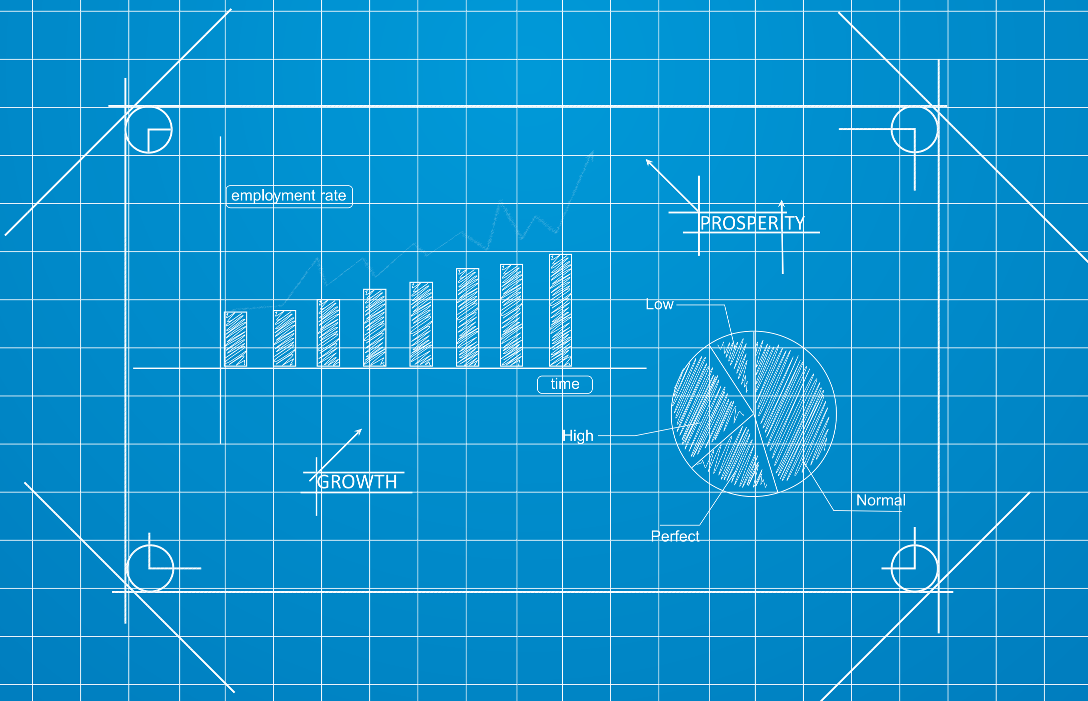
ILLINOIS CHAMBER OF COMMERCE

JOBS AGENDA

A BLUEPRINT FOR GROWTH & PROSPERITY



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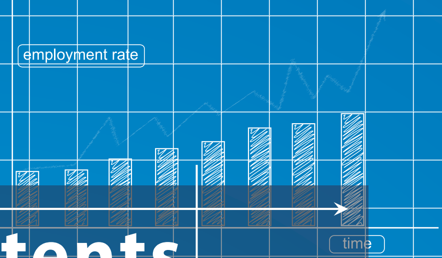

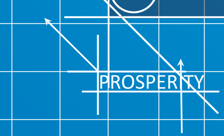

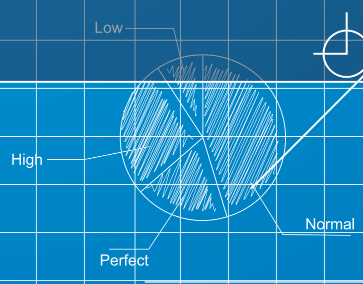

JOBS AGENDA

For: Business, Civic, Community and Political Leaders

From: Doug Whitley
President & Chief Executive Officer
Illinois Chamber of Commerce

A Jobs Agenda

Creating jobs is Job #1 for Illinois' future. The first task for our newly elected officials is getting the state's fiscal house in order. The second is to accept responsibility for improving Illinois' economy. Third is to pursue an action agenda to reinvigorate Illinois as a business friendly state dedicated to growth, retention and innovation.

"Illinois is not in the game," said an economic development director from a large metro area when asked about the state's competitiveness. A national site selection professional said that of the 60 businesses his firm is working with, only one is even considering Illinois as a viable location. The takeaway: A decade of turmoil has left the perception that Illinois is no longer deemed conducive for business.

Our challenge is to confront the reality of the situation and take demonstrative steps to improve the economic fortunes of employers and citizens of Illinois.

After soliciting the expertise of local chambers, professional site selection personnel, economic development directors, tax experts and business executives, this report proposes solutions to address the challenges of job creation. Our objective is to encourage legislators, policymakers and community leaders to consider these recommendations for changing the outlook of Illinois' future by implementing components of the Illinois Chamber's Jobs Agenda.

