



# **2005 House Republican Jobs Package**

House Republican Leader **Tom Cross**

Prepared by the House Republican Policy Committee  
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# **Index of Proposals**

# Index of Proposals

## 1. Health Care & Benefits

- A. Use the Illinois tax system to create a new, positive incentive to help increase the quantity of benefits (health care, retirement, etc.) provided to Illinois workers.
- B. Reinstate employer-based child care tax credits to assist employers who sponsor day care for employees.
- C. Amend Illinois statute to allow insurance providers in Illinois to issue health insurance policies which in whole or in part do not provide all mandated benefits.
- D. Amend state law to allow small businesses with at least 2 and not more than 50 employees to buy into the state's pharmaceutical coverage plan, decreasing the overall costs of health care coverage for workers of small businesses.
- E. Create the Health Savings Account Act to ensure that individuals receive Illinois income tax deductions for contributions to qualifying HSAs.
- F. Fully fund CHIP's approximately \$7.5 million projected FY06 budget deficit.

## 2. Taxes

- A. House Republicans will oppose any new tax or fee to be paid by business to close budget holes.
- B. Exempting small businesses from the state death tax.
- C. Give DCEO greater discretion in granting the utility tax exemption to businesses in enterprise zones that may not meet strict eligibility requirements but, nonetheless, have an economic impact in their enterprise zone sufficient to warrant the utility tax exemption.
- D. Allow additional small municipalities to benefit from reduced NPDES fees.

## 3. Education & Training

- A. Create the Vocational Academies Act to encourage school districts to partner with local employers and community colleges to develop vocational, standards-based programs.
- B. Fully fund the Job Training & Economic Development (JTED) & the Employer Training Investment Program (ETIP).
- C. Encourage local business leaders and chambers of commerce to volunteer their time in schools to teach children about the importance of entrepreneurship.

## 4. International Trade

- A. Improve Illinois communications infrastructure by creating a new, low-interest loan-assisted broadband deployment program.
- B. Create a program by which DCEO works with the private sector to assist small businesses and manufacturers become certified by a recognized standardization organization, such as the International Organization of Standardization (ISO).
- C. Increase state Internet small business support by assisting webmasters who develop websites for small businesses.

- D. Fully fund International Trade Offices and NAFTA Opportunity Centers to encourage Illinois businesses to export their products out-of-state and overseas.
- E. Fully fund the Illinois Manufacturing Extension Center and the Chicago Manufacturing Center, both of which assist manufacturing concerns, to meet the demands of the global marketplace by assisting the development of new products and streamlining the manufacturing process making it more efficient.
- F. Create the Illinois Opportunity Fund, a venture capital fund supported by Illinois income tax credits that would encourage private investments which would be reinvested in high-potential business projects.

## **5. Downstate**

- A. Amend the Illinois Constitution to protect the Road Fund and related revenue from future budgetary raids.
- B. Support an FY06 Illinois budget that includes funding for agri-support programs including AgriFIRST, C-FAR, University of Illinois Extension, and higher education research and development programs.
- C. Reinstate sales tax exemptions for oil and coal machinery.
- D. Give DCEO new authority to create enterprise zones specifically for agribusinesses, known as Agri-zones, seeking to locate or expand in Illinois.
- E. Allow any Illinois municipality to create a Railroad Terminal Authority to remove unused, obsolete railroad-tracked land or to improve the tracked land for use.
- F. Support an FY06 Illinois budget that includes funding for I-FLY.

## **6. Better Economic Development Policies**

- A. Allow DCEO to offer EDGE incentives in the form of cash, instead of only tax credits, making this job creation assistance more readily useable by employers.
- B. Make appropriations for JCAR so that it may undertake its statutorily directed duty to re-examine state regulations and their impact on employers.
- C. Create the Certified Business Park program by which DCEO certifies industrial and commercial business parks as business-friendly. Create a program by which DCEO offers grants and loans to local and regional economic development planning organizations with start-up and planning exercises.
- D. Support appropriations for small business incubator startups to assist their support for small business creation.
- E. Encourage the creation of a jobs caucus to allow both parties to lobby for state policies and programs that lead to creation of quality jobs.
- F. Create a legislative DCEO advisory board to help develop and focus the state's economic development efforts and programs. Would act as a liaison between the legislative caucuses and DCEO.
- G. Encourage DCEO to create a Business Calling program by which Department staff routinely call local businesses and related leaders to learn how DCEO can better serve the state's economic development needs.

