Illinois’ crisis: 20 facts Pritzker doesn’t want ordinary Illinoisans to know

By Ted Dabrowski and John Klingner
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Introduction

There’s no argument that Illinois is a wreck. But read Deputy Gov. Dan Hynes’ new “budget” report – meant to grease the skids for Gov. J.B. Pritzker’s first budget address – and you might get the impression that former Gov. Bruce Rauner alone caused that wreck. Hynes’ report, “Digging Out: The Rauner Wreckage Report,” says that Rauner ran the state “into a ditch.” His list of complaints against Rauner is long: more deficits, unpaid bills, increased pension costs, higher education struggles, a social service crisis and more.

We won’t defend Rauner. His four years were a failure, full of blunders, lost opportunities and about-faces. And the Rauner/Madigan impasse certainly made things worse.

But Wirepoints wants to set the record straight. Illinois was a fiscal and economic basket case long before Rauner stepped into the governor’s office. No amount of anti-Rauner rhetoric should let Illinoisans ignore that reality. Ignoring history – or reframing it as the Pritzker administration wants – makes it impossible to properly diagnose what’s really wrong with Illinois. And far more importantly, it gives Pritzker cover to pursue the same policies that preceded Rauner.

No one should forget how dysfunctional, corrupt and broke Illinois was in the years before 2015.

Two former governors were jailed for corruption just five years apart. Unpaid bills in 2013 had already reached a then-unprecedented $9 billion, wreaking havoc on social service agencies. Multi-billion-dollar budget shortfalls were the norm and Illinois' $100 billion pension crisis became the nation’s worst. The state was hit with 13 credit downgrades under Gov. Pat Quinn and by 2010, Illinois was already the nation’s lowest-rated state. Worst of all, Illinosians were leaving in droves. Illinois lost a net one million people to out-migration from 2000-2014.

All of which make former Govs. Edgar, Ryan, Blagojevich and Quinn failures, too. And don’t forget House Speaker Mike Madigan. He’s presided over the entire downward slide.

But the Pritzker administration wants Illinois’ crisis to be all about Rauner. We get that – it’s politics as usual to blame the predecessor. But there’s more to it than that. If Pritzker can pin all of the state’s failures on Rauner by leveraging Illinoisians’ strong distaste for the former governor, then Pritzker’s “solutions” – a collection of tax hikes, pension bonds and new spending – become easier to swallow.

History, however, shows those same policies under previous governors got Illinois into crisis.

Wirepoints offers 20 charts and short commentaries to make our case.
IRRESPONSIBLE

Hynes writes as if deficits, unpaid bills, pension costs and credit downgrades were unique to Rauner – as if dysfunction only came along with the budget impasse. The reality is Illinois was already in deep fiscal trouble long before 2015.

1. Unbalanced budgets

The last time the state had a balanced budget? Try 2001, when it finished $300 million in the black.


It’s important to note these deficits are based on the state’s rosy accounting rules. When the true costs of retirement debts are accounted for, the real deficits are billions worse each year.

2. Unpaid bills

Illinois’ unpaid bills pile had already reached in 2013 an embarrassingly high $9 billion – 25 percent of the annual budget – despite the record 67 percent income tax hike of 2011. In fact, Moody’s cited Illinois’ unpaid bills in its decision to downgrade the state in 2012.

For sure, the Rauner/Madigan impasse led to an absurd level of unpaid bills, but Illinois was already a deadbeat state way before Rauner. (See the impact on social service providers in number 13.)
3. Pension shortfalls

Illinois’ pension shortfall tripled to over $100 billion in the decade before Rauner took office. That was despite the $17 billion in pension obligation bonds and the 2011-2014 tax hike that in total dumped nearly $45 billion into the state pension funds. By 2014, Illinois politicians had already created the nation’s worst pension crisis.

The crisis was so deep that in 2014 Democratic lawmakers and then-Attorney General Lisa Madigan defended pension reform bill SB1 in front of the Illinois Supreme Court. The state argued the severity of the crisis justified the use of emergency powers to override the state’s constitutional pension protection clause.

4. Retiree health insurance debts

Illinois politicians racked another debt over the past few decades by offering state workers free health insurance in retirement. By 2014, the total value of that perk exceeded $53 billion and yet politicians had set aside nothing for this debt.

The entire debt is unfunded. (New accounting rules implemented in 2016 pushed up the value of the perk for state workers to $73 billion.)
5. Credit downgrades

Illinois’ deep credit rating slide began in 2009. The state experienced 13 total credit downgrades from the three major rating agencies from 2009 through 2013, all during the Gov. Pat Quinn’s tenure.

