



RENEWING ILLINOIS

AMBITIOUS DREAMS AND PRACTICAL STEPS TO REVIVE THE PRAIRIE STATE

MARCH 28-29, 2019



SIU
CARBONDALE

SOUTHERN ILLINOIS UNIVERSITY
PAUL SIMON
PUBLIC POLICY INSTITUTE



John T. Shaw
Institute Director

“You and I are on this planet but a short time. Let us seize this time and opportunity to build a better tomorrow so that generations to come will look back upon us and say, ‘These were people of uncommon compassion, vision and courage’.”

Senator Paul Simon announcing his candidacy for President on May 18, 1987.

Dear Participant,

On behalf of the Paul Simon Public Policy Institute I would like to thank you for being part of “Renewing Illinois: Ambitious Dreams and Practical Steps to Revive the Prairie State.” We are delighted that you are joining us for this inaugural summit to reimagine Illinois.

Illinois is at a crossroads as a new administration takes power in Springfield and confronts a myriad of serious challenges. Policymakers must decide if they will tackle these problems or defer them to another day.

The Institute is eager to bring together students from across Illinois to consider ideas to renew and rebuild Illinois. We are determined to stimulate vigorous discussion and generate constructive proposals. The Institute asked Jim Nowlan, a respected political analyst and the co-author of *Fixing Illinois: Politics and Policy in the Prairie State*, to describe our state’s strengths and weaknesses. We hope this report provides a solid foundation to guide our discussions and allows us to craft a compelling agenda for the future.

After the summit, we will submit a report to top elected officials in Illinois which summarizes our main conclusions and recommendations. The Institute is convinced this summit can provide a productive platform for university students in Illinois to generate fresh ideas to renew our state.

Sincerely,

A handwritten signature in black ink that reads "John T. Shaw". The signature is fluid and cursive.

John T. Shaw

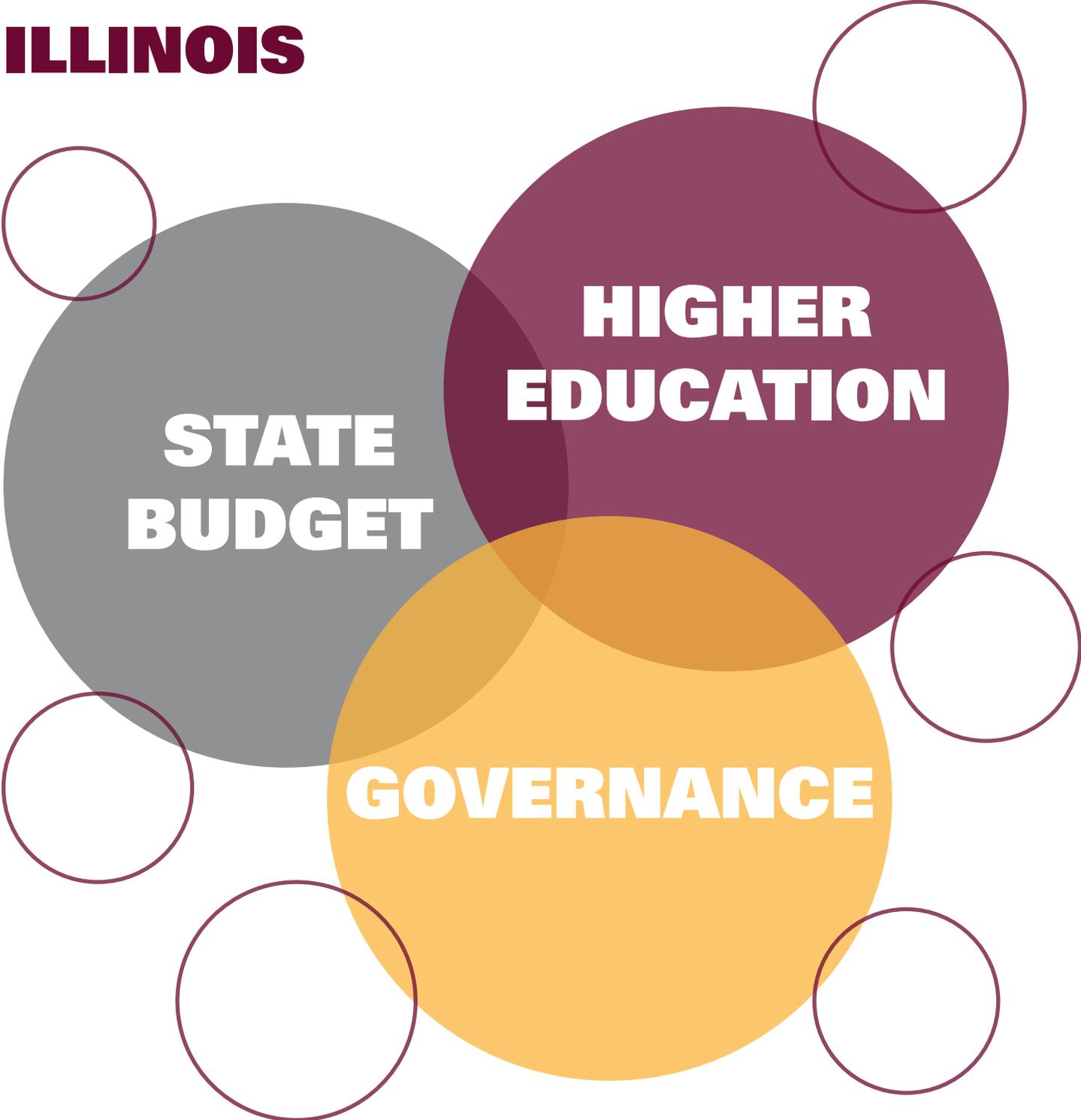
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ISSUES FACING ILLINOIS



**STATE
BUDGET**

**HIGHER
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GOVERNANCE

We're excited to hear from you!

**We invite all Summit participants to join the Institute group:
Renewing Illinois Summit Participant Group**

<http://bit.ly/renewingillinoisFBgroup>

Renewing Illinois:

From leader to laggard, and back again?

by **Jim Nowlan, former Illinois state representative and cabinet director**

When your grandparents were college-aged, Illinois was a powerhouse. Our per capita income was among the highest of the states. Life was good, and getting better. We were proud to be from Illinois.

Today, many if not most of us are in a funk about our state. For a while, as the career of ex-Gov. Rod Blagojevich unraveled in 2009, Illinois was the butt of jokes on late night television, which only accentuated our state's reputation for corruption (Blagojevich was the fourth out of the seven governors elected between 1960 and 2006 to be measured for striped suits.) About that time as well, Illinois was becoming a deadbeat state, unable to pay its bills on time. We raised taxes and still could not restore stability to our fiscal situation. Our credit rating for borrowing was, and is, among the lowest among the states,

near "junk" status. Our business climate is perceived to be woeful as well, and an exodus of people from Illinois that began decades ago continues.

A recent lead editorial in the *Wall Street Journal* contrasted the double-digit population growth in Florida and Texas over the past decade with the decline of almost 1 percent in Illinois, the bottom rung among the 50 states.

The Illinois economy has been declining relative to the nation since shortly after World War II, and the net out-migration of our population, especially of whites, has been going on almost as long. In 1950, the Illinois per capita income stood at 130 percent of the national average (100 percent). Since then, our state has seen a slow but steady decline relative to the nation, to about 104 percent. We are still above average, but

just a bit.

