

Wirepoints Report

February 2019

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

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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, Illinoisans 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 Illinoisans' 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

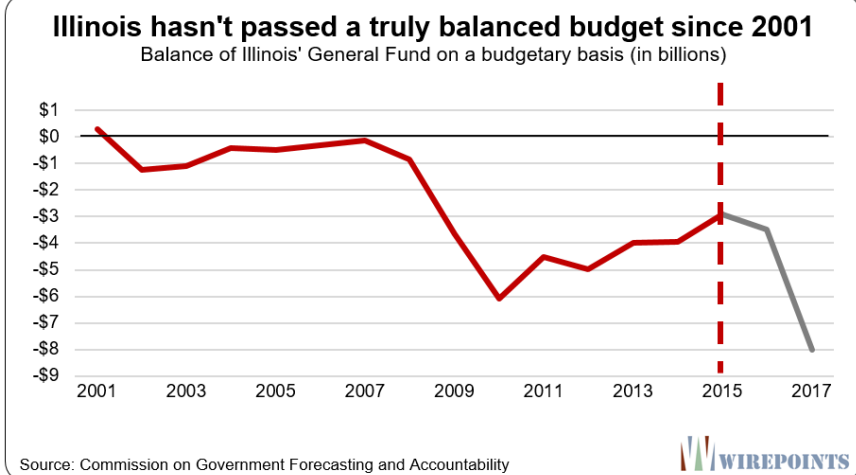
Hynes writes as if deficits, unpaid bills, pension costs and credit downgrades were unique to Rauner – as if dysfunction only came along with the budget impasse. The reality is Illinois was already in deep fiscal trouble long before 2015.

1. Unbalanced budgets

The last time the state had a balanced budget? Try 2001, when it finished [\\$300 million in the black](#).

Since then, it's been all [red ink](#). State politicians didn't balance its budget in 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 or 2014: Thirteen consecutive years of unbalanced budgets before Rauner ever took office. In fact, multi-billion-dollar deficits were the norm from 2008 through 2014.

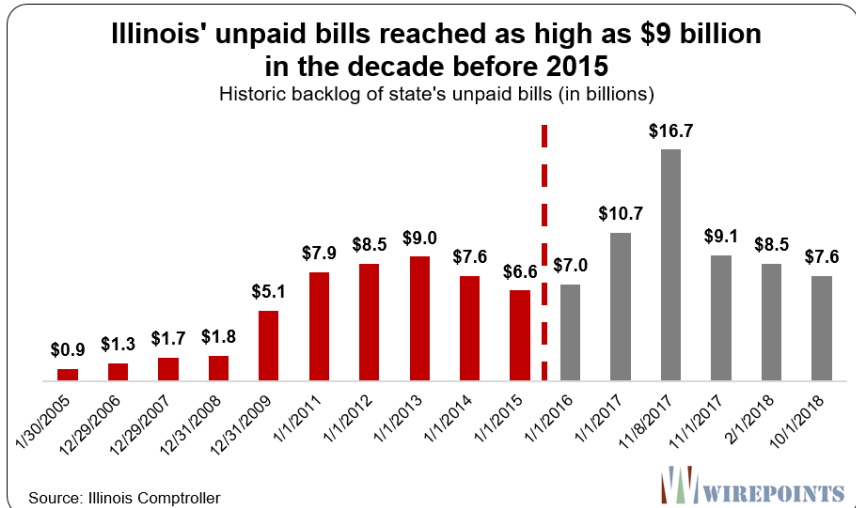
It's important to note these deficits are based on the state's rosy accounting rules. When the true costs of retirement debts are accounted for, the real deficits are billions worse each year.



2. Unpaid bills

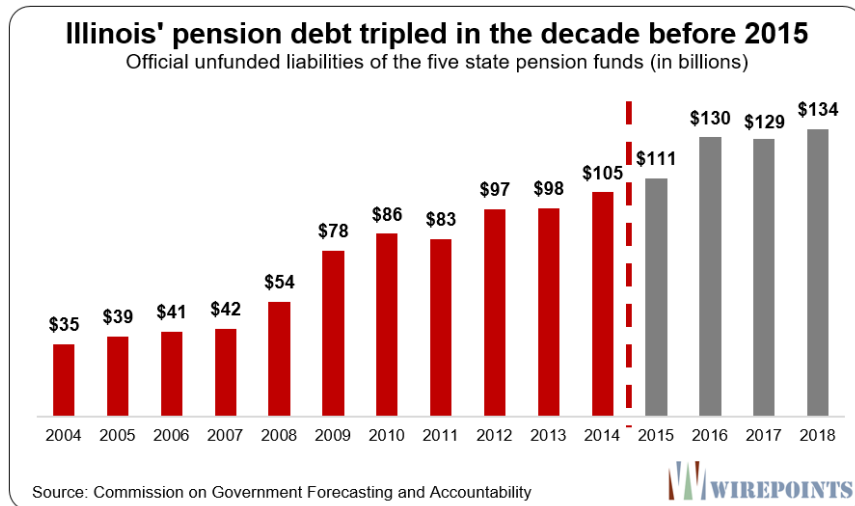
Illinois' unpaid bills pile had already reached in 2013 an embarrassingly high [\\$9 billion](#) – 25 percent of *the annual budget* – despite the record 67 percent income tax hike of 2011. In fact, [Moody's cited](#) Illinois' unpaid bills in its decision to downgrade the state in 2012.

