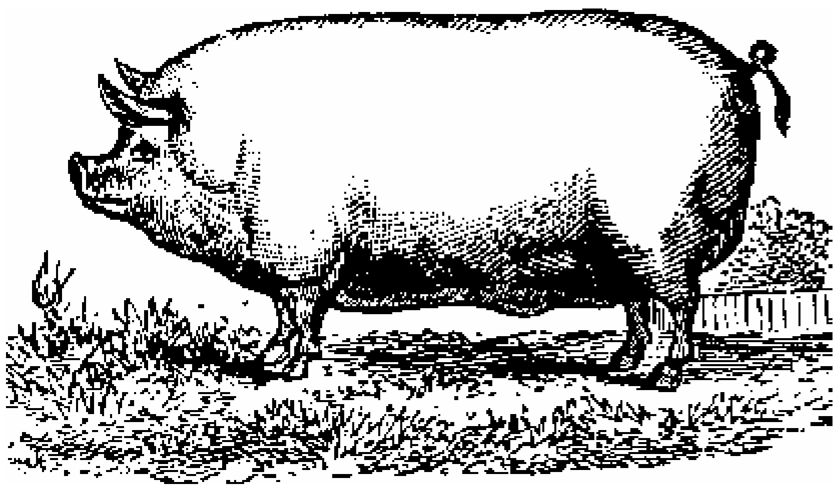
The Illinois Policy Institute
&
Citizens Against Government Waste



2005 ILLINOIS PIGLET BOOK

"The Book Springfield Doesn't Want You to Read."

Introduction

In 1982, President Ronald Reagan empanelled a team of 161 senior business executives and more than 2,000 private sector volunteers to undertake a comprehensive review of the federal government. The report of the President's Private Sector Survey on Cost Control, better known as the Grace Commission after the panel's chairman, the late J. Peter Grace, made 2,478 recommendations to eliminate waste, mismanagement, and inefficiency in Washington, with three-year savings of $424.4 billion. After the report was completed in 1984, Peter Grace joined with syndicated columnist and Pulitzer Prize-winner Jack Anderson to form Citizens Against Government Waste (CAGW) to promote implementation of Grace Commission recommendations and promulgate additional recommendations at every level of government. Over the past 21 years, CAGW and its one million members and supporters have helped taxpayers save more than $758 billion.

CAGW's most well-known publication is the *Congressional Pig Book*. Since 1991, CAGW has published this annual exposé of pork-barrel spending in the 13 federal appropriations bills. CAGW also produces *Prime Cuts*, a comprehensive look at the depth and breadth of waste throughout the federal government. Recommendations range from eliminating corporate welfare to cutting unneeded defense systems. *Prime Cuts 2004* identified $217 billion in potential one-year savings and $1.6 trillion in five-year savings. Considering that the federal deficit is projected to be a record $417 billion in 2005, *Prime Cuts* alone could go a long way in bringing back fiscal sanity to Washington.

The Illinois Policy Institute was founded in June of 2002 and is the state's only free market think tank focused solely on Illinois issues. Since its inception, the Institute has made an impact on policy debates through the production of editorials, three to five page issue briefs and longer policy studies on major issues. The Institute's efforts have generated millions of media impressions throughout Illinois and its research efforts is valued by members of the legislature and other public policymakers.

With the expertise of the Illinois Policy Institute, and modeled after CAGW's two most prominent publications, the *Illinois Piglet Book* combines the ridiculous examples of the *Pig Book* with the seriousness of *Prime Cuts* to illustrate that spending has not been cut to the bone and that the real culprit for Illinois' budgetary mess is out-of-control spending. Before one more tax dollar is sacrificed by hard-working Illinois families, the state legislature must take a good hard look at the budget and eliminate waste, fraud, and abuse.

While Congress and the President debate the budget at the federal level, the battlefield against wasteful spending has spread to state legislatures. Many states that recently saw surpluses are staring at deficits as far as the eye can see.

Illinois has not been immune to the same budget problems facing other states. While Illinois is required by law to balance its budget each year, the state often uses short term fund transfers and borrowing to achieve that balance. Budget battles loom every year on how to solve the so-called "structural deficit," which is the amount by which promised services exceed incoming tax and fee revenue. Despite the fictional nature of this "structural deficit" it has become the hottest political issue in the state, as politicians and interested parties attempt to leverage it to seek support for tax increases, tax-swaps, and education funding reform. As the birthplace of Ronald Reagan, Illinois should be looking at ways to shrink government and reduce taxes, rather than expanding the size of the government and raising taxes.

