Gold Collar:

How State Job Subsidies in the Chicago Region Favor Affluent Suburbs

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HOW STATE JOB SUBSIDIES IN THE CHICAGO REGION FAVOR AFFLUENT SUBURBS

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EXECUTIVE SUMMARY

This first-ever analysis of the geographic distribution of state-granted economic development subsidies in the Chicago region shows that the outer suburbs have received a disproportionately large share. At the same time, Chicago and many of its inner suburbs, which have experienced severe job loss—especially in manufacturing—have been shortchanged. Rather than promoting urban revitalization and offsetting the forces promoting sprawl, these government incentives have exacerbated the problem and worsened economic inequality in the region.

Good Jobs First reached these conclusions by mapping some 780 subsidies provided by the State of Illinois to specific companies during the period from 1990 to 2004. The incentives, which came from ten different programs, had a total value of $1.2 billion. Subsidies administered locally, such as tax increment financing, were not included.

The skewed distribution of incentives can be seen most clearly when comparing the share of subsidy dollars received by different areas to their share of the region's population or their share of business establishments. Chicago, which had about 38 percent of the region's population during the period, received only about 15 percent of the subsidies (whether measured in dollars or the number of deals). By contrast, the suburban portion of Cook County and the "collar counties" of DuPage, Lake, Will, Kane and McHenry each received a subsidy share in excess of its population share. For example, DuPage, with about 11 percent of the population, got 18 percent of the subsidy dollars; Will, with a population share of less than 5 percent, got over 11 percent of the dollars.

Looking at subsidy dollars per capita, Chicago's $64 was dwarfed by DuPage's $277, Will's $380 and $265 for the collar counties as a group. Even suburban Cook County, at $197, had a per capita amount more than three times that of Chicago.

A similar picture appears when the distribution of subsidies is compared to the distribution of business establishments. With 34 percent of the six-county area's business establishments in 1993, the collar counties received 47 percent of the business subsidy dollars given out in the 1990-2004 period. The suburbs as a whole (counting suburban Cook) had 70 percent of the business establishments but 85 percent of the subsidies.

Looking at subsidy dollars per establishment, Chicago was far outpaced by all other parts of the region. The $3,205 per-establishment amount received in the city was less than half that of suburban Cook and roughly a third of those amounts received by the collar counties. On a per-establishment basis, Will County received almost six times the business subsidies received by the city.

A very disproportionate share of the subsidies went to companies in areas of sizzling economic growth, especially the Northwest Corridor around O'Hare Airport. Companies in the Corridor received more than $198 million in subsidies, which was more than the total of $177 million received in all of Chicago, which had five times the population. This despite the fact that massive public investments in the airport and surrounding freeways have made the area a very attractive place for companies to locate, transforming it into the metro area's largest employment center.

The imbalance is also evident when looking at the distribution of subsidies in comparison to the tax capacity of the different communities in the region (tax capacity being a measure of the potential tax revenue a location has to fund services such as education and public safety). Job subsidies were most heavily concentrated in those parts of the region with the greatest tax capacity, fueling imbalances and leaving older communities to struggle with a lagging tax base.

Regional biases are also found when the subsidy distribution is compared to economic measures such as employment growth, median household income and the poverty rate. The collar counties getting disproportionate subsidies also have much higher household incomes, lower unemployment and less poverty than Chicago.

Comparing the distribution of subsidies with where workers of color live finds relatively few deals in parts of Chicago that are predominately Africa-American and many deals in areas of the collar counties that are overwhelmingly white. The pattern is not quite as egregious for Hispanic residents.

Combined, these measures clearly indicate that subsidies are going to the places that need them the least, while the struggling areas of Chicago and its inner-ring suburbs are getting less than their fair share. Moreover, we found that the ability of core-area workers to take advantage of the new employment opportunities in the collar counties is limited by the fact that the vast majority of subsidized workplaces in the newly developing suburban areas are not easily accessible by public transportation from the city. This means that for the many car-less workers in low-income, especially minority, communities, those jobs are effectively out of reach.

Large disparities are also evident within Chicago and within suburban Cook County. The north and northwest portions of Cook County, which are far more affluent than the southern part of the county, absorbed the largest share of subsidies. Inside Chicago, a substantial share of the subsidies went to the central business district, while lower income areas such as the West Side received very few.

Given that some of the subsidies we analyzed (such as Industrial Revenue Bonds) were initiated by requests from the companies themselves, the role of state government policy decisions in creating these regional disparities is ambiguous. Nor can we estimate how many of the subsidies were granted to companies that were relocating from Chicago to the suburbs; such information is not available for past deals, though it should be available in the future, thanks to the disclosure law the state passed in 2003.

With those caveats, it is evident that Illinois' economic development subsidy programs are not directing resources to communities most in need of more jobs and a stronger tax base—either because these programs have no targeting requirements or because the few with targeting provisions are being misused.

To help policymakers address this problem, we offer the following policy options:

- ***Reserve and target state business incentives to areas with high unemployment and/or low income.*** Adding targeting standards would enable the state to spend less by leveraging new private investment in distressed areas while avoiding outlays on deals in affluent areas that would happen anyway. It would also reduce infrastructure costs by encouraging reinvestment in areas already served by roads, sewer and water.

- ***Make the state's new Business Location Efficiency Act (Public Act 94-966) more effective.*** Currently, the law acts as a voluntary "carrot," granting slightly larger Economic Development in a Growing Economy (EDGE) corporate income tax breaks if a company locates jobs proximate to public transit and/or affordable housing. Amending the new law to require companies seeking any state business incentive in metropolitan areas with mass transit service to meet the location efficiency standards (or develop a remedial plan to meet them) would increase job access for lower-income workers and encourage reinvestment in older areas.

- ***Amend the state's subsidy disclosure law to require subsidized companies to justify business relocations within Illinois and report the impact on workers and communities affected by the moves.*** Disclosure reports on state-subsidized business relocations should include impact statements on job dislocation, future commuting distance, and public transit accessibility. While Illinois' subsidy disclosure law now requires companies to provide basic information relating to relocations, additional disclosure would do more to prevent potential abuses.

In summary, our findings make it clear that the state's economic development expenditures have profound land use implications, yet they are not at all coordinated with regional planning. The Chicago metropolitan area can ill afford to allow such a glaring, costly policy gap to persist.

INTRODUCTION

> What they're doing in DuPage, as well as in Lake, McHenry, Will and Kane Counties, is hurting Chicago. Chicago has a right to say stop. The explosion of the suburbs at the expense of the city increases pollution, drains jobs from Chicago, isolates the poorest of its residents from employment, adds to infrastructure costs, kills inner city property values and tax base, etc., etc.[1]

When columnist Dennis Byrne wrote these words in 1994, Illinois Gov. Jim Edgar's administration was pledging massive public aid for a new Motorola manufacturing plant to be located in exurban Harvard, more than 70 miles from downtown Chicago. The plant, which drew up to 40 percent of its workforce from nearby Wisconsin, was a vivid example of state-subsidized sprawl.[2]

A few years before, Illinois had heavily subsidized the relocation of the headquarters of Sears, Roebucks from downtown Chicago to the distant suburb of Hoffman Estates. The deal was widely denounced by critics of sprawl, since there was little affordable housing nearby and no public transportation to the new location. The Sears deal also marked the state's first major perversion of tax increment financing (TIF), which was originally enacted as an "anti-blight" tool for distressed, high-poverty areas but is now often used to subsidize business projects in high-income areas.[3]

These examples and others show that Byrne's concern about job drain from downtown Chicago to the suburbs was well founded. The greater Chicago area now ranks second among metropolitan areas for job sprawl, defined by the Brookings Institution as the share of jobs outside a five-mile radius of the central business district.[4]

Not all jobs created in the suburbs are ones that were relocated from the city, but the disparity between employment growth in the periphery and shrinkage in much of the urban core is creating serious economic and social problems. Dislocated urban workers cannot easily commute to many of the new jobs in the distant suburbs, becoming trapped in communities with limited economic prospects.

A 2005 study that ranked Chicago-region communities according to their rate of employment growth found that 30 times more jobs were created around the "highest opportunity" areas (such as Naperville and Winnetka) than around the "lowest opportunity" ones (such as University Park and Maywood). Roughly 94 percent of the region's black residents and 83 percent of its Hispanic residents live in these low opportunity communities.[5]

This separation of job opportunities from the region's most disadvantaged individuals has been aggravated by the continuing out-migration of manufacturing jobs from Chicago to its suburbs and elsewhere. Chicago lost over 73 percent of its manufacturing jobs between 1977 and 2002, declining from 365,000 to fewer than 97,000. Meanwhile, factory jobs in Chicago suburbs grew nearly 12 percent from about 425,000 in 1976 to over 475,000 in 1996, before falling 26 percent to under 350,000 in 2002.[6]

The physical and social distance between job-rich suburbs and job-poor urban neighborhoods has grown as the central city has been eclipsed as an employment center by "edge cities" and other suburban job centers. The area around O'Hare International Airport, once on the periphery of the metropolitan area, is now the real center of regional employment growth.[7] Other major suburban employment centers include Elk Grove Village, Des Plaines-Rosemont and Schaumburg in suburban Cook County and Oak Brook in DuPage County.[8]

Not all these jobs are in office parks. Manufacturing subcenters can now be found around O'Hare, Glenview, North Chicago, Wheeling, and even very affluent areas like Hoffman Estates, Schaumburg and St. Charles.[9]

This growth of employment in places far from low-income neighborhoods in both Chicago and its older, de-industrializing suburbs has had painful consequences. Job loss in older areas causes the property tax base to decline, so that those residents left behind face higher taxes and poorer public services. A vicious downward spiral sets in, which makes disinvested neighborhoods less attractive to employers.[10]

This job-creation imbalance between the urban core and the suburbs and exurbs is part of a larger process of sprawl that also includes residential decentralization. The causes of sprawl are many, ranging from racially segregated housing markets to transportation spending that heavily favors highways over public transit.

There is now extensive literature on these various causes, but one factor has received little attention: economic development subsidies. Except for one old study on small business loans that found most going to outlying suburbs, the geographic distribution of job subsidies in the Chicago area has been overlooked.[11] This report is the first effort to examine the connection between development subsidies and sprawl in the Chicago region.

Job subsidies take many forms—the average state now has more than 30 of them—including property tax abatements, corporate income tax credits, sales and excise tax exemptions, utility tax exemptions and discounts, tax increment financing, enterprise zones, venture capital, subordinated debt, low-interest loans and loan guarantees, free land and land write-downs, training grants, infrastructure aid, and even cash grants.

With the exception of enterprise zones and TIF districts, business incentives in Illinois are not specifically targeted to economically depressed communities.

Even these programs, particularly TIF (which is administered locally and thus is not covered by this study), have been deregulated by the state over the years so that they are found increasingly in affluent or newly developing areas.[12]

With the passage of the 2003 Corporate Accountability in Tax Expenditures Act (Public Act 93-552), information is now readily available on the location of state job subsidies as well as their impact on job creation (including wage performance).[13] However, the new database created pursuant to this law includes only those deals initiated since 2004. We made use of that information but supplemented it with data obtained from several state agencies (using Freedom of Information Act requests) on subsidies awarded in the region as far back as 1990. This allowed us to analyze the distribution pattern of more than $1 billion in financial assistance to companies throughout Chicagoland.

The table below summarizes the ten state programs for which we obtained data.[14]

TABLE 1:

Chicago Area Expenditures by Illinois Economic Development Programs (1990-2004)

Subsidy Program	Description	Cumulative Dollar Amount (1990-2004)	Number of Deals
Business Development Public Infrastructure Program	Provides grants to units of local government for public improvements (like road extensions or infrastructure) for expanding or relocating businesses.	$10.6 million	8
Employer Training Investment Program	Reimburses Illinois companies for up to 50 percent of the cost of training their employees	$80.9 million	429
Enterprise Zone credits	Provides several tax credits for investment in depressed areas	$6 million	6
Economic Development Program	Funds transportation improvement for direct access to economic development projects	$69.1 million	53
Large Business Development Program	Provide grants for major expansions or relocations involving private investment and the creation and/or retention of a large number of Illinois jobs.	$29.5 million	5
Corporate Headquarters Relocation Program	Provides tax breaks for large company headquarters relocations	$1.4 million	1
Illinois Industrial Revenue Bonds	Debt issued by Illinois Finance Authority to finance infrastructure, construction, new equipment or other improvements. Interest on bonds is tax free, so borrowing costs are lower.[15]	$ 951.4 million	197
Economic Development for a Growing Economy	Provides tax credits to qualifying companies, up to the amount of state income taxes withheld from the salaries of employees in the newly created or retained jobs.	$44.6 million[16]	81
State Treasurer's Linked Deposits program	For each created or retained permanent full-time job, the Treasurer can deposit up to $25,000 to back below-market-rate loans	$8.8 million	2
High Impact Business Program	Provides investment and sales tax breaks on machinery and building purchases for companies investing at least $12 million and creating 500 full-time jobs, or $30 million and retaining 1500 full-time jobs.	$2.1 million	1
Total		**$1.2 billion**	**782**

CHAPTER 1:

THE GEOGRAPHIC DISTRIBUTION OF STATE JOB SUBSIDIES IN METROPOLITAN CHICAGO

Our examination of the geographic distribution of 782 economic development subsidy deals provided by the state of Illinois to companies in the Chicago region between 1990 and 2004 leads to an inescapable conclusion: the outer suburbs have received disproportionately large shares, while Chicago and its inner suburbs have been shortchanged. Rather than promoting urban revitalization and offsetting the forces promoting sprawl, these government incentives have exacerbated the problem and worsened economic inequality in the region.

