

# **Hope for the Heartland**

Report of the House Republican Task Force  
on Rural Economic Development

*Bill Mitchell, Chairman*  
*Tom Cross, House Republican Leader*

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## INTRODUCTION

On April 3, 2003, House Republican Leader Tom Cross announced the formation of the House Republican Task Force on Rural Economic Development. Concern over growing unemployment due to plant and business closures, particularly Downstate, prompted the House Republicans to create the Task Force. Downstate communities are struggling with population loss, declining state support for schools, and a lack of jobs and business opportunities.

During the summer and fall of 2003, the House Republican Task Force on Rural Economic Development held 16 hearings throughout Downstate Illinois, under the chairmanship of State Representative Bill Mitchell. The Task Force heard testimony from local business and community leaders, economic developers and elected officials. The focus of the hearings was on what the State could do to assist businesses create new jobs and economic opportunity in Downstate Illinois.

Members of the House Republican Task Force on Rural Economic Development include: Bill Mitchell - Chairman (R-Forsyth), Mike Bost (R-Murphysboro), Dan Brady (R-Bloomington), Rich Brauer (R-Petersburg), Shane Cultra (R-Onarga), Roger Eddy (R-Hutsonville), Jerry Mitchell (R-Sterling), Don Moffitt (R-Galesburg), Rich Myers (R-Colchester), Chapin Rose (R-Mahomet), Jim Sacia (R-Pecatonica), Ron Stephens (R-Mulberry Grove), Ron Wait (R-Belvidere), Jim Watson (R-Jacksonville) and Dave Winters (R-Shirland).

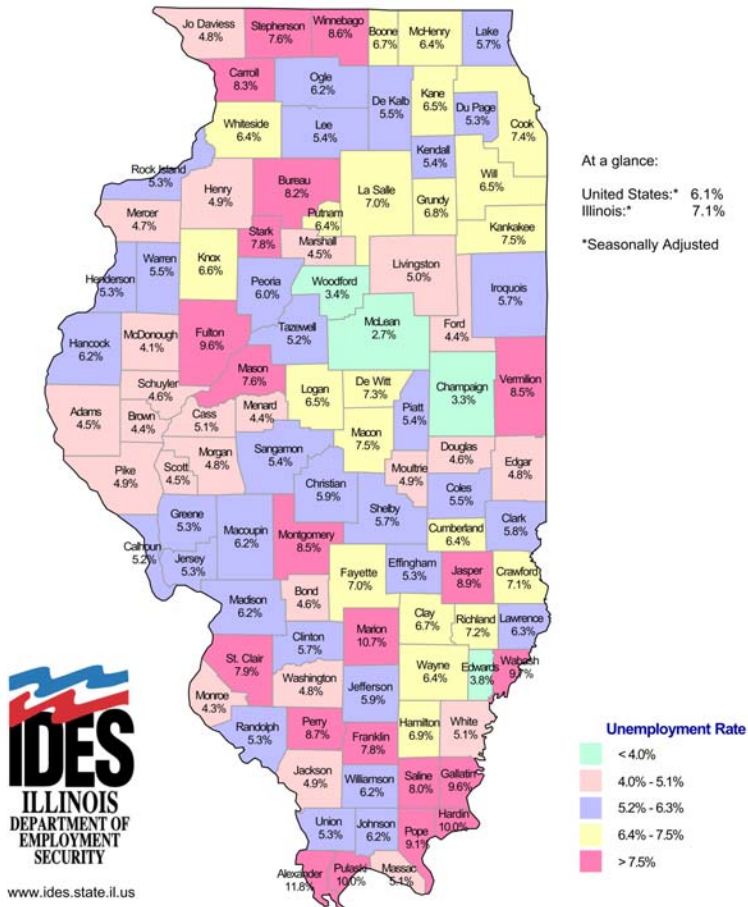
## House Republican Task Force On Rural Economic Development

<b>Date</b>	<b>Time</b>	<b>Area</b>	<b>Location</b>	<b>Representative (host in bold)</b>
6/17	11 am	Macon	Warner Public Library 310 N. Quincy Clinton, IL	<b>Bill Mitchell</b>
6/19	9 am	Coles	Worthington Inn 920 W. Lincoln Ave Charleston, IL 61920	<b>Chapin Rose</b>
7/2	11 am	Vandalia	Days Inn 1921 N. Kennedy Blvd. Vandalia, IL	<b>Ron Stephens</b>
7/8	11 am	Pittsfield	Pike County Farm Bureau 1301 E Washington Pittsfield, IL 62363	<b>Jim Watson</b>
7/9	11 am	Carbondale	John A. Logan College 700 Logan College Road Carterville, IL 62918	<b>Mike Bost</b>
7/10	11 am	Macomb	WIU Radio Station 500 University Services Building Macomb, IL 61455	<b>Rich Myers</b>
7/15	11 am	Effingham	City Hall Council Room 201 East Jefferson Effingham, IL	<b>Roger Eddy</b>
7/18	11 am	Galesburg	City Hall Council Room 55 W. Tomkins St. Galesburg, IL	<b>Donald Moffitt</b>
7/22	11 am	Dwight	Public Service Complex 209 South Prairie Dwight, IL	<b>Shane Cultra</b>
7/25	11 am	Rockford	Giorgi State Bldg. Auditorium 2005 Wyman St. Rockford, IL 61101	<b>Jim Sacia</b> Ron Wait Dave Winters
8/26	11 am	Lincoln	City Hall Council Chambers 700 Broadway Lincoln, IL	<b>Rich Brauer</b> <b>Bill Mitchell</b>
9/10	10 am	Decatur	City Council Chambers 1 Gary K. Anderson Plaza Decatur, IL	<b>Bill Mitchell</b>
10/8	11 am	DeKalb	DeKalb County Farm Bureau 1350 W. Prairie Drive Sycamore, IL	<b>David Wirsing</b>
10/15	11 am	Rock Falls	Rock Falls Community Center 601 W. 10 <sup>th</sup> Street Rock Falls, IL	<b>Jerry Mitchell</b>
10/29	11 am	Morris	City Council Chambers 320 Wauponsee Street Morris, IL	<b>Task Force</b>
11/17	1 pm	Springfield	Room 118, Capitol Building	<b>Task Force</b>



## Illinois Unemployment Rate by County September, 2003 - Not Seasonally Adjusted

IL Dept. of Employment Security, Economic Information & Analysis Division



### Loss of Good-Paying Jobs

Good-paying jobs, primarily manufacturing jobs, have long been the backbone of Illinois' economy. Factory jobs were the cornerstone of many downstate communities for much of the last century. Unfortunately, these good-paying manufacturing jobs have been disappearing at an alarming rate.

More than 150,000 Illinois manufacturing jobs have been lost since June 2000. Illinois, the number four manufacturing state, has suffered the steepest decline in manufacturing jobs of any Midwestern state.

#### **Percentage Decline in Manufacturing Jobs 1998-2003**

Illinois	18.8%
United States	17.6%
Michigan	16.5%

Ohio	16.1%
Minnesota	12.6%
Wisconsin	12.4%
Indiana	11.7%
Iowa	10.5%

(Source: The State-Journal Register. "Morphing out of manufacturing."  
November 30, 2003)

Downstate Illinois has been hit particularly hard by the loss of good-paying manufacturing jobs. The regions of Decatur, Peoria and the Quad Cities have lost a combined 14,300 blue-collar jobs since 2000. Factories once provided nearly 30% of Decatur's jobs, but now account for just 11%. The closure of the Bridgestone/Firestone plant two years ago resulted in a loss of 1,500 jobs in the Decatur area. Peoria has lost 5,900 factory jobs over the last three years, many coming from downsizing at Caterpillar Inc.