This report has nine key areas: state budget, cost of doing business, economic development, brownfield sites, environmental regulation, workforce, energy jobs, taxes and transportation. We acknowledge there are other areas deserving of similar attention, but those topics warrant subsequent work. We hope this work will stimulate the reader to provide the Illinois Chamber with additional ideas and actions for further developing the Jobs Agenda.

Illinois residents should be tired of the negativity towards job creators and the race-to-the-bottom complacency by policy makers that have persisted in our state for the last decade. A new Governor and General Assembly have been sworn into office and the nation is emerging from a devastating recession. Now is the time to reverse the troubling trajectory of economic and employment trends that have plagued our state. It is time to pursue a brighter future by focusing on growth, investment and jobs.

Creating an environment that is conducive to job growth is not necessarily about creating more government incentives or programs. It's about establishing an environment that enables business to support job creation.

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STATE FISCAL RESPONSIBILITY

By far the most important task facing state leaders is reversing the dismal state of Illinois' economic and fiscal condition. Illinois political leaders have been in absolute denial about their constitutional mandate to operate within a balanced budget, and have abdicated responsibility for the state's economy. We can no longer afford this neglect. When Illinois' economic conditions are compared to other states, our record of dismal, stagnant growth is stark and embarrassing.

Severe Budget Deficit

A major concern of business, if not the major concern, is the budget deficit. Illinois' notorious financial situation is routinely compared to California, Michigan and Greece. One local chamber executive said, “If we don't fix this problem, nothing else related to economic development will matter.” Unfortunately, she is right.

The deficit has tarnished the state's image not because of the severe decline in tax revenues, but because the state sat by while billions of unpaid bills accumulated, and as unconstitutional budgets were passed year after year. In explaining one of the many bond downgrades, Moody's noted Illinois' precarious financial situation and then said that the state had no plan to fix it. The need for a plan is long overdue. Leaders must determine the priorities of the State and how to pay for those needs.

The budget for 2011 is $53 billion; $25 billion in general funds. The budget deficit including retirement-related costs is $14 billion to $15 billion according to the “Illinois is Broke Coalition.” In addition, corporate and personal income tax refunds are not considered part of the deficit. A state bond offering reported $1.4 billion in business and individual refund liability by the end of 2011. Nearly 40,000 businesses are waiting for a refund from the state.

The pension situation is now threatening the entire budget. In 2008 the pension-funding ratio was 54 percent; by 2010 the percentage was 38 percent, the worst in the nation according to the Pew Center on the States. Debt service in fiscal year 2009 was $1.984 billion, accounting for 6.19 percent of general revenue. By fiscal year 2011 the debt service grew to $2.959 billion or 9.51 percent of general revenue.

The Illinois is Broke Coalition estimates that state health care benefit costs and pension liability total $140 billion. The state is borrowing to pay the 2011 pension obligation. Interest on that debt is projected by the Civic Federation to be $1 billion.

The recently enacted 67 percent increase in the individual income tax rate and the nearly 50 percent increase in the corporate rate will generate around $6.5 billion annually. The tax increase includes new spending for education and human services and a pledge to limit spending increases in subsequent years. It's clear the 2011 tax increase will not solve the budget problem. It's unclear how leaders intend to close the gap.

In recent months the General Assembly and Governor have undertaken unprecedented steps to begin confronting the state's fiscal condition. The imposition of higher income tax rates in 2011 is a bold step towards closing the budget gap. The legislature significantly restructured the public employee pension benefits for newly hired state workers. The General Assembly passed legislation to bring cost savings to the Medicaid system. However, government leaders have not yet taken the hard votes to reduce expenditures and limit pensions. The key indicator as to whether or not a new era of fiscal discipline has taken hold will be the FY 2012 budget.

Action Steps

In our surveys and discussions with the business community, the budget was identified as the most important task for state leaders.

State leaders need to:

- Agree on a plan that deals with the devastating budget shortfall, including an absolute reduction in year over year spending levels.
- Adopt an honest budget that matches spending with revenues.
- Make the pension and bond payments.
- Pay bills in a timely manner.
- Mandate that current and former employees assume more responsibility for their health care costs and reduce the unfunded pension liability for current employees.

THE COST OF DOING BUSINESS

Illinois Workers' Compensation Laws Must Change

Chamber members doing business in other states consistently advise us that Illinois is their highest cost state when it comes to workers' compensation expense. For example, the Workers' Compensation Research Institute's (WCRI) analysis places Illinois' medical fee schedule at the second highest (behind Alaska) in the nation. A number of other states (Florida, Pennsylvania, Missouri, Colorado, Arkansas and California) have aggressively addressed the workers' compensation costs for their businesses and have seen significant rate reductions. From 2006-2010, states nationwide averaged a 19 percent workers' compensation insurance rate reduction while Illinois experienced a 14 percent rate increase.