An overview of the geographic distribution of the subsidies can be seen in Map 1. It shows all the locations throughout the six-county region at which a company received a subsidy. Map 2 highlights those business locations that have received more than one subsidy deal in the period we examined.

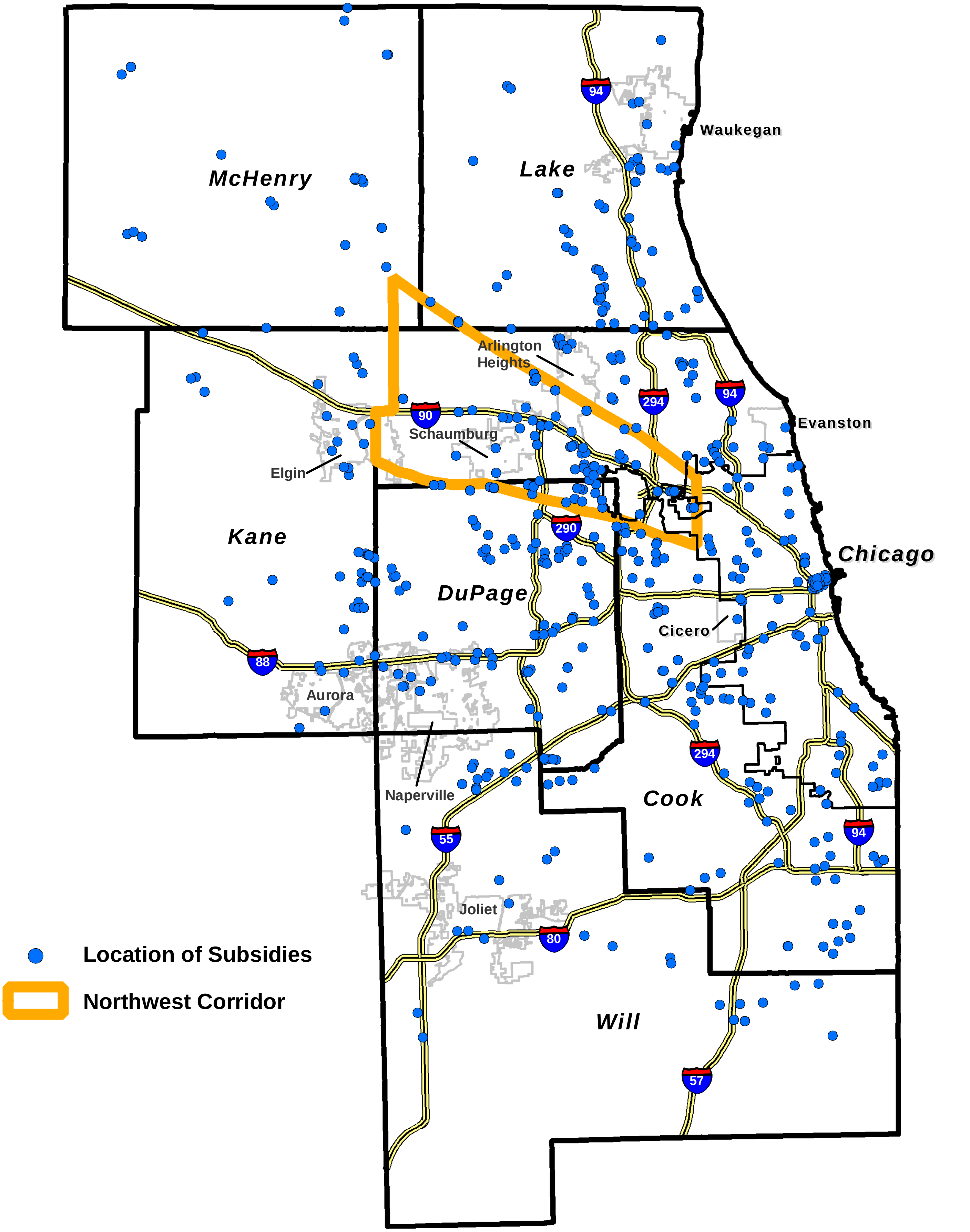
The available data do not allow us to say whether subsidies prompted specific companies to relocate from the core of the region to the periphery. Yet the data do suggest that subsidies contributed to job growth in the outer areas while doing little to help stanch the urban core's job loss.

TABLE 2:

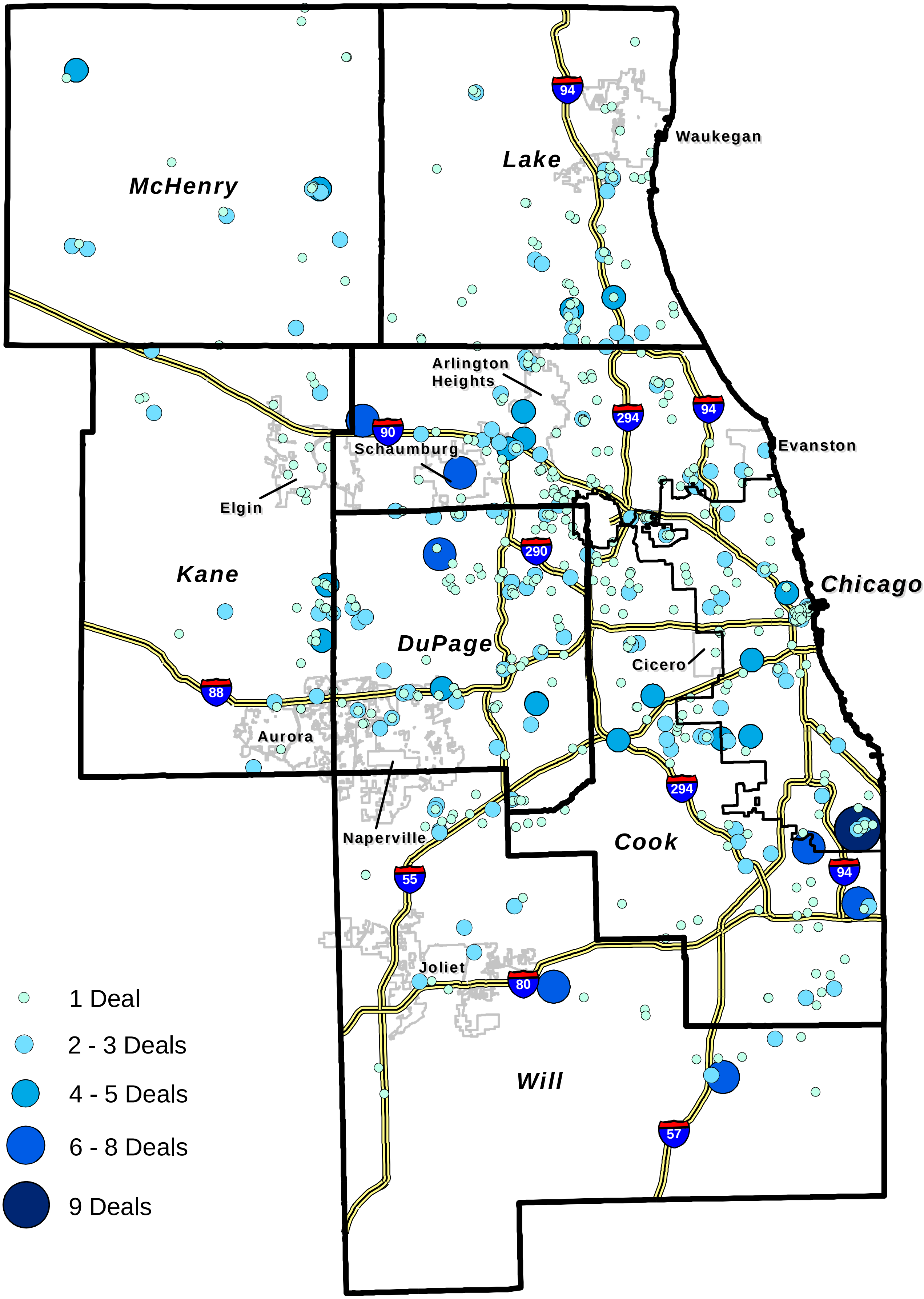
The Distribution of State of Illinois Job Subsidies in Metropolitan Chicago (1990-2004)

Area	1990 Population	Share of Region's Population	Subsidy Deals	Share of Deals	State Subsidies ($000) 1990-2004	Share of Subsidy Dollars
Cook (Total)	5,105,067	70%	376	48%	633,554	53%
Chicago	2,783,726	38%	128	16%	176,984	15%
Suburban Cook	2,321,341	32%	248	32%	456,570	38%
Collar County (Total)	2,156,312	30%	406	52%	570,883	47%
DuPage	781,869	11%	146	19%	216,347	18%
Lake	516,418	7%	93	12%	97,414	8%
Will	357,313	5%	66	8%	135,815	11%
Kane	317,471	4%	62	8%	84,183	7%
McHenry	183,241	3%	39	5%	37,124	3%
Total Chicago Region	**7,261,379**	**100%**	**782**	**100%**	**1,204,437**	**100%**

Map 1: Location of Economic Development Subsidies (1990-2004)



Map 2: Number of Subsidy Deals at Each Company Location



As a result, subsidies have exacerbated a growing divergence between the employment situation in the city and that in the rapidly growing collar counties. As will be discussed below, the biggest impact has been felt by lower-income workers, especially racial minorities, who have found themselves increasingly cut off from places with the fastest job growth.

FAVORING THE SUBURBS

The disparities between the city and the suburbs are clear when you compare their share of subsidy dollars by themselves and in relation to their share of population. Table 2 summarizes those shares for the various areas of the region.

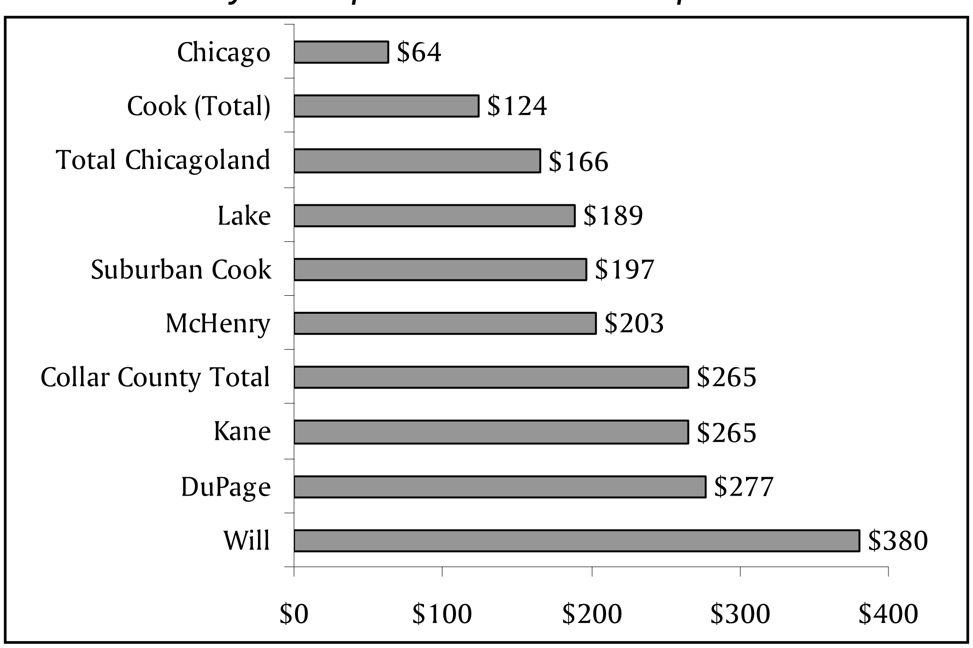
Despite having 38 percent of the region's population in 1990, the city of Chicago received only 15 percent of company-specific subsidy dollars awarded between 1990 and 2004. In contrast, the collar counties that constitute Chicago's outer suburbs—Lake, DuPage, McHenry, Kane and Will—gained over 47 percent, more than three times Chicago's share, despite having only 30 percent of the region's population. Each of the collar counties had a subsidy share in excess of its population share, with the biggest differences seen in the cases of Will, Kane and DuPage.[17]

A similar dynamic can be seen between Chicago and Cook County, the northwest part of which received a very disproportionate share of deals and dollars. Also with a smaller population than Chicago, suburban Cook County received over 2.5 times the subsidy dollars. All told, suburban areas in the six-county region, including suburban Cook, received more than 5.5 times the amount received by Chicago.