On October 11, 2002, Galesburg's largest employer, Maytag, announced it would cease all Galesburg operations by the fourth quarter of 2004. More than 1,600 blue-collar jobs will be lost when Maytag closes its Galesburg refrigerator factory. The economic impact on the Galesburg area will be immense. Western Illinois University has projected that if no new jobs are created, the unemployment rate may rise to 25% in the Galesburg area.

The economic decline in Northwest Illinois is equally as grim. The State Journal-Register reported that "idled factory workers crowd the unemployment office in Rockford, where the machine tool industry is in shambles. More than 3 million square feet of industrial space in the surrounding area sit vacant and the city's jobless rate exceeds 11 percent" (The State Journal-Register. "Morphing out of manufacturing." November 30, 2003). In Rockford, the closure of Textron Fastening Systems has resulted in the loss of 700 jobs. This followed the closure earlier last year of Ingersoll International Inc., where 370 blue-collar jobs were lost.

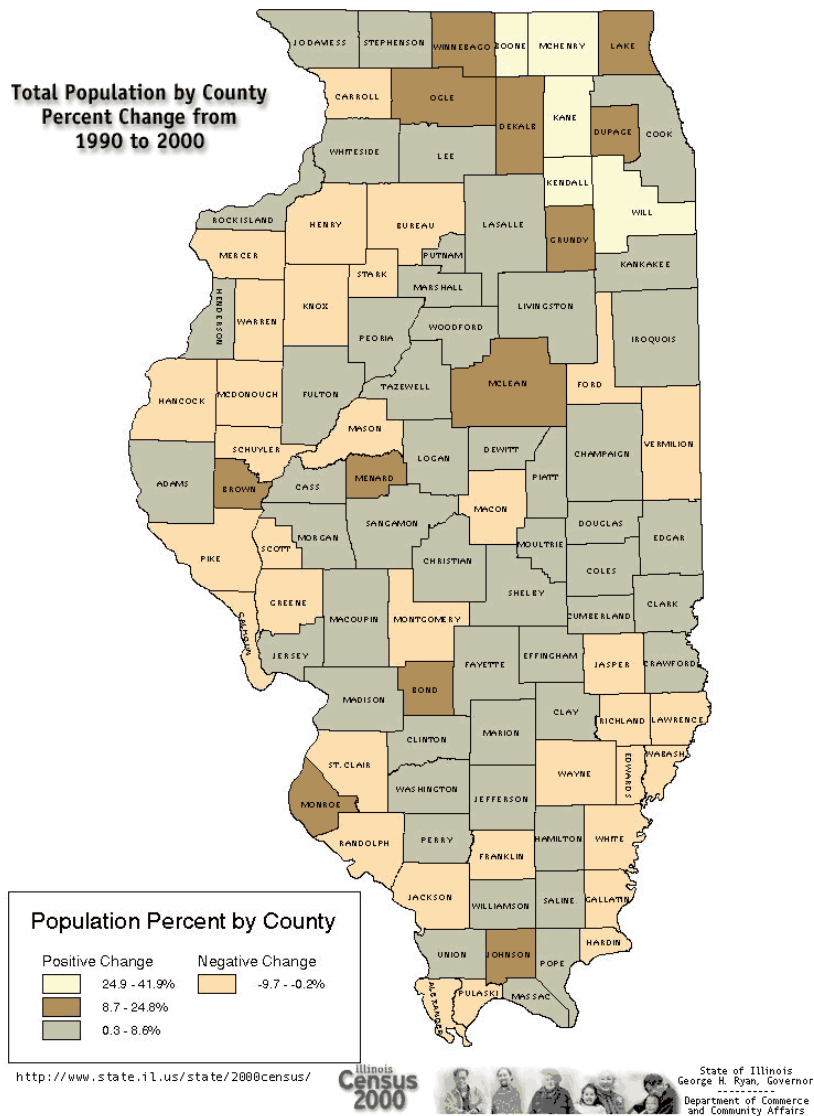
Sterling and the surrounding Whiteside County area have also been hit hard by the loss of good-paying factory jobs. The closure of Northwestern Steel and Wire several years ago cost the jobs of 1,700 blue-collar workers. The steel mill had provided thousands of jobs to several generations of families in the Sterling-Rock Falls area. Downsizing at National Manufacturing Company will result in the loss of more than 100 jobs. Many more manufacturing jobs have been lost in the area with the closures of Reliant Fastening, Lawrence Brothers Hardware and Illinois Forge.

Throughout Downstate Illinois, displaced blue-collar workers have been forced to take much lower-paying jobs. Large-scale warehousing and distribution centers located along interstate highways are taking the place of factories, providing some economic stability to hard-hit communities. Just outside Sterling, a new Wal-Mart Distribution Center will provide 750 new jobs. And the City of Galesburg has spent \$4 million for 350 acres along I-74 that will be marketed to companies for warehousing and distribution centers. However, the net effect is that workers who once made \$20 an hour are taking jobs that often pay only \$8 to \$10 an hour.

## Population Loss

The 2000 Census showed an overall state population growth of 8.6%. Illinois' total population in 2000 was 12.4 million people, an increase of just under one million people. The top six counties for population growth were all located in Northeastern Illinois. They included McHenry County (41.9%), Will County (40.6%), Kendall County (38.4%), Boone County (35.6%), Kane County (27.3%) and Lake County (24.8%).

However, many downstate counties saw little growth or declines in population. For example, Whiteside County had a population growth of only 0.8%, and Peoria County's population growth was only 0.3%. Knox County, covering Galesburg and surrounding areas, had a population loss of 1.0%. Macon County, covering Decatur and surrounding areas, had a population loss of 2.1%. The top six counties for population loss were all located in West-Central or Southern Illinois. They included Alexander County (-9.7%), Hardin County (-7.5%), White County (-7.0%), Gallatin County (-6.7%), McDonough County (-6.6%) and Edwards County (-6.3%).



## **The Effect of Population and Job Losses on Downstate Schools**

The lack of good-paying jobs and population loss has a detrimental effect on downstate schools. Over the past six school years, Downstate Illinois had a reduction in student enrollment of 2.8%. Meanwhile, Chicago had a student enrollment increase of 7.2% and the suburban collar counties had an enrollment increase of 16.6%.

Since General State Aid is tied to student enrollment, declining enrollment leads to declining state aid for downstate schools. Modest increases in the Foundation Formula and Hold Harmless funding are only partially able to offset the losses. Many downstate communities have seen little growth in their already-small tax bases. This in turn causes downstate communities to have higher property tax rates.

## **Poverty in Rural Illinois**

On June 13, 2003, the Illinois Poverty Summit and the Heartland Alliance released a report demonstrating the prevalence of poverty in rural Illinois. The *2003 Report on Illinois Poverty* stated that “rural poverty remains a significant problem in Illinois. Limited job opportunities, inadequate housing options, population decline, and insufficient health care and education exacerbate poverty in rural communities.”

Looking at data from the 2000 Census, the report indicated that all 74 rural counties in Illinois have median family incomes below the state median of \$55,545. Almost one-half of Illinois’ rural counties have higher poverty rates than the state average of 10.7%. Every county in Illinois with more than 1 in 4 adults lacking a high school diploma is a rural county.

## **Lack of Health Care/ Medical Malpractice Crisis**

Given the fact that unemployment in rural Illinois counties is consistently higher than the statewide average, it is understandable that the lack of health care coverage is also higher in rural Illinois. Most Illinoisans receive health care coverage through their employers. If a person does not have a job, he or she is likely to not have basic health care coverage.

In 2001, approximately 1.6 million Illinois adults had no health insurance. The statewide average of the uninsured adult population was 10.3%. Not surprisingly, the uninsured adult population in many rural counties was much higher – Pulaski County 21.8%, Gallatin County 20.4% and McDonough County 17.5%.

