



# The ILLINOIS Report 2009

 I N S T I T U T E O F  
GOVERNMENT & PUBLIC AFFAIRS  
UNIVERSITY OF ILLINOIS  
URBANA-CHAMPAIGN • CHICAGO • SPRINGFIELD

## Foreword



At the University of Illinois, we educate 70,000 young people at our three campuses and online at a time when a college education is, for many people, a necessary condition to achieve their dreams and contribute fully to society. Our researchers attract more than \$600 million per year in competitive grants and contract research to solve the most pressing problems of our day: energy, the environment, food, health and even happiness.

Our 18,000 graduates each year reinvigorate our state's businesses and enrich lives in communities throughout Illinois. The University of Illinois—with campuses in Urbana-Champaign, Chicago and Springfield—is also home to scientific discoveries and technological innovations that save lives, improve our citizens' quality of life, start new businesses and even pioneer whole new industries.

*The Illinois Report 2009* is the annual assessment of crucial issues facing Illinois by our faculty experts at the Institute of Government and Public Affairs. The IGPA has contributed its expertise for 60 years to the state's policymaking process and helped government better serve the public. The institute, with locations in each of our three campus cities, is home to some of the state's finest researchers in areas of public finance; health policy; race and public policy; social policy and governance.

These pages bring you the IGPA researchers' nonpartisan assessment and analysis. The information contained here may not solve all of Illinois' problems, but it can help ensure that those who must seek the solutions can do so with knowledge of the best evidence and analysis available.

We at the University of Illinois constantly strive to return value for the investment the state makes in its flagship university system. *The Illinois Report 2009* illustrates how investment in higher education contributes to a better, more prosperous future for Illinois and its citizens.

*B. Joseph White*  
*President*  
*University of Illinois*



# The ILLINOIS Report 2009

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# Introduction: An Opportunity to Change Course

By Robert F. Rich



*Certainly, Illinois has faced few challenges greater than those it faces entering 2009. But within those challenges surely lie opportunities for the state to change its course.*

Illinois has spent a lot of time in the national news in recent months. Some of that has been very positive as we celebrated the election of one of our own as President of the United States. Some of the time in the news has been embarrassing for the state and for its leadership. Nationally, Illinois has been spotlighted for serious ethical issues and questions about the “culture” of Illinois politics.

Certainly, Illinois has faced few challenges greater than those it faces entering 2009. But within those challenges surely lie opportunities for the state to change its course. This is an important time to be a leader in Illinois.

The new president, who spent some time in Illinois government himself, says we are at a “defining moment” as a nation. The same can be said of Illinois. The question is HOW will we define the moment? Will we change our political culture? Will we define the moment by addressing the state’s needs with new enthusiasm and resolve to search out creative and long-lasting solutions, or will we revert to the same Band-Aids we have used before?

In past editions of *The Illinois Report*, we have suggested that the policymaking process in Illinois needs to change, that the needs of the state should outweigh personal differences or the desire for personal benefit. We have consistently encouraged collaboration to identify and implement the best solutions for our state’s many problems. We continue to believe that a more transparent process will help change a culture that has brought embarrassment to the state in recent years.

We mark this year the 200th anniversary of Abraham Lincoln’s birth. Lincoln was a bold leader who was able to promote collaboration, even among adversaries, to

achieve a common goal. He emphasized the importance of careful deliberation and focused on solving problems with a long-term vision in mind. We need this Lincoln-esque thinking again in Illinois.

The election of new leadership in the state Senate presents an opportunity to take a new approach to meeting the serious challenges we face as a state. These new leaders have a record of working collaboratively and appear to be ready to build on their past achievements. Government will find the best solutions by examining all options carefully and by bringing all relevant stakeholders into the deliberations. Encouraging collaboration, even among adversaries, can create an atmosphere of respect and trust that can lead to creative ideas and lasting solutions.

Illinois is a great state. It is America’s transportation crossroads—on the highway, on rails, in the air, through electric wires and pipelines—the breadbasket of the nation, and home to 62 Fortune 500 companies, including 10 in the top 100. Illinois has a diverse and robust work force, vast natural resources and is a wonderful place to raise a family. Chicago is in the running to host the Olympic Games in 2016, which would bring the world to the Lake Michigan shore.

Yet there is no doubt that Illinois faces a crisis. The structural deficit that has troubled the state’s fiscal health for years continues to grow; the faltering economy has put more Illinoisans out of work than at any time in the past 15 years; health-care costs continue to climb; roads, bridges and schools continue to crumble. Medicaid already consumes most of the budget; the state still hasn’t addressed equality in public elementary and secondary education; and rising tuition costs made necessary by

declining state support threaten access to a quality higher education.

The state's political and policy leaders must dodge these problems no longer. As you will read in the pages ahead, Illinois' financial future looks bleak. In the face of declining economy and rising costs, our aging population will bring even more challenges—fewer people will be contributing taxes and more will require public services for a longer time.

This is why it is so critical to think differently about putting the state on a path to a brighter future.

The University of Illinois Institute of Government and Public Affairs is committed to providing policymakers with a base for bipartisan, evidence-based discussions. We stand ready and would be pleased to provide a forum to discuss any of the issues reviewed in the pages that follow, or others.

*The Illinois Report 2009* reviews and analyzes ten issues we believe are crucial to the state. It is our custom to present the situation as it is now, compare our performance against circumstances in neighboring or peer states and offer possible solutions to consider. Of course, these include our budget and tax situation and education. Also, we examine ways to measure and improve the quality of child care and look at residential segregation by race throughout the state. And we offer some reflections on the historic campaign and election that dominated national politics in 2008.

You will see that, even as Illinois struggles, the state remains a national leader in many ways. Illinois sets the standard for disaster and terrorism preparedness. We are a leader in developing new ways to bring the benefits of computer and information technol-



**Robert F. Rich** is in his second tenure as the director of the Institute of Government and Public Affairs. He led the Institute from 1986-1997 and returned in 2005. Dr. Rich has joint appointments with the College of Medicine, the Department of Political Science, and the College of Law at the University of Illinois at Urbana-Champaign. He is the founder and former director of the Office of Public Leadership at IGPA, and is the coordinator for the local and state government strategic initiative of the Partnership Illinois Program. Dr. Rich is a permanent fellow in the European Center for Comparative Government and Public Policy. He focuses his research on health law and policy, federalism and the role of the states, environmental policy, and science policy.

ogy to everyone, eliminating the digital divide. Illinois remains at the forefront of providing access to health care and educational opportunities for young children.

But you also will see that Illinois cannot remain a leader unless it deals with its most serious problem—the underlying structural deficit that plagues its financial condition.

With the election of Barack Obama, as with the election of Abraham Lincoln 149 years ago, America has reached out to Illinois for its leader in a time of turmoil. Illinois can play a major role in this “defining moment” in our history. Illinois can set the standard. But we must do our part at home by facing our own serious challenges with strong, respectful and trusting leadership.

There is no better time to begin.

*This is an important time to be a leader in Illinois.*



# The National Economic Crisis and the Illinois Economy

How might recession affect Illinois?

# The National Economic Crisis and the Illinois Economy

By J. Fred Giertz

*(Editor's note: To better understand the fiscal crisis facing Illinois, we believe it beneficial to have some context. This look at the recent national economic crisis and the recent economic history of Illinois provides that context. It draws on a number of articles previously published by the author.)*

**The panic.** Aside from the presidential election, the economy was the dominant issue for the United States in 2008. Few people under age 75 have experienced anything as troubling as the economic turmoil of the past year. A panic is not simply an economic slowdown or recession, or even a depression. The *Encyclopedia Britannica* defines a panic in economic terms as an “acute financial disturbance, such as widespread bank failures, feverish stock speculation followed by a market crash, or a climate of fear caused by economic crisis or the anticipation of such crisis.”

The U.S. and world financial systems did indeed experience true panic in late September and early October 2008. Investors focused on the underlying safety of assets, which often caused what is known as a flight to quality with wild fluctuations in asset values. For one of the few times since the Great Depression, investors were primarily driven not by the search for high returns, but by the fear that they might lose everything.

Financial innovation in recent years has blurred the lines between traditional banking and other financial services. Many financial organizations devised highly leveraged strategies that enhanced their profitability in normal times but created systematic risk. Systematic risk is a situation where the failure of one financial institution can create general problems for the whole system. This is related to the “too big to fail” concept, which holds that the government cannot let certain major financial institutions and markets fail because of the broader impact on

the financial sector and, ultimately, the overall economy. The Great Depression was the most prominent example.

Early on, the government attempted to address the failure or impending failure of financial institutions on a case-by-case basis, including Bear Stearns, Fannie Mae and Freddie Mac during the summer and the massive American Insurance Group in September. This ad hoc approach was not sufficient to calm the markets. A more aggressive approach was required and Congress approved multi-billion-dollar bailouts.

The last quarter of a century has been a period of considerable success for macroeconomic policy both in the U.S. and around the world. This period has come to be known as the Great Moderation, where recessions have been infrequent and moderate and inflation generally has been contained. Credit has been given to the Federal Reserve and other central banks for these results. However, the recent panic presented a huge new threat beyond the bounds of recent experience. In more normal times, the Fed has been concerned with incremental decisions such as whether interest rates should be raised or lowered a fraction of a point. In a crisis situation, these types of policy tools are inadequate.

**The recession.** The scope of government action to deal with the panic has been monumental. If it works and the panic is quelled, attention will focus not on the financial markets, but on the performance of the broader economy. Here, the news is not good either. From the summer of 2007 until the fall of 2008, there was believed to be a firewall of sorts between the financial sector and its problems and the rest of the economy. With the panic and the decline in asset values, this firewall has been breached. In fact, the National Bureau of



*The question asked since mid-2007—whether there would be a recession—has been definitively answered. Now the question is how long and deep will it be?*





*Most observers now expect the downturn to be more severe than the mild recessions of 1990 and 2001.*

Economic Research, the organization that dates business cycles, concluded in early December 2008 that the economy has been in a recession beginning in December 2007.

The question asked since mid-2007—whether there would be a recession—has been definitively answered. Now the question is how long and deep will it be? A year ago, the consensus among economists suggested that there was a 50/50 chance of a recession, but only a very small probability of a severe downturn. With Europe, Japan and the U.S. already in recession, some are suggesting this may be the worst recession since the Great Depression.

The financial panic has had a chilling effect not only on the public, but on economists and government officials as well. Until recently, we believed that while policymakers could not guarantee a perfectly stable economy, we still had the tools and know-how to avoid the major cyclical fluctuations. This belief is being tested.

Most observers now expect the downturn to be more severe than the mild recessions of 1990 and 2001, but less damaging than the twin recessions of the early 1980s when unemployment reached double-digit levels for the only time since the 1930s. However, an even more serious downturn cannot be ruled out if problems in the financial sector persist. Also, the timetable for recovery has been pushed back. Until recently, it was believed that a slow second half of 2008 would be followed by expansion in early 2009. Now, the recession is expected to continue through at least the first half of 2009.

It is all but certain as 2009 begins that there will be another economic stimulus package similar to, but larger than, the one approved in 2008. Many economists argue that while the actions in the monetary arena by the Federal Reserve and Treasury Department were and are vital for the stability of the financial system, a fiscal policy response (tax cuts and rebates along with

greater government spending) also is needed. Regardless of the economic merit of another stimulus package, politics make it a virtual certainty. However, the new stimulus package will be just a Band-Aid for the economy, not a cure.

The precipitous decline in the price of oil is like a mini-stimulus package. When consumers purchase gasoline at less than \$2 a gallon compared to more than \$4 a few months ago, the savings will be injected for the most part into domestic spending rather than for imported oil.

**Illinois and the recession.** It is clear that Illinois will not avoid the worldwide recession. However, there is little reason to believe that the impact will be disproportionate, as was the case in the early 1980s when Illinois and the rest of the industrial heartland were devastated by the rust-belt phenomenon connected to the decline of the old manufacturing base. Illinois has not been affected disproportionately by the subprime lending problems and the state is not overly dependent on the automobile industry, like Michigan. However, factors that have helped the Illinois economy in the export arena in recent years—a declining dollar and strong worldwide demand for our products—will no longer be a driving force because of the worldwide economic weakness. In the current turmoil, internal factors at play in Illinois are clearly of secondary importance to national and global economic forces.

Unfortunately, the Illinois state government is ill-prepared to address the challenges of the recession. Most states have improved their fiscal positions during this expansion, but not Illinois. The state enters the recession with a budget already out of balance, and it will only deteriorate with declining tax receipts. Further, rather than paying down its backlog of bills during the good years, state government enters the recession with billions of dollars in delinquent payments. If there is a bright spot,



the recession may provide an impetus for the state to finally undertake a much-needed capital development program to upgrade its infrastructure.

The recent slowing of the Illinois economy can be seen in the University of Illinois Flash Index as portrayed in Figure 1. The Institute of Government and Public Affairs created the Flash Index 13 years ago to provide an instantaneous reading of the performance of the state economy and it has become the most widely used monthly economic indicator in Illinois, appearing in many newspapers and on broadcast news outlets.

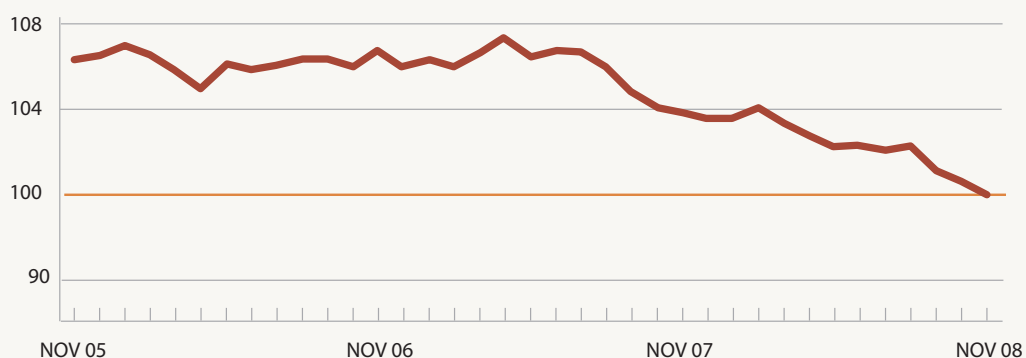
The adjective “flash” is the key to the U of I Flash Index. It was designed expressly to provide a quick reading of how the state’s economy is doing. Other commonly-used measures such as gross state product, industrial production, personal income and retail sales are not available for six months to a year after the end of the period they measure. In contrast, the Flash Index is compiled on the first business day of each month using data from the preceding month. Data from the Illinois Department of Revenue are used to provide estimates of economic activity in the state. Individual income tax receipts reflect personal in-

come; corporate receipts are a surrogate for business profits; and sales tax receipts measure retail sales. Each index is based on the preceding 12 months and is constructed with the reading of 100 as the dividing line between expansion and contraction. Consequently, the key focus of the index is not whether it is increasing or decreasing, but whether and how much it is above or below the 100 level.

The three-year performance of the Illinois economy displayed in Figure 1 shows that the economy began to slow significantly in September 2007. With minor exceptions, this weakness has continued until November 2008 (the last reading available before *The Illinois Report* went to press) when the index reached 100. This decline has been accompanied by increasing unemployment rates in the state and declining levels of employment. Given the world and national trends, the slide in Illinois is likely to continue well into 2009. If there is any surprise in the results, it is that the state’s performance has not been even more anemic.

While the Flash Index has been in existence for only about 13 years, the index has been constructed with historic data using the same methodology going back to July 1981.

Figure 1  
U of I Flash Index of Illinois Economic Growth



The Flash index is a measure of future economic activity (100 = no growth). Analysis by the Institute of Government and Public Affairs, University of Illinois.

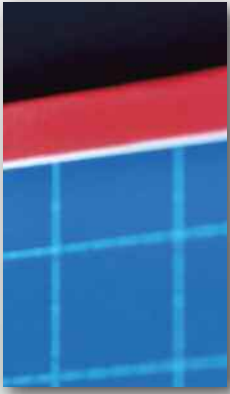


Figure 2 shows the performance of the index since then. This provides a view of the three previous downturns including the severe twin recessions in the early 1980s and the more recent recessions in 1990 and 2001. Note the seriousness of the decline in the early 1980s when the Flash Index fell well below 90. There was, however, a vigorous recovery starting in mid decade.

By comparison, the recessions of the early 1990s and 2001 were considerably milder, but the recoveries were less robust. If the current recession is more severe than the two most recent downturns, but falls short of the problems of the early 1980s as many are predicting, the Flash Index may fall to near or slightly below 90 and remain below 100 for two years.

2008 was clearly a trying year for the economy. If things go well, the financial panic will recede to be followed by a painful but bearable recession. Few would have imagined a year ago that a relatively normal recession would be considered a positive outcome compared to the dangers of a financial panic and economic meltdown.



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Figure 2  
U of I Flash Index from July 1981 – November 2008



The Flash index is a measure of future economic activity (100 = no growth). Analysis by the Institute of Government and Public Affairs, University of Illinois.



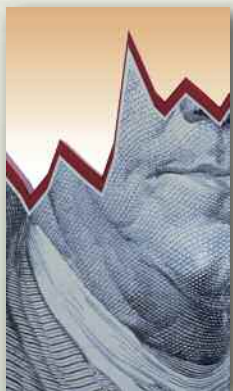
# Illinois' Fiscal Future and the State's Economy

Structural deficit remains—Can Illinois get its fiscal situation turned around?



# Illinois' Fiscal Future and the State's Economy

By Richard F. Dye and Daniel P. McMillen



<sup>1</sup> <http://www.apps.ioc.state.il.us/ioc-pdf/2007FiscalStateOfState.pdf>.

*As bad as the fiscal situation looks, there is good reason to believe that things will be even worse if we project out several decades.*

The first two editions of *The Illinois Report* made a number of points about the Illinois state budget and about the Illinois economy. Giertz (2007) documented recent budgetary shortfalls and argued that the state faces even more serious problems in the future, looking in particular at unfunded obligations for state employee pensions. Giertz and Hewings (2007) looked at the state's economy and found that the state had recovered from recession at the beginning of the decade, but was not doing as well in comparison to other states. Merriman (2008) looked at the state's continuing budget crisis from two perspectives: stepping back from the political fray to review first principles of fiscal analysis and then wading in to describe and analyze the current budget debate. Hewings (2008) documented the continuation of slow recovery and underperformance of the state's economy.

In this chapter, we take another look at the continuing and projected fiscal problems of Illinois and draw some links between the state's budget and the state's economy. We outline many of the ways the state's budget affects the economy and, in the opposite direction, ways the state's economy affects the budget. One such link, the role of public infrastructure and the transportation sector in particular, is examined in more depth.

## The State Budget

The state of Illinois has, for several years, faced a severe structural deficit—an underlying mismatch between revenue and government service costs, currently and projected into the future. This mismatch means that sooner or later some very unpleasant political choices must be made—which programs to cut or which taxes or other revenue to raise. The harshness of those choices has

contributed to a contentious, even hostile, political climate for budget negotiations over the past several years. The 2009 budget process was no exception.

Ominously, at the same time in February 2008 that the governor proposed his budget for the 2009 fiscal year, he identified a \$750 million shortfall in the well-underway fiscal 2008 budget. The shortfall was addressed with special fund transfers to the general fund and elimination of certain so-called “loopholes” in business taxation. The 2009 budget proposed by the governor in February 2008 included both an operating budget and a capital budget. The battle over the operating budget continued past the June deadline to a special session. Following the special session, the version finally passed by the House of Representatives did not include sufficient revenue, causing the governor to use his amendatory veto power to cut \$1.4 billion in spending. The 2009 capital plan was not adopted, due to failure to agree on appropriate revenue sources.

In his February 2008 report on the “Fiscal State of the State” over the prior five years, the Illinois state comptroller said that “since the low point in fiscal year 2003 ... the state's economic revenues have enjoyed an impressive resurgence in tandem with the performance of the U.S. economy,” but that while most other states used their additional revenue to stabilize their fiscal condition, Illinois did not and still has a significant Generally Accepted Accounting Principles (GAAP) deficit.<sup>1</sup> The fiscal condition of the state can be summarized in several different measures of the deficit or surplus. Figure 1 presents for recent years two cash flow measures of budget balance—operating balance, budgetary balance—and the GAAP balance, a modified accrual accounting measure. Only by rolling spending into next

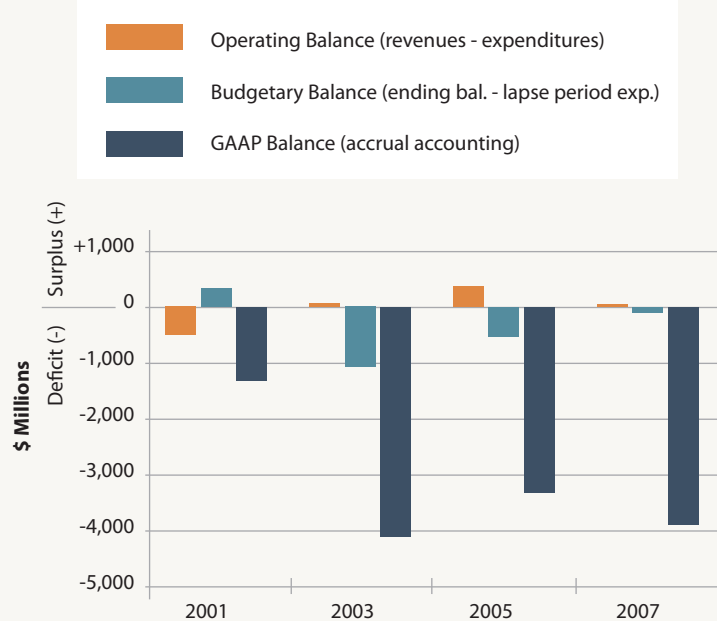
year is the cash budget balanced. Including currently accrued liabilities, most importantly pension liabilities, the deficit situation looks much, much worse.

The state's current budgetary situation is severe, but there are three very different forces that may make it even worse in the future. First, state revenue is linked to the economy, so revenue will fall off as the economy enters a down cycle. Second, state revenue and obligations may grow at different rates relative to the underlying economy and, if expenditures grow faster than revenue, the structural deficit will grow over time. Third, there are demographic forces that affect revenue and spending over the longer haul that are of concern.

### Cyclical Deficits

The U.S. economy turned down slightly in the third quarter of 2008<sup>2</sup> and showed little signs of improvement heading into 2009. Painful experience tells us that revenue will be adversely affected when the economy enters a period of decline or even slow growth. In its September 2008 monthly briefing, the Illinois Commission on Government Forecasting and Accountability reported some growth in key revenue sources but expressed concern that "worsening economic conditions suggest that even these modest rates of growth will struggle to be maintained over the remainder of the fiscal year."<sup>3</sup> This cautionary note was issued even before the depth of the global financial crisis was fully realized and before the consensus of economic forecasters predicted a significant recession in economic activity over the next year or more. By the time of its November 2008 briefing, the Commission of Government Forecasting and Accountability was estimating a \$1.3 billion revenue shortfall for fiscal year 2009, compared to the assumptions made to balance the budget months earlier. The commission further cautioned that "the effect of this recession will be felt for some time, with the worst perhaps to

Figure 1  
**Illinois State General Fund Balance on a Cash Basis and on a Generally Accepted Accounting Principles (GAAP) Basis (in Millions of Dollars)**



Source: Illinois Office of the Comptroller, <http://www.wh1.ioc.state.il.us/FiscalCondition/index.htm>.

come in FY2010."<sup>4</sup> Compounding this concern, the financial crisis makes the state's underlying deficit even worse by sharply eroding the value of financial assets held to support future pension obligations.

### Structural deficits

In his contribution to *The Illinois Report 2007*, J. Fred Giertz presented estimates of a structural deficit growing year after year because state revenue is projected to grow at a slower rate than expenditures. He concluded that, "[s]oon, the state must face the prospect of either making large and painful cuts in major programs or finding additional permanent sources of revenue." The state has taken no such action and may have made things worse by funding additional expenditures with the recent cyclical surge in revenue and by relying on other one-time revenue sources.

<sup>2</sup> <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>.

<sup>3</sup> <http://www.ilga.gov/commission/cgfa2006/Upload/0908revenue.pdf>.

<sup>4</sup> <http://www.ilga.gov/commission.cgfa2006/upload/1108revenue.pdf>.

While all studies agree that public investment provides jobs and increases productivity in the private sector, they are far from unanimous in concluding that the benefits warrant the costs.

**The Fiscal Effect of an Aging Economy**

As bad as the fiscal situation looks, there is good reason to believe that things will be even worse if we project out several decades. A recent conference hosted by the Institute of Government and Public Affairs and an IGPA publication highlight the potential impact of the changing age distribution of the American population on state budgets.<sup>5</sup> Figure 2 shows the age distribution of the population in the 2000 census alongside projections for the year 2030. The projections are for a dramatic increase in the share of the population that is of retirement age over the next 20 years.

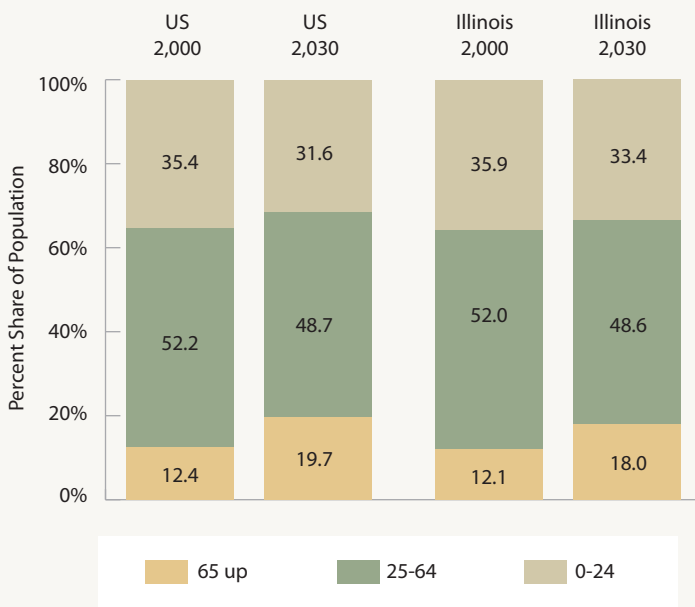
Tax collections will be affected by this shift. As the working-age population declines, state tax collections from labor income can be expected to fall. There will be no offsetting increase in income tax collec-

tions from retirees, because Illinois is one of only three states with an individual income tax that fully exempts income from pensions and Social Security. Sales tax collections will be affected in complicated ways, but the net effect probably will be a decline. Incomes go down in retirement and consumption can be expected to decline as well. Consumption patterns change in retirement, possibly with a shift toward goods and services not included in the sales tax base. Business tax collections may go down if the decline in the size of the labor force leads predictably to a decline in total state production. The expenditure side of the state budget will be affected as well. Most significant will be an increase in state payments for medical costs and for long-term care.

**The Budget and the Economy Are Linked**

We've already noted links by which changes in the economy lead to changes in the budget—a cyclical slowdown in the national and state economy that leads to a decline in or differential responsiveness of revenue versus expenditures to underlying trends in the economy. The causation can go the other way, too. Better budgetary choices can lead to a stronger state economy. The impact of the budget on the economy can be either on the demand side or the supply side. Demand side macro-simulative effects are, however, much more important at the national level than the state level. Because additional state spending and its multiplier effects can easily flow across state borders, there is little one state can do to pump up its own economy. To look for beneficial or

Figure 2  
**Age Distribution of Population in 2000 and Projected for 2030 (Percent Share of Population)**



Source: U.S. Census, "State Interim Population Projections," 2005.

<sup>5</sup> Richard F. Dye. "The effect of demographic change on state and local government budgets," in *IGPA Policy Forum*, 20(1), (2007); "The Fiscal Future of State and Local Governments: Effects of the Coming Demographic Transition," in *IGPA Conference Highlights* from Feb. 22, 2008. <http://www.igpa.uillinois.edu/library/effect-demographic-change-state-and-local-government-budgets>; and <http://www.igpa.uillinois.edu/library/conference-highlights-fiscal-future-state-and-local-governments>.

detrimental effects of the state budget on the state economy, attention must be given to the supply side—to things like infrastructure and education that increase the quantity, quality and flexibility of capital and labor. The rules as to what is taxed and at what rate can have important incentive effects on work, savings, investment, and business activity. In the next chapter of this report, Anderson and Miller look at an important subset of these issues, the incentive and disincentive effects of taxes on business. We devote the next section of this chapter to another important category, the impact that public spending for infrastructure has on state economic activity.

### The Role of Public Infrastructure

The state budget plays a critical role in building and maintaining public infrastructure. Roads and highways, public transit, airports, canals, ports, and railways require regular state funding to maintain high levels of service. Academic researchers treat public infrastructure as a critical input to the production process of businesses. An early influential study by David Aschauer found that public investment in “core” infrastructure—streets and highways, airports, electrical and gas facilities, mass transit, water systems, and sewers—leads to significant increases in the productivity

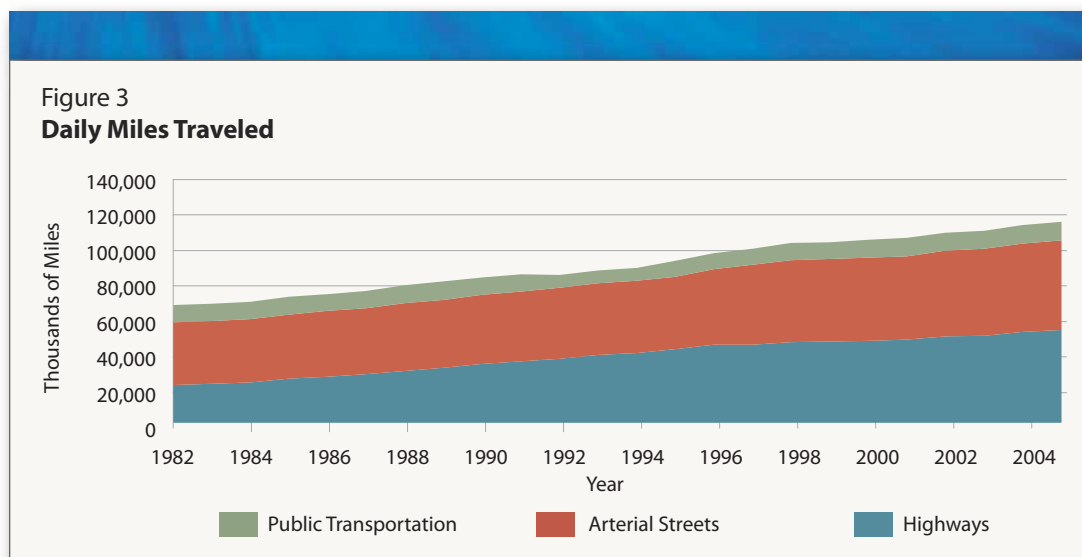
of firms, with a 1 percent increase in core infrastructure leading to a 0.24 percent increase in private sector output.<sup>6</sup> Though Aschauer’s research focused on federal expenditures, subsequent research suggests that state and local investments in core infrastructure can have large effects on output and employment in the private sector. By directly increasing employment in the construction industry and indirectly making other firms more productive, highway expenditures in particular may prove to be a good investment on the part of state governments.

Empirical studies are not conclusive regarding the merits of public infrastructure. While all studies agree that public investment provides jobs and increases productivity in the private sector, they are far from unanimous in concluding that the benefits warrant the costs. The jobs “created” by public investment are generally considered by economists to simply be a transfer of people from one activity to another. The literature on tax competition suggests that states may sometimes allocate too much money toward relatively unproductive investments in an attempt to lure firms away from other locations. However, the most important source of inconclusiveness is simply the differences in the approaches taken and data sets used by different



<sup>6</sup> David Alan Aschauer. “Is Public Expenditure Productive?” *Journal of Monetary Economics* 23 (1989): 177-200.

*The state of Illinois has, for several years, faced a severe structural deficit—an underlying mismatch between revenue and government service costs, currently and projected into the future.*

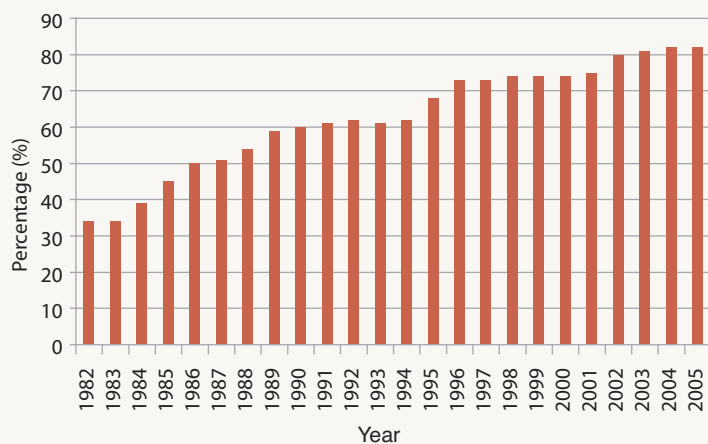






authors. Infrastructure is not a simple, uniform, easily-measured good. Different studies have focused on federal, state, and local expenditures. Older urban areas with high levels of infrastructure in place often have antiquated, inefficient public goods that are hard to distinguish empirically from newer, more modern investments.

Figure 4  
Travel Time Spent in Congestion



Texas Transportation Institute's (TTI) *Urban Mobility Report* offers a fascinating view of traffic conditions in the Chicago area. Figure 3 (pg. 17) shows the growth in daily miles traveled in the Chicago area for 1982-2005. Despite the presence of a large-scale system of commuter rail and rapid transit lines, highways continue to account for an increasing proportion of travel in the Chicago area.

The result is a large increase in congestion. Figure 4 shows TTI's estimates of the proportion of travel time spent in congested conditions in the Chicago metropolitan area. More than 80 percent of all travel time is now spent in congested conditions, up from only one-third in the early 1980s. New growth and continued decentralization only make congestion worse.

Figure 5 presents TTI's estimates of the number of new lanes that would have to be added to the system *annually* just to maintain congestion at current levels in the Chicago area. About 300 new miles of highway would need to be added each year just to keep congestion from getting worse.

Congested highways make an urban area less attractive as a place to live and as a place to locate a business. Even before the recent run-up in gas prices, enormous amounts of energy were being wasted in crowded Chicago traffic. Figure 6 shows an estimate of excess gasoline consumption caused by congestion in the Chicago area. About 140 million gallons of gasoline are burned annually as a result of congestion.

Ironically, one benefit of the high gas consumption is the amount of revenue raised by the state in gas taxes. According to data from the Tax Foundation, Illinois raised about \$1.45 billion in revenue from motor fuel taxes in 2006, or about \$113 per capita.<sup>9</sup> Motor fuel taxes accounted for 5.1 percent of total state taxes in 2006, placing Illinois right at the median among the 50 states. However, Illinois' per-capita fuel

<sup>7</sup> See the article by Drake Warren in IGPA's *The Illinois Report 2008* for an inventory of the condition of the state's bridges.

<sup>8</sup> <http://www.ioc.state.il.us/FiscalFocus/article.cfm?ID=210>.

<sup>9</sup> <http://www.taxfoundation.org/taxdata/show/241.html>.

The most important form of public infrastructure investment is roads and highways. Illinois has more than 140,000 miles of state and local roads and the third largest interstate highway system in the country.<sup>7</sup> Highway construction spending totaled \$1.8 billion in fiscal year 2006, with the bulk of it devoted to maintenance of existing infrastructure, along with occasional building of new lanes along existing highways to reduce congestion.<sup>8</sup> Businesses consistently rank highways as one of the most important factors in choosing where to locate, and commuting costs are an important determinant of residential locations decisions.

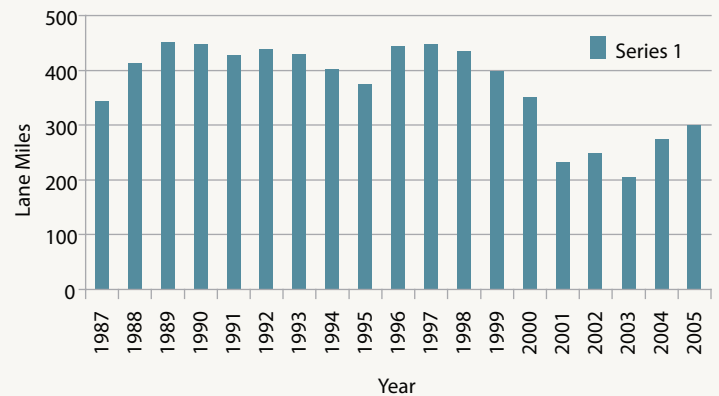
Partly because highway funds are devoted primarily to maintenance and repair instead of new construction, congestion continues to worsen in the Chicago area. The

tax revenue is relatively small by national standards: the average is \$119, placing Illinois 40<sup>th</sup> among the states.

Most states tax gasoline consumption on a per-gallon basis. As of January 1, 2008, Illinois' tax was \$0.395 per gallon. An obvious but often neglected feature of a unit tax is that revenue does not automatically increase as prices rise: a gallon of gasoline yields \$0.395 whether the price is \$2 or \$4 per gallon. However, Illinois is somewhat unusual in that it also subjects gasoline to the regular state sales tax of 6.2 percent. As a result, when the price of gasoline doubles, the sales tax portion of the motor fuel tax also doubles. A basic rule of economics is that consumption falls when prices rise. Nevertheless, total expenditure may still rise if consumption does not fall proportionately, which is clearly the case with gas consumption. If the state relied solely on the unit motor fuel tax, revenue would fall when prices rise. However, because the demand for gasoline is inelastic, the sales tax portion of the motor fuel will rise even as the number of gallons consumed declines.

Increased gasoline prices help spur ridership on public transportation. Unfortunately, increased fuel costs produce higher losses among public transit systems even as revenues rise. A recent *Chicago Tribune* article summarized the results of a survey

Figure 5  
Annual Increase in Lane Miles Needed for Constant Congestion Level

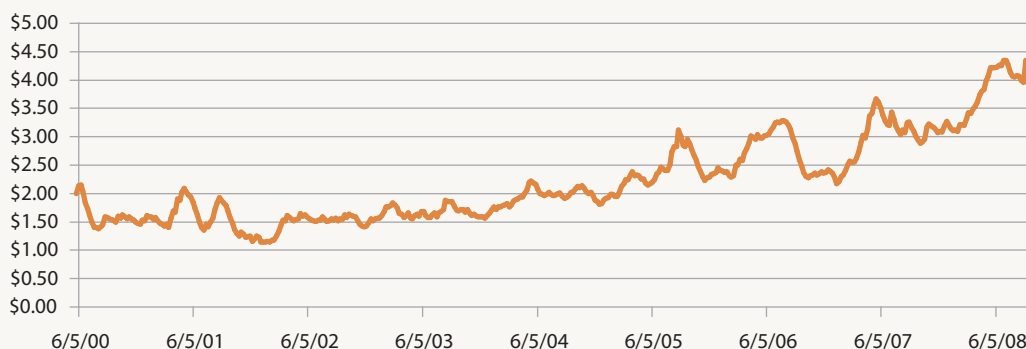


by the American Public Transit Association.<sup>10</sup> Among the findings are that recent increases in fuel prices are leading 61 percent of transit systems to consider a fare increase, while 35 percent are considering service cuts. Chicago's situation is worsened by the recent loss of revenue resulting from the state requiring free transit passes for senior citizens. The Chicago Transit Authority estimates that the free passes are leading to a loss of \$92,000 per day in revenue.

Chicago remains the nation's transportation hub. O'Hare Airport, which is consistently among the world's busiest airports, is the focal point for a massive agglomeration of commercial and industrial industry in the northwest suburbs. As economist Jan Brueckner argues in an article focusing on

<sup>10</sup>"Chicago Area is Not Alone in Transit Woes," *Chicago Tribune*, Oct. 8, 2008.

Figure 6  
Retail Price of Gasoline in Chicago





<sup>11</sup> Jan K. Brueckner. "Airline Traffic and Urban Economic Development," *Urban Studies* 40 (2003): 1455-1469.

<sup>12</sup> Julie Hamos. "Mass Transit Funding and Reform P.A. 95-708 (HB656)," [summary of 2008 Illinois transit funding act], Jan. 23, 2008, [http://www.juliehamos.org/pdfs/HB656FACTSHEET\\_01-23-08.pdf](http://www.juliehamos.org/pdfs/HB656FACTSHEET_01-23-08.pdf).

*Illinois' fiscal future looks very bleak.*

O'Hare, "Frequent service to a variety of destinations, reflected in a high level of passenger enplanements, facilitates easy face-to-face contact with businesses in other cities, attracting new firms to the metro area and stimulating employment at established enterprises."<sup>11</sup> His empirical results suggest that "a 10 percent increase in passenger enplanements in a metro area leads approximately to a 1 percent increase in employment in service-related industries."

Chicago is the freight rail center of the United States. According to data presented in the Chicago Metropolis 2020 paper, "The Metropolis Freight Plan: Delivering the Goods," 20 North American railroads annually transport \$350 billion goods "to, from, or through" the metropolitan area, employing 37,000 workers in the process. Trucking companies employ another 50,000 workers to ship an additional \$572 billion in goods through the region. Together, "in 2000, the region's top 40 freight centers, where concentrations of manufacturing, warehousing, shipping and related firms have ready access to rail and truck services, accounted for 553,000 jobs and \$131 billion in annual sales." However, both rail and highway systems are highly congested. Freight trains can take a week just to travel across the Chicago metropolitan area. Intermodal containerized shipping significantly increases the number of trucks on Chicago's expressways.

One thing the Illinois legislature and governor did achieve in the last session was enactment of the *Mass Transit Funding and Reform Bill*.<sup>12</sup> The act will raise \$280 million from an additional 0.25 percent sales tax rate in the six-county region of the Regional Transportation Authority (RTA), \$100 million from an additional 0.3 percent real estate transfer tax in the City of Chicago, and commit the state to additional matching funds. The additional revenues will, however, be used almost entirely for operations, not infrastructure improvement.

## Policy Options

Illinois' fiscal future looks very bleak. The governor and legislature have temporized, denied, and pointed fingers. They have spent a cyclical surge in regular revenue and other one-time revenue sources on current operations. They have met the technical requirements of a balanced budget only by repeatedly delaying large amounts of spending until the next budget year. Binding promises for government retiree pensions and medical care are not fully funded. From this starting point, the state budget now faces in the near future a probable significant cyclical downturn in revenue associated with the looming recession. From this starting point, state budget policy makers must look ahead 20 years or so to significant additional fiscal challenges from an aging population—declining taxes on labor source and business incomes and increased obligations for medical services and long-term care for the elderly.

The budget and the state's economy are linked. For example, government investment in transportation infrastructure is very important to the state's economic activity. An aging infrastructure means that more public funds must be spent for repair and maintenance leaving less for growth-inducing investment. The existing and soon-to-be worse fiscal challenges facing the state will make it even harder to fund repair and maintenance, much less net new investment.

We conclude by mentioning examples of three very different types of policy options. There are ways to encourage more efficient use of transportation infrastructure. New revenue sources may have to be considered. Better information may improve decision making.

**More efficient use of transportation infrastructure.** The Chicago metropolitan area has far too many bottlenecks in its expressway system. Moreover, gaps between state-

designated truck routes lead to inefficient, circuitous routes for freight transportation, particularly in the suburbs. Eliminating bottlenecks requires large investments from both the federal and state governments. Coordination of truck routes can easily be accomplished with regional transportation planning. Traffic flow could be improved greatly by adopting variable, time-of-day congestion pricing on toll roads. While the current fixed-rate tolls help cover some of the costs of highway maintenance, they do little to discourage congestion. Higher tolls during peak times would encourage non-commuters to delay trips until rush hour periods are over while providing significant time savings to regular commuters. Tolls can be made revenue neutral by lowering or eliminating charges during off-peak times, or they can be used to raise money for highway maintenance and improvements.

**Consider taxing retirement source income:** Illinois is one of only three of the 41 states with an individual income tax that fully exempt private pension income and one of only eight that fully exempt public employee pension income.<sup>13</sup> This tax preference for retirement-source income will adversely affect state income tax collections as the population ages. It might be appropriate to reconsider this preference in anticipation of the impact of an aging population on the state budget. Two other key features of the Illinois personal income tax are relevant to any such re-examination. With a flat rate of only 3 percent, Illinois has the lowest top tax bracket of any income-tax state.<sup>14</sup> This low rate would soften the impact of expanding the tax base to include more retirement income. On the other hand, with a personal exemption of only \$2,000 per person and no standard deduction, Illinois has among the very lowest “tax thresholds”—the level of income at which an individual or couple starts paying taxes—of any state.<sup>15</sup> Only if this tax threshold level were raised substantially would it be reasonable to tax

retirement source income. With the tax threshold amount of income set at a reasonable level, there should be no reason to favor one source of income over another in defining the tax base.

**Provide better estimates of the fiscal future:** Illinois is afflicted by “budget blindness” and does not know where it is going. With the exception of pension liabilities and bonded indebtedness, there is no requirement and no systematic effort to project the consequences of present actions and obligation into future years. There is no mechanism for calculating the impact of major demographic changes like the aging of America on the state budget in future years. There is a bias in the budget process that concentrates almost entirely on current-year or next-year amounts. Short-term political expediency often leads to making choices that move costs into the future. In recent years, future revenue streams like the tobacco settlement have been sold or borrowed against to pay current bills. Sale or long-term lease of the state lottery has been proposed. Little attempt has been made to calculate the long-term impact of these short-term choices, so the budget future keeps getting worse.

In the belief that better information may lead to better choices, the Institute of Government and Public Affairs has initiated the *Fiscal Futures Project* with the support of a number of civic and interest groups:

- The Taxpayers’ Federation of Illinois;
- The Civic Committee of The Commercial Club of Chicago;
- Illinois Farm Bureau;
- AFSCME Council 31;
- The Illinois Education Association;
- Chicago Metropolis 2020; and
- The Metropolitan Planning Council.

The goal of the project is to develop a long-term budget model for Illinois. The model will: project current budget choices out five, 10, or 15 years; incorporate projections of



<sup>13</sup> Richard F. Dye and Therese J. McGuire. “Illinois’ Individual Income Tax and General Sales Tax: Options for Reform,” *State Tax Notes*, Oct. 24, 2005: 371-387, Table 6.

<sup>14</sup> *Ibid*, Table 9.

<sup>15</sup> *Ibid*, Figure 3 and Table 8.

*Illinois is afflicted by “budget blindness” and does not know where it is going.*





demographic and economic variables for future years; and project the impact of proposed changes in tax and spending programs on out-year budgets. Eventually, we plan to integrate the budget model to the University of Illinois' Regional Economic Applications Laboratory (REAL) model of

the Illinois economy to explore the links between the budget and the economy.

Having a long-term budget model will change neither the harsh constraints on budgetary choices in the state, nor the unfortunate consequences of past choices, but it may lead to a greater appreciation of the long-term fiscal situation, the links between current choices and future budgets, and the links between the budget and the state's economy.



**Richard F. Dye** has been on the IGPA faculty since 1990. He is co-director of IGPA's *Fiscal Futures Project*. His other research and public outreach activities focus on state and local government finance and include studies of: the impact of property tax limitations; the effects of tax increment financing on local economic development; residential housing teardowns and land values; the growth and stability of different state revenue sources; property tax responses to state aid cuts; the impact of property tax classification on business activity; voter preferences for the equalization of school property taxes; and earmarking revenues for specific public expenditures. He has published in the *National Tax Journal*, *Journal of Urban Economics*, *Journal of Public Economics*, *Journal of Regional Science*, *Growth and Change*, *Economic Development Quarterly*, *State Tax Notes*, and elsewhere. Professor Dye retired from Lake Forest College in 2007 after 24 years on the school's Department of Economics. He received his A.B. from Kenyon College and a M.B.A. and a PH.D. in economics from the University of Michigan.



**Daniel P. McMillen** is a professor of economics at the University of Illinois at Urbana-Champaign. He has held an appointment at IGPA since 2002. Professor McMillen's research interests are urban economics, real estate, and applied econometrics. He is editor of the journal *Regional and Urban Economics*, and has served on the editorial boards of *Journal of Urban Economics*, *Journal of Economic Geography*, *Growth and Change*, *Journal of Real Estate Literature*, and the *Journal of Housing Economics*. In 1998 and 1999, he served as the chair of the Department of Economics at Tulane University, where he had been a professor since 1994. In 1998, he was a research fellow for the Center for Urban Real Estate and Land Economics at the University of British Columbia.



# The Illinois Economy: Taxing Business

Do corporate taxes (and tax incentives) help or hurt the Illinois economy?

# The Illinois Economy: Taxing Business

By Nathan B. Anderson and Joshua J. Miller

<sup>1</sup> Phil Gramm and Mike Solon. *Wall Street Journal*, September 13, 2008.