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.

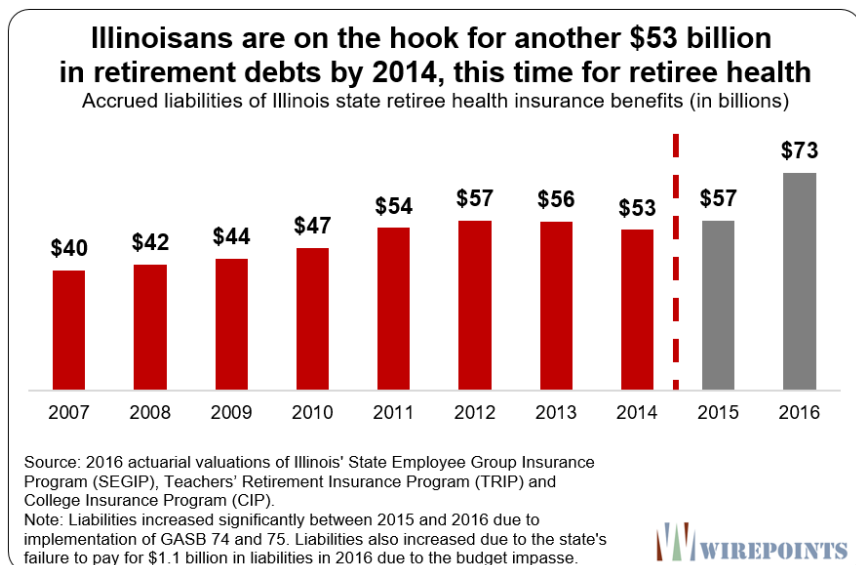


The crisis was so deep that in 2014 Democratic lawmakers and then-Attorney General [Lisa Madigan defended](#) pension reform bill SB1 in front of the Illinois Supreme Court. The state argued the severity of the crisis justified the use of emergency powers to override the state's constitutional pension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

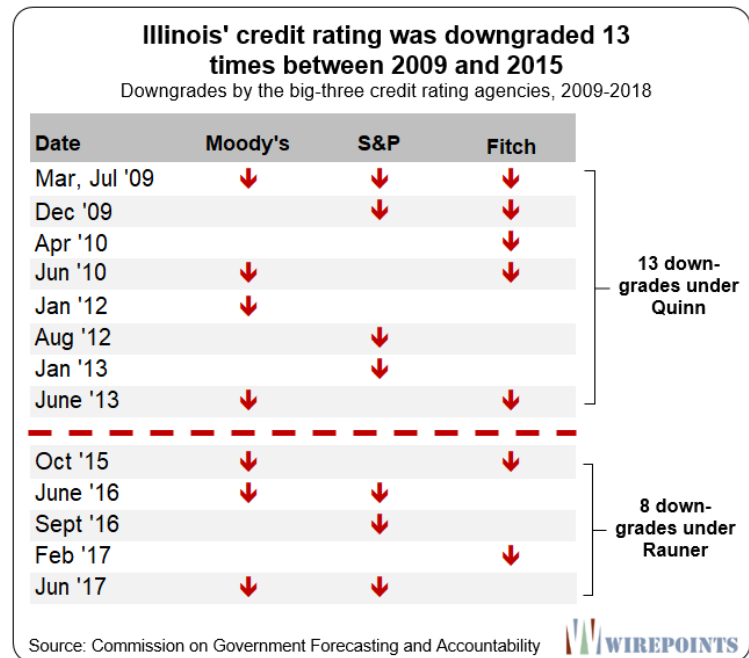
The entire debt is unfunded. (New accounting rules implemented in 2016 pushed up the value of the perk for state workers to \$73 billion.)



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.