Years ago, I reviewed our state's demographic mix and found that from 1970 to 2000, our state saw a net out-migration (more people leaving than coming in) of two million whites, many to the sunny climes, job opportunities and low taxes of the South and Southwest. This net outflow has continued, I'm certain.

Until recently, the outflow of white residents had been masked by a natural increase of births over deaths and a net inflow of African-Americans, Latinos and Asian-Americans. For a paper of mine that I have on a shelf gathering dust, I noted that in 1970 the Illinois population was 11.8 percent minority and today stands at 36 percent, which I called in the paper the "changing face of Illinois."

THE CHANGING NATURE OF ILLINOIS: Factoids over half a century

	1968	2018
Illinois population	11.0m	12.7m
Increase in Illinois population since 1968		14%
Increase in US population since 1968		38%
Illinois population change since 2013		-157,000
Chicago population as % of state pop.	32%	20%
Minority population as % of state pop.	11.9%	36%
Illinois per capita GDP as percentage of national average (100%)	120%	104%
Number inmates in state prisons	7,000	42,000
Number enrolled in Medicaid	600,000	3,000,000
Percent of children born to married parents	90%	59%
IL S&L taxes as % of personal income	8%/10%	11.3%
Percent of women in General Assembly	2%	38%

In addition, since 1990 job growth in Illinois has been slower than that of the nation as a whole and of the Midwest. Illinois job growth has only recently reached its 2000 levels and job levels in rural Illinois are significantly below those of 2000.

“Can Illinois be salvaged?” asked a reader of my weekly newspaper column on “Understanding Illinois.”

To this, I think the answer is “Yes,” but it will take a number of years and concerted effort by leaders of both parties.

If the reader meant, “Can Illinois return to the old days of good-paying factory jobs for all who

want them?” the answer is clearly “No.” We live in a new world. Such jobs are evaporating, largely because of technology.

Illinois is at its lowest point in my 77 years. Some of this was maybe to have been expected. The blistering Sunbelt has home air conditioning it lacked when your grandparents were young, and Illinois always had a larger manufacturing base than most states, so other states suffered less loss over recent years as technology replaced assembly line jobs.

Yet our fundamental strengths are unmatched by most states. Our central location, unmatched

airline connections and copious water supplies are the envy of much of the world. We have a better educated workforce than most states. And we have unmatched transportation infrastructure among the 50 states, critical to commerce.

So, the elements for recovery are in place. The essay that follows is an attempt to address whether and how you and I might renew Illinois. Your observations and suggestions will be important to any renewal, as you will shortly be participating in the work, civic, even political life of our state, should you decide to stay.



BUDGET: **Balanced budgets and a predictable fiscal system**

The first order of business in transforming Illinois from a laggard to a leader, once again, among the American states is to enact balanced budgets and create a stable, transparent, predictable fiscal system, something the state has not accomplished even once in the past two decades. Only then will business leaders, entrepreneurs and creators be confident they can locate, build and expand in our state.

The numbers tell the sad story of our fiscal disarray. The 2017 Comprehensive Annual Financial Report of the Office of the Illinois Comptroller shows that the net assets of the state of Illinois declined from a negative \$6 billion in 2002 to minus \$141 billion in 2017. [This number will plummet later in 2019, when new accounting rules require Illinois to report its unfunded future employee health care costs.]

Even with the return last year to

an individual income tax rate of almost 5 percent (4.95 percent), the 2019 fiscal year budget, ballyhooed by the governor and legislature as balanced, will actually end the year with a deficit. The deficit for fiscal year 2020 is projected by the Governor's Office of Management and Budget to be more than \$3 billion. How so?

For example, buried in the murky detail of the 2019 state budget is a provision to borrow \$800 million from other special state funds—which will have to be repaid in subsequent years.

Then there is the James R. Thompson State of Illinois Center in Chicago. The 2019 budget was the third straight annual document in which the building was “sold”, and the \$300 million from the sale banked as revenue in each annual budget. Yet, I swear when I walk by the spaceship-shaped building, I still see state employees walking in

and out. That's how you balance a budget in Illinois.

Readers might think it would be easy to find \$3 billion of waste and corruption in the state budget, thus solving our problem. Actually, cutting has been going on since 2002, when Rod Blagojevich took office. In his first year, there were 70,000 state employees; today, there are 49,000, a reduction of 30 percent.

Al Bowman, former staff head of the Illinois Board of Higher Education, reports that state spending on our colleges and universities is less than half of what it was in 2002. Further, appropriations and staffing for our overwhelmed state children's agency are actually down, and, another of many examples, budget cuts have left our state parks and trails decrepit. We could cut more from higher education, probably driving even more of our students out of state, where they tend to stay upon graduation.

The budget pie (see below) for all state spending in the 2018-19 fiscal year shows that most dollars go for health care, education, government services, human services, and pensions.

The 13 percent slice for government services is mostly for state agency employee pay and health care. The public wants to increase spending for education, and no public management experts I know have been able to reduce spending for Medicaid, the federal-state program that provides health care for 3 million generally lower-income Illinois

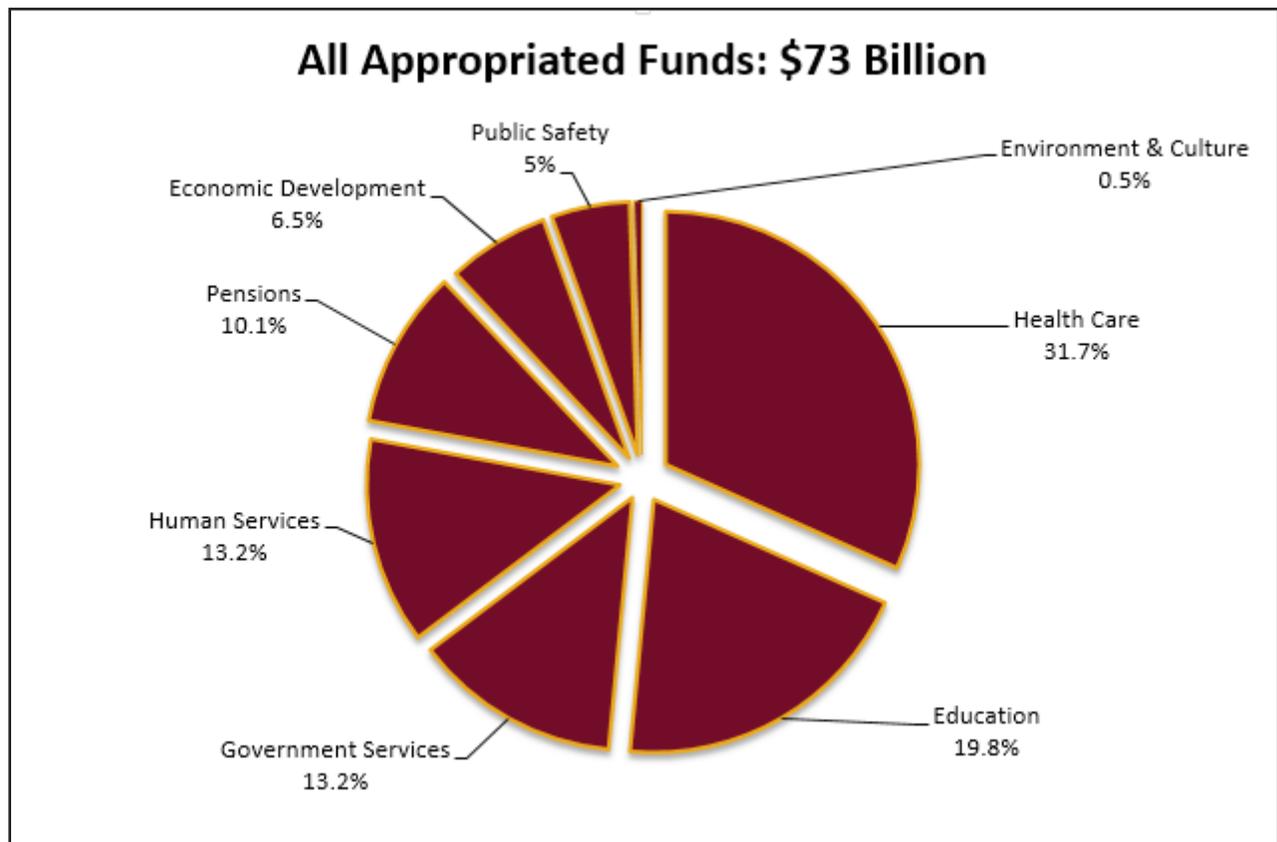
residents.