Attracting and retaining businesses is crucial to Illinois' economic performance. Illinois' efforts to attract and retain businesses include policies and programs that reduce the tax liability of Illinois' businesses. In the last 10 years, however, the number of jobs in Illinois has increased by

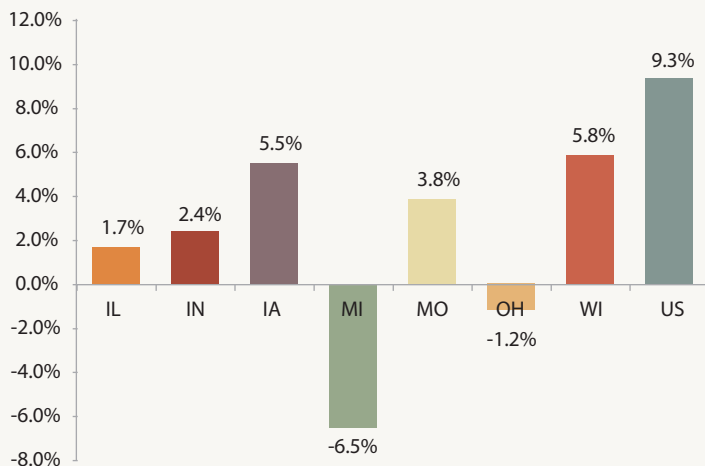
only 1.7 percent, compared to a 9.3 percent increase in employment in the United States. The rather slow pace of employment growth combined with the increasing mobility of businesses between states causes many to argue that, in order to attract and retain business, Illinois must lower its business taxes.<sup>1</sup>

In this chapter, we examine business taxation in Illinois using the criteria of equity, efficiency, and simplicity. The equity of a tax system is measured by the relationship between the ultimate distribution of the tax burden and societal notions of fairness. For example, should two businesses with the same profits pay the same amount in business taxes? The efficiency of a tax system can be evaluated in terms of economic growth. If changes to the current system could increase employment growth while leaving revenues at the same level, we could call the current system inefficient. The simplicity of a tax system is measured by the costs of taxpayer compliance and system administration. A simpler and less administratively costly business tax system is desirable because it collects revenue at a lower cost to taxpayers.

## Economic Performance

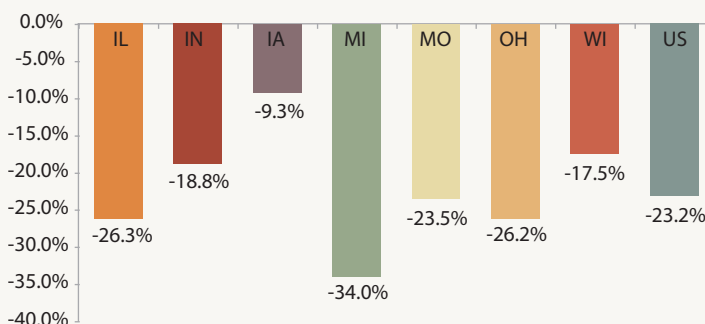
An inefficient tax system could manifest itself in the form of high tax rates that discourage businesses from locating in Illinois. The low level of employment growth in Illinois can cause concern about the level of business taxes. Yet the loss of manufacturing jobs in Illinois, not high tax rates, explains much of the low level of employment growth. Illinois lost more than 26 percent of its manufacturing jobs in the last 10 years. During the same period, the United States lost more than 23 percent of its manufacturing jobs and nearly all of Illinois' neighbors experienced double-digit declines as well. Illinois' non-manufacturing employment, however, has increased

Figure 1  
Total Employment % Change—June 1998 to 2008



Source: Bureau of Labor Statistics—Seasonally Adjusted Total Non-Farm Employment

Figure 2  
Manufacturing Employment % Change - June 1998 to 2008

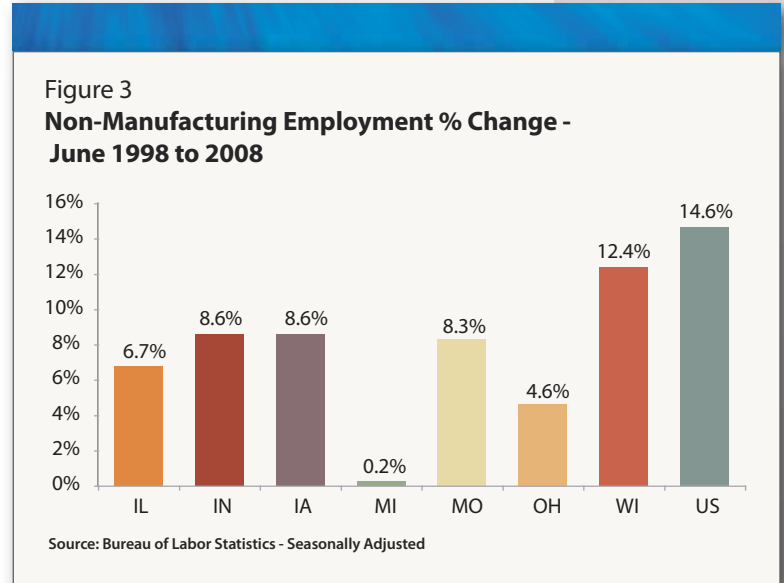


Source: Bureau of Labor Statistics - Seasonally Adjusted

in the last 10 years by nearly 7 percent, a smaller percentage increase than every neighbor except Michigan (0.2 percent) and Ohio (4.6 percent).

Most of the employment increases in Illinois come from the service sector. Professional and business services, education and health services, and leisure and hospitality services experienced the largest increases in employment from 1998 to 2008. Illinois neighbors, or the Rest of the Midwest (RMW), exhibit similar employment trends, although the employment declines in RMW tend to be smaller and the employment increases tend to be larger than those in Illinois.

Although many sectors do not display employment increases, nearly every sector of the Illinois economy exhibits increases in Gross State Product (GSP). The GSP for a sector is the value of all goods and services in that sector produced within Illinois. Some sectors, like Information, display employment declines alongside increases in GSP, indicating an increase in workers'



productivity. That is, it takes fewer workers to produce goods and services of higher value. Again, however, Illinois' GSP gains are smaller than those of the nation and its neighbors. Thus even after considering the regional losses in manufacturing employment, Illinois still exhibits relatively low levels of economic growth compared to its neighbors.

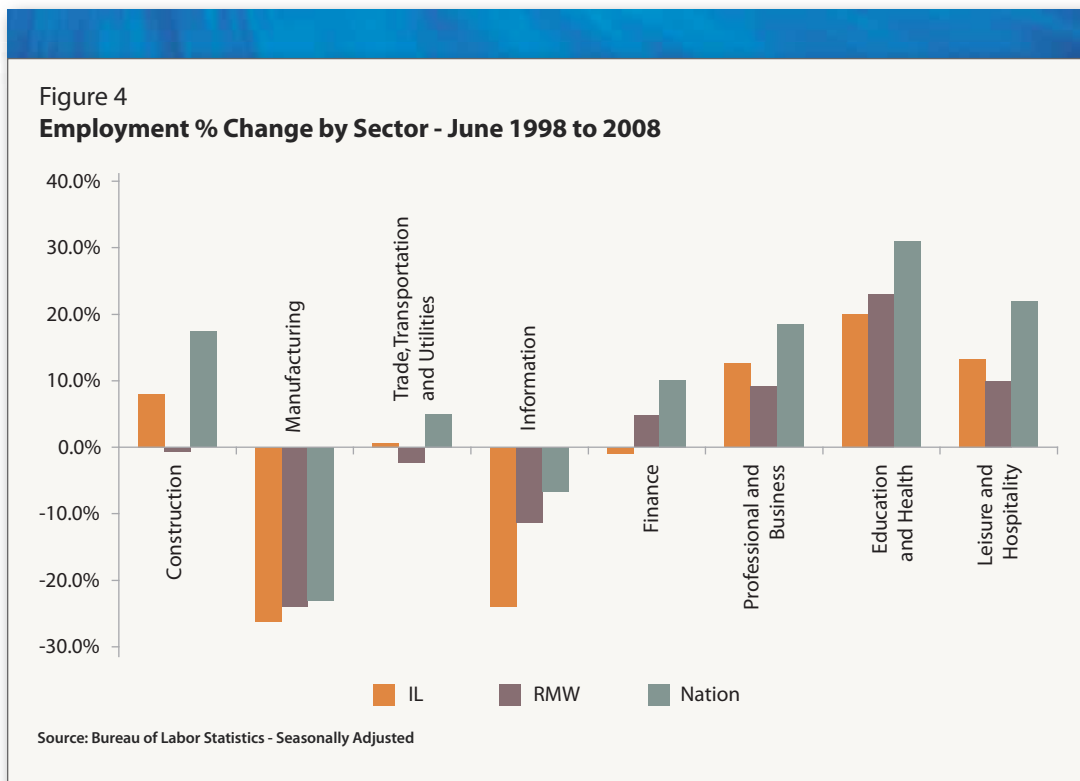
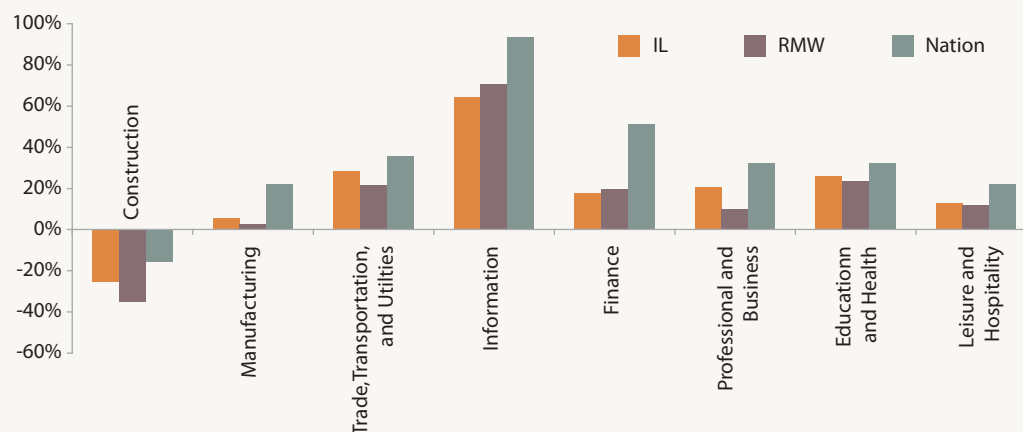




Figure 5  
GSP % Change by Sector 1998 to 2007



Source: Bureau of Economic Analysis - Real GDP by State (Millions of chained 2000 dollars)

## Illinois' Business Taxes

### Tax Rates and Tax Base

Although businesses in Illinois pay property taxes and sales taxes, the taxes directly targeted at business are the corporate income tax and the personal property replacement tax. Illinois' flat rate makes its corporate tax system relatively simple. The Illinois corporate income tax was enacted in 1969 at a rate of 4 percent and since 1989 has been set at 4.8 percent. Subtracting deductible expenses from revenue produces taxable corporate income as defined in Illinois; this definition is almost identical to the federal definition. Employees' wages, materials and services purchased from other firms, interest expenses, and depreciation of capital are considered deductible expenses; investments in plant and equipment, however, are not deductible expenses. Thus, corporate tax revenue at both the federal and state level comes at the expense of reducing the incentive for corporations to invest in plant and equipment.

Other types of business: S corporations, partnerships, and limited liability corporations are not subject to the Illinois corporate income tax. Illinois taxes S corporation, part-

nership, and limited liability corporation income at the individual income tax rate of 3 percent. The trend in recent years has been for companies to incorporate under Chapter S of the Internal Revenue Service code due to both federal and state tax benefits. S corporations became the most common type of corporate entity in 1997. (See Table 1.)

All C corporations, S corporations, limited liability corporations, and partnerships must pay the Illinois Personal Property Replacement Tax (PPRT). The PPRT is an income tax with a rate of 2.5 percent for C corporations and 1.5 percent for S corporations, limited liability corporations, and partnerships. That is, the PPRT is an add-on to the corporate income tax rate for C corporations and a separate corporate tax for S corporations, partnerships, and limited liability corporations. Illinois taxes C corporation business income at an effective rate of 7.3 percent and all other business income at an effective rate of 4.5 percent.

### Apportionment of Corporate Income

Complicating any state corporate tax system is the need to apportion corporate income across different states. Many companies located in Illinois and subject to the corporate income tax have operations



Table 1  
**Business Structure Defined**

	<b>IL Effective Tax Rate</b>
<b>C-Corporation:</b> Large to mid-size companies owned by many shareholders. Income is taxed at receipt by the corporate income tax and also upon distribution via individual income tax returns.	7.3%
<b>S-Corporation:</b> Companies with 100 or fewer shareholders. Income is taxed once via individual income tax returns.	4.5%
<b>Limited Liability Corporations (LLC):</b> The LLC provides owners shelter from certain liability and is most suitable for single owner companies. Income is taxed once via individual tax returns.	4.5%
<b>Partnership:</b> Companies with two or more members in which profits and losses are divided equally among partners. Income is taxed once via individual income tax returns.	4.5%

and sales in other states. Therefore it is necessary to determine what portion of a company’s total U.S. taxable income is taxable in Illinois. Individual state governments have some discretion in determining exactly what share of a corporation’s total U.S. income is apportioned to their state. Currently, Illinois’ share of a company’s total U.S. taxable income equals the share of the company’s total sales that occur within Illinois. A corporation with \$10 million of total U.S. income and 30 percent of its sales within Illinois owes Illinois corporate income taxes on apportioned income of \$3 million.

Although this same hypothetical corporation may also have, for example, 40 percent of its property and 30 percent of its payroll in Illinois, this will not affect its Illinois apportioned income. Before 2001, however, Illinois required a corporation to apportion half of its income on the basis of sales location, one-quarter on the basis of property, and one-quarter on the basis of

payroll. The corporation with \$10 million in U.S. income would then owe taxes on apportioned income of \$4 million.

The 2001 switch to 100 percent sales apportionment, or single sales factor (SSF), was designed to attract and retain manufacturing firms. Under SSF, corporations making additional investments in property and increases in payroll do not incur increases in Illinois corporate tax payments. The switch to SSF, however, did not reduce total corporate tax liability for all corporations with property and payroll in Illinois. Any corporation with more of its sales in Illinois than property or payroll experienced an increase in corporate tax liability. For example, a corporation with 80 percent of its property and 80 percent of its payroll within Illinois, but 90 percent of its sales within Illinois would see its corporate tax liability increase rather than decrease. At the other extreme, a corporation with 100 percent of its payroll and property but none of its sales within Illinois would pay no corporate income tax. Although SSF can have some complicated effects on corporate tax liabilities, apportionment based only on sales makes the corporate tax system simpler.

**Tax Reductions for Business**

Illinois offers reductions in tax liability to businesses engaging in specific types of activities in certain locations. Although these tax reductions can encourage business location and increase employment, they add to the complexity of the corporate tax system.

As with the switch to SSF, these tax-relief programs are mainly geared toward the attraction and retention of manufacturing firms. In fiscal year 2007, the two tax-relief programs responsible for the largest tax reductions, the Research and Development (RD) tax credit and the Economic Development for a Growing Economy (EDGE) tax credit, saved C corporations \$35.8 million and \$24.8 million in corporate tax payments.<sup>2</sup> The reported magnitude of these

<sup>2</sup> Source: Illinois State Comptroller—Tax Expenditure Report 2007.



<sup>3</sup> Illinois Department of Commerce and Economic Opportunity (DCEO).

<sup>4</sup> See the Illinois DCEO for a complete list of tax credits, expenditures, and other business incentive programs.

*Figures from the Illinois Office of the Comptroller indicate that the tax reductions awarded to corporations through the EDGE program have almost quadrupled since 2004.*

tax reductions varies substantially over time. As recently as 2004, corporate tax savings due to the RD and EDGE tax credits were \$8.1 million and \$5.2 million.

The RD credit allows businesses to reduce tax liability when they increase expenditures on research and development activities conducted in Illinois. The reduction in tax liability is equal to 6.5 percent of the increase in R&D expenditures over the average level for the previous three years. As an example, imagine a business spends an average of \$100,000 per year from 2004 to 2006 on R&D activities within the state. During 2007, the business increases R&D expenditures to \$150,000. The difference between the current year R&D expenditures of \$150,000 and the 3-year average of \$100,000 represents a \$50,000 increase in R&D expenditures. The business is therefore allowed to claim 6.5 percent of that \$50,000 or \$3,250 on the 2007 tax return as a business credit. This business credit would reduce the business's 2007 tax bill by \$3,250.

The Illinois Department of Commerce and Economic Opportunity (DCEO) awards the EDGE tax reductions to businesses on a case-by-case basis. According to DCEO, companies actively considering moving away from the state or establishing a satellite location outside of Illinois are eligible for the EDGE tax reduction. Companies relocating within Illinois, however, may also receive it. Since EDGE's inception, Illinois has approved more than 400 of 530 applications.<sup>3</sup> Figures from the Illinois Office of the Comptroller indicate that the tax reductions awarded to corporations through the EDGE program have almost quadrupled since 2004.

Although the amount of the tax credit is negotiable, the maximum credit is the amount of income taxes paid by the company's newly hired or retained employees. Yet, DCEO also notes that a company may qualify for additional EDGE benefits

under the Business Location and Efficiency Act. Companies receiving the EDGE credit may elect to use the credit in any of the subsequent five years. The program appears to focus on the manufacturing sector as eligibility requires substantial capital investments in Illinois and retail businesses are not eligible. The private nature of the EDGE application process makes it difficult to determine its effectiveness at attracting and retaining businesses. It is possible the EDGE program reduces taxes for firms that would have remained in or located in Illinois regardless of their tax liability. Specific information about the recipients of the credit, their applications, and the size of each tax reduction is not publicly available. On occasion, however, the governor's office releases general information on individual firms' DCEO awards.

Illinois offers many other programs that reduce the tax liability of businesses and add complexity to business taxation. The Foreign Insurers Rate Reduction tax credit reduces corporate taxes for many out of state insurance providers. Enterprise zones offer tax reductions for businesses that locate in economically depressed areas, while the High Economic Impact Business Tax Credit lowers taxes for businesses that make large capital investments and create hundreds of jobs. Illinois also offers the recently created Film Production Services Credit to promote film production within the state.<sup>4</sup>

#### **Tax Rules that Reduce Business Taxes**

Several tax rules also serve to reduce the tax liability of Illinois' businesses. There are strong efficiency arguments for maintaining these rules even though doing so reduces state tax revenue.

Illinois, along with most other states, does not impose sales taxes on a majority of business-to-business purchases. These sales tax exemptions reduce corporate tax



payments but are an essential feature of a well designed sales tax. A well-designed sales tax system taxes final consumption and exempts business-to-business purchases from taxation. Taxing business-to-business purchases creates inefficiency by taxing the various inputs of a final consumer product.

For example, automobile makers require brake pads and seatbelts for their cars. They can produce brake pads and seatbelts themselves or purchase them from other businesses, which may be less expensive. But, to avoid paying sales taxes, the manufacturer might produce its own brake pads and seatbelts, which adds to production costs. Exempting business-to-business purchases from the sales tax allows the manufacturer to produce cars at a lower cost. The lower costs represent an increase in efficiency that may result in lower automobile prices and higher autoworker wages.

Illinois, along with the federal government and most states, also allows corporations to deduct net operating losses (NOLs) from their past and future years' corporate taxable income. Eliminating corporations' ability to carry NOLs forward and backward, restricting their use to only the current tax year, would dramatically increase corporate tax revenues. There are, however, some very persuasive arguments for retaining the NOL carry-forward and carry-back provisions. One argument is that the ability to carry forward NOLs differentially helps new firms and entrepreneurs that often lose money early on. Without NOL carry forward, these entrepreneurs could not make up for early losses by reducing future tax liability once the firm becomes profitable.

**Business Taxes in Other States**

Illinois' corporate tax rate and apportionment formula are very similar to those in neighboring states. By 2011, Indiana, Iowa, Michigan, Missouri and Wisconsin will

have SSF apportionment of corporate income. Thus, any regional advantage gained by Illinois' switch to SSF was short lived. Michigan and Missouri are the only two neighboring states that have lower corporate income tax rates than Illinois.<sup>5</sup> Thus, the state tax burden placed on Illinois corporations does not seem excessive when tax rates and apportionment are compared to RMW.

Table 2  
**Tax Year 2008 - Midwest States**

State	Apportionment	Brackets	Tax Rate
Illinois	100% Sales	Flat	7.30%
Indiana	70% Sales	Flat	8.50%
Iowa	100% Sales	4	6% - 12%
Michigan	100% Sales	Flat	4.95%
Missouri	100% Sales	Flat	6.25%
Ohio	60% Sales	2	5.1% - 8.5%
Wisconsin	100% Sales	Flat	7.90%

Notes: IN will be 100% sales by 2011. OH eliminates its corporate income tax in 2010. MO provides taxpayers the option of choosing either 3-factor formula (33% each to sales, property, payroll) or 100% sales.

Source: Federation of Tax Administrators

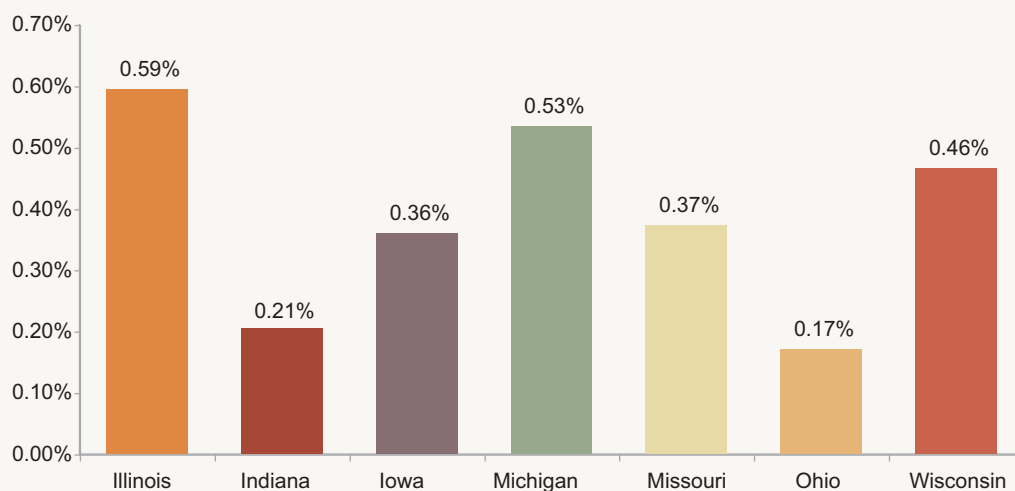
Examining states' business tax collections as a share of each state's Gross State Product, however, reveals that Illinois' business tax burdens are relatively higher than those in other states. In 2007, business tax collections in Illinois represented 0.59 percent of GSP, while Wisconsin's business tax collections represented only 0.46 percent of that state's GSP. By no means is 2007 a special year, as Illinois' ratio of business tax collections to GSP is higher than all the states in RMW in all recent years.

Illinois' programs to reduce business tax liability are very similar to those in nearby states. Indiana even calls one of its prominent tax reduction programs EDGE and its details are very similar to Illinois' EDGE program. The Illinois and Indiana EDGE programs both provide tax relief in proportion to the state income tax liability of

<sup>5</sup> Iowa and Ohio have a progressive corporate tax system where the highest rate exceeds Illinois' flat corporate income tax rate of 7.3% for C Corporations.



Figure 6  
Business Tax Collection as a % of GDP in 2007



Source: Bureau of Economic Analysis—Real GDP by State (Millions of chained 2000 dollars) and state government sources.

newly-hired or retained employees. Indiana's program, however, appears to require less capital investment by firms and does not explicitly deny the credit to retail businesses, possibly making it available to more non-manufacturing firms.

Ohio also offers similar programs under different names. The Job Creation Tax Credit and the Job Retention Tax Credit offer relief based on income tax payments of newly-hired or retained employees. As is the case in Indiana and Illinois, a small group of board members makes the final decisions on amounts of the credit and recipients of the credit. And, as also is the case in Illinois, information on the amounts of the credit and recipients of the credit do not appear to be publicly available.

Nearly all of Illinois' other tax reduction programs appear in different guises across the Midwest. Wisconsin offers a research expense credit, enterprise zone job credit, and film production credit. Michigan has a R&D tax credit, Renaissance Zone tax credit, and film production tax credit. Although there are minor differences in the rates or amounts, the basic structure and

intent of each credit is strikingly similar to those available in Illinois.

#### What Can Illinois Do?

No state has a corner on the market for tax incentives. Even if Illinois had a peculiar ability to design very effective incentives, its neighbors surely would copy them, thereby erasing any advantage. Thus even when tax incentive programs are successful, any gains they produce will likely be temporary. When all nearby states offer similar programs, however, it's difficult to argue that Illinois should remove its business tax incentives. Illinois should focus on increasing the transparency and simplicity of business taxation and possibly consider broadening the scope of its business tax relief efforts.

Because tax incentive programs come with costs and benefits, it's important that information about these programs be publicly available. The Illinois comptroller's tax expenditure report represents an important, if imperfect, example of efforts to increase the transparency of the tax system. Although the tax expenditure report provides an estimate of the EDGE program's

cost in terms of tax revenues, there is no easily accessible report about the recipients of the EDGE credits. To an observer, the application process may appear complex, mysterious, and capricious simply due to the lack of public information. Without more information, it's difficult for policy-makers and the public to understand these complex tax incentive programs, let alone reform them.

Illinois tax credits focus mainly on manufacturing firms while neighboring Wisconsin has several tax credits that focus more on the technology driven industries. Examples include the Broadband Internet Equipment Exemption and Credit and the Technology Zone Credit. If similar credits exist in Illinois, they are not well advertised.

Recently, Michigan has made significant changes to its entire tax structure, including the introduction of 11 new business tax credits and the retention or expansion of 15 more. This new system retains a focus on manufacturing but also includes benefits for small business owners and a completely separate taxing rate for the insurance and financial industry. While keeping in mind the transient nature of these benefits, Illinois possibly could gain by focusing tax credits more on non-manufacturing firms.

Rather than offering tax reductions only in certain sectors of the economy, Illinois could reduce its corporate income tax rate. Lowering this rate might attract new firms and increase employment but it also will lower taxes for existing firms that would have remained in Illinois even without the reduction. Suppose Illinois could create 1,000 new jobs but these new jobs would reduce state tax revenues by \$100 million per year. Are 1,000 new jobs worth \$100,000 per job per year? The answer clearly depends on the quality of those new jobs, tax revenues gained from the new employees, the potential reductions in

state programs because of lower tax revenues, and other factors. Counting jobs without accounting for the cost of that job creation can lead to higher costs for Illinois taxpayers.

The move to SSF apportionment may have helped Illinois retain manufacturing jobs, but it is difficult to ascertain the effects of SSF when manufacturing employment is in such a steep decline. It is possible that the decline in manufacturing employment could have been more dramatic without the 2001 move to SSF. Again, all of Illinois' neighbors will use SSF by 2011, so Illinois will lose its advantage before long.

Public concern about fairness and equity can often be as strong as concern about the economy. For example, under SSF an Illinois corporation with large profits will pay no income taxes if it makes all of its sales to consumers in other states. Thus, although SSF can encourage companies to increase employment in Illinois, it also can cause some high-profit corporations to not pay any state corporate income taxes. When some businesses pay no taxes, other businesses and taxpayers might question the fairness of the tax system.

Targeting a tax at some disembodied sector of the economy named business will ultimately be unsuccessful. People pay taxes and ultimately some person, not some legal entity, will bear the economic burden of the corporate income tax. The burden might come in the form of lower wages, higher prices, or lower after-tax profits for owners of firms. It is not known for certain which persons will bear the burden of the tax.

If a business cannot really *pay* a tax, then why does Illinois have a corporate income tax? One prominent argument for a corporate income tax is that corporations have a high ability to pay so they should pay more taxes than, say, a middle class family. This argument addresses the equity of the



*Targeting a tax at some disembodied sector of the economy named business will ultimately be unsuccessful. People pay taxes and ultimately some person, not some legal entity, will bear the economic burden of the corporate income tax.*



*Rather than engaging in a tax reduction competition with other states, Illinois could instead more fully focus its attention on enhancing its reputation as a productive location for investment.*

tax system and assumes that it is relatively wealthy business owners, not workers and consumers, bearing the economic burden of the corporate income tax.

Arguments for reductions in business taxes similarly assume that it is the owners who bear the burden of the tax in the form of lower profits. If only we reduced taxes here while they remained high over there, the owners of capital, in their effort to maximize profits, would locate here and not there. Locating business capital here rather than there provides jobs here rather than there, or so this efficiency argument goes.

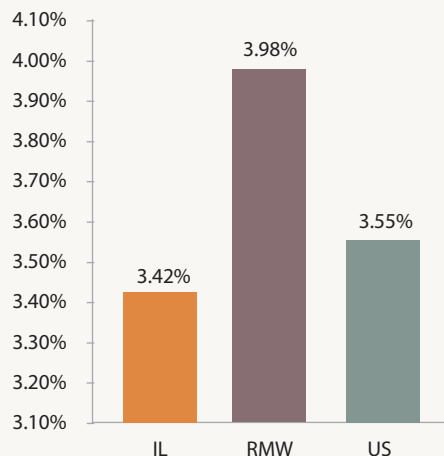
The implementation of a progressive individual tax and the elimination of the corporate income tax better serve both of the above arguments. A progressive income tax directly ensures that persons of higher means will pay more in taxes. Furthermore, Illinois already taxes the income from most corporations under the individual income tax code. Taxing individual income rather than business income would also encourage business investment to occur where it is most productive rather than where taxes are lower.

Of course, differences in taxation are not the only factors across states affecting business location decisions. Many companies prefer locations with a large supply of educated and skilled workers available for the foreseeable future. Also, Illinois' education system acts as a signal to companies as to the current and potential skill level of the work force. Since 2003, however, Illinois has trailed the RMW and the U.S. in the annual growth rate of educational expenditures. Illinois' per-pupil total spending is also consistently below levels in the RMW, with Illinois' relative shortcoming increasing in the most recent years.

### Conclusion

As long as the corporate income tax exists, states will likely compete against each

Figure 7  
**Education Expenditure as Share of GDP  
3-Year Average 2005-2003**



Source: Bureau of Economic Analysis - Real GDP by State (Millions of chained 2000 dollars)  
Source: U.S. Department of Education - National Center for Educational Statistics - Common Core of Data

other by lowering rates and increasing incentives. Once business taxes are lower everywhere, taxpayers in all states are left with less tax revenue to pay for public services.

Furthermore, the increasing array of incentives reduces the simplicity of the business tax system. Rather than simply facing lower tax rates in Illinois, a business is forced to navigate through a variety of tax credits, and it costs the state money to keep track of applications and the credits across years. If Illinois keeps its various incentive programs, which seems likely, it is important to address concerns of simplicity, transparency, and fairness in their execution.

Rather than engaging in a tax reduction competition with other states, Illinois could instead more fully focus its attention on enhancing its reputation as a productive location for investment. Increasing investments in education and infrastructure will make Illinois more attractive for business, but will require permanent sources of

additional state revenue. Although it may be controversial, there are strong equity, efficiency, and simplicity arguments for eliminating the corporate income tax and replacing it with a progressive individual income tax. A progressive income tax more directly taxes those with a high ability to

pay taxes. Eliminating the corporate income tax and all of its special provisions and tax credits reduces the complexity of the Illinois tax system for businesses and reduces the government's administrative costs.



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# Racial Residential Segregation and Exclusion in Illinois

Segregation in Chicago is well-documented; what about the rest of Illinois?

# Racial Residential Segregation and Exclusion in Illinois

By Maria Krysan

Metropolitan Chicago remains one of the most residentially segregated areas in the United States. According to the 2000 census, black-white segregation in the Chicago metropolitan area was the fifth highest in the nation and Latino-white segregation, although much lower than black-white segregation, was relatively high as well, ranking 11th.

In the case of black-white segregation, the levels in Chicago are what two prominent sociologists call “hyper-segregated” and indicative of an “American Apartheid.”<sup>1</sup> While there is little debate that the levels of segregation in the Chicago metropolitan area are high, there is considerable debate about its causes. And there is virtual silence about how much segregation there is in Illinois places outside the Chicago metropolitan area.

The purpose of this chapter is to provide a portrait of racial residential patterns of whites, blacks, and Latinos, throughout the state of Illinois. We find: (1) there are rather few communities with racially/ethnically diverse populations that can be considered integrated; (2) black-white segregation levels are more severe than are Latino-white levels; and (3) there are large swaths of the state of Illinois that lack racial/ethnic diversity of any kind, integrated or segregated.

Thus, inequality among whites, blacks, and Latinos on the dimension of housing is not just a problem in the city of Chicago, but throughout Illinois – in cities and small towns alike. And housing inequality is marked not only by a question of segregation within diverse communities, but also by the near-complete lack of diversity in many communities. After a discussion of

the levels of segregation and exclusion throughout the state, we take up the question of what causes these patterns, what some of the consequences are and, finally, what policy steps might be taken to address them.

## Data and Methods

To measure the level of segregation in a location, researchers often rely on something called the index of dissimilarity, which gauges the degree to which two groups are evenly distributed throughout an area. Suppose, for example, that a particular city had an overall population that was 80 percent white and 20 percent African American. A dissimilarity score of 75 would mean that 75 percent of whites (or African Americans) would have to move to a different neighborhood in the city in order to have all neighborhoods be 80 percent white and 20 percent black. The dissimilarity index has a theoretical range from 0 (no segregation) to 100 (complete segregation). In the following section, we provide the dissimilarity index scores for black-white and Latino-white segregation for three different kinds of Illinois places:<sup>2</sup> (1) metropolitan places within the Chicago metropolitan area; (2) other metropolitan<sup>3</sup> places falling outside the Chicago metropolitan area; and (3) non-metropolitan places in the state of Illinois. Because it is not possible to calculate meaningful dissimilarity scores in places that lack diversity, we further restrict our report of segregation scores to include only those places that, according to the 2000 census, had (1) at least 500 residents; (2) at least 10 percent white population; and (3) either at least a 10 percent African American population or at least a 10 percent Latino population. The calcula-

<sup>1</sup> Douglas Massey and Nancy Denton. *American Apartheid: Segregation and the Making of the Underclass* (Cambridge: Harvard University Press, 1998). Underclass. Cambridge: Harvard University Press.

<sup>2</sup> We use the Census geographical designation of “place” throughout this report. Roughly 86 percent of Illinois residents live in one of the 1,315 “places” identified by the 2000 Census. Those not living in places are generally characterized as people living in, “small settlements, in the open countryside, or in the densely settled fringe of large cities in areas that were built-up, but not identifiable as places.” (U.S. Bureau of the Census, Geographic Areas Reference Manual, p. 9-1).

<sup>3</sup> We rely on OMB and Census designations to determine what constitutes a “metropolitan statistical area” and note that its definition means that some individual communities that are classified as metropolitan are quite small and rural. According to the Office of Management and Budget, a Metropolitan Statistical Area “ha[s] at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.” (OMB Bulletin No. 07-01: Update of Statistical Area Definitions and Guidance on Their Uses).

*There is virtual silence about how much segregation there is in Illinois places outside the Chicago metropolitan area.*

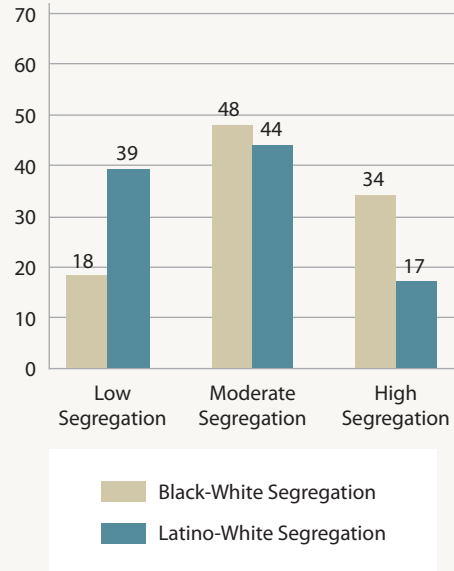
**Table 1  
Chicago Metro Places:  
Black-White Segregation**

Place Name	Dissimilarity Index, 2000
Hillside	29.3
Willowbrook	31.1
Berkeley	33.1
Bolingbrook	33.3
Dolton	34.0
Forest Park	38.3
South Holland	38.5
Riverdale	39.1
Preston Heights	41.8
Olympia Fields	42.7
University Park	42.8
Park Forest	42.9
Sauk Village	43.8
Oak Park	45.1
Hazel Crest	46.1
Richton Park	46.2
Burnham	48.2
Zion	48.6
Waukegan	50.2
Glenwood	50.7
Flossmoor	50.9
Country Club Hills	50.9
Aurora	50.9
Broadview	52.1
Lynwood	52.4
Homewood	53.4
Crete	55.7
Calumet City	56.2
North Chicago	58.8
East Hazel Crest	60.9
Blue Island	66.9
Alsip	67.9
Chicago Heights	68.2
Matteson	70.7
Evanston	70.8
Crest Hill	72.6
Fairmont	73.0
Joliet	75.0
Lansing	76.5
Markham	79.3
Chicago	88.3
Summit	89.3
Justice	91.0
Dixmoor	92.5

Low Segregation  
 Medium Segregation  
 High Segregation

Source: Figures derived from calculations based on the 2000 census and provided by Professor Domenico Parisi, Mississippi State University.

**Figure 1  
Chicago Metropolitan Communities:  
Percent Distribution of Low,  
Moderate and High Segregation  
Levels**



Source: Figures derived from calculations based on the 2000 census and provided by Professor Domenico Parisi, Mississippi State University.

tions are based on the 2000 census and use data at the block level, thus providing a finer grained measure of segregation than is typical (most studies of metropolitan areas use the larger geographical unit of the census tract).<sup>4</sup>

**What Is Segregation Like in the Chicago Metropolitan Area?**

In Table 1, we show a rank order of the black-white dissimilarity scores for all places within the Chicago metropolitan area that meet the criteria outlined above. As a rule of thumb for interpreting the dissimilarity scores, researchers typically classify places with scores below 40 as “low,” between 40-60 as “moderate,” and 60 or above as “high.” The table has been color-coded as tan, blue and pink, respectively, to reflect these three levels of segregation.

There are quite a range of segregation levels in metropolitan Chicago, from a low of 29 in Hillside to a high of 92 in Dixmoor. The city of Chicago itself is among the most seg-

<sup>4</sup> All index of dissimilarity calculations reported in this chapter were graciously provided to the author by Professor Domenico Parisi, Mississippi State University.



regated of the Chicago metropolitan area places, with a score of 88. Eighty-two percent of communities are either highly (34 percent) or moderately (48 percent) segregated; with 18 percent falling into the “low” category. Figure 1 shows the distribution of communities across these three categories.

The levels of segregation for whites and Latinos in the Chicago metropolitan area are quite different from the overall patterns reported for segregation between blacks and whites. Table 2 shows that Latino-white segregation levels range from 28 in Lyons, Berwyn and Elmwood Park to 80 in Hodgkins. Although the range is somewhat similar to that observed for blacks and whites, the distribution of places across the three categories of low, moderate and high are strikingly different. Figure 1 illustrates this quite clearly. For example, there are twice as many communities where black-white segregation falls into the “high” category (34 percent) as compared to communities where Latino-white segregation is classified as “high” (17 percent). At the other extreme, about two in 10 communities had black-white segregation levels that were considered “low,” while almost four in 10 communities had Latino-white segregation levels that were considered low.

**What Is Segregation Like in Metropolitan Areas Outside of Chicagoland?**

For metropolitan areas that lie outside the Chicago metropolitan area, the story is not much different from that inside the Chicago metropolitan area. First, the black-white segregation levels shown in Table 3 (pg. 38) reveal that there are far fewer (just 20) communities that meet the criteria for calculating segregation scores.

But in terms of the distribution of communities across the three levels of segregation, they are quite similar to those in the Chicago metropolitan area. As Figure 2 (pg. 38) shows, the vast majority of com-

**Table 2**  
**Chicago Metro Places: Latino-White Segregation**

Place Name	Dissimilarity Index, 2000	Place Name	Dissimilarity Index, 2000
Lyons	27.6	Hainesville	42.2
Berwyn	27.6	Round Lake Beach	42.3
Elmwood Park	27.7	Highwood	42.8
Romeoville	28.7	Bensenville	44.0
Stone Park	28.8	Burnham	45.2
Round Lake Heights	29.5	Melrose Park	45.7
Schiller Park	29.8	Hanover Park	45.8
Boulder Hill	30.6	Wood Dale	46.1
Ingalls Park	30.8	Carol Stream	47.2
Berkeley	31.1	Woodstock	47.4
Cicero	31.6	Harvard	48.1
Sauk Village	32.0	Marengo	49.3
River Grove	32.6	North Aurora	49.6
Park City	33.0	Waukegan	50.4
Bridgeview	33.0	Des Plaines	50.7
Burbank	33.4	Addison	50.8
Glendale Heights	33.5	Genoa	51.0
Dixmoor	33.6	Fairmont	51.1
Posen	34.5	Warrenville	52.3
Beach Park	34.8	Wheeling	52.3
Summit	35.9	Hoffman Estates	53.7
South Elgin	36.0	Elgin	53.9
Forest View	36.1	Wauconda	53.9
Hillside	36.3	Long Lake	55.8
Blue Island	36.4	North Chicago	58.4
Streamwood	36.8		
Bolingbrook	36.9	Villa Park	61.0
Rockdale	37.8	West Chicago	61.3
Round Lake	38.1	Mundelein	61.5
Northlake	39.7	Joliet	62.0
		Aurora	63.0
Franklin Park	40.0	Chicago Heights	63.3
South Chicago Heights	40.2	Chicago	63.5
Plano	40.9	Rolling Meadows	65.1
Round Lake Park	41.4	Prospect Heights	66.0
Stickney	41.6	Palatine	67.8
Montgomery	41.7	Mount Prospect	68.8
Carpentersville	41.9	Rosemont	72.9
Zion	42.0	Hodgkins	80.4
Calumet City	42.1		

Low Segregation Medium Segregation High Segregation

Source: Figures derived from calculations based on the 2000 census and provided by Professor Domenico Parisi, Mississippi State University.

munities (90 percent) have black-white levels of segregation that are either “high” (40 percent) or “moderate” (50 percent). And, as was the case in metropolitan Chicago, as Table 4 (pg. 38) shows, the 10 places where white-Latino segregation levels could be calculated have generally lower levels of segregation – just two of the 10 fall into the “highly” segregated level, with one (Momence) just barely making it into this category with a segregation score of 60.





**Table 3**  
**Metro Places Outside Chicago Metro Area: Black-White Segregation**

Place Name	Dissimilarity Index, 2000
Cahokia	33.2
Fairview Heights	37.9
O'Fallon	41.6
Rantoul	43.0
Shiloh	51.6
Belleville	52.8
Madison	57.7
Urbana	58.0
Champaign	58.2
Lebanon	58.9
Peoria	59.8
Danville	59.9
Decatur	61.2
Springfield	64.2
Rockford	66.1
Rock Island	66.2
Kankakee	66.5
Alton	67.0
Pontoon Beach	72.2
Centralia	74.0

Low Segregation  
 Medium Segregation  
 High Segregation

Source: Figures derived from calculations based on the 2000 census and provided by Professor Domenico Parisi, Mississippi State University.

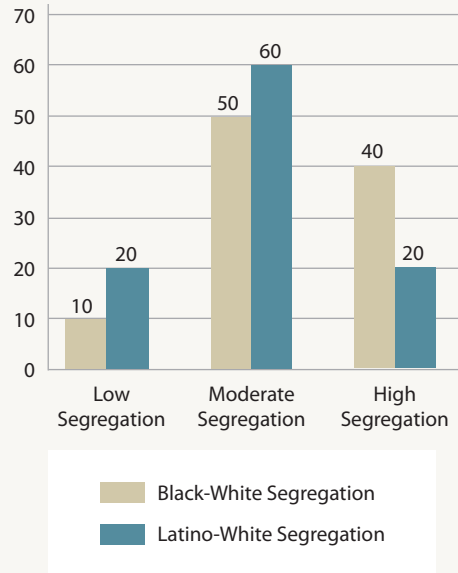
**Table 4**  
**Metro places outside Chicago Metro Area: Latino-White Segregation**

Place Name	Dissimilarity Index, 2000
Fairmont City	33.0
Silvis	39.8
East Moline	47.9
St. Anne	48.0
Belvidere	48.3
Capron	52.5
Moline	54.2
Rockford	57.0
Momence	60.4
Rankin	81.4

Low Segregation  
 Medium Segregation  
 High Segregation

Source: Figures derived from calculations based on the 2000 census and provided by Professor Domenico Parisi, Mississippi State University.

**Figure 2**  
**Non-Chicago Metropolitan Communities: Percent Distribution of Low, Moderate and High Segregation Levels**



Source: Figures derived from calculations based on the 2000 census and provided by Professor Domenico Parisi, Mississippi State University.

Figure 2 shows further evidence that black-white segregation levels are high, relative to Latino-white segregation levels.

**What is Segregation Like In Non-Metropolitan Areas?**

There has been very little analysis of rural and small-town America’s residential segregation patterns. In a 2007 study of national levels of segregation in non-metropolitan areas, demographer Daniel Lichter and his colleagues<sup>5</sup> concluded that, despite very different histories, the patterns of segregation in small-town America were surprisingly similar to those in metropolitan areas. The results for Illinois lead to a similar conclusion. Table 5 shows the 12 non-metropolitan places in the state where there were sufficient African Americans for black-white segregation scores to be meaningfully calculated. Well over half

<sup>5</sup> Daniel T. Lichter et al. “National Estimates of Racial Segregation in Rural and Small-Town America,” *Demography* 44(3) (2007): 563-581.

**Table 5  
Nonmetropolitan Places: Black-White Segregation**

Place Name	Dissimilarity Index, 2000
Baldwin	34.9
Mounds	49.7
Ullin	52.7
Carbondale	53.9
Tamms	56.4
Sparta	60.9
Cairo	61.0
Carrier Mills	61.8
Freeport	62.3
Mount Vernon	65.7
Mound City	70.0
Clayton	88.6

Low Segregation  
 Medium Segregation  
 High Segregation

Source: Figures derived from calculations based on the 2000 census and provided by Professor Domenico Parisi, Mississippi State University.

**Table 6  
Nonmetropolitan Places: Latino-White Segregation**

Place Name	Dissimilarity Index, 2000
Hillcrest	31.1
De Pue	38.4
Cobden	38.5
Rock Falls	41.2
Onarga	44.6
Sterling	44.7
Mendota	49.4
Rochelle	49.7
Arcola	54.6
Beardstown	59.4

Low Segregation  
 Medium Segregation  
 High Segregation

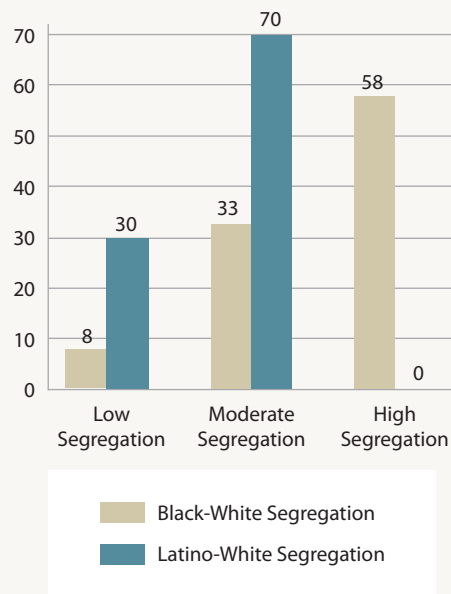
Source: Figures derived from calculations based on the 2000 census and provided by Professor Domenico Parisi, Mississippi State University.

*There has been very little analysis of rural and small-town America's residential segregation patterns.*

of these communities score “high” in their segregation levels; and just one – Baldwin – scores in the “low” category. And the pattern that Lichter calls “black exceptionalism” pertains to non-metropolitan segregation scores as well: of the 10 non-metropolitan places for which we could calculate Latino-white segregation scores, shown in Table 6, there are none that are “highly” segregated, seven that are “moderately” segregated, and three that fall in the “low” segregation category. Figure 3 shows this pattern quite clearly.