- H. Create a program by which DCEO offers grants and loans to local and regional economic development planning organizations with start-up and planning exercises.



## **Components of the Plan**

# Excellence in Manufacturing

During the United States' formative years, it was the strength of the economy's manufacturing sector that led the U.S. into its position as an economic superpower. Today, as former third world countries experience their own industrial revolution, manufacturers face the crisis of either losing completely to foreign competitors with workforces who work for pennies on the dollar relative to their American counterparts or packing up and moving where labor is cheaper. Despite recent losses, this is not an un-winnable battle. Illinois' manufacturing sector can rebound from recent setbacks if: (1) the state helps diminish the cost of doing business; and (2) takes an activist role by making contributions to improving productivity and helping manufacturers gain access to foreign markets to increase demand for their products. The following proposals will allow the state to take this sort of action.

## Ten Proposals for Manufacturing

- 1A. Use the Illinois tax system to create a new, positive incentive to help increase the quantity of benefits (health care, retirement, etc.) provided to Illinois workers.
- 3A. Create the Vocational Academies Act to encourage school districts to partner with local employers and community colleges to develop vocational, standards-based programs.
- 3B. Fully fund the Job Training & Economic Development (JTED) & the Employer Training Investment Program (ETIP).
- 4A. Improve Illinois communications infrastructure by creating a new, low-interest loan-assisted broadband deployment program.
- 4B. Create a program by which DCEO works with the private sector to assist small businesses and manufacturers become certified by a recognized standardization organization, such as the International Organization of Standardization (ISO).
- 4D. Fully fund International Trade Offices and NAFTA Opportunity Centers to encourage Illinois businesses to export their products out-of-state and overseas.
- 4E. Fully fund the Illinois Manufacturing Extension Center and the Chicago Manufacturing Center, both of which assist manufacturing concerns, to meet the demands of the global marketplace by assisting the development of new products and streamlining the manufacturing process making it more efficient.
- 5A. Amend the Illinois Constitution to protect the Road Fund and related revenue from future budgetary raids.
- 6B. Make appropriations for JCAR so that it may undertake its statutorily directed duty to re-examine state regulations and their impact on employers.
- 6E. Encourage the creation of a jobs caucus to allow both parties to lobby for state policies and programs that lead to creation of quality jobs.

# Excellence in Small Business

Whereas the primary source of trouble for manufacturers may be foreign competition, the primary source of difficulty for small business is more domestic. First, small businesses do not have the economies-of-scale advantages their larger counterparts have. To compete, small business owners must scale back prices for goods and services to razor-thin profit margins. Second, those razor-thin profit margins oftentimes price small businesses out of the market for the job benefits they would like to offer their workers. Similarly, any mandates and taxes and fees imposed by the state are relatively more burdensome on small businesses and may lead to more small business closings. Third, a lack of collateral and, sometimes, the risky nature of small businesses make accessing capital also difficult relative to their larger counterparts. Consider the following proposals to help small business succeed in Illinois:

## Ten Proposals for Small Business

- 1A. Use the Illinois tax system to create a new, positive incentive to help increase the quantity of benefits (health care, retirement, etc.) provided to Illinois workers.
- 1D. Amend state law to allow small businesses with at least 2 and not more than 50 employees to buy into the state's pharmaceutical coverage plan, decreasing the overall costs of health care coverage for workers of small businesses.
- 2A. House Republicans will oppose any new tax or fee imposed on by business to close budget holes.
- 4A. Improve Illinois communications infrastructure by creating a new, low-interest loan-assisted broadband deployment program.
- 4B. Create a program by which DCEO works with the private sector to assist small businesses and manufacturers become certified by a recognized standardization organization, such as the International Organization of Standardization (ISO).
- 4C. Increase state Internet small business support by assisting webmasters who develop websites for small businesses.
- 4F. Create the Illinois Opportunity Fund, a venture capital fund supported by Illinois income tax credits, that would encourage private investments which would be reinvested in high-potential business projects.
- 6A. Allow DCEO to offer EDGE incentives in the form of cash, instead of only tax credits, making this job creation assistance more readily useable by employers.
- 6B. Make appropriations for JCAR so that it may undertake its statutorily-directed duty to re-examine state regulations and their impact on employers.
- 6D. Support appropriations for small business incubator startups to assist their support for small business creation.