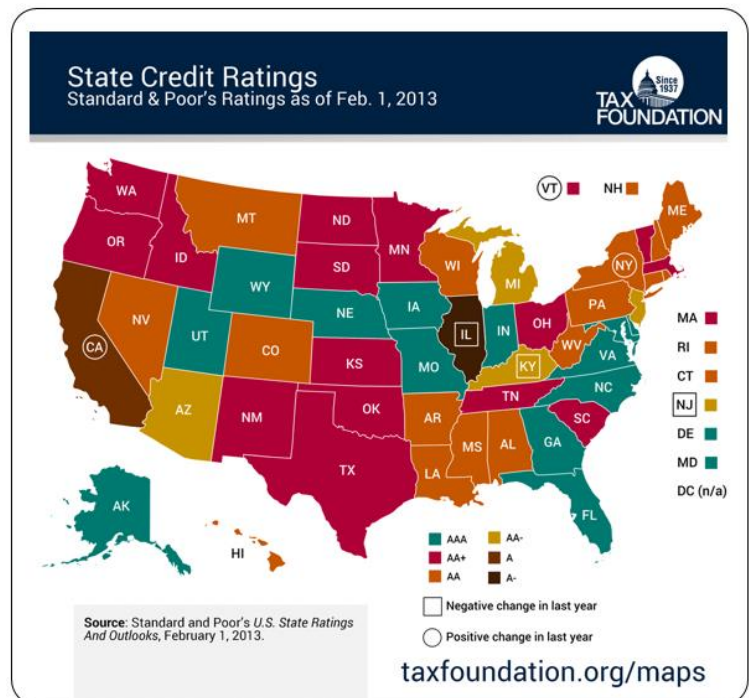
Five of those downgrades occurred even after the record 67 percent personal income tax hike of 2011. More than \$32 billion in new tax revenue from 2011 through 2014 failed to stem the downgrades.



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.



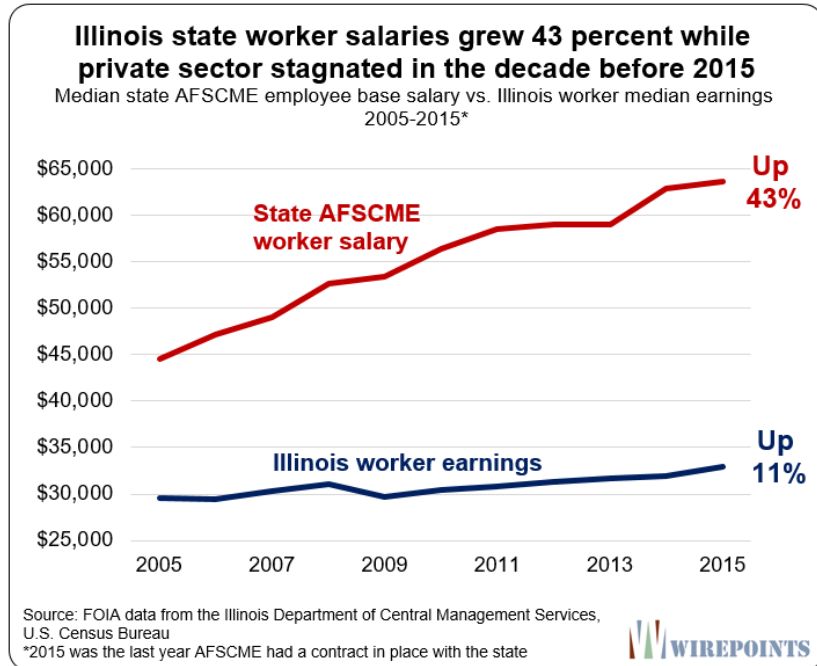
BUDGET DRIVERS

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.



By 2014, Illinois state workers were the highest paid in the nation, after adjusting for cost-of-living
Average annual wages of state employees*, nominal and adjusted, 2014

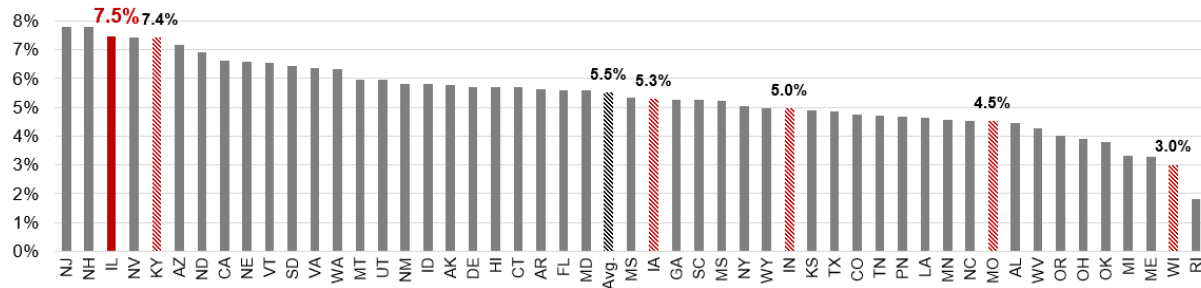
State	Average state worker salary	Cost-of-Living Index	Adjusted salary	Rank	How much more Illinois pays
Illinois	\$59,386	99.3	\$59,805	1	--
New Jersey	\$66,229	113.8	\$58,198	2	--
Alaska	\$60,912	106.3	\$57,302	3	--
California	\$64,673	113.7	\$56,880	4	--
Connecticut	\$60,943	108.6	\$56,117	5	--
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Iowa	\$48,909	90.3	\$54,163	7	10%
National avg.	\$49,055	100	\$49,055	--	22%
Kentucky	\$40,194	88.3	\$45,520	32	31%
Wisconsin	\$42,210	93.3	\$45,241	35	32%
Missouri	\$37,979	89.8	\$42,293	41	41%
Indiana	\$37,553	90.8	\$41,358	46	45%

