Building a Better Illinois: Report of the Transition Co-chairs to the Governor-elect

January 2015
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Dear Governor-elect Rauner:

We are pleased to submit this transition report to you and your administration. We believe the strategies and near-term actions contained in this report will jump-start the process of returning Illinois to its position of prominence among the nation’s most competitive, efficient, and compassionate states.

The goal of our work over the past eight weeks has been to help accelerate the transformation toward the state we envision. Illinois has decades of structural challenges to overcome, and as a result a transformation will not occur in the course of a single transition in leadership, in the first 100 days, or even in the first year or two of your administration. Shared sacrifice and difficult decisions will be necessary for some time. Our goal in providing this report is to begin this process as quickly and effectively as possible.

This report benefited greatly from the commitment of hundreds of people—leaders from business, philanthropy, and the public sector as well as experts and policy makers. Collectively, they dedicated thousands of hours to share their insights, identify promising strategies of other states, and discuss potential tactics.

From the outset, we were guided by several principles: to be comprehensive in evaluating policies; to be rigorous and fact-based in our analysis; and to be inclusive and nonpartisan, to ensure that promising ideas were considered regardless of the source.

While it was our charge to prepare this report, we stand ready to support your administration’s efforts to implement its recommendations and others you see fit to embrace. Beyond party affiliation and ideology, we are all Illinois residents. As such, we have a vested interest in helping the state succeed.

Sincerely,

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Introduction

Illinois has numerous strengths. From its location in the middle of the country, Illinois is a hub for national and global commerce, for people, and for knowledge and innovation. As the fifth-most populous state, Illinois boasts an educated, highly skilled workforce that has earned the reputation of being not only hard working but also dedicated and honest. A network of colleges and universities, including some of the finest higher-education institutions in the world, has helped Illinois attract businesses, including 33 Fortune 500 companies,¹ and develop entrepreneurs and start-ups. These advantages have made Illinois the economic and cultural engine of the Midwest region. Few other states can match these attributes.

At the same time, Illinois faces several formidable challenges that, if left unaddressed, threaten to consign the state to a bleak future. Today, Illinois’ financial state is one of the worst in the country, and it has gained a reputation for mismanagement and corruption. While other states have made hard choices to put themselves back on solid footing, Illinois has consistently put off the difficult decisions. The result has been a climate of negativity and uncertainty: businesses must deal with an uncompetitive jobs environment and tax structure, the pension crisis remains unresolved, and the state budget is structurally imbalanced. At the same time, the state’s ability to care for its most vulnerable residents and to invest in the infrastructure and youth that will define our future is eroding.

It is time to usher in a new era in which seemingly intractable problems are solved through renewed commitment; officials make strategic investments in the state’s future; accountability and ethics trump obfuscation; and tangible results and transparency restore the faith of Illinois residents in their government. By emphasizing these principles, Illinois can become a state that fulfills its potential and creates new opportunities for our people, communities, and businesses.

Illinois has all of the components it needs to thrive: talented people, a diversified economy, infrastructure, natural resources, geographic advantages, and more. But the state is struggling. Beginning January 12, Illinois has a chance to start anew, to unlock its full potential. We can be a state to which companies flock and where good jobs are plentiful thanks to a competitive job environment. A state where those who work hard are able to find economic security for themselves and for their families. A state where those in difficult situations are supported. And a state that operates efficiently, providing its residents, communities, municipalities, and industries with an effective government that manages resources wisely to create a high quality of life for everyone.

¹ As of the 2014 rankings.
For the transition committees, this vision for Illinois means:

- An **economy** that attracts businesses and promotes investment, where above-average job growth provides economic security for all Illinois workers and their families;

- **Infrastructure** that moves people and goods safely and easily, while simultaneously serving as a job-creation engine for current and future generations;

- **Energy, environment, utility, and natural resource** policies that harness the full potential of our resources while advancing quality of life, business attraction, natural resource conservation, and energy diversity;

- An **agriculture** industry that continues to be a world leader in food production and innovation while contributing to the state’s economic development;

- **Health and human services** that offer a robust safety net and exemplary programs to improve the health and wellness of Illinois residents;

- An **education** system that provides high-quality, affordable, well-coordinated, and accessible options for families from cradle through career;

- **Veterans** policies that enable past and present U.S. Armed Forces members and their families to receive the best-in-class services and benefits they have earned and deserve;

- **Law enforcement and criminal justice** systems that work together to improve outcomes and prevent crime while maintaining a safe environment for residents, businesses, and tourists;

- **Emergency management** programs that prepare residents and public safety agencies to respond to and recover from both natural and man-made disasters;

- **Intergovernmental affairs** that support improved coordination, visibility, and efficiency among state agencies and local units of government;

- **Technology** systems that deliver high-quality services to residents and businesses and enable the state to operate efficiently; and

- **Operations** that prioritize and implement strategies across policy areas to lay the groundwork in the short term for a transformation of how state government serves the people and businesses of Illinois.

The pages that follow describe in more detail the State of Illinois today, the challenges the state faces in each area, and a path forward. We also include several actions the new administration might consider immediately, within its first 100 days, to accelerate movement toward our collective vision.
While each topic is considered alone, policies in each area are deeply intertwined and must be mutually reinforcing. For example, children who are not healthy cannot learn, and parents who must travel to the other side of the state to find work cannot help their children with homework. Similarly, streamlined operations and the effective use of technology can directly support initiatives in all areas. As the new administration takes shape, breaking down barriers among previously disparate functions of government will be a prerequisite for making progress on any of these, and other, critical functions of state government.

A note on budget and finances

As our work on these transition strategies concludes, the work to develop the budget is just beginning. We are not in a position to provide specific recommendations on budgetary solutions, however we want to emphasize that Illinois’ ability to chart a more prosperous course hinges upon our addressing the state’s dismal fiscal condition.

Over the past two decades, the State has incurred budget deficits—even while the broader U.S. economy has grown. The State’s unfunded pension liability, the worst in the nation, and billions of dollars in unpaid bills are precluding the state from providing the basic social services residents need and crowding out investment that should form the basis of our future competitive advantage such as infrastructure and education. Borrowing to fix the state’s budget has papered over the problem today while restricting growth in the years to come. The result is the worst credit rating in the country, translating to higher borrowing costs.

A stable financial environment is crucial to enact many of the strategies in the sections below—economic development in particular. Indeed, uncertainty about Illinois’ balance sheet has been described as the single largest impediment to job growth in the state. Business executives are wary of being responsible for bailing out the state when the bills come due.

To allay the concerns of taxpayers, executives, investors, and analysts, and to find the resources to finance our most important responsibilities for today and the future, the state must lay out a clear and credible plan to balance its budget. It took decades to create the current fiscal imbalance, and it will take time to put our financial house in order. An effective plan will include spending cuts, efficiencies, comprehensive tax reform, and many changes that, over time, will require difficult choices and shared sacrifice. However, such actions will send an important message that Illinois is serious about its long-term fiscal health.

By developing a credible financial plan, the State of Illinois can increase stability for residents and businesses while freeing up funds to position the state for growth. Absent this stability, neither ambitious nor modest plans in other areas will be successful.
Report development process

On November 6, 2014, two days after voters elected Bruce Rauner to be the next governor of Illinois, the Governor-elect announced the formation of a transition committee chaired by Lieutenant Governor Evelyn Sanguinetti and co-chaired by 28 of Illinois’ top business, civic, and education leaders. On November 19, an additional 44 leaders were appointed co-chairs of 12 policy committees covering major policy areas and internal functions of government (see Appendix B for a full list of personnel). Together, the areas covered by these committees represent slightly less than 90 percent of the total expense budget of the State of Illinois, covering nearly every major service the state provides.

Supporting the co-chairs were 132 committee members, representing business, nonprofit, and civic leaders from across Illinois. Over the course of six weeks, each committee met at least twice to identify priorities and develop specific policy recommendations for the new administration. Between meetings, members interviewed local and national policy experts, read more than 1,400 pages of policy memos submitted by committee members and external stakeholders, and reviewed more than 2,500 ideas submitted by the public through the MakeIllinoisGreat.com website. Some comments collected through the website are included as quotations throughout this report. The committees also drew on data, analysis, and qualitative interviews with subject matter experts and surveyed best practices from states that have faced challenges similar to those confronting Illinois but that have righted their ships through hard decisions and smart investments.

Finally, the entire assemblage came together for a half-day plenary session on December 19, where all 12 policy committees presented and discussed their ideas with other committees and the transition co-chairs.

The facts and figures cited in this report are the result of rigorous research and analysis by the transition committees.
Ethics and Accountability

Illinois needs a state government that is ethical and transparent, in which all residents can have confidence. Unfortunately, four of the past seven elected governors of Illinois have gone to prison, and from 2003 to 2012 more than 500 Illinois government employees were convicted on federal corruption charges.\(^2\) Business and civic leaders cite a history of corruption, prevalence of bribes, and political favors as obstacles to attracting business to Illinois. National and international business publications have taken notice, regularly publishing articles on Illinois’ ethical lapses, allowing corruption to become the state’s defining characteristic. Beyond the reputational damage, corruption has a real impact on Illinois residents, who pay a “corruption tax” of more than $500 million each year.\(^3\)

Existing ethics legislation has not fixed the problem. Continued arrests and imprisonments of Illinois elected officials contribute to the perception that corruption in Illinois remains unchecked. A former Illinois legislative inspector general has said that violations by lawmakers “result in no remedial actions whatsoever.”\(^4\)

Illinois needs a state workforce clear of cronyism. Government should be transparent, accessible, and held accountable to its commitments. To that end, the new administration should be proactive in ethics reform by installing effective processes and measures that make the Illinois state government transparent and accountable.

The track record of other states that have sought such reforms is promising. Returns can be significant and realized quickly. When Bobby Jindal became governor of Louisiana in 2008, for example, the state was widely regarded as having one of the worst business climates in the country, in part due to its history of corrupt government. Jindal’s efforts helped to raise Louisiana from 49th place in \textit{Forbes}’ “Best places for business” in 2008 to 30th place just four years later.

\(^2\) Report to Congress on the activities and operations of the Public Integrity Section for 2012, United States Department of Justice.

\(^3\) Dick Simpson et al., “Chicago and Illinois, leading the pack in corruption: Anti-corruption report #5,” University of Illinois at Chicago, April 18, 2012.

\(^4\) Legislative Inspector General Thomas Homer, letter to the Illinois General Assembly, August 10, 2011.
While a focus on ethics and accountability must be a constant, the incoming administration has a chance to signal a new course immediately by taking several actions in the first 100 days, including:

- **Strengthening ethics and lobbying legislation.** While laws alone will not fix the ethical climate, such action could include limiting senior public officials’ ability to serve as lobbyists after leaving office.

- **Increasing transparency of government actions.** For example, clearly publish appointments as well as permitting and procurement processes. Use technology to increase transparency of all aspects of state government.

- **Setting department-specific goals, establishing transparency around the goals, and holding officials accountable for achieving them.**
Economic Growth

Among the highest priorities of a state government is the duty to promote job growth that provides the opportunity of economic security for residents. The state pursues this goal through policies that promote an environment attractive to businesses, infrastructure that supports the demands of a heavily populated state, well-managed energy markets, and support for critical industries such as agriculture. A thriving economy allows for crucial investments in residents—such as education, discussed in the next section—that will further benefit the economy.

“The state has been on hold for almost a generation now. We gotta get our mojo working again.”

—Paul

^ Illinois resident submission on MakeIllinoisGreat.com.
Economic Development

Illinois today
The state of Illinois is fortunate to have a wealth of assets upon which to build a thriving and growing economy: a dynamic workforce; a diverse set of industries, including agriculture, manufacturing, transportation and logistics, financial services, and healthcare; a central location in the heart of the Midwest that has made Illinois a national hub for intermodal transport, including rail, roads, air, and waterways; a metropolitan region in Chicago whose favorable cost of living and world-class cultural attractions serve as a magnet for educated talent; a high quality of life, with above-average per capita wealth and strong cultural institutions; and higher-education institutions that are recognized as some of the finest not just in the United States but also in the world.

“The number one issue impacting the inner city in Chicago is jobs.”
— Wyvetta

Challenges
While Illinois remains the economic engine of the Midwest region, with a state GDP of $672 billion in 2013, its growth has lagged behind other states across several key economic indicators, in some cases for more than a decade:

- In job creation, Illinois ranked 41st from 2009 to 2014.
- Unemployment has been higher than the national average since 2007.
- The state’s budget has had persistent deficits since the 1990s.
- Manufacturing employment has declined over the past 25 years at a faster rate than the U.S. average.
- Population has fallen for the past four decades; currently, Illinois loses 5,700 graduates with bachelor’s degrees each year.

Financial uncertainty, as mentioned in the introduction, and a reputation for corruption, as discussed in the preceding section, contribute to the challenge of attracting and creating jobs. Beyond these issues, two primary factors are accelerating Illinois’ decline:

6 U.S. Bureau of Economic Analysis.
Fragmented, cumbersome operations

The Illinois state government, which should facilitate economic growth, instead acts as an obstacle. Over the past decade, Illinois' reputation for having responsive, creative, and knowledgeable state economic development staff with deep professional relationships has eroded. Overlapping departments, a lack of transparency, and poor coordination create administrative burdens for companies seeking to relocate to the state, obtain permits to expand, or gain access to government programs and assistance. It can take agencies up to four months to issue licenses. Currently, businesses, site selection firms, and others are at a loss on how to work with state government and must navigate the system on their own. If they are fortunate enough to figure out the right office to contact at the Department of Commerce and Economic Opportunity (DCEO), they work with one individual through project intake and then are passed on to other DCEO staff for incentive negotiation and assistance in completing applications. If the project involves other departments (such as Transportation or Environmental Protection), these must typically be dealt with individually. Each time a new person is brought into the process, he or she needs to be educated on the project, creating significant duplication of work and delays.

Costly, uncertain jobs environment

As described in the introduction, pervasive uncertainty about the state’s long-term financial health deters investment and business creation in Illinois. In addition, Illinois’ business climate is unfavorable, with a corporate tax rate that is high compared with many states and tax incentive programs with sunset clauses, which impede corporate finance planning. In addition, the seventh-highest workers' compensation rate (on average, $2.35 spend per $100 of payroll), rigid workplace mandates, and a poor legal climate—Chicago was ranked the worst jurisdiction in the country by the U.S. Chamber of Commerce’s Institute for Legal Reform—have driven companies to states with more business-friendly policies.

These factors have caused Illinois to lose ground to states that have focused their energies on creating a more welcoming environment for business. On business climate, Illinois is ranked 48th among all states by CEO Magazine and 38th by Forbes.

Path forward

Much work is necessary to move toward the vision of an economy that attracts businesses and promotes investment, where above-average job growth provides economic security for all Illinois workers and their families. Through highly efficient and ethical operations—and by defining and executing strategies that create an innovative, pro-growth business environment—Illinois will attract and retain businesses and promote investment throughout the state.

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achieve this vision, we recommend, in addition to making the ethics reforms described above, focusing on three groups of strategies:

1. Create a pro-growth jobs environment.
2. Establish efficient state government.
3. Invest in the next generation.

1. Create a pro-growth jobs environment
Uncertainty, overly burdensome regulations, and a lack of available capital increase risks for businesses and impede long-term planning and investment—necessary actions to support growth and both job creation and retention. By removing these obstacles, Illinois can increase business investment and job growth.

*Improve stability of the business climate.* As described above, the state must lay out a clear and credible plan to balance its budget. An effective plan will include spending cuts, efficiency improvements, comprehensive tax reform, and many changes that, over time, will require difficult choices and shared sacrifice. However, such actions will send an important message to investors that Illinois is serious about enacting a plan that guarantees its long-term health.

*Lower the cost of doing business in the state.* Illinois should review legislation to ensure its corporate taxes, workers' compensation rates, and unemployment insurance rates are in line with peer states. Currently, many companies choose to locate just across the border in states with more favorable rates, thereby saving significant sums while still taking advantage of Illinois' transportation and logistics infrastructure. Lowering Illinois' workers' compensation rates, which are a key factor for executives in determining where to locate or expand operations, could support job retention, create new job opportunities, and significantly improve the business climate. Similarly, tort reform in Illinois could improve the legal environment, saving businesses $2.4 billion and creating up to 147,000 new jobs.8

*Support job creation and retention by increasing access to capital for small businesses.* Small businesses are a vital part of the state’s economy, accounting for approximately half of Illinois’ private workforce.9 Small businesses and start-ups have different needs than large business; incentives that may promote job growth and investment for large corporations might not work for smaller businesses. For example, since changes to the corporate tax code will only impact a small share of the state’s small businesses, effective policies must also target sole proprietorships, partnerships, and limited liability companies (LLCs). Furthermore, government bureaucracy represents a disproportionate burden to small businesses because they do not have the back office and resources to devote to compliance. Therefore, the state

8 “Creating conditions for economic growth: The role of the legal environment,” Institute for Legal Reform, U.S. Chamber of Commerce, October 26, 2011.
9 U.S. Small Business Administration.
should ease the administrative burden on small and midsize businesses in a way that does not compromise public safety.

_Tap the full potential of all Illinois residents._ All parts of the state need to benefit from economic growth. The state can directly strengthen the business community by enhancing efforts to facilitate the establishment and development of women-, minority-, and immigrant-owned businesses. To this end, the state should increase the number of companies that receive state certifications to deliver services and products, as well as facilitate better linkages among prime and subcontractors. Illinois should also increase licensure for immigrants with unique skill sets in order to attract the best and brightest talent from around the world.

2. Establish efficient state government

Two specific strategies will allow state government to provide better service to companies and stakeholders while establishing a brand for Illinois that promotes a new focus on ethics and performance.

_Replace the fragmented state government system with a "one call" approach to business._ Redundant agencies should be consolidated into a new structure to streamline operations and enable better coordination. In addition, a restructured DCEO should be able to respond rapidly to business requests and, when necessary, raise outside funding. To enable this, consideration should be given to creating a new, public-private entity that would be freed of the restrictions DCEO currently contends with in exchange for meeting specific performance criteria. Several neighboring states, including Indiana, Iowa, and Wisconsin, have adopted this approach and reaped the benefits of a more nimble and responsive economic development arm geared to the needs of business.

Beyond the organizational model of DCEO, Illinois must change the culture across agencies to refocus on teamwork, customer service, and accountability. State government should become a facilitator, helping shepherd businesses through the process and coordinating the activities of various agencies. By adopting a customer-focused mind-set, agencies can ensure the state is smoothing processes and approvals, not getting in the way. Making this transition to a more proactive and agile government will require a new type of leadership—one that involves people who have had prior experience in economic development and business attraction.