# Excellence in Downstate Development

Some of Illinois' highest unemployment rates can be found Downstate in rural counties where population is decreasing, property tax revenues are diminishing, and funding for local schools is disappearing. No wonder Downstate parents feel as if their children are moving to urban areas where work can be found; they actually are moving! Much of the impediment to Downstate development is a feeling of disconnection from access to the markets, transportation, and technology found in urban areas. And yet, given advances in communication and transportation technology, the world has never been smaller. Thus, with some care taken to connect rural Illinois with the global economy, to provide extra assistance to startup businesses, and with continued support for agriculture, the state can make positive contributions to Downstate economic development.

## Ten Proposals for Downstate Development

- 3C. Encourage local business leaders and chambers of commerce to volunteer their time in schools to teach children about the importance of entrepreneurship.
- 4A. Improve Illinois communications infrastructure by creating a new, low-interest loan-assisted broadband deployment program.
- 4F. Create the Illinois Opportunity Fund, a venture capital fund supported by Illinois income tax credits, that would encourage private investments which would be reinvested in high-potential business projects.
- 5A. Amend the Illinois Constitution to protect the Road Fund and related revenue from future budgetary raids.
- 5B. Support an FY06 Illinois budget that includes funding for agri-support programs including AgriFIRST, C-FAR, University of Illinois Extension, and higher education research and development programs.
- 5D. Give DCEO new authority to create enterprise zones specifically for agribusinesses, known as Agri-zones, seeking to locate or expand in Illinois.
- 6A. Allow DCEO to offer EDGE incentives in the form of cash, instead of only tax credits, making this job creation assistance more readily useable by employers.
- 6C. Create the Certified Business Park program by which DCEO certifies industrial and commercial business parks as business-friendly. Create a program by which DCEO offers grants and loans to local and regional economic development planning organizations with start-up and planning exercises.
- 6D. Support appropriations for small business incubator startups to assist their support for small business creation.
- 6H. Create a program by which DCEO offers grants and loans to local and regional economic development planning organizations with start-up and planning exercises.

# **Excellence in International Trade & Productivity**

American companies have difficulty competing with foreign competitors who take advantage of labor costs which are pennies on the dollar relative to the cost of American labor. However, American businesses far outpace their foreign counterparts when it comes to research and development, product and service innovation, and a workforce that is productive and highly skilled. No other country in the world can match the United States when it comes to innovating and developing new products, and Illinois can do a lot to enhance our country's position on this matter. Assisting employers to offer job-related benefits will encourage Illinois workers to become even more productive. Furthermore, Illinois can also do a lot to help businesses gain a foothold in foreign markets.

## **Ten Proposals for International Trade & Productivity**

- 1A. Use the Illinois tax system to create a new, positive incentive to help increase the quantity of benefits (health care, retirement, etc.) provided to Illinois workers.
- 1B. Reinstate employer-based child care tax credits to reward employers who sponsor day care for employees.
- 1C. Amend Illinois statute to allow insurance providers in Illinois to issue health insurance policies which in whole or in part do not provide all mandated benefits.
- 3B. Fully fund the Job Training & Economic Development (JTED) & the Employer Training Investment Program (ETIP).
- 4A. Improve Illinois communications infrastructure by creating a new, low-interest loan-assisted broadband deployment program.
- 4B. Create a program by which DCEO works with the private sector to assist small businesses and manufacturers become certified by a recognized standardization organization, such as the International Organization of Standardization (ISO).
- 4D. Fully fund International Trade Offices and NAFTA Opportunity Centers to encourage Illinois businesses to export their products out-of-state and overseas.
- 4E. Fully fund the Illinois Manufacturing Extension Center and the Chicago Manufacturing Center, both of which assist manufacturing concerns, to meet the demands of the global marketplace by assisting the development of new products and streamlining the manufacturing process making it more efficient.
- 5B. Support an FY06 Illinois budget that includes funding for agri-support programs including AgriFIRST, C-FAR, University of Illinois Extension, and higher education research and development programs.
- 5F. Support an FY06 Illinois budget that includes funding for I-FLY.