An alarming trend in many downstate communities is the exodus of doctors leaving for other communities and states. These physicians are leaving primarily because of rising medical malpractice insurance rates. At several hearings of the House Republican Task Force on Rural Economic Development, testimony was given that indicated malpractice insurance rates were rising more than 30% annually. James Hayes, C.E.O. of Utlaut Hospital in Greenville, cited the example of one physician who practices four days a week in Missouri and pays less in malpractice insurance than he pays to practice one day a week in Illinois. The Task Force heard testimony in Charleston that the Wabash County Hospital no longer delivers babies, because all of their OB-GYNs left for Indiana, where malpractice awards are capped.

The exodus of doctors has reached crisis proportions in the Metro-East. The Belleville News-Democrat recently reported that at least 42 identified doctors in the past two years have fled – or have plans to flee – offices in St. Clair and Madison counties. The actual number of doctors leaving the Metro-East is much higher, as some hospitals will discuss losses but not disclose names. For example, a spokesman for Memorial Hospital in Belleville stated the hospital has lost 59 doctors since the beginning of 2003 (Source: The Belleville News-Democrat. “Doctor exodus continues.” November 9, 2003).

Doctors in the Metro-East are quick to blame rising malpractice insurance costs resulting from a judicial system that is out of control. The American Tort Reform Association recently declared Madison County the number one “judicial hellhole” in the country. This distinction was given because 75% of judges’ campaign contributions come from plaintiff’s attorneys and verdicts awarded in Madison County are much higher than average (ibid.).

The House Republican Task Force on Rural Economic Development supports several initiatives designed to relieve the medical malpractice crisis in Downstate Illinois. These initiatives include caps on non-economic damages, as well as the creation of a Patient Compensation Fund and a Physicians Stabilization Fund.

Several of Illinois’ surrounding states have capped medical malpractice awards for non-economic damages. Missouri has a base cap on non-economic damages at \$465,000 and Wisconsin has a base cap at \$350,000 (Source: American Medical Association Advocacy Resource Center. March 2003). And Indiana has a cap on total damages awarded in medical malpractice cases. The Task Force supports legislation limiting the recovery of non-economic damages on account of death or bodily injury based on medical malpractice against a physician. A cap on non-economic damages is essential to rein in outrageous awards that are causing the massive increases in medical malpractice insurance premiums in this state.

A Patient Compensation Fund would pay medical malpractice judgments or settlements that exceed a statutorily established amount. Wisconsin currently has a similar program in place. Healthcare providers would purchase malpractice insurance from private insurance companies or associations in a minimum amount established by law. The insurers would pay malpractice claims for amounts up to the coverage. Malpractice awards that exceed the minimum coverage amounts would be paid from the Patient Compensation Fund. Providers would pay an annual assessment to the Fund to help cover the cost of the program.

A Physicians Stabilization Fund would offset a portion of medical malpractice premiums for some of the highest risk medical specialties, including obstetrics, neurology and oncology. Similar to a Patient Compensation Fund, the Physicians Stabilization Fund would allow patients to recover damages from a statewide fund and physicians would be indemnified or held harmless in malpractice occurrences in the included practices. Funding for this program would come from a surcharge on each delivery of a child, on each neurological surgery, or each oncological examination or charges of the like.

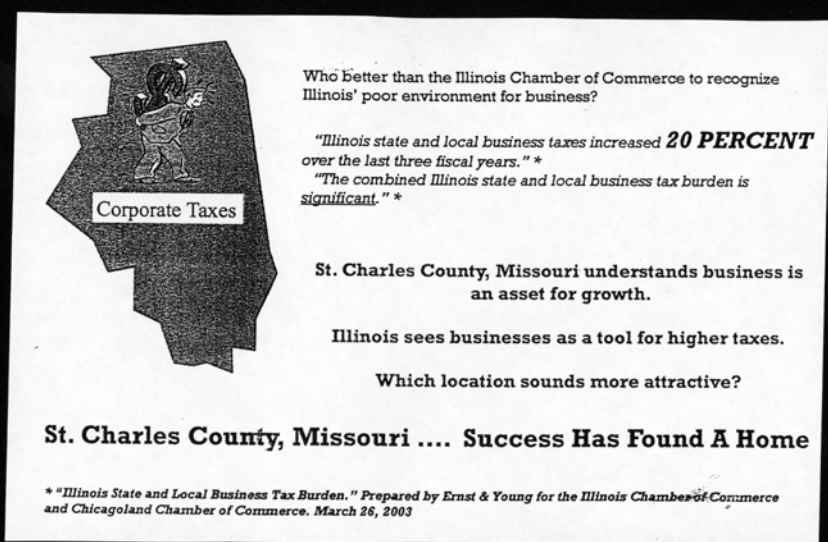
## THE ANTI-BUSINESS CLIMATE IN ILLINOIS

In 2003, the State of Illinois faced an unprecedented budget crisis. Governor Rod Blagojevich and the General Assembly had to tackle a \$5 billion deficit. While many legislators argued for a spending freeze and significant budget cuts, the Governor pushed through an FY04 Budget that actually increased state general revenue spending by approximately \$1 billion. Using the budget crisis as cover, Governor Blagojevich and the Democrat-controlled House and Senate passed a number of onerous proposals that have perpetuated an anti-business climate in Illinois.

It is the belief of the House Republican Task Force on Rural Economic Development that the anti-business, anti-jobs legislation passed by Governor Blagojevich and his Democrat colleagues has directly contributed to the economic problems faced by Downstate Illinois. When Governor Blagojevich took office in January 2003, Illinois' unemployment rate was 6.3%. By September, the state's unemployment rate had reached a 10-year high of 7.1%, a full point above the national average. Manufacturing jobs are being lost by the thousands and trucking companies that employ thousands more are moving out of the state.

In a report prepared for the Illinois and Chicagoland Chambers of Commerce, Ernst & Young reported that despite the economic slowdown and sharp drop in corporate profits (8% annually) since 1999, Illinois state and local business taxes increased 20% over the last three fiscal years. The report concluded that the combined Illinois state and local business tax burden is significant. This report was prepared before the Governor and Democrat-controlled legislature passed legislation repealing various tax credits and incentives for Illinois businesses (Source: Ernst & Young. "Illinois State and Local Business Tax Burden." March 26, 2003).

At several hearings of the House Republican Task Force on Rural Economic Development, evidence was presented that indicated surrounding states are capitalizing on the anti-business climate in Illinois. St. Charles County, Missouri, sent out a direct mail piece to Metro-East Illinois businesses marketing against "Illinois' poor environment for business." The direct mail piece stated the following:



Who Better than the Illinois Chamber of Commerce to recognize Illinois' poor environment for business?

"Illinois state and local business taxes increased **20 PERCENT** over the last three fiscal years." \*

"The combined Illinois state and local business tax burden is significant." \*

**St. Charles County, Missouri understands business is an asset for growth.**

Illinois sees businesses as a tool for higher taxes.

Which location sounds more attractive?

**St. Charles County, Missouri .... Success Has Found A Home**

\* "Illinois State and Local Business Tax Burden." Prepared by Ernst & Young for the Illinois Chamber of Commerce and Chicagoland Chamber of Commerce. March 26, 2003

## **Minimum Wage Increase**

A major hit on Illinois small businesses will be the increase in the minimum wage. Illinois' minimum wage had been tied to the federal minimum wage since 1990. After gaining control of the executive and legislative branches of government, Democrats in Springfield were able to push through a minimum wage increase. With the passage of P.A. 93-581, Illinois' minimum wage will increase to \$5.50 in 2004 and will increase again to \$6.50 in 2005. Meanwhile, the minimum wage in all surrounding states will remain at \$5.15, putting Illinois at a serious economic disadvantage when competing with surrounding states for new businesses.