Our Midwestern neighbors are a particular concern to us.

- Missouri lawmakers enacted reforms and have seen their costs drop more than 20 percent since 2005. Employers are projected to experience another decrease in 2011.
- Indiana continues to report the lowest workers' compensation cost structure in the nation.
- Iowa was ranked 15th best by the 2008 manufacturers' cost index compiled by Actuarial & Technical Solutions, Inc. while Illinois ranked 38th. The 2010 Oregon Department of Commerce & Business Services workers' compensation ranking had Iowa at 36, while Illinois moved to third highest in the nation.

Until we address critical cost drivers in the Illinois law, our state will not be competitive on this important job measure.

The 96th General Assembly failed to revise Illinois workers' compensation laws during its final days. The effort must be revisited in 2011 with better results.

Illinois must address the following:

Enact meaningful reform

- Require the workplace to be the "primary" cause of the injury instead of just a "contributing" factor when determining eligibility for benefits. Illinois' low causation standard contributes to abuse and, coupled with our generous benefit structure, results in much higher costs for Illinois employers.

- Provide employers first choice of physician to help improve medical care to injured workers as well as enhancing return- to-work efforts which result in satisfied workers and lower costs to employers. Twenty-one states require the employee to use the physician picked by the employer from among a list of "authorized" physicians. The 29 remaining states plus the District of Columbia allow the employee to choose the physician, with some requiring periodic consultation with an insurer-chosen physician. But 19 of the "employee-choice" states limit the employee's options to physicians within a managed care type network.

- Adopt AMA Standards as recognized, medically defined, objective evidence for disability determinations. Nearly 30 states use these guidelines to provide a more objective approach to determining indemnity awards.

- Strengthen utilization review in order to reduce excessive and unnecessary medical care. Workers' compensation care should be based on nationally recognized standards and guidelines and evidence-based medicine to align care with what would be provided if the worker was covered by a group health plan.

- Acknowledge workers have a responsibility to be alcohol and drug-free in the workplace. A number of states, including Missouri, eliminate or dramatically reduce benefits when a worker's injury is caused by their intoxication.

- Allow reopening of wage differential cases for changes in economic circumstances; provide credit for previous wage differential claims and cap benefits to retirement age instead of lifetime.

- Allow credit for previous man-as-a-whole claims to the same body parts and limit permanent partial disability to 100 percent of man-as-a-whole. This is another area of abuse that makes Illinois a uniquely high cost state.

- Medical Fee Schedule improvements are needed such as addressing egregious reimbursements for implants. Today, employers are paying on average as much as 400 percent mark-ups on equipment that is already extremely expensive. The Workers' Compensation Commission should have authority to adjust the fee schedule from time to time to reflect contemporary medical progress.

- Consolidate the 29 geo-zips currently used to calculate billing to match the 4 Medicare regions. The unique Illinois system has caused higher administrative costs for both medical providers and workers' compensation payers. Medicare regions are already handled by both in their business practice and should help minimize gaming the billing system.

Provide balance, understanding, and efficiency in administering the workers' compensation process.

Many employers perceive the Illinois workers' compensation system as so biased against employers that it effectively serves as an alternative social welfare system or an avenue for unwarranted employment benefits.

State leaders can enhance the impartiality of the Illinois Workers' Compensation adjudication system by enacting:

- Merit review of all arbitrators by the Workers' Compensation Advisory Board requiring a majority vote of the Advisory Board for appointment or reappointment as an arbitrator.

- Implementing a requirement that all future commissioners have ten years of experience in workers' compensation and all future arbitrators have seven years of experience in workers' compensation.

- Applying impartiality and demeanor ethics similar to those found in Illinois courts to all arbitrators and commissioners.

Fully Implement 2005 Fraud Provisions

One of the key components of the 2005 changes to the workers' compensation law was establishing civil and criminal penalties for fraud related to workers' compensation and the establishment of a fraud investigation unit at the Illinois Department of Insurance (DOI). Unfortunately, the budget for the fraud unit was dramatically cut for FY 2009 and FY 2010 and the follow-through to prosecute cases has been very limited. The fraud unit budget, which is financed exclusively by employer fees, must be restored. Special prosecutors must be established in the fraud unit to provide focus and commitment to prosecute these crimes.

ECONOMIC DEVELOPMENT

The state needs to re-start its economic development agenda by dismantling the Department of Commerce and Economic Opportunity (DCEO) and restructuring the organization to assure job creation is the top priority.

It would be hard to overstate the lack of respect for DCEO in the economic development arena. The agency is perceived as unresponsive, overly political, and uncooperative. Many of our survey respondents referred to DCEO as a hurdle to overcome, rather than a resource to partner with. Whether fair or not, the perception of our state's lead economic development agency, our chief sales arm to attract and retain investment, is destructive.