On a per capita basis, as shown in Chart 1, the contrast is even sharper. Suburban

CHART 1:

Subsidy Per Capita Based on 1990 Population



Cook, McHenry and Lake each had about triple Chicago's subsidy dollars per capita, and Kane and DuPage over four times. Will County received nearly six times as much in subsidies per capita as did Chicago.

Finally, although suburban Cook received the largest dollar amount of subsidies, its subsidies *per capita* lagged the collar counties by a wide margin ($197 per capita versus the collar-county average of $265.)

The geographic imbalance is also evident when the distribution of subsidies is compared to the distribution of business establishments.[18] Table 3 shows a pattern for establishments analogous to what Table 2 showed with regard to population.

With just over a third of the six-county area's business establishments in 1993, the collar counties received nearly one half of the business subsidy dollars given out in the 1990-2004 period. The suburbs as a whole (counting suburban Cook) had 70 percent of the business establishments, but 85 percent of the state business subsidies. Suburban Cook's share of subsidy dollars was only slightly higher than its share of establishments. Among the individual collar counties, Will had the biggest imbalance, while Lake and McHenry had subsidy shares about the same as their establishment shares.

Looking at subsidy dollars per establishment (Chart 2), Chicago was far outstripped by all other parts of the region. The amount for the city was less than half that of suburban Cook and roughly a third of those received by the collar counties. On a per-establishment basis, Will County received almost six times the business subsidies received by the city.

SOME SUBSIDY PROGRAMS HAVE CONTRIBUTED MORE TO JOB SPRAWL THAN OTHERS

Among the most frequently used subsidies, the Employer Training Investment Program has been comparatively "urban friendly." Chicago got 24 percent of ETIP grant dollars between 1990 and 2004, compared to 37 percent in suburban Cook and 38 percent in the collar counties.

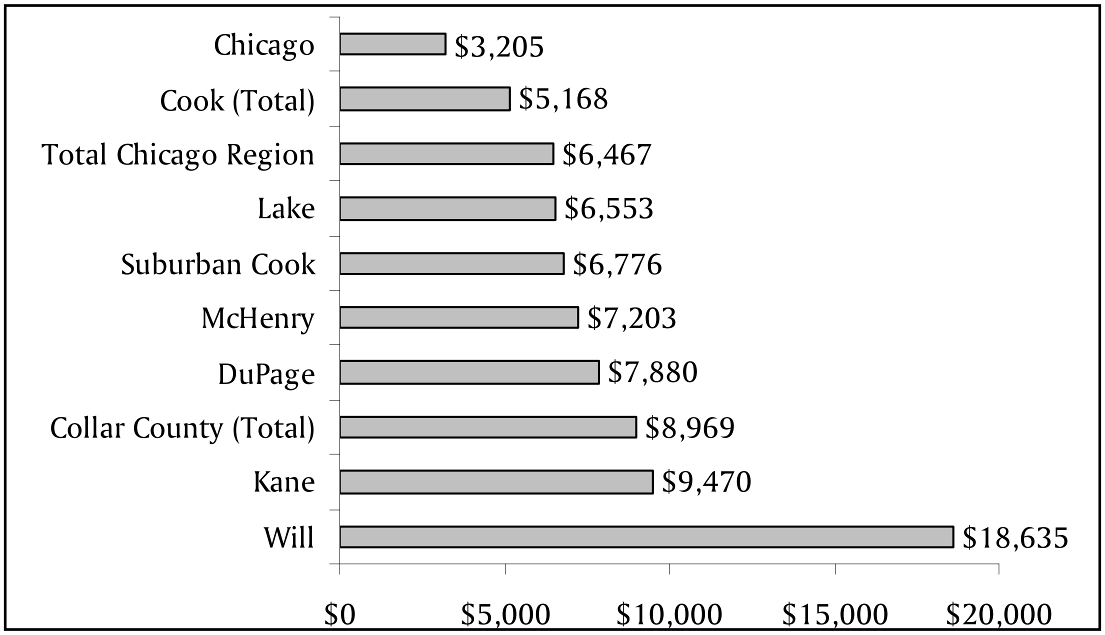
TABLE 3:

Distribution of Subsidies Compared to Distribution of Business Establishments

Area	1993 Number of Business Establishments	Share of Establishments	State Subsidies ($000) 1990-2004	State Subsidy Share
Cook (Total)	122,602	66%	633,554	53%
Chicago	55,219	30%	176,984	15%
Suburban Cook	67,383	36%	456,570	38%
Collar County (Total)	63,652	34%	570,883	47%
DuPage	27,456	15%	216,347	18%
Kane	8,889	5%	84,183	7%
Lake	14,865	8%	97,414	8%
McHenry	5,154	3%	37,124	3%
Will	7,288	4%	135,815	11%
Total Chicago Region	**186,254**		**1,204,437**	

CHART 2:

Subsidy Per Business Establishment



Other programs have been much more skewed toward newer suburban areas. No Business Development Public Infrastructure Program (BDPIP) funds went to Chicago throughout this period, and the collar counties received twice the BDPIP funds suburban Cook did. As well, the collar counties captured over 70 percent of the Illinois Department of Transportation's Economic Development Program funds.

Industrial Revenue Bonds (IRBs)—by far the largest company-specific state incentive program in dollars—went disproportionately to suburban areas, with companies in the collar counties getting nearly 48 percent and suburban Cook 39 percent of the bonds issued 1990-2004, compared to Chicago's 14 percent.

Throughout the 1990-2004 period, untargeted state business subsidies went disproportionately to suburban areas that were already experiencing rapid population and job growth. In fact, Lake, Kane, McHenry and Will ranked among the nation's fastest growing counties in this period. Limited state economic development resources were diverted from older areas in the region to support suburban sprawl.

CHAPTER 2:

THE NORTHWEST (O'HARE) CORRIDOR— AN ECONOMIC "ENGINE" THAT DIDN'T NEED ANOTHER JUMP-START

Chicago's O'Hare International Airport, the center of the "Northwest Corridor"[19] has been called the region's new "economic engine," "the goose that lays the golden egg" and an economic development "thunderbolt." It generates $35 billion annually for the region as a variety of companies seek proximity to the airport and the business opportunities it generates.[20] It is surpassed only by Hartsfield-Jackson Atlanta International Airport as the nation's busiest.

Several studies have described the increasing importance of high-quality air service in permitting cheaper and faster face-to-face interaction with potential business partners and in managing multi-state business operations.[21] It is particularly important to high tech and service industries. The resulting economic growth tends to turn the areas around airports into regional business centers, complete with industrial parks, entertainment, and retail outlets rivaling traditional downtowns.[22]

The Northwest Corridor—which, as shown in Map 1, spans most of Northwest Cook, as well as tiny slivers of DuPage, Lake and McHenry counties—exemplifies these trends. It has stimulated development both in adjacent towns (Bensenville, Des Plaines, Elk Grove Village, Franklin Park, Schiller Park, and Rosemont) and in "next ring" towns: Addison, Arlington Heights, Elmhurst, Hoffman Estates, Itasca, Lombard, Melrose Park, Mount Prospect, Niles, Norridge, Northlake, Palatine, Park Ridge, Rolling Meadows, River Grove, Schaumburg, Villa Park and Wooddale.[23]

O'HARE AS JOBS MAGNET

As with the collar counties generally, but even more strikingly, employment growth in the Corridor has been dense and rapid. A 2004 study by the consulting firm Parsons Brinckerhoff reported the Corridor enjoyed 0.9 jobs per resident compared to 0.5 jobs per resident for the rest of the six-county area.[24]

The same report showed the number of jobs in the Corridor grew 50 percent between 1980 and 2004, compared to population growth of 13 percent. Proponents of a proposed expansion of O'Hare claim it would generate 200,000 new jobs—mainly in the service sector—and $16 to $20 billion in economic benefits.[25]

Despite this evidence that the Corridor almost certainly did not need additional government assistance to become a major job center, our analysis of state job subsidies shows that the area has received a substantial amount of such aid. Companies in the Corridor received over $198 million in subsidies in the 1990-2004 period, significantly more than Chicago's $177 million, even though the Corridor's 1995 population was only one-fifth that of the city. This is another example of how state subsidies in Illinois have gone to places were they were needed the least.

GILDING THE LILY: COMPANY-SPECIFIC SUBSIDIES ON TOP OF HUGE INFRASTRUCTURE INVESTMENTS

In all likelihood, very few of the companies flocking to the Corridor needed company-specific subsidies, since they were already getting substantial government support in the form of public infrastructure improvements. The area around O'Hare was made lucrative and efficient by massive federal, state and local investments in the airport itself and nearby tollways and expressways.

For example, the city of Chicago spent $1 billion between 1990 and 2000 to improve O'Hare.[26] Improvements included renovation and expansion of terminals, runway and taxiway repairs, and upgrades of heating and cooling facilities.

The city and state have also made sure that highways in the Corridor have been kept in good condition. Resurfacing the roads, which costs about $400,000 a mile, has been carried out on a regular basis. There have also been periodic highway extensions and road reconstruction, which can cost ten times as much or more per mile.[27]

For example, in the early 1990s $450 million was spent on reconstruction of the Kennedy Expressway, one of the main arteries to O'Hare.[28] A few years later, about $231 million was spent on reconstructing I-190, the road linking the airport and the expressway.[29] Proposed highway improvements for the Corridor include a western bypass of the airport and an extension of the Elgin-O'Hare Expressway to the airport's western border, for which $140 million has already been authorized.[30]

Proponents of the controversial new improvements predict an economic boom: "Theaters, convention centers, conference centers, hotels, concert venues, restaurants, light manufacturing, assembly plants, warehouses, new business centers and corporate office parks all could be included in this vision," says DuPage County Board Chairman Robert Schillerstrom.[31]

The highway improvements have benefited companies in the Corridor, but they have also increased automobile dependence among the people who work there. According to a recent report by Moving Beyond Congestion, the strategic planning group for the region's transit agencies, people traveling to work in the Corridor live mainly in the northern half of Chicago, northern Cook suburbs, and in DuPage County.[32] Few use public transportation; 93 percent of trips to Corridor workplaces are by car, compared to about 80 percent for the region as a whole.[33]

CHAPTER 3:

WORSENING REGIONAL INEQUALITY BY SUBSIDIZING HIGH-GROWTH COUNTIES

The distribution of state development subsidies in the Chicago region has had a negative impact not only in land use terms (favoring thinner suburbs over the denser areas) but also in economic terms. The suburbs and exurbs that have won disproportionate shares of the subsidies since 1990 were also enjoying much more robust economies than the urban areas that were usually shortchanged. In fact, they enjoyed substantially higher median incomes and substantially lower poverty and unemployment rates than Chicago throughout this period.

The following table summarizes the economic disparities among the different parts of the region by looking at three measures: the rate of employment growth, the median household income level and the poverty rate. In all three respects, Chicago trails behind the rest of Cook County and is grossly outpaced by the collar counties.

TABLE 4:

Summary Employment, Income and Poverty Statistics for Six Counties and Chicago

Area	Employment Growth Rate, 1990-2004	Median Household Income, 2004	Poverty Rate, 2003
Cook (Total)	0.3%	$48,849	14.5%
Chicago	-1.6%	$40,656	19.3%
Suburban Cook	2.3%	$58,393	8.9%
DuPage	14.0%	$70,174	5.9%
Lake	27.6%	$69,670	6.9%
Will	75.7%	$65,186	6.7%
Kane	43.9%	$65,405	7.4%
McHenry	62.6%	$70,956	4.5%

**Estimated*

Sources: Bureau of Labor Statistics, U.S. Census Data, Northeastern Illinois Planning Commission

SUBSIDIZING AREAS WITH RAPID EMPLOYMENT GROWTH

As Table 4 shows, employment in Chicago actually declined in the 1990-2004 period and suburban Cook overall experienced very slight growth, while the collar counties experienced a jobs boom, with growth rates ranging from DuPage's 14 percent to Will's 76 percent.