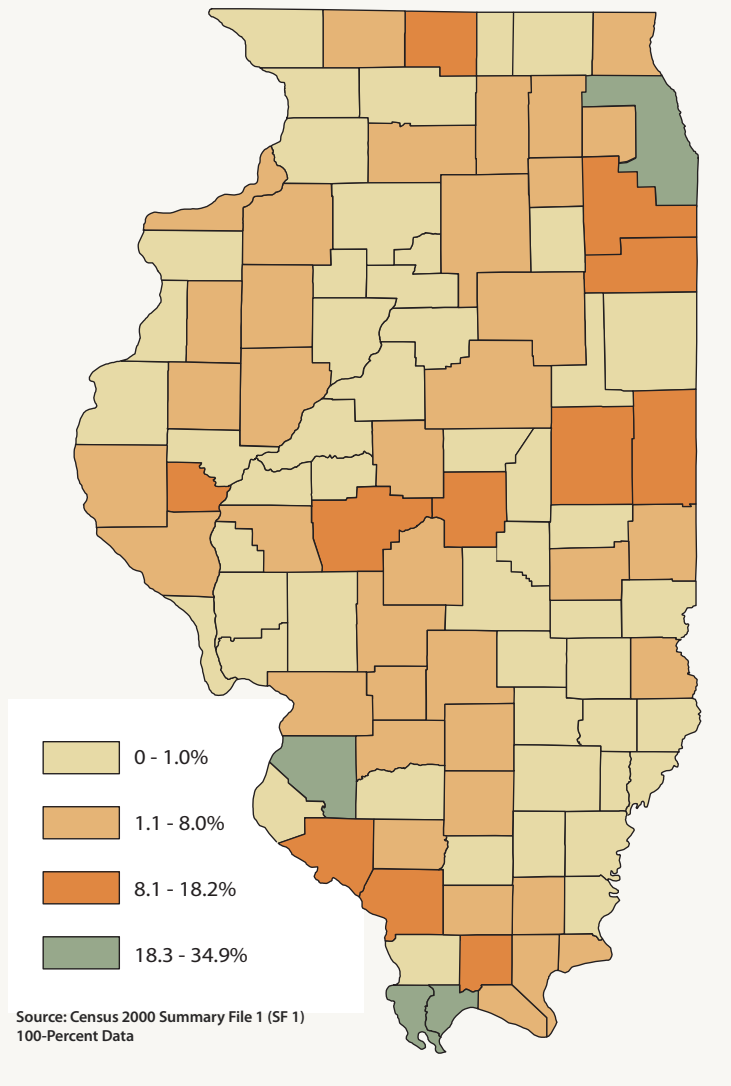
In summary, across the state we find that in all three types of places – Chicago metropolitan, non-Chicago metropolitan, and non-metropolitan areas – the vast majority of communities are segregated at moderate to high levels. This is particularly the case for black-white segregation; roughly twice as many communities, across all three types, have “low” levels of Latino-white segregation as compared to black-white segregation. Segregation is not just a problem in the state’s largest metropolitan region of Chicago.

**Figure 3  
Non-Metropolitan Communities:  
Percent Distribution of Low,  
Moderate and High Segregation  
Levels**



Source: Figures derived from calculations based on the 2000 census and provided by Professor Domenico Parisi, Mississippi State University.

Figure 4  
**Percent of Persons Who Are Black/African American Alone  
 in Illinois by County**



tion of Figures 4 and 5, which provide the percentage black and percentage Latino by county, reveals that African Americans and Latinos are not evenly distributed throughout the state of Illinois. Indeed, there are large swaths of the state where blacks and Latinos simply do not reside.

Looked at another way, we can calculate the percentage of Illinois residents who live in places with more than 500 residents and are either 10 percent or more African American or 10 percent or more Latino and are at least 10 percent white (the set of places for which we present dissimilarity scores in Tables 1 through 6). Approximately 40 percent of Illinoisans who live in census-defined places live in communities that do not meet these criteria. In other words, they live in places with very little racial/ethnic diversity. To a great extent, these are white Illinois residents living in overwhelmingly white communities.

The absence of African Americans from many places throughout Illinois is the topic of a recent major study by sociologist James Loewen (2005).<sup>6</sup> He argues that the reason there are few, if any, African Americans in any particular community is often not due to “natural” causes of demography, migration, or market forces. Rather, in many cases, the absence of African Americans in a community is the result of formal and informal policies, particularly during the nadir of race relations: 1890-1940. These practices and policies drove out existing black residents and/or kept others from moving into the town. Sundown Towns, as Loewen defines them, are “any organized jurisdiction that for decades kept out African Americans (or others)”<sup>7</sup> and are so-named for the policy of such communities: “No coloreds after dark.” In his meticulous research, Loewen used historical census data to identify suspected Sundown Towns, based on the presence and then absence of African Americans among their residents, and then conducted additional research through oral history,

<sup>6</sup> This chapter does not discuss exclusionary policies applied to Latinos because Loewen’s analysis focuses on the more common kind of Sundown Town in the State of Illinois – those targeted specifically at African Americans.

<sup>7</sup> James W. Loewen. *Sundown Towns: A Hidden Dimension of American Racism* (New York: Simon and Schuster, 2005): 213-214.

Equally striking, though, is that there are few non-metropolitan places that are at least 10 percent African American or 10 percent Latino. This highlights an important observation about housing patterns in Illinois: there are many communities (metropolitan and non-metropolitan alike) that have so few African American and Latino residents that it makes little sense to calculate levels of segregation within them.

#### What About Places That Are Not Diverse?

Overall, according to the 2000 census, the state of Illinois is about 15 percent African American and 12 percent Latino. Inspec-

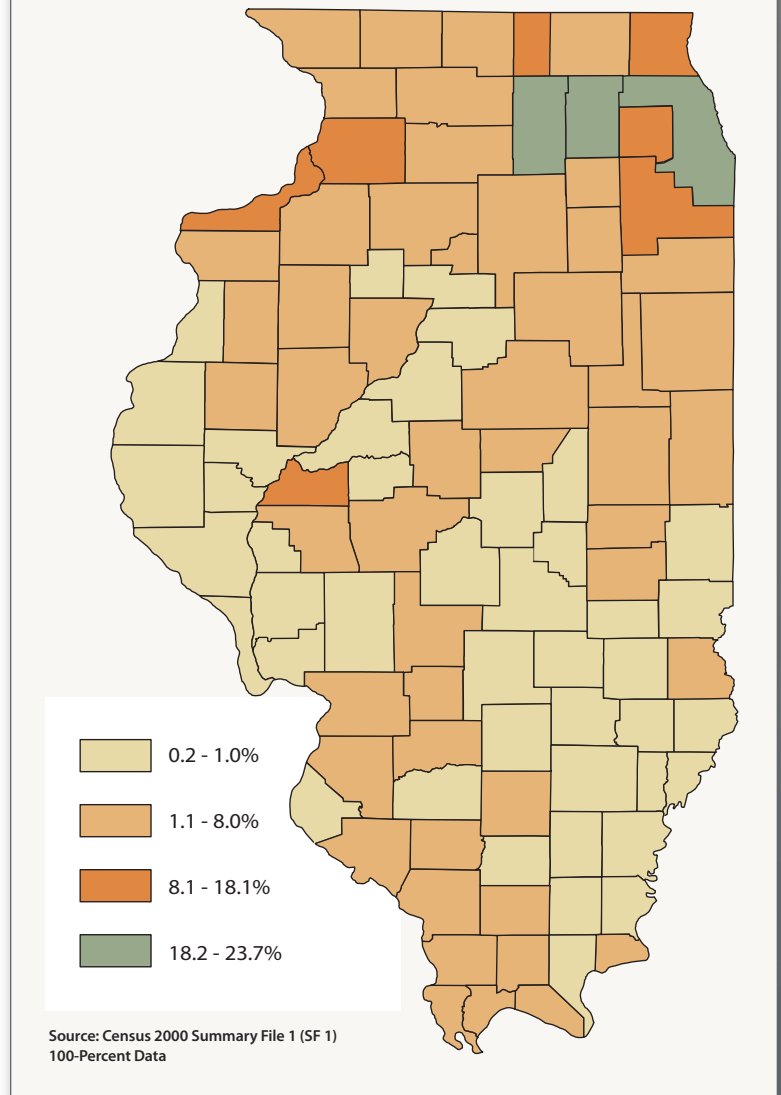
newspapers of the past and present, local histories, and other sources. This was done to determine if towns with an all-white past were all-white on purpose. Loewen estimates that roughly 75 percent of Illinois towns were “Sundown” at some point in their history.

Based on census-data research, Loewen identified about 500 communities in Illinois as probable Sundown Towns. To date, he has done more detailed research into 219 of these 500 and concluded that 218 could be confirmed as Sundown Towns. Sundown Towns, he finds, used a variety of tactics to secure their status as a white-only community. Perhaps the most visible of these tactics was violence.

The 1908 riot in Springfield is one such example. Ultimately this riot was unsuccessful at expelling its black population, likely owing to at least three factors: the large black population; Springfield’s status as the state capital; and that it was Abraham Lincoln’s hometown. But the riot nevertheless had an effect on other communities in Illinois. As Loewen explains,

“The Springfield riot stands as a prototype for the many smaller riots that left communities all-white between 1890 and 1940, most of which have never been written about by any historian. Indeed, the Springfield riot itself spawned a host of imitators: whites shouted “Give ‘em Springfield!” during attacks on African Americans...the Illinois State Register reported, ‘At Auburn, Thayer, Virden, Girard, Pawnee, Spaulding, Buffalo, Riverton, Pana, Edinburg, Taylorville, Pleasant Plains and a score of other places in central Illinois a Negro is an unwelcome visitor and is soon informed he must not remain in the town.’ Buffalo, a little town twelve miles east of Springfield, became all-white on August 17, 1908, two days after the National Guard ended the Springfield riot. Not to be outdone by Springfield,

Figure 5  
Percent of Persons Who Are Latino (of Any Race): 2000



whites in Buffalo posted the following ultimatum at the train station: ‘All N - - - - - are warned out of town by Monday, 12m, sharp. Buffalo Sharp Shooters.’”<sup>8</sup>

Springfield itself remained highly segregated as of 2000. With an index of dissimilarity score of 64, it ranked seventh highest among non-Chicago area metropolitan communities.

Some Sundown Towns that used violence to remain all-white have overcome their past. To take one example, Oak Park was a Sundown Suburb in 1950, as is clear from the response to the arrival of the renowned

<sup>8</sup> James W. Loewen. *Sundown Towns: A Hidden Dimension of American Racism* (New York: Simon and Schuster, 2005): 94-95.





<sup>9</sup> James W. Loewen. *Sundown Towns: A Hidden Dimension of American Racism* (New York: Simon and Schuster, 2005): 128.

<sup>10</sup> James W. Loewen. *Sundown Towns: A Hidden Dimension of American Racism* (New York: Simon and Schuster, 2005): 410.

<sup>11</sup> James W. Loewen. Personal communication with the author, 2008.

chemist Percy Julian and his wife, Anna Roselle Johnson, the first African American woman to earn a PhD in sociology. The water commissioner refused to turn on the water in their newly purchased 15-room house, they received threatening phone calls, and there was an attempt to burn their house down.<sup>9</sup> Today, Oak Park is a stably integrated community with a reputation for its commitment to diversity and a range of housing-related programs instituted to ensure its openness. In 2000, it was 22 percent African American and its index of dissimilarity reveals that it is “moderately” segregated; as of the 2000 census, it ranked 33rd out of the 44 Chicago metropolitan communities included in Table 1.

Violence was not the only strategy for creating and then maintaining Sundown Towns. It is perhaps just the most visible – but no more or less successful than a myriad of other tactics that communities undertook to keep their towns white. Communities threatened violence on an entire group by lynching one of its members, thus encouraging the departure of the group. Local ordinances were passed prohibiting African Americans from being in town after sundown and whistles blew from places like the town’s water tower each day at 6 p.m. to warn blacks out of town. Police chiefs escorted the wayward black traveler or would-be resident out of town. Citizens used “freeze out” tactics, such as refusing service to blacks in public settings, not allowing their children to play with black children, and not hiring blacks as employees. African Americans who were living in Sundown Towns would be bought out, or individuals wishing to develop new suburbs would buy out black property owners in rural areas where they were locating their new – all white by design – communities. Suburbs in particular used restrictive deed covenants prohibiting the sale of property to blacks and established private associations to permit exclusion of certain group members.

Loewen’s detailed analysis gives countless examples of these tactics used throughout Sundown Towns in Illinois and the rest of the nation.

While explicit Sundown Town policies have faded into the past, informal policies and persistent reputations of communities as unwelcoming of African Americans mean that the consequences of these earlier policies and practices continue. Although it is difficult to know for sure, Loewen estimates that about one-half of confirmed Sundown Towns are no longer so, based on census data analysis and other research indicating that the communities have shed their past status.<sup>10</sup> This means, of course, that about one-half of them still are.

#### A Side Note

We take a brief detour at this point to identify a particularly troubling kind of residential segregation; a situation where the black population in a community is literally confined. Loewen has identified a number of communities in Illinois that have Sundown Town pasts (and perhaps presents) that now house state correctional institutions.<sup>11</sup> There are many instances where the census reports a sizeable black population in a particular community, but closer inspection reveals that only a small number of householders are black. Instead, the vast majority of the black population enumerated in the census is actually housed in a prison. For example, the town of Ina, according to the 2000 census, had 1,027 black residents; but all except two were living in the Big Muddy River Correctional Facility. According to Loewen, there are nine federal or state correctional facilities in confirmed Sundown Towns and Counties in Illinois, and another four in suspected Sundown Towns. As Loewen argues, the kind of black-white contact created in such settings is hardly conducive to building trust between blacks and whites, and the geographic and sociological dis-

tance between home and the prison makes it hard for prisoners to maintain ties with their families and makes it harder for families to visit. Loewen describes the thoughts of a resident of a Sundown Town that got a prison in 1970, as an illustration of how such a situation fosters stereotypes and negative racial attitudes: “Since that time, you get constant remarks about black people and how bad they are. Of course, [prisoners] are the only black people they know.”

### Contemporary Causes of Racial Residential Segregation

The very existence of Sundown Towns, as Loewen notes, is a feature of Illinois and American history that is “hidden in plain sight.” Citizens and researchers often fail to recognize how and why all-white communities have come to pass. If they notice them at all, they are often viewed as a “natural” outcome of market forces and personal choices about where different racial groups “prefer” to live. Loewen’s analysis is a reminder of how this history of creating all-white communities sets the stage for patterns of segregation across the state of Illinois. It is against this historical backdrop that we turn now to the question of how and why racial residential segregation persists into the contemporary era – 40 years after the 1968 Fair Housing Act declared discrimination on the basis of race in the sale and rental of housing to be illegal.

Much of the scholarly research on segregation until recently has focused on metropolitan areas – places where blacks and Latinos are not excluded from so much as they are segregated within. The historical role of local, state and federal governments in creating segregation within any particular community or region is undeniable – from restrictive zoning ordinances to the federal government’s policies on public housing, transportation, and redlining in home loan programs<sup>12</sup> – public policies ex-

acerbated the private actions of white residents, neighborhood associations, and the real estate industry who engaged in tactics ranging from intimidation to protests to restrictive covenants.<sup>13</sup>

Set against this historical backdrop, there are generally three explanations offered for the persistence of racial residential segregation: discrimination, economics, and preferences. The first is that despite being made illegal in 1968, racial discrimination in housing continues to exist, and has the effect of barring racial minorities from accessing some neighborhoods. The best evidence available indicates that discrimination in the housing market persists, although often in more subtle and complex ways than in the past. In the current era, it may often be the case that victims are not even aware that they have been discriminated against. It is less that the door is slammed in the face of minority homeseekers and more that phone calls are not returned, fewer options are offered, less help is given, less enthusiastic follow-up is provided, more hurdles are placed in their path, they are given fewer options, and they are steered to communities where their own group dominates.<sup>14</sup> In the most recent nationwide audit-study<sup>15</sup> of housing discrimination, the U.S. Department of Housing and Urban Development found that African Americans and Latinos face significant discrimination in housing,



*The best evidence available indicates that discrimination in the housing market persists, although often in more subtle and complex ways than in the past.*

<sup>12</sup> James H. Carr and Nandinee K. Kutty, eds. *Segregation: The Rising Costs for America* (New York: Routledge, 2008).

<sup>13</sup> Stephen Grant Meyer. *As Long as They Don't Move Next Door: Segregation and Racial Conflict in American Neighborhoods* (Lanham, MD: Rowman and Littlefield, 2000).

<sup>14</sup> Margery Turner and Stephen L. Ross. “How Racial Discrimination Affects the Search for Housing,” in Xavier de Souza Briggs, ed., *The Geography of Opportunity: Race and Housing Choice in Metropolitan America* (Washington, DC: Brookings Institution, 2005).

<sup>15</sup> An audit study is conducted by matching two homeseekers on a range of characteristics, with the only difference being their race/ethnicity. Each of the homeseekers approaches a real estate agent/landlord, expressing an interest in renting/purchasing a home. Detailed records are taken on how the auditors are treated by the real estate professionals. In cases where the white auditor is treated more favorably than the black and/or Latino auditor, discrimination on the basis of race/ethnicity is in evidence.

<sup>16</sup> Kathleen C. Engel and Patricia McCoy. "From Credit Denial to Predatory Lending: The Challenge of Sustaining Minority Homeownership," in James H. Carr and Nandinee K. Kutty, eds., *Segregation: The Rising Costs for America* (New York: Routledge, 2008); Gregory D. Squires and Charis E. Kubrin. *Privileged Places: Race, Residence, and the Structure of Opportunity* (Boulder, CO: Lynne Reimer Publishers, 2006).

<sup>17</sup> Tyrone Forman and Maria Krysan. "Racial Segregation in Metropolitan Chicago Housing," *Policy Forum* 20(3), (Institute of Government and Public Affairs, 2008).

<sup>18</sup> Ingrid Gould Ellen. *Sharing America's Neighborhoods: The Prospects for Stable Racial Integration* (Cambridge, MA: Harvard University Press, 2000); Camille Zubrinsky Charles. *Won't You Be My Neighbor? Race, Class, and Residence in Los Angeles* (New York: Russell Sage Foundation, 2006); and Reynolds Farley et al. "Stereotypes and Segregation: Neighborhoods in the Detroit Area." *American Journal of Sociology* 100(3) (1994): 750-780.

<sup>19</sup> Ingrid Gould Ellen. *Sharing America's Neighborhoods: The Prospects for Stable Racial Integration* (Cambridge, MA: Harvard University Press, 2000).

<sup>20</sup> James W. Loewen. Personal communication with the author, 2008.

although levels had declined somewhat since 1989. But they also reported that racial steering – the act of showing minority clients neighborhoods where their group predominates, while showing white clients only predominately white neighborhoods – had increased. Studies of the mortgage industry also suggest that minorities are more likely to be denied a home loan and also more likely to be offered only sub-prime loan products, to be the victims of predatory lending practices, and to face more difficulties and more expense in securing property insurance.<sup>16</sup>

A second explanation for the persistence of racial residential segregation is that people prefer it that way; put simply, if blacks, whites and Latinos live in different areas, it is because they want it that way. Studies generally show that whites and African Americans hold incompatible preferences about the racial composition of the neighborhoods they would like to live in. Whites want relatively few African Americans in their neighborhood while African Americans prefer a more even mix of whites and blacks. But it is problematic to construe these kinds of preferences as reflections of "personal choices" that are benign and neutral. Indeed, much research demonstrates that preferences are not "neutral" and "unproblematic" but rather constrained and complicated. For example, one study shows that to describe African American racial residential preferences as for "50-50" or majority-minority neighborhoods and to then conclude, as some have, that segregation is caused by minority preferences, is problematic. Indeed, if we look more in-depth at African American preferences using different methods, we find that they are far from "segregation promoting." In a recent study in the Chicago metropolitan area,<sup>17</sup> we find that 81 percent of African Americans who have searched for housing in the last 10 years had among their search locations at least one community where blacks were in the minority. This is compared to just 25 per-

cent of whites who searched in a community where whites were in the minority. And, by asking *why* African Americans hold the preferences they do, we discover that it is less because of a "neutral" in-group preference and more because of a desire to avoid discrimination in largely white communities. Furthermore, white preferences for white communities are not shaped by neutral forces but instead by racial stereotypes about blacks and neighborhoods that have black residents in them.<sup>18</sup>

The third explanation for segregation is arguably the one that most citizens prescribe to: money talks and so the reason blacks, whites and Latinos live in different neighborhoods is because people live where they can afford to live. Owing to the economic segregation of many American cities, it is "natural" that we have racial residential segregation so long as we continue to have racial economic inequality. But despite the intuitive appeal of this argument, as Ingrid Ellen concludes, "virtually every study that has examined the role of income differences in driving segregation has found that income differences between blacks and whites account for only a modest share of segregation patterns."<sup>19</sup>

Apart from these three main explanations for segregation, we also include in this discussion some attempt to understand why Sundown Towns continue to be all white – even in those cases where the policies, practices and tactics are a thing of the past. Loewen suggests that the persistence of racial exclusion in these communities comes from the "upstream" and the "downstream."<sup>20</sup> From the upstream, while there may be willingness on the part of a community to rent or sell to African Americans,

"... precisely owing to that racial past, few African Americans may seek housing in the community. The town or county has built a reputation as an entity, based on policies and incidents



stretching back for decades. It is not easy for acts by individuals to undo this corporate character. Indeed, the town's actions as an entity, along with the reputations that have built up, may preclude the possibility of nondiscriminatory acts by individual would-be sellers or renters."

In other words, communities have reputations, and the degree to which the reputation – and possibly the reality – of a community is unwelcoming to certain groups of people raises a barrier to members of that group even attempting to search for housing. Related to this, communities may simply be unknown among certain racial/ethnic groups. If the knowledge residents of different backgrounds have about a community is shaped by the composition of that community, then these patterns of knowledge – or the lack of knowledge – may constitute an important barrier to integrated living. It is difficult to move into a neighborhood if you don't know anything about it.

In a survey of Chicago residents, we found that whites, blacks and Latinos all tend to know more about communities in which their co-ethnics live.<sup>21</sup> But African Americans and Latinos, relative to whites, know about a broader range of communities – racially mixed and racially segregated alike. For African Americans and Latinos, the few "blind spots" are communities that are both predominately white and geographically distant from the city, thus creating a barrier to the possible integration of communities like this. But there are plenty of predominately white communities about which African Americans do not have a blind spot relative to whites; as such, there are clearly other barriers, perhaps discrimination or perhaps "negative" knowledge about how African Americans are treated in these communities. For their part, whites are far less likely than Latinos or African Americans to know about heavily African American communities. And

what is troubling for the encouragement of integration is that whites' blind spots also include communities that are racially mixed (either with Latinos or African Americans) – even those where whites are in the majority.

From the "downstream," once a minority person decides to make a home in a former Sundown Town, there may be acts of harassment and unwelcoming behavior that make life difficult; and again, owing to its past, there may be unstated policies that black newcomers should be challenged by authorities because they "don't belong."<sup>22</sup> This kind of harassment may result in the first black pioneers not staying in the community. Thus discrimination and preferences are inextricably linked: blacks' reluctance to enter communities or neighborhoods that have a reputation for hostility toward blacks can hardly be constructed as a free choice. And it is the choices of whites to continue to move into all-white communities that must be equally understood as problematic. The most recent research shows that it is less the case that whites move out of neighborhoods that become diverse, which was more common in the heyday of "white flight," but it is the case that when they choose where to move, they choose to move into whiter neighborhoods.<sup>23</sup> Given the regularly high levels of mobility, these individual choices, in the aggregate, mean that whites do little to overcome the persistence of overwhelmingly white communities.

Finally, as noted previously, there has been little research that examines the causes of segregation in rural and small-town America. In the most detailed analysis on this topic, Daniel Lichter and his colleagues conclude that there are substantial parallels between patterns in metropolitan and nonmetropolitan areas:

"Racial residential segregation in rural places increases with growing minority percentage shares and is typically lower in "newer" places (as measured by



<sup>21</sup> Maria Krysan. "Racial Blind Spots: A Barrier to Integrated Communities in Chicago." *Critical Issues Paper*, (Institute of Government and Public Affairs, 2008).

<sup>22</sup> James W. Loewen. Personal communication with the author, 2008.

<sup>23</sup> Ingrid Gould Ellen. "Continuing Isolation: Segregation in America Today" in James H. Carr and Nandinee K. Kutty, eds., *Segregation: The Rising Costs for America* (New York: Routledge, 2008).





*Segregation also takes its toll on the political, economic, and social vitality of entire regions.*

growth in the housing stock), while racially selective annexation and the implied “racial threat” at the periphery exacerbate racial segregation in rural places.”<sup>24</sup>

We focus our discussion on the causes and consequences of segregation more heavily on African Americans than Latinos because there is substantially less research that examines Latino-white segregation. A few patterns are noteworthy. First, although there is some evidence that Latino-white segregation may be increasing, it is still the case that Latino-white segregation is far lower than black-white segregation. Second, while racial/ethnic differences in economic background explain only a small fraction of black-white segregation patterns, the same is not true for Latino-white segregation. As Latinos climb the economic ladder they become more residentially integrated with whites, to a much greater degree than is true of blacks. It is also the case that the longer Latinos have been in the United States, the less segregated they are.<sup>25</sup> From the standpoint of preferences, it is generally reported that white attitudes toward living with African Americans are more negative than toward living with Latinos. In other words, black “exceptionalism” holds for preferences for racial inte-

gration; from the standpoint of whites, blacks are the least desirable neighbors followed by Latinos and then Asians.<sup>26</sup>

### Consequences of Segregation

Racial residential segregation has been described as the “structural lynchpin” of racial inequality in America. Because so much of what happens to a person is driven by where they live – things like where they go to school, what services they receive, and their access to transportation, medical services and employment opportunities – racial residential segregation is implicated in persistent racial inequalities. Numerous studies have documented the deleterious consequences of residential segregation for outcomes among blacks including infant and adult mortality, educational attainment, employment, death rates from homicide, rates of single motherhood, and the accumulation of equity in homes. Others have pointed out the effects of segregation on the quality of schools, employment opportunities, health and personal networks, and access to social resources.<sup>27</sup>

Recently, attention has been paid not only to how economics influence where people live, but also how where people live shapes their economic outcome. Researchers Melvin Oliver and Thomas Shapiro make the point that while income inequality between blacks and whites may have reduced somewhat, there are tremendous disparities in black-white wealth: for every \$1 in wealth held by a black household, white households have \$12.<sup>28</sup> Because homeownership is the most common form of wealth accumulation in the United States, the discrimination faced by blacks in terms of access to homeownership and the consequences of segregation on the value of properties that blacks do own, there have been deep inequities in the accumulation of wealth between whites and blacks. Wealth, in turn, affects a range of outcomes for minorities, for example, a family’s ability to fund their children’s college education.<sup>29</sup>

<sup>24</sup> Daniel T. Lichter et al. “National Estimates of Racial Segregation in Rural and Small-Town America.” *Demography* 44(3) (2007): 563.

<sup>25</sup> Richard Alba, John R. Logan, and Brian Stults. “The Changing Neighborhood Context of the Immigrant Metropolis,” *Social Forces* 79 (2000): 587-621.

<sup>26</sup> Camille Zubrinsky Charles. *Won't You Be My Neighbor? Race, Class, and Residence in Los Angeles* (New York: Russell Sage Foundation (2006).

<sup>27</sup> For examples of many of these, see the recent edited volume, *Segregation: The Rising Costs for America* (Carr and Kutty, 2008).

<sup>28</sup> Melvin L. Oliver and Thomas M. Shapiro. *Black Wealth/White Wealth: A New Perspective on Racial Inequality* (New York: Routledge, 1995).

<sup>29</sup> James H. Carr and Nandinee K. Kutty, eds. *Segregation: The Rising Costs for America* (New York: Routledge, 2008); Melvin L. Oliver and Thomas M. Shapiro. *Black Wealth/White Wealth: A New Perspective on Racial Inequality* (New York: Routledge, 1995).

From the standpoint of race relations, segregated neighborhoods do little to help break down racial tensions and negative attitudes.<sup>30</sup> Social scientists have shown that contact between groups is an important way to reduce negative inter-group attitudes. But this contact must feature (1) equal group status; (2) common goals; (3) inter-group cooperation; (4) authority support; and (5) friendship potential.<sup>31</sup> Living side-by-side and working to solve neighborhood problems and build community is one context in which these conditions could be met. And failure to do so means that there are few opportunities for people of all races and ethnicities to interact in a way that breaks down negative stereotypes.<sup>32</sup> By living in segregated neighborhoods and Sundown Towns, we are missing an opportunity to cultivate more positive race/ethnic relations. Segregation also takes its toll on the political, economic, and social vitality of entire regions.<sup>33</sup>

### Dismantling Patterns of Segregation and Exclusion

There is no panacea for reducing the levels of segregation and exclusion that exist throughout communities in Illinois. The causes of segregation, as outlined above, are complex and inter-related, making it difficult to point a finger at one cause and imagine solving the problem with a single remedy. Based on the discussion above, however, several areas are worthy of attention.

Despite the passage of the Fair Housing Act of 1968, there remains substantial evidence of persistent housing discrimination. As Carr and Kutty observe, "HUD's enforcement powers have for various reasons largely remained underutilized. In 2003, HUD brought only four racial discrimination cases, although it had received more than 2,700 complaints that year." Support for testing and prosecuting cases of discrimination in the buying and renting of housing and in the securing of mortgages



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and property insurance are necessary tools for addressing inequities in the housing system.

Altering preferences that work against integration is a far more complicated policy goal. In the abstract, individuals of all races generally profess an interest in more inte-



<sup>30</sup> Camille Zubrinsky Charles. *Won't You Be My Neighbor? Race, Class, and Residence in Los Angeles* (New York: Russell Sage Foundation (2006).

<sup>31</sup> Gordon W. Allport. 1954. *The Nature of Prejudice* (New York: Doubleday Anchor, 1954); Thomas F. Pettigrew. "Intergroup Contact Theory," *Annual Review of Psychology* 49 (1998): 65-85.

<sup>32</sup> James W. Loewen. *Sundown Towns: A Hidden Dimension of American Racism* (New York: Simon and Schuster, 2005).

<sup>33</sup> Gregory D. Squires. "Prospects and Pitfalls of Fair Housing Enforcement Efforts" in James H. Carr and Nandinee K. Kutty, eds., *Segregation: The Rising Costs for America* (New York: Routledge, 2008).



grated neighborhoods than those where they actually live. The challenge is to create situations where those abstract preferences can be translated into behavior. The affirmative marketing component of fair housing legislation is consistent with this need. Affirmative marketing refers to the active promotion of racially diverse, majority black, and majority Latino neighborhoods to whites and the encouraging of Asians, blacks, and Latinos to consider moving into majority-white neighborhoods. Programs that seek to overcome the informational biases that lead people to avoid certain neighborhoods, or to have little knowledge of them, should be supported. Policies that provide resources to community-based organizations that work with real estate agents, landlords and civic leaders to mar-

ket their communities in a way that makes them attractive and accessible to people of all races and ethnicities would speak to this issue.

For Sundown Towns in particular, Loewen identifies three things a community can do: “(a) Admit it (‘We did this’); (b) Apologize for it (‘We did this, and it was wrong’) and (c) Proclaim they now welcome residents of all races (‘We did this, it was wrong, and we don’t do it anymore’).” But he also argues that there are state and federal responses that can be taken to penalize Sundown Towns – in the form of denying federal and state tax dollars for programs and projects until they take action to make up for their past practices.





# Promising Strategies for Improving K-12 Education in Illinois: Improving the Educator Work Force

Should Illinois create a better work force of educators?



# Promising Strategies for Improving K-12 Education in Illinois: Improving the Educator Work Force

By Benjamin Superfine, Mark A. Smylie, Steven Tozer, and David Mayrowetz



Illinois faces a serious dilemma in education policy. With limited and unevenly distributed financial resources, Illinois schools must help students learn the knowledge and skills articulated in state standards (and beyond) or risk sanctions under *No Child Left Behind*. Increasing student achievement depends on expanding students' opportunities to learn by improving Illinois schools, particularly those in under-resourced urban and rural areas that serve a large proportion of students living in poverty. *The Illinois Report 2008* considered this dilemma largely by focusing on the need for Illinois to equalize and augment education funding. While changes in school financing would be a great help, we take an approach that is especially sensitive to the recent economic downturn in the state and the country as a whole – one that is based on the ideas of enhancing efficiency and implementing cost-effective resource allocation strategies in education.

In particular, we present an analysis and recommendations concerning the development of the educator work force in Illinois. If Illinois is to promote cost-effective and efficient resource allocation in schools, it makes sense to examine current strategies for managing the biggest expenditure: the work force. Educator work force development is also a complex but high-leverage policy strategy. The collective capabilities of teachers, school leaders, and other educational personnel are essential for successfully implementing most programs and policies that can improve student achievement. Moreover, while substantial money can be spent on different work force development initiatives (e.g., increasing teachers' salaries and benefits), other potentially effective actions can be taken at

relatively modest cost to enhance practices that are already in place.

In this chapter, we focus on what work force development is and why it matters to school improvement. We then examine educator work force development in Illinois, with particular attention to principal development as a promising area for policy formation, and we offer specific recommendations for improving the efficiency of education reform efforts in Illinois.

## The Rationale for Educator Work Force Development

In the 1960s, organizational ecologists linked organizational effectiveness and survival not only to recruiting and retaining "the best and the fittest" employees but also to developing and sustaining a complementary range of capacities among employees that would best meet the organization's needs over time.<sup>1</sup> In the early 1990s, scholars stressed that assembling strategic combinations or "bundles" of resources, especially human resources, and employing them toward achieving organizational objectives will lead to organizational effectiveness.<sup>2</sup> To use an investment metaphor, it is helpful to think of the knowledge, skills and values held by individuals within organizations as a "portfolio" of competencies<sup>3</sup> or "stocks of skills" and "strategically relevant" knowledge and behaviors.<sup>4</sup> With a diverse portfolio, one can expect strong, long-term, and positive returns.

The rationale for concerted and systematic efforts to develop the educator work force is similarly straightforward. Individual teachers and collective school faculties dictate whether schools meet their organizational

<sup>1</sup> Zehava Rosenblatt and Zachary Shaeffer. "Brain Drain in Declining Organizations: Toward a Research Agenda," *Journal of Organizational Behavior*, 22 (2001): 409-424.

<sup>2</sup> See for example, Patrick M. Wright, Benjamin B. Dunford, and Scott A. Snell, "Human Resources and the Resource-based View of the Firm," *Journal of Management*, 27 (2001): 701-721.

<sup>3</sup> Odd Nordhaug and Kjell Gronhaug, "Competencies as Resources in Firms," *The International Journal of Human Resource Management*, 5 (1994): 89-106.

<sup>4</sup> Wright, Dunford and Snell "Human Resources," 706.

objective – student learning.<sup>5</sup> Developing teachers’ “skill” and “will” is considered essential to improving instruction and fostering innovation to improve schools.<sup>6</sup> As Michael Fullan put it, “Educational change depends on what teachers do and think – it’s as simple and complex as that.”<sup>7</sup>

But school leaders are also important for promoting quality instruction, school improvement, and student achievement.<sup>8</sup> Both research and professional literature emphasize the important role that principals and central office administrators play in implementing (or not) reforms that often cost states and school districts a substantial amount of money, such as reading initiatives, special education programs, and teacher mentoring programs. These studies also emphasize the important role played by school and district leaders for developing, employing, and managing the teacher work force and in creating workplace conditions for successful teaching and learning to occur.<sup>9</sup>

The importance of both teacher and school leader work force development is central

to improving schools and student learning “at scale,” and, in particular, improving schools and learning opportunities for low-income and racially isolated students. Good educators recognize that low-income children can succeed with challenging academic work if their teachers provide high quality instruction.<sup>10</sup> Yet despite the documented excellent results in individual classrooms or schools we have not yet found a way to consistently scale up such success.

However in recent years, several lines of educational research and policy making have converged in an argument that significant school improvement *can* be achieved at scale (e.g., in a large school district or statewide) through work force development. Simply put, widespread academic success in low-income schools depends on developing teachers and principals in concert with each other. This research-based “scaling-up” argument proceeds like this:

- First, all children, including those in low-income families, can perform at high academic levels if provided the

*If Illinois is to promote cost-effective and efficient resource allocation in schools, it makes sense to examine current strategies for managing the biggest expenditure: the work force.*

<sup>5</sup> See, for example, Linda Darling-Hammond, “Teacher Quality and Student Achievement: A Review of State Policy Evidence,” *Educational Policy Analysis Archives*, 8 (2000) <http://epaa.asu.edu/epaa/v8n1/>; Dan Goldhaber and Emily Anthony. *Can Teacher Quality Be Effectively Assessed?* (Seattle, WA: Evans School of Public Affairs and Urban Institute, 2004); Jennifer King Rice, *Teacher Quality: Understanding the Effectiveness of Teacher Attributes* (Washington, DC: Economic Policy Institute, 2003); William L. Sanders and Sandra P. Horn. “Research Findings from the Tennessee Value-Added Assessment System (TVAAS) Database: Implications for Educational Evaluation and Research,” *Journal of Personnel Evaluation in Education*, 12(1998): 247-256; Andrew J. Wayne & Peter Youngs. “Teacher Characteristics and Student Achievement Gains: A Review,” *Review of Educational Research*, 73 (2003): 89-122.

<sup>6</sup> Fred M. Newmann & Gary G. Wehlage. *Successful School Restructuring* (Madison, WI: Center on the Organization and Restructuring of Schools, 1995).

<sup>7</sup> Michael Fullan. *The New Meaning of Educational Change*, 4<sup>th</sup> ed., (New York, NY: Teachers College Press, 2007), 129.

<sup>8</sup> Philip Hallinger and Ronald H. Heck. “Exploring the Principal’s Contribution to School Effectiveness: 1980-1995,” *School Effectiveness and School Improvement*, 9 (1998): 157-191; Kenneth A. Leithwood and Carolyn Riehl. “What Do We Already Know about Educational Leadership?” in William A. Firestone and Carolyn Riehl (eds.), *A New Agenda for Research on Educational Leadership* (New York: Teachers College Press, 2005), 12-27; Nancy Pitner. “The Study of Administrator Effects and Effectiveness,” in Norman Boyan (ed.), *Handbook of Research in Educational Administration* (New York: Longman, 1988), 99-122; Bob Witziers, Roel J. Bosker, and Meta L. Kruger. “Educational Leadership and Student Achievement: The Elusive Search for an Association,” *Educational Administration Quarterly*, 39 (2003): 398-425.

<sup>9</sup> M. Bruce King. “School- and District-Level Leadership for Teacher Work Force Development: Enhancing Teacher Learning and Capacity,” in Mark A. Smylie and Debra Miretzky (eds.), *Developing the Teacher Work Force: The One Hundred and Third Yearbook of the National Society for the Study of Education, Part I* (Chicago: National Society for the Study of Education, 2004), 303-325.

<sup>10</sup> Fred M. Newmann, Anthony S. Bryk and Jenny K. Nagaoka. *Authentic Intellectual Work and Standardized Tests: Conflict or Coexistence?* (Chicago, IL: Consortium on Chicago School Research, 2001), 22-26. Also Michael S. Knapp and Associates. *Teaching for Meaning in High-Poverty Classrooms* (New York, NY: Teachers College Press, 1995). Popular media documenting real-life academic successes for low-income students include the movie *Stand and Deliver* and the book *Marva Collins’s Way*.

*Schools must be organized and led so that all teachers can continue to develop professionally from the time they enter the work force throughout their careers.*

- right instructional environment and high quality and challenging teaching.<sup>11</sup>
- Second, to achieve high quality instruction on a school-wide basis, a few gifted or exceptionally committed teachers are insufficient. There must be a well-qualified pool of teachers prepared and certified to work with a broad range of students.<sup>12</sup>
  - Third, schools that succeed with low-income students are not completely idiosyncratic, each with its own unique and nonreplicable path to success. They share a number of common properties or “preferred organizational states of being.”<sup>13</sup> These include a clear academically-oriented vision, high expectations for learning, strong relationships with families and the community, and a school-wide emphasis on high-quality instruction, among others.<sup>14</sup>
  - Fourth, chief among these common properties is administrative leadership that, along with other important functions, develops and manages teachers and helps them realize their potential by organizing schools as learning communities for adults as well as for children.<sup>15</sup> Schools must be organized and led so that all teachers can continue to
- develop professionally from the time they enter the work force throughout their careers so they develop the capacity to provide students with high quality and challenging instruction.<sup>16</sup> Notably, even when funding is inadequate, principals can (and do) lead schools to dramatically improved achievement.<sup>17</sup>
- Fifth, effective principals are not just born; they are also made. Although not everyone is cut out to be a principal, strong principal preparation programs can select the most promising candidates and provide intensive learning experiences that result in the exercise of effective leadership and measurable improvement in schools, in instruction, and in student learning.
  - Sixth, the comparatively small number of principals – fewer than one for every 30 teachers in Illinois – combined with principals’ unique positional opportunity to shape teacher development in schools, means that a key part of the overall plan for educator work force development is manageable. Illinois’ largest school district (Chicago) has 428,000 students and 26,000 teachers, but only about 700 principalships. Each

<sup>11</sup> National Commission on Teaching & America’s Future. *What Matters Most: Teaching for America’s Future*. (New York, NY: NCTAF, 1996); Michael S. Knapp and Associates. *Teaching for Meaning*.

<sup>12</sup> Ana Maria Villegas and Tamara F. Lucas. “Diversifying the Teacher Work Force: A Retrospective and Prospective Analysis,” in *Teacher Work Force Development: The One Hundred and Third Yearbook of the National Society for the Study of Education, Part I*, eds. Mark A. Smylie and Debra Miretzky, (Chicago, IL: NSSE, 2004), 70-104.

<sup>13</sup> Paul C. Light. *Sustaining Innovation* (San Francisco: Jossey-Bass, 1998).

<sup>14</sup> Ronald Edmonds. “Some Schools Work and More Can,” *Social Policy*, 9 (1979): 28-32; Sebring et al. *Essential Supports*.

<sup>15</sup> King. “School- and District-Level Leadership for Teacher Work Force Development”; Smylie and Hart. “School Leadership for Teacher Learning.”

<sup>16</sup> Fred M. Newmann et al. “Instructional Program Coherence: What It Is and Why It Should Guide School Improvement Policy,” *Educational Evaluation and Policy Analysis*, 23 (2001): 297-321. Penelope B. Sebring et al. *The Essential Supports for School Improvement* (Chicago, IL: Consortium on Chicago School Research, 2006); Mark A. Smylie. “Teacher Learning in the Workplace: Implications for School Reform,” in *Professional Development in Education: New Paradigms and Practices* eds. Thomas R. Guskey and Michael Huberman (New York: NY: Teachers College Press, 1995), 92-113; Mark A. Smylie, and Ann W. Hart. “School Leadership for Teacher Learning and Change: A Human and Social Capital Development Perspective” in *Handbook of Research on Educational Administration*, 2<sup>nd</sup> ed., eds. Joseph Murphy and Karen S. Louis, (San Francisco, CA: Jossey-Bass, 1999), 421-441.

<sup>17</sup> Leithwood and Riehl. “What Do We Already Know?” Sebring et al. *Essential Supports*.

year, about 10 percent, or 70, of those principalships need to be filled, meaning that the scale of intervention necessary to positively affect all schools over time is comparatively modest.

It is important to recognize that the “scaling up” of effective principal leadership – as a necessary condition for the scaling up of school improvement and increased learning – is not simply a function of effective principal preparation programs, although those programs play an important role in developing the supply of effective school leaders. It is also a function of comprehensive strategic development and management of the principal work force at the district and state levels. At the district level, for example, this includes recruitment, placement, professional development and support, compensation and reward, supervision and evaluation, succession, management of exit, and so on, that constitute a range of practices similar to the successful development and management of a teacher work force. At the state level, as we will discuss, it is a matter of taking seriously the interdependent relationships among certification and licensure policies, districts’ roles, higher education, and systemic incentives that make the status quo difficult to change.

In sum, developing the educator work force is important for a number of reasons. It is important for promoting quality instruction and student achievement. It is important for school improvement and the implementation of education reform. Moreover, there are reasons to believe that developing both teacher and principal work forces can be instrumental to scaling up improvement in student learning in a cost-efficient fashion.

### Defining Educator Work Force Development

What is meant by *educator work force development*? First, there is no such thing as a

single educator work force. Multiple, nested work forces function at different levels of the educational system. Teachers, principals, superintendents, and central administrators, counselors, nurses, psychologists, social workers and secretaries operate at the school, district, state, and even regional and national levels. Work forces may also be defined by particular areas of expertise (e.g., early childhood, special education, and high school science, etc.). When we think about developing the educator work force, we are concerned not only with individual educators but with groups or collectives of educators. Each level of the school system has different needs, interests, authorities, and capabilities to develop and manage educator work forces, but efforts to shape the educator work force through policy at the state level are likely to affect efforts in districts and schools.<sup>18</sup>

Moreover, when we talk about work force *development* we think about two basic types of tasks: (1) competence development and management and (2) behavior development and management.<sup>19</sup> The former concerns the acquisition, development, utilization, retention, and displacement of human capital, that is, of work force members’ knowledge, skills, attitudes, and commitments. The latter concerns the coordination and control of human capital so that it functions effectively. These two types of tasks can be performed through a wide variety of practices that include initial employee preparation, recruitment, selection, assignment, on-the-job training, evaluation, reward and compensation, and so forth. Indeed, the same practices can serve multiple functions. A key point is that work force development is concerned with much more than the size and quality of supply, initial preparation, and entry of persons into a work force. It has much to do with what happens *after* initial preparation and entry to further develop and manage the human resources that make up the work force.



<sup>18</sup> Linda Darling-Hammond and Gary Sykes. “Wanted: A National Teacher Supply Policy for Education: The Right Way to Meet the ‘Highly Qualified Teacher’ Challenge?” *Education Policy Analysis Archive*, 11 (2003): <http://epaa.asu.edu/epaa/v11n33>; David Kirp and Cyrus E. Driver. “The Aspirations of Systemic Reform Meet the Realities of Localism,” *Educational Administration Quarterly*, 31 (1995): 589-612.

<sup>19</sup> Patrick M. Wright and Scott A. Snell. “Toward an Integrative View of the Strategic Human Resource Management,” *Human Resource Management Review*, 1 (1991): 203-225.



Moreover, schools, school districts, and states, must consider educator work force development in terms of ever-changing contexts.

A final consideration is that none of this is uniform or static. Work forces in general and educator work forces in particular are diverse in terms of age, experience, gender, race, and ethnicity. And they are dynamic in terms of entry and exit, mobility, and changes in individual and collective capacity and need (personal and professional). Moreover, schools, school districts, and states, must consider educator work force development in terms of ever-changing contexts, including but not limited to populations of students, demands for higher levels of performance and outcomes, and broad social, economic, and employment trends.

In sum, what we mean by educator work force development are those strategic combinations of practices that develop and manage the competence and behavior of dynamic groups of educators at different levels to achieve organizational objectives in ever-changing contexts. Achieving cost-efficient education reform through work force development requires attention to these various practices, educators, and objectives, and their relationship with each other.

The research literature offers a wide range of practices that might be employed to promote educator work force development as we have discussed. Categories of functions include:<sup>20</sup>

- Developing the supply of potential employees
- Credentialing

- Promoting the quality of initial preparation
- Recruiting, selecting, and hiring
- Assigning employees to workplaces and work roles and responsibilities
- Promoting induction and socialization
- Providing opportunities for on-the-job training and professional development
- Creating working conditions conducive to improving development and performance
- Supervising and evaluating performance
- Retaining, terminating, and managing exit
- Motivating, compensating, and promoting performance
- Managing labor relations

While research tells us that each of these functions is important to perform effectively,<sup>21</sup> the specific practices related to these functions are less important than the *coherent, congruent, and strategic use of different combinations of different practices over time*.<sup>22</sup> As a recent working draft of a report released by the Aspen Institute concludes, efforts to improve the quality and effectiveness of the educator work force have been “piecemeal” and largely ineffective.<sup>23</sup> To make such efforts more effective, policymakers must attend to both “the pattern of planned human resource deployments and activities” and *how* work force development practices are combined and pursued.<sup>24</sup> In short, work force development efforts in Illinois need to be systemic

<sup>20</sup> See for example, Mark A. Smylie, Debra Miretzky and Pamela Konkol. “Rethinking Teacher Work Force Development: A Strategic Human Resource Management Perspective,” in *Teacher Work Force Development: The One Hundred and Third Yearbook of the National Society for the Study of Education, Part I*, eds. Mark A. Smylie and Debra Miretzky (Chicago, IL: NSSE, 2004), 34-69; Allen Odden and James A. Kelly. *Strategic Management of Human Capital in Public Education* (Madison, WI: Wisconsin Center for Educational Research, 2008); L. Dean Webb and M. Scott Norton. *Human Resources Administration: Personnel Issues and Needs in Education*, 5<sup>th</sup> ed. (Upper Saddle River, NJ: Prentice Hall, 2008).

<sup>21</sup> Smylie et al. “Rethinking Teacher Work Force.”

<sup>22</sup> Wright and Snell. “Toward an Integrative View.”

<sup>23</sup> Judy Wurtzel and Rachel Curtis. *Human Capital Framework for K-12 Urban Education: Organizing for Success* (Washington, DC: The Aspen Institute, July 2008), working draft.