## **Support Materials**

# General Economic Statistics

1. According to the "U.S. Economic Freedom Index," a report published in part by the Pacific Research Institute and Forbes magazine, Illinois ranks 46 out of 50 states pursuant to their measure of "economic freedom" with 50 being worst. Using data collected from 1995 through 2003, The Freedom Index measured Illinois policies in the following areas: fiscal (ranked 39 out of 50 states), regulatory (48 out of 50), judicial (4 out of 50), government size (11 out of 50), and welfare spending (39 out of 50).

According to the Pacific Research Institute, "economic freedom" measures the ability of private citizens and entities to pursue their interests through voluntary exchange of private property. "In a nutshell, economic freedom is the right of an individual to keep what he earns, produce what he wants, and compete in product and labor markets of his choosing...." Thus, according to the Pacific Research Institute, there are 45 other states in which private entities may lead economically freer lifestyles.

2. Compared with neighboring states, Illinois maintains the largest workforce. Consider the following chart detailing the size of each neighboring state's workforce with that of Illinois.<sup>1</sup>

**Table 1. Total Workforce, December 2004**

STATE	WORKFORCE (In thousands)	+/- (Compared to IL)	% Difference (Compared to IL)
Illinois	5836.0	NA	NA
Indiana	2913.2	-2922.8	-50.1%
Wisconsin	2838.9	-2997.1	-51.4%
Missouri	2727.4	-3108.6	-53.3%
Kentucky	1800.2	-4035.8	-69.2%
Iowa	1456.9	-4379.1	-75.0%

3. Like other neighboring states, Illinois was able to enjoy net job growth for calendar year 2004. However, when comparing our surrounding states' job growth totals as a percentage of workforce, Illinois' growth leaves a lot to be desired. Had Illinois experienced the same percentage job growth as, for example, Wisconsin, Illinois' 2004 job growth would have totaled 130,726. Of Illinois and its neighboring states, Illinois experienced the smallest job growth as a percentage of total workforce.<sup>2</sup>

<sup>1</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics. Seasonally adjusted. December 2004 workforce total, all nonfarm employees.

<sup>2</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics. Seasonally adjusted. Compared December 2003 and December 2004 workforce total, all nonfarm employees. Multiplied percentage of comparison state's job growth by Illinois' total workforce. For example, 5,836,000 multiplied by 2.24% which equals 130,726.

**Table 2. Total Job Growth, Dec. 2003-2004, Weighted Illinois Total**

<b>STATE</b>	<b>JOB GROWTH (In hundreds)</b>	<b>% OF WORKFORCE</b>	<b>ILLINOIS WEIGHTED</b>
Wisconsin	63,600	2.24%	130,726
Missouri	47,300	1.70%	99,212
Iowa	12,400	0.85%	49,606
Kentucky	14,500	0.81%	47,272
Indiana	15,100	0.52%	30,347
Illinois	12,100	0.21%	NA

4. For the month of December 2004, Illinois experienced the highest unemployment rate of its neighboring states.<sup>3</sup>

**Table 3. Unemployment Rates, December 2004**

<b>STATE</b>	<b>UNEMPLOYMENT RATE (12/04)</b>
Illinois	5.8%
Missouri	5.5%
Indiana	5.1%
Iowa	4.7%
Wisconsin	4.6%
Kentucky	4.5%

5. During the years 2001 through 2003, compared with its neighbors, Illinois maintained the second highest rate of poverty, only second to Kentucky.<sup>4</sup>

**Table 4. Poverty Rates, Average of Years 2001-2003**

<b>STATE</b>	<b>POVERTY RATE (01-03)</b>
Kentucky	13.7%
Illinois	11.8%
Missouri	10.1%
Indiana	9.2%
Wisconsin	8.8%
Iowa	8.5%

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<sup>3</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics. Seasonally adjusted.