The National Federation of Independent Business (NFIB) reports that an increase in the Illinois minimum wage to \$6.50 will cost affected Illinois businesses \$2,800 per year per employee. The Illinois AFL-CIO, which supported the increase in the minimum wage, reports that 450,000 workers will be immediately affected by an increase to \$6.50. This means that the minimum wage increase will cost Illinois small businesses as much as \$1.2 billion annually.

To put this cost into context, Illinois' approximate 9.2 million adults would have to pay an extra \$137 per year to cover the minimum wage increase. Using the U.S. Census Bureau's estimate of Illinois' per capita income of \$23,104, over 54,000 jobs could be lost if Illinois businesses are required to allocate more resources to higher wages.

Representative Roger Eddy, a member of the Task Force, has introduced legislation that would help save Illinois jobs by allowing manufacturers with international competition to exempt themselves from the minimum wage increases. HB 3861 would exempt manufacturers who have direct competition from goods produced outside of the United States or manufacturers who have a strategic sister corporate partner in a bordering state.

## **Illinois Truckers Hit with Massive Fee Increases**

As part of his plan to address the State's budget deficit, Governor Blagojevich chose to eliminate the Rolling Stock Sales Tax Exemption for many Illinois truckers and trucking companies and charge a new fee that is estimated to raise \$82 million in revenue for the State.

The new Commercial Distribution Fee (CDF) created by the Governor places a 36% increase on license fees for all Illinois-based trucks. The impact of this fee hike averages \$1004 per commercial truck licensed in Illinois, raising truck registration costs to \$3,794 per truck. The change made to the Rolling Stock Sales Tax Exemption only allows the exemption for a truck that has at least 51% of its total trips originating or terminating outside of Illinois. Therefore, very few Illinois truckers will be able to qualify for the rolling stock exemption.

The taxes and fees imposed on Illinois-based truckers and trucking companies earlier this year have had a devastating impact. The House Republican Task Force on Rural Economic Development heard from numerous Illinois-based truckers and trucking companies about the heavy burden they face due to these new taxes and fees. Many

Illinois trucking companies are moving or are considering a move to surrounding states, where truck registration and licensure fees are not as high.

John Kaburick, President of Henderson Trucking Company in Salem, testified before the Task Force about the impact the taxes and fees are having on his business. Henderson Trucking must pay \$100,000 in increased truck registration fees and other taxes. The company will be forced to monitor every part on their vehicles to see if it is sales tax exempt. Henderson Trucking is looking at eight sites along I-270 in north St. Louis County as it considers moving operations across state lines. Mr. Kaburick estimates he will save \$500,000 by moving to St. Louis County. A decision to move means the Salem area will lose more than 500 jobs with about \$15 million in payroll. Leonard Ferguson, Mayor of Salem, told the Task Force this move would devastate the city. Commenting on the possible move, Salem City Manager Roger Kinney said “it’s just dreadful. The state of Illinois is becoming very business unfriendly.” (Source: St. Louis Post-Dispatch. “Tax hikes have truck companies truckin’ out of Illinois.” October 2, 2003)

Steve Lach, President of Lach Trucking in Vandalia, told the Task Force he simply wants Illinois truckers to be on a level playing field with surrounding states. If Mr. Lach moves his company to Indiana, he will save \$300,000 per year and take \$3.6 million in business with him. He stated that the rolling stock and CDF issues are making it too expensive for him to do business in Illinois.

Other Illinois-based truckers and trucking companies have commented in the press about the plight facing their industry as a result of the new taxes and fees. Glenn Werry, owner of Star Transport in Morton, told the Peoria Journal Star “I’m not threatening anybody, but I can’t just sit here and not be competitive.” The tax and fee hikes will cost Star Transport as much as \$1 million. Mr. Werry made it clear that if the Legislature does not address this problem, he might have to relocate “a significant part” of his business. Star Transport employs 1,100 people and has a fleet of 985 trucks (Source: Peoria Journal Star. “Fee hikes may drive truckers out of state.” October 8, 2003).

### **Economic Development Incentives Eliminated**

Governor Blagojevich and the Democrat-controlled Legislature chose to eliminate numerous job creation and economic development incentives as part of their budget plan. All Illinois businesses were hit with five specific changes made to the Illinois Tax Code. These five anti-business, anti-jobs changes include the following:

1. the duration of the corporate net operating loss carryforward was shrunk from 20 years to 12 years;
2. the credit for the corporate personal property replacement tax was abolished;
3. the educational and vocational training expense credit was abolished;
4. the research and development credit was abolished; and
5. corporations lost the right to claim a standard exemption.

Prior to the actions taken by Governor Blagojevich, the Illinois Tax Code had provided sales tax exemptions for machinery used by five key Illinois industries. These were industries that, because of their “multiplier” status, were seen as key industries in which the creation of jobs was effective at creating “spin-off” jobs elsewhere in Illinois. Prior

law allowed all five of these industries to purchase production machinery without paying sales tax. These exemptions were viewed as key factors in encouraging firms participating in these industries to locate in Illinois. Unfortunately, the Governor and fellow Democrats abolished the sales tax exemptions enjoyed by aggregate mining machinery, coal mining machinery, distilling machinery, graphic arts machinery and oil drilling machinery. All five of these industries will now have to pay sales tax on machinery purchased for use in Illinois.

### **Workers' Compensation**

An issue that was brought up at many hearings of the House Republican Task Force on Rural Economic Development was workers' compensation. Many business leaders pointed out that Illinois has one of the highest workers' compensation rates of any Midwestern state. The criticism was particularly strong at hearings held in Charleston and Effingham, areas that are close to the Indiana border. This would make sense, as Illinois' workers' compensation rate is twice that of Indiana's rate.

<b>Workers Compensation Rate per \$100 Payroll</b>			
<b>STATE</b>	<b>RATE</b>	<b>STATE</b>	<b>RATE</b>
North Dakota	1.24	Idaho	2.37
Indiana	1.37	Missouri	2.39
Virginia	1.50	Vermont	2.45
South Dakota	1.61	West Virginia	2.53
Arkansas	1.62	Pennsylvania	2.57
Arizona	1.63	Minnesota	2.60
Washington	1.65	Colorado	2.73
Utah	1.67	<b>Illinois</b>	<b>2.73</b>
Iowa	1.74	Oklahoma	2.82
South Carolina	1.82	New Hampshire	2.85
Kansas	1.84	Kentucky	2.87
Maryland	1.84	Alaska	2.87
Nebraska	1.93	Ohio	2.89
Wyoming	1.97	Connecticut	2.90
Massachusetts	1.98	Alabama	2.96
New Mexico	2.01	Nevada	3.02
Oregon	2.06	Montana	3.04
North Carolina	2.17	New York	3.13
Mississippi	2.21	Louisiana	3.19
Wisconsin	2.22	Texas	3.29
New Jersey	2.25	Rhode Island	3.29
Michigan	2.25	Delaware	3.38
Tennessee	2.30	Hawaii	3.48
Maine	2.30	Florida	4.50
Georgia	2.32	California	5.23

Source: Pollina, Ronald R. *Pollina Corporate Top 10 Pro-Business States for 2004 - Keeping Jobs in America*. November 17, 2003

Adding insult to injury, Governor Blagojevich and his fellow Democrats created a new workers' compensation tax in the spring of 2003. As part of his \$1 billion budget increase, the Governor proposed legislation to make the Illinois Industrial Commission (IIC) a self-funded agency. In FY04, the IIC will be funded through a combination of \$4 million in general revenue funds and \$9.7 million in operations funds generated through a workers' compensation assessment.