Source: U.S. Bureau of Economic Analysis
*Includes employees of the state of Illinois and public colleges and universities.
Note: Cost-of-living Adjustment derived from BEA's Regional Price Parities table

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.

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



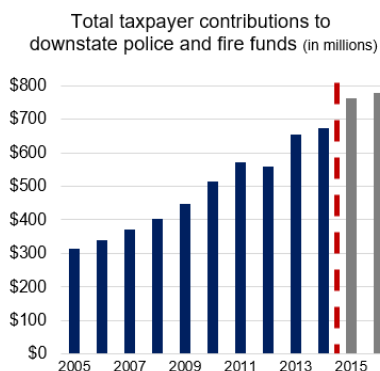
Source: Pew Charitable Trusts, "The State Pension Funding Gap: 2015"

9. Downstate pension costs

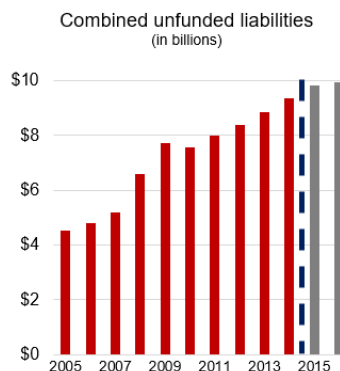
By 2015, cities across the state were in [deep pension crises](#) of their own. Public safety [pension promises](#) (accrued liabilities) had grown 6.4 percent annually over the previous decade and costs were squeezing virtually every city budget — the direct result of state mandates on pensions and 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.

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

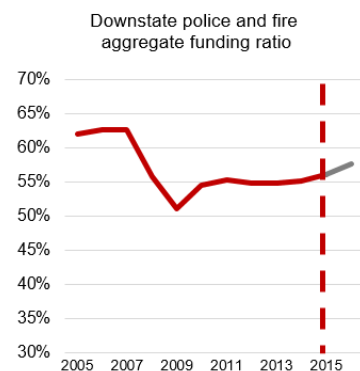
Despite a doubling of taxpayer contributions between 2005 and 2014



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



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

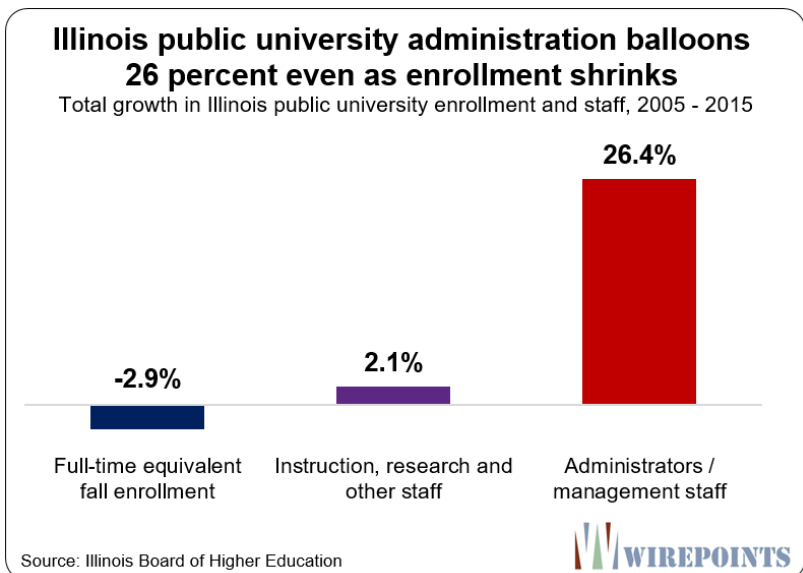


Source: Illinois Department of Insurance
Note: Includes 651 downstate public safety pension funds, excludes Chicago police and fire

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.