A more detailed picture can be seen in Map 3, which compares subsidy locations to unemployment rates for each of the region's census tracts in 2000. Most dramatic are the darker areas (indicating high joblessness) in the South Side of Chicago with few blue dots (indicating subsidies). By contrast, there are wide swaths of the collar counties in which many subsidy deals are located in places with very low unemployment.

If current projections by the Northeastern Illinois Planning Commission (NIPC) hold, however, northern Cook County can expect continued strong employment growth. The six-county region will gain over 1.2 million jobs in the 1990-2030 period, with DuPage and the northern portions of suburban Cook County absorbing more than half of them.[34]

Such robust growth rates suggest state subsidies were mostly unnecessary in inducing companies to locate in the collar counties and would have been better allocated to Chicago and western and southern Cook County.

Suburban areas with high employment growth are also, naturally, places with low rates of unemployment. While Chicago's jobless rate in the 1990-2004 period was somewhat higher than that of Cook County as a whole, the difference was much greater when it came to the collar counties. As Table 5 below shows, the divergences were often substantial.

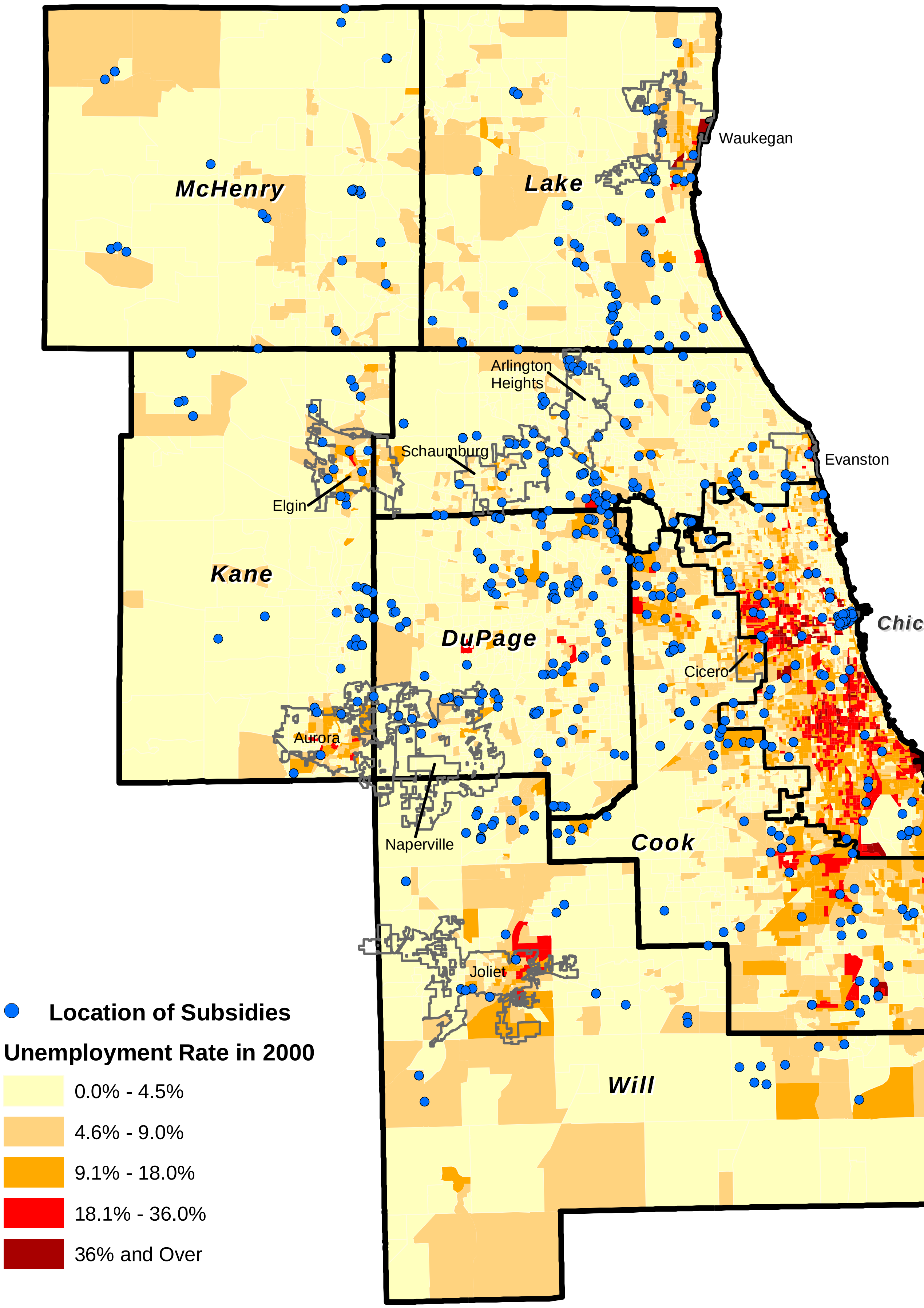
TABLE 5:

Average Unemployment Rates for Chicago and Six-County Region

	ANNUAL AVERAGE UNEMPLOYMENT RATE										
Area	**1990**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Chicago	9.0%	6.9%	7.1%	6.4%	5.9%	5.9%	5.5%	6.8%	8.2%	8.0%	7.2%
Cook County*	7.2%	5.8%	5.9%	5.3%	5.0%	5.0%	4.8%	6.1%	7.4%	7.4%	6.6%
DuPage County	4.0%	3.5%	3.5%	3.1%	2.8%	2.9%	3.3%	4.4%	5.5%	5.5%	4.9%
Kane County	5.9%	5.0%	5.1%	4.5%	4.1%	4.1%	4.3%	5.3%	6.5%	6.7%	5.9%
Lake County	3.8%	3.9%	3.7%	3.4%	3.5%	3.2%	3.7%	4.4%	5.5%	5.7%	5.5%
McHenry County	5.4%	4.1%	4.1%	3.8%	3.6%	3.5%	3.6%	4.6%	5.7%	6.0%	5.2%
Will County	6.5%	5.3%	5.3%	4.7%	4.3%	4.3%	4.1%	4.9%	6.1%	6.2%	5.9%

** Includes Chicago*

Map 3: Subsidy Locations vs. Unemployment Rates



2000 Annual Average Unemployment Rate for Illinois was 4.5% (BLS)

SENDING TAXPAYER RESOURCES TO HIGHER-INCOME AREAS

Along with directing taxpayer resources to areas with higher employment growth and lower rates of unemployment, Illinois subsidies have disproportionately gone to places with high levels of household income. In fact, income levels in Chicago's suburbs have been significantly higher than the city's *throughout* the fifteen-year period under review. Table 6 shows the disparity in income levels among the region's counties.

Throughout the 1990-2004 period, the collar counties exceeded Chicago median household income by as much 73 percent and no less than 44 percent. Median household income in Chicago grew 12 percent between 1990 and 2004, but it remained only 73 percent of the median for the total metropolitan area. In three counties—Will, McHenry, and Kane–the rate of income growth was more than double that of Chicago.

Map 4 shows how income varies according to census tracts within the counties and superimposes the location of subsidy deals. Very low-income areas of Chicago have a limited number of subsidies, while collar counties such as DuPage contain numerous deals in areas of very high income. There are some subsidy clusters in older collar-county cities such as Waukegan in Lake, Aurora in Kane and Joliet in Will, but they are far outnumbered by the subsidies in the richer parts of the outer counties.

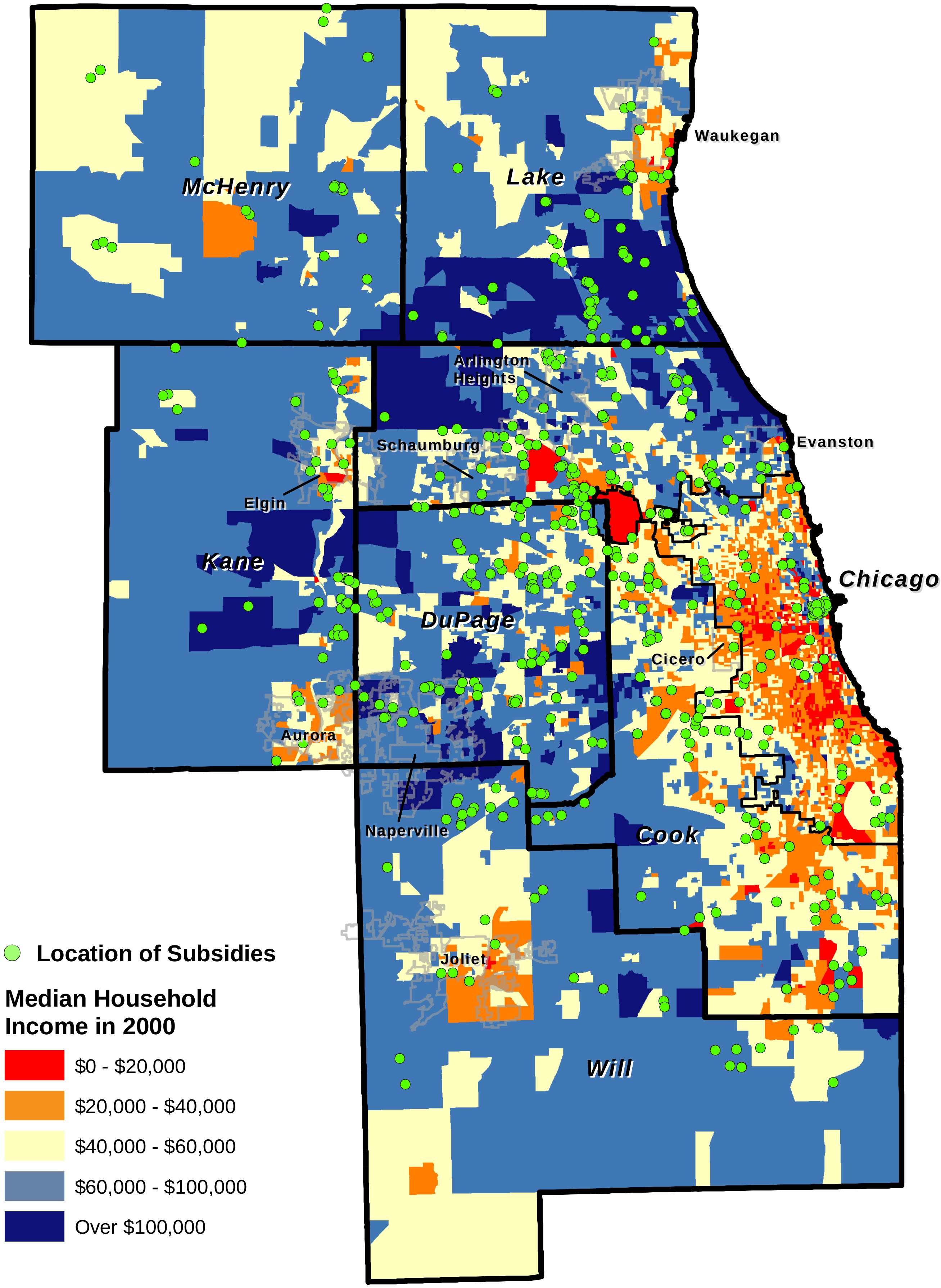
TABLE 6:

Median Household Income in Chicago and Six-County Region, 1990-2004

Area	Median Household Income 1990	Median Household Income 1995 (Estimated)	Median Household Income 2000	Median Household Income 2004	Percent Change 1990-2004
Cook (Total)	$42,627	$43,047	$45,922	$48,849	14.6%
Chicago	$36,299	NA	$38,625	$40,656	12.0%
Suburban Cook	$50,215	NA	$54,443	$58,393	16.3%
DuPage	$59,601	$63,766	$67,887	$70,174	17.7%
Lake	$59,528	$60,075	$66,973	$69,670	17.0 %
Will	$52,278	$53,745	$62,238	$65,186	24.7%
Kane	$50,747	$52,290	$59,351	$65,405	28.9%
McHenry	$56,766	$56,714	$64,826	$70,956	25.0%

Data on median household income from Northern Illinois University Business and Industry Data Center: http://www.illinoisdata.com/il_dem_char.htm

Map 4: Subsidy Locations vs. Household Income



Note: 2000 Median Household Income for the six county region was $52,185

NEGLECTING AREAS WITH HIGHEST POVERTY RATES

Job-rich counties favored by state subsidy distribution are also those with the lowest poverty rates. As Table 7 makes clear, Chicago's poverty rate has been three and even four times higher than those in some collar counties.