For decades, the state failed to put aside enough money for its public employee pensions and also increased benefits unreasonably, without providing the investment to support the benefits. But the state Supreme Court has said we cannot reduce pensions.

As a result, the slices of funding in each year's budget have changed dramatically since 1978.

The table on page 7 shows a dramatic increase in inflation-adjusted, per capita spending

over recent decades for Medicaid and pensions, while other major services have received modest increases or reduced spending.



Per capita spending by the State of Illinois, adjusted for inflation, 1978-2018:

	1978	2018
Pensions	\$104	\$781
Medicaid	\$599	\$1797
K-12 Education	\$881	\$937
Higher Education	\$314	\$310

Largely because of rapid spending increases for pensions and Medicaid in recent years, governors and lawmakers have seemed incapable of enacting balanced budgets.

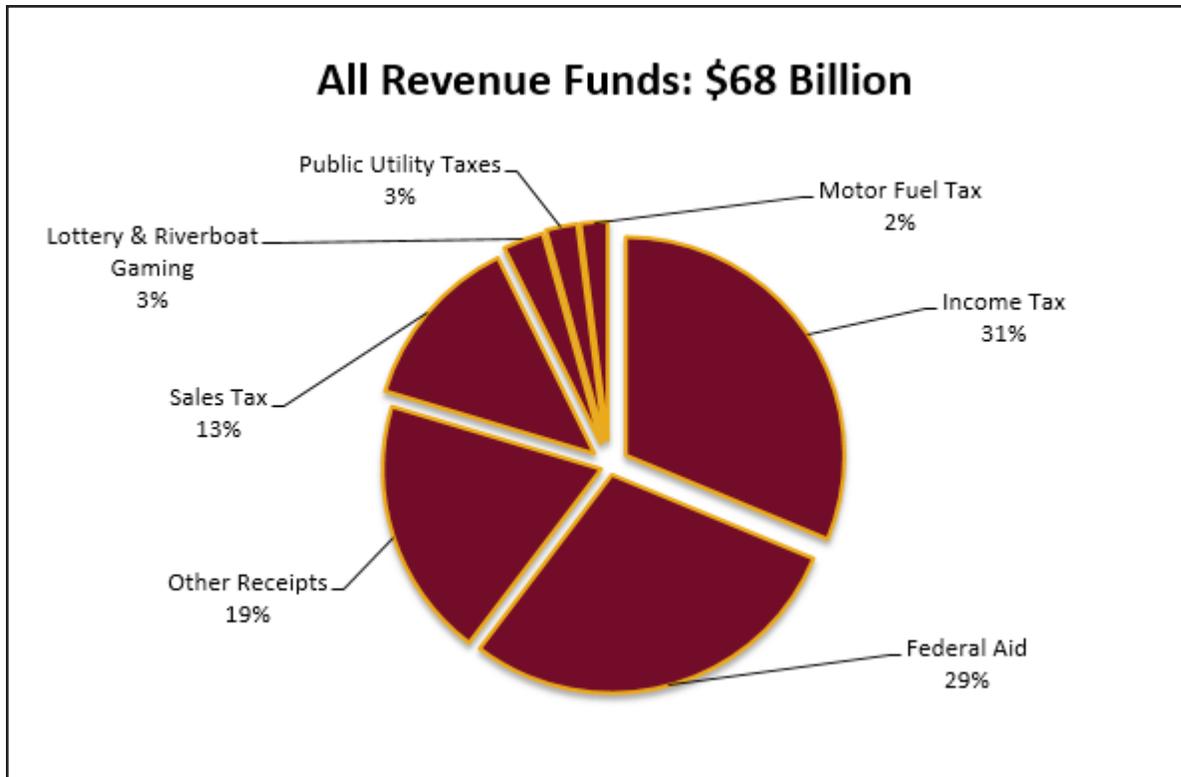
Each year we kick the can down the road, increasing unpaid bills to

\$7.5 billion in late 2018. In 2017, Illinois paid \$1 billion in late payment penalties to vendors, money that did not purchase a single good or service.

The resulting uncertainty and unpredictability are causing havoc to our economy. Who in their right

mind would invest in creating jobs here when future taxes and obligations are unknown?

What to do? Below is the 2018-19 pie chart of where the money comes from to run the Illinois government.



 The state income tax is the largest single source of state money for the budget.

 “Other receipts” comprise monies largely generated by the hundreds of fees the state imposes, e.g. the score of fees by the Secretary of State alone, for drivers’, auto and business licenses. Then there are hunting and fishing licenses and on it goes.

 Federal aid is largely for the 3 Medicaid health care program, of which the federal government pays roughly half, and the state half.

 The Illinois sales tax is quite narrow, imposed primarily on the sale of autos and appliances, but not, as in some states, on scores of services, such as barber, beauty, lawn care and as many as 188 services in Iowa, for example.

The Illinois state and local tax burden is high, relative to other states.

The Illinois tax that always sticks out is that for property, a local tax in our state. Illinois is consistently ranked with New Jersey for having the highest property tax burden among the 50 states. A ranking website called WalletHub reported that in 2016 the average property tax on a home in Illinois valued at \$185,000 was \$4,288, with only New Jersey having a higher average tax on a home of the same value.

The transformative approach would be to broaden the sales tax to include many services, reimpose the tax on retirement income (excluding Social Security, and the equivalent income of pensioners not covered by Social Security), and eliminate a host of exemptions and exclusions from sales and other taxation.

By my calculations, this transformation could generate more than \$12 billion, without increasing any tax rates, also balance the budget—AND one could reduce local property tax bills by one-third

(\$10 billion from the total of \$30 billion paid annually in property taxes).

Economists would call this dramatic property tax reduction regressive, or unfair, because most of the benefits would go to folks with above average income, and it would provide a windfall to property owners, who might see property values climb. Yet what a boost to our struggling economy!