DCEO should be more than a pass-through agency for allocating federal funds, nearly half of which are energy related. Only $44 million out of a $2.4 billion annual budget was from the state general revenue fund. Since federal funds are restricted and the state resources have been severely lacking, it is understandable that economic development professionals think the agency is failing to achieve its core mission.

The state needs to maximize scarce economic development dollars. In some cases, the state has been short sighted in their investment decisions. For example, the need for convention and tourism promotions, targeted industry attraction and retention, international business development and support for local economic development organizations and manufacturing improvement groups like the Illinois Manufacturing Extension Center (IMEC) should be self-evident due to the proven multiplier affects these initiatives capture. Business and leisure travel contributed $29 billion to the state's economy in 2009, sustaining one in ten jobs that are supported directly or indirectly by visitors. Further, initiatives which leverage federal matching funds (like IMEC), or guaranteed private sector investments should receive funding priority because they are able to make the state's limited resources go much further.

Since Illinois is no longer recognized as “best in class”, benchmarking the leaders is appropriate. The state should engage in mock site selection comparisons to evaluate the competitive strengths and weaknesses of Illinois locations and other states. The state should evaluate and determine success factors that have propelled the economy and job growth in these more dynamic jurisdictions.

Illinois should explore following the path of states like Indiana, Missouri, Michigan, Florida, Georgia, Texas, Utah and Virginia that have created some form of a public/private partnership to lead and manage economic development activities. Wisconsin's new governor recently announced a similar privatization proposal. Each of these states has privatized some aspects of their economic development responsibilities in recent years. Introducing a public/private partnership could allow Illinois to turn the page on an economic development story that has long been disparaged. Structured properly, the partnership would strategize and execute marketing, aggressively promote the state's attributes, and engage foreign investors. A partnership between the state and business leaders would assure construct of a positive message about doing business in Illinois. Most importantly, the group would include independent thought leaders with practical experience capable of setting a clear agenda for economic growth, recommending and guiding initiatives and would be accountable for measurable goals.

Other recommendations:

- It is critical that the Governor engages with existing businesses, interacts with prospective new businesses and serves as the state's chief ambassador to the business community.

- The Governor must make it an executive branch priority to listen to industry needs, nurture existing employers and cut red tape. Intangibles like efficiency, responsiveness, attentiveness, professionalism and a sense of urgency to be helpful are important.

- The Governor should establish a Council of Economic Advisors, and use it. There should be a basic understanding about what every major industry segment needs and wants from state and local government in order to successfully invest and grow jobs in Illinois.

- We must retain businesses as well as attract new ones. Business retention and expansion is a critical component of a successful business climate. Existing businesses sell the state to other businesses (or not). A strong retention policy reaps rewards because it honors loyalty, promotes stability, recognizes successful businesses, encourages expansion and makes Illinois an attractive place for investors because existing businesses are treated well.

- There should be less attention to crafting limited single business incentive packages and greater attention to crafting policies and programs to assist industry segments. Illinois incentives aimed at encouraging businesses expansion and retention should be proactive.

- The coordination and relationship with local economic development personnel to sell the benefits of local communities and secure investments needs strengthening. DCEO should be required to work with local communities to prepare one package of incentives to prospective businesses. No other state prohibited their economic development agency from sharing incentive packages with local communities.

- The concept around the program Opportunity Returns was a good one. The execution of the program has room for improvement. Beyond being just distributors of grants and loans, Opportunity Returns should be comprised of experienced economic development professionals who can represent the state's assets and contribute value to Illinois's attraction and retention efforts. Keeping the regional focus is an appropriate way to approach economic development because our strengths are so different from one area to another.

BROWNFIELD SITES

The most distressed areas in the state are vacant land that cannot be sold because of environmental damage and costly cleanup. These huge tracts of land are blight on many communities. It is critical to expand the use of already successful redevelopment programs, and to encourage enrollment in them through tax credits or other financial incentives, in order to return abandoned industrial land to productive use. A tax free zone similar to Renaissance Zones in Michigan, or a more aggressive and comprehensive roll out of Illinois' fledging Rivers Edge Redevelopment Zones program would be a first step to recovery of the land.

Because of the complicated nature of the problem and the unique solutions required for each parcel and each city, we think that a special commission should be created. The commission would recommend ways to better incentivize these programs including the Site Remediation Program.

ENVIRONMENTAL REGULATION

Environmental laws and regulations have a profound impact on the cost and operations of both large and small businesses. Because of that, the Illinois EPA needs to consider several factors before it begins regulating greenhouse gases following the adoption of controversial federal regulations last year.

A frequent message from companies doing business in Illinois is that the permit process does not portray a positive business climate. Permits simply take too long to get, or the process is too unwieldy, too complex, or too expensive.