_Rebuild Illinois' reputation._ Illinois can begin to reverse its reputation for bad government in the short term by taking strong actions that signal a new Illinois. State leadership must adopt a strong tone on economic development and ethics reform. Direct involvement by Governor-elect Rauner would signal a new day in Illinois and provide the opportunity to turn disengaged business leaders into believers in, and possibly even advocates for, the new business climate. In many other states such as Georgia, the governor is positioned as the "CEO of economic development" and is directly involved in championing the state.
To encourage investment from businesses currently wary of the state’s reputation, Illinois also needs to change its perception in the eyes of businesses, residents, and tourists. Although the governor can be the lead ambassador, his efforts must be supported by a long-term strategy to rebrand the state. A marketing agency should be retained to develop a branding campaign aimed at attracting businesses, talent, and tourism to Illinois. Efforts such as Michigan’s “Pure Michigan” campaign demonstrate the impact that an effective rebranding campaign can have.

3. Invest in the next generation

The 21st-century economy will be driven by industries that thrive on innovation and new business models. By ensuring that every part of the state has the resources and incentives to promote economic growth, Illinois will be well positioned to build on its diversified economy.

*Cultivate ecosystems in advantaged high-growth clusters.* Illinois should focus resources on a defined set of industries with the potential for rapid growth. By bringing together the state’s best talent from business and academia, the state can define areas of emphasis and align academic and business communities to share knowledge. California and Massachusetts, for instance, have established thriving ecosystems for technology and life sciences, respectively, attracting the best minds in these fields. Illinois has the chance to do the same. Possible candidates include advanced manufacturing, clean energy, robotics, data centers, big data and cybersecurity, and biomedical technology—sectors where the state already has concentrations of companies.

The state should also provide funding and incentives for entrepreneurship and innovation. Illinois has the education system, talent, and economy to support a robust innovation ecosystem, but the funding needed to accomplish this goal has been lacking. For instance, Illinois’ venture capital is just 1/36 that of California and 1/7 the level in each New York and Massachusetts. Public-private partnerships, state matching funds, and proof-of-concept funds can attract and retain promising start-ups by helping to bridge the funding gap that companies face between scientific research and commercialization. Illinois should also define a clear strategy to retain its top talent, particularly in high-demand STEM fields, and attract workers and students from other states.

For high-growth ecosystems to form, the state needs to make targeted investments in the infrastructure necessary to support innovation and entrepreneurship. These investments should include place-based “innovation spaces” (for example, 1871, the Digital Manufacturing and Design Innovation Institute in Chicago), high-speed broadband, and traditional transportation infrastructure.

*Revitalize economically depressed areas of the state.* Establishing a few anchor employers in an economically depressed area can spark the revitalization of an entire community. To bring opportunity to all parts of the state, Illinois should establish new commercial zones throughout the state to attract midsize and large employers. Greater employment opportunities can deliver additional indirect benefits in the form of lower unemployment rates, lower crime rates, and a
bigger tax base that can offset the cost of incentive programs. States such as New Jersey have reversed unemployment trends through its Urban Enterprise Zones. Illinois should reevaluate and build upon its enterprise zones to make them true engines of economic growth.

Furthermore, Illinois can make economically depressed areas more competitive by working with school systems to align curriculums with the hiring needs of the job market. Site Selector magazine found that a qualified workforce is the most important location criterion for companies as they look to relocate. The education section of this report lays out several strategies on how to better prepare students for careers, including establishing partnerships among schools and industry to customize curriculums. Other states have made strides in this area: Georgia has made technical and vocational training a priority in its economic development agenda, and its workforce training programs are often cited as a leading motivator for relocation.

Immediate actions
While executing these strategies will take time, Illinois has the opportunity to send strong signals immediately to investors and employers that the state is serious about establishing a more ethical, favorable climate for job creation and retention. To this end, in the first 100 days we encourage the new administration to:

- Begin to design career and technical education focused on specific industries' needs in communities where unemployment is at least two to three points above the state average
- Launch a campaign led by the governor to communicate the vision for economic development and conduct personal outreach to CEOs, first in Illinois and then across the country. At the same time, begin the process to engage a professional marketing firm to create Illinois' new brand, which should encompass all externally-facing activities of the state (not just DCEO's)
- Publicize the importance of tort reform and the effect of the legal system on the job market
- While all are responsible for improving the business environment, the state should appoint a qualified small business ombudsman with the independence and authority to make meaningful decisions on behalf of Illinois' small businesses
- Create a single Illinois Technology Commission comprising top-level leaders from business, academia, and national laboratories
- Define the mission, responsibilities, goals, and organizational structure for a new, public-private economic development organization
- Appoint qualified, highly capable workers' compensation commissioners and arbitrators
- As with all agencies, install strong leadership based on professional qualifications and relevant experience. In addition, economic development agency leadership should have credibility with, and be drawn from, the business community
Infrastructure

Illinois today
Infrastructure is an important piece of Illinois’ history and its future. As the country’s transportation crossroads, the state has long been a destination for manufacturing, agriculture, and other industries that sought convenient access to national and international markets. Today, Illinois is home to myriad industries that rely on intermodal infrastructure—airports, waterways, roads, and rails—to move goods efficiently. These activities and the businesses they serve make a major contribution to the state’s economy through direct freight, rail, and shipping businesses and through the creation of jobs to support those businesses. All sectors rely on Illinois’ infrastructure, which includes our water supply, housing, and natural areas in addition to our critical transportation infrastructure.

A few facts reinforce the impressive scale of Illinois’ infrastructure:

- Rail moves approximately $350 billion in goods through the state each year.
- Approximately $572 billion in goods pass over the state’s roadways and bridges annually.
- O’Hare is the busiest airport in the United States and features direct connections to cities around the world.
- The Chicago Transit Authority (CTA) and Metra combine to serve nearly 2 million transit riders each weekday.
- Illinois residents also benefit from an abundant water supply, affordable housing (in some markets), and myriad parks and other attractive natural areas.

Challenges
Despite its impressive scale, the state’s physical network is overburdened and crumbling. Rail congestion has made Chicago a chokepoint: Trains can take up to 32 hours to traverse the region due to backups. Similar delays extend to the roadways, where Chicagoland residents pay a “congestion tax”—an extra $3,000 a year due to wasted time sitting in cars—in additional transportation costs. The recent increase in flooding has also exposed the costs of insufficient water management infrastructure.

Illinois faces a $19 billion backlog in maintenance on its transit systems and will need tens of billions more to upgrade its system of locks and dams. Nearly three-quarters of Illinois’ major roads are in poor or mediocre condition, costing motorists $2.4 billion in repairs and usage a year, while hundreds of bridges are in need of repair. Aging water pipes in the Chicago region leak enough water each week to overflow the Willis Tower. Beyond annual funding for the maintenance of existing infrastructure, an additional $1.8 billion per year is estimated to be required for surface transportation alone, to allow roads to handle increasing demand.
Illinois is not alone in struggling to maintain its infrastructure. States across the country are facing budget shortfalls that have delayed infrastructure spending and upgrades. However, several challenges have exacerbated Illinois’ condition.

**Insufficient and unpredictable funding sources**

The state’s capital spending on roads and bridges will fall short by about $25 billion through fiscal year 2020.

Two factors contribute to insufficient funding. First, the state passes a five-year capital plan about once a decade, making long-range planning difficult if not impossible. In addition, the most recent capital plan was not fully funded, creating unpredictability, inefficiency, and the postponement or cancellation of projects.

Second, dedicated sources to finance capital infrastructure projects have eroded over time, affecting surface transportation, affordable housing, waterways, and open space. This situation has resulted from a lack of prioritization during the budgeting process and a decline in the real value of existing revenue sources. For example, the gas tax has not been raised since 1990, meaning that the $8.25 a month that the average automobile owner pays has lost 60 percent of its purchasing power over the past 25 years.

**Lack of transparency and coordination in spending decisions**

Currently, the state does not prioritize investments based on performance goals or economic impact. Decisions on maintenance, capacity upgrades, and modernization are often made without input from related agencies. The allocation of scarce public funds should be based on rigorous economic, environmental, and equity criteria along with cost-benefit analyses. But Illinois’ antiquated funding formula—for example, the statutory formula for allocating funds to the Regional Transportation Authority (RTA) has not been updated since 1983—is also an obstacle to better decision making about limited surface transportation resources. With no outcomes-based rationale, 55 percent of available road funds are sent downstate, with the remaining 45 percent going to northeastern Illinois. Chicago is grappling with a similar challenge, with funds distributed among the region’s three transit agencies based on a funding formula established 30 years ago. The necessary transit reforms have been thoroughly studied; now the focus should be on leadership and action.

**Inefficient processes and governance**

Overlapping agencies and fragmented governance combine to hinder strategic planning and delay permits and approvals. The Chicago region offers one example of how bureaucracy undermines effective administration. RTA was created in 1974 as a transit oversight agency to ensure adequate transit throughout the metropolitan Chicago region. In practice, however, RTA has little ability to conduct oversight, leaving governance split between the boards of CTA, Metra, and Pace. Uncoordinated planning has resulted in service gaps and overlaps that have helped to drive transit ridership to levels lower than 20 years ago, even as the regional population increased during this period.
Throughout Illinois’ various infrastructure agencies, process bottlenecks have resulted in expensive delays for contractors and local planning organizations. Illinois has broken procurement processes, which must be fixed to safeguard taxpayers and ensure value for residents of the state.

Illinois must find ways to deploy its finite infrastructure funds more effectively to support the Illinois economy and serve its residents and businesses. Since the state cannot address every need, leaders must ensure investments have multiple benefits and are tied to economic growth. Research has found that infrastructure investments have a direct impact on the economy: every $1 in infrastructure spending increases economic growth by up to $2. A "multiplier" effect contributes additional, indirect growth.  

Path forward
To move further toward our vision of an infrastructure that moves people and goods safely and easily, while serving as an engine of jobs for today and future generations, we recommend focusing on three critical components—planning, funding, and efficiency—that together can maintain, modernize, and expand Illinois’ infrastructure:

1. Implement a transparent, coordinated planning process.
2. Develop sustainable funding sources.
3. Deliver programs efficiently.

1. Implement a transparent, coordinated planning process
For infrastructure investments to support the state’s priorities, the new administration must promote coordination and collaboration among agencies. In addition, the state should undertake a rapid assessment to establish clear, transparent spending priorities as well as pause and review major infrastructure projects. Measurable criteria can be used to emphasize the funding of critically needed maintenance and strategic upgrades, with a smaller percentage allocated to expansion.

By redirecting savings from existing programs and pinpointing opportunities for coordinated investments, the state can improve its return on existing funds. In transportation, for example, the Illinois Department of Transportation (IDOT) should guide the allocation of significant funds through its own capital program and metropolitan planning organizations; the agency is well positioned to provide the structure and incentives for improved decision making. The state should also establish coordinated, long-term planning that accounts for interacting infrastructure systems and commits funding for infrastructure improvements in each annual budget.

Illinois should seek to replicate the more comprehensive planning process of states such as California, which mandates that the governor submit a five-year infrastructure plan with each budget, and whose legislature engages in a debate on the merits of different projects. This process helps to align infrastructure spending with three of California’s top priorities—promoting equity in investment, protecting the environment and natural resources, and ensuring new infrastructure in growth areas.

Due to constrained resources, Illinois must prioritize projects for maintenance, modernization, and expansion that address critical chokepoints. Work must be done across infrastructure classes—including housing, open space, and water and sewer—and in close coordination with counties and municipalities. The Chicago region’s approach to infrastructure through the GO TO 2040 plan embodies robust capital coordination and performance measures.

The state should use a rigorous cost-benefit analysis to select projects with the potential to drive economic development and deliver multiple benefits for cities and communities. For example, the impact of upgrading and extending public transit lines reaches beyond the creation of construction jobs. Residents in the targeted areas gain greater mobility to pursue jobs, stations can spur development in the form of businesses and housing options, and measurable sustainability benefits (for example, carbon emissions) can accrue from giving commuters a real transit option.

2. Develop sustainable funding sources

The state should optimize the use of existing funding sources and explore comprehensive tax reform proposals such as modernizing the sales tax, which could bring additional investment in infrastructure in general and transit in particular. Recent experiences, both in Illinois and in other states, have shown that residents are willing to support increases in user fees if the goals are clearly articulated and they have confidence that the funds will be well spent toward those goals. The Illinois Tollway gained public support for a toll increase when people understood what they would get: an improved transportation system. The state must deliver the modern infrastructure that residents and businesses demand.

The state must also move away from cyclical, “boom-and-bust” capital planning. Investments in infrastructure should be included in a restructured annual budget process to identify stable, sufficient new funding sources and to provide accountability and transparency between the capital and operating budgets. Innovative approaches to financing, such as public-private partnerships, value-capture mechanisms such as transit facility improvement areas, and congestion pricing should be part of the consideration. Better planning and funding would allow Illinois to take advantage of several federal financing options, including the Transportation Infrastructure Finance and Innovation Act and Grant Anticipation Revenue Vehicles that can help accelerate construction timelines. Private Activity Bonds and a state “center for infrastructure excellence” could be used to increase private sector involvement.
3. Deliver programs efficiently

A renewed emphasis on leadership with a focus on technical capabilities can address organizational and cultural issues and drive more efficient operations at agencies responsible for infrastructure. Accomplished executives should be placed in key agency positions and undertake reviews of organizational structure, employee salaries, gaps in technical skills, existing contracts with consultants, and hiring practices. Based on these findings, executives should pursue a change management initiative, with an eye toward attracting the right talent to manage the implementation of strategies.

This focus on better performance should include an initiative to simplify the procurement process and overhaul assessment criteria. Such efforts would not only accelerate projects but also reduce costs and improve adherence to ethical standards through better administration. To ensure that all stakeholders are represented, construction agency directors should lead the effort to develop new processes and criteria, in consultation with industry and local agencies. This initiative would diagnose issues and develop a list of required changes that could be accomplished through either executive actions or legislation. As part of this work, the agency directors should estimate the savings from better project management and seek to redeploy these funds.

Immediate actions

Changing Illinois’ infrastructure planning and financing processes will not happen overnight. That said, a necessary first step is immediate leadership on developing a smarter approach to infrastructure. We encourage the new administration, in its first 100 days, to:

- Initiate reform of infrastructure investment and planning processes, including the development of new, transparent criteria for investing in specific capital programs across state agencies and in coordination with municipal, county, and metropolitan plans and priority projects
- Continue a focused effort to identify innovative funding sources, with stakeholders both inside and outside of government
- Identify the best mechanisms for coordinating capital investment through either restructuring current functions or a new structure
- Pause and review major infrastructure projects
Energy, Environment, Utilities, and Natural Resources

Illinois today
Every state faces a common challenge: managing its natural resources to support a vibrant economy while guaranteeing a high quality of life for its residents. Illinois is in the enviable position of having a strong foundation on which to build. The state has a diverse set of power generation sources that provide a reliable energy supply: Illinois is the nation’s top producer of nuclear energy, which accounts for roughly half of the state’s generated electricity. Illinois also has the second-largest proven coal reserves in the United States, and the state is a net exporter of power, selling approximately 20 percent of its electricity to neighboring states. Thanks to a healthy energy supply and a competitive, deregulated utilities industry, Illinois has relatively low electricity prices, a competitive advantage in attracting companies in energy-intensive industries such as manufacturing.

Illinois has also been at the forefront of investment and innovation in renewable energy: the state ranks fourth for installed wind energy capacity and generates enough electricity from wind to power 1 million homes. The state’s clean-energy sector has 97,000 jobs and is growing at 9 percent a year. Moreover, Argonne National Laboratory’s Joint Center for Energy Storage Research is a pioneer in battery technologies that are powering the next generation of plug-in and hybrid cars. Researchers are also working to develop energy storage systems that can support distributed, community-based power generation from wind and solar and make the electric grid more resilient and reliable. Illinois’ world-class network of universities, colleges, and research institutions are a key source of talent to make the state a national leader in energy innovation and entrepreneurship.

On natural resources, Illinois’ geography features a wealth of assets. Lake Michigan offers not just a picturesque setting for recreation but a plentiful freshwater source. In total, the Great Lakes account for one-fifth of the earth’s freshwater surface, supplying drinking water to 40 million people. The state’s rivers and streams are defining features of the Illinois landscape and are an integral part of our cities, agricultural lands, and natural areas. In all, 90 percent of Illinois residents live near a freshwater source. With some of the most fertile soil in the world, the state is an agricultural powerhouse, while its expanse of prairies and woodlands are important recreation areas for residents and tourists. In the coming years, nurturing the state’s natural resources will be critical to sustaining Illinois’ economy and the quality of life for all residents. Illinois has enacted a platform of strong environmental regulations that have safeguarded drinking water, air quality, and wildlife.

Challenges
In the 21st-century economy, energy, utilities, and natural resources will take on increasing importance. Despite Illinois’ relative advantages, the state has lacked the long-term vision, coordinated operations, and expertise in the right positions to unlock the full potential of its assets.
Lack of vision
Illinois lacks a single agency or individual responsible for shaping a long-term plan for the state’s energy and environmental interests. On energy, for example, authority is distributed across multiple state agencies, including the Department of Commerce and Economic Opportunity (DCEO), the Department of Natural Resources (DNR), the Illinois Environmental Protection Agency (IEPA), the Illinois Power Agency (IPA), and the Illinois Commerce Commission (ICC). The challenges in such fragmented responsibilities is evidenced in the need for long-term planning in Illinois’ energy sector: today our baseload generation capacity is aging, and 60 percent of coal plants are more than 40 years old.

With the need to modernize Illinois’ energy production systems, the state has the opportunity to reshape its energy profile to emphasize cleaner sources such as nuclear, gas, clean coal, and renewables. Similarly, the state needs to make investments in transmission infrastructure to deliver electricity and gas within the state and export energy to neighboring states, especially to the east. A focus on innovation in the energy and environment sectors could deliver significant benefits, but Illinois is losing many of its talented engineers and scientists to other states who have better programs to commercialize innovation and support entrepreneurship.

Underperforming, uncoordinated agencies
The state agencies that manage energy, natural resources, and the environment—DCEO, IDNR, IEPA, IPA, and ICC—operate for the most part in isolation of one another. The lack of coordination and follow through can represent major obstacles for entities seeking to obtain new or renewed permits of all types. In some cases, approvals that take weeks in other states can take months or years in Illinois; IDNR and IEPA have significant backlogs. As a result, it is not uncommon for major capital projects to be postponed indefinitely or abandoned altogether. The inability of the agencies to work expeditiously and in coordination creates uncertainties that constrain economic development and compel companies to consider other states for expansion.