<sup>24</sup> Patrick M. Wright and Gary C. McMahan. “Theoretical Perspectives for Strategic Human Resource Management,” *Journal of Management*, 18 (1992): 298.

and strategic in order to be effective and cost efficient.<sup>25</sup>

### Evidence from Research

Scholars who study a large variety of organizations have found important evidence that systemic and strategic approaches to work force development can increase an organization's success. For example, researchers have found that such approaches are more powerful for increasing a company's productivity than discrete human resource practices and should be done with consideration of a company's environment.<sup>26</sup> When companies invest in systems of work force development and management practices, there tends to be lower employee turnover and increased productivity, even over time.<sup>27</sup> On the other hand, when companies pursue work force development through discrete, disconnected practices, they tend not to see synergies or conflicts among those practices, and that can lead to inefficiency and ineffectiveness.<sup>28</sup> Furthermore, a "one-size-fits-all" approach to work force development, even in the guise of "best practice," is likely to have limited effectiveness be-

cause such a strategy ignores the dynamic and unique nature of each work force.<sup>29</sup>

Similar evidence can be found in research on schools and school districts. Districts that have established integrated systems of teacher recruitment and professional development practices that are strategically tied to goals for improving teaching and learning tend to be more successful in their reform efforts.<sup>30</sup> Schools that adopt the most comprehensive and strategic systems of faculty (school-level) development and management practices have been effective in promoting "deep" instructional improvement.<sup>31</sup> Studies of school districts in New York City and San Diego found that linking teacher recruitment, hiring, professional development, monitoring and evaluation, removing ineffective teachers, redesigning teachers' work, and developing new incentive systems together had a positive impact on instruction. At the same time, this changed the district's organization and the administration's orientation to teachers and instructional improvement, and led to increases in student achievement, although these results did not fully scale up.<sup>32</sup> Even in the urban high school,



<sup>25</sup> Smylie et al. "Rethinking Teacher Work Force."

<sup>26</sup> P. F. Buller. "For Successful Strategic Blend OD Practices with Strategic Management," *Organizational Dynamics*, 16 (1988): 42-55; John E. Delery and Harold J. Doty. "Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions," *Academy of Management Journal*, 39 (1996): 802-35.

<sup>27</sup> Mark A. Huselid. "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance," *Academy of Management Journal*, 38 (1995): 635-672; Patrick M. Wright et al. "The Relationship between HR Practices and Firm Performance: Examining Causal Order," *Personnel Psychology*, 58, (2005): 409-446.

<sup>28</sup> Wright and Snell. "Toward an Integrative View"

<sup>29</sup> David P. Lepak and Scott A. Snell. "The Human Resource Architecture: Toward a Theory of Human Capital Allocation and Development," *Academy of Management Review*, 24 (1999): 31-48.

<sup>30</sup> Milbrey W. McLaughlin and Joan Talbert. *Reforming Districts: How Districts Support School Reform* (Seattle, WA: Center for the Study of Teaching and Policy, 2003).

<sup>31</sup> Richard F. Elmore, Penelope L. Peterson, and Sarah J. McCarthy. *Restructuring in the Classroom: Teaching, Learning, and School Organization* (San Francisco, CA: Jossey-Bass, 1996).

<sup>32</sup> Richard Elmore with Diane Burney. "Investing in Teacher Learning: Staff Development and Instructional Improvement in Community School District #2 New York City," *NCTAF Archives*, 1997, [http://www.nctaf.org/documents/archive\\_investing-in-teacher-learning.pdf](http://www.nctaf.org/documents/archive_investing-in-teacher-learning.pdf); Richard Elmore with Diane Burney. "Continuous Improvement in Community District #2, New York City" *NCTAF Archives*, 1998; Amy Hightower. *San Diego's Big Boom: District Bureaucracy Supports Culture of Learning* (Seattle, WA: Center for the Study of Teaching and Policy University of Washington, 2002); Darling-Hammond and Sykes. "Wanted."



*It appears that educator work force development and management is “a hodge-podge of poorly planned, under-resourced, disconnected practices.”*

the most difficult type of school to reform, comprehensive strategies for recruiting, developing, and transferring out teachers, pursuant to a particular vision, have led to school improvement.<sup>33</sup>

### Principles of Effective Work Force Development

From these empirical findings and our own experiences in educational research, we suggest four general principles to guide policymakers as they improve the development of Illinois’ educator work force. The first, “vertical fit,” refers to the alignment of work force development practices with particular missions, goals, and strategies to achieve particular educational objectives. Vertical fit also refers to the alignment of practices with the demands of different environments, be they student populations, policy environments, or broad labor markets, in the pursuit of high quality instruction and student achievement.

The second principle is “horizontal fit.” This refers to the alignment of individual work force development practices into a coherent, mutually reinforcing system. For example, we hope to see teachers socialized into a workplace that has an emphasis on learning because, in part, the principal and other teachers in that school have created that environment, and because teacher evaluation practices in the school depend on a willingness and ability to grow professionally.

The third and fourth companion principles are “flexibility” and “equifinality.” As we observed earlier, work forces and the environment in which they sit are ever-changing. To adapt and to maintain fit of strategic systems of work force development practices require flexibility and variability. There should be no “one-size-fits-all” in work force development practice. Instead, we should embrace the notion of “equifinality.” In other words, there is more than one route to the same end. These principles underscore the importance of local autonomy at the school and district levels to exercise the flexibility required to achieve and sustain both types of vertical fit and horizontal fit.<sup>34</sup>

### Revisiting the Critiques of Current Educator Work Force Development

Based on both the research on work force development and our direct observations, it appears that educator work force development and management is “a hodge-podge of poorly planned, under-resourced, disconnected practices.”<sup>35</sup> Schools, school districts, and states tend to think narrowly about little more than recruitment, preparation, and professional development. Even if the quality of such individual work force development practices is monitored, there is often a failure to see how a broader range of practices that already exist can be used more strategically. These “systems of practices” are often anything but systemic. Instead, they are narrowly construed and

<sup>33</sup> Karen S. Louis and Matthew Miles. *Improving the Urban High School: What Works and Why* (New York, NY: Teachers College Press, 1990); The Education Trust. *Gaining Traction, Gaining Ground: How Some High Schools Accelerate Learning for Struggling Students* (Washington, DC: Author, 2005).

<sup>34</sup> These principles are reflected in the most recent editions of educational administration textbooks on human resource management, such as Webb and Norton. *Human Resources Administration*; Ronald W. Rebore. *Human Resources Administration in Education: A Management Approach*, 8<sup>th</sup> ed. (Boston, MA: Pearson, 2006); John T. Seyfarth. *Human Resource Leadership for Effective Schools*, 5<sup>th</sup> ed. (Needham Heights, MA: Allyn & Bacon, 2007); and I. Phillip Young. *The Human Resource Function in Educational Administration*, 9<sup>th</sup> ed. (Upper Saddle River, NJ: Prentice Hall, 2007). They are also illustrated in a number of national reports on developing the teacher work force in particular or the educator work force in general. For example, NCTAF, *What Matters Most* and NCTAF, *No Dream Denied: A Pledge to America’s Children* (Washington, DC, NCTAF, 2003). Also Linda Darling-Hammond. “School Reform at the Crossroads: Confronting the Central Issues of Teaching,” *Educational Policy*, 11 (1997): 151-166; and Darling-Hammond and Sykes, “Wanted”; Odden & Kelly, *Strategic Management*; and Wurtzel and Curtis, *Human Capital Framework*.

<sup>35</sup> Smylie et al. “Rethinking Teacher Work Force.”

built around a limited range of discrete practices that often do not focus on similar educational objectives, are disconnected across state, district and school levels, and fail to account for the diverse and dynamic educator work forces in different local contexts and across the career span.<sup>36</sup> These systems tend to favor standardized “best practices” that presume uniform development needs, and the relative stability of work forces and the conditions in which they operate. Unfortunately, these efforts are largely insufficient, inefficient, and ineffective.<sup>37</sup>

Such patterns of practice are usually reflected in and reinforced by structural disconnections at the district and state levels. At both levels, work force development functions are traditionally separated from other strategic planning functions.<sup>38</sup> In a school district, for example, it would not be uncommon to find a human resource department to be only loosely connected, if connected at all, to departments or offices responsible for strategic planning, or curricular and instructional improvement. One might also find that a department that deals with one aspect of human resources, such as hiring, has little relationship with another department that deals with another aspect, such as teacher induction and professional development. Such structural dis-

connects would also likely be found within and perhaps across state education agencies and other state agencies that deal more generally with employment and economic development issues. The difficulty is not only structural; over time, separate departments, agencies and offices tend to develop strong political self-interests for influence and survival. That tends to “institutionalize” the structural fragmentation and impede coordination and collaboration.

### Current Efforts in Illinois

Where does Illinois stand in all this? To what extent does educator work force development in the state reflect principles of effective practice? To what extent does it reflect the critique?

The state has made a number of efforts to develop the quality and effectiveness of its teacher and school leader work forces.<sup>39</sup> With regard to teachers, these include the development and adoption of professional teaching and school leadership standards, new accreditation requirements for the state’s teacher and school leader preparation programs based on those standards, and revisions to the state teacher certification system based on teaching standards. In order to increase the recruitment of new teachers to the state in general and to high-



*The state has made a number of efforts to develop the quality and effectiveness of its teacher and school leader work forces.*

<sup>36</sup> Ronald Rebores. *Human Resources Administration*; Lepak and Snell. “The Human Resource Architecture.”

<sup>37</sup> See also Eric Hirsch, Julie Koppich, and Michael Knapp. *Revisiting What States are Doing to Improve the Quality of Teaching: An Update on Patterns and Trends* (Seattle, WA: University of Washington, Center for the Study of Teaching and Policy, 2001). This critique of educator work force development and management is consistent with observations made in the literature on organization and management (Smylie et al., “Rethinking Teacher Work Force”). As far back as the 1970s, the organization and management literature has criticized work force development practices as “fragmented” and “incomplete,” and “sometimes built on faulty assumptions about human or organizational growth.” (Edgar H. Schein. “Increasing Organizational Effectiveness through Better Human Resources Planning and Development,” *Sloan Management Review*, 19 [1977]: 4). The general practice in non-education organizations has been described as constructed around distinct specializations or subfunctions (e.g., hiring, training, performance appraisal, compensation) with few, if any, connections between such subfunctions and an organization’s goals and strategy (Wright and Snell, “Toward an Integrative View”). When connections do exist, they are not usually strategic or mutually reinforcing. Moreover, the organization and management literature indicates that a single, “universalistic,” “best practice” approach tends to dominate the field of work force development, an approach that is much more conducive to maintaining stability in organizations rather than strategic development and improvement (Delery and Doty, “Modes of Theorizing”).

<sup>38</sup> Smylie et al. “Rethinking Teacher Work Force.”

<sup>39</sup> Jennifer B. Presley and Eleanor G. Cameron. *Third Illinois Policy Inventory on Teaching and Learning*, (Edwardsville, IL: Illinois Educational Research Council, 2005).



needs areas in particular, Illinois has established grant and scholarship programs, developed and supported alternative routes to certification, and promoted opportunities for teacher education coursework at the community college level. The state has supported district-level beginning teacher mentoring and induction programs and sought to promote ongoing professional development by linking it to the renewal of certification. And with regard to school leader work force development, it has commissioned studies and recently appointed a school leader task force to make specific recommendations to the legislature. We will take a closer look at school leader work force development shortly as a specific case of educator work force development.

Despite initiatives such as these, Illinois' overall efforts to develop the state's educator work force remain underdeveloped and in our view inadequate to achieve the broad objective of meaningful and sustained improvement in schools and in student learning across the state. A few concrete examples serve to illustrate the point.

As shown in Table 1, Illinois compares

poorly to other Midwestern states in its support of teacher professional development. It also appears to lag behind many other states across the country.

Other examples can be found with regard to school leader work force development. A recent assessment by the Southern Regional Education Board (SREB) found "little action" in Illinois to develop its school leader work force.<sup>40</sup> This assessment found that, by the end of 2007, Illinois had made no progress on developing and implementing a system for recruiting and selecting future school leaders or providing training and support for leadership in low-performing schools. It had made "little progress" to promote the redesign of leadership preparation programs to emphasize curriculum, instruction, and student learning; to develop programs with school-based experiences to prepare candidates to lead school improvement; and to focus school leader licensure on improved school and classroom practices. Illinois was judged to have made "some progress" on creating alternative pathways to initial school leader licensure. In terms of total progress in these areas, Illinois lagged substantially behind all 16 states that comprise SREB's membership, including Alabama, Louisiana, Maryland, Mississippi, North Carolina, Texas, and Virginia. The work of the Illinois school leader task force may make some difference here should its recommendations be enacted, but as we will see below, its recommendations focus largely on the "front end" of school leader work force development – developing supply, enhancing the quality of initial preparation, and the rigor of certification through improved standards.

Accordingly, these steps that Illinois has taken to date to develop its educator work force do not appear to be based on an overarching, systemic, and coherent plan that incorporates the functions and principles (based in research of the business and education sectors) that we lay out earlier in

<sup>40</sup> Southern Regional Education Board. *Preparing Highly Qualified School Leaders: Illinois Benchmarking Report*, preliminary draft (Atlanta, GA: SREB, 2007); Southern Regional Education Board. *Progress in Building a Learning-centered School Leadership System*, (Atlanta, GA: SREB, 2007).

**Table 1**  
**State Support of Teacher Professional Development**

	State Financing of PD Programs	State Financing of PD Programs for All Districts	State Has Formal PD Standards	State Requires Time to Be Set Aside for PD	State Requires Districts to Align with Local Goals
Illinois	No	No	No	No	No
Indiana	No	No	Yes	No	Yes
Iowa	Yes	Yes	Yes	No	Yes
Michigan	Yes	No	Yes	Yes	Yes
Minnesota	Yes	Yes	Yes	No	Yes
Wisconsin	No	Yes	No	No	Yes
Number of all states providing support	37	24	41	16	30

Source: Data from the Education Counts Database, available at <http://www.edweek.org>.

this chapter. As a result, the effectiveness of Illinois' current approach for developing this work force will likely be limited, and the approach will likely fail to capture significant efficiencies in educator work force development strategies.

### Directions for State Policy and Practice

How then can Illinois extend its work to promote effective and efficient educator work force development? One way to approach this is to identify potential educator work force development policies that are within the purview of the state and that recognize the importance of local school and district roles. Among such policies are those that aim to:

- *Attract talent to Illinois and develop the size of work force supply* through policies that remove barriers, create incentives to teach in shortage areas, and support alternative routes.
- *Ensure quality of supply* through policies that address certification and licensure and renewal, accreditation of preparation programs, and incentives for particularly talented persons to enter preparation and the market.
- *Enhance allocation and placement decisions* through policies that address incentives for individuals to apply to and work in under-resourced, difficult to staff districts, and incentives to districts to recruit and place.
- *Promote "on-the-job" development* through policies that identify effective practices for induction support, professional development, evaluation and supervision, and work redesign; and provide seed funds for development and implementation of local initiatives.
- *Set compensation and incentives for educators.*
- *Retain educators.*
- *Encourage strategic human resource management practices at the local level by promoting the principles we enumerate above.* Such policies include those that, through accreditation of school leader

preparation programs, ensure that future leaders are prepared to pursue systemic strategic work force development practices to assemble, develop, and manage school and district educator work forces; through certification and licensure of school leaders, ensure that they have the capacity to do this work; adopt district and school "practice standards" for doing strategic human resource management.<sup>41</sup>

Beyond implementing these individual policies, policymakers must develop linkages between these policies and ensure that they are conceptualized and developed as a system. While each of these types of policies is potentially effective for building educator work force development, it is crucial to remember that effective work force development should be contemplated systemically and strategically. We need quality policies for individual work forces, but considering the ways in which the policies fit together can most effectively and efficiently promote powerful outcomes when taken together.

### Principal Work force Development as a High-Leverage Policy Initiative

In this final section, we highlight some development strategies for one particular segment of the overall educator work force – school principals – because it appears that a robust principal development policy can efficiently enhance the skills and knowledge of both principals and teachers. Like policies aimed at developing teachers, principal development policies depend not only on well designed and implemented individual practices, but also the systemic and strategic alignment of such practices.

Several national level criticisms of school leadership and school leader preparation – the 2006 "Levine Report" is the best known of these – have stirred the policy pot. Major philanthropic foundations (e.g., Danforth, Wallace, Broad, and Ford), have



<sup>41</sup> Smylie et al. "Rethinking Teacher Work Force"; Odden & Kelly. *Strategic Management*.



<sup>42</sup> Richard F. Elmore. *School Reform from the Inside out: Policy, Practice and Performance* (Cambridge, MA: Harvard Education Press, 2004); Bruce Joyce and Beverly Showers. *Student Achievement through Staff Development* (Alexandria, VA: ASCD, 2002).

invested millions of dollars in exploring new models of principal preparation and development, and school districts such as Boston, New York, and Chicago are investing millions more specifically to improve the quality of school leadership. In addition to individual state initiatives throughout the nation, the SREB is pursuing a multi-state initiative to promote “learning-centered” school leadership policies throughout the South.

Illinois is now addressing school leader work force development in several ways. A new state website, Working Together to Prepare Illinois School Leaders ([www.illinoischoolleader.org](http://www.illinoischoolleader.org)), provides a window into recent policy and practice, and involves the Illinois State Board of Education, the Illinois Board of Higher Education, the Illinois Principals Association, the Illinois General Assembly, and other agencies active in the effort to improve school leadership at the state level. In addition, the site provides links to other states that are similarly engaged, as well as a link to the SREB.

Focusing on school leadership is an approach that can be particularly effective and yield significant efficiencies because so much teacher learning occurs in schools. As we discussed above, if schools can be more effective learning environments for teachers, the argument goes, then they will learn how to meet the needs of children and youth better. But for schools to become effective professional learning communities, principals must play a significant role, so principal preparation and development becomes not only an important component but possibly an essential component in teacher work force development.<sup>42</sup> Reflecting the research discussed above, principal preparation and development can be most effective and yield the greatest efficiencies when integrated into a system that strategically aligns various policies aimed at enhancing the skills and knowledge of educators.

This logic is articulated in recent Illinois school leader policy reform documents such as *Blueprint for Change* and the *Illinois School Leader Task Force Report to the General Assembly* (both available on [www.illinoischoolleader.org](http://www.illinoischoolleader.org)). Mirroring much of the evidence discussed above, these two documents argue: (a) that work force development inevitably happens within a complex system of individual and organizational components and forces; and (b) that only by attending to that systemic complexity can work force development policy target promising levers for change.

However, effectively implementing a systemic and strategic approach to school leader preparation and development entails significant challenges. Consider three such challenges:

- **Candidate pool:** Promising candidates for school leadership would have to exist and be identifiable – candidates with demonstrated knowledge, skills and dispositions in a wide range of leadership areas from instructional knowledge to analytic problem-solving ability to relationship-building skills to strong communication skills to a high commitment to the work itself.
- **Professional programs:** State certification structures would have to be implemented to ensure that principal preparation programs were designed – from admissions to staffing to courses to clinical experiences to assessment of candidates – to ensure improved learning outcomes in schools led by program graduates.
- **District role:** School districts would have to collaborate with providers of preparation and development programs to ensure that the needs of the district are being addressed by the providers and by the ongoing development of the school leaders.

At first glance, these challenges appear easily surmountable. For example, surely promising candidates exist, and it ought to

be a relatively simple matter to attract them to principal preparation programs in which school districts collaborate with higher education to produce “learning-centered” programs that are sustained with ongoing professional development once the graduates have been placed into school leadership positions. Indeed, this vision reflects the SREB state policy recommendations and the recommendations of the Illinois School Leader Task Force findings.

But upon deeper inspection, overcoming such challenges appears to be more difficult. As a consequence of the embedded, systemic nature of work force variables, all three of the policy domains above – candidate pool, professional programs, and district role – are more complex than they first seem. In a state with more than 30 teachers for every principal, for example, it would seem likely that the pool of qualified candidates would be plentiful. And in fact, the number of candidates who successfully obtain Type 75 administrative certificates each year far exceeds the number of principal vacancies (in 2006, according to ISBE records, by a multiple of 5:1). But it is quality, not quantity, that concerns educators at the district level. Testimony before the Illinois School Leader Task Force demonstrated that, in both large urban areas and rural areas, obtaining a highly qualified and motivated candidate pool is difficult, and many principals, once hired, are able to demonstrate little or no improvement in student performance in their schools. Indeed, as the Task Force Report documents, Illinois has recently lost ground to other states in the NAEP student achievement measures that make cross-state academic comparisons possible.

The characteristics of higher education programs and the students who attend such programs compound these problems of preparing quality school leaders. The number of principals needed each year in the Illinois public school system is surprisingly low. With 4,000 elementary and sec-

ondary schools, the state employs only one principal for every three medical doctors. Projections are that, statewide, Illinois will need to fill approximately 350 principalships per year over the next several years, with the greatest proportion of these in Chicago, where a 10 percent turnover would produce about 70 vacancies annually, as earlier discussed. However, the need for tuition revenues in higher education, together with teachers’ incentive to obtain salary increases by earning a master’s degree, creates a perfect storm of over-supply of underprepared candidates, according to both state commissions that have recently studied the problem. These findings are consistent with the national-level criticisms. For example, with fewer than 400 vacant principalships statewide, Illinois colleges and universities graduated 2,153 candidates with Type 75 administrative certificates. In 2007, these institutions increased their number of graduates to 2,402. For 2008, the Illinois certification board approved the addition of a one-year, online program by the American College of Education, adding another 691 Type 75 candidates enrolled this year alone. Together with sharp enrollment increases at other institutions, there were in the 2007-08 year 6,577 students seeking Type 75 certificates enrolled in 32 Illinois colleges and universities, according to material entered into the minutes of the Illinois State Board of Education in Spring 2008. To ask these higher education institutions to reduce enrollments so they could concentrate over-stretched resources on more intensive preparation of fewer candidates is asking for them to make institutional changes that they are not prepared to make, certainly not without the state playing a leadership and support role.

In response to such significant challenges, the SREB and the two recent Illinois commissions on school leadership advocate a significant role for states if higher education is going to make the changes necessary to attract and prepare principals



*A recent assessment by the Southern Regional Education Board (SREB) found “little action” in Illinois to develop its school leader work force.*



*With 4,000 elementary and secondary schools, the state employs only one principal for every three medical doctors.*

<sup>43</sup> Southern Regional Education Board. *Progress in Building.*

capable of leading schools that improve student learning. In 2007, the SREB articulated seven interlocking dimensions of leadership work force development in *Progress in Building a Learning-Centered School Leadership System*.<sup>43</sup> The SREB argued that state policies need to be explicitly strategic about:

- adopting learning-focused leadership standards;
- recruiting and selecting future leaders;
- redesigning leadership preparation programs to emphasize curriculum, in-

- struction, and student achievement;
- developing preparation programs with school-based experiences that prepare participants to lead school improvement;
- basing professional-level licensure on improved school and classroom practices;
- creating alternative pathways to initial licensure; and
- providing training and support for leadership teams in low-performing schools.

Notably, the SREB approach, like the approach of the Illinois School Leader Task Force Report, recognizes the systemic nature of work force development, and that this systemic nature must be addressed if the barriers to work force development are to be overcome. Item 4 alone requires states, districts, and higher education programs to work strategically together to achieve student learning outcomes. One



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should note, however, that these recommendations largely focus on policies aimed at recruiting and developing promising principals, and not those that develop principals' skills and knowledge and that hold principals accountable throughout their career. In order to implement an effective and cost-efficient principal preparation and development system, Illinois must enact a range of policies that all fit together and do not simply represent isolated efforts to enhance the principals' leadership capacities. It is accordingly important for state-level policymakers, who are uniquely positioned to design interlocking and coherent policies, to focus on the enactment of principal development policies.



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## Conclusion

Illinois has come to a critical moment in how it approaches education reform. The state faces significant pressure to improve schools and markedly raise student achievement with limited available resources, and therefore must look to more effective and cost-efficient approaches than it has adopted in the past. Given the relatively modest costs and potential impact associated with educator work force development policies, policymakers should strongly consider investing in these policies.

In order for such policies to be effective and yield significant efficiencies, policymakers must treat work force development in a strategic and systemic fashion – various work force development policies, such as those governing preparation, credentialing, recruiting, hiring, on-the-job training,



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*Effectively designing and implementing a robust work force development system entails significant challenges for policymakers.*



supervising, evaluating, compensating, retaining, and terminating, must align with each other and the ultimate objectives of the policies, and must be flexible in the face of changing conditions. As it stands, Illinois does not have in place such an educator work force development system.

However, as illustrated by the particular case of principal preparation, there are particular actions that the state can take to develop this kind of system, such as implementing robust leadership standards, redesigning principal preparation programs, basing licensure on improved classroom and school practices, providing training and support for leadership teams in low-performing schools, and ensuring that these practices are aligned with each other and with educational goals of student learning. In fact, policymakers at the state level are uniquely positioned to engage in this activity because of their ability to comprehensively address work force development through policy.

Effectively designing and implementing a robust work force development system entails significant challenges for policymakers. While we have focused on the development of principals here, it is clear that even the best principals require professional teachers to begin with. Indeed, educator work force development policies crafted by Illinois policymakers would likely prove most effective and efficient if teacher and leadership development policies are aligned with each other, despite the unique challenges that each of these policies faces. But the goal of enacting and developing such policies to ultimately improve schools, even in the face of limited resources, can be accomplished with sufficient political will.

In the end, it is this will that can fulfill one of the most important purposes of the Illinois government – improving the learning opportunities for all of its children.



# Exploring a New Paradigm for Higher Education

Can a preschool-through-grad school approach change education?



# Exploring a New Paradigm for Higher Education

By Lally Gartel and Robert F. Rich



At the heart of the critical issues facing higher education are the connections within and across pre-school, elementary, secondary and higher education. These connections need to be effectively developed to meet the state's needs in the future. One way to accomplish this is to develop Illinois' P-20 initiative.

P-20 refers to a concept that keeps the entire span of educational institutions in mind when considering or attempting to improve one or more elements of education. The P-20 outlook is predicated on the notion that no single part of education is wholly separate from another, and that educational policy at one level will have consequences for the other levels. Moreover, P-20 includes professional outcomes and work force preparedness as important issues in educational policy. At the core, P-20 councils believe it is important to integrate the linkages between pre-school, elementary, secondary, and higher education. Each component is affected by the others.

Higher education's future depends upon its ability to establish connections with lower levels of education that will help ensure high quality at all levels. This will be enhanced by the development of partnerships between education, government, business, and the not-for-profit sector.

The chapter will outline a brief history of P-20, describe its relevance to Illinois and its system of higher education, analyze the potential roles and forms of a P-20 council, and describe opportunities for partnerships for universities and colleges throughout Illinois.

## P-20 and Statewide Education

In the past decade, the notion of a "P-20" or "P-16" council has gathered momentum

as a tool for improving educational and employment outcomes from students all the way from pre-school ("P") to college and beyond ("16" or "20"). Since the 1990s, 38 such councils have formed across the country and have attempted, to varying levels of success, to bridge the gap between different levels of education.<sup>1</sup> In this chapter, you will see the terms P-16 and P-20 used somewhat interchangeably, depending on the form of the council in a particular state.

The 38 existing P-16 or P-20 councils vary widely in their formation and size, their powers as policymakers and/or recommenders, and their major goals and accomplishments. North Carolina, Oregon, and Tennessee are the only state P-16 councils that hold administrative authority over other agencies or over executive practices. Extensive research performed by the Educational Commission of the States, Editorial Projects in Education, and the National Center for Public Policy and Higher Education compares and contrasts these factors in the states' P-20 councils, and *Education Week* in June 2008 published an issue titled "Diplomas Count 2008," acknowledging the growing popularity of P-20 councils in education policy.<sup>2</sup>

Major research agendas in the P-20 arena include graduation and retention rates, assessment of teaching quality and certification, and work force development in secondary and higher education. Identifying and implementing partnerships among groups in the various levels of education is one way that P-20 partnerships improve communication among those levels.

The crux of the P-20 concept's success has been the ability to set and achieve coordinated goals throughout the levels of education. The state of Georgia, often hailed as

<sup>1</sup> "P-16 councils: Structure and Initiative" *Education Week* (Diplomas Count 2008) Vol. 27, Issue 40 [http://www.edweek.org/media/ew/dc/2008/40ecs\\_overview-initiative.h27.pdf](http://www.edweek.org/media/ew/dc/2008/40ecs_overview-initiative.h27.pdf).

<sup>2</sup> *Education Week* (Diplomas Count 2008) Vol. 27, Issue 40 <http://www.edweek.org/ew/toc/2008/06/05/index.html>.

one of the most innovative and successful purveyors of the notion of P-20 or P-16, has numerous partnerships and coordinators at all levels of education. Each coordinator, partner and subsequent initiative in the Georgia P-16 network is evaluated by the University of Georgia's "P-16 Balanced Score Card" in which matters of funding, implementation and success are addressed directly by one of the major P-16 collaborators.<sup>3</sup> For every initiative, the actors, annual targets and results, points of contact, and methods of measurement are clearly identified. This is made possible by the initial structure and organization of the P-16 initiatives and their goals. In Georgia, the "Double, Double" initiative, which aims to double the number and diversity of teachers prepared by the University of Georgia system by 2010, certified 3,157 teachers in fiscal year 2004 and 4,102 teachers in fiscal year 2005.<sup>4</sup> Another initiative, PRISM (Partnership for Reform in Science and Mathematics), released statistics in its October 2008 Impact Report that showed schools with P-16-sponsored PRISM programs were outperforming those without PRISM programs and outperforming schools in the state as a whole.<sup>5</sup> Moreover, because of Georgia's well-developed network of research and information gathering for P-16, the PRISM report was able to show progress in closing the achievement gap at PRISM schools as well as which grades benefited most from the program. As a result of these programs and their corresponding research and regular assessment, the state's educators can see the impact on students' academic performance.

In Kentucky, the P-16 council can opt to participate in nationwide initiatives, such as the American Diploma Project, which aim to align curriculum standards across the levels of education.<sup>6</sup> Once in the nationwide collaboration, these councils and partnerships have access to a broad network of strategies, benchmarks, and approaches to curriculum alignment.

Initiatives like the American Diploma Project further illustrate the potential reach of the P-20 idea – from the national to the local level, partnerships among groups foster access to information as well as transparency about goals.

Because so many P-16 and P-20 councils across the United States were created in the last few years, it is difficult to pinpoint overarching trends in implementation and success. Nevertheless, signs of success are evident even in states with recently created councils. For instance in Texas, which founded its council in 2003, reports to the legislature and research about high school graduation, retention and college attendance show steady increases in the participation of higher education in the state.<sup>7</sup> Though it is not clear that P-16 councils are responsible for increases such as these, the councils do foster attention to education in public policy.

Minnesota is another good example of a state with a recently formed P-16 council that has developed a strong blueprint for performance. The council has a mission to improve education quality and work force readiness, readily accessible informative reports, and features major reports from its smaller working groups. As an example, the "Postsecondary and Workforce Science Readiness Working Group" focused on work force readiness for the scientific fields in Minnesota schools.<sup>8</sup> This report was specialized, and gave highly focused recommendations about science standards in Minnesota high schools.

In Rhode Island, a 10-member P-16 council did the work of centralizing knowledge about existing programs and their effectiveness. Though many higher education institutions had existing dual-enrollment and other programs with school districts and high schools, policymakers and stakeholders in education did not know or communicate about them. The P-16 council, as one of its first activities, gathered information and

<sup>3</sup> "2008 Balanced Scorecard" Department of P-16 Initiatives, Board of Regents of the University System of Georgia [http://www.usg.edu/p16/resources/PDFs/P-16\\_Balanced\\_Score\\_Card.pdf](http://www.usg.edu/p16/resources/PDFs/P-16_Balanced_Score_Card.pdf) (November 5, 2007).

<sup>4</sup> Double the Number and Double the Diversity of Teachers Prepared by the University System of Georgia <http://www.usg.edu/p16/initiatives/doubledouble.phtml>.

<sup>5</sup> [http://www.gaprisism.org/presentations/reports/2008/impact\\_report\\_1008.pdf](http://www.gaprisism.org/presentations/reports/2008/impact_report_1008.pdf).

<sup>6</sup> ADP Benchmarks *American Diploma Project* [http://www.achieve.org/ADP\\_Benchmarks](http://www.achieve.org/ADP_Benchmarks) (2008).

<sup>7</sup> P-16 College Readiness and Success Strategic Action Plan Implementation Report A Report to the 80th Texas Legislature from the Commissioner of Education and the Texas Higher Education Coordinating Board December 2006.

<sup>8</sup> Report of the Postsecondary and Workforce Science Readiness Working Group *Minnesota P-16 Education Partnership* (August 1, 2008) [http://mnp16.org/reports/P16\\_ScienceReadiness\\_WorkingGroup\\_Reportfinal08-08.rtf](http://mnp16.org/reports/P16_ScienceReadiness_WorkingGroup_Reportfinal08-08.rtf).



data about the programs in order to understand their effectiveness and potential for P-16 success.<sup>9</sup> Moreover, the Rhode Island P-16 council took concrete steps to increase enrollment in higher education by bringing college-level courses (“Pathways to College”) to at-risk high schools across Rhode Island, giving high-risk students college credits and encouraging them to enroll in institutions of higher education.<sup>10</sup>

A successful P-16 program in Virginia did extensive research into college readiness and work force readiness standards in a series of reports, quantitative and qualitative studies, and interviews with stakeholders, university faculty, and business leaders. To implement the findings of this research, Virginia’s council opted to participate in national programs that set benchmark standards for high school matriculation and retention. Moreover, Virginia’s P-16 council set up pilot programs in schools to retain ninth graders, because research shows this is the grade where students have the highest chance of leaving school. In addition to these programs, the council piloted the Commonwealth Scholars Initiative, which enrolled high-performing Virginia students in competitive courses, had a focus on technical work force readiness standards, and leveraged support and funding by using the coordinated resources available to the P-16. This program graduated more students with more skills in just one year. As a result of this program, Virginia was asked to present its findings to the U.S. Department of Education.<sup>11</sup>

Virginia’s success relied on several factors. Most importantly, the coordination and research done by the council paved the way for success in implementation. Secondly, Virginia’s attention to existing national standards and best practices ensured that its attempts to improve education from kindergarten to college were measured and deemed to be successful by the educational and business communities.

Other states’ experiences with P-20 can help elucidate the potential for progress as well as potential pitfalls. Though Illinois differs from the aforementioned states in many key ways, including the structure of K-12 administration and funding and the sheer number of students attending the state’s schools, it is nevertheless important to understand lessons from P-20 as well as Illinois’ particular needs.

### P-20 and Illinois

In Illinois, a P-16 Partnership was active beginning in 2000-2001, but legislation approved in 2007 contains the charter for a new Illinois P-20 Council. The legislation explicitly outlines the expectations and goals of the council.

*The General Assembly finds that preparing Illinoisans for success in school and the workplace requires a continuum of quality education from preschool through graduate school. This State needs a framework to guide education policy and integrate education at every level. A statewide coordinating council to study and make recommendations concerning education at all levels can avoid fragmentation of policies, promote improved teaching and learning, and continue to cultivate and demonstrate strong accountability and efficiency. Establishing an Illinois P-20 Council will develop a statewide agenda that will move the State towards the common goals of improving academic achievement, increasing college access and success, improving use of existing data and measurements, developing improved accountability, promoting lifelong learning, easing the transition to college, and reducing remediation. A pre-kindergarten through grade 20 agenda will strengthen this State’s economic competitiveness by producing a highly-skilled workforce. In addition, lifelong learning plans will enhance this State’s ability to leverage funding.<sup>12</sup>*

Additionally, the legislation outlines the proposed membership of the P-20 council. The council is expected to have 36 mem-

<sup>9</sup> “Rhode Island Governor Drives Agenda, Raising Questions About Sustainability” By Scott J. Cech *Education Week* (Diplomas Count 2008) Vol. 27, Issue 40 <http://www.edweek.org/ew/articles/2008/06/05/40rhodeisland.h27.html>.

<sup>10</sup> Rhode Island Governor Drives Agenda, Raising Questions About Sustainability By Scott J. Cech (June 5, 2008) <http://www.edweek.org/ew/articles/2008/06/05/40rhodeisland.h27.html?tmp=1560935052>.

<sup>11</sup> Report to the Governor and General Assembly Virginia’s P-16 Education Council October 2007 <http://www.education.virginia.gov/Initiatives/P-16Council/index.cfm>.

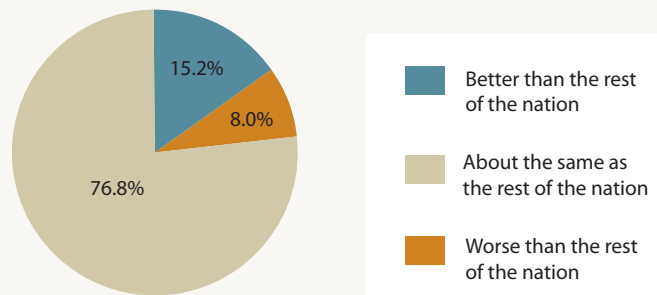
<sup>12</sup> Public Act 095-0626, HB1648 (Enrolled LRB095 08340 NHT 31869 b) AN ACT concerning education. <http://www.ihbe.state.il.us/Academic%20Affairs/P20/HB1648.pdf>.

bers, ranging from the governor (or his representative) to civic, local, and political leaders.

The importance for P-20 in the consideration of higher education and higher education policy in Illinois is undeniable. In June 2008, the Institute of Government and Public Affairs, in conjunction with the College of Education and the College of Media at the University of Illinois at Urbana-Champaign, held a Higher Education Summit in Chicago. At the summit, leaders from higher education and policymaking discussed the challenges, needs and strengths of Illinois higher education. Also, a higher education survey, released at the summit, showed that Illinoisans believe the quality, price, or accessibility of an Illinois education is “good, but not great.”<sup>13</sup> The results also indicated that Illinois higher education can benefit from a public commitment to increasing funding, accessibility, affordability, and quality.

Graduation rates in Illinois are above the national average and ranked in approximately the top third of all states at 76.7 percent in 2005.<sup>14</sup> In 2007, the Illinois Board of Education Reports an 85.5 percent graduation rate.<sup>15</sup>

Figure 1  
**Illinois Residents' Beliefs About the Quality of Higher Education in Illinois**



Source: “What Do People Think? Results from an Illinois Public Opinion Survey,” University of Illinois, June 2008. Available at <http://www.igpa.uillinois.edu/system/files/2008HES.pdf> pg 7.

However, Illinois does not have defined college and work readiness standards, which means it is not clear that students’ transition from high school to college and the professional world is adequate. Moreover, because graduation standards vary from state to state, comparing Illinois students’ performance on measures of literacy and math competence in comparison with other states also is useful. On these measures, it seems that Illinois is about at the national average.<sup>16</sup> One way a P-20 council can contribute to educational quality and better outcomes is by helping to establish standards for and informed by *all* the levels of education, improving and integrating educational and professional success.

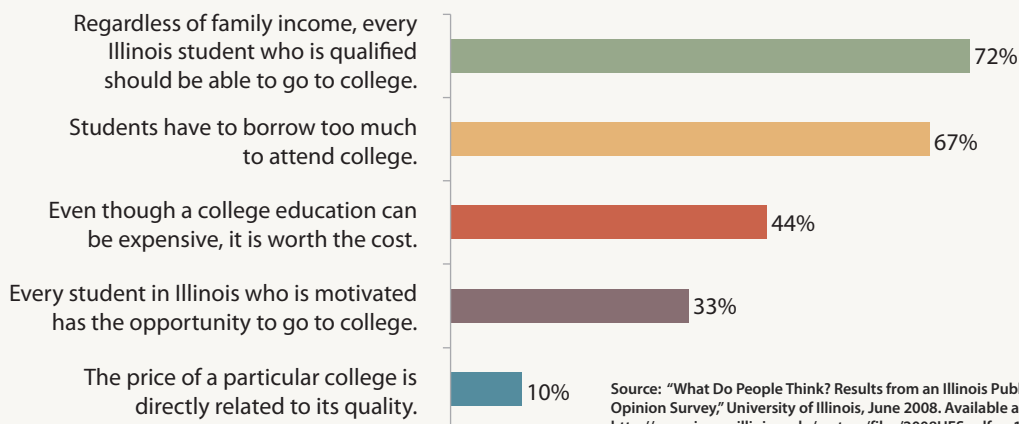
<sup>13</sup> 2008 Higher Education Summit <http://www.igpa.uillinois.edu/library/2008-higher-education-summit>.

<sup>14</sup> “School to College: Can State P-16 Councils Ease the Transition?” (Illinois Edition) *Education Week* (Diplomas Count 2008) Vol. 27, Issue 40 <http://www.edweek.org/media/ew/dc/2008/40sgb.il.h27.pdf>.

<sup>15</sup> 2007 Illinois State Report Card (Illinois State Board of Education) [http://webprod.isbe.net/e-reportcard/publicsite/getReport.aspx?year=2007&code=2007StateReport\\_E.pdf](http://webprod.isbe.net/e-reportcard/publicsite/getReport.aspx?year=2007&code=2007StateReport_E.pdf).

<sup>16</sup> *Illinois State Profile* (Nation’s Report Card) National Education Center for Education Statistics <http://nces.ed.gov/nationsreportcard/states/profile.asp>.

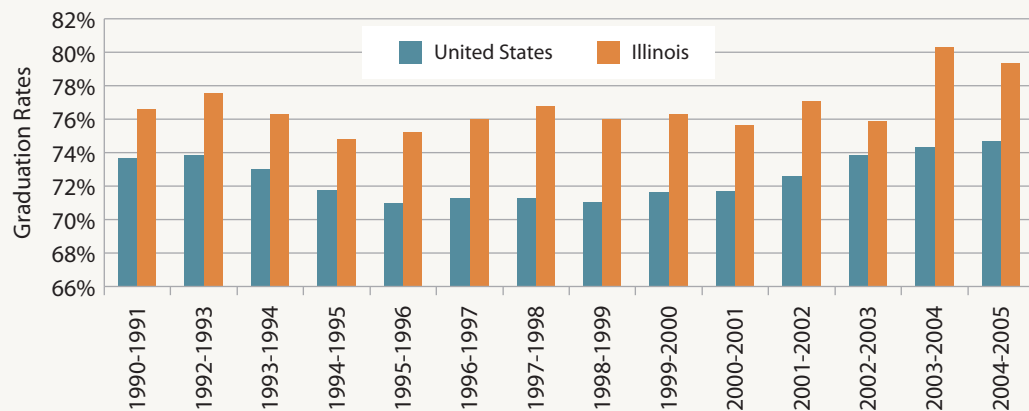
Figure 2  
**Illinois Residents' Beliefs About the Costs of an Illinois College Education**



Source: “What Do People Think? Results from an Illinois Public Opinion Survey,” University of Illinois, June 2008. Available at <http://www.igpa.uillinois.edu/system/files/2008HES.pdf> pg12.



Figure 3  
**Averaged Freshman Graduation Rates for US and Illinois, 1990-91 through 2004-05**



Note: The averaged freshman graduation rate provides an estimate of the percentage of students who receive a regular diploma within 4 years of entering ninth grade. The rate uses aggregate student enrollment data to estimate the size of an incoming freshman class and aggregate counts of the number of diplomas awarded 4 years later.

Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "State Nonfiscal Survey of Public Elementary/Secondary Education," 1986-87 through 2005-06; and The Averaged Freshman Graduation Rate for Public High Schools From the Common Core of Data: School Years 2002-03 and 2003-04. (This table was prepared June 2007.)

<sup>17</sup> "A 2020 Vision for a University of Illinois Initiative: P-16 and Beyond" *Report of the University of Illinois Task Force on P-16 Education* (December 5, 2000) <http://lrs.ed.uiuc.edu/p16/P-16-Report.html#8>.

<sup>18</sup> *StateNotes: P-16/P-20 Councils Education Commission of the States* (2008) <http://mb2.ecs.org/reports/Report.aspx?id=910>.

<sup>19</sup> *StateNotes: P-16/P-20 Councils Education Commission of the States* (2008) <http://mb2.ecs.org/reports/Report.aspx?id=910>.

Additionally, P-20 would be capable of addressing disparities in access and quality of education across the state. Because the focus of P-20 is systematic attention to problems at all levels of education, councils can tackle such issues as disparities in teacher quality, educational funding and facilities, and other inequitable trends to perhaps find solutions.<sup>17</sup> The experience in other states, especially California and Georgia which have special focus and results in their P-16 programs on closing the achievement gap between students of different backgrounds, provides evidence that programs specifically targeted to achieve improvements in math, science, reading, and teacher preparedness show tangible benefits for education in the state.

### P-20 Membership

Though P-20 councils are not directly responsible for the establishment of partnerships between institutions of higher education and K-12 schools or business establishments, they provide a forum for stakeholders to set the groundwork for potential partnerships. The membership structure of a P-20 council, therefore, contributes significantly to the successful establishment of partnerships among

different levels of education. Furthermore, the specific members are, in the long run, able to foster partnerships and programs between institutions that are not necessarily directly mediated by the council.

The Illinois P-20 council is composed to provide as many possible interactions among stakeholders in education as possible. The inclusion of legislative, business, educational (all levels), parental, and student interests in the P-20 framework increases the connections among leaders and participants in education. Membership in councils nationwide varies; while some states have as few as five members, others have as many as 52.<sup>18</sup> While Georgia's older and successful P-20 council has only seven members, Arizona's newer but nationally recognized council has 36.<sup>19</sup> Membership is important because of the viewpoints, perspectives, and sources of knowledge it brings to the policy-making agenda.

Because Illinois' P-20 council includes prominent agenda-setters and policy makers such as the governor, or his/her representative, as well as representatives and appointees from the legislature, it will be able to inform government of important trends and directions for educational policy

and avoid being marginalized. Fundamental educational policy changes emerge from the work, recommendations and programs piloted by the P-20 council only with the attention and participation of those charged with improving educational policy at the legislative and executive levels.

### P-20 Goals

Setting well-defined goals is crucial to the success of a P-20 council. Regular meetings, when successful, develop methods to evaluate past initiatives and set very specific goals for future educational attainment. In Arizona, the governor's P-20 council is separated into nine different committees, all of which preside over a particular part of the equation. For example, the Higher Education Ad Hoc Committee has an explicitly stated purpose: "To increase the number of post-secondary degrees in Arizona."<sup>20</sup> This committee has released a targeted set of recommendations for policy actors. Other committees also have implemented their specific goals, such as beginning a public awareness campaign dedicated to popularizing the notion of education alignment across levels and curricula.

In California, the P-16 council has set one overarching goal for the next three years with sub-goals and progress reports released regularly. This goal is "closing the achievement gap," and the council set out a plan to reach specific goals for reducing achievement differences among groups within three years. For every goal in every phase of the project, there are specific "progress indicators" and "target dates" listed. One example of this project's use of clear, specific, and functional goal-setting is during "Phase 2," when the group plans to review test scores and compare them to the targets the group itself has set for closing the achievement gap.<sup>21</sup> Specific and easily definable and testable goals such as this one work to keep P-20 councils on track and keep their programs and research useful and effective.<sup>22</sup> In its January

2008 "Closing the Achievement Gap" report, California's P-16 council proposed specific strategies, such as mandating high-speed Internet access in all schools, to supplement the explicitly educational goals of setting and applying rigorous academic standards.<sup>23</sup> Paying attention to issues of practical access to educational tools and their role in educational attainment is one way that P-20 councils can bring together concerns from all relevant sources.

Particularly in states with relatively new P-20 councils like Minnesota, Arizona, and Missouri, gathering information on resources and seeing avenues for the application of these resources is crucial to the ultimate success of the council's work. Missouri's P-20 council (founded in 2006) addressed immediate concerns by gathering and understanding national benchmarks and applying for funding in order to instantiate national programs, such as a national longitudinal data-sharing program from the National Governor's Association. Missouri also founded a statewide program called "Workforce 2025," which set concrete goals for work force development through education.<sup>24</sup> Though it is not clear how successful the newer councils' initiatives will be, the growing use of the P-20 approach promises to provide a wealth of interstate knowledge about what does and does not work for education. Moreover, the use of specific programs, goals, and benchmarks proved to be successful strategies in Georgia, Rhode Island, and Virginia, where these were the first steps in developing fruitful educational partnerships.

In Illinois, the work of past P-16 initiatives should be crucial to goal-setting in the new P-20 council. Illinois educational goals can be set by looking at important data about the problems in Illinois education; the Illinois State Board of Education (ISBE), Illinois Board of Higher Education (IBHE), Community College Board (CCB) and events like the Higher Education Summit provide ample evidence and opportunity



<sup>20</sup> Janet Napolitano: Governor of Arizona – P-20 Council Purposes and Initiatives (June 2008) <http://www.governor.state.az.us/p20/Committees.asp>.

<sup>21</sup> "State Superintendent of Public Instruction's P-16 Council Closing the Achievement Gap" Jack O'Connell, State Superintendent of Public Instruction California Department of Education (2007) <http://www.cde.ca.gov/eo/in/pc/documents/yr073yrplan.doc>.

<sup>22</sup> P-16 Council California Department of Education (September 17, 2008) <http://www.cde.ca.gov/eo/in/pc/>.

<sup>23</sup> "Closing the Achievement Gap: Report of Superintendent Jack O'Connell's California P-16 Council" January 2008 <http://www.cde.ca.gov/eo/in/pc/documents/yr08ctagrpt0122.pdf>.

<sup>24</sup> Missouri P-16 Council 2007 Annual Report" <http://www.p20.mo.gov/documents/2007P20AnnualReportelectronic.pdf>.