<sup>4</sup> Source: U.S. Census Bureau. For 2003 and for three person families with one child under 18, the poverty threshold was set at \$14,810.

# Excellence in Manufacturing

The historic development of the American economy into its current world-dominating position has much to do with the strength of its manufacturing sector. However, as we can see in Illinois, the strength of the manufacturing sector is diminishing. And in Illinois, the manufacturing sector is underperforming relative to our neighboring states. Consider the following statistics detailing how Illinois' manufacturing economy compares with that of its neighboring states:<sup>5</sup>

1. Although Illinois maintains the largest manufacturing sector in terms of workers employed at 12.1%, the size of Illinois' manufacturing workforce relative to its overall workforce ranks behind every border state except for Missouri (See Tables 5 & 6 below).
2. Illinois' manufacturing sector maintains a workforce of 703,500.
3. If Illinois' manufacturing workforce was large as Indiana's in terms of percentage of entire workforce, Illinois manufacturers would employ over 1.14 million workers (See Table 6 below).
4. For calendar year 2004, only Illinois and Kentucky experienced net job losses in the manufacturing sector (See Table 7 below).
5. Had Illinois had the same experience as Wisconsin (15,400 jobs) in terms of net job growth in its manufacturing sector, Illinois would have gained 31,514 manufacturing jobs (See Table 7 below).

Certainly, Illinois manufacturers must not only compete with those from neighboring states, or even all American states. The rest of the world is catching up in terms of both total economic and manufacturing growth. In China, which is known around the world as the "world's factory," growth is being led by its expanding manufacturing sector. Its exports have grown to 37% of its GDP (compared to 9% for the United States, 25% for the United Kingdom, and 12% in Japan).<sup>6</sup>

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<sup>5</sup> Wisconsin, Iowa, Missouri, Kentucky, and Indiana.

<sup>6</sup> "China: A boom-time story but still hit or miss for investors." Found in The Scotsman, Saturday, February 5, 2005. <http://busienns.scotsman.com>.

**Table 5. Size of manufacturing workforce <sup>7</sup>**

<b>STATE</b>	<b>WORKFORCE (In thousands)</b>	<b>+/- (Compared to IL)</b>	<b>% Difference (Compared to IL)</b>
Illinois	703.5	NA	NA
Indiana	570.7	-132.8	-18.9%
Wisconsin	517.5	-186.0	-26.4%
Missouri	313.2	-390.3	-55.5%
Kentucky	262.0	-441.5	-62.8%
Iowa	220.7	-482.8	-68.6%

**Table 6. Size of manufacturing workforce relative to total workforce <sup>8</sup>**

<b>STATE</b>	<b>% OF TOTAL WORKFORCE</b>	<b>ILLINOIS WEIGHTED</b>
Indiana	19.6%	1,143,856
Wisconsin	18.2%	1,062,152
Iowa	15.1%	881,236
Kentucky	14.6%	852,056
Illinois	12.1%	NA
Missouri	11.5%	671,140

**Table 7. Calendar year 2004 manufacturing job growth, weighted Illinois totals <sup>9</sup>**

<b>STATE</b>	<b>JOB GROWTH (In hundreds)</b>	<b>% OF WORKFORCE</b>	<b>ILLINOIS WEIGHTED</b>
Wisconsin	15,400	0.54%	31,514
Missouri	1,800	0.07%	4,085
Iowa	1,400	0.00%	0
Indiana	1,400	0.00%	0
Illinois	-4,800	-0.00%	NA
Kentucky	-4,100	-0.02%	-1,167

<sup>7</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics. Seasonally adjusted. December 2004 manufacturing workforce totals.

<sup>8</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics. Seasonally adjusted. Compared size of December 2004 manufacturing workforce and December 2004 total workforce. Multiplied percentage of comparison state's manufacturing workforce relative to its total workforce by Illinois' total workforce. For example, Indiana's size of manufacturing workforce relative to its entire workforce (19.6%) is multiplied by Illinois' total workforce (5,836,000) to reach a weighted total for Illinois equal to 1,143,856 manufacturing jobs.