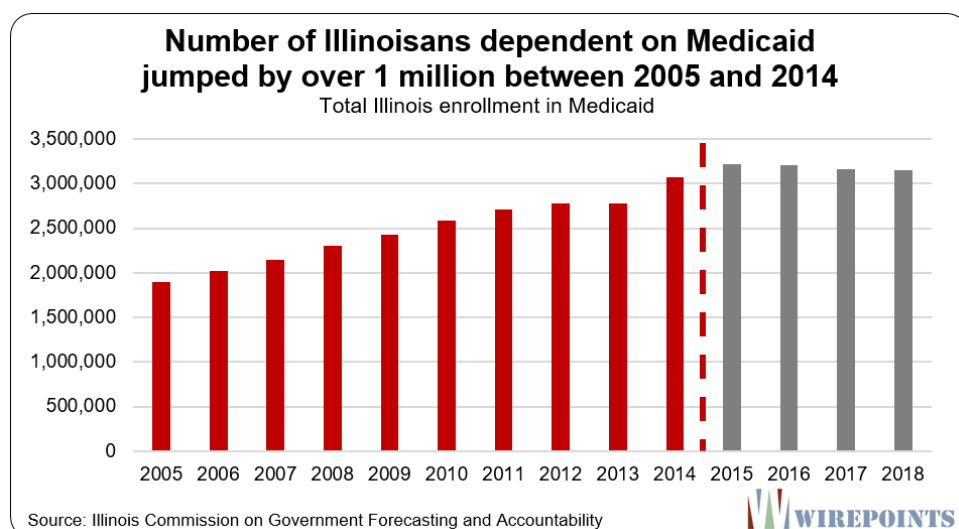
Illinois' Senate Democratic Caucus condemned the bloat in a [2015 investigative report](#): "At the same time tuition and student debt are rising at a breakneck pace, the administrative systems of public institutions have expanded into sprawling behemoths." (See number 16 for the rise in college tuitions.)



11. Medicaid crowd out

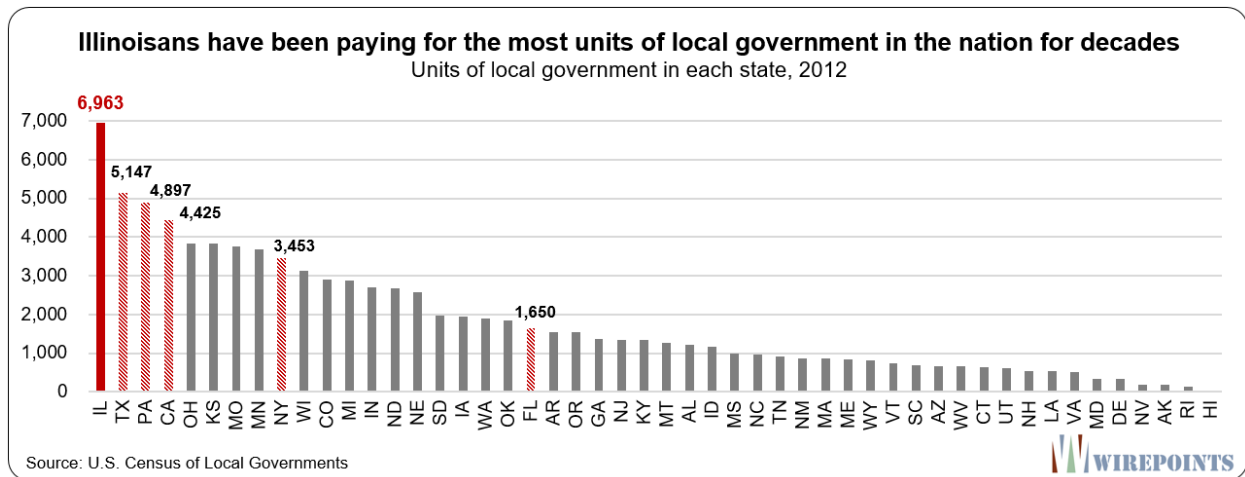
Medicaid costs continued to balloon as the number of Illinoisans enrolled in the program jumped [by 60 percent](#) – or more than 1 million people – between 2005 and 2014. As a result, total Medicaid costs grew nearly 2.5 times between 2000 and 2015, from [\\$5.1 billion](#) to [\\$12.3 billion](#).

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.