<sup>25</sup> *Illinois State Profile (Nation's Report Card)* National Center for Education Statistics  
<http://nces.ed.gov/nationsreportcard/states/profile.asp>.

<sup>26</sup> "A 2020 Vision for a University of Illinois Initiative: P-16 and Beyond" *Report of the University of Illinois Task Force on P-16 Education* (December 5, 2000)  
<http://lrs.ed.uiuc.edu/p16/P-16-Report.html>.

for setting substantive goals for higher education improvement in the state. For example, a common goal among P-20 councils is increasing graduation and retention rates among high school students, coupled with a commitment to increases in college attendance and work force readiness. Another is improving teacher quality. In Illinois, graduation rates are above national averages, but there are opportunities to develop goals involving college readiness and attendance because Illinois students are not generally above average on tests of academic performance across age groups.<sup>25</sup>

To ensure that goals are achievable, however, it is important to understand how to adequately *measure* standards such as college readiness. Also, it is important to understand the implications of measures employed by the federal government to assess learning, to measure and be attentive to such indicators regularly, and to set clear and manageable goals to review. Because of the centrality of this sort of research, it is another major part of P-20 success.

### Educational Research

Educational research is fundamentally important to success in P-20 because of the importance of having access to and understanding the outcomes and implications of current and future policies. Although many P-20 organizations are relatively new, there is both current partnership information and auxiliary research that would be very beneficial to the work of a P-20 council. The law that created the Illinois P-20 council requires that the Illinois Educational Research Council provide assistance. This research currently includes data about the distribution of teachers in Illinois, teacher attrition and quality, and longitudinal studies on the outcomes of Illinois high school students, as well as other research relevant to P-20 policy making. It is possible that the Educational Research Council could provide research on the specific needs and concerns of Illinois' P-20 council as they arose.

In December 2000, the University of Illinois Task Force on P-16 Education released a report titled "A 2020 Vision for a University of Illinois Initiative: P-16 and Beyond."<sup>26</sup> With various faculty and staff from all three campuses of the university, the task force gathered evidence and examples from P-16 councils and presented visions for the ways in which the university might help implement a P-16 initiative. Though the policy landscape has changed since 2000, the task force's attention to Illinois' existing programs and continued potential are invaluable for any contemporary investigation into P-20's potential in Illinois, especially with regard to higher education. This report and others like it contain general research about P-20, but institutions of higher education also have access to issue-specific research done by faculty.

Research from the Higher Education Summit is clear about Illinois citizens' concerns about higher education in the state. They are worried that a college education in Illinois is overpriced and not especially unique. This sort of research provides an excellent context for P-20 work because it can inform both the goal-setting and execution for the council if it were to pursue a public relations campaign. This might be an important option in the state, because survey results have shown that Illinois families overestimate the costs of higher education. With any goal that a P-20 council sets, the corresponding educational research and expertise is important to the realistic and efficient attainment of objectives.

### Higher Education and P-20

One of the ways to achieve important educational changes might be to use Illinois' recent adoption of a P-20 council to increase the ties between higher education and K-12 education, making both systems accountable to and interested in one another. In this regard, it is important to look to historical partnerships among Illinois

universities and colleges and K-12 systems to assess the possibility of using these partnerships for a successful P-20 campaign. In October 2000, the ISBE, IBHE, and ICCB issued a progress report on P-16 partnerships among the organizations and within the state as a whole. The conclusion of that report said there were ample opportunities for growth and progress in the P-16 frameworks in Illinois.<sup>27</sup> Arguably, this remains true to this day, when a P-20 council has become legally mandated.

As such, examining the routes and partnerships established by the ISBE, IBHE, and ICCB during that time can yield extremely useful goals at the outset of the P-20 council's work. Examples of partnership potential mentioned in 2004 included college and university involvement in teacher and educational leadership preparation, as well as goals to increase the use of technology in community colleges and among P-16 collaborators.

Illinois universities have had direct partnerships and contact with K-12 schools in addition to local and national business and professional interests. Northern Illinois University's colleges established several partnerships with specific high schools in their area, especially in the areas of science, technology and mathematics education.<sup>28</sup> NIU's involvement in the Science, Technology, Engineering and Math (STEM) education program involved several crucial components of successful P-20 partnerships for higher education. The STEM program has clearly defined goals within the scope of "Keeping Illinois Competitive," involving the alignment of educational goals in science and math education with those necessary for work force success in the 21<sup>st</sup> century.<sup>29</sup> NIU's involvement in curriculum alignment and teacher preparation spans several sorts of activities and partnerships, but the university has been heavily invested in partnerships with K-12 education<sup>30</sup> as well as coordination with the private sector and business interests to

understand the professional needs of the contemporary work force.<sup>31</sup>

NIU's work provides one example of P-20 partnerships for higher education. The University of Illinois also has existing frameworks in its various outreach and curriculum-development programs that could be readily applied to P-20 initiatives and partnerships. In its 2000 report, the P-16 Task Force divided more than 250 P-16-related activities into five categories: research and development, policy formation and implementation, university / school collaborations, teacher and administrator education, and the exploration of new technologies.<sup>32</sup> Like eight years ago, these initiatives and partnerships are not necessarily aware of each other, and there is no central program or coordinator that can help determine the scope of the university's involvement in P-16. One benefit of the university's attention to upcoming P-20 council's work could be a reinvigoration of those existing programs.

### Lessons, Conclusions, Recommendations

The preceding sections of this chapter discussed the history, components, structure and value of a "P-20" approach to education. They also situated P-20 as both a recurring and freshly viable venue for educational reform for Illinois in the coming years. In particular, the role of higher education in the P-20 equation is heavily highlighted in this discussion. This focus reflects the immense role higher education and the resources associated with institutions of higher learning can play in assessing educational success and establishing the standards necessary for Illinois students to succeed in the work force and the economy.

One major approach to higher education's involvement in P-20 is the establishment of partnerships – with business, high schools and school districts, and with other colleges and universities. In states like Virginia, Georgia, and Arizona, the

<sup>27</sup> Illinois P-16 collaborative *Illinois Educator* (2004, University of Illinois) [http://www.illinoiseducator.illinois.edu/P16\\_in\\_illinois.html](http://www.illinoiseducator.illinois.edu/P16_in_illinois.html).

<sup>28</sup> "NIU increases efforts to boost P-20 performance in science, technology, engineering and math. Pati Sievert named STEM Outreach coordinator" (July 30, 2008) <http://www.niu.edu/PubAffairs/RELEASES/2008/july/stem.shtml>.

<sup>29</sup> Illinois Status Report: Science, Technology, Engineering and Math Education (Aligning STEM Education to 21<sup>st</sup> Century Knowledge and Skills) (2006) <http://www.keepingillinoiscompetitive.niu.edu/ilstem/align.shtml>.

<sup>30</sup> Project Lead the Way (2007-2008) <http://www.pltw.org/index.cfm>.

<sup>31</sup> NIU P-20: Partnerships <http://www.p20.niu.edu/P20/partnerships.shtml>.

<sup>32</sup> "A 2020 Vision for a University of Illinois Initiative: P-16 and Beyond" *Report of the University of Illinois Task Force on P-16 Education* (December 5, 2000) <http://lrs.ed.uiuc.edu/p16/P-16-Report.html>.





*All in all, higher education has much to contribute to the P-20 initiative, but also much to gain.*

participation of faculty and business leaders in setting standards for educational achievement have shown to be possible and effective, especially with respect to math and science education. Moreover, colleges of education in Georgia have shown that setting discrete goals in the training and graduation of new and diverse teachers is one major way that universities are able to contribute to educational achievement. Partnerships have immense potential to create a work-ready Illinois population, align high school and elementary school standards with the demands of college education and employment competitiveness, and provide opportunities for community college and other students to obtain bachelor's and graduate degrees in their fields.

Once the Illinois P-20 council begins its work, one of its main goals should be to make sure it is able to take advantage of existing programs that have a relationship to P-20 work. These include the Illinois Board of Higher Education's school leader preparation programs, teacher collaborative programs, and the multitude of programs and partnerships among institutions of higher education, businesses, and K-12 schools. The ability to harness this information will give the P-20 council concrete goals and plans which, with diligence and attention, can translate into measurable educational improvement. As work in California, Rhode Island, Virginia, Arizona, and virtually every other state with a P-20 council has shown, proper access to information and research is the only way to begin setting realistic goals for improvement in the future. Closing the gap in math and science education in Georgia required knowing proper standards for education, how to train teachers capable of educating students on these matters, and being able to evaluate the success of enacted policy.

If the role of P-20 is to bridge the gap between the various levels of oversight, legis-

lation and management of education, then it must also have the membership to represent the knowledge and complexity of these various sectors. Illinois' legislation lays out a specific list of members that contains stakeholders from many important Illinois groups. Joined with the ability to solicit other experts' opinions and gather research from the Illinois Educational Research Council and participating institutions of higher education, P-20 membership in Illinois can reflect a diversity and strength in the face of educational challenges.

Access and the ability to interpret research is the key feature of P-20 success because it is one of the few ways to understand whether P-20 initiatives are improving educational outcomes or providing substantive benefit to students and families in Illinois. As mentioned, the Illinois Educational Research Council and universities and colleges in the state can provide expertise and guidance during the evaluations of P-20 programs.

Ultimately, the interest and important benefit of a P-20 agenda is its ability to apply a systemic and broad approach to education issues in the state of Illinois. By building on P-16 work done in the past both in the state and across the U.S., the council should be able to craft an approach to collaborative educational efforts and incorporate plans among industry, business, higher education, and K-12 systems to provide quality education to Illinois residents at all levels.

It is important, however, that the Illinois P-20 council avoids the shortcoming and potential weaknesses of past P-20 endeavors. Though most P-20 councils have been very successful at defining their role in the educational system, it is another matter entirely whether or not the council is effective. This chapter outlines the ways in which P-20 councils can be effective vehicles for educational improvement, but it is important to note that they can have weaknesses, as well. Many P-20 councils, old



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and new, cannot point directly to much progress beyond the gathering of information. Examples include numerous P-16 and P-20 councils that do not have dedicated employees, do not meet regularly, and do not set concrete goals. Only 18 of the nation's 38 P-16 or P-20 councils have established formal performance goals that can be annually measured, and only 21 have dedicated staff.<sup>33</sup> As a result, a council can end up being little more than a scheduler for meetings. This major weakness can be avoided by securing dedicated funding, staffing, membership, and goals which are continuously re-evaluated for success.

A P-20 council will be able to address the overarching issues that influence the work of colleges and universities. With the un-



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derstanding and improvement of K-12 educational standards, future students of higher education will be better prepared to deal with the specific challenges of obtaining undergraduate and graduate degrees, decreasing the need for remedial education and increasing coordination between high schools, community colleges, and four-year colleges and universities. With participation of business leaders, institutions of higher education will have access to the standards that would make their students more competitive upon graduation. All in all, higher education has much to contribute to the P-20 initiative, but also much to gain. The research, collaboration, and improvement in educational quality and attainment that can result from coordinated efforts across *all* the educational sectors will benefit not only the students of these institutions, but also the institutions themselves and ultimately the state of Illinois as a nexus for business and investment.

<sup>33</sup> "State Councils Vary in Form and Focus" By Amy M. Hightower Education Week: Diplomas Count 2008 June 5, 2008 [http://www.edweek.org/ew/articles/2008/06/05/40ecs\\_overview.h27.html](http://www.edweek.org/ew/articles/2008/06/05/40ecs_overview.h27.html).



# Child Care Quality in Illinois

As Illinois begins a new assessment program, what can be learned from other states?



# Child Care Quality in Illinois

By Rachel A. Gordon

Barack Obama's *Blueprint for Change* included a promise to "provide affordable and high-quality child care to ease the burden on working families."<sup>1</sup> John McCain's campaign website promised he would "focus federal resources on ensuring that the neediest children have access to a range of high quality programs."<sup>2</sup> Widespread agreement about the importance of quality child care rests on two widely-disseminated research findings: (1) stimulating early environments are critical to young children's brain development and (2) several high quality and intensive early educational interventions showed large impacts on at-risk children's school readiness.<sup>3</sup>

What is less known is the range of quality in existing child care settings, how to help those settings achieve higher quality, and whether such initiatives ultimately lead to better child well-being. Nationally, several prominent studies estimated that the quality of most child care settings was mediocre or poor, suggesting that initiatives were needed to stimulate quality.<sup>4</sup> But it is costly to replicate such intensive research studies locally, and thus it is hard for policymakers to assess the quality of care available to their constituents at state or district levels. Also, there is increasing recognition that

findings from intensive and very high-quality interventions may not extrapolate to the varied settings where child care takes place in most communities and that, unlike these interventions, variation in the quality of these community child care settings may be only modestly related to children's early learning outcomes.<sup>5</sup>

Illinois recently launched a Quality Rating System (QRS) aimed at boosting the quality of child care used by families who receive child care subsidies. Similar to movie or restaurant ratings, QRSs use stars or numbers to distinguish child care settings of varying levels of quality. As discussed below, QRSs aim to improve quality as parents demand higher levels, providers seek higher ratings, and policymakers hold settings accountable for increasing quality. Typically, supports or incentives are integrated into the system to help achieve these goals (such as higher subsidy reimbursement rates in the subsidy program for settings with higher quality ratings).<sup>6</sup>

This chapter compares Illinois' new system to systems developed over the past decade in other states, highlighting some lessons Illinois can draw from their experiences

*Illinois recently launched a Quality Rating System (QRS) aimed at boosting the quality of child care used by families who receive child care subsidies.*

<sup>1</sup> Barack Obama. *The Blueprint for Change*. Downloaded September 9, 2008, from <http://origin.barack-obama.com/pdf/ObamaBlueprintForChange.pdf>.

<sup>2</sup> John McCain. *Early Childhood Education*. Downloaded September 9, 2008, from <http://www.johnmccain.com/Information/Issues/read.aspx?guid=3883232c-bdeb-44e5-9387-22d1316e75ed>.

<sup>3</sup> Jack P. Shonkoff and Deborah A. Phillips. *From Neurons to Neighborhoods: The Science of Early Childhood Development* (Washington, DC: National Academy Press, 2000).

<sup>4</sup> Suzanne W. Helburn and Carollee Howes. *Child Care Cost and Quality*. *Future of Children* 6(2): 62-82 (1996); Ellen S. Peisner-Feinberg and Margaret R. Burchinal. "Relations between Preschool Children's Child-Care Experiences and Concurrent Development: The Cost, Quality, and Outcomes Study," *Merrill-Palmer Quarterly*, 43(3), 451-477 (1997).

<sup>5</sup> William T. Gormley, Deborah Phillips, and Ted Gayer. "Preschool Programs Can Boost School Readiness," *Science*, 320, 1723-1724 (2008).

<sup>6</sup> Anne W. Mitchell. *Stair Steps to Quality: A Guide for States and Communities Developing Quality Rating Systems for Early Care and Education*. United Way, Success by 6 (2005).





<sup>7</sup> Ibid.

<sup>8</sup> Illinois Department of Children and Family Services. *Day Care and Early Childhood Licensing* (2008). Available at <http://www.state.il.us/dcfs/daycare/index.shtml>.

*Developmental theory and research suggest that children should thrive in settings that demonstrate high process quality of care, and wither in settings that do not. But this type of quality is particularly difficult to measure.*

(and the broader child care research literature) as its QRS matures. I begin by defining child care quality and examining how Illinois compares to other states on some of the easiest to measure aspects of quality. I then briefly highlight how and why QRSs began in other states, compare Illinois' new system to those in other states, and draw from the handful of evaluations to consider some challenges Illinois may face as the rollout of the QRS continues.

### What is child care quality?

We might know it when we see it but child care quality is difficult to define and measure.<sup>7</sup> Experts point to aspects of care that have been labeled *process* quality: the quality of the actual experiences children have in child care especially the warmth, responsiveness, and consistency of their relationships and the level of learning stimulation in their interactions. Developmental theory and research suggest that children should thrive in settings that demonstrate these aspects of care, and wither in settings that do not. But this type of quality is particularly difficult to measure. A central debate in research and policy circles surrounds the measure of process quality most often used in Quality Rating Systems, including whether it truly signals the type of quality that QRSs are trying to boost.

What has been termed the *structural* quality of child care settings is easier to define and measure (e.g., caregiver education, adult-to-child ratios). Because process quality is believed to be higher when structural quality is higher, Quality Rating Systems often require structural characteristics that increasingly exceed minimal licensing standards as ratings get higher.

### What is the quality of child care in Illinois, and how does that compare to child care quality in other states?

Most datasets that assess details about quality – structural or process – are limited in

their geographical coverage, and national datasets typically do not assess quality, making it difficult to make cross-state comparisons. However, we can infer something about state-to-state variation in quality by examining variation in licensing standards and how these compare to recommendations made by accrediting organizations. We also know more about children using care that is subsidized with state and federal dollars than about all children in child care, because of these programs' administrative systems and reporting requirements. Looking at variation across state subsidy programs provides another window into possible quality variation. Examining the subsidy program is also relevant because in Illinois, as in some other states, the QRS is directed only at providers who care for children whose fees are paid by subsidies. Finally, recent studies of state preschool programs provide additional insight into states' abilities to expand high-quality early care opportunities. And, ideally, quality initiatives across child care and early education, such as QRSs and universal preschool, should complement and reinforce one another.

**Licensing standards.** Licensing standards differ for child care centers and private homes. In Illinois, most centers must be licensed (exceptions include care of 3-year-olds in public and private schools) and homes must be licensed when the care group includes more than three children, including the caregiver's own.<sup>8</sup>

Licensing standards are generally seen as assuring only a minimal level of quality. Comparing them to the recommendations of professional accrediting associations helps us identify the relative strengths of states' licensing standards and helps us understand the steps above minimal standards often built into QRSs. The most prominent accrediting body for centers is the National Association for the Education of Young Children (NAEYC). Its guidelines require that all child care teachers have a minimum of an associate's degree or equiv-



*Licensing standards are generally seen as assuring only a minimal level of quality.*

alent and that at least 75 percent of a center’s teachers have a bachelor’s degree in early childhood education, or equivalent. Teaching assistants should have at least a high school diploma or GED, and 50 percent should have a Child Development Associate Credential (CDA; or equivalent).<sup>i</sup> The center director should have at least a bachelors’ degree with some credit hours in management and early childhood education or related fields. Group sizes should be no larger than eight with a 1:4 adult-to-child ratio for infants, no larger than 12 with a 1:6 ratio for toddlers, and no larger than 20 with a 1:10 ratio for preschoolers.

The National Association of Child Care Resource and Referral Agencies<sup>ii</sup> recently reviewed state licensing standards and oversight procedures for centers using NAEYC standards as part of their benchmarks.<sup>iii</sup> Illinois ranked well relative to other states, particularly in its standards, although in absolute terms the standards leave room for improvement. In particular, Illinois tied with New York for the top spot among states, but both states had only 90 points out of a possible 150. Illinois fully met the NACCRA recommendations for background checks, health and safety stan-

dards, parental involvement, and programmatic coverage. But it failed to meet, or partially met, the recommendations for staff training and education, group sizes, and adult-to-child ratios. Tables 1 and 2 (pg. 80) place Illinois’ requirements next to NAEYC requirements, and show where Illinois falls short.<sup>iv</sup>

Illinois ranked 22<sup>nd</sup> among states in terms of oversight, meaning centers may not be monitored well enough to assure they meet state standards. The state met only the requirement that licensing staff have a bachelor’s degree in a related field. It fell short on the remaining four requirements:

- NACCRRRA recommended quarterly monitoring visits, whereas Illinois conducts them once a year.
- NACCRRRA recommended a program-to-licensing staff ratio of 50:1, whereas Illinois allows 80:1.
- NACCRRRA recommended that inspection and complaint reports be made available to parents, which Illinois does not do.
- NACCRRRA recommended that all providers be licensed, whereas Illinois exempts small homes.

Table 1  
**Education and Training: Illinois vs. NAEYC**

	Education/Training	
	Illinois	NAEYC
Director	* At least two years of college or equivalent experience/credentials	* At least a Bachelor’s Degree with some hours in management and ECE
Teacher	* At least two years of college or equivalent experience/credentials	* At least an Associate’s Degree * At least 75% with a Bachelor’s Degree in ECE
Teaching Assistant	* At least a high school diploma or equivalent	* At least a high school diploma or GED * At least 50% with a CDA

Notes: ECE = early childhood education or related field. CDA = Child Development Associate  
Red font indicates Illinois does not meet NAEYC standards.

Source: National Association for the Education of Young Children, Accreditation Criteria for Teachers Standard, available at <http://www.naeyc.org/academy/standards/standard6/standard6A.asp>



NACCRRA did not compare states' licensing standards for homes. Home standards can be more complicated than centers because they allow mixed-age groupings. It is instructive, though, to compare Illinois standards to a recent "research-based rationale" for family child care ratios and group sizes for infants, released by the Center for Law and Social Policy.<sup>9</sup> CLASP recommends that when a child-care home includes infants and toddlers (under age 2) that the group does not exceed six children and not include more than two infants and toddlers (including the provider's own children). Illinois' licensing standards include a variety of configurations, but the most similar configuration allows a total group size up to eight with up to three infants and toddlers.<sup>10</sup> CLASP's report also recommends more stringent standards for infants and toddlers in centers than the NAEYC guidelines shown in Table 2, with no more than six infants in a group and adult-to-child ratios of 1:3 and no more than eight toddlers in a group with ratios of 1:4,<sup>11</sup> distancing them further from Illinois' standards.

So Illinois' standards are strong relative to other states, but don't measure up to the highest quality benchmarks. To the extent that these structural process indicators relate to process quality and both relate to child outcomes, many children may not be getting high quality care. Yet simply increasing the standards may drive some providers out of the market because of higher labor costs and leave parents with few options that they can afford.<sup>12</sup> This is one reason why implementing more gradual increases in standards through a Quality Rating System, with appropriate supports, is attractive.

**Subsidy program.** As part of the 1996 welfare reform legislation, the federal government consolidated child care funding into the Child Care Development Fund (CCDF). This subsidy program targets employed, low-income families. In most states, only a small fraction of participating families (less than 6 percent in Illinois) also receive cash assistance through the Temporary Assistance for Needy Families program. One of the notable features of Illinois' program is that a relatively small number of children receive care in centers. Whereas nationally the majority of chil-

Table 2  
Ratios and Group Sizes: Illinois vs NAEYC

	Adult:Child Ratio		Group Size	
	IL	NAEYC	IL	NAEYC
Infants	1:4	1:4	12	8
Toddlers	1:5	1:4	15	12
Two years	1:8	1:6	16	12
Three years	1:10	1:9	20	18
Four years	1:10	1:10	20	20
Five years	1:20	1:10	20	20

Note: Toddlers are defined as ages 15 to 23 months in Illinois. The maximum ratio and group size for the NAEYC 12-28 age range is presented for this group. Red font indicates Illinois does not meet NAEYC standards.

Sources: State of Illinois Summary of Licensing Standards for Day Care Centers, Department of Children and Family Services. Available at: <http://www.state.il.us/dcf/docs/CFS105052.pdf>; and National Association for the Education of Young Children, Teacher-Child Ratios Within Group Size, available at [http://www.naeyc.org/academy/criteria/teacher\\_child\\_ratios.html](http://www.naeyc.org/academy/criteria/teacher_child_ratios.html).

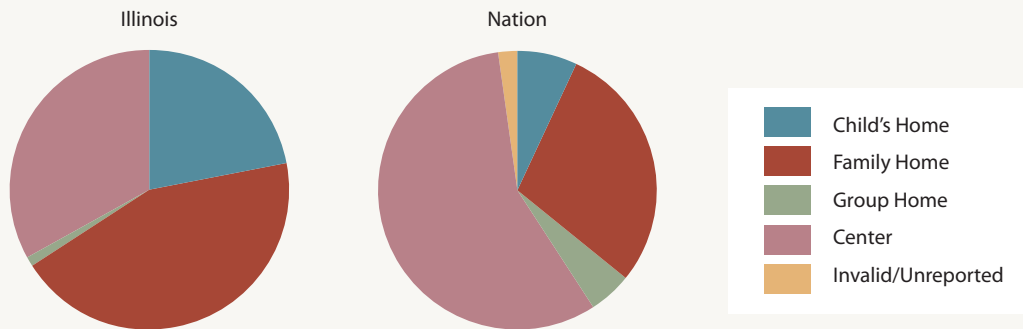
<sup>9</sup> Rachel Schumacher and Elizabeth Hoffman. *Family Child Care Ratios and Group Sizes: Charting Progress for Babies in Child Care Research-Based Rationale* (Washington, DC: Center for Law and Social Policy, 2008): 1.

<sup>10</sup> Illinois Department of Children and Family Services. *Day Care and Early Childhood Licensing* (2008). Available at <http://www.state.il.us/dcf/daycare/index.shtml>.

<sup>11</sup> Rachel Schumacher, Rachel. *Center Ratios and Group Sizes: Charting Progress for Babies in Child Care Research-Based Rationale* (Washington, DC: Center for Law and Social Policy, 2008).

<sup>12</sup> V. Joseph Hotz and Mo Xiao. "The Impact of Minimum Quality Standards on Firm Entry, Exit, and Product Quality: The Case of the Child Care Market," *NBER Working Paper 11873* (New York: National Bureau of Economic Research, 2005); Elizabeth Rigby, Rebecca M. Ryan, and Jeanne Brooks-Gunn. "Child Care Quality in Different State Policy Contexts," *Journal of Policy Analysis and Management*, 26(4) (2007): 887-907.

Figure 1  
**Type of Care: Illinois vs. Nation**



Source: U.S. Department of Health and Human Services, Administration for Children & Families, Child Care Bureau: FFY 2006 CCDF Data available at [http://www.acf.hhs.gov/programs/ccb/data/ccdf\\_data/06acf800/table3.htm](http://www.acf.hhs.gov/programs/ccb/data/ccdf_data/06acf800/table3.htm)

dren whose fees are paid by subsidies are cared for in centers, the majority in Illinois are cared for in homes (see Figure 1). In fact, Illinois is one of seven states in which one-third or fewer of children are cared for in centers. Among Midwestern states, Michigan, Minnesota and Iowa have similarly low rates of children in centers, while Indiana and Wisconsin exceed the national average.

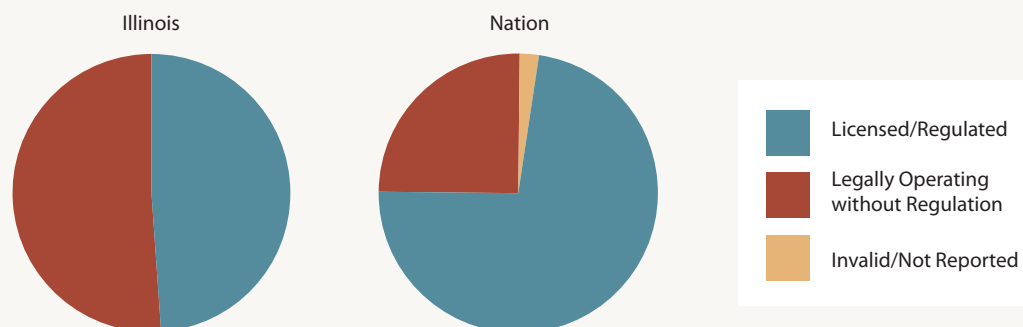
Given these differences, it is not surprising that Illinois is also near the bottom in terms of the percentage of children with subsidies who are cared for in licensed facilities, nationally and in the Midwest.

Fifty-one percent of these children in Illinois are cared for in license-exempt settings, compared to one-quarter of children nationally (Figure 2). Only one Midwestern state (Michigan) has more children in license-exempt care than Illinois. Such license-exempt care could be provided by relatives. But in Illinois, two-thirds of children in license-exempt settings are cared for by non-relatives, higher than the national average of 42 percent.

It is possible that these differences simply reflect different preferences of families in Illinois than in other states. Parents are especially likely to say in research studies

*So Illinois' standards are strong relative to other states, but don't measure up to the highest quality benchmarks.*

Figure 2  
**Licensed Care: Illinois vs. Nation**



Source: U.S. Department of Health and Human Services, Administration for Children & Families, Child Care Bureau: FFY 2006 CCDF Data available at [http://www.acf.hhs.gov/programs/ccb/data/ccdf\\_data/06acf800/table4.htm](http://www.acf.hhs.gov/programs/ccb/data/ccdf_data/06acf800/table4.htm)



<sup>13</sup> Diane M. Early and Margaret R. Burchinal. 2001. "Early Childhood Care: Relations with Family Characteristics and Preferred Care Characteristics," *Early Childhood Research Quarterly*, 16 (2001): 475-497.

<sup>14</sup> Bruce Fuller et al. "Rich Culture, Poor Markets: Why do Latino Parents Forgo Preschooling?" *Teachers College Record*, 97(3) (1996): 400-418.

<sup>15</sup> United States Department of Health and Human Services. *Child Care and Development Fund Reports of State and Territory Plans FY 2008-2009* (2008). Available at <http://nccic.acf.hhs.gov/pubs/stateplan2008-09/part6.pdf>, 156.

<sup>16</sup> C.P. Li-Gining and R.L. Coley. "Child Care Experiences in Low-income Communities: Developmental Quality and Maternal Views," *Early Childhood Research Quarterly*, 21 (2006): 125-141.

<sup>17</sup> Illinois Department of Human Services. *Market Rate Survey of Child Care Programs in Illinois FY 2006* (2006). Available at <http://www.dhs.state.il.us/page.aspx?item=35884>.

<sup>18</sup> United States Department of Health and Human Services. *Child Care and Development Fund Reports of State and Territory Plans FY 2008-2009* (2008). Available at <http://www.nccic.org/pubs/stateplan2008-percent2D09/>, 156.

that they prefer to use smaller, home-based settings for infants and toddlers.<sup>13</sup> Some parents may also find certain formalized care settings differ from their personal or cultural values more than does care in their neighbors' homes.<sup>14</sup> But from the standpoint of assuring that children are in settings that meet at least minimal safety standards, the high percentage of children in license-exempt care in Illinois is troubling. For example, Illinois does not require license-exempt providers to have training in CPR or first aid.<sup>15</sup> Furthermore, research finds that parents often choose home-based care, including license-exempt care, because it best meets their needs, but that these settings score lower when process quality is measured with intensive observations by researchers.<sup>16</sup>

Another reason for a high rate of home-based, license-exempt care may be the constraints of parents' limited budgets and the state's limited coffers. The CCDF requires states to conduct regular market rate surveys to help them set reimbursement rates (with a recommendation that reimbursement rates be no lower than the 75<sup>th</sup> percentile of market rates). The most recent Illinois market rate survey found that the cost of center-based care exceeded home-based care across age groups and geographic regions of the state.<sup>17</sup> The

differential was especially high for infants in Chicago and the collar counties, where the median cost of center-based care was \$48 per day, in contrast to \$26 per day in licensed home-based care.<sup>v</sup>

Illinois' reimbursement rates have historically been well below the recommended 75<sup>th</sup> percentile of market rates, although the state has been taking incremental steps toward raising them. The most recent survey indicates reimbursement rates for centers in Cook County were at the 27<sup>th</sup> percentile for infants and toddlers, the 38<sup>th</sup> percentile for 2-year-olds and the 34<sup>th</sup> percentile for preschoolers. Licensed home-based providers in Cook County were at the 37<sup>th</sup>, 47<sup>th</sup>, and 50<sup>th</sup> percentile for the respective age groups. Although no other Chicago metro-area counties met or exceeded the 75<sup>th</sup> percentile for centers or homes, many downstate counties did. Illinois' rates also are low in relation to some of its neighbors. As of the federal fiscal year (FFY) 2008-2009 plans, Illinois fell in the middle of Midwestern states in terms of reimbursement rates.<sup>18</sup> Its rates were higher than those set by Iowa and Michigan, but lower than Indiana, Minnesota, and Wisconsin (see Table 3).

In its FFY 2008-2009 plan, the state reported a goal of achieving the 50<sup>th</sup> per-

**Table 3**  
**Weekly Reimbursement Rates in Midwestern States by Type of Care and Age Group**

	Center-Based			Family		
	Infant	Toddler	Preschool	Infant	Toddler	Preschool
Iowa	77.50	77.50	62.50	60.00	60.00	56.25
Michigan	142.50	142.50	112.50	100.00	100.00	100.00
Illinois	196.35	165.85	138.30	129.15	124.30	116.50
Indiana	218.00	188.00	160.00	130.00	125.00	100.00
Wisconsin	232.00	200.00	180.00	190.00	175.00	165.00
Minnesota	266.04	218.94	198.45	167.17	160.17	145.60

Note: Illinois and Iowa, daily rates multiplied by 5. Michigan, hourly rates multiplied by 50.

Source: U.S. Dept. of Health and Human Services, Administration for Children and Families, *Child Care and Development Fund Report of State and Territory Plans FY 2008-2009*, available at <http://nccic.acf.hhs.gov/pubs/stateplan2008-09>.

centile in the Chicago metro area, the 60<sup>th</sup> percentile in other large urban areas of the state, and the 75<sup>th</sup> percentile in all rural counties of the state. Recent unionization of family child care homes has also led to rate increases for child care homes.

The still relatively low reimbursement rates in Illinois are expected to associate with lower quality of care because providers charging higher market rates presumably cannot recover all of their costs if they accept lower rates and because lower-paid providers are not likely to afford to offer the highest quality care.<sup>19</sup> Setting rates below the market also means that low-income children whose care is paid by subsidies cannot access the highest cost (and thus likely highest quality) care. In its FFY 2008-2009 plan, Illinois reported that nearly one-third of providers in the statewide Child Care Resource and Referral database indicated they would not accept children whose care was paid by subsidies. Yet it is these low-income children that some research shows benefit the most from higher quality care.<sup>20</sup> The Quality Rating System offers a strategy to raise the rates for some providers and give some lower-income children access to higher quality care, while not taking on the full cost of suddenly making up the difference between current reimbursement rates and market rates.

**Universal preschool.** State-funded prekindergarten (“pre-k”) programs expanded at the end of the 20th century,<sup>21</sup> and Illinois has a strong record among the states in this arena. Illinois began offering a Prekindergarten Program for At-Risk Children in 1985. The program was later made part of the state’s Early Childhood Block Grant (89 percent of which goes toward 3- and 4-year-olds; the remainder funds programs for at-risk infants and toddlers) and is being expanded through the *Preschool for All* initiative which aims to make state-funded preschool available by 2011 for all 3- and 4-year-olds whose parents want it. Programs serving at-risk chil-

dren receive priority, with at-risk defined locally.<sup>22</sup> The program is part-day / part-year, operating 2 1/2 hours per day up to five days a week during the school year.

Illinois stands out especially in its inclusion of 3-year-olds in its state-funded program. According to the 2007 *State of Preschool* report by the National Institute for Early Education Research, Illinois is one of just 26 states with state-funded programs for 3-year-olds and ranked first in the percentage of children of this age enrolled, at 19 percent.

However, whereas the percentage of 3-year-olds enrolled in Illinois state pre-k increased from 8 percent to 19 percent between 2002 and 2007, the percentage of 4-year-olds enrolled increased by less than one-fourth, from 22 percent to 27 percent placing Illinois 22<sup>nd</sup> among the 38 states with programs for 4-year-olds. Still, in the Midwest, only Wisconsin had a higher fraction of 4-year-olds enrolled in state-funded pre-k in 2007 (36 percent).

States may face a tradeoff between serving more children and spending more per child. In Illinois, while the percentage of children enrolled has been increasing, the state spending per child has been decreasing (from \$3,902 in 2002 to \$3,322 in 2007, in constant 2007 dollars). In 2007, Illinois ranked 22<sup>nd</sup> in terms of state spending out of 38 states with programs.

NIEER estimated that Illinois would need to spend \$4,520 per child on a half-day program to achieve high quality.<sup>vi</sup> Although its state funds fell short of that target by \$1,198 per child, the state did not report about local or federal funds that might make up some of that difference. Still, Illinois’ standards met nine of 10 structural quality benchmarks that NIEER reviewed, including requiring teachers to have a BA degree and assistant teachers to have an associate’s degree and having class sizes of 20 with an adult-to-child ratio of 1:10.



<sup>19</sup> Suzanne W. Helburn and Carollee Howes. “Child Care Cost and Quality,” *Future of Children*, 6(2) (1996): 62-82.

<sup>20</sup> Katherine A. Magnuson et al. “Inequality in Preschool Education and School Readiness,” *American Educational Research Journal*, 41(1) (2004): 115-157.

<sup>21</sup> W. S. Barnett, K. Brown, and R. Shore. (2004, April). “The Universal vs. Targeted Debate: Should the United States Have Preschool for All?” *Preschool Policy Matters*(6) (New Brunswick, NJ: National Institute for Early Education Research, Rutgers, 2004).

<sup>22</sup> Ibid.

<sup>23</sup> Diane M. Early et al. 2005. "Pre-Kindergarten in Eleven States: NCEdL's Multi-state Study of Pre-Kindergarten and Study of State-Wide Early Education Programs (SWEEP)" (2005). Available at [http://www.fpg.unc.edu/~NCEdL/pdfs/SWEEP\\_MS\\_summary\\_final.pdf](http://www.fpg.unc.edu/~NCEdL/pdfs/SWEEP_MS_summary_final.pdf).

<sup>24</sup> Deborah Phillips, William T. Gormley, and Amy Lowenstein. "Classroom Quality and Time Allocation in Tulsa's Early Childhood Programs," Paper presented at the biennial meetings of the Society for Research in Child Development, Boston, MA, March 30, 2007.

<sup>25</sup> NIEER, 2007.

<sup>26</sup> Ibid.

<sup>27</sup> William T. Gormley. 2007. "Early Childhood Care and Education: Lessons and Puzzles," *Journal of Policy Analysis and Management*, 26(3) (2007): 633-671.

<sup>28</sup> Illinois Early Learning Council. *Pre-school for All: Reaching At-Risk Children First* (2007). Available at [http://www.illinois.gov/gov/elc/reports/ELC\\_White\\_paper\\_on\\_capacity\\_building\\_FINALpercent202-22-07.pdf](http://www.illinois.gov/gov/elc/reports/ELC_White_paper_on_capacity_building_FINALpercent202-22-07.pdf).

<sup>29</sup> Barbara Gault, Anne W. Mitchell and Erica Williams. *Meaningful Investments in Pre-K: Estimating the Per-Child Costs of Quality Programs* (Washington, DC: Institute for Women's Policy Research, 2008).

Do these rapidly expanding state pre-k programs in Illinois and other states meet their goal of providing "high-quality" preschool when process quality is measured, consistent with their generally solid structural standards? A recent study of state-funded pre-k programs in 11 states, including Illinois, suggests they may not.<sup>23</sup> On the measure of process quality also used in many Quality Rating Systems, the observed state pre-k programs averaged a 3.80, or minimal quality. Minute-by-minute snapshots of what children were doing throughout the day also revealed that they spent substantial time in routine activities, like snacks, meals and hand washing, and in transition between activities. Relatively little time was spent on learning activities. This minimal quality was found despite observed structural quality being consistent with the generally strong recommended standards, with an average class size of about 17, about eight children per adult, and nearly three-quarters of teachers having at least a bachelor's degree.

But a separate study of the state pre-k program in Oklahoma suggests it is possible to achieve high process quality on a large scale. That state began funding pre-k in 1980, and was the second state to aim to expand to "universal preschool" for all 4-year-olds in 1998. Like Illinois, Oklahoma meets nine of NIEER's 10 benchmarks, including teacher education, group size, and adult-to-child ratios. Several additional structural features may further support process quality in Oklahoma. All of its programs are run by or in collaboration with schools, and teachers receive similar pay as teachers in the public schools. Teachers must be certified in early childhood education, and the majority of them receive required training in early childhood reading and math instruction.<sup>24</sup> Most importantly, 97 percent of school districts participate, and Oklahoma has the highest participation rate for 4-year-olds of all states, at 68 percent, in contrast to one-third or fewer children served in most other states.<sup>25</sup>

When researchers compared Oklahoma classrooms to those from the 11-state study, they found that a measure of the quality of teacher's instruction was significantly higher in Oklahoma than the other states.<sup>26</sup> Based on researchers' moment-by-moment observations, the Oklahoma teachers also spent double to triple the time reading to children, practicing letters and sounds, and engaged in math and science. The Oklahoma teachers spent about 10 percent to 20 percent of their time on each of these activities, whereas teachers in other states generally spent less than 10 percent. In a related rigorous study of Oklahoma's program, children showed gains in reading that were somewhat larger than evaluations of other state pre-k programs and on par with the intensive early interventions that motivated these universal preschool policies.<sup>27</sup>

The authors of both the multi-state and Oklahoma studies acknowledge many potential reasons for these findings. For example, many states, like Illinois, have a goal of making pre-k available "universally," to all parents who want it, but prioritize at-risk children as the programs begin to expand.<sup>28</sup> Oklahoma comes much closer to universality than any other state. Of the 11 states in the multi-state study, all but one prioritized low-income or otherwise at-risk children, and the study found that 55 percent of children in the observed programs came from families whose incomes fell below 150 percent of the federal poverty threshold. These at-risk classrooms may require even greater structural quality. The model early childhood interventions – which showed substantial benefits to low-income, primarily African-American children – had adult-to-child ratios of about 1:6, smaller than the standard of 1:10 used by most state pre-k programs.<sup>vi, 29</sup> States may also need to go beyond structural quality. The authors of the multi-state study conclude:

States cannot rely solely on professional standards and structural indicators of

quality (e.g., ratios, teacher education) to ensure that their programs are fulfilling their potential. To improve classroom quality and interactions, states may consider providing teachers with additional supports to further their knowledge and use of appropriate instruction for young children. These supports might come in the form of mentoring relationships, technical assistance, or increased supervision. Likewise, state systems of teacher preparation and professional development may require supports in order to increase their capacity and quality.<sup>30</sup>

Historically, Illinois has had a strong record of professional development and system coordination to support such efforts. A “Type 04” early childhood state certificate is available for teaching children from birth through grade 3, and is required for teaching in state pre-k. However, a study by the Illinois Education Research Council found that attracting qualified teachers may be difficult as *Preschool for All* expands. Offering preschool in community centers, rather than only in schools, was deemed essential to serving the targeted 10,000 additional preschoolers per year during expansion.<sup>viii</sup> But certified teachers reported that they required higher salaries and benefits in order to teach preschool in child care centers. Supply of certified teachers was particularly low in Chicago, and those in Chicago reported needing even higher salaries to attract them to work in centers.<sup>31</sup>

Taxpayer dollars can be used most efficiently, and the highest levels of quality can be achieved, if initiatives in child care – like Quality Rating Systems and universal preschool – inform and support one another. The lack of uniformly high quality in state universal preschool programs suggests that additional quality incentives may be needed, like those in child care. Two states fund state pre-k programs at higher levels when they meet quality in-

dicators. Louisiana pays higher rates for advanced teacher and assistant credentials. Missouri pays higher rates for accredited programs. Furthermore, innovative models are emerging for combining part-day preschool with child care. These new models encourage parents, practitioners and policymakers to think in new ways about which aspects of quality are essential in each part of the child’s day.

### Quality Rating Systems

**The history of Quality Rating Systems.** The first Quality Rating System – *Reaching for the Stars* – was offered in Oklahoma in 1998. Since then, 13 more states and the District of Columbia have begun similar programs.<sup>32</sup>

The Oklahoma program was proposed through a welfare-reform task force in 1996 at a time when reimbursement rates were well below market rates. The committee concluded that linking higher rates to higher quality would provide better care settings for children as their parents moved from welfare to employment, and would encourage quality improvements in existing programs.<sup>33</sup>

Oklahoma’s QRS and those that followed in other states typically have five components:

- *Program standards* with two or more levels beyond state licensing regulations.
- *Accountability measures* used to ensure that programs are meeting the standards associated with each level.
- Program and practitioner *outreach and support*, such as training, mentoring, and technical assistance, to encourage participation and facilitate progress.
- *Financial incentives*, which are linked to quality levels such as tiered reimbursement.
- *Parent education* to help parents understand the features of quality in general and the QRS ratings in particular.<sup>34</sup>

<sup>30</sup> Diane M. Early et al. *Pre-Kindergarten in Eleven States: NCEDL’s Multi-state Study of Pre-Kindergarten and Study of State-Wide Early Education Programs (SWEET)* (2005). Available at [http://www.fpg.unc.edu/~NCEDL/pdfs/SWEET\\_MS\\_summary\\_final.pdf](http://www.fpg.unc.edu/~NCEDL/pdfs/SWEET_MS_summary_final.pdf), p. 33.

<sup>31</sup> Jennifer B. Presley, Brenda K. Klostermann, and Bradford R. White. *Pipelines and Pools: Meeting the Demand for Early Childhood Teachers in Illinois*, (Edwardsville, IL: Illinois Education Research Council, 2006).

<sup>32</sup> Child Care Bureau. “Systemic Approaches to Improving Quality of Care: Quality Rating System Gain Ground Across the Nation,” *Child Care Bulletin*, 32 (2007).

<sup>33</sup> Child Care Bureau. “Systemic Approaches to Improving Quality of Care: Quality Rating System Gain Ground Across the Nation,” *Child Care Bulletin*, 32 (2007); Gail L. Zellman and Michael Perlman. *Child-care Quality Rating and Improvement Systems in Five Pioneer States*, (Santa Monica, CA: RAND, 2008).

<sup>34</sup> Child Care Bureau. “Systemic Approaches to Improving Quality of Care: Quality Rating System Gain Ground Across the Nation,” *Child Care Bulletin*, 32 (2007).



<sup>35</sup> Gail L. Zellman and Michael Perlman. *Child-care Quality Rating and Improvement Systems in Five Pioneer States*, (Santa Monica, CA: RAND, 2008).

<sup>36</sup> Child Care Bureau. "Systemic Approaches to Improving Quality of Care: Quality Rating System Gain Ground Across the Nation," *Child Care Bulletin*, 32 (2007).

<sup>37</sup> Thelma Harms, Richard M. Clifford, and Debby Cryer. *Early Childhood Environment Rating Scale, Revised Edition*, (New York, NY: Teachers College Press, 1998).

<sup>38</sup> Linda Butkovich and Teri Talan. "Illinois Launches New Quality Rating System for Early Care and Education," *The Director's Link*, Fall, (2007)1-3; Illinois Network of Child Care Resource and Referral Agencies. *Quality Counts: Quality Rating System* (2008). Available at [www.inccrra.org](http://www.inccrra.org).

<sup>39</sup> Illinois Network of Child Care Resource and Referral Agencies. *Quality Counts: Quality Rating System* (2008). Available at [www.inccrra.org](http://www.inccrra.org).

Quality Rating System standards are based on "consensual ideas" about what aspects of quality are most important, rather than solid research evidence, although descriptive and impact evaluations of QRSs are beginning to accumulate.<sup>35</sup> Most states include in their standards provider qualifications/training, parent involvement, and the learning environment. Other areas covered by several states include regulatory compliance, administration, staff compensation, program evaluation, ratios/group size, and personnel/staffing.<sup>36</sup>

The Environment Rating Scales (ERSs) are used by 11 states to assess the program's learning environment, including process quality. Separate versions of these scales are available for infants and toddlers and for preschoolers in child care centers and for children in family day care.<sup>37</sup> Each form includes about 40 items that are scored from 1 = *Inadequate* to 3 = *Minimal* to 5 = *Good* to 7 = *Excellent*. Subscales on each form cover similar content. For example, the form for preschoolers in centers covers Space and Furnishings, Personal Care Routines, Language-Reasoning, Activities, Interaction, Program Structure, and Parents and Staff. Usually, programs must achieve a particular average score across items to reach a higher rating level.

### Illinois' new Quality Rating System.

Illinois launched its Quality Rating System - *Quality Counts* - in July 2007.<sup>38</sup> To "assist with the higher costs of quality care," Illinois offers higher reimbursement rates to higher-quality licensed and license-exempt providers who care for children receiving state subsidies.<sup>39</sup>

For licensed providers, there are four star levels which associate with a 5 percent to 20 percent increment to the standard reimbursement rate. Table 4 provides an example of the amount of the increment, taking the rates from Table 3 as a base. The absolute dollar increment is largest for center-based care of infants; centers gain about \$10 per week more per infant with each additional star level. To be eligible, licensed centers must be filling at least one-quarter of their licensed capacity with children who receive subsidies. For a large center serving mostly children receiving subsidies, the total quality increment could be more than \$1,000 per week. For family child care of preschoolers, the increment is closer to \$5 per week per child. Licensed home-based providers must care for at least three children who receive subsidies, so the increment would be at least \$15 per week.

**Table 4**  
**Illinois Weekly Reimbursement Rates by Type of Care and Age Group, with Tiered Add Ons**

	Center-Based			Family		
	Infant	Toddler	Preschool	Infant	Toddler	Preschool
Standard rate	196.35	165.85	138.30	129.15	124.30	116.50
Tiered Levels						
*	206.17	174.14	145.22	135.61	130.52	122.33
**	215.99	182.44	152.13	142.07	136.73	128.15
***	225.80	190.73	159.05	148.52	142.95	133.98
****	235.62	199.02	165.96	154.98	149.16	139.80

Note: Illinois daily rates multiplied by 5.