<sup>9</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics. Seasonally adjusted. Compared December 2003 and December 2004 manufacturing workforce totals to determine net job growth. Determined size of manufacturing sector employee growth relative to total workforce to determine the percentage growth of entire workforce. Multiplied percentage of comparison state's manufacturing workforce growth by Illinois' total workforce totals. For example, multiplied Wisconsin's percentage growth (0.54%) by Illinois' total workforce (5,836,000) to reach a weighted total for Illinois equal to 31,514 manufacturing jobs.

# Excellence in Small Business

If a business is going to become established in Illinois, chances are, it's a small business. In Illinois, small businesses make up 302,830, or 94%, of the State's 322,191 business firms. The same 302,830 small business firms also employ 1.866 million of Illinois' approximate 5.8 million person workforce.<sup>10</sup>

However, small businesses in Illinois, and all Illinois businesses for that matter, have had a hard time keeping up with their counterparts in neighboring states when it comes to creating jobs. Although Illinois enjoyed a certain amount of success creating 12,100 jobs in 2004, when compared to Wisconsin, that job growth appears rather anemic. In 2004 had Illinois experienced the same rate of job growth, Illinois would have created 130,726 jobs (See Table 8. below).

**Table 8. Total Workforce, December 2004 (Same as Table 2. above)<sup>11</sup>**

<b>STATE</b>	<b>JOB GROWTH (In hundreds)</b>	<b>% OF WORKFORCE</b>	<b>ILLINOIS WEIGHTED</b>
Wisconsin	63,600	2.24%	130,726
Missouri	47,300	1.70%	99,212
Iowa	12,400	0.85%	49,606
Kentucky	14,500	0.81%	47,272
Indiana	15,100	0.52%	30,347
Illinois	12,100	0.21%	NA

It's no wonder that small businesses are having a hard creating jobs. According to the Kaiser Foundation, between the spring of 2003 and spring of 2004, premiums for employer-sponsored health care policies rose by 11.2%. In 2004 for employer-sponsored plans, business owners were contributing over \$7,200 per worker for family health insurance plans.<sup>12</sup>

<sup>10</sup> Source: Illinois Department of Employment Security, Labor Market Information. North American Industry Classification System (NAICS). Stats reflect March 2003 totals.

<sup>11</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics. Seasonally adjusted. Compared December 2003 and December 2004 workforce total, all nonfarm employees. Multiplied percentage of comparison state's job growth by Illinois' total workforce. For example, 5,836,000 multiplied by 2.24% which equals 130,726.

<sup>12</sup> Source: "2004 Annual Employer Health Benefits Survey," authored by the Kaiser Foundation and the Health Research and Educational Trust. Released in September 2004.

# Excellence in Small Business

For businesses in Illinois, taxes haven't been any easier to handle. According to an Ernst & Young<sup>13</sup> study commissioned by the Illinois State and the Chicagoland Chambers of Commerce, Illinois businesses paid just under \$22 billion in taxes to the State and its local governments in FY03. These taxes accounted for roughly 50.8% of all state and local taxes raised in Illinois FY03. Despite this statistic, Governor Blagojevich insisted on increasing business taxes and fees in FY04 by another \$2 billion.<sup>14</sup> The share of taxes and fees paid by Illinois businesses were higher than the share of taxes paid by businesses in Indiana, Missouri, Wisconsin, Iowa, and by businesses nationwide.<sup>15</sup>

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<sup>13</sup> Source: "2003 Illinois State & Local Business Tax Burden Study," authored by Ernst & Young, submitted in March 2004. Commissioned by the Illinois State Chamber of Commerce and the Chicagoland Chamber of Commerce.

<sup>14</sup> Source, Illinois State Chamber of Commerce.

<sup>15</sup> Source: "2003 Illinois State & Local Business Tax Burden Study," authored by Ernst & Young, submitted in March 2004. Commissioned by the Illinois State Chamber of Commerce and the Chicagoland Chamber of Commerce.

