



Shopping Without Price Tags

Improving Illinois's budget via fiscal note reform

The Problem

Paris Hilton may be able to shop without looking at price tags, but the State of Illinois doesn't have that luxury—particularly when it already has \$4.7 billion in unpaid bills. Even so, state legislators receive precious little information on how much the laws they're approving will save or cost taxpayers. The state's "fiscal note" process should be improved as part of broader budget reforms.

Fiscal notes are intended to estimate the costs, savings, revenue gain, or revenue loss resulting from the implementation of proposed legislation. However, fiscal notes in Illinois often fail to provide useful information—if they exist at all. A June 2010 survey by the Illinois Policy Institute found that out of 545 bills pending review by the governor, only 3 percent—or 16 bills—had fiscal notes attached. Many of the notes were just a couple of sentences long.

Current implementation of the Illinois Fiscal Note Act serves few well. Problems include:

- Many bills never have their fiscal impact measured.
- The few notes that do exist are often opaque, provide minimal information, do not show assumptions and calculations, and rarely include measures of long-range effects.
- Fiscal notes are often prepared before the adoption of significant amendments.
- Affected agencies prepare the notes, and they may have an interest in directing the results.
- The public does not have an easy method for tracking notes or contacting note authors.

Combined, these factors create a situation where legislators and the public are unable to conduct a proper analysis of the budgetary effects of proposed legislation, and this has real consequences for the state budget. Indeed, the All Kids Expansion passed in 2005 had no fiscal note, although an Auditor General report found that the program's net cost was \$70 million in fiscal year 2009. The statewide sales tax holiday scheduled for August 2010 was passed with no fiscal note, even though it is likely to reduce expected tax collections by tens of millions of dollars. Unfortunately, these examples are the norm, not the exceptions.

Our Solution

Illinois must enact a stronger fiscal note statute and develop standardized guidelines that aim to increase note availability, accuracy, and transparency. Reforms should address:

- *Notes Required:* A note should be required whenever the proposed legislation involves spending or taxation.
- *Methodology:* Fiscal notes should contain an explanation of the method used to produce the cost estimates.
- *Long-Term Fiscal Implications:* The notes should include a minimum five-year fiscal forecast.
- *Independence:* The notes should be chiefly authored by a neutral and independent source.
- *Accessibility:* Illinois should create and operate a searchable fiscal note tracking system that is publicly available.

Why This Works

If Illinois is going to balance its budget, state leaders will need better information on the cost of new programs or higher taxes. Continuing with the status quo—which permits bills to be passed without realistic cost estimates—is untenable for a state that is billions of dollars in the red.

Learn more at www.illinoispolicy.org.