Sources: U.S. Dept. of Health and Human Services, Administration for Children and Families, Child Care and Development Fund Report of State and Territory Plans FY 2008-2009, available at <http://nccic.acf.hhs.gov/pubs/stateplan2008-09>, Illinois Network of Child Care Resource & Referral Agencies (INCCRA) web site at <http://www.inccrra.org/qrs.aspx?id=3821>.

Like many states, Illinois uses the Environment Rating Scales to measure process quality at each star level for licensed providers. Providers can also achieve the highest levels through accreditation by one of several approved organizations, including NAEYC. A variety of resources are available to help providers achieve higher quality. For example, Illinois has long offered scholarships and wage supplements to support and reward providers' higher education.

License-exempt family child care providers can also progress through three training tiers and receive a 10 percent to 20 percent rate increment. To qualify, license-exempt providers must care for at least one child who receives child care subsidies. License-exempt providers receive \$63.75 per child for five full days of care at the standard reimbursement rate, so the quality increments amount to from \$6 to \$13 per child per week, depending on the level.

**Lessons learned from other states' experiences.** What do other states' experiences suggest about the challenges Illinois may face as the rollout of the QRS continues and how these challenges might be addressed?

*General lessons learned.* Most QRSs required refinements as they were implemented. After interviewing key informants in five "pioneer" states which were among the first to offer a QRS, Zellman and Perlman concluded, "The lack of piloting in most of these states and the relatively fast implementation of their [QRSs] led to early re-assessments and numerous revisions."<sup>40</sup>

For example, participation was low in the first year of Oklahoma's *Reaching for the Stars*. The state added a level of "One Star Plus" because it found that the large gap between the first and second star discouraged participation. Oklahoma also found that annually assessing programs' process quality was too expensive. The state

switched to program self-assessment in the first tier and reduced the number of independent assessments at the higher tiers.<sup>41</sup> Other states similarly adjusted their systems once confronted with the cost of rating process quality, especially with independent assessors.<sup>42</sup> In addition to cost, the Environment Rating Scale is problematic from a high-stakes accountability perspective because providers may focus on increasing their ratings on the specific items in the scale, rather than thinking more broadly about improving quality, and may focus on the items that are easiest to address. Many of the informants interviewed by Zellman and Perlman "argued that ERSs placed too much emphasis on physical attributes of the setting and on hygiene issues, such as hand-washing, and not enough on processes, such as adult-child interactions."<sup>43</sup> Other states reported that providers found the observers disruptive, the ratings inconsistent, and the feedback about the reason for their rating insufficient.

Another finding from prior QRSs is the need to assure that the levels are of sufficient number and spacing in order for providers to make progress.<sup>44</sup> It is especially important that the lowest level is not above what most providers can achieve. At the same time, it is important that the top level is high enough so providers continue to strive for it and so that the rules of the system aren't changed midway to add levels if many providers achieve the top too quickly. Unfortunately, decisions about specific requirements and cut-points at each level are often "best guesses" by QRS developers, rather than being based on sound evidence.<sup>45</sup> Piloting in a few communities first is one recommended strategy, so states can refine the system before unrolling it statewide.

Scholars and practitioners also debate the fact that the standard total score calculation for the Environment Rating Scale gives equal weight to each of the subscales

<sup>40</sup> Zellman, Gail L. and Michael Perlman. 2008. *Child-care Quality Rating and Improvement Systems in Five Pioneer States*. Santa Monica, CA: RAND, p. xiii.

<sup>41</sup> Child Care Bureau. "Systemic Approaches to Improving Quality of Care: Quality Rating System Gain Ground Across the Nation," *Child Care Bulletin*, 32 (2007).

<sup>42</sup> Zellman, Gail L. and Michael Perlman. 2008. *Child-care Quality Rating and Improvement Systems in Five Pioneer States*. Santa Monica, CA: RAND.

<sup>43</sup> *Ibid*, p 20.

<sup>44</sup> *Ibid*.

<sup>45</sup> *Ibid*.

<sup>46</sup> J.I. Layzer and B.D. Goodson. 2006. "The Quality of Early Care and Education Settings: Definitional and Measurement Issues," *Evaluation Review*, 30(5) (2006): 556-576.

<sup>47</sup> Mitchell, Anne W. 2005. *Stair Steps to Quality: A Guide for States and Communities Developing Quality Rating Systems for Early Care and Education*. United Way, Success by 6, p 15.

<sup>48</sup> Zellman, Gail L. and Michael Perlman. 2008. *Child-care Quality Rating and Improvement Systems in Five Pioneer States*. Santa Monica, CA: RAND.

<sup>49</sup> Ibid.

<sup>50</sup> Butkovich, Linda and Teri Talan. "Illinois Launches New Quality Rating System for Early Care and Education." *The Director's Link*, Fall 2007, 1-3.

<sup>51</sup> Child Care Bureau. "Systemic Approaches to Improving Quality of Care: Quality Rating System Gain Ground Across the Nation," *Child Care Bulletin*, 32 (2007).

<sup>52</sup> Zellman, Gail L. and Michael Perlman. 2008. *Child-care Quality Rating and Improvement Systems in Five Pioneer States*. Santa Monica, CA: RAND.

and a program can achieve a higher score by raising any one of these subscales.<sup>46</sup> A similar mid-range total score could reflect a setting rich in positive caregiver-child activities and interactions, but lacking in the presence and accessibility of materials in the classroom and resources for staff and parents. Alternatively, a similarly scored setting might have considerable materials and resources, but few activities and poor interactions among caregivers and children. Thus, QRS designers need to think carefully about what types of quality they want to promote, and whether selected assessments measure these aspects of quality. The Early Learning Standards developed by Illinois and many other states could help ensure that quality measures line up with goals for early learning.

In addition to geographically-restricted piloting, states can also incrementally roll out the program in various communities. Such incremental roll-outs can help the state gain the support of various stakeholders. In reviewing some of the earliest programs, researcher Anne Mitchell noted:

Programs that provide early care and education can be both allies and opponents. Those who want to be recognized for the quality of the services that they offer welcome QRS. Programs that believe they will not benefit financially, and that increased requirements will come without sufficient support to achieve or maintain them, have opposed QRS.<sup>47</sup>

Geographically staggered roll outs also can concentrate state dollars in smaller areas to ensure sufficient resources to encourage provider participation and progress in each community. This is important for parents as well. Early adopting states found that consumer education was most effective at the point where a modest proportion of early care and education programs were participating in the QRS.<sup>ix, 48</sup> Otherwise, there were too few rated programs

from which parents could choose. Once provider participation started to take off, however, it was critical for the state to stimulate parent demand with consumer education because parents' increasing preference for higher quality programs helped encourage more programs to participate.

*Licensing standards.* States signal to providers and parents what is important about child care with the standards they set for ratings.<sup>49</sup> Illinois covers three areas: (1) learning environment, (2) program administration, and (3) provider/staff qualifications and training.<sup>50</sup> Two of these (learning environment and provider/staff qualifications and training) are covered in most or all other QRSs,<sup>51</sup> but program administration is covered by only about half of the other state QRSs. Other areas covered by multiple states include parent involvement, staff compensation, program evaluation, ratios/group sizes, and personnel.

Illinois did not explicitly include staff-to-child ratios and group size in its star levels, although they are implicit in the highest levels where providers can use accreditation as an alternative to the Environment Rating Scale. Some other states have similarly omitted adult-to-child ratios and group size from their explicit QRS requirements because they are seen as costly to achieve without appropriate state support or incentives.<sup>52</sup> But to the extent that they are costly for providers that attempt to achieve Illinois' accreditation option, the state needs to assure that appropriate supports and incentives are in place so that programs can pursue accreditation. Other states have found accreditation difficult for programs to achieve and maintain, and Zellman and Perlman in their 2008 review recommend being sure that an appropriate number and spacing of levels is available. The state might, for example, add another higher level with stricter adult-to-child and group-size options and/or accreditation requirements, with additional incre-

ments to reimbursement and supports for hiring additional staff.

*Subsidy program.* Most Quality Rating System systems, like Illinois, are voluntary and target providers with children who receive subsidies in their care. Unlike Illinois, most do not include license-exempt providers.

The license-exempt component is particularly important in Illinois, given the large fraction of children in the subsidy program who are cared for in license-exempt settings. But providers who often care for friends' and relatives' children short-term may see the needed training as not worth the modest subsidy increment of up to \$13 per child per week. Again, piloting the program would help inform the state about whether these rate increments will attract license-exempt providers.

Time frames built into the system may also provide a disincentive to providers. Centers and family day care providers must have been licensed for two years before applying. As written, this would be true for a license-exempt provider who decided to become licensed after completing the required training to achieve the highest license-exempt tier. Similarly, a home or center just entering the market with a new high quality program would have to wait two years before receiving the higher rate of a higher star rating. To the extent that higher quality care costs more, these providers face a choice of either (1) offering lower quality care for two years or (2) providing higher quality care, but excluding children who receive subsidies, or (3) accepting children at the lower standard rate but possibly going out of business due to costs exceeding the rate for this extended period.

Because Illinois' Quality Rating System targets providers who serve children in the subsidy program, it misses a large number of families who earn just over the thresh-

old for the subsidy. As of the state's FFY 2008-2009 plan, income eligibility was set just above 50 percent of state median income (\$2,647 per month for a family of three). Families below the threshold have a small co-pay and those above it pay the full market rate. A recent publication by Illinois Action for Children reports that as a family's income moves just above the cutoff, they can go from paying about 12 percent to nearly 30 percent of their income on the most expensive (center) care. Because co-payments are set independently of the provider's rate, this change will be most dramatic for parents using providers that charge the highest market rates (and thus presumably are highest quality). These parents may have to change to a lower quality provider once they move above the subsidy level.<sup>x</sup> Tax incentives are one strategy the state might explore to assist families who fall modestly above the cutoff for subsidies in purchasing quality care. Arkansas, Maine, and Vermont have such dependent-care tax credits that provide higher credits when families use higher quality care settings.<sup>53</sup>

A final question within the subsidy program is whether all programs should be required to participate. Several states have moved to mandatory systems, often automatically assigning the lowest star level to programs when they become licensed.<sup>54</sup> Participation of centers in Oklahoma is at 97 percent in contrast to other early adopting states with voluntary systems, where participation is much lower (e.g., 10 percent in Colorado). In states with low levels of participation, parents may lack real choices and providers may lack meaningful incentives to invest in quality.

*Universal preschool.* Like many other states, Illinois has separate initiatives aimed at universal preschool and child care quality. Ideally, these efforts will be increasingly aligned. For example, a recent National Early Childhood Accountability Task Force report recommended that:



<sup>53</sup> Child Care Bureau. "Systemic Approaches to Improving Quality of Care: Quality Rating System Gain Ground Across the Nation," *Child Care Bulletin*, 32 (2007).

<sup>54</sup> Anne W. Mitchell. *Stair Steps to Quality: A Guide for States and Communities Developing Quality Rating Systems for Early Care and Education*, (United Way, Success by 6, 2005); Gail L. Zellman and Michael Perlman. *Child-care Quality Rating and Improvement Systems in Five Pioneer States*, (Santa Monica, CA: RAND, 2008).





Considering the landscape of care that parents and providers currently use, researchers and practitioners are also beginning to think in new ways about whether children can get different aspects of quality at different times of the day, possibly from different providers.

- States should develop a unified system of early childhood education that includes a single, coherent system of standards, assessments, data, and professional development efforts across all categorical programs and funding systems.
- States should align high-quality and comprehensive standards, curriculum, and assessment as a continuum from prekindergarten through grade 3.<sup>55</sup>

Although the task force focused on preschool, other groups have similarly called for alignment and integration among child care and preschool<sup>56</sup> which could be extended from birth to grade 3. This is increasingly important as state-funded preschool is offered in centers, and as providers draw on multiple funding sources to serve children full-day and full-year.<sup>57</sup> Currently, with regard to QRSSs, most states include Head Start centers, but only Colorado, North Carolina, and Vermont include state pre-k.<sup>58</sup>

Considering the landscape of care that parents and providers currently use, researchers and practitioners are also beginning to think in new ways about whether children can get different aspects of quality at different times of the day, possibly from different providers. Toni Porter and her colleagues have conceptualized a continuum of care,<sup>59</sup> and it is possible that home-based care is best-suited to offer a certain type of quality (intimate, stable) and center-based care is best-suited to offer other types of quality (formal learning). The Community Connections Model<sup>60</sup> offers this kind of approach, advocating for transporting children from family day care to part-day/part-week preschool. Under this model, preschool teachers visit the family day-care home one day a week, fostering connections and continuity between the two settings. This is an exciting new approach for the state to explore, including whether funding rules might require modification and additional incentives might be

needed to encourage participation (e.g., should family day care providers who participate in these programs receive their full-day reimbursement rate, as a “bonus” for participation, rather than having their rate reduced by the hours the child is away at preschool?). Parents are most likely to use family day care for infants and toddlers, and center-based care for preschoolers. Yet continuity of care benefits children, and spending extensive time in large-group setting has been associated with spread of illness<sup>61</sup> and elevated problem behaviors.<sup>62</sup> An approach like the Community Connections Model might allow preschool children to stay with a family day-care provider they have used since infancy and

<sup>55</sup> National Early Childhood Accountability Task Force. 2008. *Taking Stock: Assessing and Improving Early Childhood Learning and Program Quality*. Available at [http://www.fcd-us.org/usr\\_doc/Accountability\\_Task\\_Force\\_Final\\_Report1.pdf](http://www.fcd-us.org/usr_doc/Accountability_Task_Force_Final_Report1.pdf), p. 5.

<sup>56</sup> Illinois Action for Children. *State-funded Preschool and Home-Based Child Care: The Community Connections Model*, (Chicago: Author, 2008).

<sup>57</sup> Karen Schulman and Helen Blank. *A Center Piece of the PreK Puzzle: Providing State Prekindergarten in Child Care Centers*, (Washington, DC: National Women’s Law Center, 2007).

<sup>58</sup> Anne W. Mitchell. *Stair Steps to Quality: A Guide for States and Communities Developing Quality Rating Systems for Early Care and Education*, (United Way, Success by 6, 2005).

<sup>59</sup> Toni Porter and Rena Rice. *Lessons Learned: Strategies for Working with Kith and Kin Caregivers*, (New York, NY: Bank Street College, 2000).

<sup>60</sup> Illinois Action for Children. *Child Care in Cook County: Elements of Child Care Supply and Demand*, (Chicago: Author, 2008).

<sup>61</sup> R.A. Gordon, R. Kaestner and S. Korenman. “Child Care and Work Absences: Trade-offs by Type of Care,” *Journal of Marriage and the Family*, 70 (2008): 239-254.

<sup>62</sup> S. Loeb et al. “How Much Is Too Much? The Influence of Preschool Centers on Children’s Social and Cognitive Development,” *Economics of Education Review*, 26(1) (2007), 52-66; K.A. Magnuson, C. Ruhm and J. Waldfogel. “Does Prekindergarten Improve School Preparation and Performance?” *Economics of Education Review*, 26(1) (2007), 33-51; NICHD Early Child Care Research Network. “Are There Long-term Effects of Early Child Care?” *Child Development*, 78(2) (2007), 681-701.

spend only a portion of the day in a center-based setting. This approach presents continuity with their family day-care provider while at the same time giving children access to learning at formalized centers without spending too much time in potentially stressful large-groups.

### Summary and Conclusions

Illinois continues to sit at the top of many state rankings for its investments in child care and early childhood education. However, this good performance relative to other states cannot overshadow the need for Illinois to continue to work on raising its absolute performance to meet the quality standards set by the professional community and research evidence. Structural quality indicators in the licensing systems are below these standards for teacher education, adult-to-child ratios, and group sizes for many age groups. The subsidy system gives many children access to care, but the state's below-market rates and extensive use of license-exempt care raise concerns about whether these children are getting the quality of care needed to best support all aspects of their development. The state has set an ambitious goal for making state-funded preschool available to all parents who want it, although whether it can meet that goal

without shortchanging program quality remains an open question.

The recently launched Quality Rating System has the potential to address some of these concerns. The QRS could move providers toward higher structural quality, bring higher quality providers into the subsidy system through closer-to-market reimbursement rates, and encourage alignment between quality efforts in preschool and child care. However, QRSs are challenging. Most states have found that their systems required revision over time, and that slow roll-outs with piloting identified areas needing improvement. As providers, parents, and a wider set of stakeholders learn about Illinois' new *Quality Counts* program, the state should retain flexibility to make such adjustments. This is also an opportune time for the state to look across funding streams, age groups, and types of settings, and ensure that incentives and standards are aligned. Rather than requiring all systems and settings to achieve the same levels of structural and process quality, innovative models suggest new ways to think about how systems and settings in child care and preschool can complement one another to support the broad range of physical, cognitive, and emotional development in early childhood.

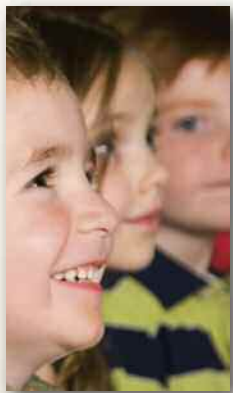


*The state has set an ambitious goal for making state-funded preschool available to all parents who want it, although whether it can meet that goal without shortchanging program quality remains an open question.*

### Endnotes

- <sup>i</sup> The CDA was developed in the 1970s to recognize the expertise of experienced caregivers and train those entering the field. Applicants complete 120 hours of training and a final assessment, including a verification visit. (Council for Professional Recognition. 2008. *CDA Credential*. Available at <http://www.cdacouncil.org/cda.htm>.)
- <sup>ii</sup> NACCRRA is a national organization whose members include state

and local child care resource and referral agencies (CCR&Rs). They provide training and technical assistance, collect and analyze data about child care supply and demand, and advocate for national policies that "facilitate universal access to high quality child care." (National Association of Child Care Resource and Referral Agencies. 2008. *We Can Do Better: NACCRRA's Ranking of State Child Care Center Standards and Oversight*. Available at [http://www.naccrra.org/policy/recent\\_reports/scorecard.php](http://www.naccrra.org/policy/recent_reports/scorecard.php).)



*Taxpayer dollars can be used most efficiently, and the highest levels of quality can be achieved, if initiatives in child care – like Quality Rating Systems and universal preschool – inform and support one another.*

- iii In some cases, NACCRRRA's scoring system allowed lower levels than NAEYC.
- iv Most states with licensing requirements, in contrast, have more stringent requirements for group sizes and ratios. For example, Illinois is one of just eight states that allow group sizes of 12 or more for infants. Twenty-nine states require smaller groups, including 20 states that require the recommended eight or fewer (Wisconsin and Minnesota are among the latter group). Similarly, Illinois is one of only 12 states with ratios for 5-year-olds at 1:20 or higher. Thirty-eight states require lower ratios. Seven states, including Minnesota, meet NAEYC's recommended 1:10 ratio for 5-year-olds.
- v Care in license-exempt settings is presumably less expensive (sometimes provided by relatives at no charge to parents), although the state's market rate survey is based on those license-exempt providers who voluntarily sign up with resource and referral agencies and their calculations are based on too small numbers of providers to be meaningful.
- vi NIEER started with the Institute for Women's Policy Research's recent estimates of the full cost of providing quality pre-k (Gault et al., 2008. *Meaningful Investments in Pre-K: Estimating the Per-Child Costs of Quality Programs*. Washington, DC: Institute for Women's Policy Research). For Illinois, NIEER used their estimate for a half-day program with a group size of 20 and a teacher with a bachelor's degree who was paid a kindergarten-level wage. NIEER then adjusted the IWPR national value using a geographic cost adjustment developed by the National Center for Education Statistics and a yearly inflation adjuster to convert to 2007 dollars (Barnett, 2008. "The universal vs. targeted debate: should the united states have preschool for all?" *Preschool Policy Matters*(6). New Brunswick, NJ: National Institute for Early Education Research, Rutgers; personal communication; Taylor et al., 2006. *A Comparable Wage Approach to Geographic Cost Adjustment* (NCES 2006-321). Washington DC: U.S. Department of Education, National Center for Education Statistics).
- vii The lowest required ratio in state pre-k is 2:15 in the New Jersey Abbott preschool program; five states, including Iowa and Michigan, require ratios of 1:8 (NIEER 2007). The Chicago Child-Parent Centers, which have also shown sizable benefit:cost ratios have a class size of 17, with two adults (Barnard 2007).
- viii Indeed, nationally, although three-fifth of state pre-k programs operate in public schools, over one-quarter occur in child care settings (Schulman, Karen and Helen Blank. 2007. *A Center Piece of the Pre-K Puzzle: Providing State Prekindergarten in Child Care Centers*. Washington, DC: National Women's Law Center).
- ix For example, parents may believe that licensing ensures high, rather than minimal, quality (Zellman and Perlman *Child-care Quality Rating and Improvement Systems in Five Pioneer States*. Santa Monica, CA: RAND, 2008). Many parents do not "shop around" to multiple settings before they select care, especially if they use license-exempt providers and parents overwhelmingly report being satisfied with their care arrangements

(Gordon and Högnäs 2006. "The Best Laid Plans: Expectations, Preferences, and Stability of Child-Care Arrangements." *Journal of Marriage and Family*, 68, 373-393). Parents also report that the quality items in the Environment Rating System are important to them, especially those dealing with caregiver-child interactions, health and safety. But parents rate their current provider higher on quality than do independent observers, especially when aspects of care are difficult to monitor (Cryer and Burchinal 1997).

- x The broader child care literature similarly finds that the poorest and the wealthiest families have access to the highest quality care, on average; in the middle, families often cannot obtain this care because their incomes are too low to pay the market rate but too high to qualify for subsidies (Fuller and Strath 2001. "The Child-Care and Preschool Workforce: Demographics, Earnings, and Unequal Distribution." *Educational Evaluation and Policy Analysis*, 23(1), 37-55).



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# Obesity: Causes, Consequences and Public Policy Solutions

Obesity is a health issue that has more implications on policy than you might expect.

# Obesity: Causes, Consequences and Public Policy Solutions

By Robert Kaestner

*(Editor's Note: Previous editions of The Illinois Report have focused on the broad scope of the health care issue in Illinois. But within the challenges of providing a program that benefits all those in the state who need assistance lie policy issues specific to areas of health that often do not figure into the larger debate. This is one of those issues.)*

Obesity is one of the most pressing public health challenges facing Illinois and the nation. Nationally, the prevalence of obesity among children and adults has increased significantly over the last 30 years.<sup>1</sup> Among adults, obesity has increased nearly 150 percent, from 14 percent of the population in 1971-75 to 34 percent of the population in 2005-2006. Even larger relative increases have been observed for children; the prevalence of obesity among children has grown by 300 percent, from 5 percent in 1971-1975 to 16 percent in 2003-2006. And the United States is not alone. Many developed countries have witnessed an increase in obesity over the past 20 to 30 years.

Rates of obesity in Illinois mirror those in the country, as shown in Figures 1 through 4.

In 2007, approximately 27 percent of women age 18 to 64 and 29 percent of similarly aged men in Illinois and the U.S. were obese.<sup>2</sup> Also evident from Figures 3

<sup>1</sup> The medical community uses the Body Mass Index (BMI), defined as a person's weight (in kilograms) divided by the square of the person's height (in meters), to classify individuals as obese whose BMI equals or exceeds 30 kg / m<sup>2</sup>. The BMI can also be calculated as [Weight in Pounds/(Height in inches)<sup>2</sup> x 703.]

<sup>2</sup> Figures differ from those cited above because they were calculated using different data sources, different ages, and are based on self-reported weight and height. The trends in obesity reflected here are consistent with those reported other data sources.

Figure 1  
Prevalence of Obesity Among Women in US and Illinois

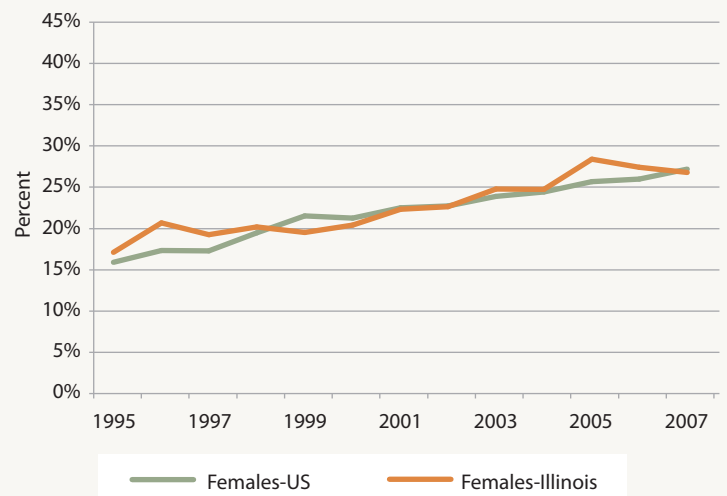
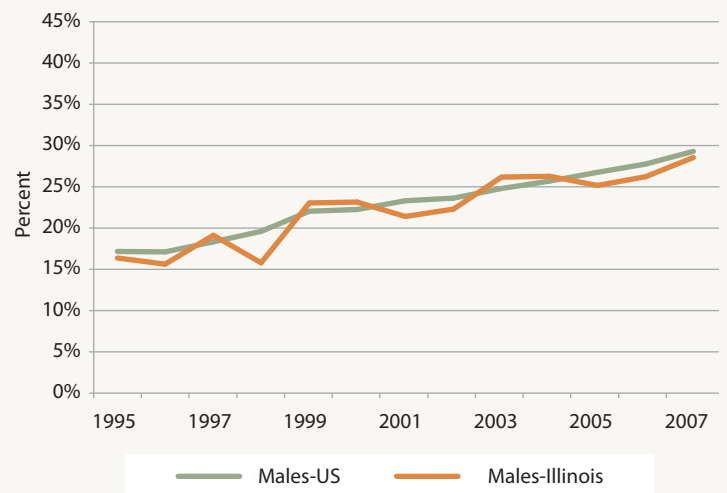
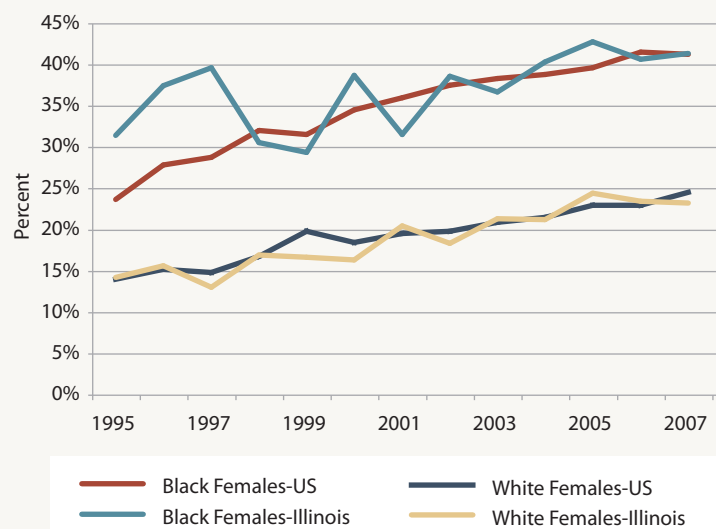


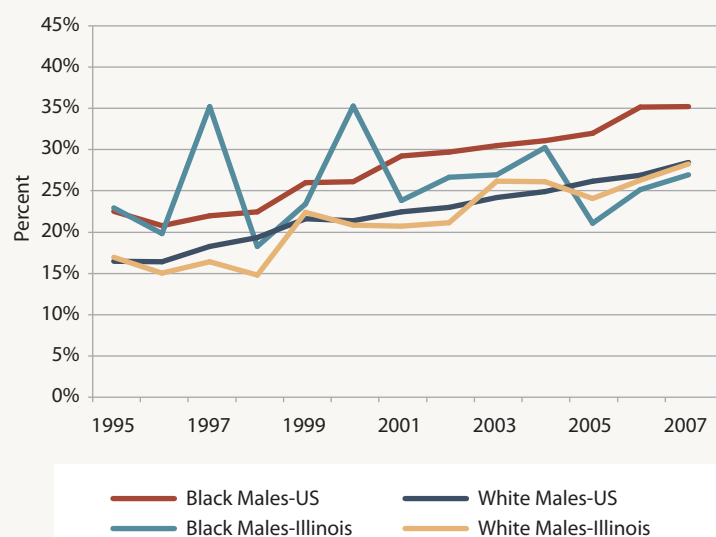
Figure 2  
Prevalence of Obesity Among Men in US and Illinois



**Figure 3**  
**Prevalence of Obesity Among Black and White Women in US and in Illinois**



**Figure 4**  
**Prevalence of Obesity Among Black and White Men in US and in Illinois**



and 4 are the substantially higher rates of obesity among black persons as compared to white persons in both Illinois and the nation (figures for Hispanics and other racial/ethnic groups are too variable due to small sample sizes).

The highest rates of obesity are observed among black women – more than 40 percent of black women were obese in 2007. While the level of obesity differs by demographic group, obesity has grown for all at about the same rate, which suggests that causes of the growth in obesity are common to all. For example, while there are substantial income differences between black and white persons, obesity has been growing about the same for both – higher income does not seem to protect against obesity.

The rise in obesity has generated a great deal of public concern primarily because obesity is associated with several serious health conditions including type 2 diabetes mellitus, heart disease, high blood pressure, hyperlipidemia, stroke, increased incidence of certain forms of cancer, respiratory complications, osteoarthritis, and increased mortality. Further, obese individuals have increased morbidity and reduced quality of life compared to non-obese individuals. Overall, obesity has been reported to be the second leading cause of premature death from a modifiable behavior with an estimated 365,000 deaths in the year 2000 attributed to obesity. Obesity may also affect well-being in other ways than health. Researchers have suggested that obesity may be a cause of lower educational achievement and lower earnings, for example, because of discrimination against obese persons.

The health care costs associated with being overweight and obese have been estimated at \$78.5 billion in 1998. Approximately half of this sum (\$37.6 billion) was paid for by the public through Medicare



and Medicaid. For Illinois, estimates of the health care costs of obesity were estimated to be \$3.4 billion in 1999 with approximately one-third of this borne by the Medicaid program. These figures ignore the continued growth in obesity since 1998. Recent estimates suggest that approximately 30 percent of the rise in health care costs over the last 20 years is because of the rise in obesity. Reducing obesity to the level that prevailed 20 years ago (1987) would save the U.S. approximately \$200 billion.

### **Causes of the Problem**

Obesity is caused by an imbalance between calories consumed and calories expended; weight is gained when calories consumed (i.e., energy intake) exceeds calories expended (i.e., energy expenditure). Energy intake and energy expenditure are determined by many factors that can be broadly grouped into those that are specific to the individual such as biological (e.g., metabolism and genetics) and behavioral (e.g., physical activity), and those that are external, including environmental factors (e.g., food prices). Explanations of the rapid increase in obesity need to correspond to plausible changes in energy balance and, given the relative short time interval over which that growth has occurred, most observers rule out genetic changes. Similarly, while biological factors (e.g., metabolism) may partly explain the rise in obesity, most agree that it is growing primarily because of behavioral and environmental changes. In short, Americans are eating more and exercising less. But the reasons for the growth of this energy imbalance, the timing of its growth (post-1980), and why growth has been more severe in some places and for some populations than others remain in dispute.

### **Causes of Increased Energy Intake**

Evidence shows that there has been a significant increase in calorie consumption

over the last 30 years. Such an increase would not necessarily result in an increase in obesity unless combined with no change, or a decline, in energy used. This appears to have been the case, as evidenced by rising rates of obesity during the past 30 years.

The primary reason for the increase in calorie consumption is the declining price of food, particularly the price of high-calorie foods such as those containing high-fructose corn sweeteners and oils. While food prices have been declining throughout the 20<sup>th</sup> century because of increased efficiency in the agricultural sector, the price of calorie-dense foods and beverages has decreased markedly since the 1980s while the price of fruits and vegetables has increased. Related to this issue is the change in the price of food preparation – measured as the value of the time it takes to prepare a meal at home rather than buying a ready-made meal. As women have entered the work force, which occurred most during the period from 1960 to 1980, the price of home-prepared foods has increased along with the opportunity cost of women’s time. Simultaneously, technological changes have lowered the price of fast foods and store-bought prepared foods that substitute for home-prepared meals. As a result, there has been a steady increase in meals eaten away from home, which differ in composition (types and size of portion) and number of calories than foods prepared at home. A final cause of lower food prices is urban sprawl, which is associated with supermarket expansion. Supermarkets take advantage of relatively cheaper land prices in the suburbs to exploit economies of scale that lower costs of distribution with the result being lower food prices in suburban areas. In addition, “big box” stores are not within walking distance of most residential neighborhoods. The shift of population to less dense areas also forces older, urban stores to close and when grocery stores are sparse, fast-food restaurants fill in the



*Among adults, obesity has increased nearly 150 percent, from 14 percent of the population in 1971-75 to 34 percent of the population in 2005-2006.*





*Currently, 25 percent of the U.S. population is completely sedentary and 60 percent does not exercise sufficiently to meet recommended levels.*

void. The greater availability of fast food relative to supermarket-purchased foods lowers the price of fast foods in these communities.

### **Causes of Reduced Energy Expenditure**

Evidence on changes in energy expenditure (e.g., exercise, walking, physical labor, active leisure activities) is less available than for energy intake, but what evidence there is suggests that there has been a substantial decline. The percentage of persons working in physically demanding jobs remained steady between 1950 and 1970, but decreased markedly over the next 30 years. Similarly, more people drive and fewer people walk. In 1960, only 67 percent of travel to work was by automobile, but by 2000 that figure had risen to 88 percent. Much of the change in commuting comes from change in where people live. As urban sprawl has gradually increased, automobile travel has increased. Finally, there has been a change in recreational activities. Television viewing has increased by approximately 30 minutes per day every 10 years since 1950. While decreases in energy expenditure alone cannot explain rising obesity, when it is combined with increasing calorie consumption the results could be significant, as evidenced by the growing rates of obesity.

Technological change is the likely cause of these changes in energy expenditure. Innovation has made work, travel, and leisure activity less strenuous. Most notably, technological change has increased productivity in manufacturing and agriculture and significantly reduced the number of physically demanding jobs in the economy. Technology also has increased the value and reduced the price of sedentary recreational activities such as watching television and playing computer games. Technology has increased the variety and sophistication of these leisure activities, while at the same time improvements in manufacturing productivity has led to a

drastic reduction in the cost of televisions, computers, and goods used with these activities (e.g., software, cable programming). In contrast, technological change may lower the cost of a tennis racquet, but the change in the price of engaging in tennis has probably increased more over time than the price of television viewing because the time costs are the same in each activity, but the costs of complementary goods have decreased more for television (e.g., expansion of cable TV) than tennis. In general, the costs of time-intensive activities like exercise have risen because of rising wages and increased participation of women in the work force. Therefore, relatively time-intensive recreational activities have declined.

Another factor affecting energy expenditure is urban sprawl. The interstate highway system and the rise in incomes have made suburban living more affordable (lower travel costs) and desired (desire for larger houses on cheaper land) and has caused more persons to live in areas that require more travel, leaving less time for exercise. A recent study reported that approximately 12 percent of the increase in obesity between 1970 and 2000 can be explained by suburbanization.

Overall, physical activity levels are relatively low and, while hard to measure, exercise has likely declined due to changes in the nature of work, travel, and leisure time activities. Currently, 25 percent of the U.S. population is completely sedentary and 60 percent does not exercise sufficiently to meet recommended levels.

### **Public Policy Solutions**

Obesity is a growing and costly problem and many experts say rising costs of medical care justify government intervention. However, the obesity-related cost of health care is not necessarily the best argument for government intervention. First, some recent studies have shown that obesity, as

currently measured by body mass index above 30, is not as strongly correlated with morbidity and mortality as many have assumed. If correct, this fact would suggest that many estimates of the health care costs of obesity are exaggerated. Second, some argue that obese persons pay more for health care – through lower wages on jobs that provide health insurance – than less-obese persons. If so, then obese persons are paying their fair share, at least in the employer-sponsored market that insures most non-elderly persons in the United States. Third, while the medical costs may be large there are other fiscal consequences of obesity that are largely ignored and that may offset the higher medical spending associated with obesity. For example, if obesity does result in early death, social security spending would be significantly reduced. The upshot is that medical costs alone may not be sufficient to warrant government intervention.

A more persuasive argument for government intervention is that government has undoubtedly caused a significant part of the obesity problem through policies that affect the price of food (e.g., farm subsidies), the built environment (e.g., highway construction subsidies and zoning laws), and physical activity (e.g., school physical education programs). Modifying or eliminating these myriad programs is not feasible and may not be warranted by program effects on obesity, and so direct action on obesity is justified.

The problem that policymakers face is figuring out how best to intervene to reduce obesity. On this issue, there are many more proposals than good policies. Also, there is a distinct naiveté that ignores personal responsibility and the rational tradeoff that people make between health and consumption. There are many examples of people trading off consumption for health: working in risky jobs (e.g., law enforcement) for higher pay, buying home health and safety equipment to prevent acciden-

tal injury or death, and paying for more screening exams to detect illness. Obesity may largely be a result of a similar tradeoff – eating more and consuming more sedentary leisure activities, which are sources of great satisfaction, for a less healthy and somewhat shorter life.

No force is compelling people to eat fast food. People clearly enjoy McDonald's and decide freely to eat at McDonald's restaurants. The fact that more people work longer hours and family meals at home are more infrequent, generally, does not imply that eating at McDonald's is not a choice. Moreover, the fact that there are more fast-food restaurants today than 20 or 30 years ago likely reflects the fact that home-prepared food is more costly now than in the past because of demands outside the home. Given the voluntary nature of the activity, two incomes almost certainly provide greater benefits than one. Therefore, limiting such consumption would substantially reduce consumer welfare and be met with (appropriate) consumer resistance. Policies need to consider this basic fact.

Consider another example. While government subsidies to corn growers may have lowered the price of high-fructose corn syrup and lowered the price of soft drinks, most of the decline in the price of soft drinks comes from technological change (in production and distribution). Therefore, most of the increase in soft-drink consumption is not due to government intervention. Moreover, every adult knows that soft drinks are high in calories, but consumption among adults and their children continues unabated. These examples illustrate the point that much of obesity is voluntary, and government intervention to reduce obesity may face significant consumer resistance.

### **Taxes**

Given that the government has implemented programs that have lowered the





price of energy intake and raised the price of energy expenditure, it is reasonable for the government to use tax policy to address these price distortions. Externalities associated with financing Medicaid and Medicare may also justify government intervention. However, taxing food is regressive and hurts low-income consumers the most. Moreover, it is very difficult to design a targeted tax, say at “junk food,” that will be effective. Is Chinese take-out “fast food” or “junk food”? Is pizza “junk food”? If we tax food purchases at some types of establishments more heavily, consumers will switch to other types of establishments that are less costly – for example, buying prepared foods at supermarkets. Any tax of this type will be messy (arbitrary inclusion and exclusion of foods and establishments) and potentially ineffective, as the possibilities for consumers to find substitutes that are equally convenient and equally “unhealthy” are numerous. This conclusion stems from the basic fact that consumers are making optimal and voluntary choices and are rationally trading off convenience and weight gain for time.

Another popular proposal is to tax soft drinks, or to tax soft drinks at rates higher than other food items. Many states do this now to varying degrees. What effect will this have on obesity? It will likely decrease consumption of soft drinks (perhaps even diet soft drinks), but it will do so for both obese and non-obese persons – the latter group will be clearly made worse off by such a policy. Note that only 30 to 35 percent of the adult population is obese and a much larger fraction than this consume soft drinks. Next, a soft-drink tax will increase consumption of other drinks including high-calorie fruit juice and whole milk. A cup of orange juice has 112 calories; a cup of whole milk has 160 calories; and a cup of Coke – only 105 calories. Finally, soft drinks account for only 7 percent of calories consumed. Therefore, taxing soft drinks is unlikely to have any noticeable effect on obesity.

Taxes on food are focused on increasing the cost of energy intake, but taxes also can be used to lower the price of energy expenditure. However, designing such taxes may be difficult, costly, and largely ineffective. For example, how could tax policy be used to spur physical activity? The government could raise taxes on recreational activities that are sedentary, such as television viewing (televisions, cable subscriptions, etc.) or computer games. However, such taxes would harm many consumers who use these items and who are not obese, and harm consumers who use these products (e.g., computers) for other purposes (e.g., school and work). And raising the price of one class of products would create an incentive for the market to develop substitute products that are not taxed. Here is yet another example of the unintended consequences of government intervention into a market where transactions are largely voluntary. Consumers love television and computer games. Making these activities more costly does nothing to change this fact. Undoubtedly, there are many substitute technologies that could be developed that would thwart the tax code and serve consumer demand.

Subsidies (tax cuts) for activities that increase energy expenditures may be more effective at changing behavior, but these will be very costly. For example, providing a tax break for gym membership will be costly because much of the break will go to persons who already purchase gym memberships. Few people will be encouraged to join gyms (and use them) by providing a tax credit because much of the cost of the gym is a time and psychological cost.

In sum, tax policy has little likelihood of being used to significantly reduce obesity. Public health advocates who call for taxes on soft drinks and fast foods ignore the voluntary nature of obesity and exaggerate the potential effectiveness of these taxes to reduce obesity. Taxes on food are also regressive hurting the poor the most.

### **Direct Regulation**

Direct regulation of the production and distribution of food is another policy approach that is growing, as bans on trans-fat in food production, selling foie gras, and having vending machines in schools attest. The problem with these approaches is that there are many substitutes for the banned products. Take vending machines in schools, which are most pertinent to middle- and high-school students. Products obtained from vending machines can easily be found in nearby stores and can be purchased before or after school to be consumed during the day. However, the whole idea that vending machines in school contribute significantly to obesity is laid bare when one considers that obesity rates among adults and children who buy nothing in school vending machines are growing as much or more than obesity rates of children who use vending machine products.

Some have argued that a ban on food advertising may be relatively effective at reducing obesity. The food industry spends considerable sums and represents a large portion of all advertising. A significant portion (approximately 10 percent) of it is geared toward calorie-dense foods. Advertising has been shown to be effective at getting consumers to switch brands and may be an explanation for part of the increase in consumption of calorie-dense foods, which are widely advertised. Banning such advertising may help lower consumption of such products.

### **School-Based Physical Activity**

Research has shown that school-based physical activity can help reduce obesity and improve weight control. Unfortunately over the last 20 years, physical activity at school has declined. Perhaps the best evidence comes from studies of the effect of Title IX on adolescent and adult obesity. Title IX of the Education Amendments of 1972 mandated equal opportu-

nity to participate in sports for girls and boys and resulted in a dramatic increase in girls' school sports participation in the 1970s. This increase in exercise resulted in a significant decline in girls' obesity during the 1970s and follow-up studies have found that these improvements in weight during adolescence lasted into adulthood. Notably, Illinois mandates daily physical activity in grades K-12, and is in the forefront of states on this issue.

### **General Education**

A positive association between education (e.g., years of completed schooling) and health has been widely documented. Those with more education have better health and better health behaviors than those with less education. More importantly, the relationship between education and health remains after adjusting for income, health insurance, and many other factors that are correlated with education. So it is not the case that education is simply a proxy for some unmeasured determinant of health. Instead, it is widely agreed that education is a cause of good health.

The positive association between education and health is also found in the specific cases of diet, exercise, and obesity. For example, a recent study of adults in the U.S. showed that every additional year of education reduced the probability of being obese by one to two percentage points or between 3 and 7 percent. These results imply that a college graduate is 12 to 28 percent less likely to be obese than a similar person with just a high school degree. Similarly, education was positively associated with exercise. Each year of education raised the likelihood of engaging in vigorous exercise by 5 to 10 percent, and someone with a college degree was 20 to 40 percent more likely to exercise vigorously than someone with a high school diploma.

The positive relationship between education and health implies that good education



*Those with more education have better health and better health behaviors than those with less education.*





*The best hope to slow and possibly reverse the trend in obesity is to improve the quality of education, particularly in childhood.*

policy is also good health policy. Education is a powerful determinant of health, and many other social and economic outcomes. Unfortunately, high school graduation rates in many large cities, including Chicago, are around 50 percent. Increasing rates of high school graduation and the quality of schools will likely lead to significant improvements in obesity and population health more generally.

### Summary

The causes of obesity are simple: too many calories consumed and too few calories expended. Over the past 30 years, obesity has increased because technological change has lowered the price of calorie-dense foods and sedentary activities and raised the price of low-calorie (non-calorie dense) food and physically challenging activities. In addition, increased women's labor force participation and increased suburbanization have changed how families eat, get to work and shop, and have contributed to the rise in obesity.

Solutions to obesity that attempt to reverse these fundamental and largely voluntary changes in society are unwise and are modern analogs to Luddism. The ship has sailed on women's entry into the labor force, urban sprawl, computer games and fast food. Only draconian polices that consumers will likely find completely unacceptable would have a chance of significantly affecting obesity. The best hope to slow and possibly reverse the trend in obesity is to improve the quality of education, particularly in childhood. Recent research has demonstrated that children's cognitive ability is directly associated with adult health and well being; children who have higher cognitive ability are less likely to be obese as adults and are more likely to be healthy. Evidence strongly suggests that it is general education (i.e., cognitive ability) that matters for health—not specific information about the costs and benefits of healthy lifestyles. In

addition, there is growing evidence that non-cognitive ability such as the ability to delay gratification are also quite important to health and that these abilities are formed early in life. So, early childhood programs that raise cognitive and non-cognitive abilities may be particularly valuable in the fight against obesity.



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# Emergency Preparedness in Illinois

Is Illinois prepared for anything and everything?

# Emergency Preparedness in Illinois

By Patricia S. Rushing



*Events such as the shootings at Northern Illinois University last year serve as a reminder that tragedy can strike anywhere at any time.*

Illinois is no stranger to disaster. Tornadoes are common, floods have devastated farm fields and towns repeatedly in recent years, and the state's vast transportation network means first responders must be wary of the potential for hazardous materials whenever there is an accident. Events such as the shootings at Northern Illinois University last year serve as a reminder that tragedy can strike anywhere at any time. Fortunately, Illinois has used its resources to prepare itself well. This chapter examines that preparedness from a statewide perspective, comparing Illinois with other states and assessing how the state uses its financial resources to develop tools for dealing with emergencies. However, policymakers need to keep in mind that areas of vulnerability remain, particularly in the protection of infrastructure and communications.

Illinois has a well-established network for emergency response and state agencies work with local first responders to provide training, equipment and other resources. Illinois' strategy for distributing federal homeland security dollars is to use the Illinois Terrorism Task Force (ITTF) as a central repository that distributes the money to local agencies, programs or initiatives based on need. We will examine how the federal dollars that flowed into the state after 9-11 have been put to use.

The ITTF and the Illinois Emergency Management Agency (IEMA) are responsible for the overall security strategy for the state. The ITTF provides recommendations and guidance for complying with homeland security laws, policies and procedures, and works with 63 other governmental agencies, organizations, associations and communities to help train first responders and others to deal

with nearly any terrorism situation that might arise. IEMA is responsible for coordinating the state's response to other disasters, natural and man-made. The state has forged partnerships with the federal government, other states, local governments and the private sector to ensure the safety of Illinois citizens and critical infrastructure in the event of a catastrophe.

While the threat of terrorism is behind much of federal homeland security funding, the efforts of the ITTF benefit the state most by keeping it ready to respond to more likely events such as a tornado, a hazardous materials leak or a chemical plant explosion. Therefore, as emergency responders prepare for acts of terrorism that seem unlikely to the typical resident, they are building the capacity for communities across the state to cope with ice storms, power outages, floods, and other more frequent events. In fact, federal authorities have called Illinois' mutual aid structure and specialized response teams models for the rest of the nation.

## **Illinois Funding Levels: How We Compare to Other Midwestern States**

Illinois ranked fifth among the 50 states and District of Columbia in 2007 in securing grants dedicated to establishing a statewide homeland security program. Only California, Texas, New York, and Florida consistently rank higher. Table 1 indicates the rankings of other Midwestern states are scattered.

Illinois' portion of the national total funding trended upward from 3.1 percent of the total in 2002 to 5.33 percent in 2006, and then declined to 4.78 percent in 2007 and 4.43 percent in 2008. It is difficult to maintain one master database that allows a state-

by-state comparison because the programmatic makeup and anticipated outcomes of each grant period differ from year to year.

In summary, Illinois received \$966 million of the \$22 billion dollars allotted nationally between FY03 and FY08 as indicated by Table 2.

### A Shift in Focus: State vs. Urban Comparison

Comparisons between state and urban allocations reveal a shift from funds dedicated to the *state* at large to *urban area* all-hazard preparedness. National statistics for fiscal years 2005 and 2006 rank Illinois fourth in national funding behind California, New York, and Florida as it relates to the overall State Homeland Security Grant Program (SHSP), the Law Enforcement Terrorism Prevention Program (LETPP), the Urban Areas Security Initiative (UASI) and the total percentage of national funding dedicated to domestic preparedness.