# Excellence in Downstate Development

Downstate, rural businesses and workers face some of the same problems as their Cook & Collar Counties, urban counterparts. Taxes paid by businesses are higher relative to businesses in other states (see discussion on Ernst & Young study above). Health care premiums are rising for all types of health insurance policies, including employer sponsored plans (see study on Kaiser Institute study above). However, Downstate communities have had their own special problems to face in 2003 and 2004.

Population in many Downstate, rural counties is dropping by as much as 9.7% (Alexander County, 1990-2000). Unemployment rates are still high, such as in Pope County where the rate was the highest in the State at 9.6% (December 2004). Population loss coupled with high unemployment in many Downstate counties has a tremendously negative effect on schools. First, enrollment in Downstate schools is dropping while enrollment in the Collar Counties and in Cook have been increasing. General State Aid is tied to student enrollment which means that declining enrollment leads to diminishing aid for Downstate schools.<sup>16</sup> Coupled with the fact that Downstate is able to rely on a relatively small business tax base compared to Cook and the Collar Counties, Downstate schools are hurting financially.

A majority of Americans, and Illinoisans, receive their health care through employer-sponsored plans, one may assume that high unemployment in Downstate, rural counties also means that there is a high number of uninsured adults. 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 at 21.8%, Gallatin County 20.4%, and McDonough County at 17.5%.<sup>16</sup>

Even if more adults were able to receive health care in rural, Downstate Illinois, they probably would have a hard time finding adequate providers to service them. Medical malpractice insurance rates for some doctors are higher than in other states, including Missouri. At one hearing of the Task Force on Rural Economic Development, House Republicans heard a story of a doctor whose malpractice insurance premiums for one days work in Illinois was higher than it was for four days work in Missouri.<sup>16</sup>

To add insult to injury, Downstate couldn't even rely on as much support for infrastructure improvement in FY04. Governor Blagojevich raided approximately \$140 million from the Road Fund to balance his budget.

High taxes, increasing premiums for health care, diminishing population, declining enrollment at schools, and decreasing funds for road maintenance and construction leads to no job growth. Unfortunately, that was case for Downstate in 2004. Only 403 net jobs (+0.02%) were created Downstate and only 26 net jobs (0.00%) were created in non-metro rural areas.<sup>17</sup>

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<sup>16</sup> Source: "Hope for the Heartland," (2003) a report generated by the House Republican Task Force on Rural Economic Development.

<sup>17</sup> Illinois Coalition for Jobs, Growth & Prosperity. [www.jobsIllinois.us](http://www.jobsIllinois.us).

# Excellence in Downstate Development

**Table 9a. Population Change & Unemployment Rates for Chosen Southern Illinois Counties <sup>18</sup>**

COUNTY	1990- 2000	2000- 2003	Dec. 2004
	POP. CHANGE (%)	POP. CHANGE (%)	Unemploy. Rate (%)
Alexander	-9.7	-2.7	8.4
Pulaski	-2.3	-3.7	9.1
Pope	0.9	-3.4	9.6
Hardin	-7.5	-1.9	7.7
Jackson	-2.4	-1.1	4.1
Saline	0.7	-2.2	8.4
Gallatin	-6.7	-3.5	6.0
Randolph	-2.0	-1.9	5.9
Franklin	-3.2	0.2	7.8
Hamilton	1.4	-3.3	6.4
White	-7.0	-1.7	4.2
Edwards	-6.3	-1.7	4.1
Wabash	-1.3	-2.0	9.3
Richland	-2.4	-0.9	5.0
Lawrence	-3.3	-1.1	6.1
Jasper	-4.6	-1.6	9.1

**Table 9b. Population Change & Unemployment Rates for Chosen Western, Central, and Eastern Illinois Counties <sup>18</sup>**

COUNTY	1990- 2000	2000- 2003	Dec. 2004
	POP. CHANGE (%)	POP. CHANGE (%)	Unemploy. Rate (%)
Calhoun	-4.5	-0.3	5.5
Greene	-3.6	-0.4	6.8
Pike	-1.1	-2.6	5
Macon	-2.1	-3.1	5.9
Vermillion	-4.9	-1.3	7.3
Hancock	-5.9	-3.6	4.8
Schuyler	-4.1	-2.3	5.6
Warren	-2.3	-2.6	5.4
Knox	-1.0	-2.4	7.9
Stark	-3.1	-2.1	6.3

<sup>18</sup> Source (population): 2003 through 2003 figures reflect April 1, 2000 through July 1, 2003.