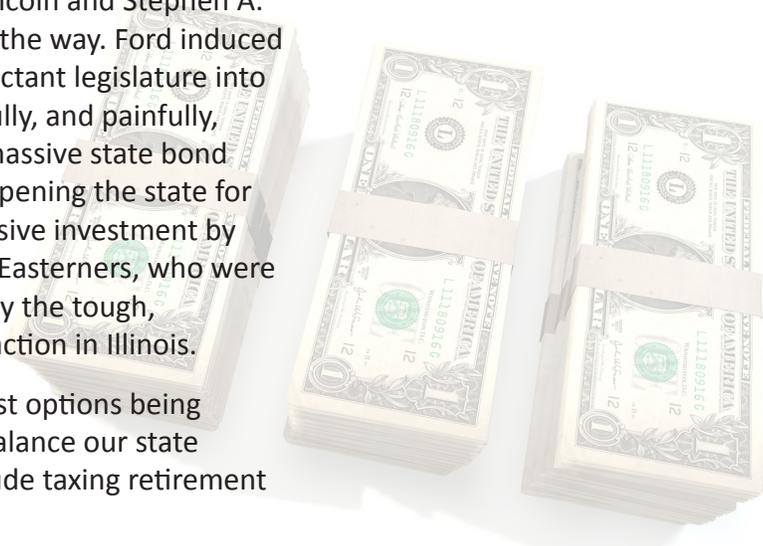
But let’s get real. There appear to be no giants today like one-term governor Thomas Ford (1842-1846). The state defaulted on wild spending commitments by previous legislatures, whose members included supportive Abraham Lincoln and Stephen A. Douglas, by the way. Ford induced a highly reluctant legislature into paying off fully, and painfully, holders of massive state bond debt, thus opening the state for equally massive investment by English and Easterners, who were impressed by the tough, disciplined action in Illinois.

More modest options being floated to balance our state budget include taxing retirement

income (but who will sponsor the bill?), and a graduated income tax, as proposed by Democratic Gov. J.B. Pritzker.

I project it will take at least \$4 billion in additional annual revenue to begin to pay off old bills and balance the budget going forward. Assuming for the moment that I may be correct in this, how would you come up with the additional revenues or budget cuts to balance the budget?

On the next page is a much simplified yet illustrative “budget game.” Make your choices as to how you would balance our state budget.



The Illinois Budget Game: Balance the Budget

Task: Eliminate \$4 billion deficit in annual total state spending of about \$73 billion. Select among following options, then total deficit reductions:

<u>Expenditure reductions:</u>	\$ Reduction
Reduce spending for K-12 education, from \$11 billion	_____
Reduce spending for Medicaid, from \$10 billion (in state only dollars)	_____
Reduce spending for prisons, from \$1.5 billion	_____
Reduce pension spending, from \$9 billion (Illinois Supreme Court says cannot cut for present retirees and active workers, but tweaking possible, through buyouts, for example, saving maybe \$0.5 billion)	<u>\$0.5 billion</u>
Reduce “waste and corruption” (possible reductions, at most, of \$0.5 billion)	<u>\$0.5 billion</u>

<u>Revenue increases:</u>	\$ Increase
Re-impose sales tax on food for home consumption	\$1.5b _____
Tax retirement income as feds do	\$2.0b _____
Eliminate 5% property tax credit on income tax	\$0.5b _____
Impose sales tax on nonprofit organizations	\$0.4b _____
Eliminate all other tax expenditures (e.g. 70 sales tax exemptions)	\$3.2b _____
Tax wide array of services, as in Iowa, e.g. pet grooming, plumbing	\$4.0b _____
Expand gambling, e.g. more casinos, sports gaming, more video gaming	\$0.5b _____
Increase individual income tax from 4.95% to 5.95%	\$4.0b _____
Increase corporate income tax from 7% to 8.6%	\$0.5b _____
Increase fees on hundreds of licenses, (e.g. on driving, fishing, hunting, etc.)	\$1.0b _____
 Total of actions to eliminate \$4.0b deficit: budget cuts + revenue increases	 _____



HIGHER EDUCATION: Funding decline and student flight

In fiscal years 2016 and 2017, during an unprecedented two-year budget impasse, Illinois simply skipped funding for its colleges and universities, as well as for 122,000 students on need-based state scholarships. The colleges limped along on tuition income, research grants, reserves, borrowing and program cuts.

Yet there was little public outcry. Higher education is, I fear, out of favor. As a broken-down professor, I hope I am wrong, but I fear the consequences could be severe. There was dramatic growth and major spending on higher education and student financial aid post-World War II up to the 1980s, when student numbers boomed, and the state had some money.

In 2000, the National Center for Public Policy and Higher Education declared Illinois to have the best higher education offerings among the states for quality and affordability.

Relative to the rest of state government, however, funding for higher education in Illinois had

already been slipping for decades. Three decades ago, higher education received one dollar for every two dollars going to our public schools; today it is one dollar for every four. In 1978, the slice of the state budget going to higher education was 10 percent; last year it was 3.3 percent (this does not include pension payments for higher ed, then or now, which are hefty).

In addition to funding that goes directly to our public universities and community colleges, the state has since the early 1970s provided support to students through the Monetary Assistance Program (MAP).

In 2002, MAP was able to meet the needs of all eligible applicants; the program fully covered average public university and community college tuition and fees, as well as a significant portion of tuition for eligible Illinois students at our private colleges and universities.

In fiscal year 2016, funding for MAP was delayed so long by the budget impasse that the program provided partial tuition assistance on a first-come, first-serve basis

to only 107,000 students; 161,000 eligible applicants were not offered aid. In 2017, MAP served 122,000 students, while 105,000 eligible students went without.

Because of reduced state spending for higher ed in recent years, Illinois public universities and colleges jacked up their tuition, making our in-state student costs among the highest in the nation. From 2000 through 2010, average tuition rates at our state universities rose on average about 10 percent a year, far above the rate of inflation.

This made it possible for top universities in neighboring states, themselves hungry for students from a shrinking pool of high school graduates, to offer lower tuitions than at our schools. And so, many of our best and brightest are in classrooms in Iowa, Indiana and elsewhere, probably never to return. In 2018, 44 percent of Illinois high school graduates who went on to enroll in college did so at schools out of state; Illinois exports more students out of state each year, on a net basis, than all states but New Jersey.

To their credit, some university leaders and lawmakers are belatedly addressing the problems. Tuition levels are being frozen, and more financial aid is being scrounged for students, though there is much more to do.

I have always thought of higher education as a “public good” rather than just a “private benefit.” To me, higher education is a key component of the economic well-being and quality of life of a state, rather than solely a benefit to the students. Though not everyone needs a bachelor’s degree, every youngster who can benefit needs post-high school training and education.

Three-quarters of a million of our citizens enroll each year at the state’s 12 public university campuses, 39 community college districts (with many campuses) and 156 private non-profit and for-profit institutions of post-secondary learning.

Readers might think of Illinois as offering four “layers” or categories of higher education. There are graduate research universities (think University of Illinois), and teaching universities (such as Illinois State University). And private non-profit colleges (e.g., Northwestern and Knox) and for-profit colleges (which range from good to rip-offs). And, of course, our low-cost community colleges, which blanket the state. So, it is critical that we think through our needs and project our financial commitment to higher education, or lack of it, out five to ten years. But I don’t think our governor and lawmakers are in a frame of mind right now to gaze out the window and look ahead to the future.

Overseeing our colleges and universities is the Illinois Board of Higher Education, created in 1961 by the legislature to constrain the desires of institutions to be all things to all people.

Once a respected agency, the IBHE is now a toothless tiger, with many

board members formally representing not the public but higher education interest groups. For example, the president of Western Illinois University is a member of the IBHE board, which oversees his own board and institution. In his IBHE role, the president is overseeing himself.