Five of those downgrades occurred even after the record 67 percent personal income tax hike of 2011. More than $32 billion in new tax revenue from 2011 through 2014 failed to stem the downgrades.

6. Nation’s worst rating

By 2010, Illinois’ credit rating was already the worst in the nation according to Moody’s. And in 2013, S&P declared Illinois was on a “credit precipice” due to lack of pension reform.

Illinois’ S&P rating – also the nation’s worst – was lower than California’s, New Jersey’s and Connecticut’s – all famous for their fiscal problems. In contrast, Indiana, Missouri and Iowa were all AAA-rated. Illinois was on its path toward junk way before 2015.
BUDGET DRIVERS

Hynes ignored the fact that many of the cost drivers that made the impasse so painful had accelerated to crisis levels long before Rauner even took office.

7. Growing worker salaries

State AFSCME worker salaries, thanks to their guaranteed contracts, grew more than 40 percent over the 2005-2015 period. In contrast, private sector worker earnings only grew 11 percent, half the rate of inflation.

That growth helped push Illinois state government worker pay to the highest in the nation in 2014.
8. Overpromised pensions

Between 2003 and 2015, Illinois lawmakers allowed total pension benefits (accrued liabilities) to grow at the third-fastest pace in the nation. At 7.5 percent a year, Illinois grew its total pension promises at 2.5 times the pace Wisconsin grew its benefits. No amount of taxpayer funding could have kept up with the state’s incredible growth in pension promises.

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Illinois' total pension benefits grew the third-fastest in the nation between 2003 and 2015

Compounded annual growth rate of total state pension benefits (accrued liabilities), 2003-2015


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9. Downstate pension costs

By 2015, cities across the state were in deep pension crises of their own. Public safety pension promises (accrued liabilities) had grown 6.4 percent annually over the previous decade and costs were squeezing virtually every city budget—the direct result of state mandates on pensions and collective bargaining laws. Despite a doubling of taxpayer contributions to pensions over the decade, downstate taxpayers watched pension shortfalls double to $10 billion by 2015.

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Illinois' downstate public safety pension crisis accelerated in the decade before 2015

Despite a doubling of taxpayer contributions between 2005 and 2014

Total taxpayer contributions to downstate police and fire funds (in millions)

...police and fire pension debts doubled to $9 billion...

Combined unfunded liabilities (in billions)

...and the collective funded ratio fell to just 55 percent.

Downstate police and fire aggregate funding ratio

Source: Illinois Department of Insurance
Note: Includes 651 downstate public safety pension funds, excludes Chicago police and fire

Wirepoints.org
10. University administrative bloat

Illinois’ public universities went on an administrative hiring spree between 2005 and 2015. The number of administrators employed grew by more than 25 percent even as faculty hiring stagnated and enrollment actually shrunk.

Illinois’ Senate Democratic Caucus condemned the bloat in a 2015 investigative report: “At the same time tuition and student debt are rising at a breakneck pace, the administrative systems of public institutions have expanded into sprawling behemoths.” (See number 16 for the rise in college tuitions.)

11. Medicaid crowd out

Medicaid costs continued to balloon as the number of Illinoisans enrolled in the program jumped by 60 percent – or more than 1 million people – between 2005 and 2014. As a result, total Medicaid costs grew nearly 2.5 times between 2000 and 2015, from $5.1 billion to $12.3 billion.

Medicaid was originally meant to be a health care safety net for the poor and disadvantaged, but by 2014 it covered 25 percent of the population. That’s crowded out services for the state’s most needy.
12. Too many local bureaucrats

Illinoisans have long been forced to pay for the most units of local government in the country. An excess number of governments, combined with stifling collective bargaining, prevailing wage and pension mandates, had already created municipal crises throughout the state by the time 2015 rolled around.
IMPACT ON ILLINOISANS

Illinois politicians failed Illinoisans long before the budget impasse. Their hubris, corruption and mismanagement caused social service providers to close and taxes to reach punishing levels. They allowed pension costs to crowd out spending on everything else. And worst of all, they chased out Illinois’s future: students and families.

13. Struggling social services

Several nonprofits and social service agencies were already closing their doors during the 2009-2013 period due to the state’s nonpayment of bills. The Urban Institute ranked Illinois the nation’s worst for late payments as early as 2009. And virtually every major Illinois newspaper referenced Illinois’ deadbeat status during the period.