Source (unemployment): Illinois Department of Employment Security.

# Excellence in Downstate Development

**Table 9c. Population Change & Unemployment Rates for Cook & Collar Counties<sup>18</sup>**

COUNTY	1990- 2000	2000- 2003	Dec. 2004
	POP. CHANGE (%)	POP. CHANGE (%)	Unemploy. Rate (%)
Grundy	16.1	5.3	9.2
Kendall	38.4	22.0	5.1
Will	40.6	16.8	6.4
DeKalb	14.2	5.7	4.9
Kane	27.3	13.1	6.5
DuPage	15.7	2.3	4.0
Cook	5.3	-0.5	5.9
Boone	35.6	11.2	8.5
McHenry	41.9	10.0	5.2
Lake	24.8	6.3	5.6

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<sup>18</sup> Source (population): 2003 through 2003 figures reflect April 1, 2000 through July 1, 2003.

Source (unemployment): Illinois Department of Employment Security.

# Excellence in International Trade & Productivity

In the 21<sup>st</sup> Century, China is still enjoying its own industrial revolution. With annual economic growth that has averaged 8% for the past twenty years (9.5% in 2004), China's economy has much more expansion yet to accomplish which will eventually allow it to grow larger than the U.S. Economy by 2050.<sup>20</sup> Investors may even buy into mutual funds, including Fidelity's China Focus Fund<sup>21</sup>, that invest primarily in the growth of Chinese companies.

Unfortunately, much of that expansion is occurring at the expense of the American manufacturing sector. China is known the world over as the "world's factor" where anyone can send their goods and products to be manufactured. Consider the following American-based companies, which may be found rather quickly on the Internet using Google as a search engine:

- Global Fab Tech (GFT), an American-owned company based in Washington state with a manufacturing plant in China, offers contract manufacturing services to companies seeking to manufacture items using price-advantaged labor in China. GFT employs Chinese workers supervised by an American managed design team to develop prototypes of products for manufacturing. GFT can also manufacture original designs of products or "reverse engineer" products for manufacturing. GFT assures that tooling molds are expedited without usual "rush" charges and delivered in less time and with up to a 40% savings over U.S. Domestic tooling.<sup>22</sup>
- Liberty Global Group, headquartered in Irvine, California, assists their customers to reduce their production costs by sending production and manufacturing services overseas to China. With offices in China, Liberty Global can provide on-site inspections to ensure integrity and quality standards are met. Liberty Global can also coordinate Chinese manufacturers for molding, sewing, welding, casting, wire-forming, or simply importing goods for retail sale. The company asserts that they "incorporate the convenience of a U.S. Liaison office with the fast and high quality product development in Taiwan, Hong Kong, and low China labor cost to provide you with the best of both worlds."<sup>23</sup>

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<sup>20</sup> "China: A boom-time story but still hit or miss for investors." Found in The Scotsman, Saturday, February 5, 2005. <http://busiess.scotsman.com>.

<sup>21</sup> <http://www.fidelity-international.com/asia/china/>

<sup>22</sup> <http://www.globalfabtech.com>

<sup>23</sup> <http://libertyglobal.com>

- 4sight OEM is a western-managed company with offices in New York providing product development and manufacturing solutions for North American customers who wish to manufacture in China. After agreeing to terms, 4sight OEM provides a unit cost quotation for manufacturing a desired product and then begins to complete an “end-to-end manufacturing process” that includes pre-production samples to producing the finished product. The company also serves as a liaison between its North American customers and Chinese factories concerning specific procedures, quality inspections, and packaging and shipment procedures. 4sight states on its website that it maintains clients who are “Fortune 500 companies, international brand names, retail organizations, and medium to small businesses. We fully understand your needs and ensure that you will profit from all the benefits of low-cost manufacturing at International Quality Standards.”<sup>24</sup>

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<sup>24</sup> <http://www.4sightoem.com>