Deadbeat Illinois

"[T]he Community Crisis Center in Elgin, a domestic abuse program that relies on Illinois for half of its funding...[has] maxed out a line of credit this year while waiting for funding, leaving employees to take four weeks of unpaid furlough days ..." – Daily Herald, 2011

"The shortfall will force some smaller nonprofit home healthcare agencies to close, trigger layoffs at others and leave thousands of elderly people scrambling for alternatives to in-home care..." – HuffPost Chicago, 2013

"[I]t's 'preposterous' that funding is being cut from the students who are most in need of support. Not only is it inhumane, it's also economically irresponsible ..." – Progress Illinois, 2013



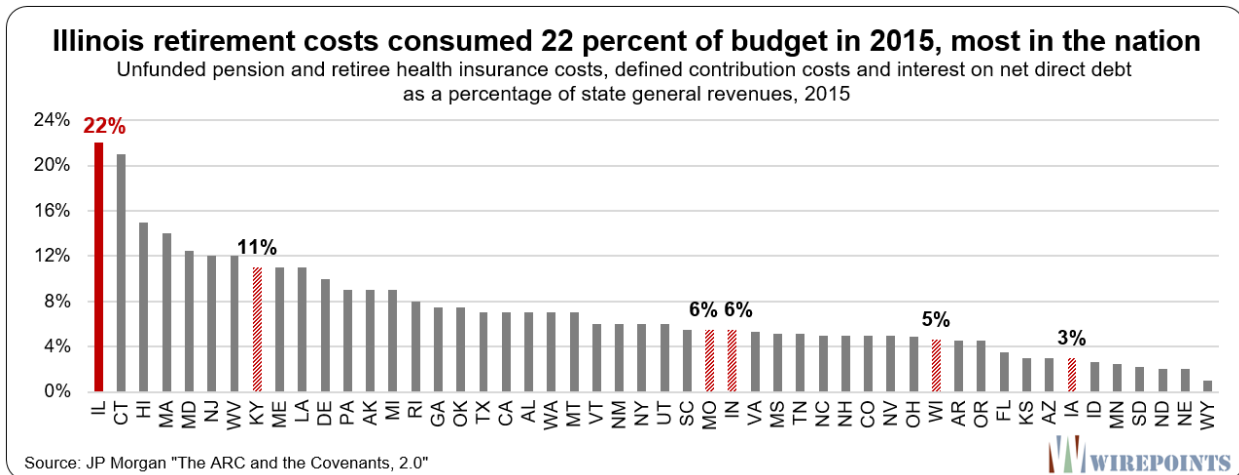
Even then-Illinois Comptroller

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.

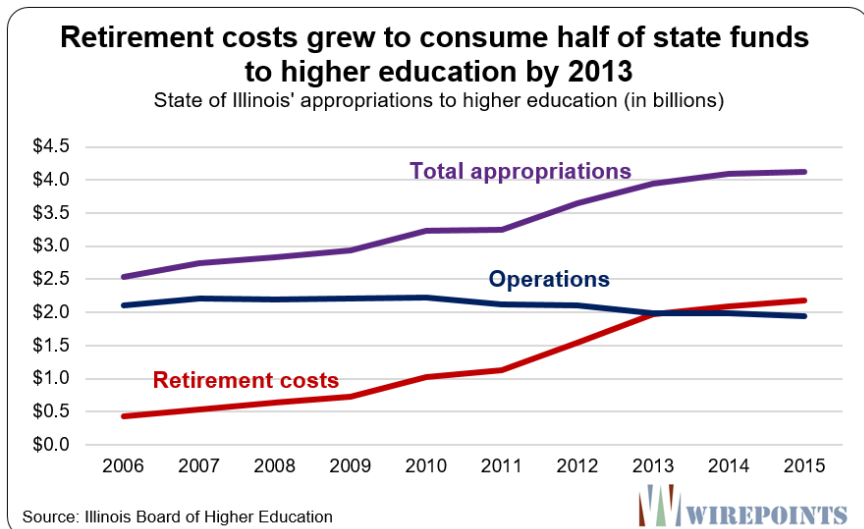


15. Higher education pensions overwhelm

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. [Tuition 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.

Tuition nearly doubled at many Illinois universities between 2006 and 2015

Annual full-time undergraduate tuition and fees of Illinois public universities

University	2006	2015	Total growth 2006 - 2015
Chicago State	\$6,626	\$11,610	75%
Eastern Illinois	\$6,339	\$11,108	75%
Governor's State	\$5,050	\$9,386	86%
Illinois State	\$7,091	\$13,296	88%
Northeastern Illinois	\$6,306	\$12,609	100%
Northern Illinois	\$7,229	\$13,510	87%
Western Illinois	\$6,899	\$12,217	77%
Southern Illinois			
Carbondale	\$6,831	\$12,248	79%
Edwardsville	\$5,209	\$9,738	87%
University of Illinois			
Chicago	\$8,498	\$14,588	72%
Springfield	\$5,965	\$12,195	104%
Urbana/Champaign	\$8,688	\$15,626	80%