The marked recent increase in poverty rates in the collar counties—especially Kane and Lake—is thought to reflect the increasing numbers of unskilled minority and immigrant workers who move to the suburbs in search of work and end up in low-wage service jobs that keep them mired in poverty. In the case of Lake, it reflects the fact that the county has older cities with real economic challenges, such as Waukegan, which recently received an Illinois Enterprise Zone designation.[35]

Other lower income localities in these otherwise affluent counties include Highwood (median household income $43,000), North Chicago ($35,000), and Park City ($36,000) in Lake County; and Beecher ($27,000), Fairmont ($27,000), and Rockdale ($40,000) in Will County.[36]

Targeting state incentives to create jobs for workers in such areas—and improving their skills—would make more sense than indiscriminately continuing to subsidize companies in already affluent areas.

NEGLECTING AREAS WITH CONCENTRATIONS OF PEOPLE OF COLOR

The disparities in income and employment conditions correlate, to a great extent, with the differences in racial and ethnic composition. As indicated in Table 8, the more prosperous collar counties are overwhelmingly white—90 percent in the case of McHenry, where the African-American portion of the population is less than 1 percent.

TABLE 7:

Poverty Rates in Six-County Region, 1990-2004

Area	1990	1995	2000	2003
Cook	15.0%	14.7%	13.5%	14.6%
Chicago	19.0%	NA	19.6%	21.3%
Suburban Cook	9.0%	NA	6.4%	8.9%
DuPage	2.7%	3.3%	3.6%	4.9%
Lake	5.2%	5.2%	5.7%	7.1%
Kane	6.8%	6.5%	6.7%	8.9%
McHenry	3.5%	3.2%	3.7%	4.9%
Will	6.0%	6.0%	4.9%	5.1%

Source: Northeastern Illinois Planning Commission; Fedstats.gov; Good Jobs First estimate for suburban Cook.

TABLE 8:

Demographic Composition of Six-County Region

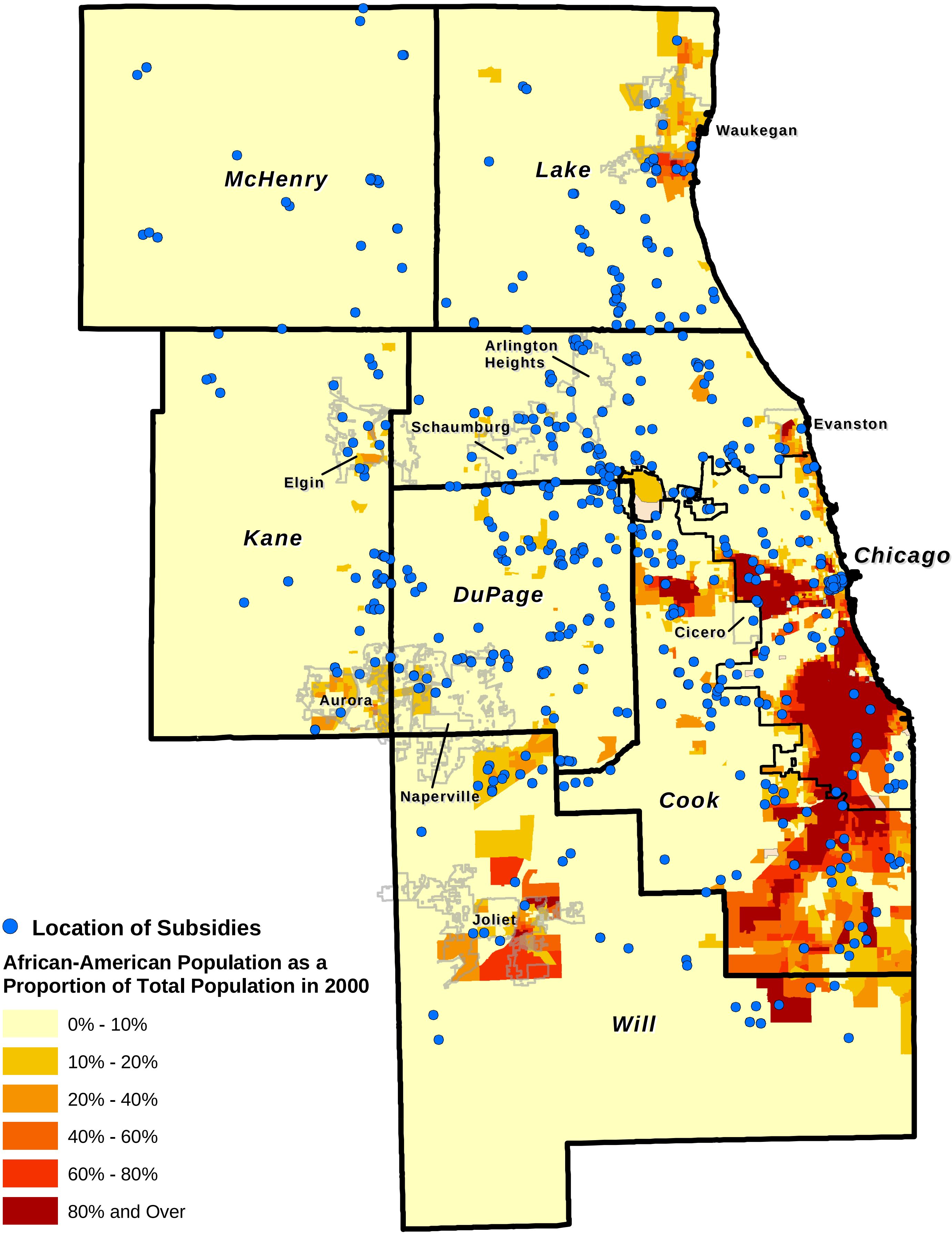
Ethnic/Racial Demographics	Cook	DuPage	Kane	Lake	McHenry	Will	Total
Latino	20%	9%	24%	14%	8%	9%	17%
White	48%	79%	68%	73%	90%	77%	57%
African-American	26%	3%	6%	7%	<1%	10%	19%
Asian	5%	8%	2%	4%	1%	2%	5%
Other	2%	1%	1%	2%	1%	1%	2%

Source: U.S. Census, 2000.

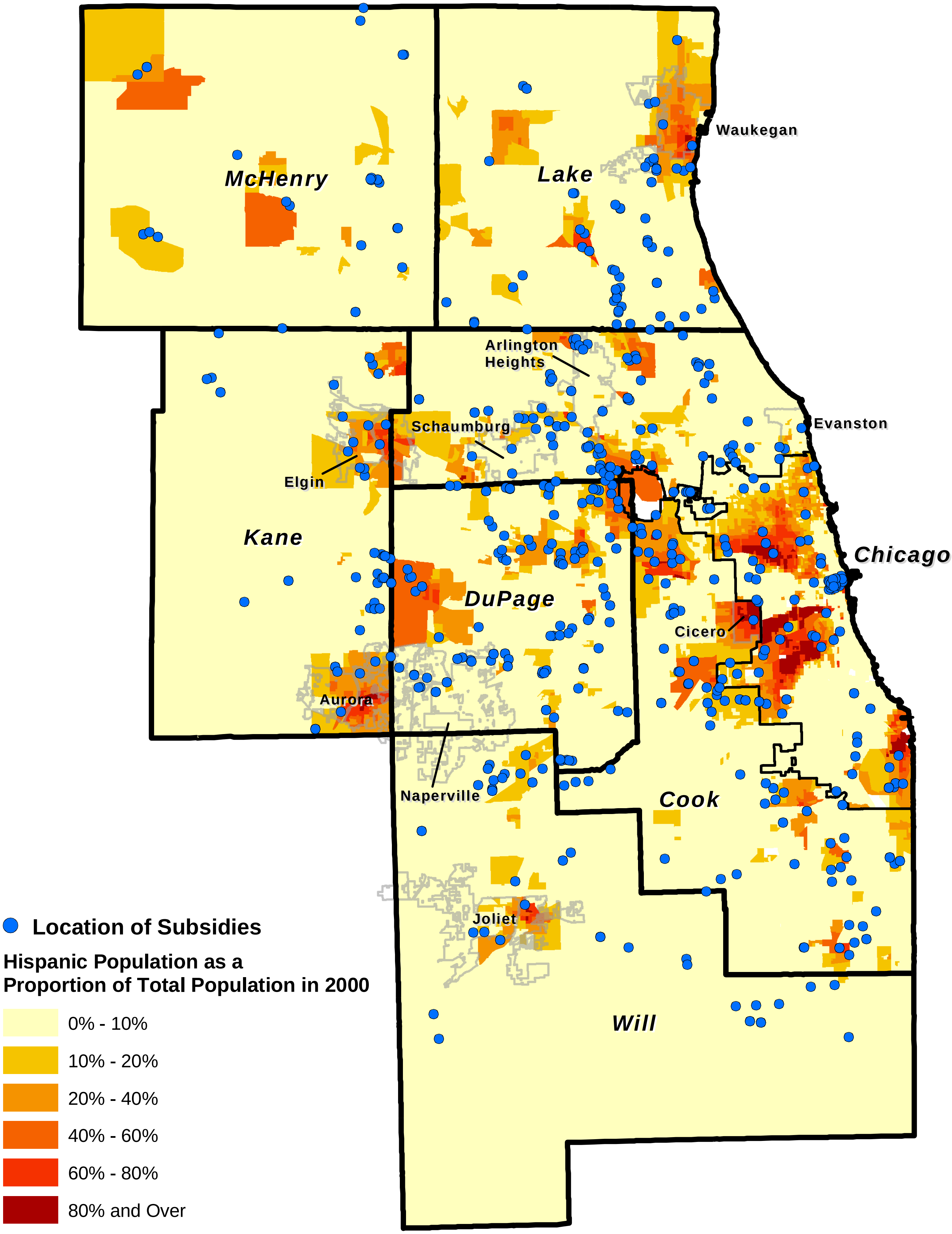
Map 5 shows the distribution of the region's African-American population by census tract and compares it to the distribution of subsidies. The sections of Chicago that are overwhelmingly African-American have only a scattering of subsidy deals, while the collar counties have large numbers of subsidies in areas with very few black residents. The main exceptions are in cities such as Waukegan and Joliet as well as parts of suburban Cook.

The pattern is not quite as egregious when it comes to Hispanics. Map 6 shows that numerous subsidy deals in the collar counties occurred in places with larger numbers of Hispanic residents, but most are in areas where few Hispanics live.

Map 5: Subsidy Locations vs. African-American Population



Map 6: Subsidy Locations vs. Hispanic Population



REDUCING JOB ACCESS VIA PUBLIC TRANSIT AND ITS IMPACT ON LOW-INCOME WORKERS AND COMMUTER CHOICE

Besides reinforcing economic inequality, the geographic distribution of subsidies in the Chicago region has not addressed the need of lower-income workers for jobs that are accessible by public transit. It has also failed to give all commuters more choice about how to get to work. As one report noted, because of the Chicago region's jobs sprawl, "[i]f the home to work connection can be made at all, reverse commuters often invest a three- to five-hour chunk of their lives each and every workday riding and waiting for public transit buses and trains."[37]

Of the 782 subsidy deals we examined, only 141 were located within a half-mile of a Chicago Transit Authority (CTA) rail station or bus line (see Map 7). And most of those locations were within Chicago's city limits, given that CTA does not extend far into the suburbs. Only about 3 percent of all the suburban subsidy locations could be easily reached by CTA service.