When business decisions are being made regarding whether to expand an existing operation in Illinois or to bring new business here, the difficulty in obtaining the necessary permits in a timely fashion is a strike against choosing Illinois. Review the existing framework, and borrow heavily from what does work in other states.

The IEPA should:

- Improve the efficiency and effectiveness of the air permitting process by identifying types of permitting activities that are bulky and unnecessary.

- Identify the types of businesses whose environmental footprints are small enough that simple registration is sufficient rather than obtaining a complex permit.

- Realign existing resources to areas of greater need.

Such an approach to permitting would help Illinois outperform other states in attracting new business.

WORKFORCE

One of the most important site selection issues according to experts in the field of economic development is workforce. Fortunately, one of Illinois' most valuable resources is its workforce.

The perception of Illinois' workforce is positive and employers recognize and gravitate toward a highly productive workforce. A quality workforce is worth the higher wages paid to Midwestern workers. We want to keep our reputation for having outstanding institutions of higher learning and of offering valuable higher quality workers. Skilled labor is not a cost - it's an asset.

Illinois' challenge is not only to recover lost jobs but also to attract good paying jobs. To do that, we need well-educated young people, a deep pool of college graduates and a trained and re-trained workforce.

Too many individuals do not possess the skills, training and certifications needed to succeed in the new economy. Jobs once considered non-technical now require computer skills. Those who are already in the workforce need programs that provide ongoing education and training. The unemployed may require new technical skills to give them access to the workforce.

Nationally, the unemployment rate for high school graduates is around 10 percent while the rate for college graduates is 5 percent. Clearly, the road to economic recovery will involve a commitment to an educated workforce.

The business community and the education community talk about each other but not <u>to</u> each other. Business leaders talk about how unprepared students are to join the labor force; the education community talks about successes in test score measurements. We need to work together for students to acquire good jobs with businesses that want a competent workforce.

Mayors, educators, and economic development officials can ask employers about their workforce needs but there must be a community focus on trying to get workers to available jobs. Creating a pool of knowledgeable and skilled workers benefits the employee, the employer and the community. Creating and guaranteeing productive workers should be a non-partisan objective benefitting all.

Illinois businesses need high quality schools and job training programs prepared in collaboration with the education community to satisfy their ability to successfully compete in global markets. Global trade is important to all of Illinois whether it's shipping corn to China, or high tech manufactured goods to Europe. Illinois must be more attuned to global conditions for international trade opportunities. They are critical to Illinois' future economic vitality.

Failing to provide a basic education to students cannot be corrected with training and re-training programs. In a recent study, 73 percent of seniors were not ready for college level science classes. Only 40 percent of high school seniors met a math benchmark. Sixty-four percent met the benchmark in English and 48 percent met the benchmark in reading. Nationally, 60 percent of community college students need remedial course work. Illinois will need to enlist educators to address skill levels at the lowest levels to be successful.

Illinois should adopt a longer school day and a longer school year.

We have known for some time that there is a shortage of qualified teachers in science and math. We also know that without proficient workers in these fields Illinois cannot expect to compete in the knowledge-based economy. Who is responsible for enticing a new group of teachers to teach science and math?

Recommendations

In order to emphasize the importance of jobs to our state's recovery, direct intervention from the Governor's office is required. This will allow and require educators and business to work together to match real world skill needs with what is being taught in school. The focus of the effort would be to:

- Develop roadmaps by industry cluster. What skills are needed to get green energy jobs? Where does education need to be to provide for a workforce in biotech and renewable energy? A good example of a successful effort for industry clusters is the Critical Skills Shortage Initiative spearheaded by DCEO in 2003, which brought the education community and the hospital community together to address the acute shortage of nurses.

- Propose measures that increase the number of college graduates in the state and reduces the number of students dropping out of high school. Students are more likely to finish their high school or college degree program if they know there is a job at the conclusion. A technical school in Missouri has a 97 percent graduation rate with most students having job offers in hand. We need to bring business and educators together to coordinate a workforce strategy that leads to a prepared workforce and good jobs.

- Conduct trend analysis of jobs in the state. What industries drive the Illinois economy and what do those industries need from the workforce. Chicago Metropolitan Agency for Planning (CMAP) found that the fastest growing employee base in a given area was in knowledge workers and finance. New jobs in finance included positions in accounting, banking and a doubling of the insurance workforce. The employees were not necessarily employed by an insurance company, but rather filled a demand for insurance specialists within various companies. We need to know about economic activity in the state. Illinois state and local governments need a way to recognize and anticipate employment trends.

- Simplify access to labor market information housed in the Department of Employment Security. Some communities, like Decatur, reported a large number of want ads for good paying jobs during the recession. There is a mismatch of skills and education output to employer's needs and available jobs.

- Evaluate our technology IQ and propose creative strategies to improve skills because the global economy is based on technology.