Poor stewardship of natural resources
IDNR should be an active, engaged, and strategic partner for the state’s open spaces and parks. Instead, the agency lacks the required expertise and frontline staff. The result: diluted leadership and advocacy, delays in permits, poor customer service, and no long-term strategy or vision. In the end, what has become an ad hoc approach to natural resources means that Illinois has fallen behind other states. For example, Illinois is ranked 48th in the country in publicly accessible open space per capita for state and national parks. In comparison with other states, Illinois has few public lands for boating, fishing, or hunting. Moreover, the state’s permitting processes are slow and costly, creating bottlenecks that impede the use of available open lands. As a result, Illinois residents regularly spend their recreation and tourism dollars in Michigan, Indiana, and Wisconsin, representing a missed opportunity for in-state economic activity.

Path forward

Given the interconnection of energy, environment, utilities, and natural resources, the state should develop coordinated strategies that support the economy while maintaining a high quality of life for Illinois residents. Together, the following six strategies represent a comprehensive vision for the state:

1. Increase alignment and performance across state agencies.
2. Reinforce Illinois’ commitment to conservation, natural resources, and land management.
3. Develop a ten-year energy plan.
4. Create a healthy business climate in Illinois that will drive economic growth.
5. Capture a larger share of the significant energy efficiency opportunities.

1. Increase alignment and performance across state agencies
To coordinate communication across disparate energy and environmental stakeholders in the government, a senior policy position for energy and environment should be created. This individual would lead a review of the structure and reporting relationships and be tasked with first streamlining, then instilling a culture of professionalism and expertise in our energy, environmental, and natural resources agencies. To spur engagement, an Energy and Environmental Advisory Council should be established to enable key stakeholders, including leaders from business, environment, and energy, to weigh in on related policy. The senior policy adviser would lead the council and also serve as a single point of contact for stakeholders within and outside of the state.

2. Reinforce Illinois’ commitment to conservation, natural resources, and land management
The state’s natural resources make an invaluable contribution to not only the quality of life for Illinois residents but also the economy as a whole. The effective management of natural resources will continue to make the state an attractive location to live, work, and play. Therefore, the state should take necessary actions to ensure that its abundant water resources (the Great Lakes and waterways) are clean and properly protected. Similarly, prairies and woodlands are important recreation areas for residents and tourists. Healthy natural areas also provide critical services such as flood control; water purification; and habitats for pollinators, birds, and other wildlife. The state should support the ecological restoration of degraded woodlands and prairies, including the control and management of invasive species (plant and animal, aquatic and terrestrial). To minimize waste and the use of landfills, the state should seek to strengthen and expand successful recycling programs across the state, especially within the construction industry.

3. Develop a ten-year energy plan
Due to the capital investments required for Illinois to maintain its competitive energy advantage, the state should develop a long-term energy plan that balances traditional energy, renewable energy, and energy efficiency; improves investment in energy infrastructure; and
supports innovation in the energy sector. An important component of the plan should be to preserve Illinois’ diversified energy industry and maintain its competitive energy rates. By restructuring the Renewable Portfolio Standard, the state can meet its original goals of 25 percent renewable energy by 2025 while increasing investment in clean energy sources. Expanding Illinois’ renewable energy generation through targeted investments will further diversify our energy base and position Illinois well for the future.

The new hydraulic fracturing rules, which enable Illinois to access its gas and oil reserves, have taken more than a year to finalize. Meanwhile, Illinois has stood on the sidelines as other states have capitalized on this energy opportunity. It is incumbent on the state to now develop and implement a safe and efficient energy strategy that provides stability to producers and safeguards the public.

The state’s plan should also nurture an environment that fosters innovation and the commercialization of new energy and environmental technologies. Illinois boasts world-class universities with top talent. The challenge is connecting researchers with the funding, mentorship, and resources to bring their ideas to market. The state should provide scientists with best-in-class opportunities to commercialize their ideas; such efforts would ensure innovative energy intellectual property remains in and benefits the state, fueling entrepreneurship and high-tech job creation.

4. Create a healthy business climate in Illinois that will drive economic growth

The state should maintain the competitive energy advantages of Illinois and explore opportunities to reduce unnecessary energy and environmental policies that impede business development. The government should review state and federal environmental policies and take action to eliminate duplicative regulatory regimes, unreasonable delays, and conflicting requirements. Strong leadership across all agencies, with sufficient and qualified staffing, must focus on instituting a performance culture, which will accelerate actions to eliminate the state’s backlog of permit applications and improve the permitting process. Illinois should strive to conduct quality reviews and achieve turnaround times that are on par with neighboring states. Such actions would help Illinois retain its existing businesses, encourage expansion, and make Illinois a more desirable destination for businesses seeking to relocate.

5. Capture a larger share of the significant energy efficiency opportunities

Energy efficiency is one of the most cost-effective energy strategies, since reducing energy usage costs far less than creating new generating capacity. While the state’s goal is to achieve a 2 percent annual energy reduction through energy efficiency, it has fallen well short of that target. The state should seek to expand successful utility and third party (non-utility) energy efficiency programs, while incorporating best practices from other states. Smart-energy management and efficiency retrofits, especially of state-owned buildings and vehicles, also represent an untapped source of job creation for Illinois.
6. Make Illinois a national leader in outdoor recreation opportunities and quality of life
Lake Michigan and the state’s open spaces, parks, trail systems, rivers, and other lakes offer outstanding recreation potential, while its natural areas are essential quality of life elements to attract and retain businesses and families. Illinois has a strong network of conservation organizations, user group associations, land trusts, park districts, and forest preserve districts that marshal significant private and local resources to conserve lands and waters and provide recreation opportunities. The state should seek to increase these opportunities by coordinating state agencies and expanding partnerships with conservation organizations, land trusts, and other stakeholder organizations. In addition, Illinois can promote sustainable infrastructure that enhances residents’ quality of life and lowers the burden on the environment. For example, city and suburban green spaces (including green roofs, restored flood plains, parks, and forest preserves), in addition to enhancing quality of life, deliver many additional benefits: decreasing runoff and reducing flooding, tempering urban heat island effects, and providing wildlife habitat.

Immediate actions
While executing these strategies will take time, Illinois has the opportunity to take swift, decisive actions that elevate the importance of energy, environment, utilities, and natural resources while instilling a culture of performance and customer service in low-functioning agencies. For example, in the first 100 days we encourage the new administration to:

- Identify opportunities to implement permits-by-rule for common or less-complex permits
- Improve management and utilization of outdoor recreation areas and access to recreation opportunities across the state by working with conservation, open space, and private sector interests
- Jump-start horizontal drilling and hydraulic fracturing by staffing sufficiently to respond promptly to permit requests
- Develop agency policies that require appropriate and sufficient outreach with stakeholders to improve regulatory certainty for businesses and provide sufficient time for them to plan for future changes
- Evaluate the Renewable Portfolio Standard and how it is implemented to achieve its goal of 25 percent renewable energy by 2025
- Begin to develop a plan to achieve the state's goal of reducing energy demand by 2 percent on an annual basis
- Engage business executives and other stakeholders to provide ongoing council to the new administration and governor
- Appoint a task force to review the implications of the “utility of the future” on existing laws and regulations, ownership structure, pricing designs, and incentives
- As part of the ongoing efforts of IEPA and DNR, ensure that stakeholders are engaged on issues relating to: a) water use and pollution, including the threat of invasive species; b) the
future of nuclear energy in the state; and c) options for Illinois' response to the U.S. EPA Clean Power Plan and carbon reduction strategies that fit with the existing generation mix, minimize price impact, and maximize economic opportunities

• Recruit candidates and hire an individual for a senior policy position for energy and environment
Agriculture—Where all the pieces come together

Agriculture is critical to Illinois’ economy, energy independence, environment, education in rural areas, and infrastructure. Agriculture improves the lives of all Illinois residents, whether in urban, suburban, or rural areas of the state. The strategies necessary to invest in and grow this sector demonstrate well how the state government, while necessarily divided into departments, must work in concert, each part supporting the others. Indeed, the strategies critical to strengthen the agriculture section cut across nearly every other policy area.

Illinois today

Blessed with some of the most fertile soil in the world, Illinois is an agricultural power with all of the assets necessary to remain a global agricultural leader. In terms of crop production, the 28 million acres that make up Illinois’ 76,000 farms produce $9 billion in commodities each year. Meanwhile, Illinois livestock operations support 26,000 jobs and produce $3.5 billion in commodities annually. Among the major agribusiness companies—that is, companies related to the growing, production, manufacture, and/or trade of agricultural products—that call Illinois home are Archer Daniels Midland, Beam Suntory, Caterpillar, Ingredion, John Deere, McDonald’s, and Mondelēz International. Educational institutions such as the University of Illinois and Southern Illinois University offer agriculture instruction, innovation, and research.

Challenges

Agriculture is undeniably one of Illinois’ great strengths, but several challenges need to be addressed if the state is to maintain and build upon its preeminence.

Fragmentation, regulation, and promotion

Bureaucracy associated with the Illinois regulatory environment often presents an obstacle to the expansion of farms and agricultural production centers. For example, the process of obtaining a permit to make changes to a livestock barn took 30 days in the late 1990s but now takes nine months. Staff reductions in permit processing functions, ineffective agency management, and a growing number of regulations and processes all contribute to the delays.

Compounding the problem is the number of agencies often involved in the permitting process and the lack of coordination among them. A farmer seeking a permit to expand facilities may begin the process in the Illinois Department of Agriculture (IDOA) but then find it necessary to start over in the Illinois Environmental Protection Agency (IEPA) before beginning again in the Department of Natural Resources (DNR).

In addition, the state does little to enhance Illinois’ economic development prospects by promoting Illinois agriculture and coordinating efforts to promote the state’s agricultural exports.

Sustaining farm employment

The average age of an Illinois farmer is 58, highlighting the need to foster the next generation of farmers in the state through a combination of education and increasing awareness of potential
careers in agriculture. For many of Illinois’ small towns and rural areas, the family farmer is the largest business in town and essential to the fabric of the community.

For those looking to begin farming in Illinois, however, the barriers to entry are high. Illinois farmland costs $12,000 an acre, and the average farm occupies 1,500 acres. Meanwhile, a new combine costs $350,000. These expenses mean a new farmer needs access to several million dollars in capital to get started. In addition, succession planning for family farms is made difficult by tax policies that hinder transfer of funds and property to heirs.

Natural resources and infrastructure
Runoff of fertilizer and other chemicals used on farms across the state makes Illinois the largest contributor of phosphorus and nitrogen into the Mississippi River watershed. As a result, the U.S. EPA is demanding that farmers address the situation, but solutions are difficult and costly.

The use of hydraulic fracturing to tap gas and oil reserves could be a boon to rural economies. However, with the completion of hydraulic fracturing regulations, the state needs to make sure in its implementation of these rules that it considers the protection of soil and natural resources as well as the impact on Illinois’ transportation infrastructure capacity. Indeed, in North Dakota, farmers looking to move crops to market have found themselves competing with the oil and gas industry for limited rail capacity.

Path forward
Maintaining and expanding Illinois’ status as an agriculture powerhouse will require efforts that cut across nearly every part of state government. Indeed, implementing these imperatives requires coordination across several agencies. Four core strategic imperatives should guide the state:

1. Improve the business climate.
2. Promote agriculture.
3. Educate and innovate.

1. Improve the business climate
To build on its competitive advantages as a leader in global agriculture, several aspects of the overall business climate need to be improved, each with implications for other policy areas:

- *Energy and infrastructure*—Illinois needs to strengthen the transportation infrastructure of roads, rail, and waterways that is essential to the state’s agriculture industry and Illinois’ position as a leading agricultural exporter. The state should also take steps to reinforce the Illinois agriculture industry’s position as both a major consumer and—through biofuels—a major producer of energy.
• **Regulation**—In all aspects of regulation, the state should seek to balance the needs of protection with those of commerce. For example, IEPA should take steps to balance the needs of the environment with those of the agricultural sector.

• **Fragmentation**—The state should encourage streamlining of processes and ensure improved cooperation and communication across the agencies involved in agriculture permits. The state also should review siting and permitting processes with the goal of reducing waiting time and unnecessary delays.

2. **Promote agriculture**

Working in concert with the Department of Commerce and Economic Opportunity (DCEO), the state should create a vision and road map to promote Illinois agriculture with an eye toward bringing new individuals, businesses, and other necessary resources to Illinois’ rich agricultural community and increasing exports of agricultural products. The IDOA should educate the public about Illinois’ food production, processing, and distribution in an effort to help the state establish a “food identity.” State government should also facilitate conversations among various Illinois agriculture groups, such as the Illinois Soybean Association, to help coordinate their efforts to increase Illinois exports. In addition, Illinois should review the operations and funding of state, county, and vocation fairs and identify areas to streamline services, reallocate funding, and develop public-private partnerships.

3. **Educate and innovate**

With academic institutions ranging from the Chicago High School for Agricultural Sciences to the University of Illinois—one of the original land-grant institutions in the nation—the state should endeavor to protect Illinois’ position as a leader in agricultural education and academic research. Even in rural areas of the state where young people are surrounded by farms, many are not aware of the various opportunities that exist in the agriculture industry.

Illinois should emphasize agricultural workforce skills development through K–12 education, post–high school education, Workforce Investment Act efforts, and nonprofit programs. State government should partner with agriculture organizations and others to provide students opportunities for on-farm and other agriculture work experiences. Moreover, Illinois should work to create bridges between the state’s rural and urban communities to educate both groups on agriculture’s importance to Illinois and its interconnectedness throughout the state. In higher education, state government should link entrepreneurs and companies with Illinois’ vast agricultural resources to drive agricultural technology and innovation. As part of this effort, Illinois should conduct a needs assessment of unfilled jobs in the agriculture industry and assess existing career guidance procedures. The state should also take steps to enhance partnerships between agribusiness companies and research underway at the University of Illinois and other institutions of higher education, connecting entrepreneurs with agriculture to help find solutions to the challenges confronting Illinois farmers. Given the success of 1871 and UI LABS in promoting innovation, the state should create an agriculture exposure program at these facilities and other business incubators.
4. Nourish

While Illinois is a major food producer, nearly two million people—15 percent of the state’s population—don’t have access to affordable and healthy food. This problem is particularly acute in urban “food deserts,” created by a lack of grocery stores that offer fresh produce and other nutritious dietary options. Working in concert with efforts to improve health and human services, the state should work to increase food security and nutrition for Illinois families. Innovative programs and public-private partnerships—including technical assistance to alternative and nontraditional food markets and waste reduction strategies to redirect food from landfills to secondary or emergency food systems—could increase food security in both urban and rural areas.
Investing in Illinois Residents

In every community in Illinois, small rural towns and urban centers alike, state programs and services offer a gateway to a better life. This social safety net is vital to ensure that every Illinois resident—whether the most vulnerable in society, students at every level of education, or returning members of the military—has the means and assistance to enjoy health and wellness and unlock their full potential.
Health and Human Services

Illinois today
Health and human services encompasses the full range of services that together form the state’s social safety net. In Illinois, five major state agencies—the Department of Healthcare and Family Services (HFS), the Department of Human Services (DHS), the Department of Children and Family Services (DCFS), the Illinois Department of Employment Security (IDES), and the Illinois Department on Aging (IDoA)—as well as multiple subagencies are responsible for everything from providing services to some of the most vulnerable populations (the elderly, poor, disabled, mentally ill, and children) to the administration of the Affordable Care Act.

Health and human services expenses, which currently account for 42 percent of the state’s total expenditures, are growing at an unsustainable rate. Over the past four years, health and human services spending has grown by 13 percent annually, while overall state spending increased by just 1.1 percent per year in the same period. Despite significant and growing funding, the state has not been able to deliver commensurate high-quality service. Several figures are representative of Illinois’ subpar provision of health and human services:

- Illinois ranks at or near the bottom compared with other states in quality of and access to care.
- Illinois is in the bottom quartile of U.S. states on both permanency and child safety metrics.
- It currently takes months or even years to gain access to performance statistics and reporting.
- Illinois has the lowest penetration of health information exchanges (HIEs) in the Great Lakes region.

Challenges
All states have had to adjust to a dynamic health and human services environment, but Illinois has faced additional obstacles resulting from several entrenched issues.

Coordination among agencies
Fully 75 percent of key health and human services programs cut across three or more agencies, raising real questions about system effectiveness and redundancy and making transparency and collaboration a paramount concern (see exhibit on next page). Currently, the state does not track individuals across agencies, making it impossible to get a consolidated view of the consumer. Recipients of services must go to different offices to meet with caseworkers for each individual program, and information must be reentered with each agency. An organizational structure with significant duplication, overlapping programs, and poorly defined roles further

12 Permanency refers to the stability and continuity of relationships needed to support child development.
complicates efforts to coordinate services. Nonprofit and private healthcare providers face these same coordination challenges in dealing with the state: an organization must file the same paperwork with multiple agencies and subagencies before being cleared to deliver care and is subject to audits by different organizations.

**Overlap among Illinois health and human services agencies**

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<thead>
<tr>
<th>Human services area</th>
<th>State agencies</th>
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<tr>
<td>Health care and support</td>
<td>DCFS</td>
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<tr>
<td>Mental health</td>
<td>DHFS, IDES, IDJJ</td>
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<tr>
<td>Public health</td>
<td>DOA, DOC</td>
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<tr>
<td>Rehabilitative/habilitative services</td>
<td>IDPH, ISBE, DCEO</td>
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<td>Substance use</td>
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<td>Employment</td>
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<td>Housing and shelter</td>
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<td>Educational support services</td>
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<td>Criminal correctional system</td>
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**Note:** This exhibit is not exhaustive.


**Waste and fraud**

Health and human services agencies have lacked a focus on accountability that would ensure programs are achieving their goals and serving the intended constituencies. In 2013, after an outside firm hired to evaluate the state’s Medicaid program found that approximately one-half of the 465,000 enrolled individuals it reviewed were ineligible, Illinois dropped approximately 116,000 from the Medicaid rolls.\(^\text{13}\) Although the state has made progress over the past year in addressing these issues, it may be spending millions of dollars on people who should not receive these services. Similarly, preliminary research indicates that some funds distributed to people enrolled in the Supplemental Nutrition Assistance Program (SNAP) are being spent outside the state or on items other than food. The state has the means to prevent such spending but has yet to take action. Independent agencies and multiple funding sources have resulted in myriad, fragmented programs for specific populations. Individual agencies are allowed to establish

\(^{13}\) For more detail, see Ben Yount, “Despite ‘staggering’ success, Illinois drops Medicaid fraud finder,” Illinoiswatchdog.org, November 26, 2013. According to the Office of the Inspector General in the U.S. Department of Health and Human Services, Illinois has taken steps over the past year to reduce fraud.
programs without tracking performance-oriented metrics or checking on whether similar initiatives are already in place. For example, no less than four pediatric dental programs are in place, but little effort has been made to ensure that all of these programs are effective.