Instead, Illinois continues to tax and spend as governments all over the globe learn that taxing and spending can only end in fiscal disaster. Over the last five years, government revenue has grown on average 7 percent per year, while overall government spending has increased more than 10 percent per year. Meanwhile, the state GDP, over the same five years, managed only an average growth rate of 2.62 percent. In 2005, the Illinois Commission for Forecasting and Accountability (formerly the Economic and Fiscal Commission) is predicting revenue to grow by only 0.8 percent, while spending is set to grow by 2 percent. If these trends continue, fiscal collapse is inevitable.

Illinois also continues to be racked with debt, recently falling to 49th out of the 50 states in unfunded pension liabilities, with the latest estimates showing $35 billion in unfulfilled promises. Illinois' total pension debt exceeds California's, despite the state's significantly smaller population and state GDP.

While other states enjoy an economic boom, Illinois state leaders have opted to de-couple from many of the Bush tax cuts and regulatory reforms — including death tax reform, overtime rule changes and R&D tax credits — designed to spur job growth. As a result, job growth remains paltry in Illinois, managing a mere 0.3 percent in April. As of May 2005, Illinois still had the ninth highest unemployment rate among states.

Adding insult to injury, the Pacific Research Institute last year dropped Illinois to 46th (from 36th in 1999) in their "Economic Freedom of the States" rankings. This decline reflects increasing complexity in Illinois' regulatory and tax codes, making it harder and harder for businesses to survive. It is becoming abundantly clear that Governor Rod Blagojevich (D) and his administration have mismanaged both state government and the Illinois economy.

One positive aspect of the Blagojevich administration, so far, has been its refusal to raise taxes. Unfortunately, many state legislators see revenue as the only option to solve the economic woes of Illinois. The following list describes the programs that could be reduced or terminated in Illinois' budget to avoid raising taxes.

Central Management Services (CMS)

Central Management Services is a government agency that is supposed to handle various services used by government departments such as information technology, human resources, and the procurement of equipment and supplies. The governor increased CMS's budget by $100 million between 2004 and 2005, a 14 percent increase.

The rapidly increasing CMS budget has been justified on the basis of its money-saving potential, yet there is virtually no information provided to the public as to where or how much money is being saved. Quite the opposite has occurred: the Illinois Auditor General

(IAG) released a scathing report on April 27, 2005 accusing the department of a laundry list of failures:

- IAG criticized $43,615 of $177,501 in expenses paid to Illinois Property Asset Management (IPAM, LLC). For instance, the state reimbursed IPAM for a $500 "celebration dinner" less than a month after the contract was awarded. CMS also reimbursed parking for a Chicago Bulls game attended by an IPAM employee and a CMS employee responsible for monitoring the account.

- IAG found that some vendors receiving contracts had also participated in writing the rules that govern the acceptance of contract bids. This is a clear conflict of interest that was not disclosed.

- CMS evaluated vendor proposals using evaluation criteria that were not stated in the Request for Proposal.

- CMS allowed IPAM, LLC to extensively revise its proposal *after* initial efficiency evaluations were completed. The IPAM contract is valued at $24.9 million.

- CMS failed to publish notices in the Procurement Bulletin when awarding contracts *to other than the lowest priced vendor.*

- CMS failed to include information about subcontractors utilized by the vendor in a number of contracts reviewed by IAG.

- In all of the efficiency initiative contracts, CMS allowed vendors to initiate work on the project without a formal written agreement in place.

- For more than half the contracts reviewed by IAG, there were no documents attached to the billing invoices to substantiate that the expenses actually occurred.

- For several vendors, reimbursement rates exceeded the amounts set forth in the agreed upon contract.

- CMS did not maintain adequate documentation to support the amount of savings it attributes to efficiency initiatives. Also, savings goals stated in Requests for Proposals, vendor proposals and/or contracts were not always realized or documented.

- CMS's Illinois Office of Internal Audit did not complete audits of major systems as required by the Fiscal Control and Internal Auditing Act.

- CMS's Surplus Warehouse did not maintain an adequate inventory control system.

- CMS did not file reports on reorganizations with the General Assembly as required by law.

- CMS did not maintain time sheets for its employees as required by the State Officials and Employees Ethics Act.

