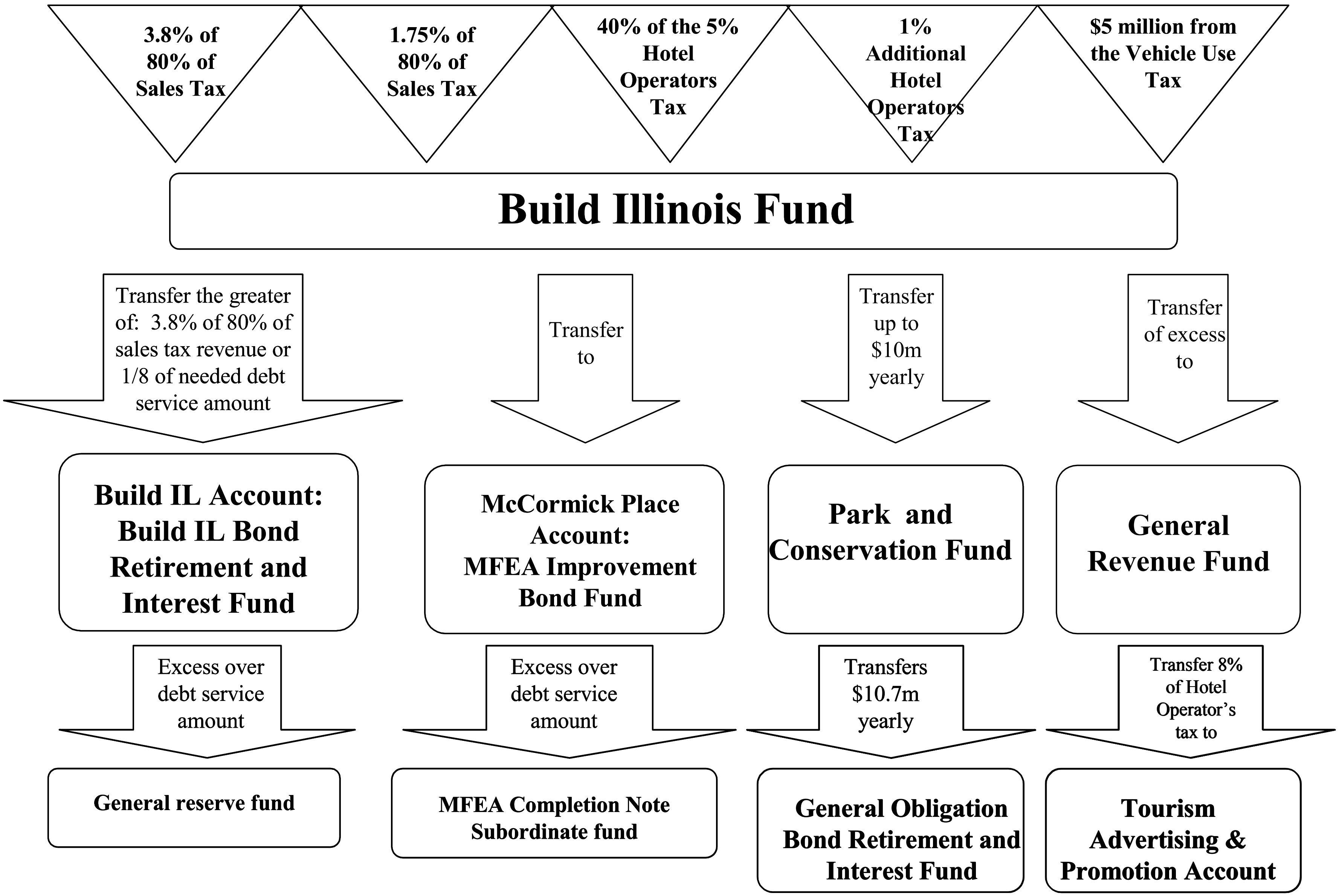
Transfers Out of Build Illinois Fund

The following transfers occurred from the Build Illinois Fund out to the following funds:

TRANSFERS OUT OF BUILD ILLINOIS (in $ millions)				
	FY 99	FY 00	FY 01	FY 02
Build Illinois Bond Retirement and Interest Fund	$226.1	$242.9	$240.2	$244.0
MFEA Improvement Bond Fund	30.0	30.4	30.5	30.3
Park and Conservation Fund	10.0	10.0	10.0	10.0
General Revenues (see table above for transfer out to the Tourism Advertising and Promotion Fund)	187.1	196.0	200.3	194.3
TOTALS	**$453.2**	**$479.3**	**$481.0**	**$478.6**

The Chart on the following page illustrates the flow of revenue into and fund transfers out of the Build Illinois Fund.