The IBHE should be completely revamped: Throw off all the higher education representatives with their vested interests. Replace them with highly successful, totally independent civic and business leaders who want the best, not necessarily the most, for our colleges, students and the public. Reinvigorate the IBHE authority and credibility to reject new programs of low value to the larger society.

Our higher education system can be among the best again, though it won’t be easy or painless.

Questions:



What should our goals be for Illinois higher education? Can we become a magnet that attracts more students than we export (something, by the way, Illinois has never been able to do)? What can Illinois do to reverse the outflow of high school graduates to out-of-state colleges and universities?



Should higher education be free in Illinois, as it is for community colleges in states like Tennessee, and as it is in many European nations (though fewer go to traditional colleges than in the U.S.)? If so, what would be the costs and how would we pay for it?



How should Illinois fund higher education? Traditionally, the state has funded public universities and colleges directly, setting aside a much smaller amount for the Monetary Award Program (MAP grants).



A proposal is being implemented to allocate some state funding on the basis of the “performance” of our institutions, that is, according to timely graduation rates, for example, with the socio-economic mix of students at respective institutions taken into consideration. Should some/all state money be based on “performance”?

RESTORE ILLINOIS' CROWN JEWEL: Our neglected transportation network

Transportation infrastructure is our crown jewel, sparkling atop the lid of Illinois' economic development toolkit. Neglect the jewel, and it might just slip off. And we are neglecting it.

The heartland location of Illinois appears to me to put us closer to the rest of the nation's population than any other state.

Yet we neglect it all. In 2026, less than half our 7,000 miles of federal two-lane highways will be in

acceptable condition, according to the 2017 annual planning document of the Illinois Department of Transportation.

Only about 30 percent of our state-marked highways will be in acceptable shape by 2026. Deferring highway maintenance and repair is costly. According to the National Association of State Highway Officials, \$1 spent on repairs while a road is in fair condition can prevent costs of

\$6-14 to rebuild the same highway once it has deteriorated.

Illinois has not had a major transportation funding program since 2008.

For decades, the standard funding source for capital investments in transportation has been the motor fuel tax (MFT). Although more reliable than video poker (also a highway funding source), revenue produced by the MFT has eroded over time.

Illinois has an impressive transportation network:

- 2,200 miles of interstate highways (see page 13), more than any state but California and Texas.
- 1,000 miles of navigable waterways, including Lake Michigan, with access to the world through the St. Lawrence Seaway, and the Mississippi, Illinois and Ohio rivers, which course through and along our state, carrying our grain on barges to the world.
- Chicago is the nation's largest and most important rail hub. Six of the nation's seven major railroads serve the Chicago metro-region. One quarter of all intermodal rail freight movement in the nation flows into and out of the Chicago region. The metro-St. Louis region is also a major rail center. East and West Coast railroads come together in these Illinois metro regions.
- 77 public airports, including O'Hare, recently named by an MIT study group to have the best domestic and also the best international connections of any airport in the U.S.
- 60+ mass transit systems, ranging from small rural county systems to the nation's second busiest system in metropolitan Chicago. In the three-state metropolitan Chicago region, with its 11 million people, suburban commuter rail plus the trains and buses of the Chicago Transit Authority make it possible for most who wish to get to work without an auto. Try that in Atlanta, Dallas and most other big cities!
- Chicago is also the crossroads of America for Amtrak, the National Rail Passenger Corporation.

In 2009, MFT generated \$1.5 billion in revenue; by 2019 that figure was down to \$1.36 billion. In the same period, road construction costs have increased significantly because of heavy reliance on oil-based products, inflation and wage increases for construction workers.

Illinois has not raised the MFT from the flat rate of 19 cents per gallon in over 28 years. Since 2013, 24 states have raised or reformed their gas taxes, including three that border Illinois.

For the future, the motor fuel tax is not going to do the job we need done. Fuel efficiency keeps going up, and electric car use will also continue upward. We need new

approaches to funding our transportation.

A business group called the Transportation for Illinois Coalition has proposed that the 19 cent per gallon motor fuel tax be swapped for a tax of about 12 percent on the price of motor fuel. They project the swap would add about \$1 billion a year to our 2018 \$2.5 billion transportation budget.

Looking ahead, we will need some combination of charges for “vehicle miles traveled,” congestion pricing, more tolls, and auto license fees based on vehicle weight. These are all user-based, which is how we should pay for our expensive yet invaluable transportation infrastructure.

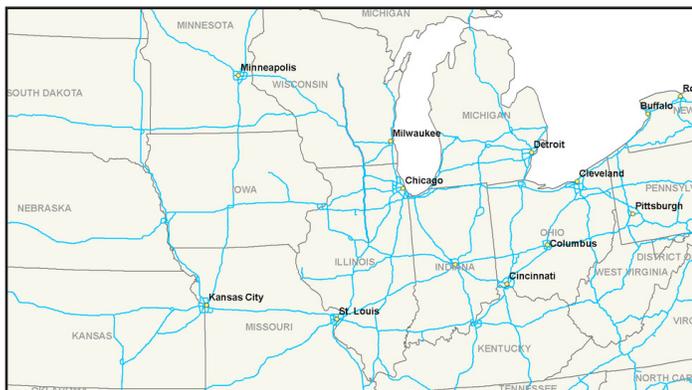
The option of charging on the basis of vehicle miles traveled was a hot potato in the recent governor’s race. Both major candidates declared they oppose the idea. Yet it makes sense, and the technology is available. Right now, in the metro-Chicago area, wireless windshield transponders tabulate tolls without slowing drivers. Some fear loss of privacy if vehicle activity is tracked, but if you have a cell phone, your presence is already known by others.

We have to look ahead, and we have to maintain our top-drawer yet neglected transportation infrastructure in Illinois.

Question:

If you believe Illinois needs to spend more on its transportation infrastructure, where would you turn to generate more revenues:

- the gas tax;
- increased license fees for drivers and vehicles;
- increased tolling;
- a fee on vehicle miles traveled;
- from general taxation of sales and income; and
- other?



In 1909, supporters of U.S. Rep. William Lorimer paid \$100,000 in bribes to 40 Illinois House Democrats for their support to elect Republican Lorimer to the U.S. Senate. Two years later, Lorimer was expelled because of the bribery. This reignited the drive, successful in 1913, to amend the Constitution to provide for citizen rather than state legislative election of U.S. senators. The bribe of about \$2,500 per lawmaker was, by the way, big money; at the time, Henry Ford's new Model T was selling for \$750.

Des Moines Register cartoonist J. N. (Ding) Darling published, "What's the Matter with Illinois?" (see page 14). The cartoon depicts Illinois politicians, including Lorimer, in a pig pen of graft and corruption. Farmers from neighboring states look over the fence, wondering quizzically why Illinois is so corrupt—and so different from its neighbors. The cartoon was published in 1910, so the taint of corruption has been around a long time.

The most disheartening corruption of all, to me anyway, was uncovered in the 1980s when

150 judges and other officers of the Cook County Court were convicted of bribery, even to quash likely convictions for Mob-instigated murders.

I invariably get a knowing chuckle from Rotary Club audiences when I note that I have worked in senior positions for three unindicted governors.

In the early 2000s, I taught American politics courses to juniors and seniors at the University of Illinois at Urbana-Champaign; many of my students planned to become lawyers, where they would be, as are all attorneys, "officers of the court." In the first session of each course, I gave the students the exercise below, without any prior discussion; students did not identify themselves in their responses, of course. I gave the exercise in seven different courses. In all of the courses, at least two out of every three students said, "Go for it." In one class, 19 of 23 said to go for it.