From fiscal years 2002 through 2007, Illinois' average share of the total national Homeland Security Grant Program (combining the State Homeland Security Grant Program and the Urban Area Security Initiative) was 4.08 percent.

Funding for the statewide program (SHSP and LETPP) generally exceeded UASI funding from 2002-2004 and in 2005 was almost equal (\$48.6 million to \$48.2 million). In 2006, UASI funding exceeded the state grant funding by \$14.3 million, beginning a trend toward increased funding for high-risk urban areas that continued in 2007 and 2008.

Table 3 shows year by year comparisons, followed by the national rank-order, for state grant vs. Chicago/Cook County UASIs.

Table 1  
**Funding of Homeland Security Grants for Midwestern States**

	FY '08 State Homeland Security Grants	FY'07 State HS Grants	Population Rank
Michigan	11	10	8
Indiana	19	18	14
Missouri	21	20	17
Wisconsin	25	21	18
Iowa	35	34	30

Table 2  
**A National Comparison: State Homeland Security Grant Program**

FY	National Funding	Illinois Award
03	4.3 Billion	152.9 Million
04	4.1 Billion	162.2 Million
05	3.7 Billion	152.4 Million
06	2.9 Billion	155.9 Million
07	4.2 Billion	201.7 Million
08	3.1 Billion	140.9 Million
Total	22.3 Billion	966.0 Million

Table 3  
**Comparison of State Grants vs. Chicago/Cook County UASIs**

Year	State Grant	National Rank	Chicago/Cook Co. UASIs	National Rank
03	\$68.9	4	\$40.9	2
04	\$73.5	5	\$34.3	2
05	\$48.6	5	\$48.2	4
06	\$37.9	5	\$52.5	3
07	\$38.7	4	\$47.6	4
08	\$45.0	5	\$45.8	4

*Federal authorities have called Illinois' mutual aid structure and specialized response teams models for the rest of the nation.*





*The ITTF has divided Illinois into 19 Homeland Security Regions, each built around seven layers of special response teams.*

The Transit Security Grant Program (TSGP) funds directed to the Chicago Transit Authority (CTA) in FY03 and 04 were factored into the UASI appropriation. From FY05 to present, the TSGP became a separate award (Table 4).

**Table 4**  
**The Transit Security Grant Program (TSGP)**

FY	Illinois	National	%	Rank
05	\$12.45m	\$134.1m	9.3	4
06	\$12.5m	\$136.0m	9.2	4
07	\$20.6m	\$262.9m	7.8	5
08	\$26.0m	\$350.1m	7.4	5

**The Illinois Strategy: The Infrastructure of the Illinois Terrorism Task Force**

The ITTF has divided Illinois into 19 Homeland Security Regions, each built around seven layers of special response teams: three local teams (Level-A Hazardous Materials, technical rescue teams, and law enforcement weapons of mass destruction [WMD] special regional teams), three types of state-level teams (WMD teams, Illinois Medical Emergency Response Teams and an Urban Search and Rescue Team), and one federal-level team (the 5<sup>th</sup> Civil Support team). Complementing these teams are the Chicago Urban Area programs, which are funded and managed cooperatively between the Chicago Office of Emergency Management and Communications (OEMC) and the Cook County Board of Commissioners. Chicago has been an Urban Area Security Initiative (UASI) city since 2003 and has historically been one of the top five cities in the country in terms of funding, which is decided based upon a combination of risk and programmatic effectiveness.

The ITTF is comprised of 15 committees. These range from a committee that focuses

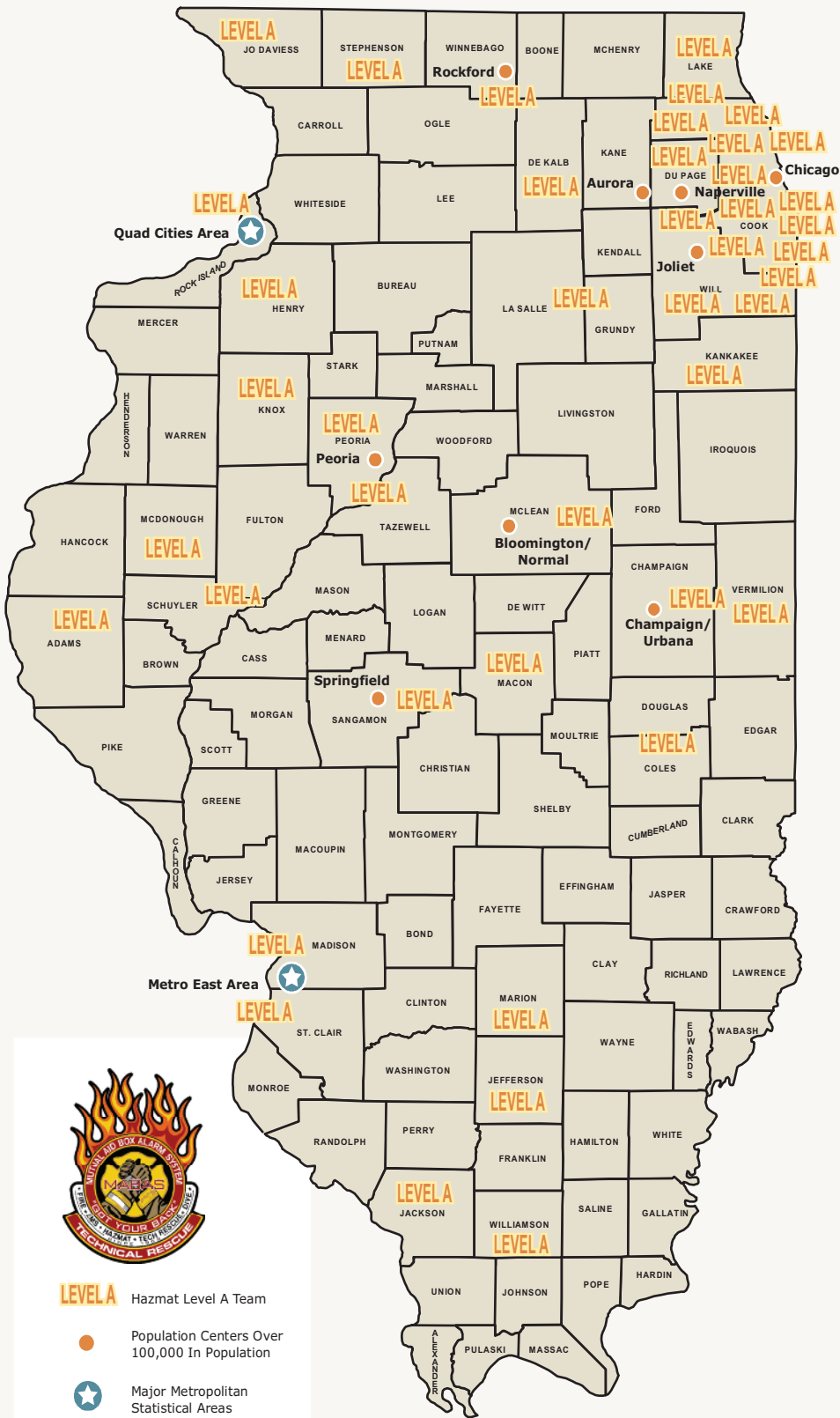
almost exclusively on preparing to respond to bioterrorism – which has already positioned Illinois as one of the best-prepared states – to one that works to improve the methods of communication across the state when disasters of any kind occur. Other task force committees deal with strategies for emergency response, coordinating that response among various law enforcement and emergency response agencies, and coordinating partnerships between the public and private sectors. These committees have been recognized for their achievements nationally, including receiving an Innovations in American Government award in 2007 for developing a system to share important information among law enforcement agencies in real time.

**Three Preparedness Initiatives: Mutual Aid, Intelligence and Communication**

The Illinois Law Enforcement Alarm System (ILEAS), the Mutual Aid Box Alarm System (MABAS) and the Illinois Public Health Mutual Aid System (IPHMAS) are three of the largest mutual aid organizations in the nation. These organizations – in which agencies depend upon help from each other in times of crisis – can only work when those involved are continually trained. Mutual aid in Illinois can become more effective by integrating representatives from these organizations and others – including the state Department of Transportation, the National Guard and the private sector – into the operations of the Statewide Terrorism Intelligence Center and other statewide emergency communications efforts.

The Illinois State Police, the Illinois Association of Chiefs of Police, and other partners have developed the Statewide Terrorism Intelligence Center (STIC). This center coordinates all terrorism-related inquiries from law enforcement on a 24-hour, seven-day-a-week basis. The STIC recently created an Internet Crimes Unit that takes requests from law enforcement officials and from

Figure 1  
Mutual Aid Box Alarm System (MABAS) - Hazmat Level A Teams

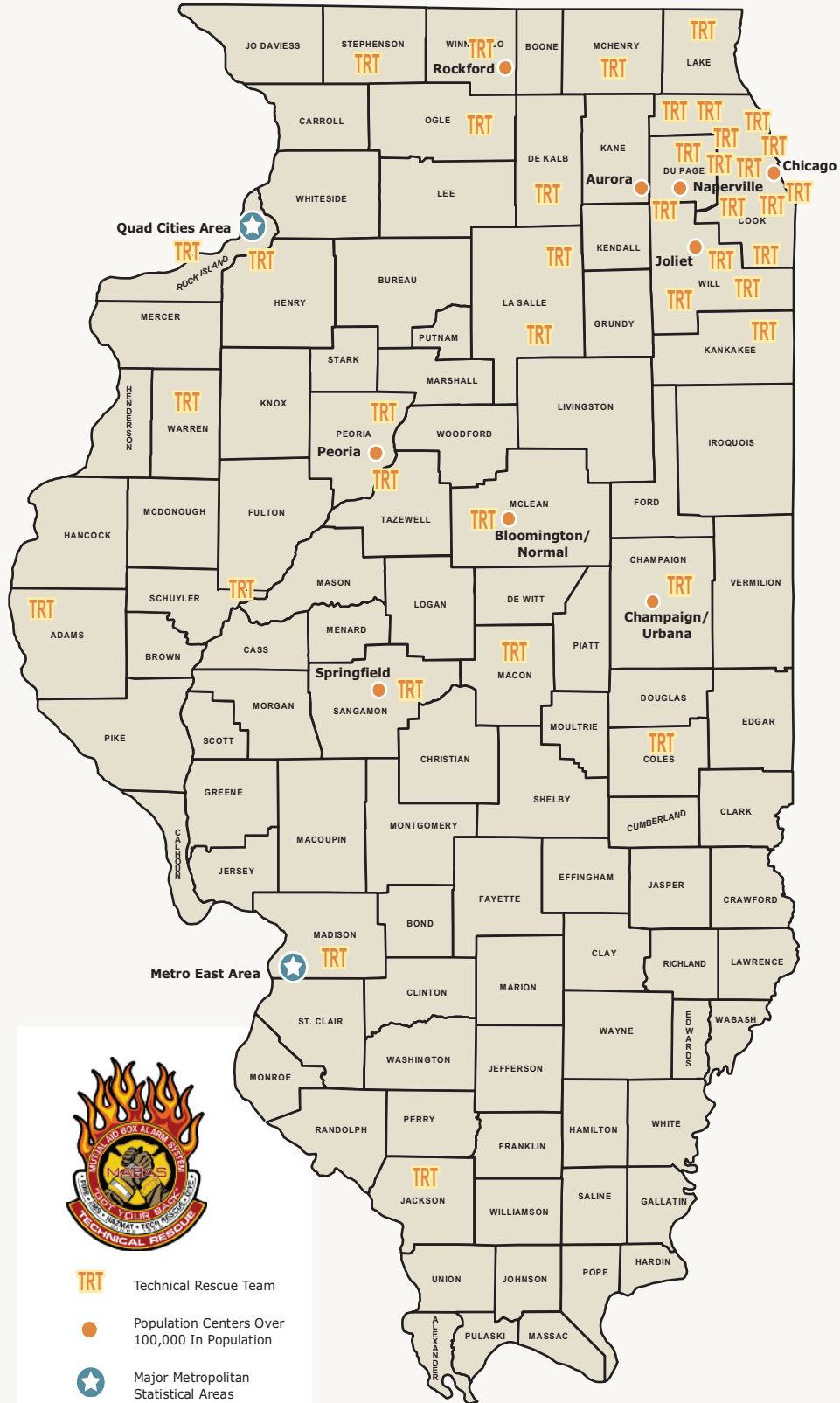


*From fiscal years 2002 through 2007, Illinois' average share of the total national Homeland Security Grant Program (combining the State Homeland Security Grant Program and the Urban Area Security Initiative) was 4.08 percent.*



Illinois is one of five states to have a senior intelligence analyst from the U.S. Department of Homeland Security, and is the first to include analysts from law enforcement, fire, public health, emergency management and Internet crimes to bolster counter-terrorism capabilities.

Figure 2  
Mutual Aid Box Alarm System (MABAS) - Technical Rescue Teams (TRT)



the general public about incidents involving Internet fraud, sexual predators, and suspected intrusion of secure computer networks. Illinois is one of five states to have a senior intelligence analyst from the U.S. Department of Homeland Security, and is the first to include analysts from law enforcement, fire, public health, emergency management, and Internet crimes to bolster counter-terrorism capabilities. In addition, there is a direct link between the STIC and Chicago's Office of Emergency Management and Communication. Using technological advances, including portal, web conferences, and virtual workspaces, the STIC will expand partnerships to enhance preparedness across Illinois.

The ITTF continues to implement a statewide communications platform that allows various agencies' voice and data systems to communicate with each other. This program also has distributed more than 2,800 sophisticated emergency communications radios to public safety agencies. Nine Illinois Telecommunications Emergency Communications Systems (ITECS) are now operating across the state. Future endeavors include strengthening emergency communications on college campuses. An initiative is in progress to purchase additional radios that will provide colleges with the capability to access the shared communications network used by responders during an emergency. The ITTF will identify training needs and implement programs that will help campus security prepare for, respond to, and recover from security incidents on campus.

#### **Animals in Disasters – An Illinois Distinction**

In 2006, the Regional Institute for Community Policing, a unit of the Institute of Government and Public Affairs at the University of Illinois, received a grant from the U.S. Department of Homeland Security to help prepare the nation for catastrophic events involving animals; the first award of its kind. The Pets Evacuation and Trans-

portation Standards (PETS) Act requires that state and local emergency preparedness plans address the needs of individuals with household pets and service animals following a major disaster or emergency. Communities are now compelled to prepare for individuals to evacuate with their companion or service animals in order to be eligible for Category B FEMA Public Assistance Grant funding. Because of the 2006 PETS Act, planning for pets and emergencies is now part of the local, state and federal preparedness efforts in Illinois.

#### **Preparedness at Illinois Nuclear Power Plants**

Illinois has more nuclear power plants than any other state, with 11 operating nuclear reactors at six nuclear power plants and two reactors that have been shut down. Each plant stores its own spent nuclear fuel.<sup>1</sup> The Illinois Emergency Management Agency is responsible for monitoring the reactors and has several programs in place to protect Illinois in the event of a nuclear incident.

IEMA constantly inspects all of the reactors whether they are operating or, in the case of the Zion nuclear plant, closed down. It uses an integrated, computer-based system that continually monitors the reactors and is capable of identifying and measuring the presence of radioactive materials in the surrounding environment.

IEMA also places a full-time state inspector at each power station and coordinates a program that ensures pressurized systems in the plants meet state and federal standards and the American Society of Mechanical Engineers Code. A third program involves quarterly joint inspections with the Illinois Environmental Protection Agency. These inspections ensure compliance with state laws and that any release of radiation is reported to the state.

The state's Radiological Task Force (RTF) responds to nuclear power plant and other radiological emergencies in Illinois. The



<sup>1</sup> [http://www.eia.doe.gov/cneaf/nuclear/page/at\\_a\\_glance/states/statesil.html](http://www.eia.doe.gov/cneaf/nuclear/page/at_a_glance/states/statesil.html).





*The state must strengthen its transportation infrastructure and its systems for monitoring the movement of freight.*

RTF consists of the Radiological Emergency Assessment Center (REAC) in Springfield and the Radiological Assessment Field Team (RAFT). The REAC provides an assessment of the event, determines if there is any radiation danger, and then recommends action to the State Emergency Operations Center. The field team is dispatched to the affected area to measure radiation, collect environmental samples, ensure contamination control and sample chain of custody, analyze samples, and coordinate with other field responders. The RTF also sends personnel to monitor the public for signs of radioactive contamination and to assist the Red Cross and hospitals in establishing contamination control protocols. Federal authorities also respond to any incident at the state's nuclear reactors.

#### **Areas of Vulnerability**

By most measures, Illinois is well prepared to handle emergencies of all kinds. Yet there remain several areas of vulnerability for policymakers to consider.

The state must strengthen its transportation infrastructure and its systems for monitoring the movement of freight. Illinois has adopted California's national-standard program for keeping an inventory and assessing the state's critical infrastructure, but further steps need to be taken to protect roads and bridges. The Illinois Department of Transportation does have a program to equip bridges that have the highest traffic volumes with security cameras and fencing. Better protection also is needed on waterways and at rail freight yards, cargo storage areas and other critical sites. Illinois currently has two mobile Vehicle and Cargo Inspection Systems (VACIS), which use gamma rays to scan the contents of large trailers and shipping containers, but a third is needed. This could be permanently located at the Burlington Northern-Santa Fe's Center-Point intermodal shipping yard at Elwood, which has quickly become one of the

largest container transfer points in the world. Currently, shipping containers arriving from coastal shipping ports-of-entry are not being scanned. A new VACIS can only be considered if the Illinois Department of Transportation and the Illinois State Police have sufficient staff and resources to support its ongoing operation.

Also, the state could improve its anti-terrorism intelligence gathering and dissemination processes by: 1) hiring staff and funding technology enhancements to better analyze potential hazards, and 2) continuing to support efforts to increase intelligence sharing between the public and private sectors. Ongoing research continues to locate software that will provide better intelligence-gathering assistance for the STIC and other analysts.

Emergency communications across the state could be improved by: 1) securing backup emergency power for all priority emergency alert system sites, and 2) reviving the program to provide tone-alert radios at more public places to notify people of weather and other homeland security warnings. The ITTF should capitalize on new technology to expand the ways the public can be alerted to emergencies, including sending messages to mobile phones.

Finally, Illinois must activate the fiber-optic network along Illinois highways to complete the connection between St. Louis, Chicago, and population centers across Illinois for video, data-sharing, and other communications. This would allow communication centers, the STIC and other monitoring stations to receive real-time images from disaster scenes to aid in the deployment of police, fire, medical, and other first-response personnel.

#### **Summary**

Illinois is a safer state against natural and technological disasters and acts of terror-

ism today than it was after the attacks on September 11, 2001, or when Hurricane Katrina devastated the Gulf Coast. In fact, the Office of the Inspector General in the Department of Homeland Security has recommended that several practices and procedures now used in Illinois be adopted by other states as “best practices.” These include:

- *Establishing the Illinois Terrorism Task Force:* Although a requirement of all states for receiving federal homeland security grant funds, Illinois’ 65-member Terrorism Task Force was cited as the most inclusive and efficient body for establishing a strategic vision for the state and for consensus-building among its membership.
- *Illinois’ Mutual Aid Organizations:* Illinois stands alone among states for establishing statewide mutual aid organizations for fire responders, law enforcement, emergency management, public health, and 9-1-1 centers. These organizations not only share their current resources, but also efficiently distribute new grants for safety equipment and other needs.
- *Illinois’ Special State and Local Teams:* State and local operations teams with specialized equipment and training are placed across the state to help ensure a prompt response to any emergency or disaster.

But best practices may not be enough when a disaster happens. Whether that disaster is a terrorist attack or a tornado, the outcome will be only as good as the training received by first responders and by the tactical response that follows in the hours and days after the event. Illinois has used its resources over the past decade to prepare well, but the need to stay prepared is constant and policymakers must not forget that vulnerabilities exist and take the necessary steps to make the state safer.

**Note:** The Ready Illinois website ([www.Ready.Illinois.gov](http://www.Ready.Illinois.gov)) contains extensive in-

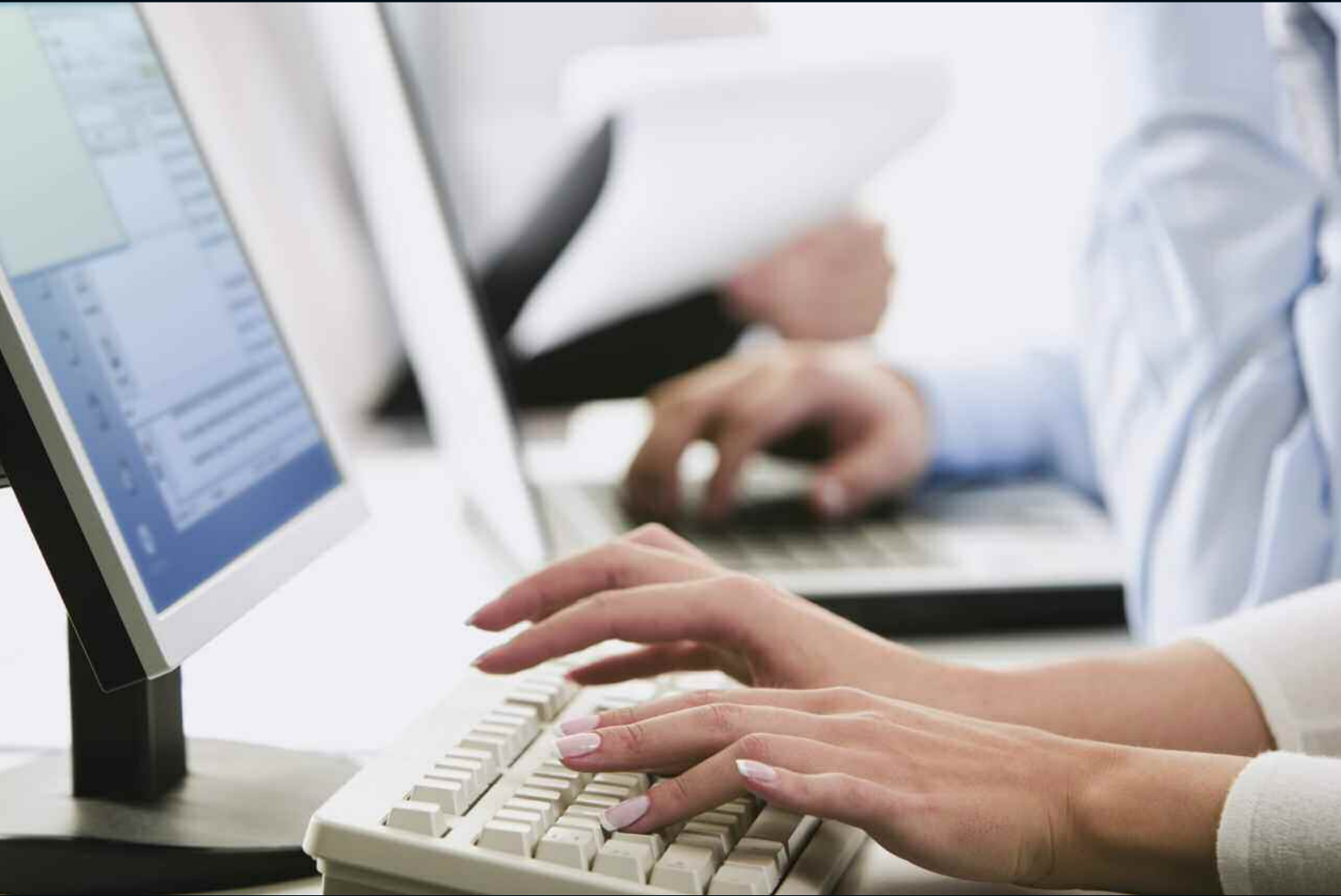
formation residents can use to prepare for and respond to disasters affecting their families. Should an event occur, the “Current Emergency Information” component of the website would be activated for the posting of public information such as shelter locations, road closures and other contact information for public consumption.



**Patricia S. Rushing** is director of the Regional Institute of Community Policing, a unit of the Institute of Government and Public Affairs. Dr. Rushing was instrumental in securing the first-of-its-kind funding to address issues of animal safety in disasters and is involved in domestic violence and animal abuse, ethics, and public safety initiatives. During a 26-year career with the Illinois State Police, Rushing was instrumental in the development of the human resource plan, as well as the organization’s Leadership and Management Institute.



*Illinois is a safer state against natural and technological disasters and acts of terrorism today than it was after the attacks on September 11, 2001, or when Hurricane Katrina devastated the Gulf Coast.*



# The Evolution and Application of Digital Divide Research

Building a digital community in Illinois

# The Evolution and Application of Digital Divide Research: Building a Digital Community in Illinois

By Thomas Prudhomme, Allison Clark & Damian Duffy

Even after more than a decade of re-search, the digital divide remains an enigma. The definition, cause, and measurement of the digital divide are all open to debate among changing social conditions, political imperatives, and technology. Shifting priorities have prevented development of a national framework for addressing the digital divide, but many states have developed their own programs to increase socio-economic equity through information and communication technology (ICT). For example, more than 100 community technology centers established in Illinois since 2000 continue to serve communities across the state.

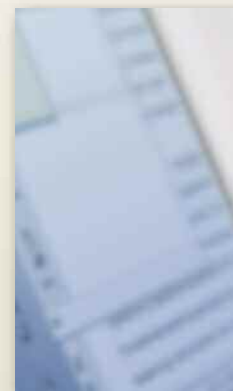
In this chapter, we look into the national debate about the meaning of digital divide and the research and policy goals concerning it. We also examine what the research literature says about using a community-oriented approach to address digital divide objectives, with a particular focus on the role of community technology centers (CTCs). Finally, we discuss the effort to eliminate the digital divide in Illinois, including an overview of the current pro-

gram managed by the Illinois Department of Commerce and Economic Opportunity (DCEO).

## Negotiating the Digital Divide

The U.S. Department of Commerce reported in 2005 that 56 percent of working adults used a computer at work and 42 percent used the Internet. The transformative effects of information and communication technology on work force demographics are everywhere, including Illinois, which ranks seventh nationally in the number of high-tech workers, and where 42 out of every 1,000 private sector workers are employed by high-tech firms.<sup>1</sup>

ICT provides multifaceted tools that can improve the capacity and effectiveness of local, state, national, and international social and economic networks. It has the potential to improve both education and employment.<sup>2</sup> On the other hand, ICT can reproduce or reinforce pre-existing social inequalities.<sup>3</sup> These conflicting issues relating to the digital divide have characterized ICT research and policy since the mid-1990s.



<sup>1</sup> Children's Partnership. *Illinois Youth and Technology Factsheet* (2008). Retrieved October 1, 2008, from [http://www.techpolicybank.org/AM/Template.cfm?Section=State\\_Fact\\_Sheets&Template=/CM/ContentDisplay.cfm&ContentID=11765](http://www.techpolicybank.org/AM/Template.cfm?Section=State_Fact_Sheets&Template=/CM/ContentDisplay.cfm&ContentID=11765).

<sup>2</sup> P. DiMaggio and E. Hargittai. *From the 'Digital Divide' to 'Digital Inequality': Studying Internet Use As Penetration Increases*. (CACPS working paper 15) (Princeton, NJ: Center for Arts and Cultural Policy Studies, 2001). Retrieved September 20, 2008, from <http://www.princeton.edu/~artspol/workpap15.html>; Community Technology Centers' Network (CTCNet) of the Washington Metropolitan Area. *From Policy to Action: Profiles of Washington Area Programs Making Progress on the Digital Divide* (2002) [Electronic version]. Retrieved September 12, 2008, from [http://web.archive.org/web/20030321141621/http://ctcnet.org/frompolicytoaction\\_v1.pdf](http://web.archive.org/web/20030321141621/http://ctcnet.org/frompolicytoaction_v1.pdf).

<sup>3</sup> E. Green and L. Keeble. "The Technological Story of a Women's Centre," in L. Keeble and B. D. Loader (eds.), *Community Informatics: Shaping Computer-Mediated Social Relations* (London: Routledge, 2001): 53-70; K. Williams and A. Alkalimat. "A Census of Public Computing in Toledo, Ohio," in Douglas Schuler and Peter Day (eds.), *Shaping the Network Society: The New Role of Civic Society in CyberSpace* [Electronic version] (Cambridge, MA: MIT Press, 2002): 85-110. Retrieved September 19, 2008, from <http://www.communitytechnology.org/toledo/toledo.pdf>; M. Warschauer. "Reconceptualizing the Digital Divide," *First Monday*, 7(7) (2002). Retrieved September 21, 2008, from [http://firstmonday.org/issues/issue7\\_7/warschauer/index.html](http://firstmonday.org/issues/issue7_7/warschauer/index.html); L. Kvasny and M. Keil. "The Challenges of Redressing the Digital Divide: A Tale of Two US Cities," *Information Systems Journal* 16(1) (2006): 23-53; and P. Gamage and E.F. Halpin. "E-Sri Lanka: Bridging the Digital Divide," *The Electronic Library*, 25(6) (2007): 698-710.





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In general, research and practice dedicated to understanding and implementing programs to address the digital divide have evolved over the past two decades in an organic manner characteristic of social issues. Unfortunately, each study is an independent view into a particular set of circumstances, so there is no coordinated theme to the research or even agreement on a framework within which to evaluate the results. Therefore, it is not surprising that the perspectives of researchers and policymakers have continued to evolve.

### Defining and Re-Defining the Digital Divide

The exact origin of the term “digital divide” has been attributed to both government and the media.<sup>4</sup> It is widely acknowledged that the term was popularized in the U.S. by the Clinton administration and the “Falling Through the Net” series of reports released between 1995 and 2000 by the National Telecommunications and Information Administration (NTIA), an agency of the Department of Commerce.<sup>5</sup> The third “Falling Through the Net” report, released in 1999, defines the digital divide as a gap in access to ICT between information “haves” and “have-

nots.” This concept has resulted in less effective policy and there are two interconnected reasons for this. First, the sole focus on access limits discussion to a single dimension of a multifaceted issue. Second, focusing solely on access incorrectly implies that technological solutions alone can fully address what is, in fact, part of a larger social problem.<sup>6</sup>

This misunderstanding of the digital divide as a binary issue of access is based in the historical traditions of telecommunications policy.<sup>7</sup> The first “Falling Through the Net” report, released in 1995, describes the goal of universal service in American telecommunications policy in terms originally used in the 1934 Communications Act regarding use of the telephone. The idea that the telephone and ICT are analogous technologies is an artifact of the traditional view of the digital divide as a question of access. However, research suggests that the have/don’t have view of access makes sense for the telephone, but not for ICT. The quality and quantity of ICT access can vary greatly depending on the location and capability of the technology. Moreover, technological access exists on a continuum of digital inequalities that also

<sup>4</sup> D. J. Gunkel. (2003). “Second Thoughts: Toward a Critique of the Digital Divide,” *New Media & Society*, 5(4) (2003): 499-522.

<sup>5</sup> K. Williams. “What Is the Digital Divide?” in K. Williams (ed.), *d3: Proceedings of the Digital Divide Doctoral Students Workshop* (Ann Arbor, MI: Alliance for Community Technology, 2001); CTCnet of the Washington Metropolitan Area, 2002; L.J. Servon. *Bridging the Digital Divide: Technology, Community and Public Policy* (Malden, MA: Blackwell Publishing, 2002); D.J. Gunkel. “Second Thoughts: Toward a Critique of the Digital Divide,” *New Media & Society*, 5(4) (2003): 499-522.

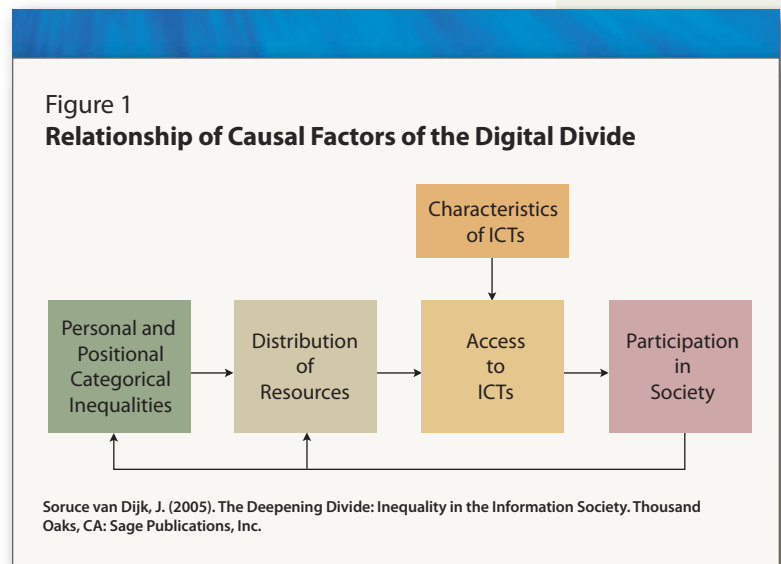
<sup>6</sup> A. Alkalimat and K. Williams. (2001). “Social Capital and Cyberpower in the African-American Community,” in L. Keeble and B. D. Loader (eds.), *Community Informatics: Shaping Computer-Mediated Social Relations* (London: Sage, 2001): 177-204; L. J. Servon. *Bridging the Digital Divide: Technology, Community and Public Policy* (Malden, MA: Blackwell Publishing, 2002); M. Gurstein. “Effective Use: A Community Informatics Strategy beyond the Digital Divide,” [Electronic version] *First Monday*, 8(12) (2003). Retrieved October 1, 2008, from [http://firstmonday.org/issues/issue8\\_12/gurstein/index.html](http://firstmonday.org/issues/issue8_12/gurstein/index.html); M. Warschauer. *Technology and Social Inclusion* (Cambridge, MA: MIT Press, 2003); S. Strover, G. Chapman, and J. Waters. “Beyond Community Networking and CTCs: Access, Development, and Public Policy,” *Telecommunications Policy* 28 (2004): 465-485; J. van Dijk. *The Deepening Divide: Inequality in the Information Society* (Thousand Oaks, CA: Sage Publications, Inc., 2005); K. Barzilai-Nahon. “Gaps and Bits: Conceptualizing Measurements for Digital Divide/s,” *The Information Society*, 22(5) (2006): 269-278.

<sup>7</sup> P. DiMaggio and E. Hargittai. *From the ‘Digital Divide’ to ‘Digital Inequality’: Studying Internet Use as Penetration Increases* (CACPS working paper 15) (Princeton, NJ: Center for Arts and Cultural Policy Studies, 2001). Retrieved September 20, 2008, from <http://www.princeton.edu/~artspol/workpap15.html>; K. Barzilai-Nahon. “Gaps and Bits: Conceptualizing Measurements for Digital Divide/s,” *The Information Society*, 22(5) (2006): 269-278.

include access to ICT literacy, social support, and autonomy of ICT use. All of these issues must be addressed for a person to make effective use of ICT.<sup>8</sup>

Although recent digital divide research has begun to frame the issue as more multifaceted than the binary notion of physical access, research methods continue to be focused on single factors. A 2005 study by Jan A.G.M. van Dijk contends that most digital divide research focuses on “individualistic notions of inequality.” These individualistic notions result in research that generalizes the digital divide based on investigating a single topic. Such studies fail to address the nuances of the issue. Studies focused on the relationship between ICT use and individual demographic characteristics (e.g., income, education, race, age and gender) typically treat all these demographics as independent variables, yielding results that are more descriptive than explanatory. It is more useful, in terms of understanding the digital divide, to study the interrelationships among causal factors, as shown in Figure 1. Studying the relationships among factors has the advantage of allowing distinctions between independent and dependent variables when evaluating how interactions among interconnected societal factors contribute to inequalities in ICT access and use.<sup>9</sup>

As the role of ICT in the economy increases, technological literacy becomes a necessity in the labor market. In addition to reinvent-



ing how business is conducted, the Internet has changed education, government, communication and even the concept of “community.”<sup>10</sup> The diffusion of ICT throughout society presents more opportunities for a person to improve socio-economic standing and overcome social inequality.<sup>11</sup> In effect, the Internet has the potential to level the playing field in an environment where inherent inequalities exist. The digital divide can be viewed as the space between the reality of persistent social, political and economic inequality at one end, and the ideal of full participation in a networked democratic society at the other. Between these two points exists a spectrum of inequalities formed by complex interactions between longstanding socio-economic disparities that widen the gap and the emergent technologies that close it.

*Unfortunately, while descriptive statistics focused only on access are prevalent in the digital divide literature, they tend to give a superficial view of a deeply complex issue.*

<sup>8</sup> Ibid; and M. Gurstein. Effective Use: A Community Informatics Strategy beyond the Digital Divide [Electronic version], *First Monday*, 8(12) (2003). Retrieved October 1, 2008, from [http://firstmonday.org/issues/issue8\\_12/gurstein/index.html](http://firstmonday.org/issues/issue8_12/gurstein/index.html).

<sup>9</sup> J. van Dijk. *The Deepening Divide: Inequality in the Information Society* (Thousand Oaks, CA: Sage Publications, Inc., 2005): 17.

<sup>10</sup> Community Technology Centers' Network (CTCNet) of the Washington Metropolitan Area. *From Policy to Action: Profiles of Washington Area Programs Making Progress on the Digital Divide* [Electronic version] (2002). Retrieved September 12, 2008, from [http://web.archive.org/web/20030321141621/http://ctcnet.org/frompolicytoaction\\_v1.pdf](http://web.archive.org/web/20030321141621/http://ctcnet.org/frompolicytoaction_v1.pdf).

<sup>11</sup> J.J. Rennie. (2007). “ICTs and Educational Benefits in a Regional Development,” in H. Rahman (ed.), *Information and Communication Technologies for Economic and Regional Developments* (Hershey, PA: Idea Group Publishing, 2007): 1-21.

Table 1  
**Persistent Gaps in the Digital Divide**

Attribute Showing a Persistent Digital Gap	Direction of Inequality
Age	Younger people use the Internet more and older people use the Internet less
Educational Attainment	Higher levels of education correlate with higher levels of Internet use
Disability Status	Persons with disabilities use the Internet less
Language Preference	Internet usage is largely skewed towards English speakers
Race and Ethnicity	White- and Asian-Americans use the Internet more and African-Americans use the Internet less
Income	Higher income levels correlate with higher Internet use
Parental Status	households with younger children use the Internet more than households without members under the age of 18
Employment Status	Internet use is highest among students, lowest among the retired and widows
Community Type	Urban and suburban communities have higher rates of Internet use and rural communities have lower rates

Source: Rainie, L. (2006, July 28). Life online: The growth and impact of the internet (and related technologies). Presented at the 2006 CTCNet Conference in Washington, D.C.

### Persistent Gaps and Shifting Federal Policy

Statistics describing levels of access to technology are widely dismissed by researchers as simplistic and incomplete measures of the digital divide. However, they are a useful starting point as an easily measurable indicator of broad trends in basic technology adoption. In 2003, it was reported that 62 percent of American households had a computer and 55 percent had Internet access. As of May 2008, 73 percent of adults in the U.S. use the Internet. In contrast, during May-June 1995 less than 20 percent of adults were

online.<sup>12</sup> However, despite the rapid growth of ICT adoption and Internet usage over the past decade, gaps highlighted in earlier digital divide research persist.

Recent data from Pew Internet & American Life Project surveys, as reported by Lee Rainie (2006), identify nine persistent digital gaps. These gaps and the direction of inequality for each are shown in Table 1. The most recent statistics collected by the Pew Internet & American Life Project (2008a) show that these gaps still exist. For example, the survey shows that 75 percent of white American adults are online, but only 59 percent of African-American adults report using the Internet. In addition, the 2003 update to the U.S. census reported that an average of 55 percent of American households included a computer. However, there were computers in only 35 percent of households with members aged 65 and older, and computers were in only 45 percent of black or Latino households and 28 percent of households with adults having less than a high school education.<sup>13</sup> These basic measurements of ICT and Internet access indicate increased usage in the U.S., but they also indicate that differences along social and economic lines remain, and that the policy goal of universal and equitable access has not yet been attained.

Unfortunately, while descriptive statistics focused only on access are prevalent in the digital divide literature, they tend to give a superficial view of a deeply complex issue. For example, descriptive statistics clearly identify digital divides along racial and

<sup>12</sup> U.S. Department of Commerce, Economics and Statistics Administration. *Computer Use and Internet Use in the United States: 2003* (Report number 23—208) [Electronic version] (2005). Retrieved October 1, 2008, from <http://www.census.gov/prod/2005pubs/p23-208.pdf>; Pew Internet & American Life Project. *Demographics of Internet users* (2008a). Retrieved October 1, 2008, from [http://www.pewinternet.org/trends/User\\_Demo\\_7.22.08.htm](http://www.pewinternet.org/trends/User_Demo_7.22.08.htm); Pew Internet & American Life Project. *Percentage of U.S. adults online* (2008b). Retrieved October 1, 2008, from [http://www.pewinternet.org/trends/Internet\\_Adoption\\_7.22.08.pdf](http://www.pewinternet.org/trends/Internet_Adoption_7.22.08.pdf).

<sup>13</sup> U.S. Department of Commerce, Economics and Statistics Administration. *Computer Use and Internet Use in the United States: 2003* (Report number 23—208) [Electronic version] (2005): 3. Retrieved October 1, 2008, from <http://www.census.gov/prod/2005pubs/p23-208.pdf>.

ethnic lines. On the other hand, survey data also indicates that African-Americans and Latinos without ICT access at home are more likely to have a positive view of technology, and are more likely to access technology in a public setting compared to whites from similar socio-economic situations. Further, there are less well understood impacts of economics and ethnic or cultural dimensions that can affect access to and use of ICT by underserved populations. For example, concentrated poverty limits social network development, which has a greater correlation than race to persistent technological gaps highlighted in descriptive statistical data.<sup>14</sup> Therefore, socio-economic demographics may be indicators of unequal social networking opportunities, rather than measures of the digital divide. These results support the notion that the emerging field of community informatics may offer some benefits as an approach to studying the digital divide, and may lead to more effective policy approaches, precisely because it studies the role of social networking in the adoption and use of ICT.

### Community Technology Centers and the Digital Divide

Public computing, broadly defined, refers to ICT access and use outside of home and/or work. Public computing access centers are highly heterogeneous across several dimensions, including *name* (e.g. cyber café, telecenter, community technology center), *administration* (e.g. govern-

ment, commercial, not-for-profit), *location* (e.g. dedicated buildings, cafés, schools, churches), *function* (e.g. individual computer access, computer skills training, social services, community building), *relation to other centers* (e.g. individually operated, part of a network, multiple locations under one administration), *programming*, and *target populations*.<sup>15</sup>

The terms “public computing” and “community technology” are used relatively interchangeably, and usually refer to both virtual community computing networks (CCNs) and geographically located community technology centers (CTCs). However, the literature on community technology tends to focus more on the contributions of community-based organizations. In recent years, the efforts of community-based organizations have been concentrated on creating and operating physical CTCs that provide public access to computers and the Internet, as well as technical instruction and support.<sup>16</sup>

### Defining Community Technology Centers

In large part, the focus among researchers of community technology centers is on CTCs founded through the grassroots actions of community-based non-profit organizations (NPOs). One such organization is Playing to Win. It was founded in New York City by Antonia Stone in 1980 and is widely cited as the first CTC. With the aid of the National Science Foundation, Stone’s organization



<sup>17</sup> D. Schuler. *New Community Networks: Wired for Change* (New York: ACM Press, 1996); Community Technology Centers’ Network (CTCNet) of the Washington Metropolitan Area. “From Policy to Action: Profiles of Washington Area Programs Making Progress on the Digital Divide” [Electronic version] (2002). Retrieved September 12, 2008, from [http://web.archive.org/web/20030321141621/http://ctcnet.org/frompolicytoaction\\_v1.pdf](http://web.archive.org/web/20030321141621/http://ctcnet.org/frompolicytoaction_v1.pdf); L.J. Servon. *Bridging the Digital Divide: Technology, Community and Public Policy* (Malden, MA: Blackwell Publishing, 2002); M. Warschauer. *Technology and Social Inclusion* (Cambridge, MA: MIT Press, 2003); CTCnet. *About the Network* (2007a). Retrieved October 6, 2008, from <http://ctcnet.org/who/network.htm>; CTCnet. *Members* (2007b). Retrieved October 6, 2008, from <http://ctcnet.org/who/members.htm>.

<sup>14</sup> K. Mossberger, C.J. Tolbert, and M.A. Gilbert. (2006) “Race, Place, and Information Technology,” *Urban Affairs Review*, 41 (2006): 583-620; K. Mossberger, D. Kaplan, and M.A. Gilbert. “How Concentrated Poverty Matters for the “Digital Divide”: Motivation, Social Networks, and Institutions,” in K. Williams (ed.), *eChicago 2007, Dominican University* (River Forest, IL: Dominican University Graduate School of Library and Information Science and University of Illinois Graduate School of Library and Information Science, 2007): 158-192.

<sup>15</sup> S. Davies et al. *Community Technology Centers As Catalysts for Community Change* (2003). Retrieved September 30, 2008, from [http://www.bctpartners.com/resources/CTCs\\_as\\_Catalysts.pdf](http://www.bctpartners.com/resources/CTCs_as_Catalysts.pdf); M. Warschauer. *Technology and Social Inclusion* (Cambridge, MA: MIT Press, 2003); S. Kaiser. “Community Technology Centers and Bridging the Digital Divide,” *Knowledge, Technology, & Policy* 18(2) (2005): 83-100.

<sup>16</sup> D. Schuler. *New Community Networks: Wired for Change* (New York: ACM Press, 1996); Alkalimat & Williams, 2001; Servon, 2002; Davies, Wiley-Schwartz, Pinkett and Servon, 2003; Warschauer, 2003; Pinkett, 2002.





grew into a national coordinating body for CTCs, and was renamed the Community Technology Centers Network (CTCnet) in the early-1990s.<sup>17</sup>

CTCnet serves a membership that includes community technology centers and capacity-building organizations representing all 50 states, as well as countries in the Americas, Africa, Asia, and Europe. The network provides online resources including best practices, evaluation materials, a CTC start-up guide, a searchable membership directory, and a list of regional networks. CTCnet also sponsors a semiannual conference for CTC organizers. CTCnet defines its members as centers or programs that provide community access to ICT along with the training necessary to meet the social, economic, educational, and cultural needs of community residents. Unfortunately, that definition is broad and can be applied to a wide variety of organizations and service models. This presents a major challenge when trying to count public computing resources and quantify their use.<sup>18</sup>

Despite this high degree of heterogeneity, there are some general data applicable to

institutions that fall under the broad definition of CTCs. First, the majority of CTCs serve urban areas. In a 1999 survey, 65 percent of CTCs in the U.S. were in urban areas, while 14 percent were in rural areas and 7 percent were in suburban areas.<sup>19</sup> These trends appear to be holding, based on data from a 2007 survey of 127 CTCnet members that indicated 72 percent of CTCs were located in urban areas, 15 percent in rural areas, and 12 percent in suburban areas.<sup>20</sup>

A second trend is that most CTCs target low-income populations, particularly families. In the 1999 survey, 76 percent of respondents said their CTCs targeted low-income populations and parents/adults. However, there was a general trend to focus on all age groups in a family. In the same survey, 74 percent of the CTCs reported targeting children ages 5 to 17, and 73 percent listed young adults ages 18 to 24 as their target population. When asked what populations they expect to serve in the next two years, the top answers from the 2007 survey respondents were “at-risk youth, immigrants, and unemployed or underemployed adults.”

<sup>18</sup> See K. Williams and A. Alkalimat. “A Census of Public Computing in Toledo, Ohio,” in Douglas Schuler and Peter Day (eds.), *Shaping the Network Society: The New Role of Civic Society in Cyberspace* [Electronic version] (Cambridge, MA: MIT Press, 2002): 85-110. Retrieved September 19, 2008, from <http://www.communitytechnology.org/toledo/toledo.pdf>; K. Williams. “Research Note: Across the United States, 85,000 to 144,000 Public Computing Sites,” *First Monday* 8(4) (2003). Retrieved September 19, 2008, from <http://www.uic.edu/htbin/cgiwrap/bin/ojs/index.php/fm/article/viewArticle/1046/967>.

<sup>19</sup> L.J. Servon. *Bridging the Digital Divide: Technology, Community and Public Policy* (Malden, MA: Blackwell Publishing, 2002): 60.

<sup>20</sup> CTCnet. “2007 CTCNet Member Demographics Survey” (2007c). Retrieved October 1, 2008, from [http://ctcnet.org/who/2007%20CTCNet%20Member%20Demographics%20Survey%20Summary\\_082307.pdf](http://ctcnet.org/who/2007%20CTCNet%20Member%20Demographics%20Survey%20Summary_082307.pdf).