Build IL Fund revenue flow



ILLINOIS SPORTS FACILITIES AUTHORITY

The Illinois Sports Facilities Authority (ISFA) was created in 1987 to fund and build infrastructure to retain professional sports teams for the purpose of generating economic activity. In a contract with the Chicago White Sox, the Authority agreed to sell $150 million in bonds to build the new Comiskey Park, which was completed in time for the 1991 baseball season. The majority of the 1989 bond issue proceeds were placed in the Construction Fund, which was exhausted during fiscal year 1992. Remaining construction expenditures were paid out of the Authority's general fund.

In June of 1999, the ISFA issued refunding bonds in the amount of $103.8 million to advance refund the 1989 bonds at a 102% call premium for amounts maturing after that date. Total 1999 Refunding Bonds outstanding as of June 30, 2001, equals $88.3 million, due on June 15 each year through 2010.

Comiskey Park was funded completely by public funds, and continues capital improvements at no cost to the taxpayers. Renovations in FY 2001 cost an estimated $8 million and will be recouped by additional rental payments by the White Sox over the next seven seasons. In addition, the ISFA was not required to make its $1 million dollar maintenance payment in November 2000, and its annual $10 million rebate to the State was not affected.[53]

ISFA Funding

The Authority receives revenue from the following:

1) Transfers from the Illinois Sports Facilities Tax Trust Fund.
   The Illinois Sports Facilities Authority imposes a tax of 2% of 98% of the gross rental receipts of hotel operators in Chicago and puts this money into the Illinois Sports Facilities Tax Trust Fund. This tax was used to pay for the construction of Comiskey Park for the Chicago White Sox.

2) Transfers from the Hotel Operators' Occupation Tax ($13 million annually).
   The Tax levies a 5% tax and an additional 1% tax of 94% of gross rental receipts of Illinois hotel operators from transient guests. The one-percent tax goes to the Build Illinois Fund. Of the five-percent tax, 40% goes to the Build Illinois Fund (See Section on Build Illinois Funds) and 60% goes to the General Revenue Funds. The 60% is distributed as follows:
   - $13 million per fiscal year from the General Funds go into the Illinois Sports Facilities Fund, $5 million into a Subsidy Account and $8 million into an Advance Account (which the Authority repays to the State);
   - 8% into the Local Tourism Fund;
   - 6% into the International Tourism Fund; and
   - The remaining amount stays in the General Revenue Fund.

3) Transfers from the Local Government Distributive Fund.
   The Fund receives money from the Illinois Income Tax Act Sec 201 subsections (a) and (b). Of this Fund, $5 million dollars is directed to the Illinois Sports Facilities Fund.

IL Sports Facilities Authority Tax Revenues				
	FY 99	FY 00	FY 01	FY 02
ISFA Chicago Hotel Operator's Tax	$24.1	$25.0	$27.5	$26.8
Hotel Operator's Tax	13.0	13.0	13.0	20.7
Local Govt. Distributive Fund	5.0	5.0	5.0	5.0
TOTAL	**$42.1**	**$43.0**	**$45.5**	**$52.5**

4) The ISFA also receives revenues from the following:
   - Portions of revenues from ticket fees and media fees as a part of a revenue sharing agreement with the Chicago White Sox.
   - Rent payments from the Chicago White Sox who paid $1.6 million in FY 00, equaling a total of $14.5 million during the life of their rental agreement with the ISFA.
   - Interest payments from investment of funds.

The ISFA rebates money back to the State every year. By statute, the ISFA is to repay unused amounts from the ISFA administered Hotel Operator's tax back to the State. This amount equals the unused revenue after payment of debt service, deposits for debt service reserves, obligations under the management agreements with users of the facilities, and payments for capital projects and operating expenses. The ISFA paid rebates to the State of $6.6 million in FY 00 and $2.9 million in FY 01. This brings an 11-year total of approximately $44.9 million refunded to the State. Fifty percent of the rebate has gone to the City of Chicago's designee, the Metropolitan Pier and Exposition Authority. The Authority has also paid a total of $8.0 million over the ten years to the State for collecting and administering the ISFA Hotel Operator's tax for them.

Renovation of Soldier Field

In November of 2000, the General Assembly passed what was to become Public Act 91-935. This law addressed the financing of the renovation of Soldier Field along terms outlined in an agreement with the Chicago Park District and Chicago Bear's management. The renovation of the field and related lake front improvements would cost approximately $587 million. On November 1, 2000, the Chicago Bears secured a loan from the National Football League of $100 million for the project, which they will repay from their own revenue. The Chicago Bears will invest $100 million dollars, in addition to the NFL loan, towards the renovation and will assume responsibility for any cost overruns. The remaining $387 million would come from Illinois Sports Facilities Authority bonds. The Act adds $399 million to the Authority's bond authorization specifically for financial assistance to facilities (Soldier Field) owned by a governmental owner other than the Authority (the Chicago Park District). This amount would cover the cost of the bonds and issuance. The Act also allows the ISFA, as a part of the assistance agreement, to provide, directly or indirectly, up to $10 million to the Chicago Park District for revenues lost during renovation. Debt of the ISFA is not backed by a pledge of the State's full faith and credit, and therefore is not a moral obligation of the State.