"Why did you say 'Go for it,'" I asked students. "Anybody else would have done the same," said one. "That's how it's done here,"

said another.

A friend, who teaches political science at a liberal arts college in Iowa, gave the exercise to a class of his. The results were reversed, with one-third saying to go for it. I think the responses to the exercise support the notion that there may be shared attitudes and values, that is, a culture of corruption, that affect a higher percentage of Illinoisans than citizens in other states.

In the 1970s, political scientist Daniel Elazar made a name for himself, in academic circles anyway, when he mapped the nation's citizenry according to political subcultures. He found there were three subcultures based on migration and settlement patterns. These subcultures were the moralistic (which rejects corruption in political society); traditionalistic (allows for corruption) and individualistic (winks at corruption).

Elazar found that Illinois was dominated by the individualistic and traditionalistic subcultures. Moralistic attitudes and values showed up, according to the professor, only along the

Your older brother has just been charged with a serious DUI. He will lose his license if convicted. Your brother is in his first job out of college. He absolutely must be able to drive to do his job. His young wife is at home pregnant with their first child.

The attorney engaged by your brother tells him that he is very well versed in the ways of the court system in which the case will be heard. The attorney says that if your brother provides him \$1,000 in cash in addition to his regular fee, the attorney is confident he can get the case dismissed.

Your brother asks you if he should:

- Go for the deal, or
- Reject it.

northern tier of counties, which were settled largely by moralistic Scandinavians.

I would add the “newcomer subculture,” which also supports corruption. Historians of Illinois have suggested that many of the newcomers to Chicago in the mid-19th Century, the hyphenated Americans, you might say, were shunned by Yankee businessmen. And so, many of these newcomers turned to politics, which was often considered a pursuit beneath the business community.

In politics, the growing numbers of recent arrivals could win some places at the table of civic life, so to speak, and help their friends, who were also being shunned by polite society.

As a result, these newcomers became leaders in Chicago politics and embraced a value system in

which doing good for others while doing well for oneself became almost standard operating procedure.

This brings to mind the recent uproar in Chicago related to the indictment of the most powerful alderman in Chicago on charges of alleged “pay to play,” that is, “do business with my law firm and I’ll help you get things done in government,” which would certainly be unearned private gain at public expense.

Does Illinois have a culture of corruption? The jury will probably always be out, yet what little we have to go on supports the possibility.

So, what are the costs of all this corruption? Nobody really knows, of course, because the costs are mostly hidden in the interstices of life, as I will try to explain. But let’s start with the easy stuff, which we

can count.

Dick Simpson has been a professor of political science at the University of Illinois at Chicago since the 1970s. He has studied corruption in Chicagoland and Illinois more closely than anyone. He estimates the total, overall costs of corruption in Illinois at all levels of government at about \$500 million a year. To arrive at Simpson’s estimate, he and his graduate students have over the years meticulously accounted for estimated costs of corruption trials and investigations, embezzlements and more.

The U.S. government reports that in 2017 Illinois state and local governments will spend a total of \$153 billion. Simpson’s half billion dollars in corruption represents one-third of one percent of total expenditures. But that is only a small part of the story.

Statistics bear out the reputation of Illinois for corruption.

- From 1976-2012, only Louisiana among the 50 states recorded more convictions for public corruption as a percentage of population than Illinois.
- In the same period, the U.S. Court for the Northern District of Illinois (metropolitan Chicago) recorded more such convictions (1,597) than any other federal district court in the nation, with Central District of California (LA) (1,341) and Southern District of New York (Manhattan) (1,247) coming in second and third.

Possibly even more damaging is the strong perception among many Americans that Illinois is corrupt. I conducted a survey in 2012 that asked 1,000 respondents across the country to name what they believed to be the most corrupt states in the nation:

- One-third of those surveyed identified Illinois, unsolicited, as such, following only New York and California, which had more mentions.
- A full 45 percent of respondents over age thirty-five named Illinois as one of the most corrupt.
- Other Midwestern states were rarely mentioned by respondents as among the most corrupt, which makes Illinois stand out like a sore thumb, just as in Ding Darling’s cartoon a century earlier.

I contend the “hidden costs” of corruption are much more devastating for Illinois than the hard costs. As illustration, in 2011 I took a survey of economic development professionals across Illinois about their work, and 70 responded. These are the folks who work to attract business to a community. Among several questions, I included one that asked these professionals if perceptions of corruption in Illinois had a negative impact on their recruiting efforts.

- Three in four respondents said corruption had either a “negative” or “strongly negative” impact on their recruiting.

- Among the written responses to this question, two provide particular insight. Said one: “Unfortunately and especially in manufacturing and international circles, there is an understanding that corruption in Illinois that once occurred at an individual level has moved to systemic corruption.”

- The other adds: “As part of an economic development marketing group that spans Illinois and Iowa, I keep hearing that Iowa makes sense as a business location if you just want to fill out an application and have a transparent process. Illinois works better if you have political clout and are willing to use it. I think that is a travesty and that Illinois is becoming known for ‘pay to play.’”

How do you quantify that? How much business employment for Illinois may have been lost—even with our state’s possibly unparalleled strengths in transportation infrastructure and location—because of negative perceptions about corruption?

The negative perceptions may even affect residential location. In the 2012 survey about public perceptions as to which states are considered most corrupt, I asked respondents if knowing about corruption in a state would affect their attitude about decisions to reside in a state. Sixty percent re-

sponded that it would have either a “negative” or “strongly negative” effect on their decisions. Of course, many factors go into such decisions, and it is easy to throw off a “negative” response to such a question. Yet, one can only wonder about the role of such perceptions in creating a larger picture in the heads of families as they make decisions about the quality of life in places they might locate.

For example, an October 2016 survey of 1,000 voters taken for the Paul Simon Public Policy Institute at Southern Illinois University found that nearly half (47 percent) of those surveyed said they would like to move from Illinois. Fifty-seven percent of those under age 50 said they want to leave.

This poll mirrors what the Gallup poll found nationally in 2013, when 50 percent of Illinoisans said they would leave if they could. No other state ranked higher for would-be departures.

The top reasons given by respondents to the Simon Poll™ for wanting to leave were:

- Taxes (27 percent);
- Weather (16 percent); and
- Government (15 percent).

(Unfortunately, the coding of survey responses did not break down the reasons respondents mentioned “government” as a factor. I will assume, maybe incorrectly, that some or many of the respondents would include perceived corruption as a factor in citing government as a reason for wanting to leave, as “taxes” obviously comprised a separate response category.)



Public corruption may also undermine Illinois voters' sense of trust and political efficacy, according to Professor Kent Redfield, a longtime observer of state politics based at the University of Illinois at Springfield. Muses Redfield:

- Why apply for a city or state job if you think only friends of political insiders will be hired?
- Why not pay a bribe to get out of a drunken driving charge if you think that's what others would do in your situation?

Voters may sometimes chuckle at the antics of corrupt officials, but in the end we feel powerless, lose faith in our government and vote less often because we believe the fix is in.

In a paper delivered in 2012 at an ethics conference in Chicago, Lilliard Richardson reported on his 2008 study of national elections in which he found that "convictions (for public corruption) per capita are strongly associated with lower political activity across the board." What can be done about corruption in Illinois?