This list of questionable activities is quite impressive. In light of the department's failure to adequately account for expenditures and its questionable relationship with vendors, it seems ridiculous to even consider giving the department more money. At the very least the governor and the General Assembly should suspend new funding pending substantial reorganization of the department.

Department of Commerce and Economic Opportunity (DCEO)

DCEO's mission is to "provide leadership in creating private sector jobs and expand economic opportunities by helping firms, communities and regions become more competitive in the national and global economy. DCEO develops an innovative regional economic and workforce development strategy through *Opportunity Returns*."[1] This might sound helpful enough, but in reality it translates to nothing more than dispersing corporate welfare.

In 2005 the state appropriated $167 million to DCEO, or 20 percent of the department's $848 million budget. While a majority of DCEO's funds are federal in origin, the state's portion is significant and could be used more efficiently if given back to taxpayers either through a tax cut or through funding vital services like education and child welfare.

The very existence of DCEO is proof of Illinois' backwards economy. Instead of cutting taxes to boost overall economic productivity, the state keeps taxes and fees high and puts money back into the economy via targeted initiatives like the governor's *Opportunity Returns*. This circuitous path through the Illinois government has economic costs. First, the depressed economic activity caused by higher taxes costs the taxpayers jobs and leads to lower wages and productivity. Second, the state has to pay a bureaucracy to execute the redistribution of these funds. At every step of the process there is an opportunity for waste and mismanagement. It's a lose-lose situation.

The quintessential example of this backward economic mindset is what happened in 2003 with Henderson Trucking. As the chart below shows, Henderson Trucking of Salem, Illinois received a $1 million grant from the state of Illinois in 2003-2004 and will receive another $2.5 million in 2005. Why is the governor so anxious to subsidize this particular trucking firm? The commercial truck registration fee increase in the FY 2003 budget caused the state of Illinois to lose thousands of trucking companies and thus thousand of trucks.

Since the fee was initiated in 2003, the state has lost 16,852 truck registrations and 2,718 registered trucking companies (through April of 2005).[2] This dramatic decline in Illinois' trucking industry costs the state jobs and tax dollars. Now the state has to offset these losses with subsidies to favored trucking firms. This economic dyslexia leads to a downward spiral in which higher fees and taxes are required to keep up subsidies to the industries that have been destroyed by high fees and taxes.

Trucking is not the only industry in which the state is involved. Each year, millions in block grants are given to the DCEO authorized by laws like the Build Illinois Act and the Corporate Headquarters Relocation Act. These monies are spent, at least "officially," in order to generate business around the state.

This approach to economics was abandoned nationally in the late seventies when the economy suffered a great "malaise" under the burden of high taxes, high unemployment and inflation. The dominant approach to economics was the Keynesian school, which says in times of recession and depression the state should spend money to generate economic activity. Unfortunately the Keynesian theory overlooked the long-term consequences of this kind of spending. The theory failed, Jimmy Carter was not reelected and what is commonly known as supply-side economics became institutionalized under the stewardship of Ronald Reagan. Illinois, however, clings to the economics of the seventies, even though it rarely produces jobs, but instead produces graft and corruption as private companies lobby for taxpayer dollars. Funds intended to stimulate the economy instead are channeled into connected businesses.

Despite some rather feeble attempts to cut questionable line items, this kind of pork continues strong under the current administration. For instance, the corporations below received grants under article 10 of the Build Illinois Act (also called the Large Corporation Development Act) between July 2003 and April 2005:

Grantee	**Amount**
Hospira, Inc.	$ 3,000,000
Target Corporation	$ 1,000,000
Wells Fargo Home Mortgage, Inc.	$ 1,000,000
Earl Henderson Trucking	$ 1,000,000
Aisin Light Metals, LLC	$ 850,000
Startek Inc.	$ 750,000
Silgan Containers MFG Corp.	$ 750,000
The Demirco Group North America	$ 500,000
DSC Logistic Inc. and Affiliates	$ 500,000
S&C Electric Co.	$ 500,000
ISG Riverdale, Inc.	$ 500,000
Aisin Electronics Illinois	$ 500,000
Amerisourcebergen Corporation	$ 450,000
Maytag Manufacturing	$ 385,000
Quaker Manufacturing	$ 375,000
Mounds Production Company, LLC	$ 360,000
The Demirco Group North America	$ 350,000
Meadwestvaco Consumer Packaging	$ 350,000
Menard Inc.	$ 250,000
Aisin Light Metals, LLC	$ 250,000
CCL Custom Manufacturing	$ 200,000
TOTAL	**$13,820,000**

While DCEO makes public some grants that it contends will create jobs, there is no annual report providing a comprehensive list. The Illinois Policy Institute had to file a Freedom of Information Act request to obtain the data. Some of the corporations receiving aid under this act are not even based in Illinois but merely have operations here. Target Corporation, for instance, is based in Minneapolis, but received $1 million from Illinois taxpayers. Incidentally, Blagojevich received $15,000 in campaign donations from the company.