- Develop a plan to promote "certification" programs that increase the number of skilled workers in the state.

ENERGY JOBS

Every energy solution creates economic opportunity. The future of energy production, availability, reliability, use and price is one of the major public policy issues facing the world's economy. Illinois is already a leading energy producer. Illinois has an aggressive Renewable Portfolio Standard stating that 25% of our electricity will come from renewable sources by 2025. We are home to research institutions, are proud of our green architecture and rooftops, and we support a diverse mix of energy companies. Illinois is positioned to be a destination that favors energy research, energy expertise, energy employees, energy construction, energy production and energy efficiency. The challenge is to capitalize on the state's ability to be a leader in a segment of the economy that is fundamental to economic activity.

We recommend that state leaders:

- Modernize the regulatory system. Investigate and analyze best practices and make appropriate changes so that Illinois is once again a leader in adapting to industry trends. State, county and municipal regulatory agencies must help companies promptly deploy state-of-the-art technologies that will both distinguish our state's progressive ambitions and propel economic opportunities.

- Create an environment for energy companies to succeed in Illinois by providing incentives to encourage energy development and energy efficient construction.

- Nurture the introduction of electric vehicles and natural gas powered vehicles by ensuring that government regulations and legislation enable electric and natural gas fueling stations instead of creating hurdles that curtail their development.

- Support energy research and development. Support greater investment opportunities for facilities in Illinois and work with Illinois' universities to create plans that will attract funding to assure Illinois is a leader in energy research and commercialization.

- Educate future energy workers. Ensure that Illinois schools and universities have a strong science, technology, engineering, and math curriculum in place to prepare tomorrow's workforce for the 21st century energy employment opportunities.

- Create an environment for energy diversity. Embrace and promote smart grid and high-voltage transmission development. Learn from the results of the state's Smart Grid Collaborative and ComEd's smart meter pilot project. Create a strategy that will make Illinois a leader in improving its electricity grid and developing a smart grid system that will create economic opportunities throughout the state.

- Welcome new energy development. Establish an energy environment that allows the marketplace to determine which projects (cleaner coal, geothermal, waste-to-energy, wind, solar, etc) find their niche in the state's ever-changing energy portfolio. Promote any energy source that can help us create a diverse, cost competitive energy supply with the smallest impact on our environment.

TAXES

Illinois is not a low tax state. This is primarily because Illinois has more local governments than any other state and has given significant independent taxing authority to many of them. Consequently, the 5.3 million people of Cook County reside in the jurisdiction with one of the highest sales tax rates in the nation. Chicago residents, who account for 22 percent of the state's population, also encounter $.49 per gallon motor fuel tax, daily parking lot tax of $3.00 and a $4.68 tax per pack of cigarettes purchased in the city. Visitors to Chicago are charged a 15.39 percent effective hotel tax and a restaurant tax of 10.75 percent, among the highest in the nation.

The nearly $25 billion collected from the local property tax eclipsed the state's general funds sources of revenue in FY 2010. Cook County businesses pay 20 percent of the total tax while business and residential taxpayers in the 96 downstate counties pay 23 percent. Median real estate taxes measured as a percent of median home value is 1.73 percent in Illinois, the 6th highest in the nation. The national average is 1.04 percent.

The individual income tax rate, increased to 5 percent earlier this year, moves the state's rank from 9th to 14th lowest. However, the 9.5 percent rate imposed on corporate income gives Illinois the third highest tax rate in the United States.

Illinois' new ranking compiled by the Washington, D.C.-based Tax Foundation is:

-36th in overall state business tax climate, a drop from 23rd.
-45th in business corporate climate, a drop from 27th.

Other numbers that may help to give us perspective on neighboring states are the state and local tax burden per capita. In 2008, Illinois had the 14th highest tax burden. All our neighboring states ranked better. Missouri was 33rd, Indiana 34th, Michigan 26th and Wisconsin 17th.

Business taxpayers are troubled by the lack of stability and certainty each time the General Assembly convenes. Will there be an income tax increase; a new service tax or perhaps gross receipts tax? Will we see existing tax incentives repealed? Will we change how we tax computer software, or attempt to repeal single sales factor apportionment?

Will we adopt the Streamlined Sales Tax Act? The implementation of any or all of these issues will have a significant impact on Illinois business taxpayers.

A tax policy that favors job creation would support the continuation and improvement of existing tax credits and exemptions designed to encourage economic development and job creation. It would also recognize the need to maintain a tax structure that is not significantly out of line with neighboring states or that would distort economic choices in a competitive market.

Recommendations

Absent a bold approach, such as eliminating or reducing many employer taxes, the state should pursue the following:

- Illinois' new corporate income tax rate should never exceed that levied by our neighboring states. Consequently, the new rate is at least 1 percent too high and should be rolled back to no more than 8.5 percent, comparable to that levied by Indiana.