According to the Democrats' budget plan, the new assessment will tax workers' compensation insurance premiums, paid by employers, at a rate of 1.5%. In addition, self-insured employers, who do not carry workers' compensation insurance, will be taxed 0.045% of their total payroll. This is expected to generate \$27 to \$30 million annually, according to the Governor's Office of Management and Budget. However, business groups have estimated that this new tax will generate close to \$45 million annually. Regardless, in FY05, this tax is expected to generate at least twice the revenue that the IIC FY04 operations required.

House Republicans were staunchly opposed to the new tax on workers' compensation insurance. Nonetheless, House and Senate Democrats were able to narrowly pass the legislation and get it to the Governor for his signature. The House Republican Task Force on Rural Economic Development remains opposed to this tax and supports legislation to repeal the tax on workers' compensation insurance.

### **LEGISLATIVE PROPOSALS OF THE HOUSE REPUBLICAN TASK FORCE ON RURAL ECONOMIC DEVELOPMENT**

The House Republican Task Force on Rural Economic Development has developed a package of legislative proposals to spur job growth and economic development in Downstate Illinois. The Task Force believes this legislative package will reduce the burden placed on Illinois businesses and municipalities and help change the anti-business climate in Illinois. Seventeen areas of concern are addressed in the legislative package:

1. Employ Illinois Job Renewal Program
2. Enhancement of the EDGE Program
3. Creation of the Illinois Opportunity Fund, a venture capital fund
4. Funding for local and regional economic development organizations
5. End Road Fund diversions
6. Infrastructure improvements for Downstate airports and Amtrak
7. Reinstate coal mining machinery sales tax exemption
8. Repeal National Pollutant Discharge Elimination System (NPDES) fees
9. Repeal the Commercial Distribution Fee (CDF) placed on Illinois trucks
10. Increase funding for the AgriFIRST program
11. Provide funding for the Illinois Grape and Wine Resources Council
12. Creation of an Illinois "Certified Business Park Program"
13. Creation of an Illinois "Source Net"
14. Creation of an Illinois "Business Calling Program"
15. Improve the effectiveness of the Department of Commerce and Economic Opportunity (DCEO)
16. Completion of a "management audit" of DCEO

## 17. Creation of an Economic Development Advisory Board within DCEO

### **Employ Illinois Job Renewal Program**

Illinois has several economic development programs in place to promote job growth and business expansion, such as the EDGE Tax Credit Act, Enterprise Zones, and Tax Increment Financing Districts. However, there are communities in Downstate Illinois suffering from very high unemployment, population loss, and high poverty where a new approach to job creation is needed. With that in mind, the House Republican Task Force on Rural Economic Development has introduced legislation creating the Employ Illinois Job Renewal Program.

HB 6679 creates the Employ Illinois Job Renewal Act. This legislation allows for the creation of 10 Job Renewal Zones and 10 Agricultural Renewal Zones in Downstate Illinois. Businesses located in these zones would, in addition to any other benefits and incentives which may be offered by DCEO or under the Enterprise Zone Act, qualify for exemptions from the following state taxes: (1) corporate income tax; (2) personal property tax replacement income tax; and (3) the State's portion of the sales tax.

In order to qualify for the Employ Illinois Job Renewal Program, a downstate county or municipality must have experienced unemployment rates over the last 5 years that are higher than at least 75% of all Illinois counties or municipalities. This ensures that the 10 Job Renewal Zones will be located in areas that are in desperate need of job opportunities. Further considerations for designation include factors such as population decline, a decline or stagnant growth in local property values, a high poverty level, declining school enrollment and state aid, and the development of a strategic economic redevelopment plan.

### **Enhancement of the EDGE Program**

The Illinois Economic Development for a Growing Economy Tax Credit Act (EDGE) has had great success in encouraging the creation of jobs by offering corporate income tax credits to businesses in amounts equal to the "incremental income tax" (income taxes of new employees to be withheld by the employer) associated with the project. The House Republican Task Force on Rural Economic Development believes much could be done to make EDGE incentives more attractive to potential entrepreneurs, especially small businesses.

The Task Force has introduced legislation amending the EDGE Tax Credit Act to offer, above and beyond tax credits, cash incentives to businesses that create quality jobs and which would rather receive cash subsidies than income tax credits. HB 4991 further allows new or expanding employers to receive higher tax credits or cash subsidies if they offer health benefits to their employees. Cash incentives paid out incrementally over a ten-year period for maintaining employment after the jobs are created may be more popular than the current EDGE tax credits. Businesses will still have the option of receiving the tax credits if they so desire.

The State makes no appropriations for EDGE incentives; rather, the current tax credits offered to employers simply reduces GRF funds available to the State. Cash incentives would be no different. EDGE incentives are designed to be revenue neutral in the short-term but beneficial in the long-term as it postpones the collection of corporate income taxes in exchange for job creation.

Identical to current law, a business seeking EDGE incentives would still have to create jobs in Illinois prior to becoming eligible for the tax credit or cash incentives. The enhanced EDGE cash incentives would be offered to both established and newly created businesses that seek financial assistance when creating jobs.

A \$5 million investment in property or equipment and the creation of at least 25 jobs currently in the EDGE Act should no longer be prerequisites for EDGE eligibility. Given the current state of the “jobless recovery” of the economy, HB 4991 allows any employer who creates jobs to be eligible for the cash or tax credit incentives. Repeal of these investment and job requirements will make EDGE more attractive to smaller businesses and encourage the creation of additional jobs in Downstate Illinois.

### **Creation of the Illinois Opportunity Fund, a venture capital fund**

A practice in many states already, Governor Blagojevich proposed the creation of the Illinois Opportunity Fund program in 2003. The Fund would be the receptacle for private investments from investors eager to obtain returns on venture capital investments in Illinois business and job growth. \$200 million in Illinois income tax credits would be leveraged and offered to investors whose investments did not produce a return.

The governor’s version of the Illinois Opportunity Fund had several problems which will be corrected under Opportunity Fund legislation supported by the House Republican Task Force on Rural Economic Development. First, the Opportunity Fund should be administered by a board which is not under the complete control of the Governor. HB 6680 creates the Illinois Capital Investment Corporation whose board of directors shall be appointed by the Governor, with the advice and consent of a three-fifths majority of the Illinois Senate. Members of the board shall have venture capital investment experience and a majority of the board shall be from Downstate Illinois.

Second, the Task Force-supported Opportunity Fund should have earmarked investments for downstate business development projects. Governor Blagojevich campaigned on the creation of the Opportunity Fund which would be focused on downstate economic development. However, language offered by the governor to create the Fund did not include a provision focusing Opportunity Fund investments on downstate projects.

Venture capital funds, such as the Illinois Opportunity Fund, are created to serve the equity capital and loan needs of smaller businesses who may not be attractive candidates for loans from banks. Thus, the Opportunity Fund would be attractive to entrepreneurs who may not be stellar candidates for traditional bank loans but still offer great potential for quality business and job growth.

## **Funding for local and regional economic development organizations**

The House Republican Task Force on Rural Economic Development heard testimony from numerous local and regional economic development organizations about the important work they do in their communities. The Task Force believes that all Illinois communities and regions should be organized and actively planning their economic development futures. Based on such economic development planning, the communities and regions would work together to set and met development goals.

The State, through the Department of Commerce and Economic Opportunity (DCEO), must be available to support local and regional economic developers both substantively and financially. Economic development planning is best done locally where government, business and labor leaders understand first hand the needs of their local economies. The State should make funding available for both established and developing local/regional economic development organizations seeking financial assistance for their development or expansion.

The Task Force has introduced legislation authorizing DCEO to develop a program to make grants available to local and regional economic development organizations. HB 6681 would make grants available to these economic development organizations for expenses related to the start-up or expansion of an organization; local or regional economic development planning and related studies; and any other specific use authorized by DCEO rule relating to the start-up or expansion of and economic planning by a local economic development organization.