Notice also that the largest single grant during this period was given to Hospira, Inc, a project of Abbott Laboratories (a worldwide leader in the pharmaceutical industry). Hospira's headquarters are in Lake Forest, Illinois and the DCEO grant was credited by Governor Blagojevich as helping to keep Hospira "a major provider of quality jobs and a key contributor to the economic vitality of the Northeast region." But good intentions (and good public justifications) do not always lead to the best public policy. Policies that sacrifice all Illinois businesses to the success of a few connected firms are detrimental to the long term health of the State's economy. What was Hospira's connection? Just a month before Hospira's $3 million grant was announced, William Daley (brother of Richard M. Daley) was appointed to Abbott Laboratories' Board of Directors.[3]

The 2006 budget is just more of the same, containing approximately $50.4 million in funds authorized to be distributed under various sections of the Build Illinois Act, but no one will know until next year now that money is spent.

Instead of facilitating economic growth by encouraging a good business climate in Illinois, politicians raise taxes, fees, and regulations on business and then bribe them into staying in the state with these "grants." The end result is that only the "connected" companies will thrive in Illinois. These companies will find more and more ways to game the system and hungry politicians will be more than happy to oblige. It's the taxpayer who is left in the cold, besieged on the one side by higher taxes and on the other by higher prices resulting from the inability of smaller firms to compete with those with connections.

Even if the justification for these grants is sincere, there often is absolutely no system of accountability that ensures dollars are spent effectively. For instance, the Illinois Technology Enterprise Corporation (ITEC) receives an annual grant of $1.5 million (a process started by former governor George Ryan [R]) to provide assistance to technology-related start-ups.

ITEC's website tells a "success story" about investing in AccelChip, a start-up which had some success in the tech world. According to ITEC's website, taxpayer grants were crucial to keeping AccelChip in Illinois. But, according to AccelChip's website, the company is now located in Silicon Valley. Yet, ITEC is set to receive another $1.5 million in 2006. In the private markets, there are objectives and if a firm fails to deliver these objectives they lose investors. In ITEC's case, the goal seems to be to keep high tech firms in Illinois. But are there any consequences for failure? Do the investors (the taxpayers of Illinois) get to pull their funds in the absence of measurable results? Apparently not.

In addition to giving tax dollars to large corporations and high tech startups on their way to Silicon Valley, the DCEO also participates in community targeted initiatives that often serve to bolster a particular politician's profile in either his or her district or in Springfield.

The following were included in the 2005 budget:

Grantee/Initiative	**Location**	**Amount**
Pastors' Network of Illinois	unknown	$150,000
Valley Kingdom Ministries International (VKMI)	South Holland	$100,000
A skate park	Hebron	$10,000
YMCA for capital improvements	Canton	$10,000
Building, renovation, equipment, furniture, and misc.	Mounds	$10,000
National Polish Alliance	unknown	$7,500
Immaculate Heart of Mary for new computers	Winchester	$6,000

Broadly speaking, the state government should occupy itself with projects that benefit all Illinoisans and not just a selected interest group or politically strategic community. The items above simply raise the question of whether or not these are activities to which the state government should devote time and resources.

For instance, should taxpayers be forced to give $250,000 to church-based groups outside of Chicago? There are plenty of wonderful churches in the state; why should this one get such generous support from the government?

YMCAs can be very important community institutions, but they are also using their tax-exempt status to build fitness facilities and compete with the private sector. YMCA's should be funded by the community that they serve.

Hebron, which received a $10,000 skate park grant, happens to be in District 63 and is represented by State House Democrat Jack Franks, who is a prominent politician on the rise. There have been rumors that Franks will run against Gov. Blagojevich for the 2006 Democratic gubernatorial nomination.

Just as with the federal government, Illinois politicians gain from bringing home the bacon. At least in previous years this pork was right out there in the open. Despite the examples uncovered in this publication, most of the waste in the DCEO has always been secreted away behind block grant programs. In the 2006 budget, the wise men and women of the state government have taken extra care to mask much of the interesting and obvious waste.