<sup>21</sup> S. Davies et al. *Community Technology Centers As Catalysts for Community Change* (2003). Retrieved September 30, 2008, from [http://www.bctpartners.com/resources/CTCs\\_as\\_Catalysts.pdf](http://www.bctpartners.com/resources/CTCs_as_Catalysts.pdf); K. Williams. “Research Note: Across the United States, 85,000 to 144,000 Public Computing Sites,” *First Monday*, 8(4) (2003). Retrieved September 19, 2008, from <http://www.uic.edu/htbin/cgiwrap/bin/ojs/index.php/fm/article/viewArticle/1046/967>; Illinois Department of Commerce and Economic Opportunity (DCEO). *Bridging the Digital Divide Grant Program Fiscal Year 2008 Request for Applications* (2008); K. Williams and A. Alkalimat. (2002). “A Census of Public Computing in Toledo, Ohio,” in Douglas Schuler and Peter Day (eds.), *Shaping the Network Society: The New Role of Civic Society in Cyberspace* [Electronic version] (Cambridge, MA: MIT Press, 2002): 85-110. Retrieved September 19, 2008, from <http://www.communitytechnology.org/toledo/toledo.pdf>; L. Estabrook, E. Witt, and L. Rainie. *How People Use the Internet, Libraries, and Government Agencies when They Need Help* (Washington, D.C.: Pew Internet & American Life Project/Graduate School of Library and Information Science, 2007). Retrieved September 9, 2008, from [http://www.pewinternet.org/pdfs/Pew\\_ULibrariesReport.pdf](http://www.pewinternet.org/pdfs/Pew_ULibrariesReport.pdf); L.J. Servon. *Bridging the Digital Divide: Technology, Community and Public Policy* (Malden, MA: Blackwell Publishing, 2002).

The third finding is that the majority of CTCs are embedded within other community organizations. In 1999, 61 percent of respondents reported operating ICT programs within a pre-existing community-based organization. In 2007, the figure was 72 percent. This finding underscores that, much like the definition of the digital divide, the identity of CTCs exists within a variety of social and institutional contexts. This is illustrated by the role of public libraries in CTC research. Public libraries are often included under the blanket definition of CTCs. Conversely, research of Internet use in libraries is often presented as an area of inquiry separate from analysis of both standalone CTCs and CTCs embedded in community-based organizations. For example, some studies discuss libraries and CTCs under different headings, while others look at public Internet use only in terms of public libraries. To add to the confusion, public libraries do not always define themselves as CTCs.<sup>21</sup>

### CTC Research and Community Informatics

Community informatics is an emerging, multidisciplinary field of research. It investigates the social and cultural factors shaping the development and diffusion of new ICT, and explores the impact of ICT on community development, regeneration and sustainability. Community informatics

shows promise as an integrative framework for digital-divide research because it focuses explicitly on the interaction between socio-cultural contexts and ICT development initiatives. Informatics research does not attempt to impose rigid conceptual frameworks upon diverse socio-cultural contexts, but instead provides flexible methodologies that value local interests, objectives, and responsibilities.<sup>22</sup>

One widespread finding resulting from informatics research is that community participation in CTC implementation is paramount to its success. In a study of the failure of six South African CTCs, the primary reason was due to an ignorance of local conditions with respect to infrastructure, legal requirements, and access to communication and the Internet. On the other hand, the successful implementation of 14 CTCs in Atlanta, Ga., hinged upon a 'bottom-up' approach that drew on the assets of the community. In this case, direct participation by different stakeholders was both accepted and actively solicited. From these studies, it is clear that both individual and community development can be enhanced by social settings that relate learning to the specific culture of the community.<sup>23</sup>

The most persistent challenge facing CTCs is sustainability. In general, they tend to be lacking in sufficient funding, qualified staff and up-to-date technology. However,



*Community informatics shows promise as an integrative framework for digital-divide research because it focuses explicitly on the interaction between socio-cultural contexts and ICT development initiatives.*

<sup>22</sup> L. Keeble and B.D. Loader. "Community Informatics: Themes and Issues," in L. Keeble and B.D. Loader (eds.), *Community Informatics: Shaping Computer-Mediated Social Relations* (London: Routledge): 1-10; M. Gurstein. (2001). "Community Informatics for Flexible Networking," in L. Keeble and B. D. Loader (eds.), *Community Informatics: Shaping Computer-Mediated Social Relations*. (London: Routledge, 2001): 263-283.

<sup>23</sup> A. Alkalimat and K. Williams. (2001). Social Capital and Cyberpower in the African-American Community," in L. Keeble and B.D. Loader (eds.), *Community Informatics: Shaping Computer-Mediated Social Relations* (London: Sage, 2001): 177-204; L.S. Clark. (2003). "Challenges of Social Good in the World of Grand Theft Auto and Barbie: A Case Study of a Community Computer Center for Youth," *New Media Society*, 5(2) (2003): 95—116; L. Kvasny and M. Keil. The Challenges of Redressing the Digital Divide: A Tale of Two US Cities," *Information Systems Journal*. Vol. 16, (1) (2006): 23-53. ; D. Hulbert and M. Snyman. "Determining the Reasons Why ICT Centres Fail: Six South African Case Studies," *Mousaion* 25(2) (2007):1-20; D.V. O'Neil and P.M.A. Baker. "The Role of Institutional Motivations in Technological Adoption: Implementation of DeKalb County's Family Technology Resource Centers," *The Information Society*, 19 (2003): 305-314; R. Pinkett and R. O'Bryant. "Building Community, Empowerment and Self-Sufficiency," *Information, Communication & Society*, 6(2) (2003): 187-210; N. Turner-Lee and R. Pinkett. (2004). "Asset-Based Approach to Community Building," in P. Day and D. Schuler (eds.), *Community Practice in the Network Society* (London: Routledge, 2004): 170-185.



*In Illinois, as with the rest of the world, descriptive data on basic access indicates that digital divides continue to persist along socio-economic lines.*

because CTCs exist within different social contexts and programmatic goals, it is difficult to develop a single set of standards for what makes a community-based project sustainable or successful. One component that does seem to work for all is a project champion or coordinator willing to commit significant amounts of time and effort. ICT projects also require a certain level of technological literacy among the management and coordination team.<sup>24</sup>

Evaluation criteria are especially important to potential funding sponsors, which in turn are essential for sustaining CTC programs. There are five key areas covered in community informatics evaluations of community networks and CTCs: *strong democracy* (i.e., increasing democratic participation in politics and advocacy among community members), *social capital* (e.g., thriving social institutions within the community, collaboration among community members), *individual empowerment* (i.e., issues of information literacy and ICT access), *sense of community* (i.e., increasing community involvement and commitment to a geographic community), and *economic development opportunities*.<sup>25</sup> Like all other aspects of CTC implementation and administration, community stakeholders also should be involved in the design and implementation of evaluations in order to ensure success.

### The Importance of Collaboration

The term “digital divide” means different things to different people. CTCs attempt to

address these differences through a variety of organizational structures and programs. Despite the widely diverse set of issues and approaches to the digital divide, one theme seems to stand out in all of the literature: technology exists as a secondary issue to longstanding social and cultural inequalities. While technology can enable successful programs, the best practices for research into and partnerships with CTCs are all centered on the community and not on the technology. Programs that seek to redress socio-technical inequities must first be created in collaboration with the target community so they will be relevant to the context and interests of that community. Informatics-based research methodologies suggest that the best way to achieve these goals is to engage the communities as peers, make sure all projects are community driven, identify pre-existing social assets, and find ways to build on them.

### The Digital Divide in Illinois

In Illinois, as with the rest of the world, descriptive data on basic access indicates that digital divides continue to persist along socio-economic lines. According to a study by the Children’s Partnership,<sup>26</sup> based on U.S. census data, 70 percent of households in Illinois earning less than \$15,000 per year do not own a computer. This is compared to 40 percent of all Illinois’ households and 38 percent of all households nationally that do not own a computer. Further, 79 percent of households in Illinois earning less than \$15,000 per year do

<sup>24</sup> L.J. Servon. *Bridging the Digital Divide: Technology, Community and Public Policy* (Malden, MA: Blackwell Publishing, 2002); Mayor’s Advisory Council on Closing the Digital Divide. *The City that Networks* [Electronic version] (2007). [http://egov.cityofchicago.org/webportal/COCWebPortal/COC\\_EDITORIAL/DigitalDivide.pdf](http://egov.cityofchicago.org/webportal/COCWebPortal/COC_EDITORIAL/DigitalDivide.pdf); M. Wolske. *Issues in Setting up CTCs*. Presented in LIS 490: The Digital Divide: Policy, Research, and Community Empowerment at the University of Illinois at Urbana-Champaign (2008, October 1); L. Hopkins (2005). “Making a Community Network Sustainable: The Future of the Wired High Rise,” *The Information Society*, 21 (2005): 379-384.

<sup>25</sup> D. O’Neil. “Assessing Community Informatics: A Review of Methodological Approaches for Evaluating Community Networks and Community Technology Centers,” *Internet Research*, 12(1) (2002): 76-102.

<sup>26</sup> Children’s Partnership. *Illinois Youth and Technology Factsheet* (2008). Retrieved October 1, 2008, from [http://www.techpolicybank.org/AM/Template.cfm?Section=State\\_Fact\\_Sheets&Template=/CM/ContentDisplay.cfm&ContentID=11765](http://www.techpolicybank.org/AM/Template.cfm?Section=State_Fact_Sheets&Template=/CM/ContentDisplay.cfm&ContentID=11765).

not use the Internet at home, compared to 49 percent of all Illinois households and 45 percent of all households nationally. Based on these statistics, Illinois is ranked 33<sup>rd</sup> in the U.S. for household computer access and 38<sup>th</sup> in terms of Internet access. The data would support the notion that there is a great deal of room for improvement in serving lower socio-economic communities in Illinois.

The legislative strategy for addressing the digital divide in Illinois has been to appropriate funds annually for most of the past decade. The Illinois Eliminate the Digital Divide Law (30 ILCS 780) was put into effect on May 17, 2000. The law's intent was to address certain findings by the General Assembly, including:

- The growth of high technology industry, including computers, the Internet and advanced telecommunications, has created a division in society.
- Those who are able to master the tools of the new digital technology and have access to the technology have benefited in the form of improved employment possibilities and a higher standard of life.
- Those who are unfamiliar with the new technologies, or do not have access to them, are increasingly constrained to marginal employment and a standard of living near the poverty level.
- This "digital divide" parallels existing economic, racial and gender divisions in society, with the more privileged members of society having much greater opportunity to benefit from the new technologies than those who are less favorably situated.

The purpose of the Illinois Eliminate the Digital Divide Law was "to establish educational and economic development initiatives that will bridge the digital divide, making possible a society in which all individuals can benefit from the opportunities provided by the new technologies."

The Illinois Digital Divide program is administered by the Department of Commerce and Economic Opportunity. The program provides public access to technology along with training in the use of specific applications that are important to learning for younger participants and that are essential for employment for older participants. The Illinois CTCs are connected with the Illinois Worknet project, a comprehensive job-finding resource that also is funded and administered by the DCEO. At present, the program issues an annual request for proposals for funding new and existing CTCs. The 2008 solicitation received more than 300 applications, and 104 CTCs were awarded funds.

Three features of the current Illinois program differentiate it from many other state-based initiatives and reflect a keen understanding of the community informatics view of the digital divide and the nature of successful community-based programs. The first is that the DCEO encourages existing CTCs with strong records of funding and success to collaborate directly with newer, less-experienced CTCs. This collaboration could include sharing information about structure and governance, marketing, staffing, and management. In addition, CTCs also can collaborate by pointing clients to existing training programs in nearby CTCs or by sharing training materials and trainers to bring a successful program to a new audience.

The second unique aspect of the Illinois program is that it has defined "underserved" in a broad way to include both urban and rural communities. In the 2008 competition, several awards were given to relatively new, rural CTCs. The focus on collaboration can also help these awardees by putting them in contact with more experienced CTCs elsewhere in the state.

The third aspect is incorporated into how the program is addressing sustainability.



*It is clear that expanding CTC coverage is difficult when state-based programs are the only source of funding.*





<sup>27</sup> T. Prudhomme and R. Rich. *Review of Grant Programs* (2007). A report submitted to the Illinois Department of Commerce and Economic Opportunity on April 15, 2007.

<sup>28</sup> See <http://illinois-digitalcommunity.net>.

<sup>29</sup> International Telecommunications Union (ITU). *ITU's New Broadband Statistics for 1 January 2005* [Electronic version] (2005). Retrieved November 15, 2008, from <http://www.itu.int/osg/spu/newslog/ITUs+New+Broadband+Statistics+For+1+January+2005.aspx>.

The authors of a study conducted by the University of Illinois Institute of Government and Public Affairs (IGPA) concluded that the probability of long-term success for individual CTCs and for the overall program would improve if there was a mechanism supporting statewide coordination and collaboration.<sup>27</sup> It is clear that expanding CTC coverage is difficult when state-based programs are the only source of funding. To support collaboration among CTCs on operations, program development and fund raising, the DCEO asked IGPA, through its Center for Technology and Public Policy (CTPP), to develop a web-based information resource called the Illinois Digital Community Network.<sup>28</sup> This resource will provide information to the public about CTCs and their program offerings across the state. It also will share information among the members of the CTC network, and share searchable information about best practices, funding opportunities and success stories from around the United States and internationally.

Illinois policy has followed the path of other state governments in directing funding toward community technology initia-

tives, through a focus on supporting and developing CTCs. Among its neighboring states, Illinois appears to be at the forefront of CTC implementation. The CTCnet membership directory lists 133 members in Illinois, compared to three in Indiana, four in Iowa, 10 in Wisconsin, four in Kentucky, and seven in Missouri. Minnesota has 22 CTCnet members and Michigan has 16. The question facing policy makers in Illinois is, "What has been accomplished with the funding provided, and how has the state of the digital divide in Illinois improved?" Table 2 represents a subset of national survey data from obtained from self-administered Internet speed tests taken through Speedmatters.org between September 2006 and May 2007. Among its neighbors, Illinois ranks first in download speeds but fourth in upload speeds. At the national level, the U.S. ranks 16<sup>th</sup> among industrialized nations in high speed Internet access.<sup>29</sup> Speed is important when computer use is oriented toward media, especially video or animation, or when a high level of interactivity is needed.

Tables 3-5 represent data taken from calculations made by the Children's Partnership (2008) based on 2003 US Census Data. Illi-

Table 2  
**Internet Speed Test Results for Illinois and Neighboring States**

State	Number of Internet Speed Tests	Median Download Speed (kbps)	Median Upload Speed (kbps)	National Download Speed Ranking	National Upload Speed Ranking
United States	79,876	1,973	371		
Iowa	706	1,262	489	47	10
Illinois	2,518	2,184	365	17	33
Indiana	1,739	1,955	434	24	16
Kentucky	1,126	1,607	363	32	37
Michigan	2,677	2,042	364	19	36
Minnesota	1,186	1,771	376	26	22
Missouri	2,075	1,432	327	38	44
Wisconsin	1,652	1,551	326	34	45

Source: CWA. (2007). *Speed matters: A report on internet speeds for all 50 states*. [Electronic version]. Retrieved November 15, 2008 from [http://files.cwa-union.org/speedmatters/CWA\\_APT\\_StateBroadbandInitiatives.pdf](http://files.cwa-union.org/speedmatters/CWA_APT_StateBroadbandInitiatives.pdf), p. 57.



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Illinois ranks second among its neighbors behind Minnesota in percentage of total households with a computer, but sixth in total households with Internet access. However, Illinois ranks fourth among its neighbors in computer ownership and Internet access in households earning less than \$15,000 per year. Compared to surrounding states, Illinois ranks fifth in the percentage of households with broadband Internet access. Illinois is similar to other Midwest states in its performance on various measures of the digital divide and, along with neighboring states, still lags behind the national average by most measures. However, the informatics-based approach to supporting the CTC network in Illinois just began in 2007-

**Table 3**  
**Households with a Computer in Illinois and Neighboring States**

State	Households Earning Less than \$15,000 Per Year (by Percent)	Total Households (by Percent)	National Ranking by Percent of Total Households
United States	--	62%	--
Iowa	32%	65%	18%
Illinois	30%	60%	17%
Indiana	27%	60%	36%
Kentucky	28%	58%	41%
Michigan	29%	60%	35%
Minnesota	36%	28%	8%
Missouri	31%	61%	30%
Wisconsin	25%	64%	23%

Source: The Children's Partnership (2008). Illinois youth and technology factsheet. Retrieved October 1, 2008, from [http://www.techpolicybank.org/AM/Template.cfm?Section=State\\_Fact\\_Sheets&Template=/CM/ContentDisplay.cfm&ContentID=11765](http://www.techpolicybank.org/AM/Template.cfm?Section=State_Fact_Sheets&Template=/CM/ContentDisplay.cfm&ContentID=11765).

**Table 4**  
**Household Internet Access in Illinois and Neighboring States**

State	Households Earning Less than \$15,000 Per Year % that Use the Internet	Percent of Total Households that Use the Internet	National Ranking by Percent of Total Households
United States	-	55	-
Iowa	24	57	18
Illinois	21	51	38
Indiana	17	51	40
Kentucky	19	50	42
Michigan	19	52	36
Minnesota	28	62	8
Missouri	23	53	34
Wisconsin	17	57	17

Source: The Children's Partnership (2008). Illinois youth and technology factsheet. Retrieved October 1, 2008, from [http://www.techpolicybank.org/AM/Template.cfm?Section=State\\_Fact\\_Sheets&Template=/CM/ContentDisplay.cfm&ContentID=11765](http://www.techpolicybank.org/AM/Template.cfm?Section=State_Fact_Sheets&Template=/CM/ContentDisplay.cfm&ContentID=11765).



*Perhaps the most daunting barrier to bridging the digital divide in Illinois is in the disparity of network service availability to citizens in rural and urban parts of the state.*

**Table 5  
Percentage of Households with Broadband Internet in Illinois and Neighboring States**

State	Percent of Households with Broadband Internet	National Ranking by Percent of Total Households
United States	20	-
Iowa	17	33
Illinois	17	36
Indiana	10	47
Kentucky	12	45
Michigan	20	18
Minnesota	20	20
Missouri	15	40
Wisconsin	20	22

Source: The Children's Partnership, 2008

2008, so it is too soon to see definitive results. The longer-term strategy for the current program is to define a workable community-based sustainability model that uses modern informatics approaches to support a social network of CTCs. The model should be responsive to the needs of communities by being aware of how they operate and share information. It needs to be collaborative to support effective leveraging of social, technical and programmatic assets shared by the entire network of CTCs and their partners in state government and the university research community. Finally, it needs to develop into a scalable approach that can still focus on local needs. In this way, it can be applied nationally, expanding the collaborative network of participants, their information and other assets, while still supporting quality program delivery to the



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local community. The belief underlying this strategy is that families will invest in computer and Internet technology only if they see a direct benefit in their daily lives.

It will be interesting to monitor the outcomes from this program over the coming years. The challenge to the Illinois Department of Commerce and Economic Opportunity is to maintain the program's focus long enough to realize the benefits of the approach. It is vital to the program moving forward that the focus on informatics, not just access, is maintained. The challenge for the Illinois General Assembly is to continue funding the new effort until it can be sustained or augmented with additional funding sources. Despite its longevity, state government's commitment to the



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program is still determined on a year-by-year basis. Perhaps the most daunting barrier to bridging the digital divide in Illinois is in the disparity of network service availability to citizens in rural and urban parts of the state. Although attempts have been made over the years to create equity in network and Internet services throughout the state, for example the Illinois Century Network, the inequity remains. As long as service availability and quality is based upon the willingness of commercial carriers to provide broadband services, it will be market driven. The market is not likely to incentivize the provision of broadband to areas of low-income population and

*Illinois is similar to other Midwest states in its performance on various measures of the digital divide and, along with neighboring states, still lags behind the national average by most measures.*

growth. Opening broadband access and client-oriented services in these areas would bring the possibility of participating in the “Internet economy” to the people who live there. Illinois has the CTC program and social network to provide the expertise and training to enable these communities to participate in 21<sup>st</sup> century society and commerce. Yet it remains to be seen if improvements to the digital infrastructure and investment of the needed political capital are possible.







## Some Implications of the 2008 Presidential Election: Three Brief Observations

How might the 2008 election change the landscape  
for future elections?

# Some Implications of the 2008 Presidential Election: Three Brief Observations

By Brian J. Gaines, James H. Kuklinski, Christopher Z. Mooney

The 2008 presidential election has been hailed as one of the most important in history. History will judge precisely which facts about the 2008 campaign and outcomes were most significant. Here we highlight three aspects that seem to have important policy implications for the nation and for Illinois. These are: (1) the decisive election of the nation's first non-white president; (2) the record-breaking campaign fundraising and spending, particularly by the victorious Obama campaign; and (3) a surge in the amount of convenience (early and absentee) voting.

## Race and the Obama Victory

Illinois U.S. Senator Barack Obama's entry into the contest for the 2008 Democratic presidential nomination provided scholars, political pundits, and the nation's voters the opportunity to answer a question that had long been on the minds of many: Could an African American man win his party's presidential nomination, let alone win the general election? Another black politician from Illinois, Jesse Jackson, made serious runs at the presidency in 1984 and 1988, but his challenges were never as successful as Obama's, at least according to various polls.

Yet herein lay a problem. When one of the candidates is African American, just how reliable are poll results? The so-called "Bradley effect" was first raised publicly after the 1982 California gubernatorial election. A *Los Angeles Times* poll conducted three weeks before the election had found black Democrat Tom Bradley ahead of white (actually Armenian American) Republican George Deukmejian by about 13 points, with about 19 percent still undecided. When Bradley eventually lost 48

percent to 49 percent, many concluded that poll respondents must have deliberately misrepresented their vote intentions to avoid appearing racist. Presumably, the pressure to lie was especially acute for Democrats bothered by Bradley's race, because the party-identification question came before the vote-intention question on that poll. Although subsequent analysis found mixed evidence on the import of race in that election,<sup>1</sup> it has become folklore that polling is unreliable in contests between candidates of different races. Would some white voters in 2008 tell pollsters they intended to vote for Obama, while knowing that in the privacy of the voting booth they would do no such thing?

Buttressing this possibility was an accumulation of academic research purportedly showing persistent racial bias against black people, especially among the white working class. Proponents of the "implicit racial bias" thesis argue that 70-90 percent of whites harbor anti-black/pro-white biases. They argue that whites hold these biases unconsciously; but with the right tests, it can be shown that most whites associate white with things pleasant, and black with those unpleasant. This led two scholars to declare, on a blog post, that "Obama has a serious uphill battle on his hands..."<sup>2</sup> A complementary theory, "symbolic racism," views whites' attitudes toward black people as formed early in life through peer and family socialization, so that negative reactions to black candidates and black-targeted policies are visceral and automatic.<sup>3</sup>

Some pundits predicted that Iowa, the first caucus state, would provide ample evidence of their wisdom about race and the selection of a Democrat nominee in 2008,

<sup>1</sup> Jack Citrin, Donald Philip Green, and David O. Sears. "White Reactions to Black Candidates: When Does Race Matter?" *Public Opinion Quarterly* 54, 1 (1990): 74-96.

<sup>2</sup> Gregory S. Parks, "Implicit (Unconscious) Race Bias and the 2008 Election: Does Obama Stand a Chance?—Parts I and II." *The Huffington Post*, Feb. 4, 2008. In his writing, Parks refers to Jeffrey Rachlinski, a Cornell University Law Professor, as his collaborator.

<sup>3</sup> Donald R. Kinder and David O. Sears. "Prejudice and Politics: Symbolic Racism versus Racial Threats to the Good Life." *Journal of Personality and Social Psychology* 40, 3 (1981): 414-431.



<sup>4</sup> See Michael Sokolove, "The Transformation of Levittown," *The New York Times* Nov. 8, 2008.

*Putting aside Obama's appeal as a candidate, his unprecedented fundraising success was largely due to his campaign's targeting of small donors, especially over the Internet.*

as Iowans would throw their support overwhelmingly to the front-running white candidates, Hillary Clinton and John Edwards, notwithstanding polls showing a slight Obama lead. In fact, Obama won more caucus votes than any other Democratic candidate.

When people vote in caucuses, they express their preferences in the presence of others. Perhaps, therefore, caucus voting dampens racially-driven voting in a way that secret-ballot events such as primary and general elections do not. This even appeared to be the case five days later, when Clinton beat Obama in New Hampshire's primary, despite the fact that polls had shown Obama well ahead. The "Bradley effect" was on everyone's lips. Ultimately, although Obama fared substantially better in caucuses than in primaries, he did not systematically under-perform relative to polls in the post-New Hampshire primaries. In the end, he won about half of the primaries, and not only those in states where black voters constituted a large share of the Democratic primary electorate

Nevertheless, exit polls showed a recurring pattern of white working-class people expressing more support for Clinton than Obama. Some pundits saw this as proof of racial prejudice, but there were surely alternative explanations. While some ridiculed the notion of Wellesley- and Yale-educated Clinton fostering genuine affect among blue-collar types, her competitor, in addition to being (half) black was a Harvard-educated former law professor. In mid-campaign, Obama was caught on tape describing rural Pennsylvanians to a San Francisco audience as "bitter" people who "cling" to guns and religion. While Obama's and Clinton's Senate voting records were strikingly similar, their campaign promises and rhetoric were not identical, and experts disagreed about which one stood a better chance of defeating the Republican nominee. Clinton was the far better-known political entity. Given

these and other differences between the candidates, the conclusion that white voters could prefer Clinton to Obama only if they were racist was patently premature.

The presidential election is over. Not only did Barack Obama win the Democratic nomination, he easily won the presidency. And as it turned out, he fared very well in many white working-class communities. Levittown, Pa., for example, is working class and 96 percent white, yet voters there backed the African American Democrat strongly in November. Obama took about 62 percent of the vote in the four municipalities into which Levittown falls and, in the process, garnered more votes there than John Kerry did four years earlier.<sup>4</sup>

So what lessons can be drawn about race, racial attitudes, and voting in light of the 2008 presidential primary and general elections? Here, we recommend caution. Consider that the election easily could have played out differently. Suppose, for example, that the Democratic Party's super-delegates had not flocked to Obama as quickly as they did. With Clinton's later primary victories in key states like Ohio and Pennsylvania, she might well have regained momentum and won the nomination. What conclusion about the role of race might one then be tempted to make? Pundits might well have castigated as racist those working-class whites who, when faced with a choice between Obama and McCain, chose the former.

Or suppose that the financial crisis and stock market drop had not occurred just weeks before the election. Before the financial turmoil began, polls indicated an election too close to call. If McCain had won, would pundits be ascribing Obama's loss to the racial bias of working-class whites?

Is it reasonable to assume that Obama faced a steeper climb because he was African American? Perhaps, but his race was surely an advantage in mobilizing

black voters, and it also was probably a factor in persuading some moderates and independents, eager for a historic outcome, to prefer him. John Kennedy faced a similar situation in his 1960 race against Richard Nixon. Throughout the campaign, pundits continually raised his Catholic background as an obstacle that could cause his undoing. Had Kennedy not eked out a win, thanks in good part to the Chicago machine's delivery of needed votes, the bias against Catholic candidates would have been the key storyline. But he won, and discussion of his religion faded. Today, those born after 1960 cannot fathom the idea that a Catholic would have to overcome religious biases.<sup>5</sup>

To be clear: we are *not* suggesting that all votes in the 2008 presidential election were free of racial bias. But how much bias was there? The question is extremely difficult to answer reliably. Some pessimists, seeking to snatch defeat from the jaws of victory, have rushed to highlight any hint that some whites who might otherwise have backed the Democrats abandoned Obama. Scouring maps in search of counties where Obama fared less well against McCain than John Kerry did against George W. Bush in 2004 or zeroing in on select demographic groups in exit polls (e.g. young working-class white males) is of limited value. Such gaps can be explained in myriad ways, even though reporters have no trouble finding political analysts for whom race is the only possible explanation.<sup>6</sup>

Assuming that some people will always provide the socially correct answer to survey questions about race, the only fool-proof ways to determine the extent of such bias are experiments along the lines of:

- Rerun the election with everything identical except Obama's race. Of course, this counterfactual requires making some seemingly problematic assumptions, such as Oprah Winfrey's active support of a "white Obama."

- Rerun the election with everything the same except Obama's mien. Research has demonstrated that whites respond differently to hypothetical black candidates as a function of their facial features.<sup>7</sup> Would the same outcome have accrued if Obama's mien more closely resembled, say, that of John Lewis?

We broach these impossible research designs only because they illustrate the difficulty of making inferences from a single presidential election in which the outcome depended on a multitude of factors interacting in complex ways.

For the first time in its history, the United States has elected an African American president. This historical achievement will be discussed and debated for years to come. However, the next four years might determine the role of race in American politics and elections to a greater extent than the 2008 election. Many will be keenly gauging presidential approval, eager to see if Obama enjoys a typical "honeymoon" in which former (and future) critics give him the benefit of the doubt, and refrain from telling pollsters that they disapprove of his job performance. If Obama succeeds in re-establishing the nation's economic health, racial biases, to the extent that they persist, will probably fade. If, on the other hand, deep problems remain in 2012, and whites openly express their discontent in racial terms, we will know that 2008 was not, from a purely racial perspective, all good news.

Putting aside policy success and failure, Mr. Obama now faces a question the answer to which could strongly shape the future place of race in American politics. For decades, African Americans had no choice but to distinguish themselves politically from white Americans. After all, until the passage of the Voting Rights Act little more than 40 years ago, they had no guarantee that they would be able to vote, particularly in the South. African Americans have long held a unique status requiring them



<sup>5</sup> Unfortunately, the same cannot be said about Jews and Mormons.

<sup>6</sup> See, e.g. Adam Nossiter. "For South, A Waning Hold on National Politics." *New York Times* Nov. 10, 2008.

<sup>7</sup> Nayda Terkildsen. "When White Voters Evaluation Black Candidates: The Processing Implications of Candidate Skin Color, Prejudice, and Self-Monitoring." *American Journal of Political Science* 37, 3 (1993): 1032-1053.





to seek a common and readily distinguishable identity.

This identity has paid considerable dividends, but it has also come at a cost: we-versus-they thinking among both black and white Americans. Thinking in we-versus-they terms causes those in one category to view those in the other more negatively than they otherwise would. Perceptions often dominate facts in politics, and Obama's rhetoric will be the single most important influence on Americans' perceptions. As president, will he downplay the black-white thinking that has pervaded American society, as he seemed to do during the election season, or will he find reason to continue it? There are compelling arguments for pursuing each of the alternatives, and each will require a different set of trade-offs. This choice will be one of the most fundamental of Barack Obama's presidency.

#### **Campaign Finance Policy – Small Donations and Record-Breaking Spending**

The 2008 election likely changed the campaign finance landscape forever. Although its biggest effects were at the presidential level, this election also had important policy lessons for campaign finance in Illinois.

Worries about the amount of campaign spending are as old as the Republic, but they have been voiced with more frequency since the 1976 U.S. Supreme Court decision *Buckley v. Valeo* banned involuntary government spending limits. In response, some states and the federal government have tried to entice candidates into voluntarily limiting their spending by offering public funding, with varying success.

In 2008, Barack Obama became the first eligible presidential candidate to refuse public funding in the general election since the federal program began in the 1970s. His campaign found that it could raise more money than the program of-

fered. On the other hand, John McCain's campaign accepted public funding, and its associated voluntary limits, and he was outspent by Obama by almost 2-to-1.<sup>8</sup> Future presidential campaigns will likely draw three lessons from this episode. First, the federal limit on spending required of participants in the public financing program is too low to win future campaigns, even though it is indexed for population increases and inflation. Second, accordingly, it is political suicide to accept spending limits when one's opponent does not. Third, the manner in which Obama raised his money will likely become a model for future campaigns.

Consider this last point first. Putting aside Obama's appeal as a candidate, his unprecedented fundraising success was largely due to his campaign's targeting of small donors, especially over the Internet. This tactic may have been making a virtue of necessity, because the Hillary Clinton campaign locked up many of the party's typical sources of large contributions early in the Democratic primary season. Obama's campaign targeted small contributors, those who might donate \$10, \$50, or even \$100. The strategy might seem hopeless because it requires attracting so many more donors to yield the same amount of cash. But, whether by design or fortune, the Obama campaign found that there were positive benefits to gathering money this way. First, as political operatives and political scientists have long understood, a political contribution represents more than just the money involved; it represents a commitment of support far stronger than simply a vote for a candidate. Most Americans rarely contribute to a political campaign, so pulling out the checkbook or clicking on the "contribute now" button is a significant act. It not only greatly increases the chance that the contributor will indeed vote for that candidate, it also increases the chances that he or she will show support in other ways, such as proselytizing among friends and co-workers,

<sup>8</sup> See the nonpartisan, not-for-profit web site, Open Secrets.org, for detailed information on campaign finance for these and other campaigns federal offices in 2008.

<sup>9</sup> Sidney Verba, Kay Lehman Schlozman, and Henry E. Brady. 1995. *Voice and Equality*. Cambridge, MA: Harvard University Press.

putting a campaign sign in the yard, or walking precincts.<sup>9</sup>

To a campaign's treasurer, a small contribution foreshadows another more important act of political support, a second contribution. Someone whose first contribution is at the legal limit for a presidential campaign – \$4,600 in 2008 – cannot legally contribute any additional “hard” money.<sup>10</sup> But someone who gives only \$100 can be solicited by the campaign again and again throughout the election season. Thus, while Obama fared relatively poorly in fundraising early in both the primary and general election races, he surged as the campaigns progressed. The effectiveness of the Obama campaign at tapping and re-tapping small donors was underestimated by even the most experienced observers throughout the campaign. For example, the Campaign Finance Institute issued a press release on September 25, 2008, headlined, “After Holding Financial Advantage in the Primaries, Obama Likely to Achieve Only Parity with McCain in General Election.”<sup>11</sup> In the end, the Obama campaign got a higher proportion of its campaign contributions in small amounts than did the McCain campaign, a reversal of the historical partisan pattern for the Democrat and Republican in presidential elections.

Obama was not the first candidate to target small donors through the Internet. Howard Dean pioneered that approach in 2004. But Obama's campaign applied and optimized the Dean model like no one else, developing a campaign finance juggernaut unlike anything ever before seen in American politics. Obama realized, as his opponents did not, that Dean's collapse in the 2004 Democratic primary did not mean that Internet electioneering and fundraising did not work. Others already are following the Obama lead. For example, Daniel Bliss, a candidate for a seat in the Illinois House from the 17th District, gained fleeting national attention in 2008 for his success with this technique, raising

almost \$140,000 through the website, Act-Blue.com.

What campaign finance policy lessons can we take away from the 2008 presidential campaign, especially those that might be relevant to Illinois? The most obvious lesson is that the old system of public funding for presidential campaigns is now dead. The program was premised on the notion that the public funding offer was too large for candidates to turn down, and thus they would accept its spending limits. Obama's fundraising prowess has belied this assumption, showing candidates that they no longer need federal funds and that they can no longer afford to accept arbitrary spending limits. So without a large increase in spending limits and funding, major party presidential candidates likely will no longer participate in public funding, at least in the general election. The few states with similar programs have also found that when funding levels and spending limits are too low, few candidates participate.<sup>12</sup>

So what is next for public campaign funding at the presidential level and what might the events of 2008 suggest for campaign finance reform in Illinois? This depends on the campaign financing goals that the public and policymakers wish to pursue. If the original goal of public campaign financing was to limit spending constitutionally, then we should raise spending limits and public funding to a level that future campaigns will consider adequate. No candidate will limit campaign spending voluntarily if he or she thinks it will seriously and unnecessarily disadvantage him or her in the election. Thus, what this means is that reducing overall campaign spending significantly is probably impossible in the face of current Supreme Court interpretation of the First Amendment.

But another perhaps more fundamental goal underlying public campaign financing was to limit the excessive influence of



<sup>10</sup> For more details about the federal public campaign financing program, see the Federal Election Commission's web site: [www.fec.gov](http://www.fec.gov).

<sup>11</sup> <http://www.cfinst.org/pr/prRelease.aspx?ReleaseID=205>.

<sup>12</sup> States with public funding for various offices include: Arizona, Connecticut, Maine, Minnesota, New Mexico, North Carolina, and Vermont.



<sup>13</sup> The other four states with political contribution tax incentive programs are Arkansas, Oklahoma, Hawaii, and Oregon. See: "Campaign Finance: Current Structure," Hoover Institution Public Policy Inquiry (<http://www.campaignfinance.org/structure/states1.html>).

<sup>14</sup> Robert G. Boatright, Donald P. Green, and Michael J. Malbin. "Does Publicizing a Tax Credit for Political Contributions Increase Its Use?" *American Politics Research* 34, 5 (2006): 563-582.

<sup>15</sup> Michael J. Malbin. "Rethinking the Campaign Finance Agenda." *Forum*, 6, 1 (2008): 3.

special interests on elected officials. The argument is that the greater the proportion of a candidate's campaign resources that comes from a given source, such as an interest group, the more susceptible he or she may be to the blandishments of that source once in office. The Obama campaign suggests a policy approach to achieve this goal that does not involve direct public funding – tax incentives to encourage small contributions. When small contributors fill a larger portion of a candidate's campaign coffers, large donors are less likely to have undue influence. Today, seven states (including Michigan, Ohio, and Minnesota) encourage small contributions with rebates or tax credits for political contributions of up to \$50.<sup>13</sup>

A tax credit or deduction for small campaign contributions fits with Illinois' general free-market approach to campaign finance regulation. Rather than setting contribution limits, as the federal government and almost all other states do, or establishing a public financing program, Illinois requires campaigns to report the sources and amounts of their contributions. The State Board of Elections then presents this information to the public on their easy-to-use website, and voters are entrusted to make decisions based on that information. While the state has virtually no limits on campaign contributions, it has perhaps the best and most transparent system of reporting in the nation. A tax incentive likewise empowers voters by allowing them to target their resources to their favored candidates.

A tax incentive would cost the state very little to implement because it could be incorporated into the current personal income tax return simply by placing a line for the credit or deduction on the IL-1040 form. Taxpayer participation might be encouraged through a state publicity program, as has been done for the Bright Start college savings plan and the state's organ donation program. But because it would be in the interest of the campaigns to maxi-

mize participation, such publicity might not be needed. On the other hand, Ohio and Minnesota have had low participation rates with their programs, in the range of 1-2 percent.<sup>14</sup>

There are two potential downsides for giving tax incentives to encourage political contributions. First, they represent a tax expenditure, the size of which depends on: whether a tax credit or deduction is used; the size of the allowable credit or deduction; and the rate of taxpayer participation in the program. Table 1 shows the program's tax expenditures under various scenarios. A tax credit certainly would yield larger tax expenditure than a deduction, not only because of its greater direct cost but also because it would probably generate more participation due to its larger and clearer impact on a taxpayers' bottom line. And while the state must be prepared to shoulder 100 percent participation, in practice it will probably be much less; advocates for such a reform hope for 10 percent participation.<sup>15</sup> A scenario for Illinois like that in practice in other states with the most generous policies and participation would be a \$50 tax credit and a taxpayer participation rate of 2 percent. Given that there are approximately 6.5 million individual personal income taxpayers in Illinois, such a scenario would cost the state \$6.5 million, or about \$1 per taxpayer.

The second downside of such a tax incentive is a potential increase in campaign spending. In the Obama campaign, small donors, the effective use of technology and a charismatic candidate helped shatter campaign-spending records. Whether this is a positive development is a matter of debate. Campaign spending that encourages citizen engagement and education may be a good thing, but campaign spending that yields simply more inane or negative TV ads, junk mail, and annoying telephone calls may not be. Recall that a primary goal of early campaign finance regulation was the reduction of campaign spending.

Ultimately, the tradeoff between encouraging more participation in the electoral process and limiting the cost of running for office is one for policymakers to consider.

### Voting Early (If Not Often)

Recent decades have seen increasing use of non-traditional, “convenience” voting options, mainly no-excuse absentee voting (by mail) or early voting (by secret ballot at official polling stations). Without complete official returns, we cannot yet report the exact levels of convenience voting nationwide in 2008. But anecdotal evidence and incomplete returns suggest that non-traditional voting was rampant, largely because both campaigns mobilized voters to take advantage of the option in the 36 states that now allow it.<sup>16</sup> In greater Cook County, for instance, about 30,000 early ballots were cast in the 2006 primary, the first time the state permitted all voters to cast their ballots in advance of Election Day. In the 2006 general election, that rate nearly doubled, to just under 58,000 early ballots. In the 2008 primary, the total more than doubled again, to almost 133,000. And for the 2008 general election, the count soared to almost 500,000 early votes.<sup>17</sup> States such as California, Iowa, and Nevada, all of which established convenient voting many years ago, experienced gradual increases in the use of these methods. Illinois, by contrast, has leaped straight to a fairly high level of convenience voting, thanks in no small part to heavy mobilization by the Obama campaign.

What are the implications of so much voting taking place before the Tuesday after the first Monday in November? Obviously, where early voting is both possible and popular, candidates must adjust their campaign strategies. Late-breaking news and late advertising blitzes cannot affect those voters whose choices already have been made by the closing days of the campaign period. The get-out-the-vote operation should, likewise, be calibrated to areas where the vote has not already “gotten

Table 1  
The Tax Expenditure of Various Reform Scenarios

	Credit/Deduction Amount		
	\$ 25.00	\$ 50.00	\$ 200.00
<b>Credit</b>			
<b>Participation Rate</b>			
2%	\$ 3.25	\$ 6.50	\$ 26.00
10%	\$ 16.25	\$ 32.50	\$ 130.00
25%	\$ 40.63	\$ 81.25	\$ 325.00
<b>Deduction</b>			
<b>Participation Rate</b>			
2%	\$ 0.098	\$ 0.195	\$ 0.780
10%	\$ 0.488	\$ 0.975	\$ 3.900
25%	\$ 1.219	\$ 2.438	\$ 9.750

NOTE: These calculations are based on a 3 percent state tax rate and 6.5 million state tax filers in Illinois. Figures are in millions of dollars.

out.” News media coverage of early voting that suggests a disproportionate presence of one candidate’s supporters in the ranks of the impatient electorate may become a tool in the battle for the undecided. From the voter’s point of view, the convenience of being able to vote over a multi-week window, instead of on a single day, is at least partially offset by the risk of choosing early, and then experiencing regret upon later learning something new about some candidate or ballot measure. Given the length and depth of ballots, all of these comments apply to multiple races and multiple sets of competitors. A candidate vying for a local office might need to tweak tactics if top-of-the-ballot campaigns are driving hordes of voters to the polls days ahead of the deadline.

From a nonpartisan, disinterested point of view, what are the pros and cons of extending the legal period for voting across multiple days? We see several implications: some costs, some benefits, and some arguments that cut both ways.

1. *Boosting Turnout.* The manifest goal of convenience voting is to boost turnout. Increasing participation is usually taken as an unambiguous good, although some may question whether voting by those who seem to lack information about the

<sup>16</sup> Jessica Leval and Jennifer Marsico. “The Rise of ‘Convenience Voting’” *The American*, Thursday, Oct. 16, 2008. Accessed Nov. 16 at <http://www.american.com/archive/2008/october-10-08/the-rise-of-2018-convenience-voting2019>.

<sup>17</sup> Report of Chicago Board of Election Commissioners, accessed Nov. 16, 2008 at [http://www.swschicago.org/EarlyVoting-For2008Election\\_English.pdf](http://www.swschicago.org/EarlyVoting-For2008Election_English.pdf).





<sup>18</sup> See, e.g., floor debate in the Illinois Senate, Jan. 7, 2007, accessed Nov. 16, 2008 at <http://www.ilga.gov/senate/transcripts/strans/89/ST010797.pdf>. Arguments made by Republicans in Illinois were made by Democrats in Georgia as they eliminated straight-party voting in 1993.

candidates or contests is necessarily desirable. The latter argument has been offered, for instance, as a justification for removing straight-party ballot options.<sup>18</sup> Nonetheless, Americans face high costs of voting, as compared to voters in other democracies: federal elections fall on weekdays; the onus to register falls on voters; and ballots are long and often distressingly complicated. The direct benefit of making voting easier should be that



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marginally interested or motivated eligible voters who would otherwise stay home will turn out. An indirect benefit could follow. If polling stations are less likely to be overwhelmed by demand on the official Election Day, there is less likelihood of some discouraged potential voters turning away from long lines at precinct polling stations, forgoing their voting rights. It even might be true that logistical mistakes in the processing of votes and errors made by harried voters, rushing because they are aware of long lines behind them, are less likely when all voting need not take place on a single day.



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2. *Preserving the Secret Ballot.* Despite myriad small distinctions across states in how convenience voting is implemented, there are two main alternatives. Absentee voting is normally voting by mail. Early voting is normally voting in a private booth, more or less as one would vote on Election Day, only days in advance. There is a compelling justification for preferring early to absentee voting. The secret ballot became a hallmark of democracy in the U.S. and elsewhere in the 19th Century, as a means of reducing the possibilities for vote buying, intimidation of voters, and other fraud. Perhaps unintentionally, many states have undone this reform by intro-



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ducing voting by mail. It is probably unavoidable that states provide some mechanism to permit some voters, for instance those too frail to travel, to participate without visiting an official voting station. But the goal of allowing no-excuse-required convenient options for all voters can be met without sacrificing secrecy. The marginal gain in convenience from absentee voting is offset by a marginal increase in uncertainty about vote processing unavoidably introduced by reliance on mail service. More importantly, states should not blithely give up control over the preservation of secret voting.

3. *Location, Location, Location.* Although we think the case for early voting instead of by-mail voting is compelling, the former does pose additional logistical challenges, and possibly avenues for abuse at the margin. Soon after Illinois adopted early voting, the system was challenged in federal court as a violation of equal protection guarantees. The basis of the complaint in *Gustafson v. Illinois State Board of Elections*, No. 06 C 1159 (N.D. Ill. Sept. 30, 2007) was that early voting stations were not equally accessible to voters and were politically situated so as to favor one candidate over another in the Democratic primary. The latter claim could not be proven, and the court found nothing unconstitutional in uneven provision of early voting opportunities. Indeed, it is probably impossible for a government to make voting equally easy for rural and urban residents, except by abandoning the secret ballot and using a pure vote-by-mail system. Moreover, the potential for manipulation of results by strategic placement of polling stations is not unique to early voting. However, the danger is more acute because so many Election Day polling places are at schools and churches, places that cannot tolerate the disruption of being open for weeks rather than one day.



*The goal of allowing no-excuse-required convenient options for all voters can be met without sacrificing secrecy.*

<sup>19</sup> Robert Putnam. 2000. *Bowling Alone*. NY: Simon and Schuster.

An unavoidable cost of stretching out the legal vote-casting period is that if all voters in each jurisdiction are to use identical ballots, the window for making late changes shrinks.

4. *Less learning.* Voters who deny themselves some portion of the campaign period to learn about issues are likely to be slightly less well informed when they cast their ballots. This concern might seem ludicrous given the length of American campaigns as compared to those in most democracies, where campaign seasons are counted in weeks, rather than months. But because American ballots contain so many choices, the concern about voters' knowledge of the alternatives from which they are choosing probably applies most strenuously to offices other than the presidency. To cite just one example from 2008, about 24 percent of early voters in Adams County abstained from voting on the Constitutional Convention item. By contrast, about 15 percent of Election Day voters skipped that contest. One cannot be certain that the early voters are not people who would have ignored the Con-Con choice even had they voted on Election Day. Still, the difference is at least circumstantial evidence that early voters are prone to more partial abstention, perhaps because less salient contests do not catch their attention in the campaign season that they voluntarily cut short. Notwithstanding our first point above, turnout is not synonymous with voting, and increased rates of deliberate under-voting could be a correlate of early voting.

5. *Impossibility of Late Changes.* The 2008 election in Illinois demonstrated another disadvantage of permitting early voting, namely that the last date by which changes can be made in a ballot must be earlier. When a circuit court judge found the wording of the Constitutional Convention referendum to be biased just a month before Election Day, it was deemed too late to print new ballots. Accordingly, the less-than-ideal remedy was for poll workers to make available a flier with the corrected wording, and to instruct voters to ig-

nore the wording on their ballots for this one item only. Disputes over the wording of referenda are not the only reason why states or counties might sometimes wish to make very late changes to ballots: candidates can die or withdraw, and clerks can discover potentially confusing formats or errors. An unavoidable cost of stretching out the legal vote-casting period is that if all voters in each jurisdiction are to use identical ballots, the window for making late changes shrinks.

6. *Voting Alone.* Some lament that early voting destroys the communal experience of participating in democracy's ultimate ritual. The actual process of choosing candidates is, in modern democracies, meant to be undertaken secretly. But the experience of being part of a crowd fulfilling the duty to vote is sometimes said to be valuable by itself. Many social scientists fret that modern society is too atomistic, and that people are less and less connected to their neighbors, so that "social capital" is deteriorating.<sup>19</sup> From that point of view, convenience voting is a needless assault on the collective aspect of democratic expression, and one more push towards anomie.

At present, it seems extremely unlikely that Illinois or any other state will soon reverse the liberalization of convenient early voting options. It remains to be seen whether this reduction in the cost of voting will spur greater turnout. The unofficial verdict on 2008 is that forecasts of record-breaking turnout based on record-breaking early voting assumed too much. Many of those early voters seem to have been people who would have voted anyway. The good news is that there is little evidence, as yet, of any systematic abuse. Just the same, policymakers should be attentive to the special logistical challenges associated with stretching "Election Day" over a multi-week window.

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