In theory, inner-city workers could get to more of the suburban jobs by using CTA service and then transferring to the PACE or Metra system. However, PACE exists mainly to transport people from one suburban location to another, and has limited direct connections to CTA. Metra exists mainly to bring suburbanites to workplaces downtown and provides very limited service for reverse commuters.[38]

In fact, Chicago Near West and Southwest Side communities have been struggling to restore adequate CTA train service so residents can reach employment opportunities in the job-rich O'Hare Corridor and Northwest Side.[39] Far Southside citizen organizations have for years demanded expanded Red Line service to create greater access to high growth areas.[40]

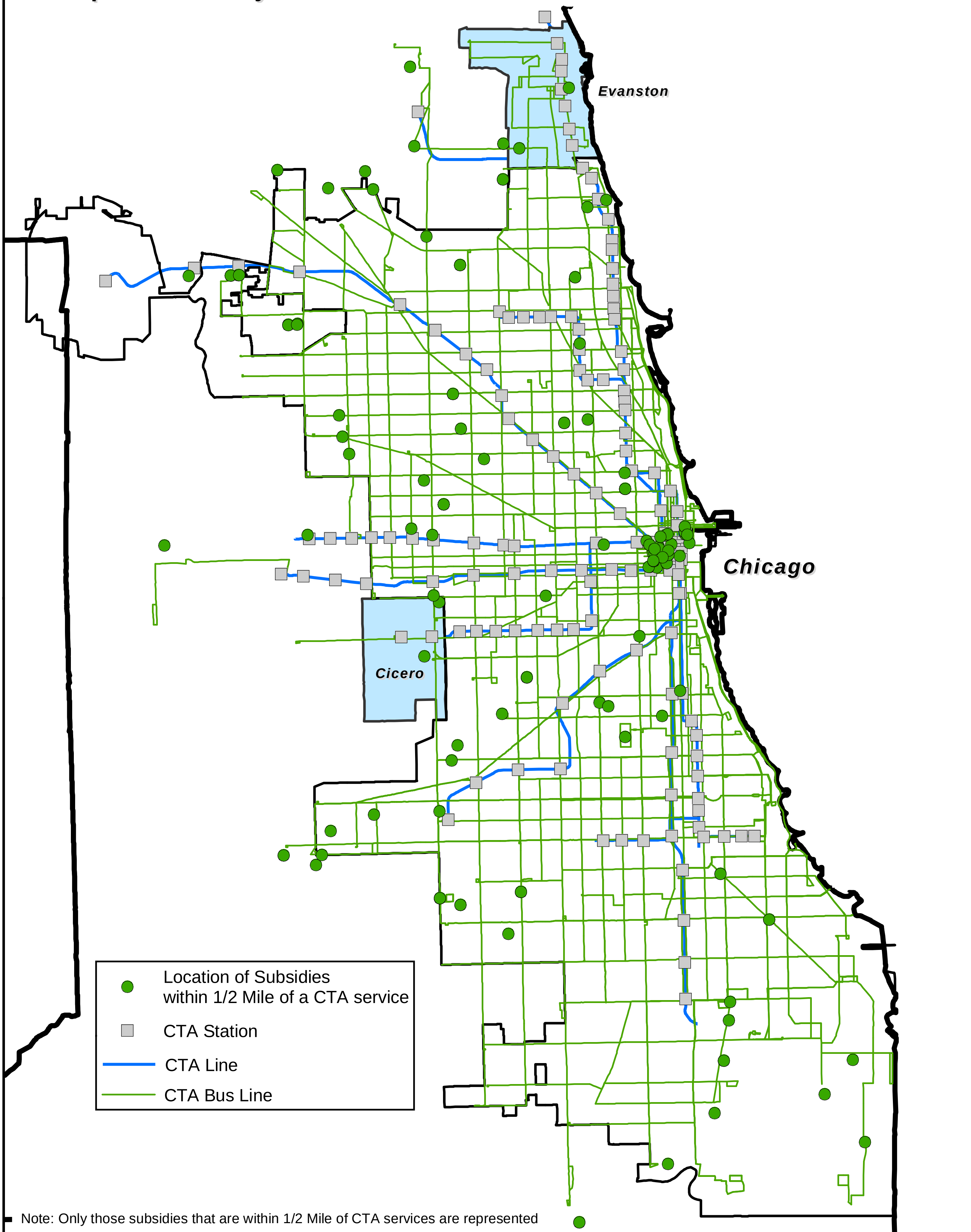
Subsidizing worksites that are largely inaccessible by public transit also means that commuting options are limited for the region's auto owners. Forced to drive to work, they face more congestion and pollution, more lost time and higher costs. Between 1980 and 2000, for example, the number of commutes lasting 60 minutes or more grew 34 percent in DuPage County, 81 percent in Lake, 126 percent in Kane, 161 percent in McHenry, and 203 percent in Will.[41]

According to data from the Texas Transportation Institute, commuters in the Chicago region experience an average of 58 hours a year in delays, seventh worst among very large urban areas.[42]

Lower-income families, who are disproportionately people of color, are harmed the most when jobs are located away from public transit. As noted earlier, the six-county Chicago area ranks second worst in the spatial mismatch between where African-Americans and Hispanics live and where job growth is occurring.[43]

Along with having few affordable housing options in high job growth areas, people of color are much less likely to have a car to drive to those areas. According to data from the U.S. Census Bureau, African-American households in the Chicago area are three times more likely not to own a

Map 7: Subsidy Locations Accessible to CTA Transit Service



Note: Only those subsidies that are within 1/2 Mile of CTA services are represented car as white households.[44] 2000 Census data revealed over 14 percent of Chicago area workers did not own a motor vehicle.[45] And for low-wage workers the costs of operating a car or van are high, with a daily commute between a West Side residence and an O'Hare area workplace consuming about half his or her take-home pay.[46]

In short, state job subsidies have been distributed in a way that fails to address the widening economic inequality between Chicago and its outer suburbs, and that makes it more difficult for lower-income workers to reach the places where employment is growing at the most rapid rate. Better-paid workers are also harmed; they are forced to drive and lose more time in traffic.

CHAPTER 4:

FUELING REGIONAL DISPARITIES IN THE TAX CAPACITY OF LOCAL COMMUNITIES

Another way untargeted state business subsidies have reinforced regional economic disparities is by concentrating business assistance in areas with high tax capacity.

A municipality's tax capacity measures the fiscal resources available to a community to pay for public services such as education and public safety. It is defined as the revenue a town can raise by applying the *average* tax rates for its metropolitan area (for property, sales and other taxes) to its available tax base.[47]

Besides reflecting the relative wealth of a community, tax capacity is an important indicator of locality's ability to provide good infrastructure, education and social services and thereby keep the community vital and attractive. When jobs and economic activity thin out in a metro area because of sprawl, the regional tax base becomes stressed and less efficient. The resulting harm to schools and other public services can become another factor fueling even more sprawl.

To maintain critical services, older communities whose tax bases are shrinking because of industry and population loss must raise their tax *rates* to maintain the same level of service. Otherwise, they have to cut services. In either event, these older communities become even less attractive as business locations.

A 2005 study by the Leadership Council for Metropolitan Open Communities, which measured combined property and sales tax capacity for all municipalities in the greater Chicago area, found an extreme degree of inequality. Using the same tax rate, the study found, a high-capacity place like Oak Brook Terrace could generate 30 times the revenue of a fiscally stressed, low-capacity locality like Phoenix in southern Cook County.[48]

The ability to generate adequate revenues with comparatively low tax rates helps give areas with high tax capacity another selling point when they recruit new businesses. For example, DuPage County touts its low tax rates when it cites the reasons for its strong business base:

> Through the links on this page you will learn why over thirty thousand businesses and almost one million people have chosen DuPage as their home. Some of those reasons include close proximity to the Chicago metropolitan region and O'Hare Airport, a modern transportation infrastructure, *low*

taxes and an excellent quality of life.[49]

STATE BUSINESS SUBSIDIES GO DISPROPORTIONATELY TO "HIGH TAX CAPACITY" SUBURBAN COMMUNITIES

In its survey of different tax capacities of every municipality in the six-county area, the Leadership Council developed a tax capacity "score" based on the community's tax resources versus the type and levels of needs it has to address.[50] It then ranked communities by the resulting score, and then divided the scores into six groups.

In Table 9 we show the shares of state subsidies received by each of those six groups in the 1990-2004 period.

Here again, the tendency towards subsidizing affluence is apparent. Fifty-seven percent of Illinois job subsidy dollars in this 15-year period went to companies located in localities with higher than average tax capacity (Groups IV, V and VI). Municipalities with high or very high tax capacities (Groups V and VI) in suburban Cook and the collar counties received over 28 percent of all state business subsidies.

In Map 8 we present the same information for each of the municipalities in the region. What stands out are the large number of subsidies in high tax-capacity places (marked in blue) such as much of DuPage, northwestern Will, southern Lake and northwestern Cook. There are but a few cases, such as the Waukegan area of Lake and parts of DuPage, where subsidies are clustered in collar county places with low tax capacity.

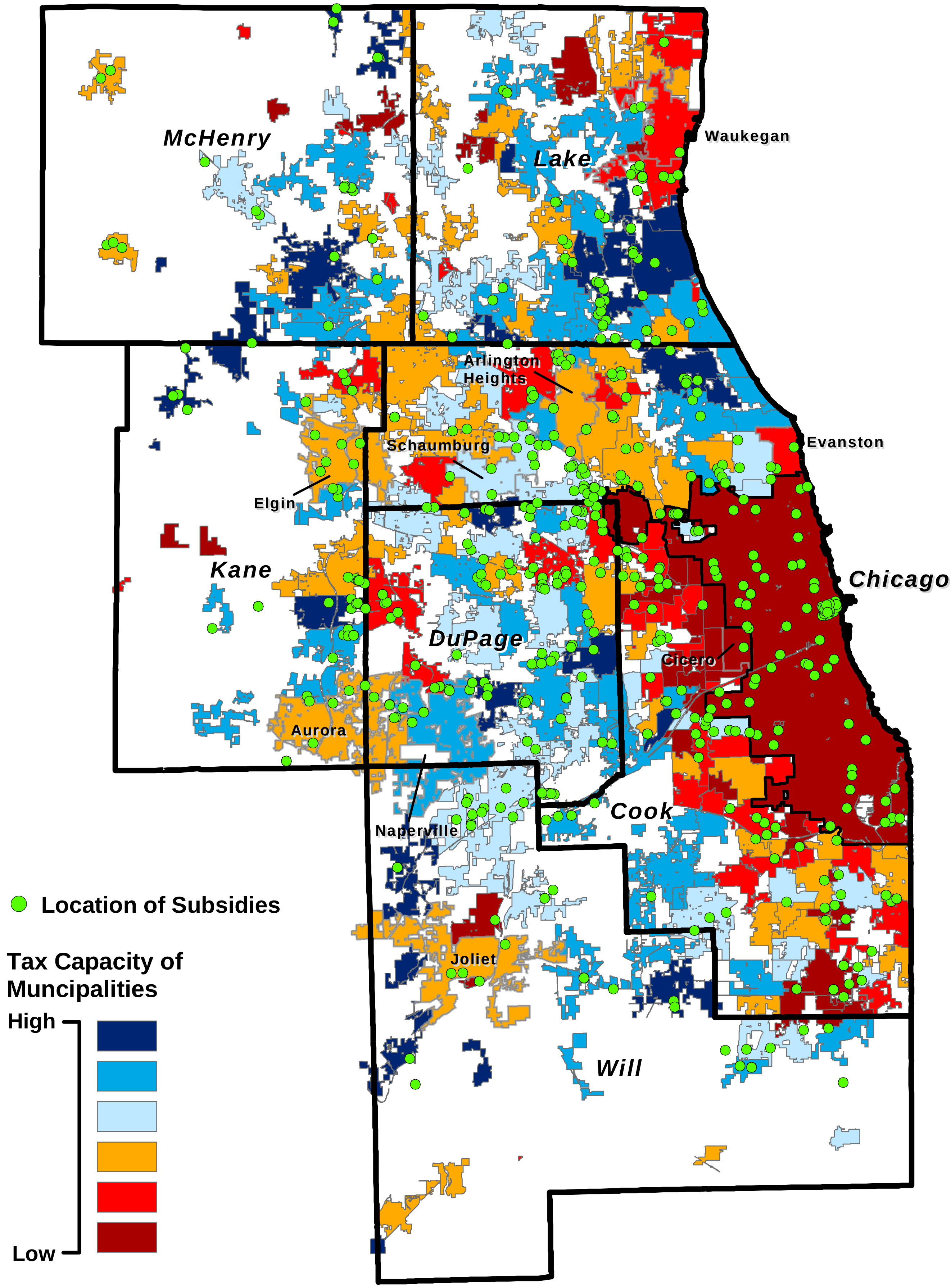
TABLE 9:

State Economic Development Subsidy Distribution by Tax Capacity Score (1990-2004)

Leadership Council's Tax Capacity Score per Class (Lowest to highest)	Number of Job Subsidy Deals	State Subsidies (in $ thousands)	Percentage Share State Subsidy dollars
I (-1.14 to -0.35)	173	$221,131	19%
II (-0.33 to –0.18)	86	$114,177	10%
III (-0.17 to 0.01)	138	$183,366	15%
IV (0.00 to 0.16)	134	$341,033	29%
V (0.19 to 0.42)	162	$221,314	19%
VI (0.46 to 1.22)	89	$112,759	9%

Source: Good Jobs First analysis

Map 8: Subsidy Locations vs. Tax Capacity of Municipalities



CHAPTER 5:

TILTED TOWARDS AFFLUENCE— SUBSIDY DISTRIBUTION WITHIN COOK COUNTY AND CHICAGO

The geographic distribution of state business subsidies within Cook County echoes the subsidization of affluence throughout the six-county region.