The chart below identifies some "community development" block grant programs.

Grant Program	Amount
For Grants to Local Units of Government or Other Eligible Recipients as Defined in the Community Development Act of 1974, as amended, for Illinois Cities with Populations Under 50,000 (including reimbursements for costs in prior years)	$110,000,000
For Grants to Eligible Recipients as Defined in the Community Services Block Grant Act (including prior year costs)	$50,000,000
For the Purpose of Grants, Loans, and Investments in Accordance with the Provisions of the Small Business Development Act	$15,500,000
For Administrative and Grant Expenses Relating to Research, Planning, Technical Assistance, Technological Assistance and Other Financial Assistance to Assist Businesses, Communities, Regions and Other Economic Development Purposes	$682,000
For Grants, Contracts and Administrative Expenses Associated with the Illinois Tomorrow Program (including prior year costs)	$468,000

Block granting can often be a very effective way to administer government programs, but the agency that doles out these funds should be required to report to the people of Illinois on how that money was spent. This transparency doesn't exist in Springfield.

In fact, there seems to be a disturbing trend away from transparency. For instance, the 2006 budget contains hardly any of the $5,000 and $10,000 dollar community initiatives like the skate park in Hebron. Instead, there is a $3,950,000 lump sum appropriation for grants…

> to units of local government, not-for-profit organizations, community organizations and educational facilities for all costs associated with operational expenses and infrastructure improvements including but not limited to planning, construction, reconstruction, renovation, equipment, vehicles, other capital and related expenses and for all costs associated with economic development programs, educational and training programs, social service programs, and public health and safety programs.

There was a similar lump sum in last year's budget but it was only for $500,000. That means that Springfield increased this broad appropriation by almost 700 percent ($3,450,000) from FY 2005 with no apparent explanation. Most likely these new funds will be distributed to various churches, skate parks and community YMCA's, but only this time outside the purview of Illinois taxpayers.

The state government needs to treat all businesses equally instead of forcing many businesses to pay for the advantage of a few. In order for Illinois to have a sustainable economy for the future, the government must get out of the tax and subsidy racket. Moreover, DCEO funds appear to be used as often for political payback as for legitimate economic development. The state should suspend all appropriations for DCEO and eventually eliminate the department.

Health Care

When individuals purchase health insurance or choose employee benefits, they make decisions based on the cost and need of services. Medicaid enrollees have a different method: they use whatever services they want without any regard to prices. Even when seeking treatment for something as routine as a cold, a Medicaid enrollee can enter an emergency room and seek treatment on demand rather than making an appointment to see a doctor like everyone else. The result is that the taxpayers are stuck paying for an expensive emergency room treatment, instead of a reasonable doctor's visit … and the difference is enormous.

Illinois' Medicaid program costs taxpayers $7 billion per year. More than $6 billion comes from the state's general fund (nearly a quarter of the $25.6 billion General Revenue Fund appropriation in 2005). Because of exploding costs, the state is often late paying the bills and when it does, it only pays $.69 on the dollar. But not to worry, the Medicaid providers don't get stiffed; they just raise prices to make up for the other 31 cents. Ultimately, taxpayers and non-Medicaid patients are getting bilked by this inefficient program.

In fact, Medicaid costs each Illinois resident $570 annually. In many instances, individuals and families pay more for Medicaid than they would for standard health insurance. A state employee supporting a family of four, for example, pays approximately $2,000 per year for health care coverage while a Medicaid family pays $2,300.

The program covers one in seven Illinoisans, two out of every three nursing home residents, and one out of every three children. Even though Gov. Blagojevich has called the current budget situation the worst financial crisis in the state's history, eligibility to join Medicaid has been expanded in five of the last seven fiscal years. In this year's budget address, the governor vowed to expand the program even more. He intends to provide health care for families up to 185 percent of the federal poverty line (Illinois already funds up to 133 percent). This massive expansion could not come at a worse time.