Even then-Illinois Comptroller Dan Hynes was featured in a 2010 New York Times article complaining about the $5.1 billion stack of unpaid bills on his desk: “This is not some esoteric budget issue; we are not paying bills for absolutely essential services,” “That is obscene.”
14. Core services crowded out

By 2015, Illinois was already the extreme outlier nationally when it came to retirement costs and budget crowd out. Those costs consumed more than 20 percent of the Illinois’ general budget, crowding out everything from education to health care to infrastructure. In contrast, Illinois’ neighbors, with the exception of Kentucky, used far less than 10 percent of their budgets for retirement costs.

15. Higher education pensions overwhelm

The university crisis was already in full force by 2014. Students were fleeing the state and tuitions had already jumped, in many cases doubled, since 2005.

All that despite rising appropriations from the state – from $2.5 billion to over $4 billion – over the previous decade.

Illinois politicians had done nothing to slow the administrative bloat and the cost of pensions. As a result, retirement costs became a priority over students. By 2014, the state spent more on higher education retirement costs than it did on general operations.
16. Tuitions spike

Too many students were already priced out of attending Illinois universities by 2015. Tuitions and fees were pushed up dramatically between 2006 and 2015.

Northeastern Illinois University tuition went up 100 percent to more than $12,000. University of Illinois, up 104 percent to nearly $16,000. Even Chicago State tuition jumped by 75 percent.

<table>
<thead>
<tr>
<th>University</th>
<th>2006</th>
<th>2015</th>
<th>Total growth 2006 - 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago State</td>
<td>$6,626</td>
<td>$11,610</td>
<td>75%</td>
</tr>
<tr>
<td>Eastern Illinois</td>
<td>$6,339</td>
<td>$11,108</td>
<td>75%</td>
</tr>
<tr>
<td>Governor’s State</td>
<td>$5,050</td>
<td>$9,386</td>
<td>86%</td>
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<tr>
<td>Illinois State</td>
<td>$7,091</td>
<td>$13,298</td>
<td>88%</td>
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<tr>
<td>Northeastern Illinois</td>
<td>$8,308</td>
<td>$12,609</td>
<td>100%</td>
</tr>
<tr>
<td>Northern Illinois</td>
<td>$7,229</td>
<td>$13,510</td>
<td>87%</td>
</tr>
<tr>
<td>Western Illinois</td>
<td>$8,899</td>
<td>$12,217</td>
<td>77%</td>
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<tr>
<td>Southern Illinois</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Carbondale</td>
<td>$6,831</td>
<td>$12,248</td>
<td>79%</td>
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<tr>
<td>Edwardsville</td>
<td>$5,209</td>
<td>$9,738</td>
<td>87%</td>
</tr>
<tr>
<td>University of Illinois</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chicago</td>
<td>$8,498</td>
<td>$14,588</td>
<td>72%</td>
</tr>
<tr>
<td>Springfield</td>
<td>$5,965</td>
<td>$12,195</td>
<td>104%</td>
</tr>
<tr>
<td>Urbana/Champaign</td>
<td>$8,688</td>
<td>$15,626</td>
<td>80%</td>
</tr>
</tbody>
</table>

Source: Illinois Board of Higher Education

17. Student flight

Illinois lost a net of 16,500 university students in 2014 alone, the second most in the country according to the New York Times and the Department of Education. In fact, between 2000 and 2014, over 150,000 net college students left Illinois to go to college. Politicians and university officials had made a crisis of higher education long before Rauner came into office.

Source: National Center for Education statistics
Note: Odd-numbered year data are an interpolation of even-number year data.
18. Manufacturing jobs collapse

More than 300,000 working and middle class Illinoisans lost their manufacturing jobs between 2000 and 2015. Illinois experienced the worst manufacturing jobs recovery since the Great Recession when compared to our neighbors. And the repercussions were wide. Lost property tax revenues were passed on to homeowners through higher rates. Towns have seen population drops across the state. And private sector incomes were stagnant in the decade from 2006-2015 (See number 7).

19. Property taxes punish

Much of the cost imposed by the failures of Illinois politicians shows up in the yearly property tax bills of Illinoisans across the state. By 2014, Illinoisans already paid the third-highest property taxes in the nation. And if that wasn’t enough, Illinoisans also paid the 6th-highest overall state and local tax burden in the nation. All for the benefit of having one of the most corrupt and failed governments in the country. And all before the additional negatives of the Rauner/Madigan impasse.
20. Illinoisans leave

Nothing captures the dysfunction of Illinois as well as the data on outmigration does. Illinoisans have been fleeing the state in search of a better environment for years.

In 2014, the year before Rauner took office, Illinois netted a then-record loss of 95,000 residents. That capped a net loss of more than 1 million residents since the turn of the century. At 7.8 percent, Illinois was the nation’s third-biggest loser of residents to outmigration when measured as a percentage of population. Only New York and New Jersey fared worse.
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