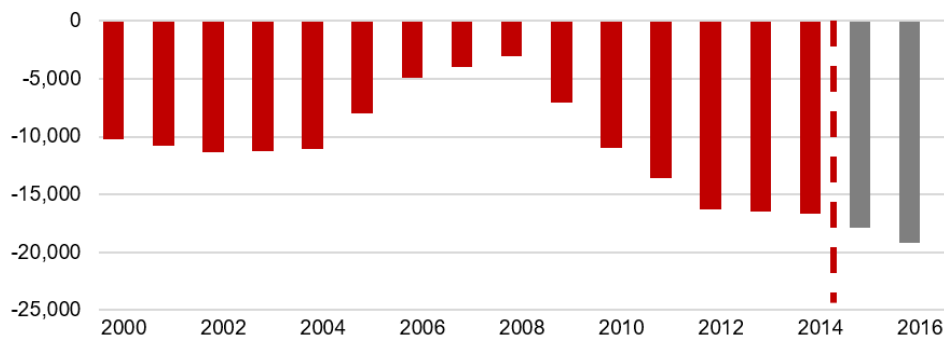
Source: Illinois Board of Higher Education

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.

Illinois lost a net of 150,000 college students to other states between 2000 and 2014

Annual net loss (students coming in minus students leaving) of first-time degree-seeking students at all Illinois higher education institutions

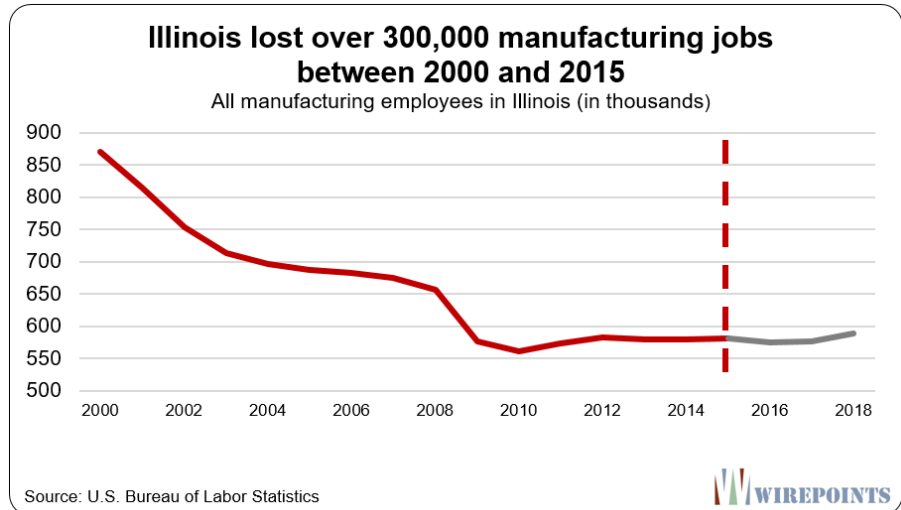


Source: National Center for Education statistics

Note: Odd-numbered year data are an interpolation of even-number year data.

18. Manufacturing jobs collapse

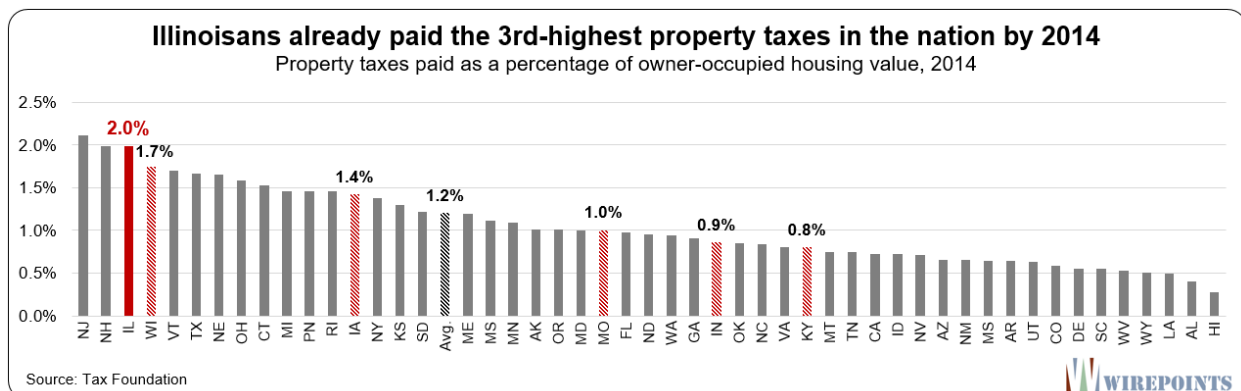
More than 300,000 working and middle class Illinoisans lost their [manufacturing jobs](#) between 2000 and 2015. Illinois experienced the [worst manufacturing jobs recovery](#) since the Great Recession when compared to our neighbors. And the repercussions were wide. Lost property tax revenues were passed to 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.