There are basically four types of actions that can be taken to reduce corruption:

- Watch out for it;
- investigate/prosecute it;
- punish it; and
- change the culture in which it breeds.

Civic groups and newspapers have been the primary watchdogs over government operations throughout our state's history. The Civic

Federation, the Municipal Voters' League (early 1900s), the Better Government Association (BGA), and the Illinois Campaign for Political Reform have tried—and still try—to bring corruption in Chicago to heel across the city's history.

In the late 1970s, for example, Pam Zekman of the *Chicago Sun-Times* and Bill Recktenwald of the BGA bought the Mirage, a tavern north of Chicago's Loop to investigate corruption. They found that just about everyone—electrical, fire, liquor, even health inspectors—was in the shake-down business. The 26-part exposé became a national sensation.

But newspapers are in decline and devote much less of their limited resources to expensive investigations. Fortunately, civic groups and non-profit investigative journalism groups like the BGA and ProPublica are filling in some of the gaps caused by the retreat of for-profit newspapers from watchdog work.

The U.S. Department of Justice continues to invest significantly in the investigation of public corruption, especially in the Northern District of Illinois (metropolitan Chicago). U.S. attorneys such as former Governor Jim Thompson made their way into elective politics via their prosecutions of corrupt officials.

State and federal law imposes various sanctions for public corruption as illustrated by prison sentences served (former Gov. George Ryan) and being served (former Gov. Rod Blagojevich).

Yet there are serious doubts that increasing these sanctions would deter much corruption.

In his 2016 book *Why They Do It*, Harvard business school professor Eugene Soltes looks inside the minds of white-collar criminals. Soltes finds that the rational cost-benefit analysis for committing corruption, which you might think would be applied by high-powered executives, rarely came into play. Instead, he finds they just "didn't think about it," that is, about why they were doing their crimes. Soltes observes that intuition is employed more often than is reflective reasoning. The business professor goes on to cite linguist Noam Chomsky, who sees moral actions—or immoral ones—as a learned behavior, passed down from generation to generation.

All of which leads us to cultural change. As noted above, societal attitudes can and do shift over time. We smoke less and turn the car keys over to a designated driver more often today. We do this because, apparently, of a combination of public campaigns about health concerns and of government policies that have increased the costs of smoking and lowered alcohol thresholds for DUIs.

Illinois recently enacted legislation that requires public schools to include a civics course in high school among the minimum of four semesters of social science. This might help a little, over time, in shaping attitudes toward citizenship and right and wrong.

In the early 2000s, Illinois also enacted requirements that state employees take ethics training each year, via computer questionnaires about what to do when faced with ethical dilemmas in the workplace. Soltes contends, however, that such training is generally ineffective because: “There is an implicit—and flawed—assumption that participants would employ the same decision-making process they used in the classroom [or via computer] if they faced the same predicament at some point in their own future.”

On the other hand, based on my own experience as a public university employee in recent years, the annual “testing” does increase one’s awareness, at least a bit,

about the fact that an employee might face ethical issues, and it is better to be aware of this than not.

I think public expectations about corruption are changing.

To illustrate:

- In 1965, former Gov. William Stratton was prosecuted for failing to report \$83,000 to the IRS. Stratton claimed the funds were campaign contributions and therefore not taxable. He spent the funds on oil paintings, a European trip for his daughter, household furniture, and expensive clothes for his family, among other seemingly personal expenditures. Stratton was acquitted by the jury.

- In 2008, U.S. Rep. Jesse Jackson, Jr. was charged with misusing more than \$750,000 in campaign funds for purchases that included Rolex watches, fur coats, celebrity memorabilia, children’s furniture and many other personal items. Jackson pleaded guilty to the charges. (By the way, \$83,000 in 1956, the middle of Stratton’s two terms as governor, would amount to just about \$750,000 if adjusted for inflation into today’s dollars.)

So, I think expectations about appropriate ethical behavior are changing, if slowly.

Questions:



Do you and your fellow students have well-defined pictures in your heads about Illinois and its politics, and of whether Illinois is more corrupt than most states?



If so, do such perceptions affect your attitudes about Illinois as a place to live, work and raise a family?



What can be done to accelerate the trend to more ethical behavior in Illinois politics?



ILLINOIS: From leader to laggard, and back again?

In an old cartoon, Pogo surveyed the world around him and declared: We have discovered the enemy—and it is us! So it may be in Illinois. We are so glum about our fiscal, tax, political and corruption problems that many of my friends have given up on Illinois. And their dour attitude is infectious.

We all need a strong dose of Norman Vincent Peale's power of positive thinking, which can also be infectious.

First, we are not alone in our travails. Many states face big problems. Coastal states are being hammered by more frequent and more ferocious storms. Texas and the Southwest are ever more beastly hot and desperately parched, wondering where their next drop will come from. California has not only punishing taxes but also housing prices that are pushing many out of that state.

Yet some states with high taxes thrive. Minnesota has an individual income tax top marginal rate that is twice that of ours: 9.85 percent versus our 4.95 percent rate. And winters that can be brutal. Yet Minnesota has a healthy, growing economy and increasing population.

For most of our state's history, our great strengths, as noted earlier in this extended essay, have made Illinois a leader among the states in innovation and wealth.

So, I turned to a couple of savvy former directors of the state's economic development agency for their assessments of what might be done.

Jim Schultz of Effingham is a successful businessman who served as the head of the state's economic development agency for the first two years of the recent Rauner administration. Steve McClure of Springfield held the job under Gov. Jim Thompson three decades ago and has been a top business developer in Illinois and the Midwest since.

The two agree that our state has both great strengths as well as glaring negatives.

"In each of the five critical Rs, as I call them—roads, rails, runways, rivers and routers," says old friend Schultz, "Illinois is in the top three among the 50 states."

"The Illinois workforce has a good reputation," adds McClure, and the state has a higher-than-average percentage of workers with college degrees. Our state's

location in the center of things doesn't hurt, either.

Yet, businesses thinking of relocating or expanding here see a black-mark smudge the state can't seem to erase—the huge state fiscal deficits, unpaid bills and obligations, and the uncertainty of how and who will pay them off.

And, because of this fiscal disarray plus a tradition of corruption, "Illinois has an image problem in a bad way," says McClure.

McClure says that if the governor and legislature would simply pass an honest-to-goodness balanced budget, with prospects for more in the future, "It would be a breath of fresh air for the business development community."

In support of efforts to pass an honest-to-goodness balanced budget, Rep. Steve Reick (R-Woodstock) has proposed a major Illinois budget efficiency and savings commission. Incredibly, there hasn't been a serious attempt at this in decades, if ever. Our appropriations process is in shambles. Each year a small group of legislative leaders gather in secret at the end of a legislative session and hammer out a budget based on last year's spending.

I doubt Rep. Reick's efforts would result in enough savings to close our deficit gap but we have to try, and we have to show taxpayers we are serious about our desire to spend their money responsibly.

Second, we need to start a process of long-term thinking about where we want to be in 10-20 years, and of how to get there. This will require collaboration among lots of experts as well as of elected officials. This has *never* been done in Illinois.