**Federal funds**

Illinois has the potential to gain access to substantial amounts of federal funding, but a lack of adequate preparation and coordination among relevant parties has led to suboptimal results. The state applied for a $5.6 billion 1115 Waiver, which gives states greater flexibility in testing new approaches to the financing and delivery of services through Medicaid and the Children’s Health Insurance Program (CHIP). The preliminary federal response suggests that the submission will be awarded significantly less than this total due to a lack of reform and innovation in payment models. Illinois also applied for a $100 million grant as part of a State Innovation Model (SIM) initiative, a federal program that rewards new approaches to healthcare delivery. While other states such as Ohio and New York received $75 million and nearly $100 million, respectively, Illinois was awarded just $3 million to support further study—a reflection, at least in part, on the state’s poor preparation. Ineffective program administration has also left federal funding on the table. For instance, according to the latest available data, 477,000 Illinois residents who are eligible for SNAP are not currently enrolled. Raising Illinois’ performance into the top quartile of all states would result in an additional 177,000 enrollees and $295 million in funding. Finally, the state failed to rally support from Illinois-based providers to apply for $840 million in available funding to support provider practice transformation.

**Statewide leadership**

Given the span of health and human services agencies and programs, implementing new strategies and instilling a performance culture requires significant commitment to build consensus and achieve progress. To date, the Governor’s Office of Health Innovation and Transformation (GOHIT) has developed several strategies that include commonsense approaches and successful programs from other states. However, without the support of stakeholders across the sector—not just agency executives and management but also private and public sector organizations and commercial payers—these plans have failed to gain traction. In addition, the absence of input from state agencies has resulted in a largely hostile reception of these proposals from the affected agencies and departments.

**Path forward**

In spite of the formidable obstacles that Illinois faces in improving health and human services, it is possible to make significant progress on these issues. Other states have undertaken comprehensive reforms that have had a huge impact on care and service delivery within several years. By fostering high-quality, consumer-centered health and human services agencies,

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14 USDA Food and Nutrition Services.
Illinois can efficiently steward both public and private resources to support the people of Illinois in leading healthy, safe, and self-sufficient lives. To achieve this vision, we recommend the following six strategies:

1. Improve Medicaid.
2. Tailor approaches to select populations.
3. Improve social services.
4. Promote pay for value.
5. Innovate the delivery of care and services.
6. Focus on three key enablers.

1. **Improve Medicaid**

Medicaid provides vital services to poor and vulnerable populations, but the state must evaluate and enhance eligibility screenings and reviews to reduce fraud and restore confidence in the program. The state should improve front-end and online processes to determine eligibility; the eligibility procedures of peer states offer a natural starting point. In addition, the state should limit Medicaid automatic renewals that can lead to abuse and waste. To get more from Medicaid investments, the state should develop and initiate a plan to harness data analytics to track program performance and validate return on investment. Selecting metrics to define success in all programs and tracking data on a consistent basis will enable the state to discontinue programs that are not achieving their intended outcomes. A statewide provider dashboard would promote value-based care and increase transparency on metrics such as quality.

Better program administration can also deliver substantial benefits. By modernizing Medicaid to align with value-based purchasing strategies, the state can satisfy its fiduciary responsibilities and restore the program’s integrity. This shift in strategy entails a change in agency resources as well: HFS appears to need new or repurposed capacity to adequately oversee the state’s fast-growing, billion-dollar package of contracts for Medicaid managed care. Better purchasing and procurement (covered in more detail in the Operations section of this report) could also capture cost savings that could be reallocated to service provision. Pharmacies should be encouraged through incentives to use generic or the lowest-cost branded pharmaceuticals, particularly in high-cost areas (such as psychiatric drugs or specialty drugs). Similarly, Illinois bring costs in line with the prices the federal government pays by competitively bidding for durable medical equipment and medical devices.

2. **Tailor approaches to select populations**

Several segments of the population—those with behavioral health issues, the developmentally disabled, the elderly, and children and pregnant women—require an additional level of care, which can drive up overall spending. A strategic approach to these populations can not only reduce costs but also improve outcomes.
**Behavioral health.** Early detection and proper diagnosis can start to help the state match the needs of these patients with effective treatments, environments, and duration of care. Better treatment and support can also translate to a reduction in healthcare costs. For example, high-needs patients—the top 5 percent of individuals by healthcare costs—account for 50 percent of total spending. Similarly, research has found that the cost of treating attention deficit hyperactive disorder (ADHD) can be four times more at behavioral health providers compared with private practices and physicians.

In the United States, the use of medication to treat mental health disorders over the past 20 years has increased more than 300 percent, driven in part by several drugs being prescribed when few would suffice. Carefully monitoring the prescription of psychotropic drugs—including side-effect profiles, unnecessary polypharmacy use, and interactions with medical prescriptions—can also help bring costs down. The state should also explore implications of the Illinois Parity Law for consumers: most residents with serious mental health issues do not realize that insurance companies and health maintenance organizations (HMOs) serving employer groups of more than 51 employees must provide coverage for serious mental illnesses.

**Developmentally disabled.** Illinois can improve the effectiveness of the care it provides to the intellectually and developmentally disabled (ID/DD) population in several ways. Since each ID/DD resident has unique care needs, the state should provide person-centered assessment when it initiates care to ensure that individuals are receiving the proper assistance. Where appropriate, the use of community care should be offered to individuals who express a preference for this treatment option. Traditionally, employment has been viewed as an outcome of care rather than a fundamental aspect of care programs. Therefore, the state should seek to increase employment programs for the ID/DD population.

**Elderly.** Spending on the long-term care of seniors is expected to nearly double over the next decade, making it an increasing portion of state budgets. These costs can be controlled by increasing the integration of care options and managing care more effectively. Nursing homes are the largest category of long-term care spending, accounting for 40 percent of the budget, and Illinois has the highest portion (nearly 27 percent) of nursing-home residents with low care needs. The state should use assessment data to match care settings with patient needs and better support consumer decision making when selecting care. By using assessment data to link the level of payment with the level of care and quality, the state can also improve the quality of care and outcomes among providers.

**Children and pregnant women.** Since Illinois’ performance lags behind the national average by measures such as child safety and permanency, the state must develop a comprehensive approach to nurture the health and wellness of Illinois children. A priority should be to increase the coordination and quality of care for children and pregnant women. Bundling needed services would help to increase providers’ flexibility to determine the best treatment for these patients and deliver better outcomes.
3. Improve social services

Illinois should create a one-stop shop for a range of social services to increase access for residents while minimizing the physical footprint of local offices. Some of these functions are already being performed more effectively by the private sector, and government and business both have a vested interest in social programs that are linked with improved statewide economic development. Thus, to get more from available resources, the state should promote public-private partnerships in areas such as employment. Furthermore, since many of those who need care may not know how to gain access to services, the state should pursue efforts to enhance public awareness. Such efforts could help the state meet its treatment and prevention objectives, including optimizing enrollment in substance abuse programs to obtain more funding. In addition, prevention efforts have proved to reduce future costs in many social service areas: with substance abuse, for instance, $1 spent on prevention with teens leads to $18 in eventual savings from the reduced need for services. Access to housing is also a fundamental component in reducing long-term health costs and recidivism while improving public safety, so the state should develop a comprehensive approach to increase supportive and affordable housing.

4. Promote pay for value

To spur innovation in healthcare delivery and outcomes, payers and providers across the healthcare industry are moving from fee for service (FFS) to pay for value. Illinois should follow suit by building alignment among stakeholders for this approach and continuing to expand the use of managed care organizations (MCOs). Although Illinois should commit Medicaid patients and state employees to MCO participation, this patient population will likely be insufficient to support providers’ full reorientation of care delivery away from FFS and toward paying for value and outcomes. The basis of the Capability Maturity Model Integration (CMMI) SIM program is to have the state lead a multipayer coalition to support similar, if not the same, types of payment model innovation. Doing so would allow healthcare providers to transition to the new business model more effectively. Therefore, the state should find ways to encourage and incent commercial payers to participate. Multipayer collaboration will be essential to ensure the critical mass of patients needed for healthcare providers to embrace pay for value.

Illinois should also work with all stakeholders to determine and launch the chosen payment models that would ease the transition to value-based care. As one example, the Patient Centered Medical Home (PCMH) places physicians at the center of a patient’s care coordination across the spectrum of prevention, disease management, inpatient (acute), and end-of-life care. The objective of PCMH is to support providers in keeping patients healthy and out of hospitals and other care sites. Under today’s FFS payment model, this approach would be crippling for most providers from a revenue and profit perspective. Under a PCMH model, however, providers share in the value created. Payers in other states have reported improved outcomes and reduced costs with PCMHs. Further, an “episode”-based model, in which care for procedures such as

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15 MCOs are providers that deliver healthcare for a predetermined monthly fee and coordinate care through a defined network of physicians and hospitals.
total joint replacements and perinatal care are coordinated from beginning (screening) to end (follow up), can facilitate statewide tracking, risk management, and cost comparisons to reduce variation between providers. Ohio, Arkansas, and other states have embraced both these models, which work in tandem to provide better care for residents by keeping them healthy but also working to improve coordination, access, cost, and experience when patients inevitably need procedures. Both of these approaches hold promise in the near term to begin the movement toward pay for value in Illinois. The potential impact of pay for value is tremendous: effective implementation would slow the growth of healthcare costs. It would also allow the state to play a central role in leading the change—for the benefit of not just Medicaid and other special populations but all Illinois residents.

5. Innovate the delivery of care and services
MCOs will be a critical component in developing and implementing a strategy to support continued innovation. The state should clarify the overall role of MCOs to support awareness and understanding among payers and providers, lay out a transition plan, and develop an approach to promote the transformation of care delivery at Medicaid-majority providers such as the Cook County and University of Illinois at Chicago systems. The movement to the managed-care model will increase the need for a skilled workforce to handle increased patient volumes, so the state should create and execute a workforce development plan that gives healthcare employees the skills to support value-based care delivery. In tandem with this effort, the state should also conduct an assessment of current capabilities and develop a road map to ensure that providers are equipped with the workforce and transition plans to shift effectively to value-based managed care.

6. Focus on three key enablers
As described more generally in the sections on technology and operations, the following three operational initiatives extend across the five health and human services strategies described above and provide the tools, resources, and capabilities to implement these strategies.

*Design information technology (IT) systems to facilitate data integration and information sharing.* IT platforms, systems, and databases are foundational components of efforts to reform health and human services, so the state should improve data transparency, report generation, and information accuracy to support health and human services programs and their administration. Ongoing efforts should be accelerated, including the Integrated Eligibility System (IES) program and the implementation of the Medicaid Management Information System (MMIS). Progress on the Child Care Management System (CCMS) should be assessed and adjusted as necessary. To facilitate the exchange of information among payers, providers, and the state, Illinois should expand its health information technology (HIT) infrastructure, including HIEs and electronic health records (EHRs). Other IT efforts to enable pay for value, enhance data analytics, and promote data storage and transparency should also be pursued.

*Streamline organization and coordinate operations.* Currently, 9 out of 50 Illinois state health and human services organizations account for approximately 94 percent of the health and
human services budget. Illinois should consider consolidation of budget authority and coordination of policy making in one senior-level position for all health and human services agencies while retaining current agency structure to improve administrative efficiency and program performance. Ohio, for example, unified 20 organizations under a single cabinet position to improve accountability. Illinois should also assess the potential of shared services to deliver greater efficiency and cost savings. Creating shared services would allow health and human services agencies to pool common functions that can better support agency reporting and audits, grant writing and administration, and improved service levels. As part of this effort, the state should streamline inefficient operations (such as eligibility determination, invoicing, and claims filing) and simplify complex regulations and licensing requirements. To enhance accountability, the health and human services leadership should establish metrics-based performance evaluations of all programs across the dimensions of cost, quality, and customer access and experience.

**Maximize available funding.** Illinois could significantly increase its access to federal funds by pursuing several high-value targets. First, the state should redesign its 1115 Waiver application to maximize available funding and position Illinois to reduce long-term healthcare costs while improving quality and access. Second, in response to the poor outcome from Illinois’ SIM application, the state should restructure its current efforts and focus on multipayer payment innovation. Third, efforts to secure grant funding should be coordinated with the state’s Washington, D.C., office, which could work with the Illinois Congressional delegation, to enhance support and results. Fourth, the state should ramp up efforts to improve program administration, reduce efforts, and promote awareness of and enrollment in available programs among the eligible population. Last, the state should expedite a decision on whether to support and pursue the CMMI Practice Transformation grant application.

**Immediate actions**

The committee recommends several actions in the short term than can reorient health and human services agencies around strategies that will ultimately improve service levels and outcomes for Illinois residents.

**Improve Medicaid**

- Begin a first-pass review of Medicaid eligibility for immediate redetermination along with studying best practices
- Launch review of progress on all data analytics functions, both existing and planned
- Review opportunities to streamline and improve operations
- Begin a comprehensive review of all expenditures for prescribed medication

**Tailor approaches to select populations**

- Convene a group to begin review of evidence-based treatment types as well as current standards and levels of medication compared with national levels
• Identify solutions for the current waiting lists and options for those wanting different types of care
• Develop standard assessments for all special populations
• Select a group, such as Governor’s Office of Early Childhood Development, to design and kick off a strategic planning process for pregnant women and children care

**Improve social services**

• Assess drivers of success in current effective partnerships and areas with need for innovation and funding
• Look across agencies at current capacity for effective outreach, and identify issues most in need of improvement
• Begin strategic planning with the aim of clear goals and approaches, including a multiagency steering committee

**Promote pay for value**

• Convene stakeholder groups to examine the need for alignment on pay for value and payment innovation, and translate past discussions into stronger actions
• Assess the existing plan and identify all stakeholders

**Innovate delivery of services and care**

• Complete a comprehensive review of the current state of Medicaid-majority providers
• Convene key stakeholders around what capabilities are needed in providers to make necessary business model shifts

**Promote key enablers**

• Create a senior-level role or body with oversight over the five major health and human services agencies, and confirm areas that could be shared or pooled across these agencies
• Set a vision for resident-centric processes, and design performance metrics and KPIs for programs
• Assess effectiveness of the Washington, D.C., office in obtaining grants, and establish a baseline for benchmarking
• Identify key drivers for the current enrollment rate of targeted federally funded programs, and set targets and an approach for increased awareness
• Assess major health IT programs to uncover latent risks and performance issues
Education

Illinois today
The promise of upward economic mobility through meaningful employment and engaged citizenship is at the heart of the American dream. Education offers a gateway to opportunity and advancement, and it is crucial to the functioning of our democracy. As the United States transitions to a knowledge-based economy, access to a quality education is among the highest obligations of a state. High-performing schools will elevate whole communities and draw residents who seek strong academics for their children. A well-educated workforce will attract business, bolster the economy, and support systems that serve employees and their families.

Our education system boasts examples of excellence at all levels—in early childhood, K–12, and higher education. Despite falling to fourth place in 2013, Illinois is a leader in access to early education, ranking number one in the nation for preschool access for three-year-olds from 2007 to 2012. The state is home to some of the top-ranked high schools in the nation. Innovative programs such as Illinois Pathways leverage federal Race to the Top funding that helps to prepare youth for 21st-century jobs in science, technology, engineering, and math (STEM) fields. Illinois is home to world-renowned private and public universities— institutions that prepare the next generations of leaders and at the same time pursue cutting-edge scholarship that improves our economic competitiveness, expands our understanding of the universe, and improves the beauty in our lives through art.

To support education from cradle to career, municipalities across the state have created public-private partnerships that provide internships that accelerate students’ transition to the workforce, new curricula that use innovative approaches to learning, and teacher education programs that provide students with the instructors they need to excel.

“It’s time we put children first and give our dedicated teachers a better atmosphere in which to teach.”

— Sharyn

Challenges
While there is much for which Illinois can be proud, the educational experience of Illinois students varies greatly across the state. Successful programs have not been brought to scale and are often unavailable to children who live in isolated or impoverished regions. Insufficient infrastructure and dated technology make it almost impossible for teachers and school leaders to monitor students’ performance in a way where instructional changes can improve learning outcomes. Administrative decisions and the implementation of high-impact practices are derailed by a complex school code and statewide bureaucracy. School districts lack the flexibility, tools, and resources to create positive learning environments, track student achievement longitudinally, or implement innovative programs. School boards lack the data
and authority to hold administrators and teachers accountable for improved student performance. Most importantly, the lack of quality school options forces families to send their children to schools that are failing.

Several factors, as described below, have contributed to the shortcomings in the state’s education system.

**Policies that segment education systems**

Traditionally, Illinois has segmented education initiatives and conversations into four distinct sectors:

- Early childhood
- K–12
- Higher education
- Career preparation

Although research indicates that high-quality early-childhood (birth to five years old) education and career preparation have a significant impact on at-risk students, efforts in these areas are most often not coordinated with K–12 programming. The lack of alignment across students’ experiences leaves gaps at key transition points that are most apparent to parents and community members. Unfortunately, school districts typically lack the infrastructure, technology, and data to monitor each child’s progression from early childhood through career entry. Current programming does not prepare students or families as they move from one “segment” of the system to another, even when that move is simply from preschool to kindergarten. Similarly, developmental education programs at community colleges do not prepare students for two-year programs or four-year degrees. The proliferation of school districts, disconnected programs, and disparate data systems have created a network of programs that even the savviest parents have difficulty navigating.

This “silied” approach to an educational system’s individual components leads to varied outcomes. For example, one important goal of state-funded education is to prepare graduates for sustainable, well-paying jobs. Yet jobs in high-paying fields such as nursing, computer programming, and welding are left unfilled because employers cannot find qualified workers. Two-year institutions in particular—but also middle schools and high schools, along with four-year and graduate institutions—need to work with prospective employers to understand what businesses need from Illinois’ workers and how to deliver on those needs.

**Lack of coordination and accountability**

Illinois’ state agencies are required to manage a sprawling education network that contains 866 school districts, the third most in the country. Only California, with 951 districts serving a population three times that of Illinois, and Texas, with 1,031 districts serving a population twice that of Illinois, have more school districts. Confounding this issue is the fact that Illinois’ agencies do not communicate or coordinate well with one another, meaning that successful initiatives are not being replicated. The proliferation of small, segmented, and uncoordinated
districts hampers statewide initiatives and makes it difficult for districts with fewer resources to implement high-impact practices.