## **End Road Fund Diversions**

There is perhaps no issue of more importance to downstate economic development than a strong transportation and infrastructure system. Access to good roads is a key to job growth in Downstate Illinois. Illinois' road program not only provides quality construction jobs, but businesses often look at highway access when making decisions to relocate or expand operations.

Funding for road building and maintenance comes from the Road Fund. Road Funds are generated through the state's gas tax and are earmarked for building and repairing roads throughout Illinois. As part of his budget plan, Governor Blagojevich chose to divert \$380 million from the Road Fund in FY04 and spend it on programs that have nothing to do with building and maintaining roads.

The practice of diverting Road Funds to cover state operations has been used for years and has only gotten worse with the weakened economy. Prior to the Governor's action, the statutorily-set diversion from the Road Fund for FY04 was approximately \$83 million (\$30.5 million to the Secretary of State and \$52.7 million to the State Police). As a result of the Governor's action, the total amount transferred from the Road Fund in FY04 was \$378.8 million, \$295.6 million above what is normally statutorily allowed.

The overall Illinois road program for FY04 was \$1.8 billion, a decrease of \$500 million from FY03. The massive cut in the road program is due in no small part to the unprecedented diversions from the Road Fund. Downstate Illinois has been hit

particularly hard by the cuts to the road program. The Illinois Department of Transportation (IDOT) divides the state into nine highway districts. The largest cuts made to the road program were in central Illinois IDOT Districts 5 and 6, which saw their budgets reduced by 35% and 31% respectively. By comparison, IDOT District 1, which covers the City of Chicago, saw a reduction of only 12%.

Road Fund diversions and subsequent cuts to the road program are hurting jobs and the economy, particularly Downstate. Much-needed highway expansion projects are not receiving the funding necessary to move forward. Examples of these project delays include the Route 51 expansion in central Illinois, the Corridor 67 project in western Illinois, and the Route 20 expansion in northwest Illinois.

The House Republican Task Force on Rural Economic Development has introduced legislation that will put an end to Road Fund diversions for purposes other than improving roads or highway safety. HB 3894 would prohibit the diversion of Road Funds to other state agencies with the exception of the Illinois State Police and the Secretary of State. Diversions to the Secretary of State would be gradually phased out through FY08. This legislation would also stop the 5% transfer of Road Funds to the General Revenue Fund.

### **Infrastructure Improvements for Downstate Airports and Amtrak**

Public Act 93-585 (SB 172) created the I-FLY Act and the I-FLY Fund as a special fund in the State treasury. This law provided that money in the I-FLY Fund may be used to make grants to airports located outside of Cook County for: (1) the recruitment and retention of air carriers at these airports; (2) feasibility studies or business plans to study the recruitment, retention, and expansion of commercial air carriers at these airports; and (3) capital improvements to attract or retain commercial air service. The I-FLY Act was designed to attract commercial air carriers to small airports in Downstate Illinois. However, no money has been appropriated to the I-FLY Fund.

The House Republican Task Force on Rural Economic Development believes that proper funding of I-FLY will ensure economic support for downstate airport use and job growth for communities like Rockford, Peoria, Bloomington/Normal, Springfield and Carbondale with secondary air service capabilities. The Task Force recommends the enactment of legislation to appropriate \$25 million to the I-FLY Fund, which would make approximately \$2 million available to each of the 12 airports in Illinois that qualify for funding.

Amtrak and the State of Illinois have a long-held partnership to provide passenger rail service through much of the state. Illinois' four state-supported corridors operated by Amtrak (Chicago-St. Louis, Chicago-Quincy, Chicago-Carbondale, and Chicago-Milwaukee) each experienced strong ridership gains in FY03, despite a weakened economy and travel market. Amtrak carries more than 2.6 million passengers a year to and from Illinois.

The House Republican Task Force on Rural Economic Development understands the economic impact that Amtrak provides for Illinois. Amtrak employs nearly 2,300 Illinois workers, who earned a combined total of more than \$70 million in calendar year 2002.

Amtrak expended more than \$38 million for goods and services in Illinois in FY02. Development of high speed rail service on the Chicago-St. Louis corridor will provide an even larger economic dividend for the State of Illinois. The State has already invested \$100 million in the Chicago-St. Louis High Speed Rail Program.

The Task Force has introduced a House Joint Resolution to support Amtrak's continued service in Illinois. HJR 46 endorses Amtrak's 2004 federal funding request for \$1.8 billion and 5-year capital plan, as well as federal legislation that provides states with a dedicated source of funding to develop rail corridors. The resolution urges Congress to pass and the President to sign such legislation.

### **Reinstate Coal Mining Machinery Sales Tax Exemption**

In June 2003, Governor Blagojevich mistakenly repealed the existing sales tax exemption for coal mining equipment and machinery, thereby endangering the jobs of Illinois' 3,400 remaining coal miners (less than 1/5 of the 18,000 miners working 25 years ago). While the Governor has stated that he would like to reinstate this exemption by executive order, he may not have the statutory power to accomplish this move.

The House Republican Task Force on Rural Economic Development has introduced legislation to reinstate the sales tax exemption on coal mining machinery. HB 3955 would reinstate this exemption, as well as the sales tax exemption for oil drilling equipment. This legislation would help one of Illinois' most hard-hit industries while reducing state sales tax revenue by less than \$1 million annually.

### **Repeal National Pollutant Discharge Elimination System (NPDES) Fees**

Another piece of Governor Blagojevich's budget plan was the creation of a new wastewater discharge fee for local governments and not-for-profit organizations. The new National Pollutant Discharge Elimination System (NPDES) fees are expected to increase costs for municipalities and not-for-profit organizations by over \$20 million. The Task Force believes these fees are excessive and uniquely harmful to local municipalities.

The new NPDES fees place a devastating financial burden on small communities already struggling to fund needed sewer improvements. The Task Force heard testimony from many local mayors and city managers on the impact these fees are having on their communities. While the effect of the fee on the City of Chicago is only 10 cents per person, in many small communities Downstate, the effect is more than \$5 per person. Municipalities and sanitary districts have been forced to pay tens of thousands of dollars in fees that were implemented after most of these local governments had already passed their budgets for the next fiscal year.

Because of the undue financial hardship the new NPDES fees have placed on small communities throughout Illinois, the House Republican Task Force on Rural Economic Development has introduced legislation to repeal these fees. HB 3827 would repeal the State's NPDES fees for local governments, private sector contractors with local governments and school districts, and not-for-profit organizations. This legislation also

requires the Illinois Environmental Protection Agency to refund any fees paid on or after July 1, 2003 by these local governments and not-for-profits.

### **Repeal the Commercial Distribution Fee (CDF) Placed on Illinois Trucks**

This report has detailed at length the problems facing Illinois trucking as a result of the Governor's actions to eliminate the Rolling Stock Sales Tax Exemption and create a new Commercial Distribution Fee on Illinois-based truckers. The new CDF has increased truckers' costs by more than \$1,000 per truck. For some of the larger trucking operations in Illinois, this fee will cost them more than \$500,000 per year. As a result, many Illinois-based trucking operations are looking to move across state lines.

The House Republican Task Force on Rural Economic Development heard from numerous Illinois-based truckers and trucking companies about the heavy burden they face due to these new taxes and fees. To help alleviate this burden, the Task Force supports legislation to repeal the Commercial Distribution Fee at the end of the current fiscal year. The CDF is an unfair fee that amounts to selective taxation of one particular industry – Illinois trucking. The Task Force is confident that HB 3851 will have the necessary support to pass overwhelmingly and keep our truckers here in Illinois.