Suburban Cook was the first place where job growth accelerated as employment conditions in much of the city of Chicago worsened. Suburban Cook's share of incentives dwarfed that of Chicago and even the collar counties in the early 1990s. But while Cook County outside of Chicago still receives more subsidy dollars than Chicago or any single county in the six-county region, its share of state business subsidies has declined sharply in recent years.

Within suburban Cook County, there are significant differences in subsidy distribution. Chicago's northern and northwestern suburbs absorbed a far greater share of economic development subsidies than did the city's less affluent south suburbs.

North and northwest Cook County (the latter being Cook County's share of the Northwest/O'Hare Corridor) absorbed over half (55 percent) of the subsidies received by businesses in suburban Cook, compared to 30 percent in the south and southwest suburbs. The western suburbs received 15 percent.

Despite having household incomes as much as 38 percent higher than those in the southern and southwest suburbs, suburbs in north and northwest Cook received nearly 66 percent more state subsidy dollars. This lopsided distribution of state incentives to already affluent areas of Cook aggravates the decades of disinvestment in the county's southern suburbs.[51]

This inequity is compounded by the fact that northwestern Cook suburbs form the largest part of the Northwest/O'Hare Corridor, shared by tiny slivers of DuPage, Lake and McHenry Counties and the preferred location of a wide range of

TABLE 10:

Job Subsidies in Different Parts of Cook County

Suburban Cook	Subsidies (in $000s)	Share	Median Annual Household Income
North/ Northwest	$250,010	55%	$68,557(N) /$73,012 (NW)
South/ Southwest	$135,719	30%	$49,740(S)/$60,002(SW)
West	$70,300	15%	$53,385
Total	**$456,529**	**100%**	

companies—technology companies like Sprint Spectrum, manufacturers like Quality Screw and Nut, and foodservice companies like Sysco Foods, all of which got subsidy deals.

DISTRIBUTION WITHIN CHICAGO

Zooming in for a third level of focus reveals that even within Chicago, there has been a very uneven distribution of state job subsidies.[52] Table 11 details the distribution among the city's three "sides" and the Loop area.

Predictably, the Loop and nearby areas absorbed a major share (27 percent) of the subsidies received by the city, although the corporate headquarters boom predicted after Boeing moved its headquarters from Seattle in 2001 has failed to materialize. Total state subsidies to individual companies in the city's central business district (the Loop proper and adjacent ZIP codes) between 1990 and 2004 exceeded $48 million.[53]

Outside the city's central business district (CBD), three ZIP codes received more than $10 million in state economic development subsidies: 60633 received $18.9 million (on the far Southeast Side); and 60632 received $11.9 million and 60628 received $13 million (far South Side). Counting the CBD ZIP codes, this means 14 of the city's 61 ZIP codes received $92 million, or half of all the job subsidies companies in Chicago received in the 1990-2004 period. Chicago's remaining 47 ZIP code areas shared the rest.

Looking at the city's broader geographic divisions, distributional disparities are again evident. Companies on the North Side and the South Side received far more than those on the West Side. And within the South Side, over 72 percent of economic development subsidies went to the historically industrial far Southeast and Southwest Sides.

In particular, state and city subsidies for the Ford manufacturing supplier park have supported the far Southeast Side's industrial renewal.[54] While private and public reinvestment in these traditional industrial urban areas is itself very positive, the central core of the South Side—spanning seven ZIP codes—received only $1.2 million in state business subsidies during the entire the 15-year period.

TABLE 11:

Subsidy Distribution by Chicago Areas and ZIP Codes

Chicago Area	Subsidy Dollars 1990-2004	Share of Subsidy Dollars	ZIP Codes Receiving Subsidies
Central Business District	$48.6 million	27.1%	60601-60607, 60661,60610, 60611, 60679, 60654
North Side	$43.5 million	24.5%	60613, 60614, 0646, 60626, 60640, 60614, 60631, 60641, 60647, 60707, 60631
South Side	$60.9 million	34.8%	60609, 60616,60637, 60628, 60617, 60633, 60827, 60609, 60617, 60629 60638, 60629, 60652, 60632
West Side	$24.6 million	13.6%	60622, 60623, 60644, 60651, 60639, 60651
Total	**$177.6 million**	**100%**	

CHAPTER 6:

CONCLUSION AND PUBLIC POLICY OPTIONS

Untargeted state business subsidies have aggravated economic inequality in the Chicago region in several ways. They have flowed disproportionately to suburban areas already experiencing rapid population, income, and employment growth, enjoying strong tax bases and comparatively low taxes, and benefiting from continuing and massive taxpayer spending on highways.

These subsidies have reinforced trends toward increased sprawl, traffic congestion, and the movement of job opportunities away from the most disadvantaged residents. They have rewarded many companies for location decisions they would have made anyway, while diverting resources from other areas in need of increased public and private investment.

The following public policies would likely make state economic development spending in the six-county Chicago region fairer and more cost effective:

- ***Reserve and target state business incentives to areas with high unemployment and/or low incomes.*** Most of the economic development subsidies analyzed here are, by statute, not targeted in any meaningful way and thereby end up routinely subsidizing economic activity that would have occurred anyway in areas that didn't need help attracting investment. Adding targeting standards—much like tax increment financing had before it was deregulated to allow the Sears deal in Hoffman Estates—would enable the state to spend less by leveraging new private investment in distressed areas and get more by avoiding spending on deals in affluent areas that would happen anyway.

- ***Make the state's new Business Location Efficiency Act (Public Act 94-966) more effective.*** Currently the law acts as a voluntary "carrot," granting slightly larger Economic Development in a Growing Economy corporate income tax breaks if a company locates jobs proximate to public transit and/or affordable housing. Amending the new law to require companies in metropolitan areas with mass transit service to meet location efficiency standards (or develop a remedial plan to meet them), as a condition for receiving any state incentive, would steer more jobs to the transit grid and closer to affordable housing, increase job access for lower-income workers, and encourage reinvestment in older areas.

- ***Amend the state's subsidy disclosure law to require subsidized companies to justify business relocations within Illinois and report the impact on workers and communities affected by the relocating project.*** State-subsidized business relocations should include impact statements on job dislocation, future commuting distance, and public transit accessibility. A recent Good Jobs First study in the Twin Cities region found that subsidized relocations had a "reverse Robin Hood" effect, as measured by tax capacity, race, transit access, welfare and poverty.[55] While Illinois' subsidy disclosure law now requires companies to provide basic information relating to relocations, additional disclosure would do more to prevent potential abuses.

The lack of coordination between economic development and land use planning is hardly unique to Illinois, as studies in Michigan, Minnesota, Ohio, Missouri and Pennsylvania demonstrate. But with Chicago-area land consumption continuing to rapidly outpace population and job growth—and all the resulting harms to economic opportunity, the environment and quality of life—Illinois can build upon its Location Efficiency precedent and achieve greater efficiency for taxpayers, more economic fairness, and a safer environment.

DATA AND METHODOLOGY

Since nearly all the subsidy records analyzed here preceded the disclosure requirements of the 2003 Corporate Accountability in Tax Expenditures law (Public Act 93-552), they had to be obtained by Freedom of Information Act requests submitted to these agencies: the Department of Commerce and Economic Opportunity (DCEO), the Illinois Finance Authority (IFA, formerly the Illinois Development Finance Authority), and the Illinois Department of Transportation (IDOT).

DCEO provided data on the programs it administers: Employer Training Investment Program (formerly the Industrial Training Program); Enterprise Zone credits (state share only); High Impact Business Program; Large Business Development Program; Economic Development for a Growing Economy (without company-specific amounts before 2004); the Corporate Headquarters Relocation Program; and the Business Development Public Infrastructure Program.

IDOT provided data on its Economic Development Program. IFA supplied information on the Industrial Revenue Bond program, including several addresses for older projects that were not otherwise available.

The Illinois Treasurer's Office did not respond to our FOIA request for data on the State Treasurer's Economic Program (STEP), but data was available from press releases posted on its website.

This information was supplemented by annual reports and websites of these agencies and by archived news reports from the Nexis database service.

Since exact street addresses for the business projects receiving economic development incentives were not included in the state records obtained via FOIA requests, an extensive effort was required to find them from a variety of open and proprietary electronic and hardcopy sources such as BizAnalyst, Google Address Locater, web-based Business Yellow Pages, Yahoo, the annual Illinois Manufacturers Directory, print or web-based versions of the *Thomas Register*, *McCrae's BlueBook*, *Polk's*, and *Hoover's* industrial and manufacturing directories, along with city and Chamber of Commerce websites and other sources. In some instances, where a firm had gone out of business or where its subsequent ownership could not be traced, we used sources like U.S. Environmental Protection Agency records or Nexis archives to find or confirm addresses.

Illinois business establishment data for the six counties were obtained from annual U.S. Census Bureau County Business Pattern Reports. Data for Chicago were obtained from the U.S. Housing and Urban Development agencies HUDUsers County Business Data Extracts for Chicago (1993-2002). We limited our analysis to establishments with at least one employee.

We tried to expand our analysis of transit accessibility in the collar counties by mapping subsidized jobsites that could be reached by urban workers using PACE connections from CTA train stations and bus stops. We were unable to obtain the necessary data from PACE. All general analyses we could find suggested that PACE, as well as Metra, did not provide much additional access to suburban jobs for workers living in Chicago.

APPENDIX:

THE ILLINOIS ONLINE SUBSIDY DISCLOSURE SYSTEM

Illinois Corporate Accountability in Tax Expenditures Law (Public Act 93-552)

In August 2003 Illinois adopted annual, company-specific disclosure of state economic development subsidies when the Corporate Accountability in Tax Expenditures Act became law.

The law mandated creation of an electronic tracking system, which went online in June 2005, for all state economic development aid, and includes:

- Annual progress reports to the Department of Commerce and Economic Opportunity (DCEO) from all state-subsidized companies.
- Number, type, and average wage levels of jobs to be created or retained at the state-subsidized job sites.
- The number of actual jobs created and wage levels prevailing at the time of the report, as well as planned future hires.
- Whether the project has resulted in job reductions at the company's other Illinois worksites.

Company subsidy disclosure reports can be found at: http://corpacctportal.illinois.gov.

Illinois' subsidy disclosure law is on-line at: www.ilga.gov/legislation/publicacts/fulltext.asp?name=093-0552&GA=093.

Two pages of a typical progress report follow.

Corporate Accountability for Tax Expenditures Act 93-552

Annual Project Progress Reports for 2005

Hospira, Inc. and Subsidiaries

Lake Forest

I. Development Assistance Agreements Awarded in 2005

	Assistance Amount	Agreement Number
Large Business Development Assistance Program	3,000,000.00	03 88505
Employee Training Investment Program	200,000.00	06 171005
Employee Training Investment Program	200,000.00	05 17111

II. Organization/Project Site Information

Chief Officer or authorized designee	Roger Beglin
Title	Vice President, Taxes
Address	275 N. Field Drive, Dept 9730
	Lake Forest, IL 60045
	USA
Phone	(224) 212-2667
E-mail	roger.beglin@hospira.com
Standard Industrial Classification Number (SIC#)	3841
North American Industry Classification System (NAICS)	339112

III. Did the recipient's use of the State Funding reduce employment at any other site in Illinois?

Yes

Due to the spin off from Abbott Laboratories, it was necessary for Hospira, Inc. to provide new facilities for their employees who were located in various sites throughout the State of Illinois. Were the decision to locate the facility outside the State, these people would either be relocated or replaced. In partnership with the Illinois DCEO, it was decided to locate the headquarters and R&D facilities in the Conway Park Campus in Lake Forest, Illinois, resulting in the retention and creation of jobs and capital investment in the State of Illinois.