The proliferation of districts has also created an intermediate layer of bureaucracy, the Regional Offices of Education (ROEs), meant to supervise and assist local school districts. Each ROE is led by a regional superintendent who is locally elected and therefore must be responsive to both the local electorate and the State Superintendent of Education. According to interviews with committee members, this structure is confusing, costly, and in many cases ineffective.

Debates on accountability in education typically focus on teachers, principals, and administrators. The committee recommends that the new administration study and implement an assessment system that ensures schools are preparing students to be locally, nationally, and internationally competitive. In addition, the administration must determine how to hold others within the system accountable. All too often, districts and administrators are not held accountable for their performance by measure of whether they have provided the needed resources, support, and professional development opportunities to teachers and principals. Onerous school codes can be obstacles to greater accountability because they decrease flexibility, increase operating costs, hamper innovation, and decrease school and district autonomy. School leaders need to be released from unnecessary mandates.

**Inadequate funding**

State funding is intended to ameliorate local wealth disparities by ensuring that all students receive at least a basic level of funding to support their education. Illinois ranks dead last among U.S. states based on its contribution to education costs. In 2010, Illinois’ state government contributed 28 percent of total K–12 education budgets, well below the national average of 44 percent. Almost 60 percent of education costs were supplied by local resources in 2010, 15 percentage points more than the national average. As a result, disparities in funding between affluent districts with high property taxes and poor districts with lower property taxes are significant and result in vastly different education experiences—translating into inferior learning outcomes for Illinois children who live in poverty. Illinois public schools are failing to prepare the vast majority of students who are poor for meaningful employment and full participation in our society.

Funding is also inadequate in higher education. State appropriations for higher education fell from $2.42 billion in 2002 to $1.98 billion in 2013. As one result, tuition doubled at the state’s public four-year institutions from 1999 to 2009 and rose 38 percent at two-year institutions during this time. Over the same period, need-based support for higher education fell by 28 percent even as median family income declined by 7 percent. With the state’s four-year institutions increasingly out of reach for in-state students, Illinois sends more students to other states for college than it welcomes—a net export of more than 10,000 students a year. Many of those students will never return to Illinois.
Path forward
Illinois’ education system cannot be fixed with incremental improvements. That approach has been tried and failed. Illinois requires bold, sustained, and systemic change—a strategic, comprehensive overhaul of the system from cradle to career that increases support and accountability for quality education; eases transition points for students; ensures fair access to quality education for all residents; strengthens and expands quality leadership; invests in 21st-century data infrastructure, systems and technology; and demands administrative effectiveness and efficiency throughout early childhood, K–12, higher education, and workforce development.

Success will be defined by significantly improved outcomes for the entire education system. We define outcomes as improved academic performance for students so that they are equipped with the skills and content knowledge required for 21st-century employment; improved student social-emotional health and well-being so that they thrive in school and live happy and productive lives; and a system so advanced that it attracts industry to Illinois, increasing access to 21st-century jobs for all Illinois residents.

The committee recommends six strategies:
1. Ensure systems of support and accountability for quality education.
2. Smooth transition points.
3. Provide fair access to quality education.
4. Strengthen and expand quality leadership.
5. Invest in infrastructure, data systems, and technology.
6. Promote administrative effectiveness.

These strategies provide a path for achieving our vision for quality education from cradle through career.

1. **Ensure systems of support and accountability for quality education**
Illinois must produce quality education outcomes and ensure systems of support and accountability by establishing clear, high standards for teaching and learning; holding school systems accountable for achieving significant growth against these standards; and clearly communicating progress toward these goals. To promote social and emotional development among students, the state should use expert understanding of effective instructional methods and professional development programs to assess the quality of current standards and the fidelity of implementation of these standards—and change them where necessary. The state should measure the impact of differences in instructional time across Illinois districts and how access to high-quality programming affects student performance in order to set quality instructional minutes targets.

The state should also replicate high-performing Illinois schools and provide education systems with more flexibility for innovation. Other states have enjoyed success by developing innovative models for collaboration at high-need schools, boosting student performance. Louisiana and
Tennessee, for example, have each engaged in turnaround efforts that have yielded promising early results for performance improvements in previously low-performing districts. As laboratories of innovation, Illinois’ high-performing schools should have the ability to experiment and expand on their own successful programming, freed from unnecessary restrictions. The elimination of mandates (particularly unfunded mandates) can translate into significant cost savings that can be redirected to support better educational outcomes.

2. Smooth transition points
Every part of the education system is inherently connected: effective early-childhood programs support excellence in the K–12 system and lead to success in higher education and career readiness. The transition points between stages of the system are crucial, and the educational bureaucracy must enable teachers and administrators to help students navigate these transitions, rather than trip over them.

One of the most difficult transitions is that from school to career. With shifting workforce demands—Illinois is projected to have approximately 1.2 million STEM-related jobs by 2018—students must gain the relevant skills and content knowledge that will allow them to earn sustained employment. To ensure that students leave school ready for a career, Illinois should expand educational programming centered on employment. Data-driven programs such as Illinois Pathways and Diploma Plus should be replicated and used as models for future innovation. The state must also explore the expansion of employment programming for diverse learners and individuals with disabilities in an effort to ensure a positive future for all residents of Illinois.

To build a deep pool of qualified workers, Illinois must improve graduation rates at both two- and four-year institutions. Effective college and career counseling make a substantial difference in the trajectory of students’ academic and professional careers. Counselors represent the first line of support, helping students to identify the most appropriate career paths. To give all secondary and postsecondary students the greatest chances at success, the state should expand counseling services, particularly in at-risk areas. As a way to increase business involvement, the administration should adopt counseling models that require career professionals to supplement traditional counseling methods.

3. Provide fair access to quality education
Illinois must ensure access to high-quality education options for all residents through adequate and equitable funding mechanisms. Research indicates that early-childhood education predicts school-age success. While the state does have some centers and programming in place, such as the Community Wraparound Initiative serving Lyons, Riverside, and Proviso, the state must expand and improve early-childhood centers and programming, especially in underserved, low-income, and rural areas where many at-risk children live. The new administration should also increase the number, percentage, and quality of programs that include adult and wrap-around services such as health and parental support services.
Education can be more equitably funded, and the level of support potentially increased, by introducing wholesale reform of the state education funding formula. At the same time, Illinois must ensure that all schools that receive public funds are held accountable for student outcomes and create opportunities to increase high-quality options statewide. In postsecondary education, the state must improve the affordability of two- and four-year colleges. A multipronged strategy should seek to duplicate strategies from colleges and universities that have both contained costs and improved success rates of students.

Overall, Illinois must increase the number and type of quality education options for Illinois families from cradle to career. The administration should create a mechanism to better understand educational options for children of all abilities and income levels at the early-childhood, elementary, high-school, and postsecondary stages. The statewide goal should be that every family in Illinois has affordable, high-quality options at each level of education that will prepare students for successful careers and full participation in society.

4. Strengthen and expand quality leadership
Illinois must recruit, train, cultivate, and retain quality educators and empower those educators to drive high-quality outcomes with support from parents and guardians. The state should therefore make hiring a top priority, elevate the teaching profession to attract a better pool of candidates, and reward high performers. To this end, the state should expand professional development (for example, residencies and distance learning) and explore differentiated compensation structures and improved licensure processes.

Principals and administrators are key to holding every level of the system accountable. Effective leaders also engage parents and families to support development outside the home. To manage through challenging situations, engage with parents and the community, and improve teacher performance, the state must focus on building effective organizational leadership by identifying model sites and continuing to implement and monitor new reforms to principal preparation. A key component will be encouraging family and student engagement in the educational process; familial and community engagement is intertwined with improved educational outcomes, so effective programs that have been tied to positive academic outcomes should be replicated.

On governance, board membership and engagement should be aligned with Illinois education goals and strategies. State education boards should be composed of board members with exceptional expertise and understanding of the challenges facing each organization.

5. Invest in infrastructure, data systems, and technology
Illinois must unleash the power of data and technology in the classroom and in agency administration. An investment in information technology (IT) infrastructure is desperately needed, particularly in rural areas where some students still take tests over a dial-up Internet connection. Schools need the data systems that will enable administrators, teachers, and parents to make informed decisions, equip students with 21st-century skills, assess students using 21st-century standards, and share information with families. Some communities in
Illinois—such as Altgeld, Illinois—and other states have made progress toward this goal. These efforts can be seen as models to be studied and scaled for the rest of the state.

Furthermore, Illinois needs an integrated data system that links students’ information across agencies and improves outcomes by better coordinating services and tracking program effectiveness. State investments in technology infrastructure can help narrow the gap between districts with robust technology systems and those with minimal capabilities. Promoting technology in the classroom will help prepare students for a role in the modern, technology-dependent workforce environment. A key tenet of Illinois Vision 20/20 is the provision of connectivity to every school and community. A focus on increasing access to quality, technology-based instruction will help address inequalities across school districts and close gaps in achievement.

6. Promote administrative effectiveness
Illinois must ensure systemic effectiveness in all operations to get the most from resources and funding. For more effective and efficient service delivery, the school code should be streamlined. The shared accountability recommendations of Vision 20/20 can help the state to distinguish between essential and discretionary regulations. From a spending standpoint, school districts can achieve substantial procurement cost savings by working together. To support education initiatives, the state should assess options for external funding sources. Federal and nonprofit grant funding is available for specific education initiatives, and obtaining partial or full funding would allow for additional programming at limited cost to the state.

Immediate actions
To establish a cohesive educational system that provides high-quality, affordable, well-coordinated, and accessible options for families from birth through career will require sustained effort and focus, accountability, and bold choices. As with any major change initiative, this will also take time, and instilling confidence among stakeholders in the short term will build momentum for more sweeping action. To those ends, in the first 100 days we recommend that the new administration:

- Begin an effort to identify mandates and rules that have highest priority for implementation and those for which schools and districts would most likely seek relief
- Review recommendations of councils and statewide organizations such as the P-20 council and Vision 20/20 to determine which recommendations are low cost and high impact
- Launch and coordinate regular meetings between board leadership, agency heads, and the governor’s office
- Begin to identify and publicize quality education options from cradle to career in every region of the state
- Identify and assess critical technologies and current state investments, such as broadband, the Illinois Shared Learning Environment, and shared cloud infrastructure (IlliniCloud), to
ensure that all areas of the state have the infrastructure for 21st-century classroom learning technologies, improved professional development, distance learning to improve access to advanced coursework for high-school students, data sharing and analysis, and required local and national assessments

- Identify, study, and begin plans to replicate the most successful public-private partnerships for workforce readiness

- Institute cross-functional teams at natural student transition points to begin aligning goals, data systems, and communication strategies necessary to help ensure that students make key transitions successfully within and between systems

- Begin work on a multipronged strategy for improving college access and affordability, including replicating successful college and university initiatives that have contained costs while improving outcomes, as well as programs that enable students to earn college credits while in high school

- Begin to study how differences in instructional time across Illinois districts impacts student achievement and social-emotional development; these analyses should include the effects of access to preschool, all-day kindergarten, and out-of-school programming

- Evaluate alignment between new Illinois learning standards (Common Core) and a national 21st-century assessment approach, district-by-district readiness for these learning standards, the relationship of assessments to college and postsecondary access, and readiness of districts to implement statewide assessments

- Assess potential improvements to Illinois' teacher recruitment practices, including streamlined licensing processes, improved and diverse preparation programs, and differentiated compensation structures

- Assess areas of funding imbalance and sufficiency, from pre-K through postsecondary, across the entire system, and determine an appropriate formula that rebalances the system

- Identify pilot turnaround schools and school districts that would benefit from more rigorous turnaround programming, while applying best practices from effective of turnaround efforts in Tennessee, Louisiana, Chicago, and Memphis
Veterans—Taking care of those who have taken care of us

Illinois today
The American people owe a debt of gratitude to the men and women who have served the country in the U.S. Armed Forces. It is through their selfless sacrifice and commitment that U.S. residents enjoy the country’s many freedoms and quality of life. The U.S. Department of Veterans Affairs, founded in 1930, creates a support system for service members by supporting facilities and programs across all 50 states. The changing nature of warfare in the past two decades and the country’s prolonged involvement in conflicts since 2001 have created new challenges for returning service members. Nationwide, 22 veterans commit suicide every day, post-9/11 veterans have a PTSD rate of more than 30 percent, and incarceration rates and homelessness among service members have increased significantly.

Challenges
Illinois is struggling to adapt its programs and outreach to better serve the more than 800,000 veterans who call Illinois home. Unlike the majority of state government programs, veterans programs receive the bulk of their funding from the federal government. As a result, Illinois’ role is primarily to be a facilitator and administrator. Its performance has been hindered by several issues.

Lack of leadership and advocacy
Illinois ranks just 47th by amount of federal funding despite having the 7th-largest veteran population in the country. While the Illinois Department of Veterans Affairs (IDVA) is the lead agency for administering programs and funding, several other departments are also involved, including Illinois Department of Employment Security (IDES), the Department of Commerce and Economic Opportunity (DCEO), the Department of Human Services (DHS), and the Illinois Department of Military Affairs (IDMA). The lack of visibility and engagement among these agencies has hindered the performance of existing programs. In addition, coordination between state government and Illinois’ nonprofit network warrants more transparency and improved collaboration.

Inefficient use of available resources
Funding decisions for existing programs have been made without a full awareness of ongoing efforts by other state agencies. In addition, agencies do not monitor and assess the performance of initiatives to promote accountability. The result is a poor return on investment: one homeless program for veterans has a budget of $1 million but provides just 15 beds. Several VA homes could qualify for millions in federal aid by upgrading their facilities to meet code, but the total investment needed has not been assessed accurately.
Gaps in programming and awareness

In 2009, more than 60 percent of U.S. Army forces came from National Guard or Reserves units. That figure has increased in the past few years due to more training and advisory missions in both Iraq and Afghanistan. These units include more service members from small towns in rural communities, which often lack the support network and programs to ease veterans’ transition to civilian life. As a result, many service members must travel long distances to get healthcare and career counseling. IDVA currently has no department mentoring programs, so the existing network is supported by private companies and nonprofit organizations. The GI Bill requires 36 months of service for full tuition, so veterans who fall short of this requirement can be without the resources the pursue education and training that could ease their transition. Furthermore, since veterans can view reaching out for help as a sign of weakness, state agencies do not have a full picture of who needs assistance.

Path forward

To better serve the state’s veteran population, Illinois agencies must become more effective at acting as a facilitator and hub to the extended network of organizations that stand ready to help veterans. Efforts should be focused on four strategies:

1. Improve agency coordination and performance.
2. Expand access to high-quality healthcare.
3. Facilitate employment opportunities.
4. Increase education opportunities.

1. Improve agency coordination and performance

The state should work to improve leadership among the agencies that serve veterans. The state should appoint executives who have the skills, background, and expertise to be forceful advocates for Illinois veterans. Illinois should eliminate redundancies by performing an internal audit of programs offered by IDVA, IDES, DCEO, DHS, and IDMA, with an emphasis on best practices and efficiency metrics. Through this exercise, the state can use organizational and Manning charts to identify overlap, eliminate duplicate duties, assign roles, and establish lines of communication across agencies to increase transparency and help departments function more efficiently. Nonprofits, particularly those with strong community connections and established local resources, can help address gaps in service.

Outreach programs that locate and support veterans must also extend their reach. Since no single database currently tracks veterans, the state should work with the Secretary of State to include a veteran’s designation on driver’s licenses—a strategy that can facilitate first contact with returning service members. This measure is currently pending as SB 2837. Access to high-quality peer-to-peer counseling at the local level is also critical. Veteran Service Officers (VSOs) offer a local access point for service members as they assimilate into society, but they must be well trained and able to use tools such as social media to help individuals navigate available

16 Defense Manpower Data Center.
programs. To this end, VSOs should be evaluated regularly to ensure that they are serving local populations effectively.

2. Expand access to high-quality healthcare
Currently, just 40 percent of U.S. veterans use VA medical services. Therefore, the state must take steps to expand and improve access to high-quality healthcare, including behavioral and mental healthcare and alternatives to conventional care. A study should be conducted to gauge the feasibility of access to federal alternatives through the Affordable Care Act and Medicare. Currently, veterans who live more than 40 miles from a VA medical center or face unacceptable wait times can choose to see a local doctor and bill the VA for reimbursement. Since this program requires providers to register with the VA, the state should explore ways to expand its reach in Illinois. IDVA should also evaluate alternative strategies that other states have deployed to increase access to mental and behavioral healthcare.

VA homes, which provide a range of care and services, could extend their reach by accessing Medicare funding. The state should explore ways to secure capital to bring veteran homes up to federal standards in order to tap these funds. In light of the prevalence of veterans returning with PTSD, the state must develop long-term sustainability plans for its VA homes to ensure they can provide ongoing care. Some states have outsourced their VA homes to third-party providers, while others such as Michigan have federally funded facilities only. Illinois should evaluate the benefits of these approaches.

3. Facilitate employment opportunities
Veterans gain valuable skills as part of their military service that could qualify them for a range of occupations, so the state should work to remove barriers to increase employment opportunities. Some certification programs for licensed practical nurses (LPNs), for example, have reduced the number of credit hours that veterans need from 42 hours to just 6—a reflection of the applicability of military service to certain occupations. The state should build upon this effort and others to explore additional areas where similar action can be taken to fast-track veterans for the workforce.

The state should also work with organizations that can provide high-quality professional counselors to help veterans decide on a path forward. Counselors should have the ability to educate veterans on how to develop résumés and make themselves marketable to an employer as well as information on local job fairs and opportunities. Moreover, IDVA and other organizations should educate employers on the values and skills that veterans bring to the workforce.

4. Increase education opportunities
Illinois can help improve awareness of education benefits for veterans through better career counseling and mentorship. Such support can help veterans determine which educational paths—from technical and vocational training programs to four-year colleges—are a good match for their military experience, interests, and aptitude. State programs that promote veteran
employment should work hand in hand with VSOs, veteran mentors, and campus career counselors to place veterans upon graduation. School veteran counseling offices should engage veteran alumni to participate in professional and entrepreneurial apprentice programs, and successfully integrated veterans should be tapped as mentors to help guide their peers. To bridge any gaps in GI bill funding, the state should ensure that grants for veteran education are properly funded.
Public Safety
Public safety encompasses the areas of law enforcement, criminal justice, and emergency management. Illinois residents rely on these government services to feel secure and to provide them with protection against crime, disaster, and disorder. Beyond the protective role these systems play, they also have the power, when working properly, to change the lives of tens of thousands of Illinois residents and their communities for the better every year.
Law Enforcement and Criminal Justice

Illinois today
The law enforcement and criminal justice systems consist of multiple components—adult and juvenile corrections, both prison and community; the data and systems required for evidence-based strategies; and law enforcement agencies and personnel, to name a few—that are committed to enforcing the law and protecting the general population. These systems are supported by federal, state, and local tax dollars as well as by nonprofits, the private sector, and local communities. All of these parties must work together to support public safety efforts throughout the state.