### **Increase Funding for the AgriFIRST Program**

The Illinois AgriFIRST Program was established in 2001 as the Illinois Department of Agriculture's first economic development program for value-added agriculture. The AgriFIRST Program was created to: lend economic support to farmers to capture higher returns for investment in agricultural initiatives; provide economic support to those who work to expand the food and fiber industry in Illinois; provide grants and technical assistance for new and expanding agriculture-related businesses; and help finance feasibility studies, business and marketing plans, technical advice and other types of financial assistance necessary for value-added agriculture businesses to expand or get started.

The AgriFIRST Program allows the Department of Agriculture to provide technical assistance grants to develop a project to enhance the value of agricultural products or to expand agribusiness in Illinois up to 75% of the cost of the assistance or up to \$25,000. The program also allows the Department to provide grants up to 50% of the cost for undertaking feasibility studies, competitive assessments, and consulting or productivity services that the Department determines might result in the enhancement of value-added products.

The AgriFIRST Program also allows the Department of Agriculture to provide grants for up to 10% of the project's total capital construction cost not to exceed \$5 million. These grants may include, but are not limited to, purchasing land, constructing or refurbishing buildings, purchasing or refurbishing machinery, installation, repairs, labor and working capital.

At the time of its creation, the AgriFIRST Program was expected to reach a state funding level of \$25 million. The program was appropriated \$3 million GRF in FY02. Funding

was reduced to \$1.4 million GRF for FY03. The current funding level for the AgriFIRST Program is only \$400,000 GRF.

The House Republican Task Force on Rural Economic Development stands in strong support of the AgriFIRST Program. Value-added agriculture is a key industry in Downstate Illinois. The Task Force supports incremental increases in state funding for the AgriFIRST Program to reach a goal of \$25 million to fully implement the program and promote value-added agriculture in Illinois.

### **Provide Funding for the Illinois Grape and Wine Resources Council**

The Illinois Grape and Wine Resources Council was created by P.A. 90-77 in 1997. The Council has 17 members and was created to provide support and growth services to the grape and wine industries in Illinois, including: advocacy, liaison and promotion of grape growing and wine making; training, information, and consultation; research support; and marketing policy and strategy development. It is funded by a yearly grant from the Tourism budget of the Department of Commerce and Economic Opportunity.

Since its creation, the Council has created a new interest in and a demand for Illinois wine that has produced increased tourism and sales at Illinois wineries. For example, Galena Cellars in Galena reported a record 40% increase in sales as a result of publicity created by the Council. There is an estimated 500 acres of planted grape vines in Illinois, mostly in the southwest counties. The total output effect is estimated to be nearly \$19 million. These dollars will continue to rise as the Illinois wineries become more well-known and tourism increases.

The increased demand for Illinois wine also creates a demand for more Illinois grapes and the opportunity for further economic development. The Council has helped to boost current and future grape production by employing a viticulturist to advise growers on better growing techniques. It also sponsors seminars to provide information to those who may be interested in becoming part of the industry. The response to the grape growing seminars has been overwhelming, with hundreds of people both in the agriculture industry as well as those interested in a new business endeavor, in attendance.

In recent years, there has been an exciting regrowth in the Illinois wine industry. Through the partnering efforts of the Illinois Grape and Wine Resources Council and the Illinois Grape Growers and Vintners Association, Illinois is experiencing a turnaround in the grape and wine industry not only in increased production but heightened awareness, appreciation and sales. In 1990, there were only five wineries throughout the state. Today, that number has grown to 39 with a projected total of 43 wineries by early 2004.

In the spring 2003 Session, House Republicans passed legislation to continue the efforts of the Illinois Grape and Wine Resources Council. HB 2 (P.A. 93-512) extended the annual transfer of \$500,000 from the General Revenue Fund to the Grape and Wine Resources Fund through June 30, 2006. The transfer would otherwise sunset on June 30, 2004.

However, Governor Blagojevich and fellow Democrats removed funding for the Illinois Grape and Wine Resources Council in the FY04 budget. SB 1903 (P.A. 93-32) eliminated the transfer of funds for the Council. The future of the Council is unclear at this time. The House Republican Task Force on Rural Economic Development supports the full funding level of \$500,000 for the Illinois Grape and Wine Resources Council.

### **Creation of an Illinois “Certified Business Park Program”**

State and local governments that have necessary infrastructure readily available for businesses to immediately set up shop have an advantage over cities or counties with only vacant land set aside for development. A Michigan program currently in place encourages the development of industrial and commercial parks with common standards understood by entrepreneurs making them attractive locations to start a business.

Mimicking the Michigan program, Illinois should develop standards for the construction and maintenance of industrial and commercial parks. Known as the “Certified Business Park Program”, any municipality, owner or developer may prepare an industrial park using Program standards so that businesses could immediately move into a Park and be ready for business. Municipalities and developers would strive for this designation because of the quality with which they are associated. Eligible Parks must have a set of protective covenants in place that address the following: landscaping, parking, screened outdoor storage, and continuous management identified to oversee compliance of the Park.

HB 6682 creates the Illinois Certified Business Park Program. With developers and communities being given incentive to maintain high standards for commercial and industrial park development, businesses will be interested in expanding and locating in Illinois. Communities and developers will be given incentive to adhere to these standards, as they will be able to market their parks to potential business tenants as having reached the high standards promulgated by the State.

### **Creation of an Illinois “Source Net”**

Inspired by a Pennsylvania program, Illinois should develop a website known as “Source Net” devoted to the marketing of Illinois goods and services by linking potential purchasers with producers of Illinois goods and services. HB 4227 (Watson) requires the Department of Commerce and Economic Opportunity to establish and maintain the “Source Net” website.

Economic development can be supported when Illinois businesses purchase goods and services from Illinois providers whenever possible rather than allowing revenue to slip across the state line. This service would also be beneficial for Illinois businesses to the extent out-of-state and foreign businesses are able to access “Source Net” and browse goods and services sold by Illinois businesses.

### **Creation of an Illinois “Business Calling Program”**

Similar to a Pennsylvania program, the Department of Commerce and Economic Opportunity should develop a program of routine contact and interviews with local and

regional economic development leaders (local government, business, labor and development experts). Known as the “Business Calling Program”, these contacts would be important steps to determining local and regional development needs and attainment of goals.

HR 670 encourages the Governor and DCEO to develop a program of systematic contact with local and regional economic development stakeholders and policy makers with the purpose of gauging the effectiveness of state business and workforce development policy at the local and regional levels and with the purpose of crafting new development policies and objectives that best meet the needs and strategies of local and regional economic leaders.

### **Improve the Effectiveness of the Department of Commerce and Economic Opportunity (DCEO)**

The Illinois Department of Commerce and Economic Opportunity (DCEO) is charged with enhancing Illinois’ economic competitiveness by providing technical and financial assistance to businesses, local governments, workers and families. As the State’s leading economic development agency, DCEO works to capitalize on Illinois’ strengths as a center of transportation, manufacturing and technological development.

The Department of Commerce and Economic Opportunity was the subject of much discussion at the hearings of the House Republican Task Force on Rural Economic Development. Opinions of DCEO’s effectiveness on the local level ranged from very positive to largely ineffective. With the change in administrations, many local economic developers expressed concern that experienced DCEO staff were being replaced with inexperienced political appointees.

On September 17, 2003, Governor Blagojevich announced his “Opportunity Returns” program for Illinois. This program consisted of dividing the state into ten separate economic development regions by finding areas with similar economic strengths and similar economic needs, then creating a separate regional economic development plan for each of them. DCEO staff has been assigned to oversee economic development efforts in each of these regions. This concept is similar to the Indiana Department of Commerce’s regional plan, which is highly regarded in local economic development circles.