- The research and development income tax credit should be permanently extended and improved to encourage the creation and maintenance of high paying research and technology jobs in our state.

- The franchise tax is cumbersome, obsolete, and falls disproportionately on Illinois businesses. It has been replaced in many states and we should begin the work of repealing it in Illinois.

- The very successful Illinois Enterprise Zone program should also be extended. Many of the 30 Zones created when the program began are reaching their sunset date and without further legislative action a key economic development tool will be lost.

- Similarly, the temporary storage sales tax exemption is due to sunset this year and should be permanently extended to ensure that Illinois businesses continue to purchase business equipment in-state and use Illinois distribution and warehousing facilities with predictable tax consequences.

- All companies investing in property and jobs and receiving economic development assistance in the form of an EDGE income tax credit should be allowed to elect to apply that credit amount to other outstanding tax liabilities such as withholding tax when they have insufficient income tax liability.

- The state should follow the federal government's lead in providing manufacturers with enhanced tax incentives. A credit comparable to the federal section 199 qualified production activity deductions should be implemented in Illinois to encourage Illinois manufacturers to maintain and grow existing Illinois manufacturing facilities.

- The existing enterprise zone building materials exemption should be expanded to exempt building materials used to expand wireless communications and broadband networks throughout the rural areas of the state.

- The repealed sales tax exemption for pollution control equipment should be reinstated to assist companies faced with new government-imposed environmental mandates.

- Taxpayers should be allowed to transfer outstanding tax refunds or overpayments to other tax liabilities on request.

- Several states, including Wisconsin, consider expansions as a new hire for tax benefit purposes. Kansas includes jobs that may be lost to relocation as “new jobs” for tax purposes. Illinois should consider a more flexible definition of new employees in order to encourage job creation.

TRANSPORTATION INFRASTRUCTURE

Transportation is a cornerstone of Illinois' economy. Airports, railways, roadways and waterways are fundamental components of the state's prosperity. Indeed, while much of the nation's economy moves through Illinois the state is increasingly dependent upon transportation and telecommunications networks that allow Illinois businesses access to global markets and foreign investors' access to the heartland of America.

Chicago has emerged as a world class city with an international airport that introduces Illinois as the gateway to mid-America's agricultural, industrial products and business services. Nearly 20 percent of Illinois' gross state product is attributed to international trade. Eighty percent of the gross state product is generated in the six county region where 65 percent of the state population resides and the Regional Transportation Authority's transit services move more than 2 million people every day.

Commerce is inextricably tied to publicly funded networks and government decision making. Private enterprise and job growth are dependent upon reliable, consistent and sustained public investment in the state's infrastructure. The state's capital program provides funds for road and bridge construction, public transportation, passenger rail, freight rail and airport improvements, these investments are necessary to provide assurance of routine maintenance, timely repair, and greater efficiency, deploying advanced technology, modernization, safety and expansion. Constant attention to these networks is fundamental to the movement of goods, services and people.

Yet, Illinois recent history causes concern about the conscientious stewardship of taxpayers' prior investments and the necessary dedication to the long term planning and perseverance that is required to deliver on multi-year, multi-billion dollar projects.

- Capital programs require adequate and dedicated funding sources. The current mish-mash of co-mingled user fees, excise taxes and gambling sources should be realigned to bring clarity to the programs, restore integrity to the road fund, and assure adequate funds are secured for the neglected programs.

- The revenue derived from all highway user fees should be dedicated to transportation. The lack of on-going, predictable revenues to IDOT exacerbates the subject of diversions, creates uncertainty for multi-year programming and undermines stability in the construction, employment and business cycle.

- There are inadequate funds dedicated to local roads because the distribution formula has been set as a percentage of the motor fuel tax that has not been increased since 1990. Local roads should be provided a dedicated revenue stream that assures increased funding.

- There is inadequate funding for the RTA. The RTA needs a dedicated revenue stream for capital projects and if given a new dedicated revenue stream, the bond cap should be raised to reflect the new revenue. A high priority must be reconstruction of the CTA's aged and deteriorating infrastructure.

- The state needs to budget for capital spending more frequently than once every ten years. It is time to develop an annual or bi-annual capital plan that is clearly distinct from the state's operations budget. An option to consider implementing would be a revolving capital program that would establish a four or five year cycle so that in any given year the General Assembly would fund a discrete component of the public works agenda. For example, transportation could be year one, state facilities year two, local government water, sewer and buildings year three, economic development initiatives year four and so forth.

There are four years to correct this situation as the current capital program, dubbed "Jobs Now," expires in 2015.

The jewel in the state's capital program is the Road Fund. Yet, the future of the Road Fund is in jeopardy because it is heavily dependent upon a flat rate motor fuel tax that has not been increased in 21 years. The Road Fund purchasing power has substantially diminished during those years.