At one time, Illinois’ prison system was a national model. Today, the $1.3 billion system is facing several challenges: overcrowding, a high rate of recidivism, and a critical lack of resources. The state has taken some positive steps to reform its use of incarceration over the past several years by implementing significant and effective criminal justice reforms. These measures have included creating safe alternatives to prison for nonviolent offenders through Juvenile Redeploy and Adult Redeploy Illinois, safely cutting the number of juveniles incarcerated by almost half since 2005, and investing in outcome-driven criminal justice policies through the creation of the Sentencing Policy Advisory Council (SPAC). However, to improve public safety while reducing costs, Illinois must use these reforms as a foundation for broader strategic changes to the state’s criminal justice system.

“We need more programs for youth in the juvenile justice system.”
— Bethany

Challenges
Many of the tools needed to reform our public safety system are already in place—but their effectiveness is stymied by the sheer volume of individuals in the system, an overreliance on incarceration, and limited coordination among different local and state entities.

Overburdened systems
Over the past 40 years, Illinois' prison population has grown from 6,000 inmates in 1974 to 49,000 today—an increase of more than 700 percent that strains a system designed to hold just 32,000. Overcrowding has a negative impact on prison safety, which is a vital component in high-functioning prisons. It is not just the facilities that are overwhelmed; programs designed to help prepare inmates for life beyond prison are insufficient as well. As a result, about half of individuals released from Illinois prisons return within three years, often due to technical parole violations. In FY 2011, for instance, the Illinois Department of Corrections (IDOC)

released 10,404 inmates who were incarcerated for technical violations of their mandatory supervised release. Together, these parole violators served 1.93 million days or 5,296 years in Illinois’ prison system, costing Illinois taxpayers more than $116 million, or about 10 percent of IDOC’s total budget. These figures represent a huge but complex opportunity to reallocate resources by implementing smarter approaches to incarceration.

Law enforcement officers help to promote public safety across the state despite severely constrained budgets—another consequence of poor policies and misplaced priorities. On a per resident basis, the Illinois State Police is one of the smallest and most poorly funded state forces in the nation, and the Central Management System (CMS) acts as a bottleneck to the hiring process, extending timelines and preventing efficient hiring.

**Misaligned incentives**

The public safety system is currently set up to promote near-term goals in isolation, with the performance of individual stakeholders often assessed by their ability to meet enforcement targets rather than achieve positive outcomes across the system—such as safer neighborhoods, effective use of tax dollars, or productive lives for those who have been rehabilitated. For example, a police force may publicize a drop in crime statistics to reassure the media or general public instead of promoting crime prevention efforts. Similarly, the electorate tends to reward prosecutors based on their conviction record, not progress in identifying more effective punishments or treatment. Parole officers have such large caseloads that they have only enough time and resources to find violations but are spread too thin to provide their parolees with the help they need to reintegrate into society.

Moreover, once an individual enters the criminal justice system, the costs of decisions in one part are often borne by other entities. For example, when municipalities convict an offender, that individual is sent to a correctional facility paid for by state funds. Once that inmate’s sentence is up, he or she is returned to the community, which then provides local programs and support systems at its own cost. However, the former inmate’s prospects are determined in large part by the effectiveness of the programs administered by the correctional facility, with the costs of recidivism ultimately shifted to the state. Without the ability to match investments in public safety programs with their impact on outcomes, municipalities have little incentive to push for reforms.

**Overreliance on incarceration**

Prison is the state’s most expensive form of punishment, particularly considering that it has turned into a revolving door for low-level offenders. In addition, research has shown that incarceration can transform low-risk offenders into higher-risk offenders and make it difficult for inmates to reenter society when they are released. The growth in prison population is primarily due to an expansion over the past 40 years in the number of offenses for which an individual can be sent to prison as well as an increase in the length of time offenders serve for
more serious crimes. Incarceration for drug offenses rose from 456 in 1983 to almost 13,000 in 2002 and is almost double those of the second-highest category (property crimes). As a result, state funds are not being allocated wisely. IDOC reported that as of May 2014, it was holding approximately 5,000 inmates convicted of Class 4 offenses—the lowest class of all criminal offenses. Assuming these offenders spend an average of seven months in IDOC custody, taxpayers will spend an estimated $75.6 million to house them each year.

Data indicate that the judicial system applies sentences inconsistently. Rates of drug use are equal among African-Americans and Caucasians, yet African Americans are detained for drug crimes at five times the rate of Caucasians. Among adults, Caucasian males make up almost 70 percent of those using illegal drugs, yet almost 90 percent of those imprisoned for drug crimes are minorities. Moreover, many former inmates return to poor communities and perpetuate the vicious cycle of violence, arrest, incarceration, and unsuccessful reentry.

Law enforcement and criminal justice strategies
A more commonsense approach to public safety can increase the impact of available funds and improve outcomes. Our committee suggests five strategies:

1. Align state resources with a comprehensive public safety vision.
2. Expand diversion and crime prevention programs.
3. Focus limited prison resources on incapacitating offenders who present a risk to public safety.
4. Improve and expand evidence-based reentry programs.
5. Improve the allocation of resources to state police and law enforcement.

1. Align state resources with a comprehensive public safety vision
Effective remedies must begin by rebuilding the operational foundation needed to transform Illinois' public safety efforts into a high-functioning, strategic, well-organized system.

Improve coordination throughout the system. Ensuring that key stakeholders are coordinating their actions as part of a broad public safety strategy is of paramount importance. The state should use the Illinois Criminal Justice Information Authority (ICJIA) to organize critical response teams, composed of stakeholders with a variety of expertise, and charge them with executing high-priority initiatives. Furthermore, the State of Illinois must ensure that the organizational structure, leadership, and personnel at public safety agencies enable and don't inhibit an enhanced public safety strategy. Filling strategic positions in all public safety–related agencies—including IDOC, Department of Juvenile Justice, Illinois State Police, and Prisoner Review Board—with knowledgeable and skilled managers would facilitate an efficient, unified approach to community corrections. As with all state agencies, once leadership is in place, the agency should assess its current workforce, align it with updated strategies, and employ best practices to achieve cost-efficient operations. This strategy will also involve ensuring Illinois


public safety agencies can gain access to outside funding sources (for example, the federal Second Chance Act grant).

**Harness data to improve system efficiency.** By tasking ICJIA to conduct an inventory of all active criminal justice programming, both in and out of prisons, and then collecting data on program performance, Illinois can optimize the allocation of the public safety budget among agencies and other public safety resources such as Illinois State Police. Using an assessment tool developed for Illinois but not yet implemented, agencies can analyze data to identify which people in the system pose public safety risks and potential recidivism rates of individuals based on distinct risk factors and not simply offense type. This risk assessment can be used as in input into any number of downstream decisions. Illinois has an opportunity to connect existing resources and integrate the systems to create a feedback loop that supports ongoing refinement.

**Maintain open communication and strong relationships with counties and other local agencies.** When undertaking significant public safety reforms, engagement with stakeholders and communities is critical to maintain public trust and also achieve lasting public safety. The state should articulate the rationale behind policy changes and seek to address any concerns. Reaching out to community leaders such as police chiefs, sheriffs, judges, and mayors can build support for the public safety vision. These relationships will also help the state maintain strong relationships with counties and other local agencies to ensure seamless coordination in the execution of public safety strategies.

2. Expand diversion and crime prevention programs

Implementing strategies aimed at keeping individuals from entering the justice system can deliver multiple benefits, from reductions in crime, prison admissions, and overcrowding to improved public safety, better outcomes, and lower costs. Since incarceration can exact a heavy toll on individuals and families, alternatives to prison can also result in stronger communities.

**Expand successful diversion programs.** Illinois can significantly reduce the strain on the system by doing more to ensure it incarcerates only the right people. Redeploy Illinois, launched in 2005, seeks to prevent unnecessary juvenile incarceration by reconfiguring the incentives for sending young adults to prison. Four pilot counties were identified and asked to reduce by 25 percent the number of youth they send to state juvenile prisons—a punishment that allows the county to pass a cost of $100,000 a year for each offender on to the state. In return, the county would receive money to treat young adults in their own community. To date, juvenile incarceration has fallen by almost half in these areas; in the first year of implementation, St. Clair County in the East St. Louis area reduced the number of youth it incarcerated from 87 to 7 without affecting public safety, resulting in significant savings to the state.

Other states have also realized a reduction in prison growth thanks to diversion programs. In Texas, nonresidential programs treat juveniles convicted of misdemeanors, and a medical parole program was established for mentally or terminally ill convicts. These initiatives and
others focused on prevention, length of stay, and drug court system expansion contributed to an 11 percent reduction in prison growth by 2012 and $2 billion in savings to the state. In Mississippi, judges may use their discretion to impose house arrest or electronic monitoring for drug sale offenses instead of sending offenders to prison. These measures helped decrease prison growth by 22 percent as of 2011 and capture $450 million in savings by 2012. To achieve similar results, Illinois should harness risk assessment data to identify candidates for diversion, identify best-in-class Illinois jurisdictions and programs such as Redeploy Illinois, and dramatically expand the use of alternatives to prison.

**Expand prevention measures.** Research indicates that three in four youths in the Illinois juvenile justice system have unaddressed issues of neglect, abuse, or exposure to violence. State support for programs that address gang intervention, domestic violence, and at-risk youth—some of which have proved effective but are not currently widespread—has the potential to significantly reduce crime and prison growth in the long term.

A program in Michigan provides one of many examples of a successful youth crime prevention program. The Adolescent Diversion Project, led by Michigan State University, aims to “prevent future delinquency by strengthening youth’s attachment to family and other prosocial individuals, increasing youth’s access to resources in the community, and keeping youth from potentially stigmatizing social contexts (such as the juvenile justice system).” The program has resulted in a lower recidivism rate among juvenile offenders and significant cost savings.

3. **Focus limited prison resources on incapacitating offenders who present a risk to public safety**

To reduce recidivism and increase prison safety, the state should embark on a sweeping effort to reform sentencing, ensure correctional supervision is commensurate with an offender’s risk profile, and allocate programming resources to increase positive outcomes.

**Reform the sentencing code.** To create a more effective and sustainable public safety system while still providing sufficient punishment for crimes, Illinois must follow the lead of other states and pursue sentencing reform. Illinois’ existing sentencing code contributes to prison overcrowding by incarcerating inmates for longer periods—an approach that has driven up the costs of incarceration but failed to effectively strengthen deterrence. South Carolina eliminated mandatory minimum sentences for simple drug possession and lowered the maximum sentence for nonviolent burglary from 15 years to 10 years; these policies for nonviolent offenses combined with prevention and diversion programming have helped slow prison growth by 7.3

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21 Smart reform is possible: States reducing incarcerations rates and costs while protecting communities, American Civil Liberties Union (ACLU), August 2011.
22 Moving target, Justice Policy Institute.
percent through 2014, maintained public safety, and delivered savings of $241 million that can be reinvested in more effective responses to crime.24

Today, prison resources are not efficiently allocated, in part because correctional supervision and programming are dictated largely by an inmate’s offense type. The state should conduct risk and prison safety assessments and use these findings to develop incarceration strategies that are based on offender risk profiles instead of broad categorizations by offense. This approach could improve resource allocation and prison safety.

Ensure treatment and programming for special prison populations are aligned with their needs. The state should conduct a thorough assessment of low-risk populations such as the elderly and the terminally ill. Over the past few decades, tougher sentencing has driven up the average age of inmates in Illinois. Since an offender’s risk level typically decreases significantly with age, incarcerating older inmates adds costs but delivers minimal public safety benefits. Prisons are also not well equipped to deal with terminally ill inmates, whose risk of recidivism is low. End-of-life care can drive up costs exponentially, so the state should explore granting terminally ill inmates clemency or transfer to long-term care facilities.

Illinois must develop a coordinated strategy to ensure that mentally ill and substance-dependent inmates receive the proper treatment. Currently, mental illness can be difficult to detect and diagnose in prison populations, and prison personnel are not adequately trained to deal with these inmates. Recidivism rates for substance-dependent inmates are also higher than the general inmate population, making them a major driver of prison population despite the limited capacity of correctional facilities to treat them. In the past, IDOC has successfully used treatment centers to serve drug-addicted inmates, but chronic overcrowding has undermined their effectiveness.

4. Improve and expand evidence-based reentry programs
An increase in reentry support, job-placement programming, and record expungement must be employed to improve reentry outcomes.

Expand reentry programs. Illinois’ prison system is a revolving door, and IDOC programs could be applied more effectively. The selective use of risk assessment tools, life skills and cognitive behavioral therapy has been shown to support reentry and should be expanded. The Prisoner Review Board does not currently have the capacity to make data-driven decisions on inmate release and incarceration, and parole officer face heavy caseloads. The state should strengthen reentry support through more effective use of parole systems and graduated sanctions based on individualized risk assessments.

Enhance and expand training and job placement programs. The ability of former inmates to find gainful employment is an important factor in their ability to reenter society and has a

24 Smart reform is possible, ACLU.
direct impact on recidivism. In addition to ensuring that IDOC programming is designed to teach the hard and soft skills that help reduce recidivism, the state should initiate a dialogue with the business community, using examples of successful job placement to help employers understand the benefits of hiring former inmates. Potential employers should also be made aware of tax incentives and insurance bonding available if they hire former inmates.

**Standardize and streamline the expungement process.** Record expungement is a powerful tool in allowing reformed former inmates to successfully reintegrate into society by permanently sealing their criminal record. However, standards for expungement are currently unclear, and a backlog of applications delays the process. Illinois should clarify standards, identify bottlenecks in the process, and work to remedy them as well as establish a distinct process for minors.

5. **Improve the allocation of resources to state police and law enforcement**

To effectively patrol Illinois, the state should increase the capacity of forensic services, update its treatment of traffic safety, and encourage law enforcers to build stronger relationships with the communities they protect.

**Evaluate and improve state forensic services.** Most counties in Illinois depend on state forensic resources to support investigations. To provide better support, the state must address a capacity shortfall that has led to a backlog, which significantly delays court proceedings.

**Upgrade the ability of traffic safety to identify and manage drunk and drugged driver offenses.** With the legalization of medical marijuana, law enforcement must develop new skills to identify drunk and drugged driver offenses. Illinois should improve DUI-related traffic safety capabilities and tap available federal funds.

**Encourage local jurisdictions to build relationships with local communities.** A concentrated effort to build trust and establish open lines of communication between police departments and the communities they protect can have a profound impact on public safety. The state has an opportunity to help increase the dialogue between communities and police forces through a range of initiatives, including engaging with community leaders, developing guidelines for local police departments, incorporating best practices into training provided by the Illinois Police Training Board, and encouraging desired behavior through criteria for ICJIA grants.

**Immediate actions**

Developing a system that works to improve outcomes and control crime while maintaining a safe environment for residents, businesses, and tourists will take time. Still, the new administration can take concrete steps in the short term to mobilize the prison system and public safety stakeholders and begin to instill a more sensible application of laws and incarceration.
• Identify and engage critical community leaders (such as police chiefs, sheriffs, judges, mayors) to understand the current state of community–police relations and ensure alignment with the public safety vision

• Review the effectiveness of current incentives and programs that promote hiring trained and qualified formerly incarcerated residents, with the goal of improving hiring rates

• Expedite implementation of risk assessment process, as mandated by the 2009 Crime Reduction Act. In doing so, identify end uses and develop specific plans for how risk assessment data will be used as an input (such as for prioritization of candidates for diversion, incarceration strategies by risk type and age, and selection of job-training program participants)

• Direct the implementation of purchased but not yet fully functional systems (for example, YASI, SPIn, Offender360) and other systems required for a data-driven, risk assessment–based approach while ensuring the ability to share appropriate relevant data among stakeholders

• Visit facilities to understand prison conditions through firsthand exposure

• Clearly define responsibilities for public safety efforts among state and local jurisdictions and remove barriers that prevent local jurisdictions from gaining access to state resources

• Build on the work of the Police Training Institute to enable sharing of best practices for all facets of public safety among jurisdictions

• Take an inventory of all available offender programming (for example, prevention, diversion, substance dependence, mental illness, job training, and parole, among others), both inside and outside prisons, and assess the effectiveness of each. Estimate capacity versus demand by program type and deploy resources to the most effective programs where the demand is greatest

• Working with the Illinois General Assembly, begin to develop a common understanding of the potential approaches for reducing prison expenditures and how the number of people in prison can be safely reduced by altering sentencing policy

• Ensure coordination between ICJIA and Illinois public safety agencies (including local jurisdictions) to enable access to available outside funding sources (for example, federal grants) through the use of improved data. Refine reward criteria to drive desired behavior (for example, improvement of police-community relations)

• Perform an objective assessment of prison safety (including compliance with the Prison Rape Elimination Act) and adequacy of staffing levels

• Work with other state agencies to develop a plan to complete deferred maintenance initiatives for prison facilities
Emergency Management—Ensuring resilience

Illinois today
An emergency management strategy, at its core, is about preparing for the unthinkable and, often, the unpredictable. Illinois’ network of emergency management agencies and partners has proved to be well prepared. The tornadoes that swept through central Illinois in November 2013 were a stark reminder of the devastating impact of the forces of nature—but they were also met by the efforts of hundreds of first responders, residents, and communities who rallied to help affected areas. Since September 11, 2001, uncertainty for our future became an unavoidable reality, and so the state must also be prepared to address man-made disasters.

Path forward
It is vital to continue to build safe communities throughout Illinois. This effort is bolstered by an efficient Homeland Security and Emergency Management program with a nation-leading capacity for preparation, response, and resilience. The state should coordinate these activities among all public safety agencies, serve all residents, and focus on resiliency to ensure Illinois is a safe place to live and work.

Strengthen IEMA staffing as well as resident preparedness and professional staff training
To ensure a strong emergency management infrastructure in Illinois, the state must provide funding that gives the Illinois Emergency Management Agency (IEMA) the ability to maintain strong leadership staff—especially trainers and regional coordinators. The state should perform an immediate staffing assessment to identify gaps, vacancies, and opportunities for reallocation.

During statewide disasters, the ability to respond to stricken areas can be a challenge. Residents across the state, including former police officers, firefighters, and corrections officers, should be offered the opportunity to receive training from IEMA and form a volunteer team on the ground so that they can assist when disaster strikes. For professional responders, training programs must be updated to meet the needs of the changing world. Events such as the Chicago Marathon are fertile training grounds for crowd management and emergency preparation. The state should better harness these opportunities for professional staff training.