Increased Advance Amount from the General Fund to the ISFA (in millions)	
FY	**Advance Amount**
2002	$22.179
2003	$23.424
2004	$24.740
2005	$26.129
2006	$27.596
2007	$29.145
2008	$30.782
2009	$32.510
2010	$34.336
2011	$36.264
2012	$38.300
2013	$40.450
2014	$42.722
2015	$45.121
2016	$47.654
2017	$50.330
2018	$53.156
2019	$56.141
2020	$59.293
2021	$62.622
2022	$66.138
2023	$69.852
2024	$73.774
2025	$77.917
2026	$82.292
2027	$86.912
2028	$91.793
2029	$96.947
2030	$102.390
2031	$108.140
2032	$114.212
30 year total	**$1,753.260**

Public Act 91-935 adds a provision allowing the Authority to renovate not more than one facility unless authorized by law. It requires a separate financial reserve for each facility owned by the Authority (Comiskey Park) or for which the Authority provides financial assistance (Soldier Field), and requires a deposit into these reserves of not less than $1 million per year for each facility. It also exempts the Authority and governmental owners from property and use taxes on the facility, and exempts the facility tenant's interest from property taxes.

Public Act 91-935 does not increase or decrease taxes, or revenues collected by the State. This bill increases the amount of revenue that the General Revenue Fund advances to the Illinois Sports Facilities Fund Advance Account at the beginning of each fiscal year. This revenue in the General Revenue Fund comes from the State Hotel Operators' Occupation Tax. The original amount placed in the Advance Account of $8 million would be increased to $22.179 million (the "Advance Amount") for FY 2002, and would increase each fiscal year by 105.615% (rounded to the nearest $1,000) until the year 2032. As part of the bond sale, the ISFA was able to save on debt service for the first two years of the bonds maturity. Therefore, the Advance Amount requested by the Authority was reduced to only $15.172 million in FY 2002, and $19.166 million in FY 2003. The additional amounts approved but not requested during FY 2002 and FY 2003 may be requested at a later date, if needed.[54]

This deposit during each fiscal year shall be treated as an advance of funds to the Illinois Sports Facilities Authority and shall be repaid in the succeeding fiscal year into the General Revenue Fund from revenue generated by the City of Chicago Hotel Operators' Occupation Tax imposed by the Authority. The Chicago portion of the Local Government Distributive Fund shall help pay for any deficiency in the repayment amount to the General Revenue Fund, which the ISFA is to repay to Chicago.

The Comiskey Park bonds, issued by the Illinois Sports Facilities Authority, will be paid off in 2010, allowing the money used for the debt service on those bonds to be used for the debt service on the new bonds for Soldier Field. Debt service will be structured to match revenues available. Less money will be paid toward debt service on the Soldier Field bonds in the first years until the funds are freed up from the Comiskey Park debt service in 2010.

The new law requires that the tenant of the facility (the Chicago Bears) use the facility for a period at least as long as the term of any bonds issued to finance the renovation, and that Soldier Field remain in the name of the stadium. As a part of the contract, the Chicago Park District is to update the facility every 10 years beginning in 2011, and the Bears can demand any innovation in place in at least 25% of the other stadiums in the NFL. The money for these improvements is not a part of the bond authorization, and would therefore be paid for by the Park District. According to an article in Crain's Chicago Business[55], a spokesman for the Soldier Field Project says that this will not affect property taxpayers in Chicago. The ISFA has the ability to pay for these requirements using other funds, including their regular capital improvement fund. In addition to these funds, the Chicago Bears will be paying $1 million dollars more in rent their first year at the new stadium, with inflation-related increases every five years.

The ISFA bonds, sold in October 2001, were temporarily put on hold by Mayor Daley due to the fall in hotel tax revenues caused by the September 11th terrorist attacks. Finance team members worked out a compromise structurally changing the deal to allow for decreases in city hotel taxes of 40% in FY 02 and 12% in FY 03, at the expense of increasing borrowing costs by approximately $25.0 million depending on interest rates.[56] When the actual bond sale went through, the ISFA was able to obtain low interest rates, which will save $29 million over the 30-year life of the bonds. “The ISFA was able to reprice the transaction twice on its Oct. 3 pricing date. The deal was loaded with premium bonds that typically offer higher interest rates, but heavy investor interest allowed the Authority to reduce the yields”.[57] The bonds were sold with a true interest rate of 5.4%. Construction on the Soldier Field and Lakefront Improvement projects is scheduled for completion in September of 2003.

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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