To make such a process work, we must reject our toxic, negative political and election campaign process. Conflict will always be central to politics; resolving conflict is the reason for representative government. And yet, we have had stretches in our state's history

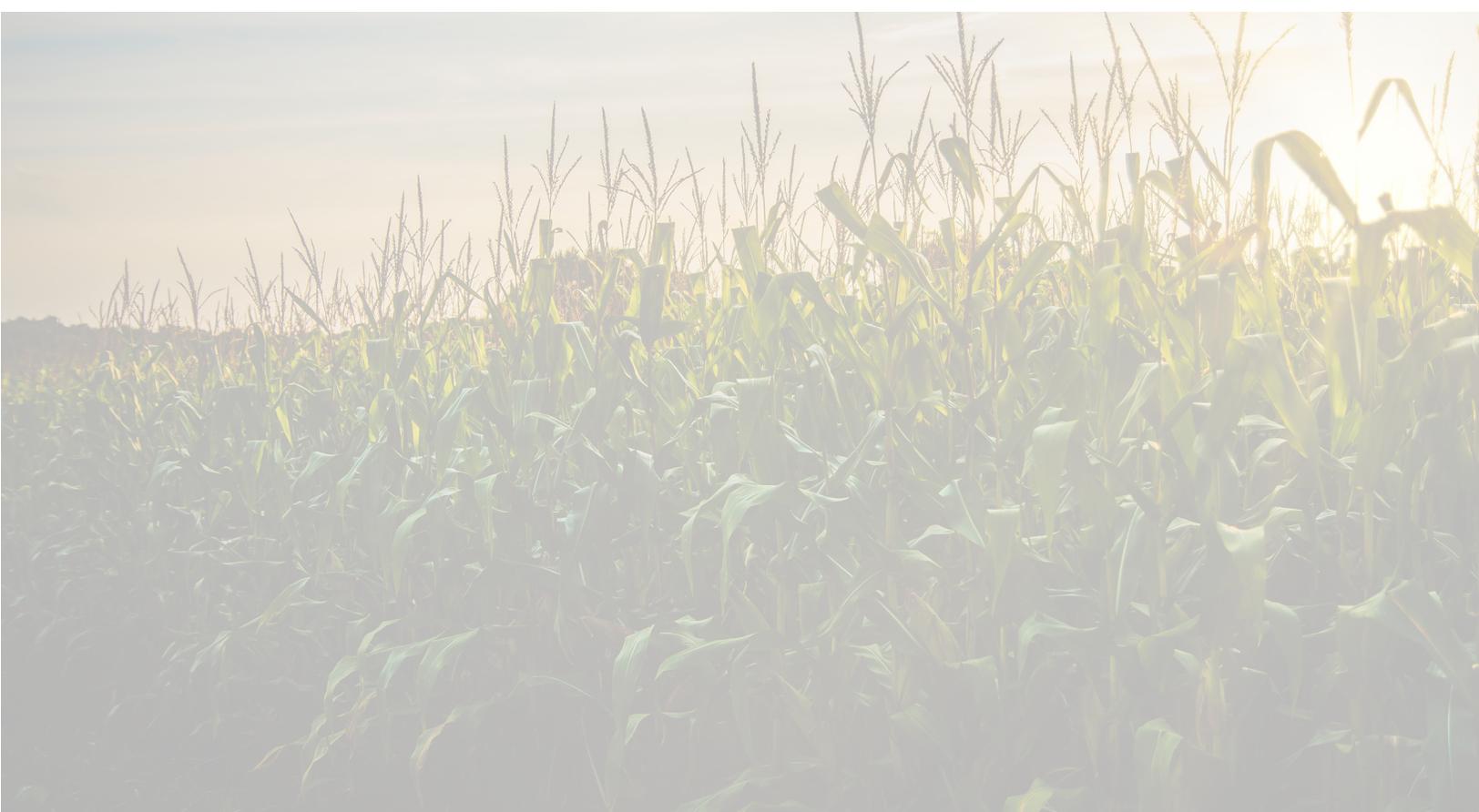
of feisty, yet ultimately collaborative, bipartisan conflict resolution.

To accomplish the above, the graduates of the Edgar Fellows Program must step up, and soon. What is that, who are they, readers ask?

For the past seven years, former governor Jim Edgar has gathered a bipartisan, statewide group of younger, destined-for-success leaders—just like you might well become in a few years—for an intensive week of seminars and across-the-aisle bonding. The Fellows hear from the likes of former Indiana U.S. Senator Dick Lugar and former Congressman and Cabinet Secretary Ray LaHood of Peoria about how to get constructive things done in a civil way.

More than two-thirds of the Fellows have become state legislators, congressmen, mayors and civic leaders. And they have proved they can work together to get things done, as with the recent, complex school funding reform, hammered out by Edgar Fellows in the legislature of both parties.

The Fellows need to step up their game in a couple of ways. First, convene an annual, big gathering for long-term thinking. Second, they need to start running for the top offices and not wait to be anointed by the money bags and political powers that be. Illinois has all the pieces to be a leader again; we just have to put them together.





RENEWING ILLINOIS

What can Illinois do to persuade young people to settle here, either by staying or by moving into our state?

Here, you are the experts, and I am the old fuddy-duddy who has not a clue what the answers might be.

I assume the following short list includes elements that would attract young people:

- Job opportunities;
- Lots of other young people like yourself in your neighborhood and community;
- A high quality of life, filled with amenities enjoyed by young people, i.e. restaurants, entertainment venues;
- Affordable housing; and
- What else?

If you were trying to persuade your friends to stay in Illinois following graduation, what would your pitch to them be? And would it likely be successful? Why, why not?

I do know, in conclusion, that the Illinois of your grandparents was a powerhouse of wealth and optimism. If you at this summit can provide answers to these questions about how to persuade young people to stay—and to come here—then the state might regain its confidence and become a powerhouse again.

ADDITIONAL RESOURCES

Several Illinois government agencies provide valuable information about Illinois and its governments. They include:

- Governor’s Office of Management and Budget;
- Commission on Government Forecasting and Accountability and the Legislative Research Unit, both units of the Illinois General Assembly;
- Office of the Comptroller;
- Chicago Metropolitan Planning Agency; and
- Auditor General of Illinois.

University-based research and public service units include the:

- Paul Simon Public Policy Institute at Southern Illinois University;
- Institute of Government and Public Affairs at the University of Illinois;
- Center for Governmental Studies at Northern Illinois University; and
- Illinois Institute for Rural Affairs at Western Illinois University.

Nongovernmental research-oriented organizations in Illinois include the:

- Taxpayers’ Federation of Illinois;
- Civic Federation of Chicago;
- Civic Committee of the Commercial Club;
- Center for Tax and Budget Accountability;
- Illinois Policy Institute;
- Wirepoints; and
- Advance Illinois.

A short list of books and websites that focus on Illinois include:

www.jimnowlan.com. The author of this essay has drawn extensively on the 500+ columns he has written over the past decade on the general topic of “Understanding Illinois,” all archived by category at this site.

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Jim received his BA, MA and PhD in political science, with minors in economics, from the University of Illinois at Urbana-Champaign. Between stints in government and politics, Jim has been a senior fellow at the University of Illinois' Institute of Government and Public Affairs. He has also taught courses in American politics at the University of Illinois in both Urbana and Chicago, Northern Illinois University, and Knox College.

Jim is a "foreign expert" with the School of International Relations and Public Affairs at Fudan University in Shanghai, where he has taught courses in American politics on three different occasions in recent years.

Jim is the author or co-author of seven books, including *Illinois Politics* (University of Illinois Press, 2010) and *Fixing Illinois* (University of Illinois Press, 2014). Jim recently completed a four-year term as member, then chair, of the Illinois Executive Ethics Commission.

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