Develop strategic emergency management plans, especially for statewide resiliency and cybersecurity accountability
Illinois should articulate a cohesive strategy and demonstrate clear leadership in several areas of emergency management. Of crucial importance is the development of a resiliency strategy for long-term care facilities. If these facilities face a power outage—even if the building is structurally secure—the evacuation of residents may still be necessary, introducing the risk of harming patients and increasing costs to the state. Long-term care facilities should be required to have a generator or established electrical transfer switch, which would provide power to the heating and air-conditioning systems of the building as well as elevators. Furthermore, a resiliency strategy could encompass the statewide building code with an eye toward earthquake
risks. New schools and gas stations should be required to have generator transfer switches for easy hook-ups following power failures. Further, a standardized approach should be implemented for federal declaration requests.

The state should also establish cybersecurity accountability among public safety departments—both internally and for the public and private sectors. A data breach is not a matter of "if" but "when." The state's public safety and other agencies are currently not prepared for such an attack.

Other essential emergency management initiatives include functional and access needs, training and development, and catastrophic planning.

Achieve organizational efficiencies and create a performance management culture
The state must work to reduce redundancies in emergency management. IEMA and sister agencies have many opportunities to optimize and achieve organizational efficiencies. The state should seek input on efficiencies and program effectiveness from IEMA employees, local government, and partner stakeholders and explore consolidation and additional partnership opportunities. Such alignment can also help to avoid salary compression and flight risks among leadership. Illinois should also enhance the web-based presence of IEMA and Illinois Terrorism Task Force; consider administrative rule changes defining certification requirements for local emergency managers of mandated agencies; and assess how cost savings can be reinvested to enhance the overall mission and provide relief to taxpayers.

The state should also ensure that responsibility for oversight of all public safety agencies is concentrated with the same senior staff member. Furthermore, a representative in the governor's office should be tasked with developing a plan for persons with functional and access needs. For example, this individual could establish contracts with medical firms to provide care to persons with functional needs who have been evacuated from their homes during state-only disasters, when FEMA assistance is not available.
Functions of Government
The best policies and strategies will founder if they are not matched by a state government with sufficient operational capabilities to implement. The need for effective operations extends beyond those functions controlled by the state, as local governments are key partners in delivering services to residents, and require a state government that is efficient and easy to work with. Technology systems are a key enabler of high-functioning government and can be a catalyst for improved service levels and efficiency. Last, effective operations can help to prioritize actions in a way that builds momentum for a transformation of government while sustaining progress over the long term.
Intergovernmental Efficiencies and Local Government

Illinois today
Many of the most important government functions that have a direct impact on the lives of Illinois residents are performed by local units of government. A productive partnership between the state and local governments is therefore crucial. At the same time, Illinois has 6,963 local units of government—more than any other state, and roughly 1,800 more than Texas, which has the second most units. The proliferation of local governments makes this partnership, and a cost-effective approach to service provision, difficult.

Currently, poor fiscal planning at the state level contributes to financial crises in municipalities across Illinois. Local governments receive funding through the Local Government Distributive Fund (LGDF), motor fuel tax, sales tax, Personal Property Replacement Tax (PPRT), or through revenues where amounts are determined by state formula or caps, such as the real estate property tax. Over the past decade, when the state has failed to live within its own budget, it has siphoned off local funds from the PPRT and threatened to reduce or eliminate the local portion of income tax revenue in the LGDF. This "new normal" has forced local governments to bear the burden of statewide failures and left intergovernmental relations strained.

Local governments are also struggling with rising pension costs, which are reaching a crisis level across the state. Illinois' current police and fire pension system includes 660 individual pensions with more than $10.7 billion in combined assets, governed by more than 3,000 trustees, and each with its own investment advisers, accountants, and legal and other support.25 This structure contributes to an excessive burden on taxpayers: since 1997, annual taxpayer contributions to police and fire pensions have increased fourfold, but unfunded accrued liabilities have increased nearly fivefold for police and sixfold for fire.26

“A strong push should be made to consolidate local government.”

— Michael

A more strategic, coordinated, and efficient approach to local government structure and funding and intergovernmental relations is needed. Examples of better approaches do exist. For example, several state grant funds are administered regionally or locally, such as the energy efficiency program administered through the Metropolitan Mayors Caucus. Further, regional mutual aid systems such as the Mutual Aid Box Alarm System (MABAS) and the Illinois Public Works Mutual Aid Network (IPWMAN) provide personnel and equipment to jurisdictions in need.

25 Northwest Municipal Conference.
26 Ibid.
Path forward

The state should work with local governments to ensure that Illinois achieves excellence in service delivery and costs. Several strategies, as described below, will help achieve the dual goal of reducing costs while improving service quality.

Eliminate the duplication of services and reduce fragmentation at all levels of government

Currently, the provision of services to the residents is fragmented and, in many cases, redundant. To increase efficiency, Illinois should appoint a high-profile governmental official to lead efforts to rationalize and consolidate local government. The first step should be a top-to-bottom review of each state agency and department’s duties to determine governmental responsibilities and eliminate redundant tasks. Examples of efficiency already exist in pockets around the state. For example, to help control health and pension costs, DuPage County instituted an initiative called the Accountability, Consolidation, Transparency (ACT) program to restructure departments and eliminate duplicative services. The ACT program is projected to save taxpayers more than $80 million. Such programs should be studied and utilized across the state.

Beyond reducing duplication, this official should initiate a study and help implement recommendations for combining local units of government where provision of services through separate government entities is not required.

Support local government efforts to reduce costs

A priority in stabilizing the finances of local governments will be controlling soaring public safety pension costs. The state should explore the consolidation of police and fire pension funds into either two funds (one for fire, one for police) or a single public safety pension fund, which would allow each community to maintain the integrity of its own fund in the larger pool. While this action would not completely resolve the crisis, it would reduce administrative and investment management costs, increase rates of return, and slow the growth of unfunded liabilities for many local governments while ensuring sustainable retirement benefits for public safety employees.

The new administration should review ways the executive branch can provide leadership in reducing the financial burden on local government, including comprehensive tax reform, which would increase the predictability of municipal revenue sources. To help inform the process, a senior government official should be designated to serve as the local government liaison to engage frequently with local government leaders and communicate their ideas and concerns directly to the governor's office. Further, the state government should appoint a task force to review unfunded mandates, potential cost savings, and best practices for service delivery.

Streamline state agency functions for greater process efficiency

Multiple agencies may have a role in assisting local governments, but there is no formal mechanism to coordinate these efforts. Too often, agencies work on local issues in a vacuum. For certain state services, waiting periods and process inefficiencies can lead to lost revenue.
For example, a road project may require approval within 45 days—but the required form may not be signed for a year, leading to the project’s cancellation. To avoid unnecessary delays in permitting and approvals, the state should initiate regular operational review of agencies with local government touch points to improve such processes and increase visibility.

As local governments have attempted to streamline operations, consolidate functions, or evaluate alternative delivery models, the state should encourage the continued dissemination of these process efficiencies at both the state and local levels. An increase in local government representation on state boards, commissions, and task forces would help improve communication and visibility.

Missouri has instituted a strong approach for serving its municipalities; local governments seeking financial assistance for water or wastewater are directed to a single interagency group, which meets monthly to consider applications for a combination of state grants, loans, and local assistance from multiple sources.27

27 “Missouri Water and Wastewater Review Committee proposal submission process,” Missouri Department of Economic Development.
Information Technology

The policy sections of this report have highlighted areas where information technology (IT) has the potential to transform the way agencies function and deliver services. IT can streamline processes and reach constituents in new and more cost-effective ways, such as online self-service portals and smartphone apps; enable organizations to instill a culture of performance by tracking and making transparent performance metrics that support accountability; and enable the Illinois government to deliver efficient, effective, and high-quality services to businesses and residents.

Illinois today
Illinois spends approximately $830 million each year on technology, which places it among the top ten states by technology expenditures. Eight agencies account for approximately 65 percent of the state’s major IT spending: the Department of Central Management Services (CMS), the Department of Healthcare and Family Services (HFS), the Department of Human Services (DHS), the Illinois Department of Transportation (IDOT), the Illinois State Board of Education (ISBE), the Department of Children and Family Services (DCFS), the Illinois Department of Corrections (IDOC), and the Illinois Department of Revenue (IDOR). These agencies have been investing in modern IT systems where federal resources can be obtained. Major projects, which represent some of the most advanced capabilities and platforms in the state, include systems for processing Medicaid claims, paying for child care, and integrating eligibility processes for a wide variety of social services. In addition, the Illinois Tollway Authority is investing in new tolling technology, and ISBE is implementing a longitudinal data system. Last, IDOC is spearheading a project to move its offender information system to a new cloud-based platform.

CMS provides centralized IT services to agencies through its Bureau of Communication and Computing Services (BCCS). With a budget of $242 million for IT-related activities, BCCS serves all agencies by supporting telecommunications needs, running the state’s broadband Illinois Century Network, and managing enterprise applications, e-mail, Illinois.gov, and single sign-on for employees. BCCS also hosts agency infrastructures and manages agency networks, desktops, and laptops for agencies that opt to use its services.

Challenges
At its current level of spending, Illinois should be able to support a modern IT environment. However, the state must overcome several challenges to harness the full potential of its technology investments.

Lack of unified vision for technology
Although technology is an integral part of operations, Illinois lacks a strategic IT direction: resources are not being deployed efficiently or effectively to enable a well-run government capable of providing a high level of service, transparency, and accountability. In general, agency priorities are poorly defined and disconnected from an overall state IT strategy. Individual agency IT systems are typically not integrated, even among common functions such as finance
and human resources, hindering statewide information-sharing efforts. Agencies set their technology priorities independently, including in areas such as mobility applications, migrating to cloud-based applications, use of infrastructure as a service (IaaS), and service-based infrastructure. Data are siloed in agency-specific applications and hardware environments across the state, so agencies cannot easily share data to more efficiently serve business and residents and identify waste, fraud, and abuse. From a security standpoint, interviews suggest that routine risk assessments to identify threats to the statewide mainframe system have not been conducted.

**Low-value investments**

In general, the total amount of spending on IT has not delivered corresponding results for several reasons. The bulk of spending goes to maintain legacy systems, which are not only costly but also do not support modern business practices or regulatory requirements. The need to keep obsolete systems running has resulted in a cottage industry for application maintenance and equipment replacement. These maintenance expenses crowd out investments in new solutions that would be more cost effective over the long term. Moreover, the state has not invested sufficiently in customer-facing platforms for businesses and residents that would improve service delivery and efficiency. Agency feedback indicates that less than 10 percent of the total IT budget of agencies is dedicated to customer-facing services. Instead, agencies deploy different applications for common functions, such as human resources, payroll, and finance. According to Illinois’ Office of the Auditor General 2011 report, more than 100 separate systems support state’s finance function. Of these platforms, half are more than ten years old. While the state has centralized and consolidated servers, many agencies manage their own servers to support their applications, leading to higher IT spending and unused storage.

**Poor governance**

The state CIO resides in the governor’s office and lacks line authority over agency CIOs or their departments, where most application planning, development, and hosting decisions are made independently. Few agencies or systems produce data on concrete outcomes or performance, creating a barrier to performance measurement and accountability. Without regular benchmarking of common business processes, it is difficult for agencies to build the business case for further investments that could transform their operations. Moreover, the state has not implemented measurements or analytics to determine whether IT spending is improving agency performance or strategically aligned with state or agency goals. Feedback from agencies and stakeholders indicates that state’s IT workforce does not have access to training opportunities to upgrade skills or advance in careers, and the state typically outsources project management capabilities for complex IT projects, as that capacity is generally lacking in-house.

**Path forward**

The state needs firm strategic direction to define architectures and platforms for modern technology. To achieve the vision of technology systems that deliver high-quality services to
residents and businesses, and enable efficient government operations, the state should focus effort in three core action areas:

1. Develop a strategic vision.
2. Optimize spending and reinvest in high-value solutions.
3. Focus on results.

1. Develop a strategic vision
Illinois’ state CIO should drive a long-term IT strategic plan that is closely aligned with the governor’s priorities. This effort should lay out a unified vision on long-term priorities for investment governance, legacy migration, security, and procurement.

2. Optimize spending and reinvest in high-value solutions
By more cost effectively addressing the state’s IT needs and implementing modern systems, Illinois could reduce the longer-term IT budget as a percentage of overall state spending. To begin this process, the state should immediately conduct a strategic spending review, develop a roadmap to optimize its applications, and conduct a statewide IT risk and security assessment. High-potential investments likely include application modernization, mobile apps, master data management, and data sharing. The state should also expand BCCS, an initiative that has shown promise, so that it can operate as a shared-services center for agencies across the state.

3. Focus on results
The CIO should be strategically positioned to have the authority to drive the governor’s IT agenda. By overseeing IT budget priorities, procurement, spending, and hiring, the CIO can use technology to transform Illinois’ government operations. For example, by requiring agencies to submit annual IT strategic and operating plans, the state can ensure that spending priorities are integrated closely with the annual budget. Developing performance metrics and using data analytics to measure return on investment and assure cost-effective delivery will be critical to building support for this agenda among legislators and the public. Last, the administration can jump-start progress by using innovative financing tools, such as public-private partnerships and subscription-based technology platforms, to reduce upfront investments, improve cash flow, and lower operating costs.

As the administration embarks on this journey, it should focus on the concrete benefits that new information technologies can provide as measured by lowered costs, improved services, and a more competitive business climate:

One stop for residents. Illinois residents should be able to use one customer profile to access information and services from multiple agencies and systems. This unified view of the customer will enable the state to refer residents and their case records seamlessly to local service providers. Through one portal, for example, parents will be able to review the performance of schools in a given district, enroll children, and transfer their academic records.
One stop for business. The state should build an online portal dedicated to Illinois businesses and their needs. This platform would allow companies to create a single account and enter information just once, significantly reducing the amount of time required when interacting with the state. Once registered, companies will be able to manage a range of services online—from learning about regulations and applying for licenses and permits to paying bills and fees.

Better service delivery. Agencies should be able to use digital and mobile tools to boost productivity, increase transparency, and improve response times to requests. For example, staff should be able to track cases in real time during site visits so the state knows where vulnerable children are and the status of their cases at all times, anywhere in the state.

As Illinois embraces such an ambitious transformation agenda, it should be encouraged by the progress of other leading states. In 2003, Virginia partnered with the private sector to create the Virginia Information Technology Agency, which operates the state’s central IT services. Ohio, after decades of decentralized IT management and spending, has successfully implemented one enterprise system for administrative functions and is now pursuing an IT optimization strategy to lower the state’s total IT costs. Savings will be directed to improve IT services and for programs and services that benefit Ohio’s residents and businesses. Florida has transformed its business licensing and regulatory operations and now provides businesses with a unified portal to access government services. Michigan has undertaken a comprehensive cybersecurity initiative and has implemented major efforts to assess its risk level across multiple applications.

Immediate actions
To modernize IT systems and improve governance, the state can take several actions in the near term to chart a clear path for better performance.

- Develop a long-term IT strategic plan, led by the state CIO, that aligns the governor’s office, agency leadership, and agency CIOs across state government, addresses long-term priorities for investment, and lays out policies on governance, legacy migration, security, and procurement
- Determine services that can be procured or operated more effectively to reduce costs, and assess priorities and innovations that require investment
- Develop a road map to optimize applications, identify common and redundant applications, review license renewal terms and enforce system retirements
- Conduct a statewide IT risk and security assessment and use findings to uncover critical cybersecurity risks and urgent security issues
- Make the state CIO accountable for ensuring effective governance and overseeing IT budget priorities, procurement, spending, and hiring
Operations

The previous sections have offered dozens of long-term strategies and many more immediate actions that Illinois must take to start on the path toward becoming a high-functioning state. Many of these strategies and initiatives will extend across policy areas; in some cases, actions that are focused on just one area might have significant implications on the operations of the state.

“The state is so far behind in grading applications that the hiring process is compromised.”
— Bill

The committee acknowledges that all of these strategies cannot be implemented at once for the simple reason that no organization has the management or financial capacity needed to do so. Further, the report describes challenges that have been decades in the making. Addressing them cannot be done fully during the transition or even in the first 100 days of a term. It is critical, therefore, to develop a thoughtful sequence of efforts over time.

One important role for the new administration is to put in place a structure, likely within the Office of the Governor or the Chief Operating Officer, to sequence and manage multiple, ongoing initiatives. The exhibit on the following page provides a simple framework with six priorities that will help the state think about how to sequence initiatives.

Create a leadership culture. Investing in the human capital of state government through strategies that attract talent, reward performance and achievement, develop future leaders, and focus on ethics.

Make government efficient. Improving service delivery to residents through better processes, leaner organizational structures, and enhanced IT capabilities while reducing costs.

Finance the journey. Developing a plan to refocus resources on the areas of highest impact and delivering on defined commitments.

Improve state competitiveness. Laying the groundwork for deep improvements in the state’s business climate to increase competitiveness and generate job growth.

Transform key services. Refocusing government agencies to deliver outcomes in policy areas that weigh heavily on state budgets.

Drive big change. Promoting innovation to improve government operations and support industry innovation and growth.
These priorities reach across all departments and will be critical to enabling the state to achieve its goals. While initiatives in all six priorities will need to be launched from the start, in the near term the administration will have to focus on efforts that help build the leadership culture, improve efficiency, and enable the reallocation of funds to pay for the remaining journey.

**Create a leadership culture**

Illinois state government comprises more than 60,000 employees in 21 agencies that affect every facet of its residents’ daily lives. As each policy committee has indicated, creating a leadership culture—one based on attracting the best people for each position and holding them accountable—is a top priority. Excellence at any large organization is the product of an environment that promotes high ethical and performance standards, rewards excellence, and recognizes achievement. These values must be modeled by individuals at the top and championed throughout agencies.
Achieving the ambitious goals laid out in this report requires renewed energy and dedication from those tasked with implementing and executing strategies. Therefore, instilling a culture of leadership will be absolutely critical to usher in a new era of government, in which a well-articulated vision and clear goals energize and motivate workers. With top talent in key positions, departments will be able to innovate and improve coordination across agencies.