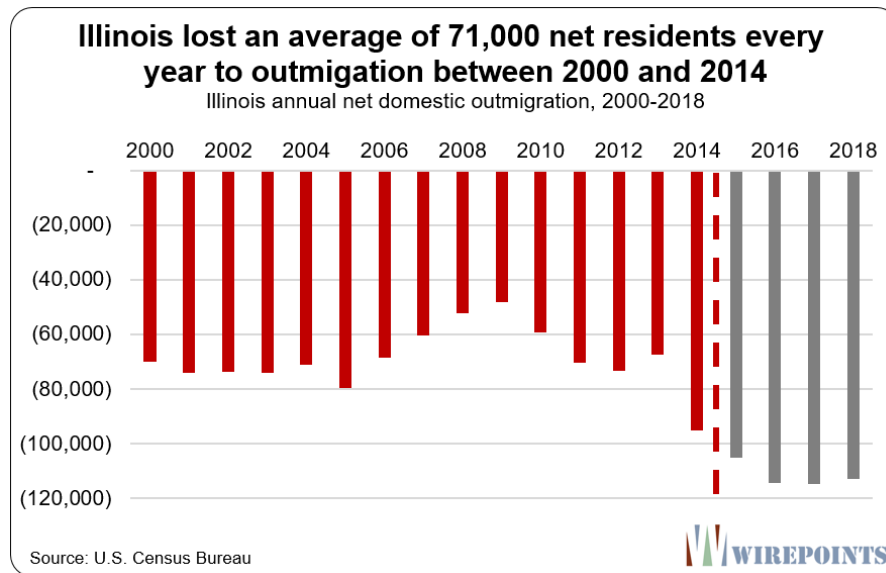
And if that wasn't enough, Illinoisans also paid the [6th-highest](#) overall state and local tax burden in the nation. All for the benefit of having one of the most corrupt and failed governments in the country. And all *before* the additional negatives of the Rauner/Madigan impasse.



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.



Sources

1. Unbalanced budgets

- [COGFA FY 2019 Budget Summary, p 57](#)

2. Unpaid bills

- [Illinois Comptroller fiscal focus blog](#)
- [Civic Federation - Impact of the State of Illinois' Fiscal Crisis](#)
- [Moody's lowers state of Illinois' G.O. rating to A2 from A1](#)

3. Pension shortfalls

- [Pew Trusts: The state pension funding gap 2015](#)
- [Illinois state pensions: Overpromised, not underfunded](#)
- [Overpromising has crippled public pensions: A 50-state survey](#)
- [Attorney General Madigan Defends Pension Law – WTTW](#)

4. Retiree health insurance debts

- [Actuarial reports: SEGIP GASB 75, TRIP GASB 74 and 75, CIP GASB 74 and 75](#)
- [Actuarial reports: SEGIP GASB 45, TRIP GASB 43, CIP GASB 43](#)
- [Illinois' other debt disaster: \\$73 billion in unfunded state retiree healthcare benefits](#)

5. Credit downgrades

- [COGFA FY 2019 Budget Summary, p 160](#)

6. Nation's worst rating

- [Tax Foundation](#)

7. Growing worker salaries

- [US Census Bureau](#)
- [State AFSCME salaries received through a 2016 FOIA to the Governor's Office](#)

8. Overpromised pensions

- [Pew: The State Pension Funding Gap: 2015](#)

9. Downstate pension costs

- [Illinois Department of Insurance Public Pensions Biennial Report 2017](#)

10. University administrative bloat

- [Illinois Senate Democratic Caucus](#)
- [Illinois Board of Higher Education](#)

11. Medicaid crowd out

- [COGFA FY 2019 Budget Summary, p 92-93](#)

12. Too many local bureaucrats

- [U.S. Census Bureau: Census of Governments](#)

13. Struggling social services

- [Urban Institute: National Study of Nonprofit-Government Contracting](#)

14. Core services crowded out

- [JP Morgan: Arc and the Covenants 2.0](#)

15. Higher ed pensions overwhelm

- [Illinois Board of Higher Education, p 100](#)
- [COGFA, p 30](#)

16. Tuitions spike

- [Illinois Board of Higher Education, p 82](#)

17. Student flight

- [National Center for Education Statistics](#)
- [Out of State Students: Winners and losers – New York Times](#)

18. Manufacturing jobs collapse

- [FRED: U.S. Bureau of Labor Statistics](#)

19. Property taxes punish

- [Tax Foundation: Facts & Figures 2016](#)

20. Illinoisans leave

- [U.S. Census Bureau](#)