Furthermore, in 2004 as much as 24.2 percent of Medicaid's funds went to pay for administrative costs. Earlier this year, the Lewin Group issued a report on the state's Medicaid system showing that the ratio of administrative to medical expenditures in Illinois far exceeds those of other states. For instance, Texas spent 14 percent on administration in 2004 and Pennsylvania less than 8 percent. The Lewin report found that "[c]ollectively, the Illinois health plans have used an unusually small proportion of the State's payments to pay for their enrollees' health care and a disturbingly high proportion for administration and profit."[4]

The report goes on to recommend that the state begin using managed care programs to increase efficiency in its health care delivery. Illinois is one of a few states that have yet to move to managed care which would allow the state to accept competitive bids from established large scale managed care providers. This competition would work to increase efficiency and streamline the bureaucracies involved. If the state were to follow the Lewin recommendation, the managed care program could save nearly $200 million in the first year alone and about $460 million in the fifth year of operation.

As currently configured, Medicaid is unsustainable. Since 1999, the program has grown at 8 percent *per annum* and, if present trends continue, the program will double in costs every nine years. It does not take an expert to determine that the current trend ends with bankruptcy. At some point, Illinois will be forced to reform; it's not a question of if but of when.

Illinois Education

With nearly 27 percent of the overall state budget and 36 percent of the General Revenue Fund, education spending is one of Illinois' biggest financial obligations. Yet, it is next to impossible to determine how much money is wasted by Illinois' education system because dollars are managed at a local level and local governments are not very good about communicating with taxpayers. There are stories from every corner of the state about bad bookkeeping, irresponsible spending, and out-and-out incompetence and/or fraud. Ultimately, the state needs a comprehensive examination of school finance and accountability.

All existing evidence indicates serious problems. According to the National Center for Education statistics, Illinois is 38th in the country at delivering tax dollars to the classroom. On average, Illinois schools spend only 59.5 cents of every education dollar on instructional expenditures, compared to a national average of 61.5 cents. This means Illinois is not exactly a beacon of efficiency.

A national movement has started that would require state school systems to spend at least 65 percent of their budget on teachers, students and supplies in the classroom. If Illinois were to participate in such a program, it would result in a $400 increase in per pupil spending. Statewide, this would effectively mean $800 million in new funding for Illinois classrooms. But instead of that new cash coming out of the taxpayer's back pocket, it would come from streamlining district level administration and reexamining labor contracts. This would probably mean that superintendents and maintenance unions would get a smaller piece of the pie, but the portion going to teachers and students would increase. Good for the students; bad for the status quo.

If not enough education dollars are getting to the classroom, some dollars are likely getting wasted in non-instructional expenditures. Thus, it is no surprise that Illinois ranks fifth in the nation in per capita expenditures on capital outlays (construction) for education.

In other words, Illinois spends more per capita on school construction and maintenance than 45 other states (46 including Washington, D.C.). Illinois also has the third highest number of operating school districts in the country, even though the state ranks fifth in overall population. Only Texas and California have more total school districts than Illinois. But California ranks 15th in per capita capital expenditures, which means the number of districts does not necessarily correlate to capital expenses.

Not surprisingly, the states that rank higher than Illinois in per capita capital expenditures also rank poorly in terms of dollars in the classroom: Texas ranks 33rd, Washington 37th, Alaska 43rd, and Arizona 49th. There is clearly a pattern of states spending too much on capital improvements to classrooms but not enough on the students inside them. This seems to imply that the buildings are more important to the state than the students.

With such high per capita capital expenditures, it is not surprising there is evidence of widespread waste in school construction in Illinois. The Capital Development Board (CDB) receives between $500 million and $1 billion each year to spend on grants to school districts building new schools. But there is very little oversight of this process, which means it is wide open to waste and abuse. For instance, many of the schools receiving large school construction grants in 2003 were schools that were declining in enrollment even though rapidly increasing enrollment is supposed to be one of the conditions of CDB school construction grants.

One example is Princeton Township High School, which received $6 million in matching funds in 2003 from the state for a new addition to its high school, even though enrollment was declining and has continued to decline since. Below are some other schools experiencing declining enrollment at the time that they were approved for school construction grants. The Illinois Policy Institute has not verified the worthiness of each one of these projects. But there are millions of state dollars going toward the expansion of schools that may not need the funds given their enrollment numbers.

School/District	**Amount of State Grant**
Robinson CUSD 2	$9,165,043
Taylorville CUSD 3	$9,094,899
Ford Heights SD 169	$7,349,612
Fairfield Community HSD 225	$6,461,045
Princeton Township HSD 500	$6,156,914
Carrollton CUSD 1	$3,204,562

One of the biggest problems in education financing is the Health/Life/Safety (HLS) loophole in school finance law that allows school boards to the circumvent the voters by issuing a specific type of bond. Normally, all new bonds or taxes have to be approved by voter referendum. But the HLS loophole allows the school board to bypass a referendum if it can demonstrate that the costs of repairing a school are more than the costs of replacing it. While initially designed as a safeguard to protect the health of Illinois' students, the law is now being abused.