Over 20 different state agencies, boards and commissions were involved in the creation of each regional plan. Each plan contains 15-25 specific, tangible actions that the State can take to help create jobs and give communities the tools they need to attract businesses. Items in the plans range from creating needed infrastructure like roads and industrial parks to providing job training and consulting services through workforce development programs and new entrepreneurship centers to programs to help promote tourism.

The House Republican Task Force on Rural Economic Development applauds the Governor for his “Opportunity Returns” program. The Task Force supports any effort to create jobs and spur economic growth across Illinois and looks forward to working with the Governor to further economic development in Downstate Illinois. However, the Task Force would encourage the Governor to revisit his policy decisions in the past year that

have hurt Illinois businesses and are driving jobs out of this state. Holding press conferences around the state touting the “Opportunity Returns” program will not keep Illinois trucking from leaving this state. It will not entice businesses to move into Illinois when the minimum wage is increasing and tax incentives and credits are being eliminated.

The Department of Commerce and Economic Opportunity’s website and site selection database was discussed at great length at hearings of the House Republican Task Force on Rural Economic Development. Over and over again, the Task Force heard from local economic development officials that DCEO’s website did not provide adequate access to information about downstate commercial properties. Obviously, this put Downstate Illinois at an unfair disadvantage for attracting new jobs.

In March 2003, DCEO added LoopNet, a new Statewide Sites and Buildings database, to their illinoisbiz.biz website. This online database provided economic developers and businesses with access to more than 6,000 available Illinois commercial and industrial sites. Many out-of-state companies utilize the Internet and state site selection databases to relocate to and/or expand existing commercial facilities in Illinois. In fact, approximately 85% of site selection efforts begin on the Internet.

A major problem with DCEO’s Statewide Sites and Buildings database was highlighted at hearings of the Task Force. Many available downstate commercial and industrial sites were not listed on LoopNet and could only be accessed by calling DCEO officials directly. Furthermore, DCEO’s Statewide Sites and Buildings database was not easily accessible from the illinoisbiz.biz homepage.

On September 11, 2003, the House Republican Task Force on Rural Economic Development introduced HR 465, a resolution that urged the Governor and DCEO to work with local economic development officials to redesign the Statewide Sites and Buildings database and illinoisbiz.biz to provide easy access to a site selection database that includes downstate commercial and industrial sites. The Task Force is pleased to see that DCEO has recently taken action to remedy the problems discussed at our hearings, which are highlighted in HR 465. DCEO’s Statewide Sites and Buildings database now utilizes the Location One Information System to list many available downstate commercial and industrial sites. The Buildings and Sites Locator is now easily accessible from DCEO’s homepage. The Task Force sees this change as a victory for downstate economic developers and is hopeful that the use of Location One will help bring much-needed new businesses and jobs to Downstate Illinois.

### **Completion of a “management audit” of DCEO**

To further improve the effectiveness of the Department of Commerce and Economic Opportunity, the House Republican Task Force on Rural Economic Development supports the completion of a management audit of DCEO. Something different than a financial audit, a management audit would help determine the scope and effectiveness of DCEO’s economic development programs. HR 671 directs the Auditor General to conduct a management and program audit of DCEO’s administration of its economic development programs.

A management audit would include a thorough cost-benefit analysis to determine which programs provide the State positive returns on their economic development investments. A management audit would identify the State's economic development programs to determine if efforts are being duplicated within DCEO or among other state agencies. Such an audit would determine which economic development programs are being funded and which are not, allowing the State to repeal any outdated, unfunded programs. Economic development is an emerging profession for which one may seek certification. An audit would determine whether DCEO employs economic development professionals to administer its economic development programs or whether DCEO is operated by unqualified political appointees.

### **Creation of an Economic Development Advisory Board within DCEO**

The House Republican Task Force on Rural Economic Development supports legislation creating a DCEO Economic Development Advisory Board to establish a link between the General Assembly and the everyday operation of DCEO. This board, which would not replace the duties of the Director of DCEO, would be comprised of appointments made by the Governor and General Assembly. The Task Force believes that DCEO's economic development programs and policies should be overseen by a bi-partisan board whose members are distinguished for their economic development expertise.

The Task Force-supported legislation would create the Economic Development Advisory Board within the Department of Commerce and Economic Opportunity. The Board would have 10 voting members as follows: 2 members appointed by the Governor, one of whom shall be designated as the chairperson of the Board; 2 members appointed by each of the four legislative leaders; and the Director of DCEO, who shall serve ex officio as a nonvoting member. Of the members appointed by each legislative leader, one must be a member of the General Assembly and the other must be an economic development professional.

The Economic Development Advisory Board would make recommendations to DCEO concerning statewide, regional and local economic development plans, assessment of these plans, a review of the State's economic strengths and weaknesses, evaluation of the effectiveness of DCEO's economic programs, cost-benefit analyses of economic development projects, and any other task pertaining to the economic, business, and workforce development of Illinois.

## **CONCLUSION**

The House Republican Task Force on Rural Economic Development held 16 hearings throughout Downstate Illinois during the summer and fall of 2003. The Task Force heard testimony from local business and community leaders, economic developers and elected officials.

Downstate Illinois is struggling with economic and social problems of a much greater magnitude than those faced by Chicago and the collar counties. Unemployment rates well above the statewide average, the loss of good-paying manufacturing jobs, population

loss, declining state aid for schools, poverty and the lack of quality health care are all factors in the plight faced by Downstate Illinois.

At the same time, an anti-business climate has emerged in Illinois that is hurting economic development and job creation. The tax burden placed on Illinois business is significant. The minimum wage increase, high workers' compensation rates, tax and fee increases, and the elimination of numerous job creation and economic development incentives have all contributed to this anti-business, anti-jobs climate.

Despite the difficult economic reality facing business and economic developers in Downstate Illinois, all is not "gloom and doom." The Report of the House Republican Task Force on Rural Economic Development is entitled "Hope for the Heartland." The Task Force has developed a package of legislative proposals to spur job growth and economic development in Downstate Illinois. It is the Task Force's belief that this legislative package will reduce the burden placed on Illinois businesses and municipalities and help change the economic climate in Illinois to one that is pro-jobs and pro-business.

The House Republican Task Force on Rural Economic Development would like to thank all those who participated in the hearings. The Task Force extends its gratitude to the communities that hosted and provided space for the hearings. House Republican Leader Tom Cross and Chairman Bill Mitchell thank all the members of the Task Force who traveled the state to participate in the hearings. To all who participated – it was your input that led to the creation of this report. With your help and continued support, the House Republican Task Force on Rural Economic Development will be able to pass significant legislation to assist in job creation and economic development throughout Downstate Illinois.

# Hope for the Heartland

- 1.** Employ Illinois Job Renewal Program
- 2.** Enhancement of the EDGE Program
- 3.** Creation of the Illinois Opportunity Fund, a venture capital fund
- 4.** Funding for local and regional economic development organizations
- 5.** End Road Fund diversions
- 6.** Infrastructure improvements for Downstate airports and Amtrak
- 7.** Reinstate coal mining machinery sales tax exemption
- 8.** Repeal National Pollutant Discharge Elimination System (NPDES) fees
- 9.** Repeal the Commercial Distribution Fee (CDF) placed on Illinois trucks
- 10.** Increase funding for the AgriFIRST program
- 11.** Provide funding for the Illinois Grape and Wine Resources Council
- 12.** Creation of an Illinois "Certified Business Park Program"
- 13.** Creation of an Illinois "Source Net"
- 14.** Creation of an Illinois "Business Calling Program"
- 15.** Improve the effectiveness of the Department of Commerce and Economic Opportunity (DCEO)
- 16.** Completion of a "management audit" of DCEO
- 17.** Creation of an Economic Development Advisory Board within DCEO