Corporate Accountability for Tax Expenditures Act 93-552

Annual Project Progress Reports for 2005

Hospira, Inc. and Subsidiaries

Lake Forest

IV. Job Creation and Retention Data

Program Type	**Large Business Development Assistance Program**
Agreement Number	**03 88505**
Assistance Amount	**3,000,000.00**

Report Header Definitions	
Wages	Average Annual Salary by Classification
Full-Time	Permanent Full-Time
+/-	Gain or (Loss)

Number of Employees At the Time of Application

Job Classification	Avg Annual Salary	Positions	Full-Time	Part-Time	Temporary
Commercial	81,550.00	0	0	0	0
Corporate Admin	842,420.00	0	0	0	0
Operations Admin	93,972.00	0	0	0	0
R&D (County)	82,714.00	172	172	0	0
R&D Staff (Conway)	96,152.00	78	78	0	0
Totals:		**250**	**250**	**0**	**0**

Number of Employees As of the Date of the Report (12/31/2005)

Job Classification	Avg Annual Salary	Positions	Full-Time	+/-	Part-Time	+/-	Temporary	+/-
Commercial	81,550.00	248	248	248	0	0	0	0
Corporate Admin	84,242.00	535	535	535	0	0	0	0
Operations Admin	93,972.00	150	150	150	0	0	0	0
R&D (County)	82,714.00	188	188	16	0	0	0	0
R&D Staff (Conway)	96,152.00	118	118	40	0	0	0	0
Totals:		**1239**	**1239**	**989**	**0**	**0**	**0**	**0**

Number of Jobs Stated in the Agreement that would be Created at the site as a Result of Assistance

Job Classification	Avg Annual Salary	Positions	Full-Time	Part-Time	Temporary
HQ Staff	73,800.00	100	100	0	0
R&D Staff	79,200.00	50	50	0	0

ENDNOTES

1. Dennis Byrne, “Daley Should Try Philip’s Tactic,” *Chicago Sun-Times*, May 22, 1994.

2. A full description of the deal, and the events leading to the plant’s 2004 shutdown, can be found in Good Jobs First’s 2003 report, *A Better Deal for Illinois: Improving Economic Development Policy*, pp.44-51 (http://www.goodjobsfirst.org/pdf/il.pdf).

3. A *Better Deal for Illinois,* op. cit. pp.36-44.

4. Michael Stoll, “Job Sprawl and the Spatial Mismatch between Blacks and Jobs,” Brookings Institution, February 2005, (http://www.brookings.edu/rios/data/sources/report/7dbe62d4a16bff3e331211550a1415cb.xml).

5. John Lukehart, Tom Luce, and Jason Reece, *The Segregation of Opportunities: The Structure of Advantage and Disadvantage in the Chicago Region,* Leadership Council for Metropolitan Open Communities, May 2005, p. 1.

6. William Testa, “Manufacturing exit tough on Midwest central cities,” Federal Reserve Bank of Chicago, July 6, 2006 http://midwest.chicagofedblogs.org/archives/manufacturing/.

7. Wim Wievel and Joe Persky, “Metropolitan Decentralization in Chicago,” Great Cities Institute, University of Illinois at Chicago, July 2001.

8. Ellen Shubart, “Sensible Growth Facts about Northeastern Illinois,” Metropolitan Planning Council, December 7, 2004 (www.metroplanning.org).

9. Subcenter information from Shubart, op. cit. p. 3; income data from “Chicago area’s most affluent communities ranked by 2004 median household income,” *Crain’s Chicago Business*, November 29, 2004.

10. Greg LeRoy, *The Great American Jobs Scam: Corporate Tax Dodging and the Myth of Job Creation*, Berrett-Koehler, 2005, p. 131.

11. Daniel Immergluck and Erin Mullen, *Economic Development Where It’s Needed: Directing SBA 504 Lending to Lower Income Communities*, Woodstock Institute, 1997, (www.woodstockinst.org/document/sba.pdf).

12. In theory, Enterprise Zones and Tax Increment Financing districts are intended to spur economic development or recovery in distressed areas. However, the effectiveness versus the public cost of

both programs has been questioned, and neither program (TIF especially) has been limited to distressed areas.

Most Enterprise Zones exist outside the six-county metropolitan areas. However, they exist in Chicago, Lake County (Waukegan/North Chicago), elsewhere in Cook (McCook/Hodgkins, Chicago Heights, Ford Heights/Sauk Village, Cicero, and Hoffman Estates. Harvey/Phoenix/Hazel Crest, Maywood, Summit Bedford), Will (Joliet Arsenal, Desplaines River Valley) and Kane (Elgin.) The Enterprise Zone for high-income Hoffman Estates (2000 household median income:$65,937) was created for the Sears corporate headquarters relocation.

TIFs rather than EZs have been the policy instrument of choice in Chicago and its suburbs, although how much they help poor areas rather than areas already affluent or on the rise is hotly debated. They are heavily used in both poor and wealthy areas (for example, affluent Lake Forest has had a TIF and a Ferrari dealership example.) For more on the history of TIFs in Chicago, see the Neighborhood Capital Budget Group website (www.ncbg.org).

13. Representatives Jack Franks (D) and Don Moffit (R), Senator James F. Claiborne (D), and eventually 50 other Illinois legislators sponsored the bill. The initial sponsors represented districts where companies like Motorola and Maytag had shut down production after getting large state and local development subsidies. The lead advocate for the bill was the Illinois AFL-CIO, headed by President Margaret Blackshere. The AFL-CIO was joined by SEIU, AFSCME, the Machinists, Citizen Action/Illinois, and the Center for Tax and Budget Accountability in a broad corporate accountability reform program. The new law is on-line at http://www.ilga.gov/legislation/publicacts/fulltext.asp?name=093-0552&GA=093.

    The subsidy database can be accessed at http://corpacctportal.illinois.gov/.

14. It should be noted that we considered only state subsidies directly administered by state government, not locally administered subsidies or those provided by the federal government. So, for example, the TIF subsidies provided for the Sears headquarters move to Hoffman Estate's are not included.

15. Strictly speaking, the savings from the lower interest rates and other favorable terms provided by Industrial Revenue Bonds, for which data is not available, constitute the subsidies to companies, not the face value of the bonds themselves.

16. Since company-specific EDGE data was not released before the state's corporate subsidy disclosure law went into effect, we estimated the six-county region's share of EDGE tax credits based on population and then divided by the number of companies eligible for the credit.

17. Before rounding, McHenry had 3.1 percent of subsidy dollars and 2.5 percent of population.

18. A business establishment is defined as a single physical location at which business is conducted or services or industrial operations are performed. We limited our analysis to establishments with at least one employee.

19. We include communities or ZIP codes

that correspond to the map of the Corridor given in the 2000 Parsons Brinckerhoff report *Northwest Corridor Transit Feasibility Study*, p. 1-1 (www.rtachicago.com/CMS200Sample/uploadedFiles/Northwest%20Corridor%).

20. "About us," Greater O'Hare Association of Industry and Commerce, (www. greater-o'hare.com); Chicago Homefinder, "City Tour-Greater O'Hare," www.chicagohomefinder.com; Mary Sue Barrett, Beyond O'Hare: mapping out a regional transit plan, Metropolitan Planning Council, August 6, 2001, http://www.metroplanning.org/.

21. See Jan K. Brueckner, "Airline Traffic and Urban Economic Development," University of Illinois at Urbana-Champaign, August 2002; John D. Kasarda, "The Rise of the Aerotropolis," *The American City*, Issue 10 on Transportation, Spring 2006, (http://www.americancity.org/).

22. Kasarda, op. cit. p.3.

23. "About us," Greater O'Hare Association of Industry and Commerce, (www. greater-o'hare.com), op. cit.

24. Parsons Brinckerhoff, *Northwest Corridor Transit Feasibility Study*, op. cit., p. 2-2, 2004

25. Statement Of John W. Creighton, Chief Executive Officer, United Airlines, Before The House Aviation Subcommittee, March 06, 2002 (www.united.com/).

26. Gerard L. Dillingham, "Airport Financing: Use of Funds for Capital Improvements at Chicago O'Hare International Airport," Government Accounting Office (GAO), 2000, http://www.gao.gov/new.items/rc00275r.pdf .

27. Information from Good Jobs First telephone conversation with Illinois Department of Transportation District I staff, November 16, 2006.

28. Mary Beth Sammons, "Kennedy Redux: How 3 years, $450 million were spent on the road," *Chicago Tribune*, October 30, 1994.

29. Robert McCoppin, "Next road construction target: I-290/Rt. 53," *Chicago Daily Herald*, April 20, 2002.

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31. Quoted in Marni Pyke, "New Western Access to O'Hare Should be Big Boom," *Chicago Daily Herald,* November 9th, 2006. Posted at http://www.airportbusiness.com/.

32. Moving Beyond Congestion, *Strategic Regional Transportation Plan: Interim Report Summary*, October 2006, p.28. (http://movingbeyondcongestion.org/downloads/RTA_SitAnalysisSum_100506.pdf).

33. *Northwest Corridor Transit Feasibility Study*, op. cit. p. 2-2; regional figure derived from U.S. Census 2000 Summary File 3, Table QT-P23: Journey to Work (www.census.gov).

34. "Northeastern Illinois Planning Commission 2030 Forecasts by County and Municipality of Population, Households and Employment," NIPC, September 27, 2006 (http://www.chicagoareaplanning.org/).

35. Stephanie Zimmerman and Peg Kowalczyk, "Out of Hiding: Poverty is on the rise in Illinois and increasingly visible," *Illinois Issues*, March 2003, http:/ illinoisissues, uis.edu; "Governor Blagojevich announces new enterprise zone that will spur economic growth and attract new investment in Waukegan and North Chicago," Illinois Department of Commerce and Economic Opportunity, June 29, 2006 (www.commerce.state.il.us./dceo).

36. Income data from Record Information Services, http://www.public-record.com/ content/municipalities/kane/index.asp

37. John Plunkett, *Commuter Choice in the Face of Urban Sprawl,* Suburban Job-Link Corp., 2003, p. 8. (http:// www.suburbanjoblink.com/img/pdf/ CommuterChoice.pdf).

38. Moving Beyond Congestion, the strategic planning effort launched by the region's transit agencies, summarized the current service limitations: "Metra provides excellent peak direction, peak period radial service, but service for reverse commutes and off-peak travel are not convenient. However, in many areas, service does not operate every day, or only operates during peak periods or during the day, making it difficult for people to rely on public transit for the full range of travel needs." *Situation Analysis Key Findings RTA Strategic Plan*, October 5, 2006 (http://movingbeyondcongestion.org/ moving-beyond-congestion-documents/ situation-analysis-key-findings.html).

39. "Last chance for the Blue Line," Little Village Environmental Justice Organization, December 2006 (www.lvejo.org).

40. Matthew Blake, "Comment Period Extended For CTA Circle Line," Medill News Service May 25, 2006 (http://cbs2chicago.com/medillnewsservice/ local_story_145093751.html).

41. Lukehart, Luce and Reece, *Segregation of Opportunities*, op. cit. p. 30

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43. Stoll, op. cit., p.3.

44. U.S. Census Bureau, 2000 Census Summary File 3, tables HCT33B and HCT33I for the Chicago PMSA. Available at: http://www.census.gov/Press-Release/ www/2002/sumfile3.html.

45. Plunkett, *Commuter Choice in the Face of Urban Sprawl*, op. cit., p. 5.

46. Ibid., p. 9.

47. "Measuring a Community's Tax Capacity" Metropolitan Area Research Corporation, (www.metroresearch.org), p. 1.

48. Lukehart, Luce and Reece, *Segregation of Opportunities*, op. cit. p.10.

49. DuPage County Website, http://www.co.dupage.il.us/.

50. These include the following: Combined property and sales tax; Services capacity per household; Capacity Change in tax capacity per Household, 1993-2001; Needs/costs School age population; Needs/costs Population over 65; Needs/ costs Average age of housing stock; Day care slots. From *Segregation of Opportunities*, op. cit. p. 30.

51. Metropolitan Planning Council,

"Supporting Community Economic Development in Chicago's Southland," February 24, 2004 (www.metroplanning.org/). The article emphasizes the potential benefits of state incentives in redeveloping the area. The use of the EDGE corporate income tax credit has been credited with helping the area offset Indiana's job piracy. For a discussion of how the EDGE program mutated from countering incentives from other states to an all-purpose subsidy, see Chapter 3 of a *Better Deal for Illinois*, op. cit.

52. Our definition of the broad sections of Chicago is based on our own interpretation of the Northeastern Illinois Planning Commission's map of Chicago neighborhoods and related ZIP codes.

53. We include the Near North and Near West ZIP codes as part of the effective Central Business District, rather than the narrower definition of the Loop.

54. For an account of the Ford supplier park deal, see *A Better Deal for Illinois*, op. cit., Chapter 7.

55. Good Jobs First, *The Thin Cities: How Subsidized Job Piracy Deepens Inequality in the Twin Cities Metro Area,* December 2006 (http://goodjobsfirst.org/pdf/thincities.pdf).