The problem with HLS bonds is that they create an incentive for districts to overprice the cost of school repairs in order to avoid having to get the public's approval. In recent years, tax increase referendums have been defeated overwhelmingly across the state. As opposition to new taxes and schools has increased, so has wasteful school construction spending.

For example, the state spent $20.5 million in Jersey County to help build two new schools that cost a total of $34.5 million. One of the schools was a replacement for Jerseyville High School. In 2001, the Jerseyville community had voted down extensions and improvements to the old structure estimated to cost a mere $531,000. All the schools in the district had just received 'B' grades or better from the State Board of Education and the voters were satisfied enough not to raises taxes paying for minor upgrades.

Disappointed by the loss of the referendum, the superintendent stopped work already begun on these initial repairs and began looking into building a new school altogether. The superintendent dismissed the architectural firm responsible for the relatively modest estimates of repair costs and hired a new company, Hurst/Rosche-Design Architects, in its place. This new architectural firm then produced several repair estimates of more than $12 million, enough to qualify the district for the sale of HLS bonds. The District School Board, guided by the State Capital Development Board (CDB), proceeded to issue $14 million worth of HLS bonds to pay for its portion of Jerseyville High School and Grafton Elementary School.

When Jeff Ferguson of the Coalition for Public Awareness heard that his children might be bused several miles from his home to one of these new schools, he began to investigate. He found that the school board had not kept adequate documentation throughout the process and appeared at times willfully ignorant of the blatant contradictions in the repair estimates. When he inquired about the high school inspection results that warranted the higher cost of the repairs (from $531,000 to more than $12 million) he found $9 million of undocumented repair estimates. For instance, the Hurst/Rosche architects recommended $3,671,009 for replacements to the air-conditioning and ventilation system in the high school. Some of these ventilation replacements were part of an auditorium that had just been built in 2000! When Ferguson asked the school board for documentation of air flow tests proving the inadequacy of the ventilation system, he was told in writing that no such documentation existed. The story was the same for other wholesale replacements of the school's internal systems. The school that had just been given a 'B' from the state now needed new lighting, new piping, new ventilations, and new electrical systems.[5]

In the end the state spent too much money helping Jersey County build schools it *did not want, did not need and could not afford.* Enrollment in Jersey continues to decline even as they dedicate the new elementary school in Grafton that was built to accommodate 500 students. There are currently about 150 enrolled.

Given the billions of taxpayer dollars wrapped up in the CDB's school construction grants, similar stories are likely playing out across the state. The state should re-examine labor costs, maintenance contracts, and school construction grants and reduce these costs by eliminating waste. Moreover, the state should mandate that 65 percent of the schools' budgets be spent in the classrooms on instructional expenditures. Doing so will not only create more efficiency in the system, but also require better accounting and reporting standards so that schools can be held accountable for living up to statewide standards.

Odds and Ends

Illinois Sports Facilities Authority (IFSA)

It may be hard to believe, but the state will spend $37.6 million in FY 2006 on IFSA, an apparatus that channels public monies into sports facilities across the state. The authority is funded by a hotel tax and it has reportedly spent $200 million on US Cellular Field in Chicago. While Chicago should remain a competitive sports market, forcing tourists and hotel owners to subsidize privately owned franchises is an abuse of the government's powers of taxation. To add insult onto injury, the White Sox have not even paid rent since 2001.

Sparta World Shooting Complex

More than $27 million of state taxpayer funds will again find its way into Sparta World Shooting Complex, a gun range in Southern Illinois that will host the 2006 Grand America Shooting Tournament. The justification for this project is to bring "opportunity" back to southwestern Illinois. But taxpayers still don't know why the opportunity left in the first place and how a gun range is going to bring it back.

Wine and Swine

Along with a passionate appreciation for baseball, Illinois' governor appears to have a real taste for the good life. Despite the budget crisis, the governor has found the time and the money to start a new government venture: wine. In FY 2005, the state government appropriated $144,000 for "administrative expenses associated with the development of the Illinois Grape and Wine Industry." In FY 2006, the governor has increased that subsidy to $150,000. Of course, we don't mean to knock all the wonderful Illinois wine growers out there but if the government really wanted to help the industry, they should first consider lowering the 73 cents per gallon wine tax.