At all agencies and departments, establishing and sustaining a leadership culture will be a top priority. The following actions are key components of this effort and should be undertaken immediately in all agencies:

- Appoint experienced individuals with the requisite skills and expertise to leadership positions
- Conduct a thorough review of agency staffing and ensure it is aligned with the mission and strategies
- Reach out to employees in pivotal roles whose experience and knowledge are critical to performance
- Recruit qualified individuals to fill key positions
- Instill a performance management culture and select metrics to support accountability

To drive better performance, the state should create a chief operating officer (COO) position to oversee all aspects of operating efficiency and service delivery. The state should also establish a Performance Management Hub in the COO’s office that would track progress against defined goals. To help this unit remain focused on high-level targets, the hub should coordinate with the budget office but remain autonomous. For the Performance Management Hub to function effectively, it must have access to timely and accurate data from all agencies. It should therefore identify impactful metrics that support the administration’s policy and service objectives and also collaborate closely with data analysts from each agency to maintain a steady flow of current information. At regular intervals, the Performance Management Hub will share analysis and results with agencies, which will have the flexibility to reevaluate the initial plan and take corrective action to achieve improvement.

**Improve efficiency and finance the journey**  
The committee has identified four operational areas that can position the state to operate more efficiently. Success in these areas will enable Illinois to free up resources to invest in longer-term initiatives.

**Improve organizational design**  
Over time, the Illinois state government’s organizational structure has become characterized by overlapping agencies, unclear responsibilities, and inefficiency. The result is a bureaucracy with excessive red tape, a lack of accountability, and poor communication across departments. To complicate matters, many state agencies have seen staffing levels fall due to declining and
uncertain budgets, attrition, and hiring processes that make it difficult to fill open positions with qualified workers. All of these factors impede swift and effective strategic decision making.

The state must undertake a holistic effort to streamline the organizational structure of government so that departments provide services in a highly effective, while at the same time cost efficient, manner. A successful effort will focus on removing unneeded management layers, enabling closer coordination, and creating clearer lines of communications. An analysis of public and private sectors has identified four elements of a successful reorganization effort.

1. **Business and strategic planning**—Set priorities with a focus on actions that will drive results on a statewide level as well as for individual agencies.

2. **Deployment**—Align priorities with specific targets and actions that can deliver greater visibility and accountability.

3. **Knowledge**—Build expertise around strategic priorities and codify best practices that enable employees to replicate processes and tasks.

4. **People**—Develop the right capabilities and reward superior performance.

All of these elements are critical to success, but getting the “people” piece right is at the core of high-performance operations.

An optimal organizational structure can deliver exceptional value by improving service delivery while creating significant savings. Additional benefits include better decision making, increased accountability, better morale, and the ability to attract top talent to key positions.

**Fix procurement**

In fiscal year 2014, the Illinois state government had 30,000 individual contracts with 6,500 vendors that totaled $18.2 billion. Even after sweeping changes to the procurement law through SB 51, Illinois faces challenges in delivering efficient and transparent procurement due to shared responsibility across the Chief Procurement Office, Department of Central Managed Services (CMS), and the procurement function of individual agencies. The dispersed nature of procurement reflects several problems plaguing the state’s procurement operations, including inefficient, opaque processes and outdated, siloed systems. Moreover, regulatory requirements add steps to the purchasing process, while a lack of coordination between the CPO and agencies undermines competitive bidding and alienates vendors, effectively constraining the impact of market forces on prices.

In recent years, the CPO has made progress in streamlining procurement through initiatives such as an e-procurement system and a prequalification process for vendors. However, a more comprehensive approach to strategic procurement is needed to capture the full range of potential cost savings and support ethical practices. As a first step, the state should build a
robust and streamlined set of processes, systems, and decision rights. This strong foundation will pave the way for opportunities such as the bundling of contracts, healthier vendor relationships, and scale benefits.

Ultimately, a more centralized and effective procurement process will deliver a range of benefits. With increased transparency and adherence to standardized processes, agencies will be able to purchase supplies in an expedited manner. The consolidated view of procurement will enable the state to maintain high ethical standards and take advantage of scale on both the buyer and supplier side, leading to significant cost savings and faster decision making. From a workforce perspective, agency staff will be able to dedicate more of their time to high-value tasks and service delivery—areas that can translate to a higher-functioning government.

Create shared services
Over the past several years, Illinois has initiated and implemented some efficiency efforts to reorganize and centralize services. However, several core administrative functions and related systems continue to be performed independently by individual agencies, whose antiquated, manual systems hinder better service delivery and communication. These inefficiencies are magnified by each agency’s need to invest in separate systems, infrastructure, and support personnel.

Illinois can improve customer service, reduce costs, and improve internal controls by moving to a shared-services model that encompasses four initiatives:

1. **An expanded online business portal that enables businesses to perform all interactions with the state.** By creating a single point of contact for businesses, Illinois can provide seamless access to state services across agencies. With this platform, companies would be able to enter their information once and then gain access to a full menu of services and information. Such a portal would require investments in systems and databases, but this effort would give agencies a consistent view of information on businesses while reducing the burden on back-office functions.

2. **Improve customer service by providing a universal “front door.”** The state can take several actions to make government services easier to navigate. Locating complementary services in one facility, for example, would not only support better customer service but also reduce the long-term administrative budgets associated with maintaining multiple facilities within close proximity of one another. A customer-centered self-service website for residents and businesses would provide easy access to relevant information, while a state call center would answer all general inquiries across Illinois and direct customers with more specific requests to the appropriate agency.

3. **Cluster administrative and support services.** The state should implement shared services for back-office and administrative functions such as finance and HR. To support this effort, the state should develop a workforce transition plan that taps staff from certain agencies to be
located in a central facility. Standardized processes and integrated systems should be implemented to enable the shared-services clusters to deliver consistent performance.

4. **Transform Illinois’ grants management processes.** Since grants management is a complex, labor-intensive undertaking, the state should create a cross-agency body to establish standards, improve coordination between agencies, and provide policy direction. This effort would seek to streamline processes and develop a statewide framework for both grantee and grantor processing, including the utilization of common enterprise tools that would be integrated with other administrative systems. Grants management encompasses both grantee processing, where the state receives revenue from the federal government, and grantor processing, where the state provides funding to other organizations. Grants and federal funding are the largest source of nontax revenue to the state, so finding ways to enhance this revenue stream and improve grants the processing and reporting would increase the positive impact on the state’s constituents. On the grantor side, having clear goals and objectives for these funds along with ways to measure the outcomes of projects will provide transparency into the benefits of the state’s investment in these grants.

**Save money on real estate**

Illinois state government has more than 10,000 properties spread across the state—CMS alone manages 600 properties. Collectively, these locations and facilities represent a significant annual operating expense. By optimizing the use of these assets, the state can control costs and operate sustainably while creating workplaces that are customer focused and consistent with agency requirements.

Four strategies can help Illinois manage its real estate more effectively and create savings to reinvest in state-owned properties. First, leaders should communicate clearly to all groups that the effective use of real estate is critical and stress the importance of cross-agency cooperation. Second, by deploying a next-generation workplace strategy that includes design concepts and technology, the state can improve resource utilization while providing productive work environments that support collaboration. Third, the state should seek to improve cycle time in all real estate activities, with an eye toward increasing client satisfaction and cutting costs. Last, investments in industry-standard information platforms can collect data that will improve decision making on real estate.

In the near term, the state should conduct an assessment of operating entities for the entire real estate portfolio and identify the status of all properties. Every effort should be made to consolidate space while ensuring that the real estate team has the necessary staff, structure, and resources. As a first step, the state should assess the entire portfolio of its real estate holdings and quickly identify properties for which it is not spending efficiently. In addition, an evaluation of past efforts to manage the state’s assets should be conducted to determine opportunities for improvement.
**Improve competitiveness, transform key services, and drive big change**

In the individual policy sections, many of the strategies are focused on achieving an ambitious vision for Illinois state government: becoming more effective at delivering services to residents and businesses; making the state more competitive in attracting companies and investment; and taking on entrenched challenges to drive the kind of sweeping change that will improve the lives of Illinois residents for generations. While actions in these three areas must be begun now—each policy section includes specific recommendations to start making progress in first 100 days of the term—the full impact will be felt over the long term.

**Immediate actions**

The near-term policy strategies should be pursued concurrently with sweeping operational improvements. Both efforts will unfold over years, and therefore require actions to be sequenced carefully over a longer period of time. The COO and the team tasked with managing the state’s turnaround will determine that sequencing. As he or she is doing this, the initial actions to begin building a new leadership culture, as described above, do not need to wait.

- Create the role of COO, who would have responsibility for overseeing procurement, IT, and hiring
- Appoint fully qualified, highly capable individuals to leadership and management positions
- Begin a comprehensive evaluation of current staff at all agencies and augment where necessary
- Perform an assessment of unfilled jobs to determine required skills and qualifications for candidates
- Reach out to existing highly skilled employees to ensure agencies retain institutional knowledge
- Implement a performance management system and select metrics to track progress
Next Steps

This report is the first step in a long process to put Illinois back on a path to prosperity. Despite the challenges that the state faces, we are optimistic about the future. The strategies and recommendations included in the report represent not only the collective insights of hundreds of stakeholders from across Illinois, but also best practices from other states that have made significant progress in overcoming their own obstacles.

Each of us stands ready to support the new administration as it implements the recommendations in this report, as well as other priorities the Governor-elect and his team develop. Although progress on these issues will require long-term commitment, together we will ensure that Illinois’ brightest days are still ahead.
Appendix A: Immediate Actions

Economic Development

• Begin to design career and technical education focused on specific industries’ needs in communities where unemployment is at least two to three points above the state average

• Launch a campaign led by the governor to communicate the vision for economic development and conduct personal outreach to CEOs, first in Illinois and then across the country. At the same time, begin the process to engage a professional marketing firm to create Illinois’ new brand, which should encompass all externally-facing activities of the state (not just DCEO’s)

• Publicize the importance of tort reform and the effect of the legal system on the job market

• While all are responsible for improving the business environment, the state should appoint a qualified small business ombudsman with the independence and authority to make meaningful decisions on behalf of Illinois’ small businesses

• Create a single Illinois Technology Commission comprising top-level leaders from business, academia, and national laboratories

• Define the mission, responsibilities, goals, and organizational structure for a new, public-private economic development organization

• Appoint qualified, highly capable workers’ compensation commissioners and arbitrators

• As with all agencies, install strong leadership based on professional qualifications and relevant experience. In addition, economic development agency leadership should have credibility with, and be drawn from, the business community

Infrastructure

• Initiate reform of infrastructure investment and planning processes, including the development of new, transparent criteria for investing in specific capital programs across state agencies and in coordination with municipal, county, and metropolitan plans and priority projects

• Continue a focused effort to identify innovative funding sources, with stakeholders both inside and outside of government

• Identify the best mechanisms for coordinating capital investment through either restructuring current functions or a new structure

• Pause and review major infrastructure projects
Energy, Environment, Utilities, and Natural Resources

- Identify opportunities to implement permits-by-rule for common or less-complex permits
- Improve management and utilization of outdoor recreation areas and access to recreation opportunities across the state by working with conservation, open space, and private sector interests
- Jump-start horizontal drilling and hydraulic fracturing by staffing sufficiently to respond promptly to permit requests
- Develop agency policies that require appropriate and sufficient outreach with stakeholders to improve regulatory certainty for businesses and provide sufficient time for them to plan for future changes
- Evaluate the Renewable Portfolio Standard and how it is implemented to achieve its goal of 25 percent renewable energy by 2025
- Begin to develop a plan to achieve the state's goal of reducing energy demand by 2 percent on an annual basis
- Engage business executives and other stakeholders to provide ongoing council to the new administration and governor
- Appoint a task force to review the implications of the “utility of the future” on existing laws and regulations, ownership structure, pricing designs, and incentives
- As part of the ongoing efforts of IEPA and DNR, ensure that stakeholders are engaged on issues relating to: a) water use and pollution, including the threat of invasive species; b) the future of nuclear energy in the state; and c) options for Illinois' response to the U.S. EPA Clean Power Plan and carbon reduction strategies that fit with the existing generation mix, minimize price impact, and maximize economic opportunities
- Recruit candidates and hire an individual for a senior policy position for energy and environment

Health and Human Services

Improve Medicaid

- Begin a first-pass review of Medicaid eligibility for immediate redetermination along with studying best practices
- Launch review of progress on all data analytics functions, both existing and planned
- Review opportunities to streamline and improve operations
- Begin a comprehensive review of all expenditures for prescribed medication
Tailor approaches to select populations
• Convene a group to begin review of evidence-based treatment types as well as current standards and levels of medication compared with national levels
• Identify solutions for the current waiting lists and options for those wanting different types of care
• Develop standard assessments for all special populations
• Select a group, such as Governor’s Office of Early Childhood Development, to design and kick off a strategic planning process for pregnant women and children care

Improve social services
• Assess drivers of success in current effective partnerships and areas with need for innovation and funding
• Look across agencies at current capacity for effective outreach, and identify issues most in need of improvement
• Begin strategic planning with the aim of clear goals and approaches, including a multiagency steering committee

Promote pay for value
• Convene stakeholder groups to examine the need for alignment on pay for value and payment innovation, and translate past discussions into stronger actions
• Assess the existing plan and identify all stakeholders

Innovate delivery of services and care
• Complete a comprehensive review of the current state of Medicaid-majority providers
• Convene key stakeholders around what capabilities are needed in providers to make necessary business model shifts

Promote key enablers
• Create a senior-level role or body with oversight over the five major health and human services agencies, and confirm areas that could be shared or pooled across these agencies
• Set a vision for resident-centric processes, and design performance metrics and KPIs for programs
• Assess effectiveness of the Washington, D.C., office in obtaining grants, and establish a baseline for benchmarking
• Identify key drivers for the current enrollment rate of targeted federally funded programs, and set targets and an approach for increased awareness

• Assess major health IT programs to uncover latent risks and performance issues

**Education**

• Begin an effort to identify mandates and rules that have highest priority for implementation and those for which schools and districts would most likely seek relief

• Review recommendations of councils and statewide organizations such as the P-20 council and Vision 20/20 to determine which recommendations are low cost and high impact

• Launch and coordinate regular meetings between board leadership, agency heads, and the governor's office

• Begin to identify and publicize quality education options from cradle to career in every region of the state

• Identify and assess critical technologies and current state investments, such as broadband, the Illinois Shared Learning Environment, and shared cloud infrastructure (IlliniCloud), to ensure that all areas of the state have the infrastructure for 21st-century classroom learning technologies, improved professional development, distance learning to improve access to advanced coursework for high-school students, data sharing and analysis, and required local and national assessments

• Identify, study, and begin plans to replicate the most successful public-private partnerships for workforce readiness

• Institute cross-functional teams at natural student transition points to begin aligning goals, data systems, and communication strategies necessary to help ensure that students make key transitions successfully within and between systems

• Begin work on a multipronged strategy for improving college access and affordability, including replicating successful college and university initiatives that have contained costs while improving outcomes, as well as programs that enable students to earn college credits while in high school

• Begin to study how differences in instructional time across Illinois districts impacts student achievement and social-emotional development; these analyses should include the effects of access to preschool, all-day kindergarten, and out-of-school programming

• Evaluate alignment between new Illinois learning standards (Common Core) and a national 21st-century assessment approach, district-by-district readiness for these learning standards, the relationship of assessments to college and postsecondary access, and readiness of districts to implement statewide assessments
• Assess potential improvements to Illinois' teacher recruitment practices, including streamlined licensing processes, improved and diverse preparation programs, and differentiated compensation structures

• Assess areas of funding imbalance and sufficiency, from pre-K through postsecondary, across the entire system, and determine an appropriate formula that rebalances the system

• Identify pilot turnaround schools and school districts that would benefit from more rigorous turnaround programming, while applying best practices from effective of turnaround efforts in Tennessee, Louisiana, Chicago, and Memphis

Law Enforcement and Criminal Justice

• Identify and engage critical community leaders (such as police chiefs, sheriffs, judges, mayors) to understand the current state of community–police relations and ensure alignment with the public safety vision

• Review the effectiveness of current incentives and programs that promote hiring trained and qualified formerly incarcerated residents, with the goal of improving hiring rates

• Expedite implementation of risk assessment process, as mandated by the 2009 Crime Reduction Act. In doing so, identify end uses and develop specific plans for how risk assessment data will be used as an input (such as for prioritization of candidates for diversion, incarceration strategies by risk type and age, and selection of job-training program participants)

• Direct the implementation of purchased but not yet fully functional systems (for example, YASI, SPIn, Offender360) and other systems required for a data-driven, risk assessment–based approach while ensuring the ability to share appropriate relevant data among stakeholders

• Visit facilities to understand prison conditions through firsthand exposure

• Clearly define responsibilities for public safety efforts among state and local jurisdictions and remove barriers that prevent local jurisdictions from gaining access to state resources

• Build on the work of the Police Training Institute to enable sharing of best practices for all facets of public safety among jurisdictions

• Take an inventory of all available offender programming (for example, prevention, diversion, substance dependence, mental illness, job training, and parole, among others), both inside and outside prisons, and assess the effectiveness of each. Estimate capacity versus demand by program type and deploy resources to the most effective programs where the demand is greatest

• Working with the Illinois General Assembly, begin to develop a common understanding of the potential approaches for reducing prison expenditures and how the number of people in prison can be safely reduced by altering sentencing policy
• Ensure coordination between ICJIA and Illinois public safety agencies (including local jurisdictions) to enable access to available outside funding sources (for example, federal grants) through the use of improved data. Refine reward criteria to drive desired behavior (for example, improvement of police-community relations)

• Perform an objective assessment of prison safety (including compliance with the Prison Rape Elimination Act) and adequacy of staffing levels

• Work with other state agencies to develop a plan to complete deferred maintenance initiatives for prison facilities

**Information Technology**

• Develop a long-term IT strategic plan, led by the state CIO, that aligns the governor’s office, agency leadership, and agency CIOs across state government, addresses long-term priorities for investment, and lays out policies on governance, legacy migration, security, and procurement

• Determine services that can be procured or operated more effectively to reduce costs, and assess priorities and innovations that require investment

• Develop a road map to optimize applications, identify common and redundant applications, review license renewal terms and enforce system retirements

• Conduct a statewide IT risk and security assessment and use findings to uncover critical cybersecurity risks and urgent security issues

• Make the state CIO accountable for ensuring effective governance and overseeing IT budget priorities, procurement, spending, and hiring

**Operations**

• Create the role of COO, who would have responsibility for overseeing procurement, IT, and hiring

• Appoint fully qualified, highly capable individuals to leadership and management positions

• Begin a comprehensive evaluation of current staff at all agencies and augment where necessary

• Perform an assessment of unfilled jobs to determine required skills and qualifications for candidates

• Reach out to existing highly skilled employees to ensure agencies retain institutional knowledge

• Implement a performance management system and select metrics to track progress
## Appendix B: Committee Co-chairs

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