

THE
ECONOMIC
CLUB OF
CHICAGO

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The Club had the privilege of hosting the Honorable JB Pritzker, governor of Illinois, on November 19 for a Special Luncheon Meeting at The Standard Club. Chair Debra A. Cafaro moderated the fireside chat that touched on a wide range of subjects, including economic development, pension reform and state education.

Below are excerpts from the discussion.

On changing the narrative of Illinois...

“I think if you polled people in this room, everybody can cite the things that [past administrations said] we can't solve in the state of Illinois. If I really believed that, I would not have run for governor. We are solving those problems. Are they easy? No. Did they take decades to turn into huge problems for us? Yes. Is it going to take real time to get us out of them? Yes. When you talk about changing the narrative, I think the narrative we need to change is that we can't solve these problems. That's the narrative that's been put in everybody's head.”

On Illinois' strengths regarding jobs...

“We're a leading state for talent, just pure employee workforce talent. We create unbelievable amounts of very high quality talent, and they are retaining their job, they want to stay in their jobs. You go to California and New York or other large states, people are flipping jobs every two years. [...] We produce the second largest number of computer science degrees in the nation, in Illinois. We're the fourth largest producer of data scientists in the nation. Those are a couple of pretty great statistics.”

On how to develop the workforce for available jobs...

“We have to make sure that we're tying the businesses that are in Illinois to the talent production that we're producing. We have something like 100,000 open jobs and 60,000 people looking for jobs. They don't connect with one another because of the skill level or what [they're] offering for skills. Our community colleges ought to be connected to businesses, and our community colleges ought to be producing the skill level that's necessary for people to get the jobs at the businesses, an obvious thing to say. But it's also true in high school. I'm a big believer and I have done a lot to make college more affordable in the state. [...] But high school students also sometimes choose

not to go to college and we have jobs here for them. If we give them the right skills even in high school or in a one-year program after high school, we can prepare them for the jobs that are available.”

On a fair tax versus raising the flat tax...

“The question is, what's the fairest way to find revenue for the state? Is it raising the flat tax on everybody? On people who make \$50,000 and people who make \$500,000? Is that the fairest thing to do? It raises dollars for the state, but is it fair? I would just tell you that we are one of the very few states in the United States that has a constitutionally-mandated flat tax. It's antiquated, what we do. It's not attractive. For those of you who think, ‘Well, gosh, if you get rid of that, things will get so much worse,’ folks, we've had a flat tax system for a lot of years now; it hasn't worked. It has not worked. In fact, if you look at the average state that has a graduated income tax system, they're doing better than we are in terms of economic growth, jobs, balancing their budget, and so on.”

On the difficulties of an amendment regarding pension reform...

“If you could get [a pension reform amendment] through the House, and if you could get it through the Senate and if you could get it on the ballot and get 60% of people to vote for it – which by the way, the polls don't show you could get – if you could do all of those things, you will then face the U.S. constitution contracts clause which essentially says that a contract was entered into with people who took a job for the state, and it can't be abrogated even by a constitutional amendment to the Illinois constitution. So if you could get it through all of those things and then you face that, maybe you could get it through that. Now, take all of that and go back to the beginning [...] if you were a legislator who took a chance on pension reform in 2013, and had the Supreme Court knock it down [...] you can imagine there are lots of people who would say, ‘I took a big chance and voted for this thing that I'm going suffer at the polls from.’ And then, it doesn't work out. We're facing all of that politically.”

On alternative ways to address pensions...

“In the spring, we expanded a voluntary program to buy out retirees when they're retiring, at 60 percent of what their pensions would be. People are choosing to take the money upfront and saving the state money. In fact, a study was done of what the savings would be, and it's billions and billions, potentially \$25 billion of savings. By the way, people are choosing it. Almost 20 percent of people who are retiring are choosing that buy-out. That is good for the tax payers and good for the people who are choosing it, who get the money upfront and get to do whatever they want with that, without having to wait. [...] My Deputy Governor Dan Hynes and his team, we all worked on pension consolidation among the police and fire pensions in suburban and downstate communities. This is a problem – say you've got 650 pension systems; they all have two to 10 or

15 million dollars in them, many of them. They're getting very low returns, relative to all the other pension systems, larger ones, in the state and nationally. If you aggregated them, they could potentially earn two or more percent more per year, which is huge over a timespan compounds. That's something that's been worked on for 72 years in the state. No kidding. It's been worked on for 13 governors and 35 general assemblies, and we got that passed.”

On the importance of education and child care funding in Illinois...

“Every economist that studies this would tell you the best investment you can make for a state's future is education. Period, end of sentence. How you define what those education investments are is up to a state. For the last 20 plus years, I've been very involved in early childhood education, so I believe strongly that this starts not in kindergarten, not in high school, not in college, but when they're born. We have to make sure that we're not leaving anybody out, so that's something that we are accomplishing. We had the largest investment in early childhood education in our budget. I'm very proud of that. And we're expanding; we expanded child care assistance, another big, important thing that we need to bring back in the state. It was significantly diminished under my predecessor. It means that people can't go to work if they don't have child care.”

On his family background and how it's influenced him today...

“My great-grandfather immigrated to this country at age nine, and he wrote a book when he was 70 years old about his life and about my family history. It's not a published book out in the world, but one that we have for our own family. In my family, when you turn 13 years old, you're required to read that book. You get your own copy of that book and you're required to know that book and read that book, because it says a lot about where we came from. I think knowing where you came from, how you got here, is hugely important for determining where you want to go.

My family was just outside of Kiev, in Ukraine, and was fleeing persecution against Jews in Eastern Europe, specifically in the Russian Empire. My great-grandfather arrived here in Chicago with nothing. And frankly, that fact [...] weighs a lot on me when I think about immigration in this country today. I think how important immigrants are to the future of our country. It affects my belief about comprehensive immigration reform, the need for it, how we treat refugees and immigrants in our country, and new immigrants and citizens who are immigrants.

My father passed away when I was young, when I was seven. My mother was an alcoholic and passed away when I was 17. The experiences that I had growing up, in some ways having to grow up early, have affected how I think about the challenges that other people face. I was extraordinarily fortunate, because my family had resources. Helping my mother when she needed help, that was something we could do. [...] There are lot of people who don't have those things, and they don't have treatment available when their family member is addicted. It affects the entire family when you have someone who has an addiction problem. Look, I think all of us are a product of our life experiences, and those things have had a big impact on me and on how I govern the State of Illinois.”