There are other factors adversely affecting long term viability of the Road Fund:

- a suppressed economy,
- public sentiment against increasing the motor fuel tax,
- trends towards higher mileage vehicles,
- greater emphasis on public transportation alternatives and the introduction of alternative fuels such as propane and electricity.

The public policy objective should be a stable and reliable construction fund that guarantees sufficient growth from time to time to satisfy highway construction needs. A solution must be found.

Historically, Illinois has relied upon state levied user fees for road and bridge construction and looked upon federal dollars as bonus funds that merely enhanced the state's largely self-reliant road programs.

That philosophy was turned upside down during the last decade as Illinois' highway programs have been substantially financed by federal dollars while the state commitment shrunk. In the new decade it is presumed federal highway funds will decline, so the state is going to have to do more for itself or suffer another era of construction drought. Boom and bust construction cycles are not in the state's best interest.

In the next decade user fees and private investment consortiums are presumed to be central to financing major new highway projects, especially in congested urban areas. The Illinois Toll Highway Authority should move expeditiously to undertake construction of the O'Hare western by-pass, complete the extension of Thorndale Avenue and open western access into O'Hare International Airport. The Illinois Department of Transportation should pursue a private partner or engage the Tollway Authority and move with haste to complete the Illiana Expressway before the end of the decade.

Other major road construction projects that should be launched or have been included in IDOT's transportation plan and should be completed this decade include: Construction of the Mississippi River Bridge at St. Louis, a new span across the Mississippi River in Rock Island County, extensions of Route 53, Route 34, US 67, US 51, I-255, the Peoria by-pass and a new interchange at I-294 & I-57. The interstate highway system is so old it is time to accept responsibility to rebuild significant portions of the Illinois system every year.

Where rails are concerned the highest priorities include: completion of the CREATE projects agenda, satisfy the higher speed rail demonstration project from Chicago to St. Louis, build the west loop transportation center in Chicago, provide high speed blue line transit service from the loop to O'Hare, completing CN and IDOT grade crossing program on the former EJ&E line, and extend Amtrak service to Moline and Rockford.

As important as these projects are for improving the state's transportation networks they cannot be accomplished without champions who possess the long-term vision necessary to maintain the very foundation of Illinois' economy. There must be a will to increase public funding and dedicate the necessary resources to capital improvements. Investing in infrastructure is like planting trees. We do not do it for immediate gratification, but rather we bear the costs to provide for a rich and prosperous future to sustain the next generation who will live and work in Illinois.

CALL TO ACTION

Illinois' status as a leading industrial state has slipped in many categories during the past decade, but Illinois is capable of reversing these trends given its assets. Illinois is the fifth largest state and boasts the leading economy in the nation's heartland. The state remains a leader in agricultural commodities, manufacturing, transportation and logistics, energy, chemicals, food production, medical supplies, health care delivery, business and financial services, hospitality, electronics, technology, research and higher education institutions.

The dismal truth of the state's decline in status follows below. The challenge to the citizens, business, civic, community and political leadership is to acknowledge the benchmarks while giving our pledge and full devotion to effectively move these measures in the opposite direction.

The Dismal Truth

- Moody's' Investors Service ranked Illinois fifth highest in the nation in per capita debt at $6,692. It was ranked eighth highest among the states in debt as a percent of state GDP. Illinois'' combined pension and long-term debt liability is 13.6 percent of state GDP.

- Illinois is ranked 48th among the states in job growth from 1999 to 2009. Only Ohio and Michigan ranked beneath Illinois. The unemployment rate in Illinois in December 2010 was 9.3 percent with 620,600 unemployed. There were 9,400 fewer people employed in December 2010 than a month earlier.

- There are 463,000 fewer jobs in Illinois than a decade ago. Unemployment has hovered around 10 percent for 18 months.

- Illinois was ranked 47th in economic outlook by the American Legislative Exchange Council. Chief Executive Magazine rated Illinois' environment for business near the bottom, 46th among the states.

- Population growth from 2008 to 2009 was .5 percent. Illinois was ranked 34th in the nation. Growth from 2000-2009 was 4 percent. Growth from 1990 to 2000 was 8.6 percent.

- Between 1992 and 2007, the Illinois economy grew at a 2 percent rate annually, while U.S. growth was 3.1 percent. Over those same years, Illinois' ranking among the states in terms of per capita income, dropped from 4th to 15th. Growth in personal income from 1998 to 2008 was 56.5 percent. Only Pennsylvania, Ohio, Indiana, and Michigan had slower growth.

- A February 2010 report from the Pew Center on the States ranked Illinois last in the funding of its public pension system. At 341 percent, we have the second highest ratio of unfunded liability as percentage of covered payroll.

These unacceptable facts must be reversed.

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