Historic Preservation

History is an important part of Illinois' heritage. From Springfield to Chicago, the state is full of inspiring and significant facilities and attractions. However, historic preservation doesn't necessarily mean a blank check, especially in tight fiscal times. Gov. Blagojevich has consistently increased spending for the Department of Historic Preservation. In 2005, the appropriation was $24.7 million and nearly half of the Department of Historic Preservation's funds come from the General Revenue Fund ($13.6 million) and 80.8 percent of that is consumed by payroll (almost $11 million). Across all funds, about $11.6 million is spent on 285 employees.

It is certainly debatable whether the state should be involved in historic preservation at all. To the extent that it is involved, funds should come from visitor fees and private donations, rather than the general budget pool. Financing through fees would do several things, not the least of which is provide an idea of which historic sites Illinoisans are really interested in maintaining. Moreover, salaries and funds would be more likely to correspond to the relative popularity of the site rather than its political appeal. Weaning historic preservation off the public dole could save nearly $14 million each year.

Office of the Executive Inspector General (OEIG)

The OEIG did not exist until Governor Blagojevich came to Springfield in 2002. When first created, OEIG had a budget of approximately $4 million. Since then, OEIG's budget has ballooned into a department of 66 employees with a $7 million budget in 2006.

The real question is about OEIG's mission. The agency's official purpose is to investigate charges of ethics violations on the part of government employees. But there is virtually no public information released about the nature of the charges or the government employees being investigated.

Thus, there is very little way of knowing whether money is being spent appropriately. In 2004, 1,371 complaints were filed, but the OIEG is not required by law to release information on these complaints. Only if the governor refuses to follow the OEIG's recommendations does the OEIG have the option to take the case to the Ethics Commission, in which case a public hearing may be held. Otherwise, all cases are confidential. There has been some concern that, given the lack of transparency and the rapidly expanding payroll, the OEIG is simply another repository of political patronage.

Conclusion

In Illinois, as in other states, government waste, inefficiency, and mismanagement are marbled throughout the state budget. Initial solutions in many states to deficit and debt problems have been to raise taxes. Illinois has endured attempts this year by some politicians to raise state taxes by as much as $4 billion to cover runaway spending. But instead of burdening Illinoisans with even more taxes, the state should be eliminating government waste.

Thus, the first step Illinois should take is to cut the waste identified in this report, from corporate welfare to unnecessary and overpriced school construction.

Second, Illinois needs to establish a state version of the Grace Commission to analyze every nook and cranny of Illinois' budget to cut waste. The waste identified in this report is only the tip of the iceberg; that part which is visible to the average taxpayer with but modest resources to devote to inquiry. In order to maximize taxpayer dollars we must look deeper into the workings of the Illinois budget. With private sector expertise and the help of nonprofit organizations like the Illinois Policy Institute, such a commission would scrutinize all expenditures to ensure that every tax dollar is accounted for. This commission should also be charged with following up to make sure that the waste is eliminated.

Finally, Illinois should adopt a Colorado-style Taxpayer Bill of Rights (TABOR). This constitutional amendment limits the amount of revenue growth the state can retain and spend to the sum of inflation and population growth. Revenue growth above that limit must be returned to taxpayers.

Illinois' problems are not insurmountable. With the right leadership in Springfield and the support of Illinoisans, change can be made. The question remains whether the politicians will have the resolve to sacrifice some of their goodies or if the taxpayers of Illinois will be asked again to sacrifice more of their hard-earned money.

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[1] Governor Rod Blagojevich, "2006 Budget Book," State of Illinois, 2006, p. 280 (italics in the original).
[2] http://www.ilchamber.org/ic/p/midwesttruckers040504.asp
[3] Bruce Jaspen, "William Daley Added to Abbott Labs Board," *The Chicago Tribune,* October 9, 2004, http://www.chicagotribune.com/business/chi-0410090305oct09,1,1574855.story?coll=chi-business-utl
[4] The Lewin Group, "Assessment of Medicaid Managed Care Expansion Options in Illinois," May 2005, http://www.senategop.state.il.us/index.php?option=com_content&task=blogcategory&id=119&Itemid=131
[5] Thanks to Jeff Ferguson of the Coalition for Public Awareness for the information on Jerseyville's school situation.